



Alexander Sloan
Accountants and Business Advisers

East Lothian Housing Association Limited

Report and Financial Statements

For the year ended 31 March 2023

Registered Social Landlord No. 103

FCA Reference No. 2266R(S)

Scottish Charity No. SC028900

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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EAST LoTHIAN HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVE AND ADVISERS FOR THE YEAR ENDED 31 MARCH 2023

MANAGEMENT COMMITTEE

Brian Logan
Eileen Shand
Joyce Bolan
Iain Atkinson
Jim Curran
Shirley Evans
Peter Ewart
Alan Forsyth
Peter Hayman
Katrina Hamilton
Paul Hillard
Pamela Macleod
David Rose

Chairperson
Vice Chairperson
Secretary

Appointed 29 September 2022

EXECUTIVE OFFICER

Martin Pollhammer

Chief Executive

REGISTERED OFFICE

18-20 Market Street
Haddington
East Lothian
EH41 3JL

EXTERNAL AUDITORS

Alexander Sloan
Accountants and Business Advisers
1 Lochrin Square
92-98 Fountainbridge
Edinburgh
EH3 9QA

INTERNAL AUDITORS

TIAA
Business Assurance Specialists
Artillery House
Fort Fareham
Newgate Lane
PO14 1AH

BANKERS

Royal Bank of Scotland
32 Court Street
Haddington
EH41 3NP

BANKERS

Bank of Scotland
44 Court Street
Haddington
EH41 3NP

SOLICITORS

Anderson Strathern W.S.
Solicitors
1 Rutland Court
Edinburgh
EH3 8EY

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2023

The Management Committee presents its report and the financial statements for the year ended 31 March 2023.

Legal Status

The Association is registered with the Financial Conduct Authority as a Co-operative and Community Benefit Society (No. 2266R(S)), the Scottish Housing Regulator as a registered social landlord (No. 103) under the Housing (Scotland) Act 2010 and as is a registered Scottish Charity with the charity number SC028900.

Principal Activities

The principal activities of the Association are the provision and management of affordable rented accommodation.

Review of Business and Future Developments

The Association's main activities over the year generated an operating surplus of £1,724,964 (2022: £1,726,655). Following the deduction of finance costs, the Association's activities generated a surplus of £1,839,819 (2022: £1,765,281) for the year before actuarial losses on the defined pension plan of £467,000 (2022: gains of £696,000). The total revenue reserves at the 31 March 2023 were £16,554,876 (2022: £14,875,057).

During the year the Association spent £2,564,907 (2022: £145,987) on the development of new properties. Three new properties were completed in the year and two properties were sold.

The Association spent £3,387,546 (2022: £2,927,418) on the maintenance and improvement of its properties during the year. Of this expenditure £845,307 (2022: £404,085) was spent on the replacement of components which are accounted for as assets in the Statement of Financial Position.

The pension scheme in which the Association participates saw actuarial losses in the year and its share of these decreased the Total Comprehensive Income by £467,000. In the previous year, the scheme saw actuarial gains and the Association's share increased Total Comprehensive Income by £696,000.

The Association's wholly owned subsidiary, R3 Repairs Limited, continued to provide maintenance and repair services to the Association, other housing associations and other external customers.

The Management Committee is satisfied with the Association's financial performance during the year and with the year-end position, it does however recognise the challenges ahead. These challenges include securing loan finance in an uncertain economic climate, ensuring our properties meet future energy and efficiency standards, accommodating possible increased pension contributions to the pension scheme in the longer term, the ability of our subsidiary to expand its activities and improve its financial performance and managing the impact of the cost of living crisis on our properties and finance.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2023

Management Committee and Executive Officers

The members of the Management Committee and the Executive officers are listed on page 1.

Each member of the Management Committee holds one fully paid share of £1 in the Association. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of directors, they act as executives within the authority delegated by the Management Committee.

The members of the Management Committee are also trustees of the charity. Members of the Management Committee are appointed by the members at the Association's Annual General Meeting.

Statement of Management Committee's Responsibilities

The Co-operative and Community Benefit Societies Act 2014 requires the Management Committee to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those financial statements the Management Committee is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business; and
- prepare a statement on internal financial control.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to: 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 2019. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

Going Concern

Based on its budgetary and forecasting processes the Management Committee has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future; therefore, it continues to adopt the going concern basis of accounting in preparing the annual financial statements.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2023

Statement on Internal Financial Control

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

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

It is the Management Committee's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Management Committee to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Management Committee;
- the Management Committee receives reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year end 31 March 2023. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

Donations

During the year the Association made charitable donations of £1,000 (2022 - £1,000).

Disclosure of Information to the Auditor

The members of the Management Committee at the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditors are unaware. They confirm that they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

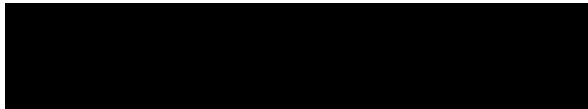
EAST LOTHIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2023

Auditor

A resolution to reappoint the Auditors, Alexander Sloan, Accountants and Business Advisers, will be proposed at the Annual General Meeting.

By order of the Management Committee



Joyce Bolan
Secretary
24 August 2023

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

REPORT BY THE AUDITORS TO THE MEMBERS OF EAST LOTHIAN HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the financial statements, we have reviewed your statement on page 4 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication "Our Regulatory Framework" and associated Regulatory Advice 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. 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 of Internal Financial Control on page 4 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

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



ALEXANDER SLOAN
Accountants and Business Advisers
Statutory Auditors
EDINBURGH

4/9/2023



EAST LOTHIAN HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST LOTHIAN HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2023

Opinion

We have audited the financial statements of East Lothian Housing Association Limited (the 'Association') for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 the 31 March 2023 and of the surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019.

Basis of 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 United Kingdom, including the Financial Reporting Council'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 audit opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Management Committee 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 on 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 Management Committee with respect to going concern are described in the relevant sections of this report.

Other Information

The Management Committee is responsible for the other information. The other information comprises the information contained in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST LOTHIAN HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2023 (continued)

Other Information (Contd.)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- proper books of account have not been kept by the Association in accordance with the requirements of the legislation;
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation;
- the Statement of Comprehensive Income and Statement of Financial Position 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 Management Committee

As explained more fully in the statement of Management Committee's responsibilities as set out on page 3, the Management Committee is responsible for the preparation of the financial statements and for being satisfied that they give true and fair view, and for such internal control as the Management Committee determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Committee 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 Management Committee either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST LoTHIAN HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2023 (continued)

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

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we gained an understanding of the legal and regulatory framework applicable to the Association through discussions with the Management Committee and other management, and from our wider knowledge and experience of the RSL sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Association, including the Co-operative and Community Benefit Societies Act 2014 (and related regulations), the Housing (Scotland) Act 2010 and other laws and regulations applicable to a registered social housing provider in Scotland. We also considered the risks of non-compliance with the other requirements imposed by the Scottish Housing Regulator and we considered the extent to which non-compliance might have a material effect on the financial statements.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the Association's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in Note 1 were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reviewing the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims;
- reviewing the Association's Assurance Statement and associated supporting information; and
- reviewing correspondence with the Scottish Housing Regulator, HMRC and the Association's legal advisors.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST LOTHIAN HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2023 (continued)

The extent to which the audit was considered capable of detecting irregularities including fraud (Contd.)

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the Directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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


ALEXANDER SLOAN
Accountants and Business Advisers
Statutory Auditors
EDINBURGH

4/9/2023


Alexander Sloan
Accountants and Business Advisers

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023		2022	
		£	£	£	£
Revenue	2		9,324,131		9,224,341
Operating costs	2		7,599,167		7,497,686
OPERATING SURPLUS			1,724,964		1,726,655
Gain on sale of housing stock	7	205,346		156,546	
Interest receivable and other income		38,126		24,435	
Interest payable and similar charges	8	(942,916)		(813,686)	
Movement in fair value of financial instruments	27	814,299		687,331	
Other Finance income/(charges)	11	-		(16,000)	
			114,855		38,626
SURPLUS FOR THE YEAR			1,839,819		1,765,281
Other comprehensive income					
Actuarial gains/(losses) on defined benefit pension plan	19		(467,000)		696,000
TOTAL COMPREHENSIVE INCOME			1,372,819		2,461,281

The results relate wholly to continuing activities.

The notes on pages 15 to 34 form an integral part of these financial statements.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023

	Notes	2023		2022	
		£	£	£	£
NON-CURRENT ASSETS					
Housing properties - depreciated cost	12(a)		69,909,805		68,545,122
Other tangible assets	12(b)		1,424,279		1,244,412
Investments	13		1		1
			<u>71,334,085</u>		<u>69,789,535</u>
CURRENT ASSETS					
Receivables	14	1,400,694		1,306,945	
Cash and cash equivalents	15	2,559,877		2,762,933	
		<u>3,960,571</u>		<u>4,069,878</u>	
CREDITORS: Amounts falling due within one year	16	(2,825,665)		(2,468,884)	
		<u>3,960,571</u>		<u>4,069,878</u>	
NET CURRENT ASSETS			<u>1,134,906</u>		<u>1,600,994</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>72,468,991</u>		<u>71,390,529</u>
CREDITORS: Amounts falling due after more than one year	17		(22,084,774)		(23,454,323)
PENSIONS					
Scottish housing association pension scheme	19	(307,000)		-	
		<u>(307,000)</u>		<u>-</u>	
DEFERRED INCOME			(307,000)		-
Social housing grants	20	(33,829,249)		(33,061,058)	
		<u>(33,829,249)</u>		<u>(33,061,058)</u>	
NET ASSETS			<u>16,247,968</u>		<u>14,875,148</u>
EQUITY					
Share capital	21		92		91
Revenue reserves			16,554,876		14,875,057
Pension reserves			(307,000)		-
			<u>16,247,968</u>		<u>14,875,148</u>

The financial statements were approved by the Management Committee and authorised for issue and signed on their behalf on 24 August 2023.

B. Logan
Chairperson

E. Shand
Vice Chairperson

J. Bolan
Secretary

The notes on pages 15 to 34 form an integral part of these financial statements.

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023		2022	
		£	£	£	£
Surplus for the Year			1,839,819		1,765,281
<i>Adjustments for non-cash items:</i>					
Depreciation of tangible fixed assets	9	2,117,537		2,089,526	
Amortisation of capital grants	20	(1,386,999)		(1,386,224)	
Loss/(gain) on disposal of tangible fixed assets		(147,249)		(155,451)	
Non-cash adjustments to pension provisions		(160,000)		(126,000)	
Change in fair value of SWAP	27	(814,298)		(687,331)	
			(391,009)		(265,480)
Interest receivable			(38,126)		(24,435)
Interest payable	8		942,916		813,686
Operating cash flows before movements in working capital			2,353,600		2,289,052
Change in debtors		(143,749)		27,026	
Change in creditors		296,613		226,300	
			152,864		253,326
Net cash inflow from operating activities			2,506,464		2,542,378
Investing Activities					
Acquisition and construction of properties		(3,294,365)		(621,519)	
Purchase of other fixed assets		(331,390)		(223,640)	
Social housing grant received		2,181,414		108,611	
Social housing grant repaid		(26,224)		(23,678)	
Proceeds on disposal of housing properties		242,500		220,641	
Net cash outflow from investing activities			(1,228,065)		(539,585)
Financing Activities					
Loan repayments from Subsidiary		50,000		120,000	
Interest received on cash and cash equivalents		38,126		24,444	
Interest paid on loans		(954,947)		(812,217)	
Loan principal repayments		(614,635)		(849,977)	
Share capital issued	21	1		2	
Net cash outflow from financing activities			(1,481,455)		(1,517,748)
(decrease)/increase in cash	22		(203,056)		485,045
Opening cash & cash equivalents			2,762,933		2,277,888
Closing cash & cash equivalents			2,559,877		2,762,933
Cash and cash equivalents as at 31 March					
Cash	22		2,559,877		2,762,933
			2,559,877		2,762,933

The notes on pages 15 to 34 form an integral part of these financial statements.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2023

	Share Capital	Scottish Housing Association Pension reserve	Revenue Reserve	Total
	£	£	£	£
Balance as at 1 April 2021	89	(822,000)	13,235,776	12,413,865
Issue of shares	2	-	-	2
Cancellation of shares	-	-	-	-
Other comprehensive income	-	696,000	-	696,000
Other movements	-	126,000	(126,000)	-
Surplus for the year	-	-	1,765,281	1,765,281
Balance as at 31 March 2022	91	-	14,875,057	14,875,148
Balance as at 1 April 2022	91	-	14,875,057	14,875,148
Issue of shares	1	-	-	1
Other comprehensive income	-	(467,000)	-	(467,000)
Other movements	-	160,000	(160,000)	-
Surplus for the year	-	-	1,839,819	1,839,819
Balance as at 31 March 2023	92	(307,000)	16,554,876	16,247,968

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Statement of Compliance and Basis of Accounting

These financial statements were prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice for social housing providers 2018. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102, applicable for accounting periods on or after 1 January 2019. They comply with the Determination of Accounting Requirements 2019. A summary of the principal accounting policies is set out below.

Revenue

Revenue comprises rental and service charge income receivable in the period, income from shared ownership first tranche sales, other services provided, revenue grants receivable and government grants released to income in the period.

The Association recognises rent receivable net of losses from voids. Service Charge Income (net of voids) is recognised with expenditure as it is incurred as this is considered to be the point when the service has been performed and the revenue recognition criteria is met.

Government grants are released to income over the expected useful life of the asset to which they relate. Revenue grants are receivable when the conditions for receipt of the agreed grant funding have been met.

Retirement Benefits

The Association participates in the Scottish Housing Association Pension Scheme (SHAPS) a multi-employer defined benefit scheme. Retirement benefits to employees of the Association are funded by the 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 various participating organisations taken as a whole. The Association accounts for this scheme as a defined benefit pension scheme in accordance with FRS 102.

Going Concern

On the basis that the Management Committee expects that the Association has adequate resources to continue in operational existence for the foreseeable future, the Association has adopted the going concern basis of accounting in preparing these financial statements.

Impairment

The Association assesses at the end of each accounting period whether there are indications that a non-current asset may be impaired or that an impairment loss previously recognised has fully or partially reversed.

Where the carrying value of non-current assets is less than their recoverable amounts the shortfall is recognised as an impairment loss in the Statement of Comprehensive Income. The recoverable amount is the higher of the fair value less costs to sell and value-in-use of the asset based on its service

Impairment losses previously recognised are reversed if the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in the Statement of Comprehensive Income.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Housing Properties

Housing properties are held for the provision of social housing. Housing properties are stated at cost less accumulated depreciation and impairment losses. Cost includes acquisition of land and buildings and development cost. The Association depreciates housing properties on a straight line basis over the useful life of each major component. Housing under construction and land are not depreciated. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

<i>Component</i>	<i>Useful Economic Life</i>
Core	50 years
Kitchens	15 years
Bathrooms	30 years
Heating	20 years
Windows	30 years

Depreciation and Impairment of Other Tangible Assets

Non-current assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:

<i>Asset Category</i>	<i>Depreciation Rate</i>
Office Premises	4%
Alterations to Office Premises	33%
Computer Equipment	10%-25%
Office Equipment Fixtures & Fittings	15%-20%
Vans, Tools & Plant	20%-50%

The carrying values of non-current assets are reviewed for impairment at the end of each reporting period.

Social Housing Grants and Other Capital Grants

Social housing grants and other capital grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which they relate.

Although social housing grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

Sales of Housing Properties

First tranche shared ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating costs. In accordance with the statement of recommended practice, disposals of subsequent tranches are treated as non-current asset disposals with the gain or loss on disposal shown in the statement of comprehensive income.

Disposals under shared equity schemes are accounted for in the statement of comprehensive income. The remaining equity in the property is treated as a non-current asset investment, which is matched with the grant received.

Taxation

The Association is a Registered Scottish Charity and is not liable to taxation on its charitable activities.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

PRINCIPAL ACCOUNTING POLICIES (continued.)

Leases

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position and are depreciated over their useful lives or the term of the lease whichever is shorter.

Works to Existing Properties

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property, a material reduction in future maintenance costs, or a significant extension of the life of the property.

Capitalisation Of Development Overheads

Directly attributable development administration costs relating to ongoing development activities are capitalised.

Borrowing Costs

All borrowing costs are expensed to the statement of comprehensive income using the effective interest rate method.

Derivative Financial Instruments

The Association uses an interest rate swap to manage its exposure to interest rate movements. The fair value of these contracts is recorded in the Statement of Financial Position and is determined by discounted future cash flows at the prevailing market rates at the Statement of Financial Position date.

The Association's interest rate swap is not designated as a hedging instrument.

Property Development Cost

The proportion of the development cost of shared ownership properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a non-current asset. Surpluses made on the disposal of first tranche sales are taken to the Statement of Comprehensive Income.

Property developments that are intended for resale are included in current assets until disposal.

Housing Property Managed By Agents

Where a third party manages the Association's housing property the accounting treatment reflects the substance of the transactions. The property is only excluded if the rights and obligations associated with the scheme has been transferred to the third party.

VAT

The Association is VAT registered but the substantial proportion of its income is exempt for VAT purposes. As a result most of the VAT paid is not recovered and therefore expenditure is shown inclusive of VAT.

Financial Instruments - Basic

The Association classes all of its loans as basic financial instruments including agreements with break clauses. The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard 102.

The Association's debt instruments are measured at amortised cost using the effective interest rate method.

Cash and Liquid Resources

Cash comprises cash at bank and in hand, deposits repayable on demand less overdrafts. Liquid resources are current asset investments that can be disposed of without penalty and are readily convertible into amounts of cash at their carrying value.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

PRINCIPAL ACCOUNTING POLICIES (continued.)

Key Judgements and estimates made in the application of Accounting Policies

The preparation of financial statements requires the use of certain accounting judgements and accounting estimates. It also requires the Association to exercise judgement in applying its accounting policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements are disclosed below:

Key Judgements

a) Categorisation of Housing Properties

In the judgement of the Management Committee the entirety of the Association's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

b) Identification of cash generating units

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

c) Financial instrument break clauses

The Management Committee has considered the break clauses attached to the financial instruments that it has in place for its loan funding. In their judgement these break clauses do not cause the financial instrument to be classified as a complex financial instrument and therefore they meet the definition of a basic financial instrument.

d) Pension Liability

The Association participates in a defined benefit pension scheme arrangement with the Scottish Housing Association Pension Scheme. The fund is administered by the Pensions Trust. The Pension Trust have developed a method of calculating each member's share of the assets and liabilities of the scheme. The Association has decided that this method is appropriate and provides a reasonable estimate of the pension assets and liabilities of the Association and has therefore adopted this valuation method. Judgements relating to the benefits issue are included in Note 30.

Estimation Uncertainty

a) Rent Arrears - Bad Debt Provision

The Association assesses the recoverability of rent arrears through a detailed assessment process which considers tenant payment history, arrangements in place and court action.

b) Life Cycle of Components

The Association estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors.

c) Useful life of properties, plant and equipment

The Association assesses the useful life of its properties, plant and equipment and estimates the annual charge to be depreciated based on this assessment.

d) Costs of shared ownership

The Association allocates costs to shared ownership properties on a percentage basis split across the number of properties the Association owns.

e) Defined pension liability

In determining the value of the Association's share of defined benefit pension scheme assets and obligations, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds.

f) Allocation of share of assets and liabilities for multi employer scheme

Judgements in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi employer pension schemes and estimations performed by the Pensions Trust.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT							
		2023			2022		
	Notes	Turnover	Operating costs	Operating surplus / (deficit)	Turnover	Operating costs	Operating surplus / (deficit)
		£	£	£	£	£	£
Affordable letting activities	3	8,859,563	7,219,705	1,639,858	8,535,870	6,898,277	1,637,593
Other Activities	4	464,568	379,462	85,106	688,471	599,409	89,062
Total		9,324,131	7,599,167	1,724,964	9,224,341	7,497,686	1,726,655

3 PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Housing	Shared Ownership	2023 Total	2022 Total
	£	£	£	£
Revenue from Lettings				
Rent receivable net of service charges	7,260,791	121,301	7,382,092	7,022,743
Service charges receivable	131,709	5,840	137,549	163,331
Gross income from rent and service charges	7,392,500	127,141	7,519,641	7,186,074
Less: Rent losses from voids	46,355	727	47,082	36,428
Income from rents and service charges	7,346,145	126,414	7,472,559	7,149,646
Grants released from deferred income	1,387,004	-	1,387,004	1,386,224
Total turnover from affordable letting activities	8,733,149	126,414	8,859,563	8,535,870
Expenditure on affordable letting activities				
Management and maintenance administration costs	2,355,002	-	2,355,002	2,165,384
Service costs	129,437	3,103	132,540	158,622
Planned and cyclical maintenance, including major repairs	1,259,645	-	1,259,645	1,506,948
Reactive maintenance costs	1,282,594	-	1,282,594	1,016,385
Bad Debts - rents and service charges	96,160	5,237	101,397	5,867
Depreciation of affordable let properties	2,069,041	19,486	2,088,527	2,045,071
Operating costs of affordable letting activities	7,191,879	27,826	7,219,705	6,898,277
Operating surplus on affordable letting activities	1,541,270	98,588	1,639,858	1,637,593
2022	1,553,621	83,972		

There is no other accommodation except for General Needs and Shared Ownership.

The Association spent an additional £845,307 (2022: £404,085) on the replacement of components (kitchens, bathrooms, windows and heating systems) during the year. This component expenditure was capitalised.

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
NOTES TO THE FINANCIAL STATEMENTS (continued)

4 PARTICULARS OF REVENUE, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants from Scottish Ministers	Other revenue grants	Other income	Total Turnover	Other operating costs	Operating surplus / (deficit) 2023	Operating surplus / (deficit) 2022
	£	£	£	£	£	£	£
Care and Repair Service	3,538	353,800	-	357,338	357,338	-	-
Medical adaptations	35,375	-	-	35,375	35,375	-	-
Other activities	-	-	48,166	48,166	(13,251)	61,417	60,795
Sponsorship and donations	-	-	23,689	23,689	-	23,689	28,267
Total From Other Activities	38,913	353,800	71,855	464,568	379,462	85,106	89,062
2022	52,041	359,087	277,343	688,471	599,409	89,062	

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

5. OFFICERS' EMOLUMENTS

	2023	2022
	£	£
The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers and employees of the Association.		
Aggregate emoluments payable to Officers with emoluments greater than £60,000 (excluding pension contributions)	318,174	294,786
Pension contributions made on behalf of Officers with emoluments greater than £60,000	100,752	95,661
Emoluments payable to Chief Executive (excluding pension contributions)	86,099	82,438
Pension contributions paid on behalf of the Chief Executive	33,180	31,873
Total emoluments payable to the Chief Executive	119,279	114,311
Total emoluments paid to key management personnel	418,926	390,447

The number of Officers, including the highest paid Officer, who received emoluments, including pension contributions, over £60,000 was in the following ranges:-

	Number	Number
£80,001 to £90,000	-	-
£90,001 to £100,000	1	3
£100,001 to £110,000	2	-
£110,001 to £120,000	1	1
£120,001 to £130,000	-	-

6. EMPLOYEE INFORMATION

	2023	2022
	No.	No.
Average monthly number of full time equivalent persons employed during the year	36	37
Average total number of employees employed during the year	40	40
Staff costs were:	£	£
Wages and salaries	1,408,527	1,331,642
National insurance costs	148,780	132,652
Pension costs	315,427	302,913
Temporary, agency and seconded staff	83,706	12,013
	1,956,440	1,779,220

Included in the above are the costs for 7 employees who were engaged in non-housing association activities (2022: 8).

The Association operates a salary exchange scheme which enables employees to opt to have their pension contributions paid by the Association, in return for an equivalent reduction in their salary.

During the year the Association made payments towards the past service deficit of £124,286 (2022: £233,489).

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. GAIN ON SALE OF HOUSING STOCK

	2023	2022
	£	£
Sales proceeds	242,500	192,840
Cost of sales	<u>(37,154)</u>	<u>(36,294)</u>
Gain on sale of housing stock	<u>205,346</u>	<u>156,546</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2023	2022
	£	£
On housing loans	<u>942,916</u>	<u>813,686</u>
	<u>942,916</u>	<u>813,686</u>

9. SURPLUS FOR THE YEAR

	2023	2022
	£	£
Surplus For The Year is stated after charging/(crediting):		
Depreciation - non-current assets	2,117,537	2,089,526
Auditors' remuneration - audit services	14,580	12,223
Auditors' remuneration - other services	2,567	2,501
Operating lease rentals - other	4,011	7,242
Loss / (gain) on sale of other non-current assets	<u>56,188</u>	<u>(1,095)</u>

10. CORPORATION TAX

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

11. OTHER FINANCE INCOME / (CHARGES)

	2023	2022
	£	£
Net interest on pension obligations	<u>-</u>	<u>(16,000)</u>

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

12(a). NON-CURRENT ASSETS

(a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Shared Ownership Completed £	Total £
COST				
At 1 April 2022	95,082,438	418,082	1,395,983	96,896,503
Additions	917,229	2,564,907	-	3,482,136
Disposals	(283,750)	-	(34,869)	(318,619)
Transfers	533,785	(455,958)	(77,827)	-
At 31 March 2023	<u>96,249,702</u>	<u>2,527,031</u>	<u>1,283,287</u>	<u>100,060,020</u>
DEPRECIATION				
At 1 April 2022	27,778,184	-	573,197	28,351,381
Charge for year	2,002,716	-	19,486	2,022,202
Transfers	30,371	-	(30,371)	-
Disposals	(207,226)	-	(16,142)	(223,368)
At 31 March 2023	<u>29,604,045</u>	<u>-</u>	<u>546,170</u>	<u>30,150,215</u>
NET BOOK VALUE				
At 31 March 2023	<u>66,645,657</u>	<u>2,527,031</u>	<u>737,117</u>	<u>69,909,805</u>
At 31 March 2022	<u>67,304,254</u>	<u>418,082</u>	<u>822,786</u>	<u>68,545,122</u>

Expenditure on Existing Properties	2023 Component replacement £	2022 Component replacement £
Amounts capitalised	845,307	404,085
Amounts charged to the statement of comprehensive income	2,542,239	2,523,333
	<u>3,387,546</u>	<u>2,927,418</u>

All land and housing properties are heritable.

The Association's lenders have standard securities over housing property with a carry value of £53,126,062 (2022 - £49,770,164).

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
NOTES TO THE FINANCIAL STATEMENTS (continued)

12(b) NON CURRENT ASSETS (continued)

(b) Other tangible assets	Office Premises £	Furniture & Equipment £	Computer Equipment £	Total £
COST				
At 1 April 2022	1,699,641	118,180	474,207	2,292,028
Additions	251,833	19,829	59,728	331,390
Eliminated on disposals	(315,730)	-	(516)	(316,246)
	<u>1,635,744</u>	<u>138,009</u>	<u>533,419</u>	<u>2,307,172</u>
At 31 March 2023				
DEPRECIATION				
At 1 April 2022	662,900	94,716	290,000	1,047,616
Charge for year	46,600	6,014	42,721	95,335
Eliminated on disposals	(260,058)	-	-	(260,058)
	<u>449,442</u>	<u>100,730</u>	<u>332,721</u>	<u>882,893</u>
At 31 March 2023				
NET BOOK VALUE				
At 31 March 2023	<u>1,186,302</u>	<u>37,279</u>	<u>200,698</u>	<u>1,424,279</u>
At 31 March 2022	<u>1,036,741</u>	<u>23,464</u>	<u>184,207</u>	<u>1,244,412</u>

13. FIXED ASSET INVESTMENTS

	2023 £	2022 £
Subsidiary undertakings	1	1
	<u>1</u>	<u>1</u>

Subsidiary Undertakings

East Lothian Housing Association Limited has the following wholly owned subsidiary undertakings. The registered office of the subsidiary is 18-20 Market Street, Haddington, East Lothian.

	2023		2022	
	Reserves £	Profit / (Loss) £	Reserves £	Profit / (Loss) £
R3 Repairs Limited	<u>25,407</u>	<u>123,238</u>	<u>(97,830)</u>	<u>129,102</u>

14 RECEIVABLES

	2023 £	2022 £
Gross arrears of rent and service charges	313,518	274,775
Less: Provision for doubtful debts	(224,020)	(188,797)
<i>Net arrears of rent and service charges</i>	<u>89,498</u>	<u>85,978</u>
Other receivables	356,625	288,030
Amounts due from group undertakings	544,571	472,937
Loan to subsidiary - Due within one year	50,000	50,000
Loan to subsidiary - Due after more than one year	360,000	410,000
	<u>1,400,694</u>	<u>1,306,945</u>

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

15 CASH AND CASH EQUIVALENTS

	2023 £	2022 £
Cash at bank and in hand	2,559,877	2,762,933
	<u>2,559,877</u>	<u>2,762,933</u>

16 PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023 £	2022 £
Housing loans	857,722	859,547
Derivative financial instruments	66,031	123,590
Trade payables	760,347	162,891
Rent received in advance	128,456	117,818
Other taxation and social security	40,550	35,329
Amounts due to group undertakings	660,008	679,546
Other payables	167,342	193,634
Accruals and deferred income	145,209	296,529
	<u>2,825,665</u>	<u>2,468,884</u>

17 PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2023 £	2022 £
Housing loans	21,358,434	21,971,244
Derivative financial instruments	726,340	1,483,079
	<u>22,084,774</u>	<u>23,454,323</u>

18. DEBT ANALYSIS - BORROWINGS

	2023 £	2022 £
Housing loans		
Amounts due within one year	857,722	859,547
Amounts due in one year or more but less than two years	1,809,697	1,818,752
Amounts due in two years or more but less than five years	3,005,641	2,968,145
Amounts due in more than five years	16,543,096	17,184,347
	<u>22,216,156</u>	<u>22,830,791</u>

The Association has a number of bank loans the principal terms of which are as follows:

Lender	Number of Properties Secured	Effective Interest Rate	Maturity (Year)	Variable or Fixed
Royal Bank of Scotland	Standard Security over 442 properties	6.691%	2035	Fixed
Royal Bank of Scotland	Standard Security over 442 properties	SONIA + 0.245%	2035	Variable
Royal Bank of Scotland	Standard Security over 37 properties	Base + 0.245%	2027-2031	Variable
Bank of Scotland	Standard Security over 132 properties	Base + 0.30%	2026-2028	Variable
Bank of Scotland	Standard Security over 132 properties	Base + 1.2%	2025	Variable
Nationwide Building Society	Standard Security over 144 properties	3.40%-4.24%	2041	Fixed
Nationwide Building Society	Standard Security over 135 properties	Base + 0.40%	2041	Variable
Triodos Bank	Standard Security over 30 properties	Base + 1.50%	2042	Variable
East Lothian Council	Standard Security over 199 properties	2.81%-5.40%	2039-2047	Fixed
CAF Bank	Standard Security over 28 properties	Base + 1.60%	2044	Variable

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

19. RETIREMENT BENEFIT OBLIGATIONS

Scottish Housing Association Pension Scheme

East Lothian Housing Association Limited participates in the Scottish Housing Association Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 150 non-associated employers. The Scheme is a defined benefit scheme in the UK.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pensions schemes in the UK.

The last valuation of the Scheme was performed as at 30 September 2021 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £1,173m. The valuation revealed a shortfall of assets compared with the value of liabilities of £27m (equivalent to a past service funding level of 98%).

The Scheme operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal, then the liability of the withdrawing employer is reapportioned amongst the remaining employers. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

In 2019 the Pensions Trust, the administrator of the Scheme developed a method of determining the share of assets and liabilities for individual employers. This method was adopted by the Association in 2019 and resulted in an adjustment to the opening pension liability recognised in the statement of financial position of (£363,000).

Present values of defined benefit obligation, fair value of assets and defined benefit asset / (liability)

	2023	2022	2021
	£	£	£
Fair value of plan assets	5,591,000	8,692,000	7,978,000
Present value of defined benefit obligation	5,898,000	8,639,000	8,800,000
Surplus / (deficit) in plan	(307,000)	53,000	(822,000)
Unrecognised surplus	-	53,000	-
Defined benefit asset / (liability) to be recognised	(307,000)	-	(822,000)

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
NOTES TO THE FINANCIAL STATEMENTS (continued)

19. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Reconciliation of opening and closing balances of the defined benefit obligation

	2023 £	2022 £
Defined benefit obligation at the start of period	8,639,000	8,800,000
Current service cost	248,000	372,000
Expenses	7,000	7,000
Interest expense	242,000	194,000
Contributions by plan participants	30,049	47,000
Actuarial losses (gains) due to scheme experience	(488,000)	250,000
Actuarial losses (gains) due to changes in demographic assumptions	(120,000)	26,000
Actuarial losses (gains) due to changes in financial assumptions	(2,468,000)	(788,000)
Benefits paid and expenses	(192,000)	(269,000)
Defined benefit obligation at the end of period	<u>5,898,049</u>	<u>8,639,000</u>

Reconciliation of opening and closing balances of the fair value of plan assets

	2023 £	2022 £
Fair value of plan assets at start of period	8,692,000	7,978,000
Interest income	246,000	178,000
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	(3,600,000)	237,000
Contributions by the employer	415,000	521,000
Contributions by plan participants	30,049	47,000
Benefits paid and expenses	(192,000)	(269,000)
Fair value of plan assets at the end of period	<u>5,591,049</u>	<u>8,692,000</u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2023 was £3,354,000 (2022: £415,000).

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

19. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Defined benefit costs recognised in the statement of comprehensive income

	2023	2022
	£	£
Current service cost	248,000	372,000
Expenses	7,000	7,000
Net interest expense	-	16,000
	<u>255,000</u>	<u>395,000</u>
Defined benefit costs recognised in statement of comprehensive income	255,000	395,000

Defined benefit costs recognised in the other comprehensive income

	2023	2022
	£	£
Experience on plan assets (excluding amounts included in interest income) - gain /(loss)	(3,600,000)	237,000
Experience gains and losses arising on plan liabilities - gain /(loss)	488,000	(250,000)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligations - gain /(loss)	120,000	(26,000)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligations - gain / (loss)	2,468,000	788,000
	<u>(524,000)</u>	<u>749,000</u>
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain / (loss)	(524,000)	749,000
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in interest cost) - gain / (loss)	57,000	(53,000)
	<u>(467,000)</u>	<u>696,000</u>
Total amount recognised in other comprehensive income - gain (loss)	(467,000)	696,000

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
NOTES TO THE FINANCIAL STATEMENTS (continued)

19. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Assets

	2023	2022	2021
	£	£	£
Absolute Return	76,000	399,000	393,000
Alternative Risk Premia	32,000	359,000	320,000
Corporate Bond Fund	7,000	549,000	602,000
Credit Relative Value	213,000	279,000	230,000
Distressed Opportunities	172,000	312,000	273,000
Emerging Markets Debt	43,000	324,000	322,000
Global Equity	148,000	1,719,000	1,234,000
Infrastructure	602,000	543,000	445,000
Insurance-Linked Securities	156,000	182,000	167,000
Liability Driven Investment	2,368,000	2,103,000	1,918,000
Long Lease Property	187,000	250,000	185,000
Net Current Assets	13,000	28,000	59,000
Over 15 Year Gilts	-	4,000	4,000
Private Debt	250,000	219,000	188,000
Property	233,000	225,000	143,000
Risk Sharing	408,000	283,000	285,000
Secured Income	374,000	464,000	438,000
Opportunistic Illiquid Credit	247,000	288,000	204,000
Liquid Credit	-	56,000	138,000
High Yield	28,000	84,000	209,000
Opportunistic Credit	-	30,000	218,000
Cash	23,000	24,000	3,000
Currency hedging	11,000	(32,000)	-
Total assets	<u>5,591,000</u>	<u>8,692,000</u>	<u>7,978,000</u>

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

Key Assumptions

	2023	2022	2021
Discount Rate	4.9%	2.8%	2.2%
Inflation (RPI)	3.2%	3.5%	3.3%
Inflation (CPI)	2.8%	3.2%	2.9%
Salary Growth	3.8%	4.2%	3.9%
	75% of	75% of	75% of
	maximum	maximum	maximum
Allowance for commutation of pension for cash at retirement	<u>allowance</u>	<u>allowance</u>	<u>allowance</u>

The mortality assumptions adopted at 31 March 2023 imply the following life expectancies:

	Life expectancy at age 65 years
Male retiring in 2023	20.5
Female retiring in 2023	23.0
Male retiring in 2043	21.7
Female retiring in 2043	<u>24.4</u>

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
 NOTES TO THE FINANCIAL STATEMENTS (continued)

20. DEFERRED INCOME

	Social Housing Grants £	Total £
Capital grants received		
At 1 April 2022	56,324,904	56,324,904
Additions in the year	2,181,414	2,181,414
Eliminated on disposal	(26,224)	(26,224)
At 31 March 2023	<u>58,480,094</u>	<u>58,480,094</u>
Amortisation		
At 1 April 2022	23,263,846	23,263,846
Amortisation in year	1,386,999	1,386,999
At 31 March 2023	<u>24,650,845</u>	<u>24,650,845</u>
Net book value		
At 31 March 2023	<u>33,829,249</u>	<u>33,829,249</u>
At 31 March 2022	<u>33,061,058</u>	<u>33,061,058</u>

This is expected to be released to the Statement of Comprehensive Income in the following years:

	2023 £	2022 £
Amounts due within one year	1,403,300	1,258,300
Amounts due in more than one year	32,425,949	31,802,758
	<u>33,829,249</u>	<u>33,061,058</u>

21. SHARE CAPITAL

	2023 £	2022 £
Shares of £1 each, issued and fully paid		
At 1 April	91	89
Issued in year	1	2
Cancelled in year	-	-
At 31 March	<u>92</u>	<u>91</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. 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 members' meetings.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

22 CASH FLOWS

Reconciliation of net cash flow to movement in net debt

	2023		2022	
	£	£	£	£
(Decrease) / increase in cash	(203,056)		485,045	
Cashflow from change in net debt	614,635		849,977	
	<u> </u>	411,579	<u> </u>	1,335,022
Movement in net debt during the year				
Net debt at 1 April		(20,067,858)		(21,402,880)
		<u> </u>		<u> </u>
Net debt at 31 March		(19,656,279)		(20,067,858)

	At		Other		At
	Friday, April 1, 2022	Cashflows	Changes		Friday, March 31, 2023
	£	£	£		£
Cash and cash equivalents	2,762,933	(203,056)	-		2,559,877
	<u>2,762,933</u>	<u>(203,056)</u>	<u>-</u>		<u>2,559,877</u>
Debt: Due within one year	(859,547)	614,635	(612,810)		(857,722)
Due after more than one year	(21,971,244)	-	612,810		(21,358,434)
	<u> </u>	<u> </u>	<u> </u>		<u> </u>
Net debt	(20,067,858)	411,579	-		(19,656,279)

23. CAPITAL COMMITMENTS

	2023	2022
	£	£
Capital Expenditure that has been contracted for but has not been provided for in the financial statements	2,534,589	305,427

The above commitments will be financed by a mixture of public grant, private finance and the Association's own resources.

24. COMMITMENTS UNDER OPERATING LEASES

	2023	2022
	£	£
At the year end, the total minimum lease payments under non-cancellable operating leases were		
Other		
Expiring in the next year	1,906	4,011
Expiring later than one year and not later than five years	4,288	6,193

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

25. DETAILS OF ASSOCIATION

The Association is a Registered Society registered with the Financial Conduct Authority and is domiciled in Scotland.

The Association's principal place of business is Haddington, East Lothian, EH41 3JL.

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing property in East Lothian.

26. MANAGEMENT COMMITTEE MEMBER EMOLUMENTS

Management Committee members received £576 (2022 - £194) in the year by way of reimbursement of expenses. No remuneration is paid to members in respect of their duties to the Association.

27. CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

	2023	2022
	£	£
Opening fair value of derivative financial instruments	1,606,669	2,294,000
Change in fair value of derivative financial instruments	(814,299)	(687,331)
	<u>792,370</u>	<u>1,606,669</u>

Interest rate risk

Bank borrowings are in accordance with the Association's Treasury Management policy and interest rate risk is managed by having a suitable balance of variable and fixed rate borrowings. The interest rate swap forms part of that strategy.

28. HOUSING STOCK

	2023	2022
	No.	No.
The number of units of accommodation in management at the year end was:-		
General needs	1,369	1,365
Shared ownership	34	37
	<u>1,403</u>	<u>1,402</u>

Housing units managed by the Association and leased to another body:

Name of Organisation	Number of Units	
	2023	2022
	No.	No.
Blue Triangle (Glasgow) Housing Association	9	9
East Lothian Council	11	13

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

29 RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 102.

Any transactions between the Association and any entity with which a Management Committee member has a connection with is made at arm's length and is under normal commercial terms.

Transactions with Management Committee members (and their close family) were as follows:

One member of the Management Committee is employed by Anderson Strathern, a firm which provides legal services to the Association. During the year Anderson Strathern was paid £34,003 (2022: £21,962) for legal fees under normal commercial terms. £9,401 (2022: £12,020) of these fees are included within accruals at 31 March 2023.

During the year, members of the Management Committee, members of the Association's Key Management Personnel and Directors of the Subsidiary used the services of R3 Direct. The total amount due from these parties was £2,414 (2022: £13,456) of which £nil (2022: £nil) of this balance was outstanding at the Statement of Financial Position date.

During the year, in accordance with formal agreements between it and its Subsidiary, the Association invoiced the Subsidiary for the services provided as follows:

	2023	2022
	£	£
Occupancy Charge	7,500	7,500
Recharge for share of management and administration costs	290,525	280,528
Interest on Loan	28,996	24,209

The Association procured repairs and maintenance services to a total cost of £3,457,703 (2021: £2,729,779) for the year from its Subsidiary. All transactions were made at arms length and under normal commercial terms.

The Association has provided a loan of £410,000 (2022: £460,000), under the terms of a formal agreement, to its Subsidiary. In addition the Subsidiary was due the sum of £544,575 (2022: £472,937) to the Association and the Association due the sum of £660,009 (2022: £679,545) to its Subsidiary during the year, for services provided but not yet settled.

The terms of the loan were amended in 2018 and the facility was increased to £1,100,000

During the year, the Association made charitable donations of £1,000 (2022: £1,000) to the East Lothian Care & Repair Charitable Trust. Paula Oliver, Director of Finance and David Rose, member of the ELHA Management Committee and Director of R3 Repairs Limited are both Trustees of this Trust.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023
NOTES TO THE FINANCIAL STATEMENTS (continued)

30 CONTINGENT LIABILITY

We were notified in 2021 by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee is seeking clarification from the Court on these items, and this process is ongoing with it being unlikely to be resolved before the end of 2024 at the earliest. It is estimated that this could potentially increase the value of the full Scheme liabilities by £27m. We note that this estimate has been calculated as at 30 September 2022 on the Scheme's Technical Provisions basis. Until the Court direction is received, it is unknown whether the full (or any) increase in liabilities will apply and therefore, in line with the prior year, no adjustment has been made in these financial statements in respect of this.