



SCOTTISH BORDERS HOUSING ASSOCIATION
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 March 2022

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

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

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Board of Management, Executive Officers and Advisers

Board of Management

Chair - Robin Hill Elected 30.09.20

Vice-Chair – Phillipa Brosnan Elected 30.09.20

Elected Board Members

Michael Grieve Resigned 08.09.21

Allen Tills

Angela Sulo Resigned 08.09.21

Gordon Saunders Elected 08.09.21

Tracey Glover Elected 08.09.21

Non-Tenant Elected Members

Ian MacDonald Resigned 08.09.21

Philippa Brosnan

Simon Mountford Resigned 02.12.21

John Paton Day

David Cressey Elected 08.09.21

Appointed Board Members

Robin Hill Appointed 30.09.20

Ian McDonald Convenor of Audit & Compliance Sub-Committee

Michael Levack Convenor of Customer Board

Eric Glass Appointed 03.12.20

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

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
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25 Gresham Street
London
EC2V 7HN

Registered Office:

South Bridge House
Whinfield Road
Selkirk
TD7 5DT

Co-operative and Community Benefit Society Registered Number	SP2573R(s)
Scottish Charity Registered Number	SC030751
The Scottish Housing Regulator Registered Number	313

Strategic Report of the Board of Management

The Board of Management of Scottish Borders Housing Association Ltd (“the Association” or “SBHA”) has pleasure in submitting its report and the audited Financial Statements for the year ended 31 March 2022. This aims to give the reader of these Financial Statements a clear understanding of the business of SBHA, and its current and anticipated performance.

SECTION 1 – SBHA

1.0 PRINCIPAL ACTIVITIES

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

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

In the year ended 31 March 2022, the Association’s principal activities directly reflected the objectives defined in its Constitution, namely the provision of housing and housing-related services for people in need.

2.0 BACKGROUND TO THE ASSOCIATION

SBHA was established to receive the transfer of the housing stock of Scottish Borders Council (SBC) and on 3 March 2003 commenced trading. The Association is a charitable organisation and manages some 5,614 rented and 145 factored homes as well as 1,262 non-housing units.

The housing stock contains a range of construction types, aged between 500+ years old in the historical areas of Jedburgh, to less than one year old. There are no high-rise properties, and the great majority of properties are flats. SBHA have made significant investment since 2003, with the achievement of the Scottish Housing Quality Standard (SHQS) in 2015 which continues to be sustained (subject to abeyances and exemptions) and significant progress in working towards achieving the Energy Efficiency Standard for Social Housing (97.68% by March 2022).

Key services are delivered locally by peripatetic teams, supported by mobile 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 supported digitally by the MySBHA App and the established Customer Relationship Management (CRM) model.

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 the Tenant & Community Engagement Strategy and a vital partner in developing the revised Strategy in 2021.

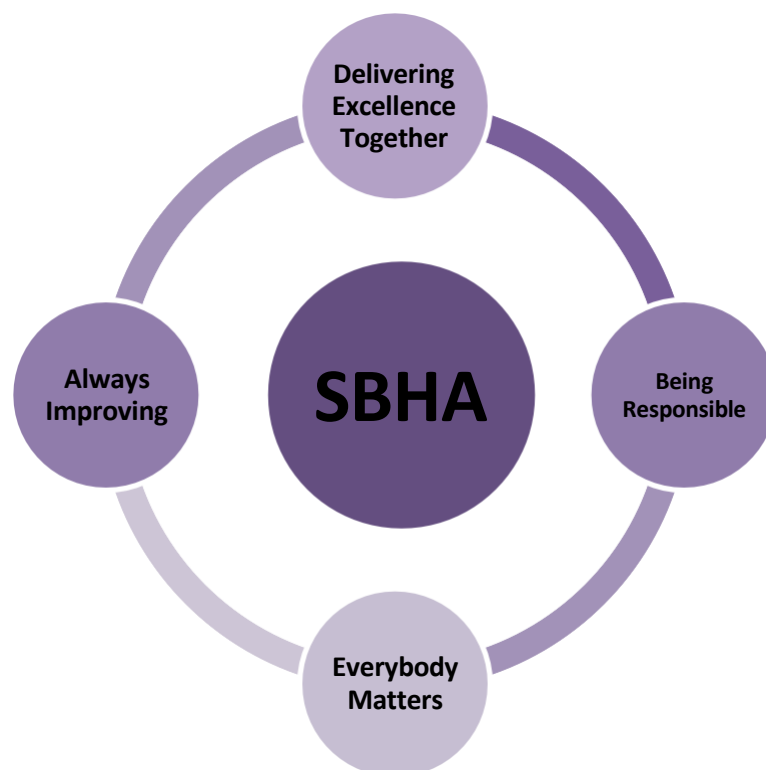
4.0 SBHA 2020-25 STRATEGIC & BUSINESS PLAN

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 provides the framework for future decision making and a clear process for achieving commitments made. 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 of the 2020-2025 Strategic Plan was revised after a series of events to reflect the themes emerging from the newly developed South of Scotland Regional Economic Strategy and the impact of the Covid-19 pandemic on the delivery of services and strategic priorities. The Board of Management approved the revised Strategic and Business Plan in February 2022 and the detailed delivery plan in March 2022, which focuses on 7 main projects detailed across SBHA’s objectives.

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

The revised delivery plan focuses on a number of strategic actions relating specifically to the customer. These include strengthening universal services and improving satisfaction with all SBHA services, and specifically with the management of the neighbourhood; and confirm SBHA's community anchor role by strengthening social impact and developing future skills.

Estate Inspections and Walkabouts in our 13 Neighbourhood patches were halted during the pandemic, and these have now re-started, providing visibility in local communities and a better understanding of what works locally. This community model is supplemented by increasing engagement with customers, as evidenced by the Love Langlee pilot, which has used placemaking tools to consult with residents and create an action plan to improve the area.

To Reduce Inequalities and Personalise Services, SBHA will establish and implement its Vulnerability Risk Framework; mainstream the Warm & Well advice programme; and deliver the

actions identified in the Ageing Well Strategy, which will be supported by the innovative Garages to Homes programme that will transform garages into energy efficient bungalows.

Increased digital engagement with customers was aided by the Scottish Government's Connecting Scotland Programme, through which SBHA provided approximately 224 devices over 2 years, such as laptops and tablets, and WiFi access to vulnerable or isolated Tenants, as well as creating a core of Digital Champions to facilitate effective engagement. A pilot of WiFi broadband in amenity blocks is also currently being explored to support this initiative.

Whilst tackling increased hardship due to the escalating cost-of-living situation, SBHA's objectives are for rents to be affordable, fair, and sufficient to enable the Association to meet its statutory obligations, strategic objectives and Tenants' service expectations. The SFHA rent affordability tool continued to be used to assess rent levels and increases. A below CPI increase of 3.8% was approved for 2022-23, to balance affordability but reflect the need to continue services and invest in homes and communities.

GREAT PLACES

SBHA's Asset Management strategy was approved in 2021 and provides the road map to ensure SBHA's homes are fit for the future. This includes a shift in the quality and quantity of accessible and adaptable homes; continuing with strategies to increase proactive cyclical programmes and increase life-cycles to ensure value is achieved; and a key priority is the journey to net zero carbon, Energy Efficiency Standard for Social Housing (ESSH 2) and Housing 2040.

Outstanding energy efficiency works were progressed to continue the journey on improving affordable warmth in SBHA homes. A number of pilots are being explored to consider a variety of new technologies such as smart sensors to measure humidity and temperature, as well as measuring efficiencies of heating systems. An ESSH2 baseline report was commissioned, to assist in developing future plans to achieve compliance with the 2032 Scottish Government targets and improve affordable warmth for Tenants.

Year 5 of the 6 year Planned Maintenance Plan, connecting significant investment in neighbourhoods with the Community Model, saw total major repairs investment of £7m (2021: £3.6m), with concentration in homes in Kelso and Burnfoot in Hawick. Due to the legacy of the pandemic, the remobilisation of planned programmes was slower than anticipated. Challenges in the construction market such as labour and material shortages contributed towards slippage of £1.9m to be carried into 2022-23, these challenges also resulted in cost pressures. Sustainable procurement and effective programme management of this complex area is key to ensuring commitments are progressed and value for money achieved. Innovative procurement processes are being explored to support the local economic recovery and Community Wealth Building principles.

Creating safe places is a key priority and keeping Tenants and Team safe have remained a primary focus. Most compliance programmes continued, such as gas servicing, and there were no gas safety checks beyond their anniversary date in the year. Some programmes which were deemed as non-emergency such as LD2 installations were paused and recommenced in May. The Scottish target for LD2 (fire and smoke alarm standard) implementation was extended until February 2022, with SBHA currently achieving 99.75% of all stock. A focus is now on ensuring a move from compliance to best practise, to a Compliance Plus approach on assurance on health and safety.

Increasing proactive cyclical maintenance programmes has commenced with a 6-year Environmental programme of works to improve the environmental impact. Works have slowly progressed, having been impacted by the construction sector challenges, to improve the safety and appeal within blocks including improved secure doors and stair-lighting, as well as re-painting.

ONE TEAM

The SBHA Strategic Business Plan 2020-25 sets out the commitment to One Team and maximising our contribution towards the regional economic strategy, supporting the vision of the South of Scotland to “*be a region of opportunity*” and the key strategic themes are a focus of the associated People Strategy 2022-25:

- Developing the Talent Pool and Equipping the Team – focusing on engagement, attraction and retention of the SBHA Team aligning skills and values to deliver opportunities;
- One Culture – nurturing a culture that values and increases diversity at all levels in the SBHA, seeking to address areas of imbalance and promoting strong engagement in line with the SBHA values; and
- Contributing to a Fair Economy – by offering an effective voice, opportunity, security and respect to benefit individuals, organisations and society.

Investors in People Silver accreditation was retained in the year with the resulting report informing the development of the People Strategy. The SBHA Healthy Living Group and Employee Strategy Group have worked to promote positive health and wellbeing, with a particular focus on a successful return to office working for people who had been absent for around two years, trialling a hybrid working model. The positive impact of people being able to connect with each other again has been evident across the organisation. Healthy Working Lives accreditation continues to be suspended and progression to Silver level awaits the resumption of this programme.

A demanding employment market has tested recruitment and retention, particularly in Trade roles. The ongoing implementation of an updated organisational structure will aim to allow the organisation to adapt to changing demands and improve customer outcomes. Positive external partnerships continue to work to improve career pathways and opportunities both for our customers and for young people. SBHA continues to develop future skills and in partnership with Borders College has a programme of learning opportunities in place with a focus on sustainability, greener technology, and low carbon.

RESILIENT BUSINESS

SBHA continue to support Tenants with its Financial Inclusion Service and the wider Neighbourhood Housing team to manage the change to their benefits under Welfare Reform, minimising the risk to SBHA’s financial viability. This has never been so important given the financial hardship experienced in the pandemic and the cost-of-living crisis which continues to deepen. At 31st March 2022, 2,868 (2021: 2,263) Tenants were in receipt of Universal Credit, with attributing technical arrears of approximately £940,000 (2021: £692,000). An additional £401,000 (2021: £338,000) of income for Tenants was generated through the provision of dedicated welfare benefits and financial support services, supporting over 823 (2021:814) SBHA Tenants.

SBHA’s IT & Digital Strategy 2022-27 was developed to focus building on 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. Cloud applications were expanded with the implementation completed of Connect, a work scheduling and job costing platform for reactive and empty homes, as well as SBHA’s finance system including online purchase to pay processing. Digital resilience action plans have progressed, with new security tools and processes being implemented, to continuously strengthen security and support the journey to Cyber Essential Plus.

Value for money continues to be a main aim of SBHA’s procurement strategy. SBHA’s annual report of activities and progress published in 2021 for 2020-21 highlighted £517k net savings. The use of frameworks continued in the year and for sub-contracted reactive works, the local SBC framework has been widely embedded in the Organisation. This approach supports local small contractors and ensures compliance, though the wider economic impact and challenges described in the construction industry have prevailed in the year, which is impacting on the number of Organisation’s available to bid for works.

SMART INVESTMENT CHOICES

Building on the previous track record of providing solutions to over 300 homes which had lain empty for some years, SBHA's commitment to regeneration and place-making is increasing. Priority areas for low demand homes in central Galashiels, Newtown St Boswells, and Hawick are being initiated and funding explored with partners.

73 new homes since 2013 have been built, with 4 completed in the year and a further 18 homes currently in progress over 2 sites. SBHA is committed to increasing housing supply and being a part of the Scottish Government's target to build 100,000 affordable homes across Scotland over the next 10 years. In the year, the Board of Management agreed its own longer term, incremental aspirational development plan of 300 homes over 7 years and a full refinance with Royal Bank of Scotland plc was completed to fund this plan.

Continuing to evaluate opportunities for land acquisition and other development partnership opportunities supports the plan which currently includes a potential Residential Disability Facility in partnership with Aberlour and SBC. South of Scotland Enterprise awarded SBHA and Berwickshire Housing Association £148,000 joint grant funding for a feasibility study by HUSK, to evaluate sites for the potential development of "Garages to Homes" with a potential pipeline of around 50 accessible homes.

The introduction of the Warm and Well project in 2020, delivers support to vulnerable and hard to reach tenants with energy advice including liaison with energy suppliers. The project aims to upskill existing colleagues to mainstream and make energy advice business as usual. As at the 31st March 2022, 1,188 SBHA Tenants have been supported to address fuel poverty, resulting in over £221,000 in household savings. SBHA have been awarded a grant extension of £43,000 for 2022-23 to continue the Warm and Well project up until 31 March 2023. The Borders Housing Network secured total grant funding of £200,000 from the Scottish Government's Fuel Debt Fund. SBHA utilised £100,000, with a total of 127 SBHA Tenants being supported with payments made directly by SBHA to the energy supplier and 305 Tenants on pre-paid meters receiving a top up fuel voucher, of payments totalling £14,000. A further grant of £150,000 was awarded at the end of the year from the Scottish Government to continue this work in 2022-23.

The UK Government's Community Renewal Fund has funded the BEAM project, which aims to reduce inequalities and address barriers to employment faced by unemployed tenants of the RSLs of the Borders Housing Network and is delivered through the Wise Group.

SBHA continues to jointly fund the 16+ Transitions Project for Care Leavers in the Scottish Borders with SBC. Funding has been agreed for a further 3 years to continue the delivery of supported accommodation at Albert Place in Galashiels and support services, including housing advice and options and Tenancy support, to promote and encourage Tenancy sustainment and independent living.

6.0 KEY PERFORMANCE INDICATORS 2021-22

SBHA records and monitors, at Board level, 13 key areas of performance covering satisfaction, rent collection, empty homes performance, repairs completed first time and within target timescales, gas & electric safety, and staffing performance. The out-turn performance across these categories is noted in the table below.

PERFORMANCE	ACTUAL 2021-22	ACTUAL 2020-21	TARGET
Overall Tenant Satisfaction	75%	76%	>82%
Rent Collection %	98.62%	98.60%	>98.00%
Gross Arrears as a % of Rent Due	6.88%	6.65%	<6%
Lettable Stock Void Loss %	0.86%	1.75%	<1.75%
Average days to let empty homes	34	63	<39
Av Time to Complete Emergency Repairs (hrs)	2.12 hrs	1.85 hrs	<2.0hrs
Average days for non- emergencies	10.6	6.6	<5.5
Right First Time (Repairs)	86.65%	92.13%	>93.00%
ESSH Compliance	97.68%	97.10%	>98.3%
SHQS Compliance	92.64%	93.36%	>95.78%
Gas Safety Check by anniversary date	100.00%	99.80%	100%
Properties with an EICR <5 years old	99.50%	99.20%	100%
Staff Attendance	95.44%	96.53%	>96.00%

Overall Tenant Satisfaction: Has marginally decreased in the year and remains below the target of 82%. The continued disruption to services in the year, caused by the Pandemic, is likely to be a contributing factor affecting Tenant Satisfaction and efforts have been made to address backlogs as quickly as possible.

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. There will be a key focus in 2022-23 on improving communication and visibility in neighbourhoods, with an emphasis on greater collaboration to improve customer service and meet service standards.

Rent Collection: Rent collection performance has been positive in the year. The teams focussed on early intervention and prevention, increasing the number of referrals for Financial Inclusion and Affordable Warmth support. Rent collection levels marginally increased during this time and Tenants have also been assisted to tackle hardship by accessing the Scottish Government's Tenant Grant, Crisis Intervention and Fuel Poverty funds, with SBHA receiving on behalf of tenants, a total of £217,000 from these funds to support those in financial hardship and maximise SBHA rental income. Tenancy Sustainment increased to 85.97% (2021: 85.61%).

Empty Homes Management: Performance in the management of empty homes has improved significantly in comparison to last year, both in terms of rent loss and average days to let a home. This is due to the demand from properties increasing yet volume dropping and letting 58% of properties within 4 weeks of becoming empty. Satisfaction in this area also increased with 95% of Tenants satisfied with the standard of their home when moving in, compared to 81% in 2020-21.

The proportion of lets made to homeless households in 2021-22 (41%) is only very slightly lower than the 42% achieved last year and is still higher than the Scottish and Borders averages, reflecting SBHA's continued commitment to support Scottish Borders Council in the delivery of its Rapid Rehousing Transition Plan. SBHA has worked closely with SBC to re-home refugees from Syria and Afghanistan and the current humanitarian response to the Ukraine war will require increased collaboration in the coming year.

Repairs & Maintenance: The Covid-19 pandemic resulted in emergency and essential repairs only being carried out in line with national guidance during the lockdown periods in the early part of the year with restrictions lifted late April 2021. With the recommencement of services in early May, the result of this was an overall 25% increase in the number of repairs carried out in the year although the number of emergency repairs decreased by 8%. SBHA's average time to attend and complete emergency repairs increased to 2.12 hours.

The time taken to complete non-emergency repairs increased to 10.6 days which is over the target of 5.5 days, this was due to the time to clear a backlog of non-emergency repairs from the lockdown periods. Repairs carried out right first time reduced in the year and was impacted by the time taken to complete non-emergency repairs and recalls. Overall, performance was impacted by vacancies due to the buoyant construction market and covid related absences.

EESH: Compliance with the EESH standard was raised from 97.14% to 97.68% below the target of 98.3% for the year but still represents a significant journey from 31.5% in 2015. In the year £727,900 of ECO 4 funding received by SBHA's contractor, benefited SBHA homes, helping to improve the warmth of 279 homes. The remaining 130 properties have a temporary exemption or are undergoing analysis for future works or options appraisal if they cannot be deemed to meet the required standards.

SHQS: Compliance has reduced slightly in the year with changes to the SHQS criteria in relation to EESH and electrical safety.

Gas and Electrical Safety: Good performance continues on Tenant safety, with no gas safety checks missing their anniversary date and continued improvement on EICRs.

Employee Attendance: This year has experienced challenges to the Organisation with the ongoing impacts of the Covid-19 pandemic. The requirement to keep our people and customers safe, and follow ongoing Scottish Government requirements, has impacted on attendance levels.

SECTION 2 – FINANCIAL REPORT

1.0 FUNDING

SBHA is debt funded and in the year 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 facility with Lloyd's bank was ended in the year, with the full outstanding debt of £38,285,300 repaid and breakage costs from fixed rate hedging of £5,257,501 arising (this is contained a part of interest payable and similar charges in the Statement of Comprehensive Income and detailed in Note 7)

The new 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) and the total drawn as at 31st March 2022 is £35m.

On 31 March 2022, SBHA complied fully with all its Loan Covenants.

2.0 STATEMENT OF COMPREHENSIVE INCOME (SOCİ) 2021-22

Annual Turnover increased 2% to £25.25m 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 1.7% from previous year levels. Gross rents exclude unlettable voids, which in the year increased by 6.5%, due to a higher volume and time of empty homes awaiting a major repair. A 41.3% decrease in lettable voids (including garages) is due to a better performance in turning empty homes around, as well as a reduced volume. The decrease in revenue grants is mainly due to a reduced requirement to claim the Coronavirus Job Retention Scheme (see accounting policies (I)) to mitigate the financial impact of the pandemic, this reduced by £540k from the prior year, and offset by adaptations and fuel hardship grants increasing in the year by £132k.

Operating Costs (including losses on disposal of property, plant and equipment) of £19.6m were higher (13.2%) than the previous year. Management and maintenance administration costs have increased during the year by £690k, this is across a range of areas such as; pension service cost (non-cash) increasing by £298k; re-financing professional fees of £133k; amortisation of IT software £75k, reflecting 2 new IT systems implemented in the year; IT revenue costs for licencing security and digital products £50k; corporate insurances increasing by £30k; and tenant engagement costs by £30k.

Planned and Cyclical maintenance costs remained at a similar level to the previous year but in cash terms when adding back those components capitalised, the increase is £3m (capitalised costs increased from £2.6m to £5.3m) as highlighted in note 11b. Repairs and Maintenance services in year were restricted in April 21 with re-mobilisation thereafter. The increase in spend reflects this, with £2m of the Planned Maintenance Programme being carried into 2022-23 (2021-22 £4m) to fulfil those works delayed as a result of the pandemic, and the challenges experienced in the availability of labour and materials in the construction sector.

Reactive Maintenance costs increased by £571k (24.6%) and are similar to pre-pandemic cost levels. As well as SBHA's own Property Services team delivering this service, local sub-contracting usage increased, to ensure that the back-log of repairs which arose from the pandemic restrictions, were completed at the beginning of the year. As anticipated, this resulted in approximately an increase of 25% routine repairs being delivered overall.

Bad Debt expense increased in the year by £87k (21.3%) (2021: decrease of 4.2%) with rental arrears (net of technical arrears) in total being of a similar level overall and collection rates also remaining at similar levels to the previous year of 98.6% (2021: 98.6%). The higher expense is due to the level of those in arrears over £1,000, which increased by £106k requiring a higher bad debt provision.

Depreciation and Impairment costs in the year have increased by £391k (8.9%) and reflects the year on year additional investment on existing properties with its subsequent write off, as well as the purchase of 3 buy-backs at market value which were then subsequently impaired (as per note 11b).

This year the net loss on disposal of fixed assets was £266k more than the previous year, mainly due to the loss on components being replaced increasing from £249k to £520k. The majority of components replaced with a net book value were due to being replaced in line with SBHA's 6 year investment programme. The gain on disposal of one unlettable property sold at market value was £6.2k with 95% of proceeds after selling costs of £117k being retained in lieu of future grant for new build.

3.0 STATEMENT OF FINANCIAL POSITION (SOFP) AS AT 31 MARCH 2022

At 31 March 2022, 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 showed net current assets at 31 March 2022 where those assets are generally able to be realised within one year, exceeded liabilities generally payable in the same period. The liquidity ratio for 2022 was 3.48 (2021: 5.66) and decreased mainly due to lower cash balances detailed below and creditors due within one year increasing by £1.4m. This was forecast, as part of resuming repairs and maintenance services compared with the prior year end.

Cash in Bank or hand is £16.9m (2021: £21.5m) and is at levels greater than anticipated due to the delayed expenditure in the planned maintenance programme and the small new build programme as a result of the pandemic and the impact of supply chain availability. Cash in bank is expected to reduce significantly over the next 2 years as committed project spends are progressed.

At 31 March 2022, the Association owned 5,614 properties against 5,606 at 31 March 2021, 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 from £3,247,000 liability to £35,000 net asset in the year. The report is based on a triennial valuation at 31 March 2020 rolled forward, the main impact on the decreasing deficit was due to the forecast long term gilt return increasing which is the basis for a higher discount rate which is offset by increasing assumptions for longer term rates of inflation and salary increases (the sensitivity of movements the discount rate being greater than the sensitivity of inflation) giving rise to an actuarial gain of £3.60m (2021: loss of £2.44m).

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 2020 and, following this valuation, SBHA's employer's contributions have been set at 20.5% of pensionable pay with effect from 1 April 2022, increasing by 0.5% in 2023. The Association recognises a Net Pension asset of £35,000 (2021: £3,247,000 liability) at 31 March 2022.

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

In 2021 a full Re-finance was undertaken and completed, and the 30-year Business Plan was updated and approved in line with SBHA's revised Development plans and Re-financing terms. Sensitivities and their impact on cash and the revised commercial covenants were reviewed.

The Board of Management has reviewed SBHA's 30-year Business Plan, including annual and 5-year budgets, and have stress tested these in light of the Covid-19 pandemic and the current economic climate. The Board approved a revised plan in 2022 based on these forecasts taking into account potential risks to rental income, voids and the impact of increasing costs due to inflation. 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 keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Association. The Board of Management must ensure that the financial statements comply with the Co-Operative and Community Benefit Societies Act 2014, The Housing (Scotland) Act 2010 and the Determination of Accounting Requirements February 2019. It is responsible for safeguarding the assets of the Association and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

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

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

Board of Management's Statement of Internal Financial Controls

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

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

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

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

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

- The Association has a Strategic and Business Plan, which sets out its corporate priorities, the format of which follows Scottish Housing Regulator guidelines. The Plan covers a period of 5 years and is normally reviewed and approved by the Board annually in conjunction with the annual Budget mentioned below and the updated 30-year Business Plan. The Strategic and Business Plan for 2020-25 was reviewed and approved in February/March 2022.
- Experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- The Association's Financial Regulations were replaced by a suite of Financial Policies which were updated and approved on 20 November 2009 and have been subsequently reviewed and amended as required;
- The Association's Financial Policies set out exactly how the Association's financial controls are to operate;
- A wide range of SBHA Policies deal with, amongst other things, control issues for the Corporate, Finance, Human Resources, Customer Services and Assets & Property Services areas. These are approved at Sub-Committee level and homologated at Board of Management level as and when required;
- The Association's Policy on the procurement of goods and services sets out limits of authority for post holders;
- A detailed Budget is set annually and approved by the Board of Management;
- The overall Budget is divided by service area. Detailed management accounts are prepared monthly, both on an overall basis and by service area. Actual v Budget reports for service areas are discussed with individual Budget Holders, with a view to identifying areas where corrective action is required to prevent avoidable overspends;
- The Association's Executive Officers, comprised of the Chief Executive, A Chief Operating Officer and 3 Directors, receive and monitor the management accounts on a monthly basis;
- The Board of Management is presented with a Financial Monitoring report for the Association on a quarterly basis. This report compares Actual financial results against Budget and comments on any significant variances and on whether the forecast out-turn for the year is likely to be materially different from Budget;

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

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

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

The Key Performance Indicators comparing target with actual results reported at the Board of Management cover financial matters such as loan covenants, arrears and voids level, and staff attendance levels. Actual performance is set out at page 8.

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 2022. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in these financial statements or in the auditor's report on the financial statements.

SBHA's Board of Management has commenced a Self-Assessment review against the Scottish Housing Regulator Standards and committed to re-assess two standards per annum on a rolling basis from 2020. In the year this was undertaken by Internal Audit with substantial assurance provided on the standards 2 and 4.

2.0 RISK MANAGEMENT

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

STRATEGIC RISK	OPERATIONAL RISK/CAUSE	MITIGATING CONTROLS
<p>FINANCIAL</p> <p><i>Fail to manage our finances effectively</i></p>	<ul style="list-style-type: none"> • Costs increase above inflation due to Covid & Brexit • Significant reduction in income due to Covid, Welfare Reform & cost of living • Failure to monitor & control financial commitments results in breach of covenants, particularly impact of supply chain availability • Unable to secure affordable loan funding to meet EESSH2/Net Zero • SBHA is the victim of fraud 	<ul style="list-style-type: none"> • Contingency in contracts/sensitivity/BP assumptions differential • Bad Debt budget and working capital increases; Engage with DWP; Empty homes action plan; Financial Inclusion Services • Governance of management accounts, monthly/quarterly; Realistic Business Plan assumptions/stress testing • Treasury advisor; Finance requirements review • Internal controls; IT security action plan; 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 effectively communicate and engage with Tenants and take effective action • Failure to manage health & safety effectively • Failure to have robust IT security Controls resulting in cyber-attack/data breach • Fail to effectively manage a major disaster (i.e., Covid pandemic) 	<ul style="list-style-type: none"> • Communications Strategy/Customer back • Tenant engagement strategy • H&S framework; Key roles; Competent person/advisor; H&S manuals • 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 • Failure to create effective partnerships & community support • Failure to attract funding (grant) for business growth • Failure to engage appropriate support & advice to develop new homes • Insufficient data/insight and inability to analyse results in poor decision making 	<ul style="list-style-type: none"> • Use of external consultant to increase expertise/seek opportunities • Best practise for New Build development policies and procedures • Increased resources for Land Bank acquisition • Transformation fund in place to capture savings • IT strategy to ensure one source of truth; reporting suite from key systems

3.0 EXTERNAL AUDITORS

RSM UK Audit LLP were re-appointed as auditors following a tendering process in 2016. This is the final extended year of the contract and a re-tender exercise will be undertaken in 2022.

By Order of the Board of Management



Robin Hill
SBHA Chair

Date: 18th August 2022

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 2022 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 2022 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – February 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

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

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of the Board of Management

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

The most significant laws and regulations that have an indirect impact on the financial statements are the Scottish Housing Regulator's Regulatory Framework (published 2019), the Management of Health and Safety at Work Regulations 1999, 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,
Statutory Auditor
Chartered Accountants
Third Floor
2 Semple Street
Edinburgh
EH3 8BL

Date 23/08/22

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

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

Basis of Opinion

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

Opinion

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



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

Date: 23/08/22

Statement of Comprehensive Income

	Note	2022 £	2021 £
Turnover	2	25,246,054	24,755,826
Operating Expenditure	2	(19,133,636)	(17,113,630)
(Loss) on disposal of property, plant and equipment	2,9	<u>(513,620)</u>	<u>(247,930)</u>
Operating Surplus	2, 8	5,598,798	7,394,266
Interest receivable	6	12,143	22,250
Interest payable and financing costs	7	<u>(6,584,040)</u>	<u>(1,559,726)</u>
(Deficit)/Surplus for the Year	20	(973,099)	5,856,790
Actuarial gain/(loss) in respect of Pension Scheme	24	<u>3,562,000</u>	<u>(2,443,000)</u>
Total Comprehensive Income for the Year		<u><u>2,588,901</u></u>	<u><u>3,413,790</u></u>

The results relate wholly to continuing activities.

The accompanying notes on pages 27 to 50 form part of these financial statements.

Statement of Financial Position

	Note	2022 £	2021 £
Fixed Assets			
Intangible Assets	11a	473,914	230,677
Housing Properties – Depreciated Cost	11b	76,513,318	75,246,571
Other Fixed Assets	11c	1,728,257	1,773,359
Investment in Subsidiary Company	12	1	1
		<u>78,715,490</u>	<u>77,250,608</u>
Current Assets			
Stock	13	183,464	226,005
Trade and Other Debtors	14	2,352,824	1,968,743
Cash and Cash Equivalents		<u>16,888,773</u>	<u>21,539,242</u>
		<u>19,425,061</u>	<u>23,733,990</u>
Current Liabilities			
Creditors: Amounts falling due within one year	15	<u>(5,581,268)</u>	<u>(4,193,846)</u>
Net Current Assets		<u>13,843,793</u>	<u>19,540,144</u>
Total Assets less Current Liabilities		<u>92,559,283</u>	<u>96,790,752</u>
Creditors: Amounts falling due after more than one year	16	(42,244,667)	(45,818,037)
Pension Liabilities:			
Defined Benefit Pension Liability	24	<u>-</u>	<u>(3,247,000)</u>
		<u>(42,244,667)</u>	<u>(49,065,037)</u>
Total Net Assets		<u>50,314,616</u>	<u>47,725,715</u>
Reserves			
Unrestricted Reserve	20a	50,314,458	50,972,557
Pension Reserve	20b	-	(3,247,000)
Share Capital	20	158	158
Total Reserves		<u>50,314,616</u>	<u>47,725,715</u>

The Board of Management approved the Financial Statements on pages 23 to 50 and authorised them for issue on 18th August 2022 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 2020		44,817,767	(506,000)	44,311,767
Surplus for the Year	20	5,856,790	-	5,856,790
Transfer from Unrestricted to Pension Reserve		298,000	(298,000)	-
Pension Actuarial (Loss)	24	-	(2,443,000)	(2,443,000)
Balance at 31 March 2021		50,972,557	(3,247,000)	47,725,557
Deficit for the Year	20	(973,099)	-	(973,099)
Transfer from Unrestricted to Pension Reserve		315,000	(315,000)	-
Pension Actuarial Gain	24	-	3,562,000	3,562,000
Balance at 31 March 2022		50,314,458	-	50,314,458

Statement of Cashflows

	Note	2022 £	2021 £
Net Cash generated from Operating Activities	21	<u>12,998,457</u>	<u>11,942,939</u>
Cashflow from Investing Activities			
Purchase of Tangible Fixed Assets		(6,687,667)	(5,512,777)
Purchase of Intangible Fixed Assets		(390,273)	(169,971)
Proceeds from Sale of Tangible Fixed Assets		6,617	29,111
Grants Received		517,908	1,765,382
Interest Received		<u>12,143</u>	<u>22,250</u>
Net Cash (Used in) Investing Activities		<u>(6,541,272)</u>	<u>(3,866,005)</u>
Cashflow from Financing Activities			
Interest Paid		(6,487,354)	(1,539,704)
Contributions to Defined Benefit Liability		(755,000)	(420,000)
Facility Arrangement Fee		(580,000)	-
Debt Repaid		(38,285,300)	(14,700)
Debt Drawn		35,000,000	-
Shares Issued		12	2
Shares (Cancelled)		<u>(12)</u>	<u>(16)</u>
Net Cash (Used In) Financing Activities		<u>(11,107,654)</u>	<u>(1,974,418)</u>
Net (decrease)/Increase in Cash and Cash Equivalents		<u>(4,650,469)</u>	<u>6,102,516</u>
Cash and Cash Equivalents at Beginning of Year		<u>21,539,242</u>	<u>15,436,726</u>
Cash and Cash Equivalents at End of Year		<u>16,888,773</u>	<u>21,539,242</u>

Notes to the Financial Statements

1. STATEMENT OF ACCOUNTING POLICIES

a) Legal Status

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

b) Basis of Accounting

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

c) Accounting Estimates and Areas of Judgement

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

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

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

d) Financial Instruments

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

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

Financial Assets

Debtors

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

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

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

Financial Liabilities

Trade Creditors

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

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

Borrowings

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

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

Derecognition of financial assets and liabilities

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

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

e) Going Concern

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

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

- The short, medium and long term financial prospects resulting from the modelling exercise carried out annually in updating the Association's 30 year Business Plan including sensitivity analysis and independent verification of key underlying assumptions.
- Cash balance at the year end was £16.9m 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 year. All prior and new covenants continued 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); and
- Fees and other types of income as shown in Notes 3 and 4.

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

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

g) Consolidation

The Association has two wholly owned subsidiaries, as follows:

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

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

- For SBBS, consolidation would be impractical and of no real value to the Members of the 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.

h) Finance

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

i) Investments

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

j) Loans

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

k) Government grants

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

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

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

l) Revenue grants

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

Coronavirus Job Retention Scheme

During the year the Association received £4,678 (2021: £ 545,448) from the Coronavirus Job Retention Scheme, to support the continued employment of its employees. This has been accounted for within turnover and has not been set off against salary costs and has been recognised in line with staff costs that the furlough grant was expected to compensate.

m) Fixed Assets – Housing Land and Buildings

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

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

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

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

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

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

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

n) Depreciation – Housing Properties

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

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

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

o) Depreciation – Other Fixed Assets

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

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

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

p) Amortisation – Intangible Assets

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

Asset Type	Useful Economic Life (Yrs)
IT Software	4

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

q) Impairment of Fixed Assets

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

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

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

r) Cyclical Repairs and Maintenance

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

s) Major Repairs

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

t) Lease Obligations

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

u) Value Added Tax

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

v) Service Charge Equalisation

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

w) Stock of Materials

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

x) Sales of Properties

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

y) Taxation

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

z) Other Income

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

aa) 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.

bb) Pension Schemes

Defined Benefit Scheme

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

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

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

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

Defined Contribution Scheme

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

cc) 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.

dd) 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 £	2021 £
Affordable Lettings Activities	3	24,623,260	(18,662,579)	-	5,960,681	7,384,589
Other Activities	4	622,794	(471,057)	-	151,737	257,607
Loss on disposal of PPE	9	-	-	(513,620)	(513,620)	(247,930)
Total for 2022		<u>25,246,054</u>	<u>(19,133,636)</u>	<u>(513,620)</u>	5,598,798	7,394,266
Total for 2021		<u>24,755,826</u>	<u>(17,113,630)</u>	<u>(247,930)</u>	7,394,266	

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

	Note	2022 £	2021 £
Rent receivable net of service charges		24,209,868	23,809,878
Service charges		<u>195,505</u>	<u>216,777</u>
Gross income from rents and service charges		24,405,373	24,026,655
Less voids		<u>(310,082)</u>	<u>(528,282)</u>
Net Income from rents and service charges		24,095,291	23,498,373
Grants Released from Deferred Income	17	296,469	161,472
Grants from Scottish Ministers		<u>231,500</u>	<u>639,166</u>
Total turnover from social letting activities		<u>24,623,260</u>	<u>24,299,011</u>
Management and maintenance administration costs		6,311,989	5,621,758
Service costs		224,723	214,672
Planned and cyclical maintenance including major repairs cost		3,579,130	3,581,186
Reactive Maintenance costs		2,895,319	2,324,652
Grounds Maintenance		357,659	356,579
Bad debts rents and service charges		497,441	410,056
Depreciation of Affordable Let Properties		4,609,716	4,389,023
Impairment of Affordable Let Properties		<u>186,602</u>	<u>16,496</u>
Operating Costs for Affordable Letting Activities		<u>18,662,579</u>	<u>16,914,422</u>
Operating surplus for Affordable Letting Activities		<u>5,960,681</u>	<u>7,384,589</u>

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

3(b) AVERAGE RENTS

	2022 £	2021 £
The average weekly rent (48-week basis) per property available to let at the period end was:	<u>89.79</u>	<u>88.27</u>

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

	Total Turnover £	Other Operating Costs £	Operating (Deficit)/ Surplus £	Operating (Deficit)/ Surplus 2021 £
Other Agency / Management Services	22,948	(41,894)	(18,946)	(12,722)
Factoring	15,461	(17,771)	(2,310)	6,281
Development Revenue	148,000	(242,541)	(94,541)	-
Other Activities	436,385	(168,851)	267,534	264,048
Total from other activities 2022	<u>622,794</u>	<u>(471,057)</u>	<u>151,737</u>	<u>257,607</u>
Total from other activities 2021	<u>456,815</u>	<u>(199,208)</u>	<u>257,607</u>	

Other Activities include commercial lets of £315,235 (2021: £305,492) less related costs of £119,710 (2021: £107,338).

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 2021-22 which require disclosure, with nil in the previous accounting period of 2020-21.

5. ACCOMMODATION IN MANAGEMENT

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

	2022 No.	2021 No.
General Needs Housing	5,543	5,541
Homeless Lets	68	62
Mid-Market Lets – leased to SBHA Plus	3	3
Factored Properties	<u>145</u>	<u>145</u>
	<u>5,759</u>	<u>5,751</u>

Stock movements during the year: 1 property was sold at market value, 5 buy-backs were purchased, and 4 development properties were completed in the year. 6 additional properties previously let as general needs housing, were leased to SBC for temporary homelessness lets.

6. INTEREST RECEIVABLE

	2022 £	2021 £
Interest Receivable	12,143	22,250

	12,143	22,250
7. INTEREST PAYABLE AND FINANCE COSTS		
	2022	2021
	£	£
Loan Interest	1,154,137	1,517,336
Breakage Costs	5,257,501	-
Pension scheme net interest cost	69,000	15,000
Non-utilisation Fees	75,716	22,368
Arrangement Fees	<u>27,686</u>	<u>5,022</u>
	<u><u>6,584,040</u></u>	<u><u>1,559,726</u></u>

Breakage costs arose in the year due to a refinancing exercise, as a result of the early prepayment of 4 fixed rate loans.

8. OPERATING SURPLUS

Operating surplus is stated after charging:

	Note	2022	2021
		£	£
Amortisation of Intangible Assets	11a	147,036	72,448
Depreciation of Housing Properties	11b	4,656,434	4,431,932
Impairment of Housing Properties	11b	186,602	16,496
Depreciation of Other Tangible Assets	11c	102,749	111,057
Operating Lease Rental	23	278,592	287,607
Cost of Stock recognised as expense		861,079	864,743

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	28,828	27,888
Non-Audit Services for entities related to Auditor	<u>2,100</u>	<u>21,764</u>
	<u><u>30,928</u></u>	<u><u>49,652</u></u>
Internal Auditors Remuneration	<u><u>8,778</u></u>	<u><u>13,770</u></u>

9. DEFICIT ON SALE/DISPOSAL OF FIXED ASSETS

	2022	2021
	£	£
Disposal Proceeds	10,539	33,672
Carrying Value/Cost of Disposal	<u>(524,159)</u>	<u>(281,602)</u>
Net loss	<u><u>(513,620)</u></u>	<u><u>(247,930)</u></u>

Disposal proceeds are those retained by SBHA of proceeds from the private sale of 1 property (2021: 2 properties) at the current market value. 5% of proceeds net of costs are retained by SBHA and the balance used in replacement of future Housing Grant (see deferred grant note 17). Where projects are not identified, the proceeds are held in grant repayable (Note 16). The carrying value

of the assets includes the cost on disposal of housing property component assets being replaced £519,775 (2021: £249,316) and the cost of disposal of properties sold is £4,383 (2021: £32,286).

10. EMPLOYEES

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

	2022	2021
	£	£
Wages and Salaries	4,793,139	5,102,801
Social Security Costs	480,103	483,261
Pension costs	538,572	561,873
Agency/Secondment Costs	<u>182,276</u>	<u>124,632</u>
	<u><u>5,994,090</u></u>	<u><u>6,272,567</u></u>
Average number employed during the year of full-time equivalents (including key personnel) was:	No.	No.
Directorate and Senior Management	13	13
Supervisory and Administrative	83	82
Trades	<u>46</u>	<u>66</u>
	<u><u>142</u></u>	<u><u>161</u></u>

Voluntary pension payments of £358,000 were made in 2022 (2021: £nil) to the LGPS scheme as additional contributions. This is part of SBHA's funding strategy to reduce the longer term projected deficit (see note 19 Contingent Liability).

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

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

	2022	2021
	No.	No.
£ 70,001 - £80,000	1	1
£ 80,001 - £90,000	2	3
£ 90,001 - £100,000	1	-
£100,001- £110,000	-	-
£110,001 - £120,000	1	1

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

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

	2022	2021
	No.	No.
£ 0 - £5,000	-	1
£5,001 - £10,000	2	2

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

10. EMPLOYEES CONTD

	2022	2021
	£	£
Aggregate emoluments for the above key management personnel (excluding pension contributions)	<u>451,026</u>	<u>438,321</u>
The emoluments of the Chief Executive (excluding pension contributions)	<u>111,152</u>	<u>110,016</u>
Employer Pension Contributions of the Chief Executive	<u>22,564</u>	<u>22,233</u>
Total emoluments of the Chief Executive payable	<u>133,716</u>	<u>132,249</u>
Aggregate Pension Contributions in relation to the above key management personnel	<u>56,886</u>	<u>55,307</u>
Aggregate emoluments for the above key board personnel (excluding pension contributions)	<u>15,750</u>	<u>15,770</u>

11(a) INTANGIBLE ASSETS

Cost	£
At 1 April 2021	686,432
Additions	<u>390,273</u>
At 31 March 2022	<u>1,076,705</u>
Amortisation	
At 1 April 2021	(455,755)
Charge for Year	<u>(147,036)</u>
At 31 March 2022	<u>(602,791)</u>
Net Book Value at 31 March 2022	<u>473,914</u>
Net Book Value at 31 March 2021	<u>230,677</u>

The intangible assets relate to IT Software, including the Customer Relationship Management system, new finance system Financials Live and Service Connect a job costing system.

11(b) TANGIBLE FIXED ASSETS: HOUSING PROPERTY

	Housing for Let	Under Construction Housing Properties	Total
Cost	£	£	£
At 1 April 2021	106,430,065	3,587,455	110,017,520
Additions	276,435	1,039,765	1,316,200
Works to Existing Properties	5,313,820	-	5,313,820
Transfer to Housing for Let	883,098	(883,098)	-
Disposals	(1,153,055)	-	(1,153,055)
At 31 March 2022	<u>111,750,363</u>	<u>3,744,122</u>	<u>115,494,485</u>
Depreciation and Impairment			
At 1 April 2021	(34,770,949)	-	(34,770,949)
Charge for Year	(4,656,434)	-	(4,656,434)
Impairment	(186,602)	-	(186,602)
Disposals	632,818	-	632,818
At 31 March 2022	<u>(38,981,167)</u>	<u>-</u>	<u>(38,981,167)</u>
Net Book Value			
At 31 March 2021	<u>71,659,116</u>	<u>3,587,455</u>	<u>75,246,571</u>
At 31 March 2022	<u>72,769,196</u>	<u>3,744,122</u>	<u>76,513,318</u>

EXPENDITURE ON WORKS TO EXISTING PROPERTIES

	2022	2021
	£	£
Replacement component spend capitalised	5,313,820	2,558,463
Amounts charged to income and expenditure	<u>1,649,108</u>	<u>1,390,730</u>
Total Major Repairs Spend	<u>6,962,928</u>	<u>3,949,193</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 £3,167,751 (2021: £2,763,751) in respect of land which is not depreciated. On review of SBHA's unlettable empty homes during the year, an impairment charge of

£27,277 was recognised for 3 units which had a net book value of £28,660 prior to the impairment included in the above as they are likely to be demolished or require substantial costs to bring to a lettable standard. 3 properties were also purchased to support this project, with costs being charged to Housing Properties of £159,325 and subsequently impaired.

11(c) TANGIBLE FIXED ASSETS: OTHER

	Office Premises	Furniture & Fittings	Office Equipment & Information Systems	Plant	Total
	£	£	£	£	£
Cost					
At 1 April 2021	2,800,447	60,767	798,237	148,698	3,808,149
Additions	-	-	57,647	-	57,647
Disposals	-	-	-	-	-
At 31 March 2022	<u>2,800,447</u>	<u>60,767</u>	<u>855,884</u>	<u>148,698</u>	<u>3,865,796</u>
Depreciation and Impairment					
At 1 April 2021	(1,054,024)	(59,963)	(796,023)	(124,780)	(2,034,790)
Charge for the year	(50,443)	-	(40,634)	(11,672)	(102,749)
On disposals	-	-	-	-	-
At 31 March 2022	<u>(1,104,467)</u>	<u>(59,963)</u>	<u>(836,657)</u>	<u>(136,452)</u>	<u>(2,137,539)</u>
Net Book Value					
At 31 March 2022	<u>1,695,980</u>	<u>804</u>	<u>19,227</u>	<u>12,246</u>	<u>1,728,257</u>
At 31 March 2021	<u>1,746,423</u>	<u>804</u>	<u>2,214</u>	<u>23,918</u>	<u>1,773,359</u>

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% (2021: 100%)	General commercial company with an emphasis on housing related activities
Scottish Borders Building Services Ltd	Ordinary	-	100% (2021: 100%)	Dormant

The income of SBHA Plus in 2022 was £20,551 (2021: £20,510) with costs of £15,058 (2021: £14,378), and interest receivable was nil (2021: £332) resulting in a surplus for the year before tax of £5,493 (2021: £6,464). The net assets of the company as at 31 March 2022 were £32,135 (2021: £27,686).

13. STOCK

A stock of materials in relation to responsive repairs is held to the value as at March 2022 of £183,464 (2021: £226,005).

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £	2021 £
Gross Arrears of Rent and Service Charges	1,736,814	1,881,996
Less: Provision for Bad & Doubtful Debts	<u>(859,927)</u>	<u>(804,100)</u>
	876,887	1,077,896
Other Debtors	206,298	56,464
Prepayments and Accrued Income	1,269,639	829,361
Deferred Finance Cost	<u>-</u>	<u>5,022</u>
	<u>2,352,824</u>	<u>1,968,743</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Note	2022 £	2021 £
Accruals and Deferred Income		1,550,014	897,263
Rent and Service Charges in Advance		1,624,937	1,498,133
Deferred Capital Grants	17	190,972	203,500
Trade Creditors		1,646,028	1,095,466
Other Creditors		428,569	450,463
Amount due to Subsidiary Company		9,217	4,269
Other Taxes and Social Security		14,570	9,452
SHG Repayable		116,961	-
Debt	18	<u>-</u>	<u>35,300</u>
		<u>5,581,268</u>	<u>4,193,846</u>

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

	Note	2022 £	2021 £
Deferred Capital Grant	17	7,802,004	7,568,037
Debt	18	35,000,000	38,250,000
Deferred Finance Cost		<u>(557,337)</u>	<u>-</u>
		<u>42,244,667</u>	<u>45,818,037</u>
Included in creditors are:			
Amounts repayable other than by instalments		<u>35,000,000</u>	<u>38,250,000</u>

SBHA's loan agreement with RBS provides a total facility of £58m of which £35m was drawn at refinancing in August 2021. The facility is tranching, with the 25-year term loan on an interest only basis for 10 years followed by 15 years on a straight-line repayment. The loan is secured by way of standard securities on the Association's housing land and buildings. As at 31 March 2022, £35,000,000 (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 2022 was 3.17% (2021: 3.96%).

17. DEFERRED CAPITAL GRANT

	Note	2022 £	2021 £
As at 1 April		7,771,537	6,501,436
Grants Received in the Year		517,908	1,431,843
Capital Grants Released		<u>(296,469)</u>	<u>(161,742)</u>
As at 31 March		<u>7,992,976</u>	<u>7,771,537</u>
Amounts to be released within one year	15	<u>190,972</u>	<u>203,500</u>
Amounts to be released after more than one year	16	<u>7,802,004</u>	<u>7,568,037</u>

17. DEFERRED CAPITAL GRANT - CONT'D

Grant from the disposal proceeds of properties sold, in lieu of repaying the proceeds to the Scottish Government total £335,646 (2021: £335,646).

18. DEBT ANALYSIS - BORROWINGS

	Note	2022 £	2021 £
Creditors: Amounts falling due within one year:			
Bank Loans	15	-	<u>35,300</u>
		-	<u>35,300</u>
Creditors: Amounts falling due after more than one year:			
Bank Loans	16	<u>35,000,000</u>	<u>38,250,000</u>
		<u>35,000,000</u>	<u>38,250,000</u>
Total		<u><u>35,000,000</u></u>	<u><u>38,285,300</u></u>

Borrowings are denominated and repaid in pounds sterling, have contractual interest rates 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 £35,000,000 (2021: £38,285,300) are secured against the Association's housing properties.

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

	Note	2022 £	2021 £
Due within one year	15	-	35,300
Due in one year and more but less than two years	16	-	1,050,000
Due between two and five years	16	-	5,650,000
Due in more than five years	16	<u>35,000,000</u>	<u>31,550,000</u>
		<u><u>35,000,000</u></u>	<u><u>38,285,300</u></u>

19. CONTINGENT LIABILITY

In 2012-13, the Board of Management investigated options in relation to the Scottish Borders Council Pension Fund and in that process obtained an estimate of the potential liability at that time if the pension scheme was closed to all employees. The value at 31 March 2018 was around £12.7 million, and this will continue to vary with time. A decision was taken to close the scheme to new entrants from 1 April 2013 so that the potential liability could be capped and future increases in pension contribution for new liabilities be reduced. The above liability will not crystallise unless there were no members still in the scheme (60 active members at 31st March 2022) and by that time it is anticipated the assumptions and value will have changed considerably. The Board are reviewing plans to ensure funds are available over the next 10-20 years to meet any liability that crystallises on cessation of the scheme.

20. 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.

	2022 No.	2021 No.
Shares of £1 issued and fully paid:		
Active Shares at 1 April 2021	158	172
Relinquished during the period	(12)	(16)
Issued during the period	<u>12</u>	<u>2</u>
Active Shares at 31 March 2022	<u><u>158</u></u>	<u><u>158</u></u>
	2022	2021
	£	£
a) Unrestricted Reserve		
At 1 April 2021	50,972,557	44,817,767
(Deficit)/Surplus for the Year	(973,099)	5,856,790
Transfer from Pension Reserve (b)	<u>315,000</u>	<u>298,000</u>
At 31 March 2022	<u><u>50,314,458</u></u>	<u><u>50,972,557</u></u>

The total surplus for the year amounts to £2,588,901 (2021: surplus £3,413,790) of which £3,562,000 relates to a gain on the pension reserve (2021: loss £2,443,000), is disclosed in Note 20b.

	Note 24	2022 £	2021 £
b) Pension Reserve			
At 1 April 2021		(3,247,000)	(506,000)
Transfer (to) Unrestricted Reserves		(315,000)	(298,000)
Actuarial Gain/(Loss) in the Year		<u>3,562,000</u>	<u>(2,443,000)</u>
At 31 March 2022		<u><u>-</u></u>	<u><u>(3,247,000)</u></u>

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

21. CASH FLOW

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

	2022	2021
	£	£
Surplus for the year	(973,099)	5,856,790
<i>Adjustment for non-cash items:</i>		
Depreciation of Tangible Fixed Assets	5,092,821	4,631,933
Defined Benefit Pension Schemes	1,001,000	703,000
Increase in Provisions	135,206	(8,265)
Loss on Disposal of Tangible Fixed Assets	513,620	247,930
Release of Deferred capital grant	(296,469)	(161,742)
Interest Receivable	(12,143)	(22,250)
Interest Payable	6,584,040	1,559,726
Operating cash flows before movements in working capital	<u>12,044,976</u>	<u>12,807,122</u>
Decrease/(Increase) in Stock	42,541	(7,924)
(Increase) in Debtors	(524,310)	(33,941)
Increase/(Decrease) in Creditors	<u>1,435,250</u>	<u>(822,318)</u>
Cash Generated from operations	<u>12,998,457</u>	<u>11,942,939</u>
Cash and cash equivalents represent:		
Cash at bank	<u>16,888,773</u>	<u>21,539,242</u>

(ii) ANALYSIS OF CHANGES IN NET DEBT

	2021	Cash Flows	Other Non-Cash Movement	2022
	£	£	£	£
Cash and Cash Equivalents	21,539,242	(4,650,469)	-	16,888,773
Debt due within one year	(35,300)	35,300	-	-
Debt due after one year	(38,250,000)	3,250,000	-	(35,000,000)
Total	<u>(16,746,058)</u>	<u>(1,365,169)</u>	<u>-</u>	<u>(18,111,227)</u>

22. CAPITAL COMMITMENTS AND OTHER CONTRACTUAL OBLIGATIONS

	Note	2022	2021
		£	£
Capital Expenditure contracted for but not provided in the Financial Statements		<u>4,478,165</u>	<u>12,073,777</u>
Expenditure authorised by the board, but not contracted		<u>5,318,395</u>	<u>1,107,000</u>

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

23. OPERATING LEASE COMMITMENTS

At 31 March 2022, the Association had total future minimum lease commitments and had made payments under non-cancellable operating leases as set out below:

	2022	2021
	£	£
Plant & Equipment		
Within 1 year	278,592	285,525
Between 1-5 years	320,278	348,791
Over 5 years	-	-
Total commitment at 31 March	<u>598,870</u>	<u>634,316</u>
Payments in current year	<u>278,592</u>	<u>285,525</u>

24. 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 £142,622 (2021: £143,188).

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 £396,853 (2021: £420,000) plus voluntary payments of £358,000. At 31 March 2022, the Association had no pension contributions outstanding (2021: £nil).

Employees' contributions are fixed by statute for SBHA employees according to the following scale for the year ended 31 March 2022:

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

In the year to 31 March 2022 employer's contributions stood at 20.3% based on the pensionable salary of the previous year; this contribution will increase to 20.8% from 1 April 2022. Employer's basic contributions are assessed every three years by an actuary and are fixed to ensure the fund remains

solvent and in a position to meet its future liabilities. The actuarial method used is known as the Projected Unit Method.

In accordance with Financial Reporting Standard 102 Section 28, on retirement benefits, the Fund's actuaries undertook a pension expense calculation as at 31 March 2022 including an allowance for the McCloud judgement. This calculation was based on rolling forward valuation data as of 31 March 2020 on the basis of a number of financial assumptions that comply with FRS102. The projected unit method of valuation was used to calculate the service cost. The main financial assumptions used included:

Assumptions as at 31 March	2022	2021
CPI increases	3.25%	2.80%
Salary increases	3.75%	3.30%
Discount rate	2.75%	2.05%

The expected return on assets is based on the long-term future expected investment for each asset class as at 31 March 2022.

Assumed life expectancies from age 65 are:	2022	2021
	Years	Years
Retiring today:		
Males	20.7	20.9
Females	23.3	23.5
Retiring in 20 years:		
Males	21.6	21.8
Females	25.2	25.4

Assets (Employer) as at 31 March	2022	2021
Equities	48%	52%
Bonds	23%	27%
Property	25%	19%
Cash	4%	2%
Total	100%	100%

Net Pension (Liability)/Asset as at 31 March	2022 £'000	2021 £'000	2020 £'000	2019 £'000	2018 £'000
Fair value of scheme assets	43,002	40,596	34,786	35,193	32,560
Present value of funded obligation	<u>(42,560)</u>	<u>(43,843)</u>	<u>(35,292)</u>	<u>(36,864)</u>	<u>(32,846)</u>
Net pension (liability)	<u>442</u>	<u>(3,247)</u>	<u>(506)</u>	<u>(1,671)</u>	<u>(286)</u>

Due to this being an asset this is not being recognised.

Amount recognised in Income & Expenditure Account as at 31 March	2022 £'000	2021 £'000
Service cost	1,001	703
Net interest on the defined liability	69	15
Administration expenses	-	-
Total	<u>1,070</u>	<u>718</u>

Reconciliation of opening and closing balances of the present value of the defined benefit obligation as at 31 March	2022 £'000	2021 £'000
Opening defined benefit obligation	43,843	35,292
Service cost	1,001	703
Interest cost	901	829
Change in financial assumptions	(2,278)	8,379
Change in demographic assumptions	(231)	(1,310)
Experience loss/(gain) on defined benefit obligation	92	627
Estimated benefits paid (net of transfers in)	(895)	(807)
Contributions by scheme participants	127	130
Closing defined benefit obligation	<u>42,560</u>	<u>43,843</u>
Reconciliation of opening and closing balances of the fair value of Scheme assets as at 31 March	2022 £'000	2021 £'000
Opening fair value of scheme assets	40,596	34,786
Interest on assets	832	814
Return on assets less interest	1,587	5,253
Other actuarial gains/(losses)	-	-
Administration expenses	-	-
Contributions by employer (including unfunded)	755	420
Contributions by scheme participants	127	130
Estimated benefits paid (net of transfers in and including unfunded)	(895)	(807)
Fair value of scheme assets at end of period	<u>43,002</u>	<u>40,596</u>
Net Actuarial movement in the year	2022 £'000	2021 £'000
Defined Obligation – Change in financial assumptions	2,278	(8,379)
Defined Obligation – Change in Demographic assumptions	231	1,310
Experience gain on DB obligation	(92)	(1,584)
Scheme Assets – return on assets less interest	1,587	6,210
Scheme Assets – other actuarial gains	-	-
Net Actuarial Gain/(Loss)	<u>4,004</u>	<u>(2,443)</u>
Projected pension expense for year to 31 March 2023		2023 £'000
Service cost		929
Net interest on the defined liability		(5)
Total		<u>924</u>
Employer contributions		<u>407</u>

Note that these figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2022.

These projections are based on the assumptions as at 31 March 2022, as described earlier.

25. RELATED PARTIES

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

Current Board Members Allen Tills, Gordon Saunders and Tracey Glover and former Board Members Michael Grieve and Angela Sulo are also Tenants of the Association. Current Independent Customer Board Member (and former Board Member in the year) Ian MacDonald's parents are Tenants of the Association. During the year £22,382 (2021: £15,094) of rent was receivable from these members. At the year-end there was £nil (2021: £nil) of non-technical rent arrears and £620 (2021: £3) credit due to these tenants. Amounts outstanding are unsecured, non-interest bearing and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the year (2021: £Nil) in respect of bad debts from related parties. The tenancies are subject to normal commercial terms and conditions and do not allow the Board Members concerned to use their position to any advantage.

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

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

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

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

During the year ended 31 March 2022 SBHA recharged SBHA Plus Ltd the sum of £13,276 (2020-21: £12,653) representing costs incurred in connection with Mid-Market rental and Post Office activities. The amount due to SBHA Plus by SBHA at 31 March 2022 was £9,217 (2020-21: due to SBHA Plus from SBHA £4,269).

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 2022.

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 2022 or 2021.

SBHA promotes and supports the active participation of its Tenants and their local communities in the Association's activities, and in influencing decision-making. This is achieved by means of a grant to the Scottish Borders Tenants Organisation (SBTO) which in 2021-22 amounted to £85,025 (2020-21: £58,541), as well as SBHA's direct employment of a Tenant & Community Engagement Facilitator and a dedicated budget for SBHA-led Tenant Participation projects. In 2021-22, the Association's total expenditure on Tenant Participation was £81,014 (2021: £69,500).