

## EILDON HOUSING ASSOCIATION LIMITED

Annual Report and Consolidated Financial Statements  
for the year ended 31 March 2023



*50 Years Providing Housing and Care*

Co-operative and Community Benefit Society 1757R(S)  
Scottish Charity No SC015026  
The Scottish Housing Regulator No HEP107

[www.eildon.org.uk](http://www.eildon.org.uk)



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*Picture on front cover McQueen Gardens, Galashiels*

# Report from the Board of Management

## A

### Introduction

We are pleased to present the 2022/23 Annual Report for the Eildon Group (Eildon) based in the Scottish Borders and made up of parent company Eildon Housing Association Ltd (EHA), and Eildon Enterprise Ltd (EEL).

As a registered charity we have provided housing, care and support services to people right across the Scottish Borders region. Our journey started in 1973 and we have grown to the point where serve nearly 50 communities in Borders towns, villages and rural areas.

We are recognised as a leading Scottish housing and care provider and we are committed to excellence in everything we do and continue to grow by building new homes and developing innovative new services. All of our activities are underpinned by our commitment to doing our best for the people we serve.

Eildon has achieved a significant amount during the twelve months to the 31 March 2023 and the Board has continued to execute its role in the strategic oversight and monitoring of the delivery of this work.

## B

### Our Purpose and Strategy

#### 1. OUR CORPORATE PURPOSE

Eildon is committed to delivering excellence in the provision of housing, care and support services for the people and communities that we support.

#### 2. OUR VALUES

We are committed to the following values so that our customers and stakeholders are clear on what we stand for and enable them to hold us to account. The values are established within our competency framework that underpins and directs the behaviours of our people.

##### Caring

- We care about what we do, the people we work with and the customers we serve.

##### Connected

- We are part of the communities we serve and believe we can make a real difference.

##### Committed

- We all work together to provide affordable, high quality homes, care and support services.

##### Creative

- We are ready to meet the challenges of the future with enthusiasm and new ideas.

### 3. OUR 5-YEAR STRATEGY 2022/23 – 2027/28

The 5-year Strategy for the Eildon Group sits at the heart of our Corporate Planning Framework and is reviewed every three years. The strategy sets out a clear statement on what we are committed to deliver over the 5-year planning period.

In April 2022, the Board approved an updated 5-year Strategy 2022/23 to 2027/28 which aims to respond to some significant challenges in an ambitious and progressive way. It also covers the period during which Eildon will mark 50 years of service to the people and communities that we were set up to support. The current strategy is focused on the following key themes:



Our work on **sustainability** and delivering a just transition to a **zero-carbon economy**

We will progress our plans to invest heavily in our property assets to improve efficiency and reduce carbon emissions, as well as taking steps to become a 'Greener Eildon'



Addressing the **social care needs** of our communities

We will progress further plans to develop high quality, residential based older people's housing and care services as well as further develop our approach to support adults with learning disabilities and seek to build on the successful platform of our Borders Care & Repair services through innovation and expansion.



Addressing the **housing supply needs** of our region

Delivering our current new build programme and aiming to launch a further programme of 800 new homes in the period ahead.



Responding to **customer needs, pressures and aspirations**

Recognising the challenges being faced across our customer base with respect to issues related to the 'cost of living' crisis, we will further develop and expand our support, advice, and assistance services to provide a range of universal and targeted measures.

In line with Eildon's Corporate Planning Framework, an annual Strategic Implementation Plan (SIP) is approved by the Board which seeks to identify the most significant new 'active' items for them to have oversight of in the delivery of our Strategy during the forthcoming year. The SIP covers significant activities for the current year, but also anticipates those activities that will cover multiple years.

### 4. OUR STRATEGIC OBJECTIVES:

*Governance, Financial Viability, Housing and Support Services, Care Services, Property Assets, Organisational Development*

These are the core objectives that are well established and understood within our strategy and reporting processes. These provide a robust and stable framework for us to organise our activities.



## C

## Strategic Review

### 1. OUR PLANS FOR 2022/23

In April and May 2022 the Board approved the 2022/23 SIP, Performance Targets, Budget, Treasury Management Strategy (TMS) and Development Programme. These set out the key activities and performance targets that would direct the work undertaken in the year and which would contribute towards the delivery of our Strategy and Objectives.

The economic environment experienced a much more substantial downturn during 2022/23 than was forecast when Eildon's 2022/23 Viability Plan was approved and this resulted in Eildon having to manage and adjust its Business, Financial, Treasury and Development plans in response to this.

### 2. OUR ECONOMIC AND OPERATING ENVIRONMENT 2022/23

#### Inflation and Interest Rates

Key economic indicators that affect Eildon include interest rates and consumer price inflation (CPI), and at the time of the approval of the 2022/23 plan the Bank of England base rate (the Base Rate) had just increased by 1% and Consumer Price Inflation (CPI) had risen to 6.2%.

The assumptions in the 2022/23 plan were that these would peak mid-2022 with a Base Rate of 2.5% and CPI of 7%. However the increases in these two indicators continued into 2023; CPI reaching a 40 year high of 11.1% in October 2022 and as at February 2023 the 12 monthly CPI was 10.4%. The Base Rates exceed 3% for the first time since November 2008 and as at February 2023 was 4.25%.

A major element of the inflationary pressures came from construction price inflation and utilities inflation, both of which rose to levels significantly above CPI. Gas inflation stood at 129.4% for the 12 months to January 2023, and 66.7% for electricity inflation. This created significant pressure on Eildon in relation to our care services where the service charge to cover the communal (and in some cases property) utilities costs was set in March 2022.

Interest rate changes created additional costs of interest on the circa 20% variable rate loan debt we have and this, along with high construction inflation, resulted in a significant reappraisal of our development plan, and led to a cautious approach to entering new contractual obligations until the updated Medium- and Long-Term Viability Plan was approved by Board in March 2023.

#### Social Care Pay

In late 2021, the Scottish Government announced additional funding to increase the hourly rate of pay for Adult Social Care Workers to increase above the Scottish Living Wage and create a £1 per hour premium. This was a positive move in the recognition of the Care Sector workers and resulted in Eildon's support workers benefiting from this increase. The funding was provided to Eildon, via Scottish Borders Council, through the existing care commissioning contracts.

#### Rent Setting Legislation

During 2022 the Scottish Government introduced temporary legislation to freeze rents until 1 April 2023, after which the decision was made to not apply any form of rent control on social rent in subsequent years. However, the legislation for private rent properties, which also applies to the mid-market rental sector within which Eildon operates a small portfolio of properties, was maintained in 2023/24. Uncertainty about the application of the legislation delayed and curtailed the length of the December 2022 rent consultation undertaken for the 2023/24 rent setting process.

### Bridge Homes Acquisition

In March 2022, Eildon concluded a transaction with Scottish Borders Council to acquire the Bridge Homes LLP mid-market rent property portfolio. This resulted in EEL increasing the units under its management by 54. The transaction was supported by additional funding from Scottish Government on the condition that as these properties' tenancies turnover they will move to being for social rent and therefore under the management of EHA.

### Extra Care Housing

2022/23 was Eildon's first full year of operation of the integrated Extra Care Housing Service at Dovecot Court and Wilkie Gardens. The introduction of these services during 2021 has led to a significant increase (43% v 2020/21) in the overall workforce employed and this brings opportunities and challenges associated with having a larger staff base.

### Housing Supply

During 2022/23, Eildon through the Borders Housing Network and the Scottish Borders Community Planning Partnership has been involved in supporting initiatives to address emerging issues. These have been wide ranging and include fuel poverty and cost of living support, Ukrainian refugee housing needs, shortages of key workers in health and social care and reduction in the supply of private rent properties.

### Development Programme

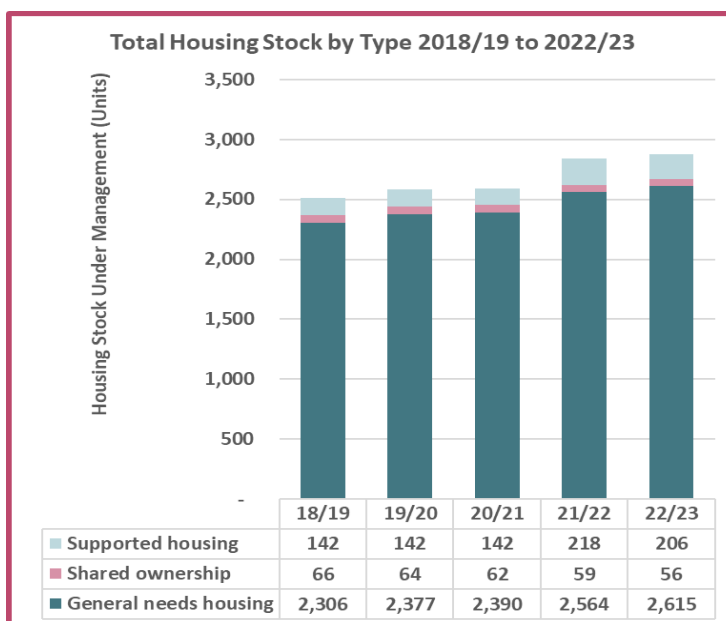
The inflationary environment has presented additional challenges for our new build programme. Quarterly updates to the Board have been improved to include additional narrative and analysis to ensure transparency of the project risks and the financial impact of changes in interest rates and costs. There is regular engagement with our construction partners to ensure that they continue to be resilient in the current environment and that Eildon manages these relationships to ensure they have honest and open dialogue to enable the best management of the challenges faced. The higher interest rates have also meant that the viability of our new build projects that are still being developed are continually reviewed to ensure that any changes are fully understood and managed.

### Fuel Poverty and Cost of Living Crisis

The effect of the exceptional inflationary pressure experienced by our tenants especially in relation to food and utilities has led to increasing focus on identifying ways of working with partners to provide additional support and information. It has also led to the creation of the Community Partnerships team whose remit includes working with the wider community to develop initiatives that support our tenants and their communities.

### Our Housing Stock

We continue to expand our stock of homes. During 2022/23 the number of supported houses reduced following the decommissioning of Millar House. This chart illustrates how our housing stock continues to grow.



### 3. OUR PERFORMANCE 2022/23

The Board approved Key Performance Indicators (KPIs) in April 2022 in conjunction with a suite of other Performance Targets on which Eildon's activities are measure and reported upon. These KPIs were aligned to our Strategic Objectives and the performance achieved during the year to 31 March 2023 is set out below.

For the year ending 31 March 2023		Actual	Target	Commentary
SO1 - Governance				
B3 (i)	Board Attendance - % Attending all meetings	92.8%	85.0%	Above target and above 2022: 83.8% achieved through benefit of hybrid meetings
SO2 - Viability				
F1 (ii)	Interest Cover Covenant	141%	116%	Above target due to better Operating Surplus than budgeted, 2022:122%
F1 (iii)	Gearing Covenant - Traditional	42.2%	44.6%	Better than target due to improved net asset position compared to budget, increase on 2022: 37.3% due to additional £5m borrowing in year
SO3 - Housing & Support				
A30 (ii)	Average time to re-let a property	38.8 days	28 days	Below Target but significant improvement on 2022: 51.3 days
A18 (ii)	% Rent lost due to voids	1.14%	1.24%	Better than Target and significant improvement on 2022: 1.93%.
A27 (ii)	Rent Arrears (all tenants) % rent due in the period	5.09%	4.91%	Within 5% of Target, improvement on 2022: 5.51%
B4 (i)	How satisfied were you with the way your complaint was handled overall	43%	60%	Significantly below target and below impacted, in part by time take to resolve Stage 1 complaints.
SO5 – Property Assets				
A9 (ii)	Non-Emergency Repairs - Average length of time per repair	9.09 days	6.5 days	Still well below Target, improvement on 2022: 10.79 days
A10 (ii)	% Reactive Repairs completed right first time	91.18%	93.00%	Below, but within 5% of target, and an improvement on 2022: 89.2% 4,901 reactive repairs were completed in 2023
A12 (iii)	% Tenants Satisfied & Very Satisfied with Repairs or Maintenance	85.96%	90.00%	Below, but within 10% of target, marginal improvement on 2022: 84.03%
D1 (i)	EESSH Properties meeting standard	72.8%	98.5%	Below target due to change in EESSH assessment criteria implemented in February 2022, however improvement on 2022: 53%
D1 (v)	Unit Site Start	80 units	207 units	Economic environment led to changes in the number of site starts.

For the year ending 31 March 2023		Actual	Target	Commentary
S05 – Property Assets (continued)				
D1 (vii)	Unit Completions	47 units	134 units	A further 38 Units were completed during April 2023. Supply chain challenges led to delays in completion on other sites.
S06 – Organisational Development				
B1 (i)	% Staff Attendance - All Staff	93.5%	96.5%	Below target, within 5% of target, staffing mix change as Eildon broadens its business model into care and some substantial long-term absences, below 2022: 95.4% which only part year ECH.
B2 (i)	% Staff Turnover - All Staff	17.9%	15.0%	Below target, affected by staffing mix change as Eildon broadens its business model into care, below 2022: 16.6%

### Our Customers

Our customers are our priority and in order to assess our performance against their expectations we:

- undertake monthly transactional surveys of our customer interactions
- undertake an annual customer satisfaction survey
- consult with and report back to customers on the annual rent increase proposals
- monitor Stage 1 and 2 complaints handling.

The overall result of the annual customer satisfaction survey is that **78.2% of our tenants were either satisfied or very satisfied** with Eildon's overall service; this was based on circa 370 responses received (circa 12% of our tenants). This is below the 85% target set for the year, and the 81.6% achieved last year.

### Customer Satisfaction measures

For the year ending 31 March 2023	Actual	Target	Previous Year
<b>Tenants satisfied with overall service</b>	<b>78.2%</b>	85%	81.6%
Tenants & other customers find it easy to communicate with Eildon and get the information they need	88.6%	95%	93.9%
Tenants & other customers find it easy to participate and influence Eildon	90.7%	95%	96.8%
Tenants are satisfied with the quality of their home	79.3%	95%	82.2%
Tenants are satisfied with Eildon's contribution to management of their neighbourhood	77.1%	86%	77.3%
Tenants view Eildon properties as good value for money	61.6%	75%	78.7%



These results, although strong, are below our targets and last year and do not reflect where Eildon ambition is in relation to our customers' satisfaction.

It is possible that the timing of the survey may also have influenced the results. During 2022/23 the rent consultation was a shortened process due to the uncertainty around the Scottish Government's proposals for 2023/24 rents continuing until late December 2022. The Board approved the delay in the consultation until the position was clarified thereby reducing the available timeframe. This delay meant that the annual customer satisfaction survey was also delayed and occurred as the 2023/24 rent increase letters were issued to tenants.

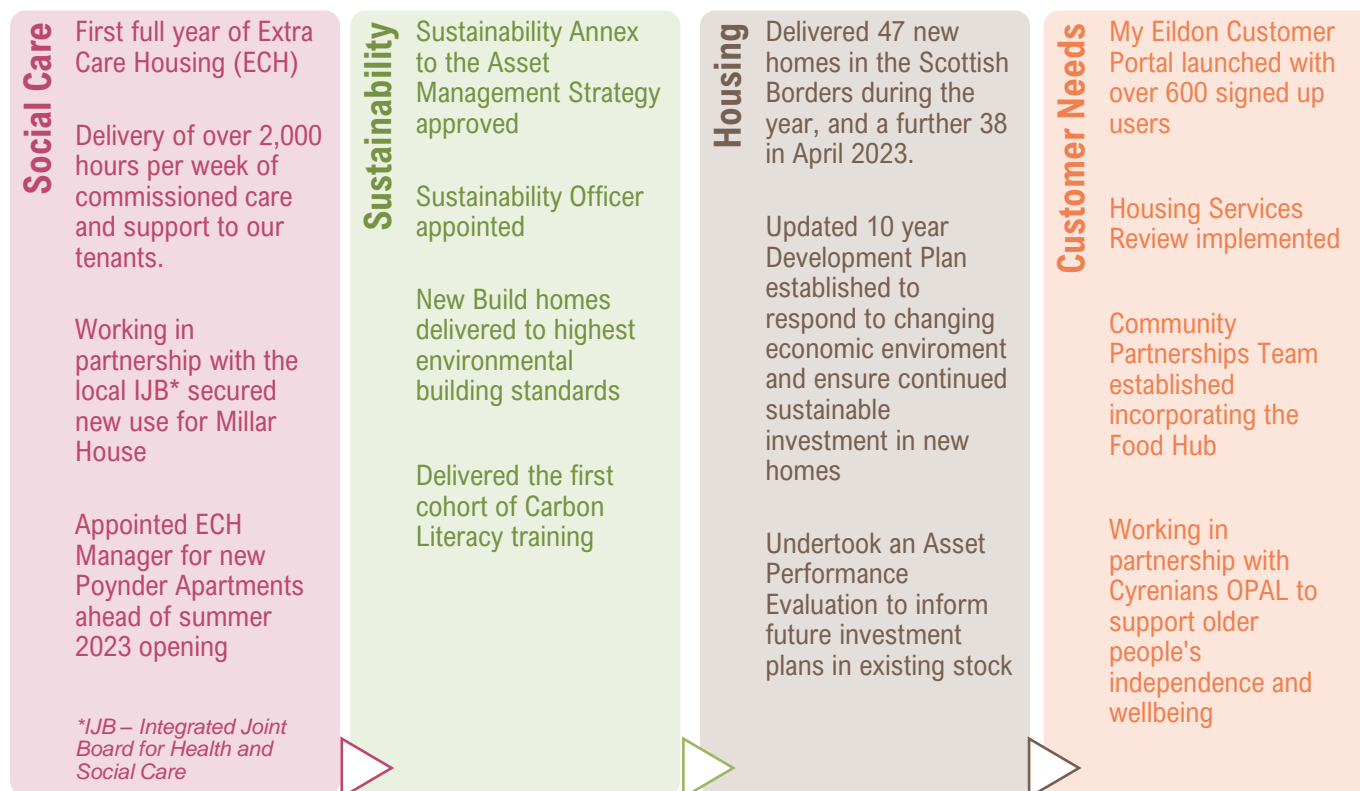
Focus on the Stage 1 and 2 complaints handling performance during the year resulted in better response times than the previous year, however there is still room for significant improvement. The number of Stage 1 complaints responded to in full in year was 122, (2022: 184) a reduction of 33% which with an increasing housing stock is a reassuring trend. However, it took 6.09 working days, on average, to fully respond to these (2022: 6.25 days) and this is below our target of 4 days. The number of Stage 2 complaints responded to in full in year was (2022: 22). Significant improvements in resolution times were achieved year on year with the average time to fully respond reducing to 17.9 working days (2022: 37.8 days); a 50% reduction in time to complete and within the 18 day target.

The Board approved the new Customer Voice Strategy which was approved by Board in June 2022. This aims to enhance our services for all the people and communities we serve by engaging, listening to and collaborating with our customers, and is supported by an action plan to deliver these aims.

These indicators provide a strong basis to continue to improve and this will be a key focus for 2023/24 as we develop a new Customer Service Standard and implement other changes to improve our service to our tenants and other customers.

## 4. OUR ACHIEVEMENTS 2022/23

During 2022/23 through significant commitment and effort our people have enabled us to achieve a significant amount, and the following highlights some of these:



### We invested in our properties

- Through our capital component replacement programme we replaced:
  - 58 bathrooms/showers
  - 95 kitchens
  - 89 heating systems
  - 31 windows/external doors
- Secured new three year repairs and maintenance contracts with a stronger performance management framework attached to them.
- Replaced smoke detectors at 260 properties.
- Following the acquisition of the 54 Bridge Homes LLP homes these were consolidated into either the Social Housing or Mid-Market Rent portfolio.
- Fully refurbished Oakwood Park sheltered housing installing air source heating systems and creating additional homes from the previous Day Centre.
- Have more than 250 homes under construction with contractors onsite and planned completions during the next two financial years.

### We invested in our people

- Our workforce increased from 143.9 FTE to 170.6 FTE within the twelve months, predominantly through the new care services but also as a result of introducing additional in-house tradespeople.
- Maintained our Living Wage Employer status.
- Hosting our first staff conferences since COVID and the introduction of Extra Care Housing
- Continuing to consult with staff through a new employee survey tool.
- Supporting development of the Borders workforce through provision of modern apprenticeship places, supported return to work placements and summer student opportunities.

- Investors in People Gold Standard re-confirmed following 2022 reassessment.

**We invested in our systems**

- Implementing new device management technology and training software to mitigate the increasing risk of cyber-attacks and threats to our data security.
- Initiating projects to enable mobile compliance and tenancy management activities.

**We invested in our policies and our procedures**

- Implementing a new Policy Toolkit to support enhanced governance and the updating of a number of corporate policies including Data Protection, IT Security and Board Management policies.
- Launched a new Board Portal for our Board Members to easily access all the relevant information they require to undertake their role.

**We assured ourselves**

- Securing Board agreement to the recommendations of an External Treasury and Funding Strategy Review to ensure we are well placed for financing our future investment ambitions.
- Creation of a Care Compliance Officer to support the delivery of consistent and high-quality care and support services.
- Externally assessed under the Investors in People evaluation framework and we achieved the Gold level demonstrating the value we place on our people.
- We achieved PCI/DSS compliance with our third-party payment partner which is the industry security standard required for payment card processing.

## 5. WIDER & AGENCY SERVICES

During the year Eildon has provided:

- Modernisation services to Scottish Borders Housing Association
- Management services to Berwickshire Housing Association Intermediate Rent stock
- Management Services to Lucy Sanderson Homes
- An adaptations service to the Borders Housing Network

As agents for Scottish Borders Council, Eildon runs a comprehensive Care & Repair service.

In addition to planned agency services, Eildon has continued to secure funding support and used our position and strength to support our local communities. Our established and highly effective Regional Food Hub is possible through working in partnership with Scottish Borders Council and Edinburgh based charity 'Cyrenians'. The success of this partnership has led to the introduction of other community based projects such as OPAL Borders and the Wise Group co-ordinated BEAM project to which a member of Eildon's team was seconded.

## 6. OUTLOOK FOR THE FUTURE

Inflationary pressure and geopolitical instability experienced during 2022/23 are anticipated to continue throughout 2023 creating an uncertain outlook for the economy. The forecasts for CPI and the Base Rate vary by commentator and, as would be expected, some are more optimistic than others. However, the current general view is that inflation will fall significantly during 2023 along with the likelihood that electricity and gas prices will drop by the end of the year. Bloomberg Economics<sup>1</sup> is predicting that CPI will reduce to 3% by December 2023, and return to around 2% by mid-2024.

Construction inflation indices are indicating that the all-in tender price and materials cost indices have started to reduce, and it is expected that they will start to normalise during the first half of 2023/24. In terms of the Base Rate forecasts, it is anticipated that this will peak at 4.5% by June 2023.

The Board approved a Social Housing rent increase of 7% for 2023/24 and 3% for Mid-Market Rental properties in February 2023, this latter increase was determined by the rent cap set by the Scottish Government.

In response to these significant increases in our economic indicators, the Board approved changes to the Development Programme delivery profile as part of their approval of the Medium- and Long-Term Viability Plan 2023/24 at the April 2023 meeting. This means that despite the many challenges in the wider environment we have plans that are robust and resilient and provide a stable platform for Eildon to weather the current uncertain times.

Looking forward to 2023/24 Eildon has much to celebrate as it marks its 50<sup>th</sup> anniversary, opens its third ECH facility at Poynder Apartments, Kelso and our new depot in Selkirk will be completed to enable us to develop plans to support our tenants better from our in-house tradespeople.

<sup>1</sup> Source: ATFS, Treasury Advisor – April 2023 Economic Outlook

## D

## Financial Review 2022/23

### 1. INTRODUCTION

The commentary noted below refers in all cases to the consolidated results of the Eildon Group for the year to 31 March 2023 reported within these financial statements and not just EHA on a standalone basis.

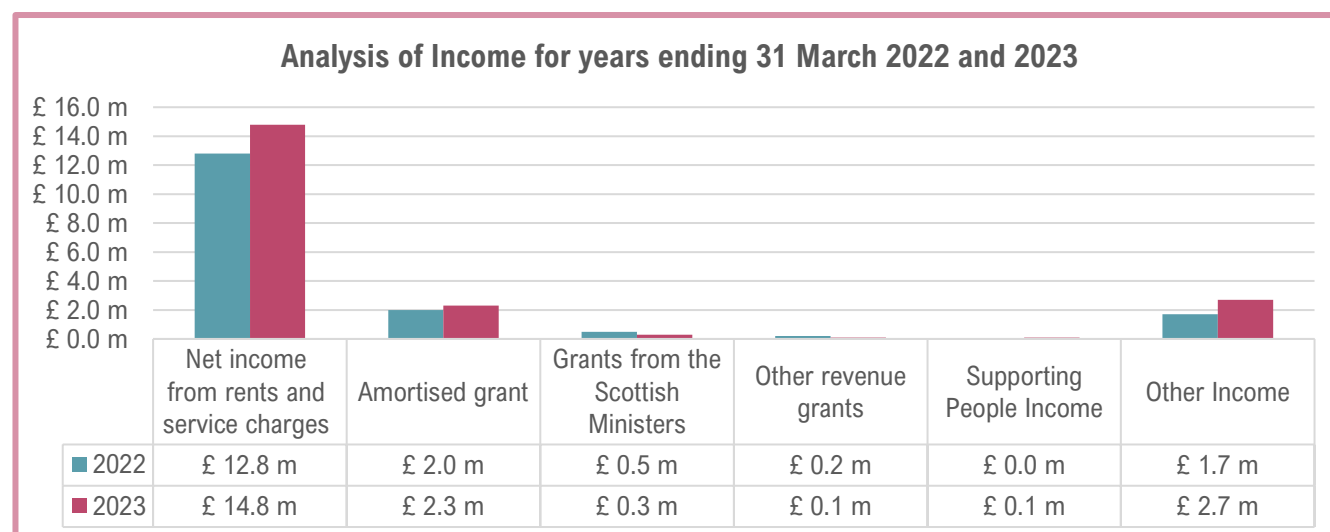
The financial performance over the past five years is analysed in Table 1, on page 16.

### 2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The Statement of Comprehensive Income is presented on page 32 with key additional analysis in Notes 2, 3 and 4 (pages 46 to 49). These show that Eildon made a surplus of £1,659k after tax during the year (2022: £2,044k).

The Surplus before tax and actuarial movements was £1,582k (2022: £726k) which is an improvement of £856k (118%) on the previous year. The operating surplus, which is before net interest and financial instrument movements was £4,174k (2022: £3,119k) and represented a 34% increase in Eildon's operating surplus. The operating contribution (i.e. operating surplus as a % of Turnover) was 20.6% (2022: 18.2%) showing that operating performance was stronger in 2022/23 than 2021/22.

#### Income



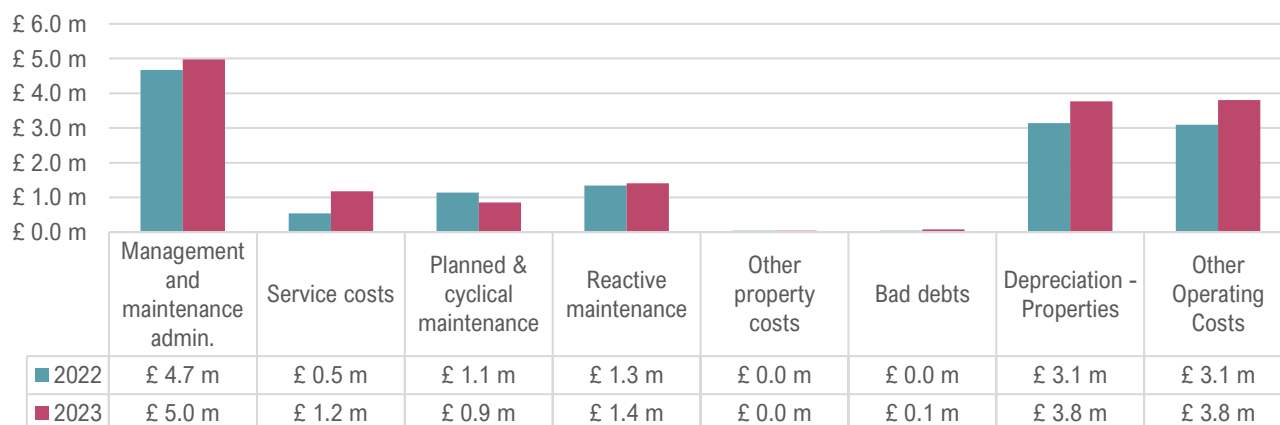
Total income generated for the year was £20,274k (2022: £17,129k). This amounts to £3,145k increase (18%) in income year on year. The majority of the growth has been generated from:

- Net income from rents and service charges increased to £14,764k in year (2022: £12,755k) generating £2,009k (16%) mainly due to the full year effect of new build homes completed in 2021/22 and part year effect of the 47 new homes completed during 2022/23. In addition, inflationary increases on rent and service charges applied from 1 April 2022 also generated additional income.
- Other income increased to £2,705k (2022: £1,725k) contributing £980k an increase of 56%. The key driver to this is the full year effect of the provision of Extra Care Housing at Dovecot and Wilkie Gardens, along with the above inflation commissioned care income due to additional funding for Adult Care Workers. In total Care and Support activities generated £2,624k (2022: £1,823k) an increase of £801k (43%).



## Operating Expenditure

### Analysis of Operating Expenditure for years ending 31 March 2022 and 2023



Total Operating Expenditure for the year was £16,100k (2022: £14,010k) up by £2,090k (15%) on the previous year. The key drivers of expenditure growth have been related to inflation, the significant increase in staff costs from the full year of extra care housing and the increase in the number of units under management following completing and the full year effect of this on depreciation.

### 3. ASSET MANAGEMENT (PROPERTY MAINTENANCE)

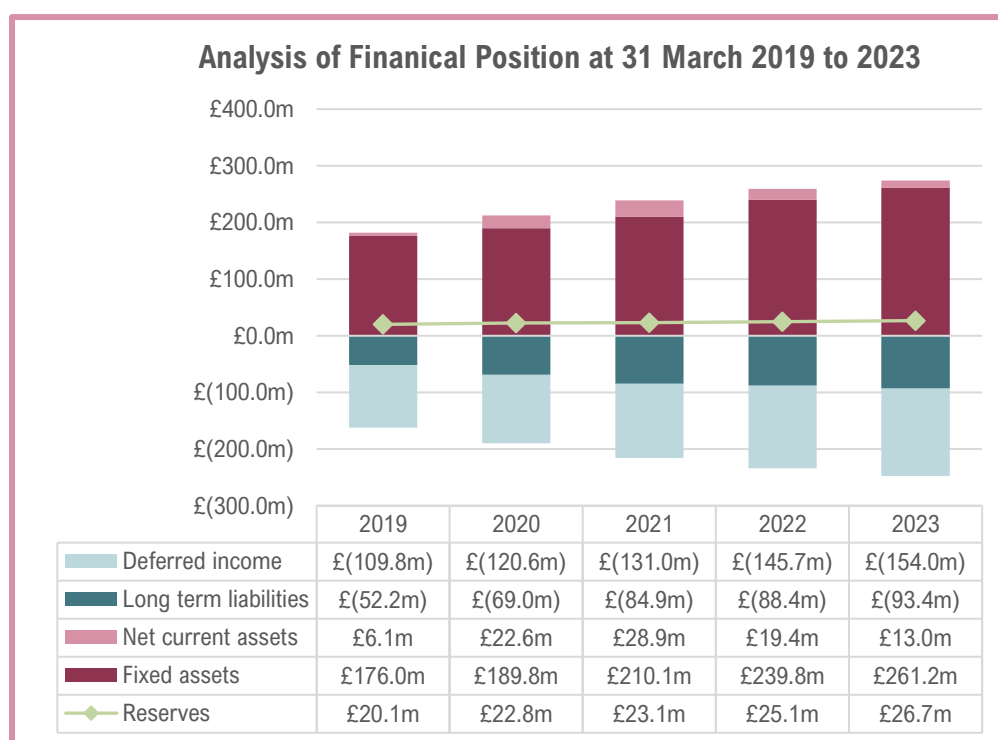
Eildon seeks to maintain its properties to the highest standard. To this end it carries out repairs in three distinct time frames:

- Routine Maintenance, which is carried out within five days of notification – expenditure in the year was £1,409k (2022: £1,335k)
- A programme of Planned Repairs carried out in the medium term to deal with the gradual and predictable deterioration of building attributes – expenditure in the year was £847k (2022: £1,141k)
- A long-term programme of major repairs for the replacement of components which have come to the end of their economic lives – direct expenditure capitalised in the year was £1,274k (2022: £911k)

The Board continues to invest to cover the Association's future commitments under the Scottish Housing Quality Standards and the Energy Efficiency in Social Housing program.

#### 4. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Eildon's net assets at the 31 March 2023 were £26,727k (2022: £25,068k) an increase of £1,659k (7%) and is, in the main, as a result of the ongoing investment in our housing stock which results in growing fixed assets and deferred income as can be seen in the chart below.



The Net Current Assets have decreased due to the ongoing use of the loans previously drawn down to fund the development programme investment.

#### 5. HOUSING – VALUATIONS, DEVELOPMENT & DISPOSAL

As at the 31 March 2023 Eildon owned 2,877 housing units along with a small number of garages and commercial properties which are rented out.

During the reporting year Eildon spent £24.0m (2022: £31.5m) on building and purchasing houses (Note 12) of which £10.6m (2022: £16.6m) was funded by grants received from the More Homes Division (East) of the Scottish Government (Note 20). This represents 47 units coming into management by the end of the year.

At the reporting date there are 21 shared equity units unsold. In the year the Association sold 1 shared ownership property and bought back 2 shared ownership properties. The reported gain on disposal of housing properties (Note 7) generated a net gain of £22k (2022: £120k) after taking account of the remaining net asset cost and recycled grant.

In the reporting year there were no valuations carried out; In July of 2021 a valuation of 923 homes and second in September 2021 of 296 homes as part of a bank covenant. When the professional valuations are extrapolated across the whole stock a value in use of £105m is indicated (market value £256m). A similar exercise on the September valuation indicates an in-use value of £103m (market value £272m).

## 6. CASH FLOWS

Cash inflows and outflows during the year are shown in the Consolidated Cash Flow Statement (page 35 - 36).

The Group cash inflow from operating activities increased this year to £2,862k (2022: £1,473k); £26,953k (2022 - £31,881k) was spent acquiring assets. There was an outflow from repaying loans of £431k (2022: £433k); inflow from borrowings was £5m (2022: £0k). The cost of financing was £583k (2022: £1,020k) and the net debt moved from £88,040k in 2022 to £92,609k in 2023.

## 7. CAPITAL STRUCTURE AND TREASURY MANAGEMENT

During 2022/23 no new loan agreements were negotiated but the final £5m drawdown on the RBS £11m facility was received in March 2023. As noted in the Cashflow information above this resulted in the total outstanding loans increasing to £92.6m (2022: £88.0m); the profile of the loan portfolio is set out in Notes 17 and 18 and this shows that 83% of the loan debt is repayable after five years.

A new Treasury Management Policy (TMP) was approved by Board in May 2022 to incorporate the updated SFHA guidance, and the Treasury Management Strategy (TMS) for 2022/23 based on the Medium- and Long-Term Viability Plan 2022/23 was approved at the same time.

The TMS for 2022/23 set operational parameters for the treasury management as well as the approved borrowing requirement. In this way Eildon manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held.

As identified in the TMS the unencumbered security position was fully assessed to establish borrowing capacity to fund future development plans, and external advisers were appointed to undertake Eildon's Borrowing and Funding Strategy which was reported to the Board in April 2023.

Eildon, as a matter of policy, does not enter into transactions of a speculative nature and fixes rates of interest through embedded rates within loans and swaps using an ISDA MTM instrument (Note 18).

At 31 March 2023, the mix of variable and fixed ratio was 75% fixed : 25% variable excluding the ISDA MTM and 79%: 21% including the ISDA MTM. In the current climate, and re-affirmed through the recent external review, this is a strong position to be in terms of interest rate exposure when rates are rising. Interest and financing costs for the year were £3,237k (2022: £2,923k) reflecting the increase to the variable rate interest costs experienced during the year following the Bank of England changes to the base rate.

As set out in the earlier performance table (page 16) the interest cover and gearing ratios came in below target, and no loan covenants were breached in the year.

## 8. PENSION

As of 1 April 2013, the Association ceased to offer a defined benefits option within the Scottish Housing Associations' Pension Scheme (SHAPS) and now offers a defined contribution option through SHAPS.

For the year ended 31 March 2023, the Association has obtained sufficient information to account for the scheme as a defined benefit scheme as fully disclosed in Note 23 (Page 60).

**TABLE 1 – GROUP HIGHLIGHTS – FIVE YEAR HISTORICAL SUMMARY**

For the Year Ended 31 March

	2023	2022	2021	2020	2019
	£'000	£'000	£'000	£'000	£'000
<b>Statement of Comprehensive Income</b>					
Total turnover	20,274	17,129	15,703	15,316	14,591
Social lettings income	17,014	14,772	14,191	13,802	13,182
Operating surplus	4,174	3,119	3,501	3,200	3,000
<b>Surplus/(deficit) for the year after tax</b>	<b>1,659</b>	<b>2,044</b>	<b>182</b>	<b>2,786</b>	<b>387</b>
<b>Statement of Financial Position</b>					
Net housing properties	257,297	235,915	206,729	186,434	172,564
Other fixed assets	3,881	3,884	3,273	3,392	3,466
<b>Fixed assets</b>	<b>261,178</b>	<b>239,799</b>	<b>210,002</b>	<b>189,826</b>	<b>176,030</b>
Net current assets	12,984	19,379	28,949	22,571	6,063
<b>Total assets less current liabilities</b>	<b>274,162</b>	<b>259,178</b>	<b>238,951</b>	<b>212,397</b>	<b>182,093</b>
Long term liabilities	(93,446)	(88,437)	(84,905)	(68,997)	(52,211)
Deferred income	(153,989)	(145,673)	(131,022)	(120,558)	(109,826)
<b>Net Assets</b>	<b>26,727</b>	<b>25,068</b>	<b>23,024</b>	<b>22,842</b>	<b>20,056</b>
<b>Reserves</b>	<b>26,727</b>	<b>25,068</b>	<b>23,024</b>	<b>22,842</b>	<b>20,056</b>
<b>Housing Stock (units)</b>	<b>2,877</b>	<b>2,841</b>	<b>2,594</b>	<b>2,583</b>	<b>2,514</b>
<b>Statistics</b>					
Surplus for year as % of turnover	8.18%	11.9%	(0.3%)	18.2%	2.7%
Surplus for year as % of social lettings income	9.75%	13.8%	(0.3%)	20.2%	2.9%
Rent loss from voids in the year	1.18%	1.79%	1.55%	0.77%	1.09%
Rent collected in terms of rent collectable in the year	98.3%	97.3%	97.1%	97.7%	97.4%
Liquidity (Current Assets/Current Liabilities)	3.0/1	3.3/1	3.2/1	3.3/1	2.4/1
Gearing (Total Loans as % of Capital Grants plus Reserves)	42.0%	37.3%	31.8%	30.1%	38.0%

## E

## Structure, Governance and Management

### 1. CORPORATE STRUCTURE

Eildon Housing Association Ltd (EHA) is registered under the Co-operative and Community Benefit Societies Act 2014 and is a Scottish Charity with a Board of Management (hereinafter referred to as the Board) as the governing body. It is the parent to a subsidiary, Eildon Enterprise Ltd (EEL). The legal relationship between these companies is that the Board of Eildon Housing Association Ltd make up the Eildon Enterprise Ltd Board (with the potential for a minority of 'independent' Members to be added to this).

Eildon Enterprise Ltd is incorporated as a company limited by guarantee and as per the articles is treated as a subsidiary of the housing association. Consolidation has been carried out using the full consolidation method.

The Eildon Charitable Trust also exists. The Trustees hold the positions of Chair, Vice Chair, Secretary and Assistant Secretary of Eildon Housing Association Ltd. The Eildon Trust has not been included in the consolidated financial statements as it is dormant.

Eildon Housing Association Ltd is a Public Benefit Entity.

### 2. REGISTERED PARTICULARS

Registered Office	Registered Nos
Eildon Housing Association Ltd Eildon Enterprise Ltd	EHA – Parent
The Weaving Shed Dunsdale Road Selkirk TD7 5EB	Co-operative and Community Benefit Society 1757R(S) Scottish Charity SC015026 The Scottish Housing Regulator HEP107 EEL – Subsidiary Company Registration Number SC273461

### 3. PRINCIPAL ACTIVITIES

#### Parent – Eildon Housing Association Ltd

The principal activities of Eildon Housing Association Ltd are:

- Management and maintenance of its housing property
- Development of housing projects, at affordable rents, for people in need; and low-cost home ownership initiatives
- The provision of care and support services for vulnerable client groups
- Operating the Care & Repair programme contract as agents for Scottish Borders Council
- The provision of corporate, administrative, IT and financial services for all Members of the Eildon Group

#### Subsidiary – Eildon Enterprise Ltd

Eildon Enterprise Ltd's principal activity is undertaking activities relating to the provision of mid-market rent housing.



#### 4. STATEMENT OF THE BOARD'S RESPONSIBILITIES

The Co-operative and Community Benefit Societies Act 2014 and registered social landlord legislation requires the Board to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the registered social landlord and of the surplus or deficit for that period. In preparing those financial statements the Board are 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 them on a 'going concern' basis unless it is inappropriate to presume that the Association will continue in business
- Prepare a Statement on Internal Financial Control

The Board is also responsible for:

- Keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Association and the Group
- Ensuring that the financial statements comply with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing Scotland Act 2010 and the Determination of the Accounting Requirements February 2019
- Maintaining a satisfactory system of control over accounting records and transactions, and for safeguarding all assets of the Association and, hence, take reasonable steps to prevent and detect fraud and other irregularities.

#### 5. CORPORATE RULES AND THE REGULATOR

The governing document of the Association is the Rules, which are based on the 2020 SFHA standard set of Charitable Rules and adapted through time by properly constituted meetings of the members of the Association. The Rules are the equivalent of a company's Articles and Memorandum of Association. A copy of the Rules can be obtained on request to the Registered Office.

As part of its monitoring process the Association's regulating body, The Scottish Housing Regulator, monitors the activities of the Association to ensure that they are in line with the Rules. The Association has never been found to be in breach of its Rules.

#### 6. BOARD AND SUB-COMMITTEE STRUCTURE

Through their election by the shareholders at a general meeting, the Board are delegated via Standing Orders (updated May 2022) to:

- Appoint a Chair
- Appoint sub-committees and working groups
- Formulate and implement policies and strategies
- Delegate to the Executive Officers
- Make decisions based on the information received from the Executive Officers

The Board gives delegated authority to the Audit and Risk Sub-Committee who meet to monitor all audit, risk and compliance issues of the Association and the impact that these issues have on each other. Internal audit reports and Care Inspectorate reports, which provide an independent view on the organisation's efficiency, effectiveness and performance, are received by this sub-committee.

Delegated authority has also been given to the Remuneration Sub-Committee on the remuneration of staff, the pension provision, and the appraisal of the CEO.

The Board has the authority to set up single task working parties to address specific issues that are usually time limited and make specific recommendations back to the Board for consideration. These working parties have the ability to second specialists to assist them or, with Board approval, recruit consultants to assist them in a particular piece of work.

The Board meets nine times annually, the Audit & Risk Sub-Committee four times and the Remuneration Sub-Committee at least once. At these meetings the Executive Officers present papers from which decisions are made by the Board. The Executive Officers also present performance papers such as Management Accounts, Key Performance Indicators and other relevant papers relating to performance issues.

Since 2019 the Scottish Housing Regulator has introduced the requirement for all Registered Social Landlords to submit an Annual Assurance Statement. This statement sets out the Board's position in respect to compliance with the standards of governance and financial management as set out in the Regulatory Framework published by the SHR.

## 7. BOARD ASSURANCE AND ACCOUNTABILITY

The Board, with the support of the Executive Officers, oversee a detailed self-assessment exercise each year to inform this submission. To date, no areas of non-compliance with the regulatory standards have needed to be included in the Annual Assurance Statement.

The Board account for their actions and decisions in the year by presenting to the members the Annual Financial Statements, which include a summary of key activities undertaken during that year, at the annual general meeting (AGM).

## 8. MEMBERSHIP OF THE ASSOCIATION

Paragraphs 6 to 12 in the Rules lay out, in detail, the criteria for being a member of the Association.

The Board may, at their discretion, admit to membership any individual persons in line with our membership policy. Every member on the register holds one share in the Association. Shares cost £1 but do not entitle the holder to any interest, dividend or bonus. In the event of the withdrawal, death or expulsion of the member, the £1 becomes the property of the Association.

There are 81 Members and currently none are Body Corporate Members.

## 9. MEMBERSHIP OF THE BOARD

Paragraphs 37 to 44 in the Rules lay out, in detail, the recruitment and appointment of the Board of the Association. The pertinent points are:

- There has to be a minimum of seven Board Members and a maximum (including three co-optees) of 15
- Only shareholders of the Association over the age of 18 can become Board Members
- An employee of the Association or a close relative of an employee may not be a Board member
- Board Members are elected at general meetings

Board Members are drawn from a wide background bringing together professional, commercial and local experience and are unpaid.

Each year, one third of Board Members must retire and stand for re-election if they wish to remain on the Board. The present Board Members and the Executive Officers of the Association are set out in the Table below.

## BOARD MEMBERS

Name	EHA Parent	EEL Subsidiary
Ms Cathie Fancy, BSc (Hons), MSc, HND	Chair (A – Board 20 Apr 2022 A – Chair Sep 2022)	Director (A – 16 Aug 2022)
Mr David Alexander, MA, M.Soc Sci, MIH, Dip MAN, BA	Chair (R – 7 Sep 2022)	Director (R – 7 Sep 2022)
Mr Ewen Swinton, ACIBS *	Chair (Audit & Risk Committee)	
Mrs Alison Ballantyne, PgDip, MCIBS	Vice Chair (EHA Board)	
	Chair (Remuneration Committee)	
Mr Ron Beardsley, MSc, FFB *		
Mr Brian Frater, BA(Hons), MRTPI (retired)		
Dr Paul Gilbert, PhD, Ceng Mechanical Engineering	(R – 17 Nov 2022)	
Ms Amanda Harvie, BA (Hons), MCIPR, FRSA *		Director
Mr Chris Highton, DipSurv, FRICS		Director
Ms Catherine Louch, MA (Hons) Economic & Social History, Post Grad Diploma in Housing, CIH Chartered Membership *	(A – 17 May 2022)	
Mr Allan Lundmark, Hon FRIAS, BSc (Hons), DiP TP, MRTPI (1976 – 2014) *		Chair
Ms Eibhlin McHugh, B. Soc. SC. UCD, Dip Business Studies. OU, DSW Edin Univ		
Dr Alan Mordue, MB, ChB, FFPH (retired) *		
Miss Camilla Younger	(R – 8 Feb 2023)	Director (R – 6 Feb 2023)

\* - Member of Audit & Risk Committee, (A) = Appointed in the year, (R) = Resigned in the year

## 10. EXECUTIVE OFFICERS

The Executive Officers are the Chief Executive and the other Members of the Executive Team and are all employed by the Association. The Executive Officers hold no interest in the Association's shares and act as executives within the authority delegated by the Board. Executive Officers are employed on the same terms as other staff, however their notice period is three months.

Name	EHA Parent	EEL Subsidiary
Mr N J Istephan, BA (Hons), Mphil, CIHCM <b>Secretary and Chief Executive</b>	✓	✓
Mrs L Mirley, BA (Hons), ACMA <b>Assistant Secretary and Director of Business Support</b>	✓	
Mrs A Miller, FCIH <b>Director of Community Services</b>	✓	
Mr N Wilson-Prior <b>Director of Property Assets</b>	✓	

The Standing Orders also detail the level of delegated powers that can be given to the Executive Officers.

## 11. BOARD EFFECTIVENESS

### Board Training

Prior to formally joining the Board, prospective members are invited to attend meetings to familiarise themselves with the way in which business is conducted. Following appointment to the Board, there is an opportunity to participate in an initial induction training programme for new members, carried out by Executive Officers, which includes the following:

- Governance Manual//Handbook
- The Role of a Board Member
- Eildon's 5 Year Strategic Plan
- Key Issues for Eildon
- Site Visits

Board Members are encouraged to undertake a range of training opportunities to assist them in discharging their responsibilities. New Board Members are also assigned a more experienced colleague to act as a mentor in their first year.

The process is ongoing whereby internal and external training sessions are delivered by senior staff and invited guest speakers as part of an annual schedule of meetings, site visits and events. Annually the Board carry out a review of the skills, training needs, succession planning and recruitment needs of the governing body.

### Board Member Reviews

Annually the Chair will meet with all Board Members individually to review the Board and their performance and identify any additional training requirements, or opportunities for the Board Member to enhance their contribution to the Board.

### Governance Action Plans

As a result of the review process the Chair with the support of the Company Secretary and Governance Officer, prepare and present a report outlining the high level findings from the reviews and identifying any required Governance Action Plan for the following year.

## 12. STRATEGIC MANAGEMENT

The Board are responsible for agreeing the strategic objectives of the organisation, the policies required to achieve those objectives and the monitoring mechanisms required to ensure targets and programmes are being met.

Each year the Board Members and Executive Officers have a two-day event to look at the strategic objectives of the organisation and to consider what events and objectives are likely to affect our overall business performance and activities. These events will involve the attendance of external speakers in order to broaden the input into the Board discussion.

Topics covered at this event in October 2022 included:

- Scottish Housing Regulation
- Organisational Resilience
- Asset Performance Evaluation Process
- Consideration of the Cost of Living challenges and Eildon's role in supporting tenants and communities

This event informed the options considered for Eildon to adapt to the changing economic and operating environment and therefore the subsequent updating of the annual strategic implementation plan, annual budget created and longer-term financial viability plans. These components of our corporate planning framework were then quantified, stress tested and presented to the Regulator.

## 13. POLICY FRAMEWORK

The Group uses a policy and procedure framework to ensure that it has relevant and regularly reviewed policies that apply to the organisation. There is a policy toolkit to support the development and review of these policies. Policies are categorised as Governance, Strategic, Management, Staff, Board Member or Staff and Board Member.

### Key Documents

In addition to the policies and procedures there are a number of key documents that are maintained including Codes of Conduct for Staff Members and for Board Members, Property Asset Management Strategy, Risk Management Strategy and Standing Orders.

### Accounting Policies

The Group's principal accounting policies are set out in pages 37 to 45 of the financial statements. These financial statements are prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' (FRS 102).

### Credit Payment Policy

The Group's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is within 30 days (2022: 30 days).



## 14. INTERNAL CONTROL FRAMEWORK

The Group operates the “Eildon Audit Loop” to provide a robust approach to assuring the Board Members and Executive Officers that the internal control framework is operating effectively. This “Loop” involves:

	Appointed by	Audit Responsibilities	Audit work of
External Audit	Shareholders at AGM	Statement of Internal Control, Annual Reports and Financial Statements	Board
Outsourced Internal Audit	Board	Internal Audit Annual Report Annual Performance Board Information	Executive Officers
In-house Internal Audit	Executive Officers	Internal Audit Topics based on Audit & Risk Committee agreed programme	Operational Teams

This level of scrutiny combined with the robust quarterly performance reports to Board on financial, performance indicators and delivery of the strategic implementation plan provides the Board and sub-committees with a significant level of assurance.

## 15. RISKS MANAGEMENT

The Group operates within a Risk Management Strategy and reports on a semi-annual basis to the Audit and Risk Committee the outcome of the periodic reviews of the Strategic Risk Register to ensure that these are being managed appropriately.

During 2022 the Board and the Executive Officers fully reviewed and updated the Strategic Risk Register which contains the risks listed below:

Risk Title	After Control Risk Score (i.e. Residual Risk)
Failure to deliver the quality of services required by our customers/tenants and regulators (SHR, Care Inspectorate)	<b>Moderate</b>
Fail to manage our Finances effectively to ensure Eildon’s long-term financial viability, strength & stability of all our service areas.	<b>Moderate</b>
Fail to ensure Eildon can adapt to changes in policy, regulatory and legislative environment (Regional / National / International)	<b>Moderate</b>
Inability to Recruit & Retain the Right people (including Board, Executive, & Staff)	<b>Moderate</b>
Failure to sustain, grow and expand our services in a manner which contributes to the overall growth objectives and viability of Eildon.	<b>Major</b>
Failure to design & maintain an agile & efficient organisation that utilises our People, Asset and Technology resources effectively.	<b>Minor</b>
Fail to ensure effective Governance arrangements in place	<b>Minor</b>
Fail to ensure we continue to be seen as Innovative, Relevant & Respected within the housing & care sector	<b>Moderate</b>
Fail to identify and/or maximise opportunities for Collaboration & Partnership	<b>Moderate</b>

Risk Title	After Control Risk Score (i.e. Residual Risk)
Failure of supply chain and other external factors (including insufficient HAG funding levels) which curtails housing asset maintenance and stock expansion objectives	<b>Major</b>
Failure to ensure the safety and well being of our customers, people and partners	<b>Moderate</b>
Failure of our processes, procedures and Digital Infrastructure to prevent major service disruption and/or data loss	<b>Moderate</b>
Failure to secure finance for and/or delivery of the expected objectives and benefits from sustainability and decarbonisation initiatives in line with national and local targets.	<b>Moderate</b>

As part of the semi-annual reporting to the Audit and Risk Committee, each of these risks is reviewed and an assurance update is provided with evidence of controls and/or actions being taken to manage or mitigate the risks. The links to actions in the strategic implementation plan are also contained within the assurance update provided to the Committee. Finally, the review highlights whether there is no change in the after-risk score, or if there is then why this is the case.

The application of the Risk Management Policy and Strategy is subject to internal audit review by the outsourced internal auditors on a three yearly cycle.

## 16. BANKER, SOLICITORS AND AUDITORS

			EHA Parent	EEL Subsidiary
<b>Banker</b>	Bank of Scotland 3 Channel Street Galashiels TD1 1BE		✓	✓
<b>Auditor (External)</b>	CT Chartered Accountants and Statutory Auditors 61 Dublin Street Edinburgh EH3 6NL		✓	✓
<b>Auditor (Internal)</b>	Findlay & Co. Chartered Accountants 11 Dudhope Terrace Dundee DD3 6TS		✓	
<b>Solicitors</b>	TC Young LLP Merchant House 7 West George Street Glasgow G2 1BA	Harper Macleod LLP The Ca'd'oro 45 Gordon Street Glasgow G1 3PE	✓	✓

At the time of preparing this annual report, the legal services contracts were out for tender, and as of 21 June 2023 there will be new contracts in place for these services. In addition, both internal and external auditors will be retendered in the summer of 2023 with recommendations on the appointment of the external auditor being presented at the 2023 AGM.

## 17. AGM

The AGM will be held on Wednesday 6 September 2023 at the Weaving Shed, Dunsdale Road, Selkirk.

## 18. STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Board is aware, there is no relevant audit information of which the Association's auditors are unaware, and each member of the Board has taken all the steps that they ought to have taken, as a member of that body, in order to make themselves aware of any relevant audit information and to establish that auditors are aware of this information.

## F

## Statement of Going Concern

Through the Executive Officers, the Board has reviewed and discussed the various aspects of the Association as a going concern and its liquidity. The review covered the following items:

- The Annual Budget including Cashflow to 31 March 2024
- The 5 Year Viability Plan including Cashflow to 31 March 2028 that is scrutinised by the Regulator
- The 60 Year Plan including Cashflow to 2083

Based on these documents and the following facts:

- There is no sign of impairment of the housing stock through increased voids
- 84% of the turnover is rent related
- 11% of the turnover is Care or Support income from the Local Authority
- 1.92% of the turnover is grants from the Scottish Ministers
- There is a development programme backed by the Scottish Government
- The Association does not trade abroad
- The loan portfolio is 78% fixed mostly at favourable rates (79% if Interest swap is taken into account).
- The Association has, at 31 March 2023, 710 unencumbered properties
- The Association has, at 31 March 2023, £16.6m in cash
- The Reserves of the Association are over £26.79m

In 2023/24 the Association will use the large cash balance to fund the development programme.

The Board has no reason to believe that the Association will not still be a going concern well beyond 12 months from the signing date of these Annual Financial Statements.

## G

## Statement of Internal Financial Controls

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

- Reliability of financial information used within the Group or for publication
- Maintenance of proper accounting records
- Safeguarding of assets against unauthorised use or disposition

It is the Board's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable, and not absolute, assurance against material financial mis-statement or loss. Key elements include ensuring that:

- The Association's range of internal control activities comply with requirements contained in the Scottish Housing Regulator's guidance.
- Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- Experienced and suitably qualified staff to take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance.
- Forecasts and budgets are prepared which allow the Board and Management to monitor the key business risks and financial objectives and progress towards financial plans set for the year and the medium term. Regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate.
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through relevant sub-committees.
- The Board reviews reports from Management, from the internal auditors and from the external auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Association.

Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Board has reviewed the effectiveness of the system of internal financial controls that exist in the Association for the year ended 31 March 2023 and until the date of signing of the financial statements. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements.

Approved by the Board of Management on **17 July 2023** and signed on their behalf by:



Mr N J Istephan, Secretary



# Independent Auditor's Report to the Members of Eildon Housing Association Limited

## Opinion

We have audited the financial statements of Eildon Housing Association Limited (the 'Association') and its subsidiary (the 'Group') for the year ended 31 March 2023 which comprise the Group and Association Statement of Comprehensive Income, the Group and Association Statement of Financial Position, Group Statement of Changes in Reserves, the Group and Association Statement of Cash Flows and the 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 and the Group's affairs as at 31 March 2023 and of the Association's and the Group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Other information

The Board is responsible for the other information. The other information comprises the information included in the Operating and Financial Review and Board of Management 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.

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, 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 necessary for the purposes of our audit.

### **Responsibilities of the Board**

As explained more fully in the Statement of the Board's Responsibilities set out on page 19, the Board Members (who are also the Trustees of the Association for the purposes of charity law) are 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 determine 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 is responsible for assessing the Group's and 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 either intends to liquidate the Association or to cease operations, or has 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:

We gained an understanding of the legal and regulatory framework applicable to the Association and the industry in which it operates and considered the risk of acts by the Association which were contrary to applicable laws and regulations, including fraud. These included but were not limited to the Housing SORP 2018, the Co-operative and Community Benefit Societies Act 2014 and the Housing (Scotland) Act 2010.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the Association's financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of the members;
- review of minutes of Board meetings throughout the period;
- review of legal correspondence or invoices, and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

There are inherent limitations in an audit of financial statements and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://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 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.

CT  
Chartered Accountants and Statutory Auditors  
61 Dublin Street  
Edinburgh  
EH3 6NL

17 July 2023

## BY THE AUDITORS TO THE MEMBERS OF EILDON HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Group Financial Statements, we have reviewed your statement on page 27 concerning the Association's compliance with the information required by the Regulatory Standards 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. 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 page 27 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Group Financial Statements.

Through enquiry of certain members of the Board of Management and Officers of the Association and examination of relevant documents, we have satisfied ourselves that the Board of Management'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 Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

CT  
Chartered Accountants and Statutory Auditors  
61 Dublin Street  
Edinburgh  
EH3 6NL

17 July 2023

# Statement of Comprehensive Income

for the Year Ended 31 March 2023

GROUP		2023	2022
	Notes	£'000	£'000
<b>Turnover</b>	<b>2</b>	<b>20,274</b>	17,129
Less: operating expenditure	<b>2</b>	<b>16,100</b>	14,010
<b>Operating surplus</b>		<b>4,174</b>	3,119
Gain on disposal of property, plant & equipment	<b>7</b>	<b>22</b>	120
Interest receivable	<b>8</b>	<b>101</b>	33
Interest and financing costs	<b>9</b>	<b>(3,237)</b>	(2,923)
Movement in fair value of financial instruments	<b>18</b>	<b>522</b>	377
<b>Surplus before tax</b>		<b>1,582</b>	726
Taxation	<b>10</b>	<b>(3)</b>	(2)
<b>Surplus for the year</b>	<b>6</b>	<b>1,579</b>	724
Re-measurement caused by actuarial valuation	<b>19</b>	<b>80</b>	1,320
<b>Total comprehensive income for the year</b>		<b>1,659</b>	2,044

ASSOCIATION		2023	2022
	Notes	£'000	£'000
<b>Turnover</b>	<b>2</b>	<b>20,200</b>	17,091
Less: operating expenditure	<b>2</b>	<b>16,096</b>	14,007
<b>Operating surplus</b>		<b>4,104</b>	3,084
Income from group undertakings		<b>52</b>	26
Gain on disposal of property, plant & equipment	<b>7</b>	<b>22</b>	120
Interest receivable	<b>8</b>	<b>101</b>	33
Interest and financing costs	<b>9</b>	<b>(3,237)</b>	(2,923)
Movement in fair value of financial instruments	<b>18</b>	<b>522</b>	377
<b>Surplus for the year</b>	<b>6</b>	<b>1,564</b>	717
Re-measurement caused by actuarial valuation	<b>19</b>	<b>80</b>	1,320
<b>Total comprehensive income for the year</b>		<b>1,644</b>	2,037

# Statement of Financial Position

as of 31 March 2023

		GROUP		ASSOCIATION	
	Notes	2023 £'000	2022 £'000	2023 £'000	2022 £'000
<b>Fixed assets</b>					
Housing properties	12	257,297	235,915	257,297	235,915
Other fixed assets	12	3,606	3,609	3,606	3,609
Fixed asset investments	13	275	275	275	275
		261,178	239,799	261,178	239,799
<b>Current assets</b>					
Trade and other debtors	15	1,971	3,631	2,100	3,679
Cash and cash equivalents		16,651	24,394	16,392	24,234
		18,622	28,025	18,492	27,913
<b>Current liabilities</b>					
Creditors amounts falling due within one year	16	(5,640)	(8,646)	(5,634)	(8,643)
		(5,640)	(8,646)	(5,634)	(8,643)
<b>Net current assets</b>		12,982	19,379	12,858	19,270
<b>Total assets less current liabilities</b>		274,160	259,178	274,036	259,069
<b>Creditors: amounts falling due more than one year</b>					
Pension creditor	17	(638)	(150)	(638)	(150)
Other creditors	17	(92,806)	(88,287)	(92,806)	(88,287)
	17	(93,444)	(88,437)	(93,444)	(88,437)
<b>Deferred income</b>					
Social housing grants	20	(154,012)	(145,696)	(154,012)	(145,696)
Other grants	20	23	23	23	23
		(153,989)	(145,673)	(153,989)	(145,673)
<b>Total net assets</b>		26,727	25,068	26,603	24,959
<b>Capital and reserves</b>					
Share capital	24	-	-	-	-
Revenue reserves		26,727	25,068	26,603	24,959
<b>Total reserves</b>		26,727	25,068	26,603	24,959

The financial statements on pages 32 to 35 were approved by the Board of Management and authorised for issue and were signed on its behalf by:



Ms C Fancy  
(Chair)



Ms A Ballantyne  
(Vice-Chair)



Mr N J Istephan  
(Secretary)

Date: 17 July 2023



## Consolidated Statement of Changes in Reserves

### for the Year Ended 31 March 2023

	GROUP		ASSOCIATION	
	2023	2022	2023	2022
		£'000		£'000
<b>Balance at 1 April 2022</b>	<b>25,068</b>	23,024	<b>24,959</b>	22,922
Other comprehensive income for the year	<b>1,659</b>	2,044	<b>1,644</b>	2,037
<b>Balance at 31 March 2023</b>	<b>26,727</b>	25,068	<b>26,603</b>	24,959

# Cash Flow Statement

for the Year Ended 31 March 2023

	Notes	GROUP		ASSOCIATION	
		2023 £'000	2022 £'000	2023 £'000	2022 £'000
Net cash inflow from operating activities	A	2,862	1,473	2,763	1,463
Investing activities					
Acquisition and construction of properties		(26,953)	(30,817)	(26,953)	(30,817)
Purchase of tangible fixed assets		(78)	(692)	(78)	(692)
Social Housing Grant received		12,317	16,116	12,317	16,116
Proceeds on disposal of properties		22	120	22	120
Interest received on cash and cash equivalents		101	33	101	33
Net cash outflow from investing activities		(14,591)	(15,240)	(14,591)	(15,240)
Financing activities					
New secured loans		5,000	-	5,000	-
Interest paid on loans		(583)	(1,020)	(583)	(1,020)
Loan principal repayments		(431)	(433)	(431)	(433)
Share capital issued		-	-	-	-
Net cash inflow/(outflow) from financing		3,986	(1,453)	3,986	(1,453)
Increase/(Decrease) in cash		(7,743)	(15,220)	(7,842)	(15,230)
Opening cash and cash equivalents		24,394	39,614	24,234	39,464
Closing cash and cash equivalents		16,651	24,394	16,392	24,234

## Cash Flow Statement for The Year Ended 31 March 2022 (Continued)

### A. Net Cash Inflow from Operating Activities

	GROUP		ASSOCIATION	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Surplus for the year	1,659	2,044	1,644	2,037
Depreciation of tangible fixed assets	3,833	3,267	3,833	3,267
Amortisation of capital grants	(2,263)	(1,977)	(2,263)	(1,977)
Change in debtors	(32)	(999)	(113)	(1,002)
Change in creditors	(2,850)	(5,331)	(2,850)	(5,329)
Taxation	3	2	-	-
Gain on disposal of property, plant & equipment	(22)	(120)	(22)	(120)
Interest paid	3,237	2,923	3,237	2,923
Interest received	(101)	(33)	(101)	(33)
Movement in fair value financial instrument	(522)	377	(522)	377
Actuarial loss in respect of pension scheme	(80)	1,320	(80)	1,320
Balance as at 1 April	2,862	1,473	2,763	1,463

### B. Analysis of Changes in Net Debt

	Long Term	Short Term	Total Liabilities	Cash & Equivalents	Total Net Debt
As at 1 April 2022	87,022	1,018	88,040	(24,394)	63,646
Cash Flows	4,605	(36)	4,569	7,743	12,312
As at 31 March 2023	91,627	982	92,609	(16,651)	75,958

# Notes to the Consolidated Financial Statements

for the Year Ended 31 March 2023

## 1. Principal Accounting Policies 2023

### (i) Legal Status

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010.

The address of the company's registered office and principal place of business is The Weaving Shed, Dunsdale Road, Selkirk, TD7 5EB.

The Association's principal activities and the nature of the Association's operations are detailed on page 17.

### (ii) Basis of Accounting

These 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 2014 'Statement of Recommended Practice for Registered Housing Providers' and they comply with the Determination of Accounting Requirements 2019, and under the historical cost convention, modified to include certain financial instruments and investment properties at fair value.

The financial statements are prepared in sterling (£).

### (iii) Estimation Uncertainty

Preparation of the financial statements requires the Board 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 x) Tangible Fixed Assets
- Valuation of investment property – see x) Tangible Fixed Assets
- Useful lives of housing property – see xv) Depreciation and Impairment
- Components of housing properties – see xv) Depreciation and Impairment
- Allocation of costs for mixed tenure developments – see x) Tangible Fixed Assets
- Allocation of costs for shared ownership - see x) Tangible Fixed Assets
- The measurement of the recoverable amount of assets for impairment reviews – see xv) Depreciation and Impairment
- Recoverable amount of rent arrears and other debtors – see xviii) Financial Instruments
- Pension provision – see xix) Pensions

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (iv) Going Concern

Based on the statement of going concern set out on page 26 of the financial statements and after reviewing detailed cash flow projections and taking account of bank facilities and making such further enquiries as they consider appropriate, the Board are satisfied the Association has adequate resources to continue to operate within its facilities for the foreseeable future until new funding is obtained. The Board have no reason to doubt this will be available. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

### (v) Basis of Consolidation

The Group financial statements consolidate the financial statements of Eildon Housing Association Ltd and its subsidiary company Eildon Enterprise Ltd using acquisition accounting.

### (vi) Turnover and Revenue Recognition

Turnover comprises rental and service charge income receivable in the period; income from shared ownership first tranche sales; sale of properties built for sale, other services provided at the invoice value (excluding VAT); and revenue grants receivable in the period.

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

Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the transaction.

Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with administering authorities.

### (vii) Other Income

Interest and investment income

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

Investment income is recognised on an accruals basis.

### (viii) Deposits and Liquid Resources

Cash comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand. Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying value.

### (ix) Private Finance

Private finance loans are advanced by private lenders and local authorities under the terms of individual mortgage deeds in respect of each property. Advances are available only in respect of those developments which have been given approval for Social Housing Grant (SHG) by The Scottish Housing Regulator.

All borrowing costs are expensed as incurred.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (x) Tangible Fixed Assets - Housing Properties (Note 12)

Housing properties are properties for the provision of social housing or to otherwise provide social benefit and are principally properties available for rent and shared ownership.

Housing properties for let are stated at historic cost less accumulated depreciation and impairment losses. The development costs of housing properties funded with traditional SHG or under earlier funding arrangements include the following:

- Cost of acquiring land and buildings
- Development expenditure including accruals for retentions, fees and other appropriate costs

Allocation of costs for mixed tenure developments is done on a pro-rata basis.

Expenditure on schemes which are subsequently aborted is written off in the year in which it is recognised that the schemes will not be developed to completion.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that enhance the economic benefits of the assets, are capitalised as improvements. Such enhancements can occur if improvements result in either:

- An increase in rental income
- A material reduction in future maintenance costs
- A significant extension to the life of the property

Works to existing properties which fail to meet the above criteria are charged to the income and expenditure account.

Each component has a substantially different economic life and is depreciated over this individual life. Depreciation rates are shown below in the depreciation section.

An annual impairment exercise takes place on housing properties which involves estimating the value in use of each cash generating unit subdivided into geographical areas. This estimate is carried out using a discounted cash flow model to determine the Net Present Value (NPV) of the assets over a 30-year period.

Shared ownership properties are split proportionally between fixed assets and current assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as current asset and related sales proceeds are included in turnover.

The remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment. Where the first tranche has been sold prior to the acquisition of the properties, these are included in fixed assets only.

### (xi) Other Fixed Assets (Note 13)

Other fixed assets are capitalised at the point of purchase when the cost of the items is £750 or above or is reckoned to have a useful economic life at or greater than the relevant depreciation rate and it has second hand resale value.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (xii) Donated Land (Note 12)

Land or other assets which have been donated by a government source is added to cost of assets at the fair value of the land at the time of the donation. The difference between the fair value of the asset donated and the consideration paid is treated as a non-monetary government grant and included within the Statement of Financial Position as a liability. The terms of the donation are considered to be performance related conditions. Where the donation is not from a public source, the value of the donations less the consideration is included in income.

### (xiii) Social Housing Grant (SHG) (Note 20)

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.

### (xiv) Other Grants (Note 20)

Grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

### (xv) Depreciation and Impairment (Notes 12 and 13)

Housing properties are deemed to consist of several components each with different life spans and therefore different rates of depreciation. Depreciation is charged so as to write down the cost to net realisable value (net of social housing and other grants) residual value on a straight line basis over their expected useful economic lives. Freehold land is not depreciated. The life spans and rates per component are:

Housing Property Assets (Components)	Life in Years	Rate as a %
Building incl. Roofs & Wiring	80	1.25%
Windows & Doors 50	50	2.00%
Windows & Doors 40	40	2.50%
Windows & Doors 30	30	3.33%
Lifts	30	3.33%
Bathrooms	30	3.33%
Heating systems	30	3.33%
Kitchens	20	5.00%
Electric heating	20	5.00%

It is expected that, from experience gained, in future years there may be a range of lifespans and rates for makes and types of components, e.g. boilers.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The Association charges depreciation on its commercial property so as to write down the costs other than freehold land to their estimated residual value on a straight-line basis over their expected economic lives at a rate of 2% per annum.

For the Association's registered office, the basic building is written down at 2%. However, for certain components the economic lives are believed to be less than 50 years and for these the following straight line rates are used:

Registered Office Components	Life in Years	Rate as a %
Building	50	2.00%
Lift	30	3.33%
Electrical fittings	20	5.00%
Boilers and chillers	20	5.00%
Carpets	15	6.66%

Other fixed assets are depreciated over their estimated useful lives, using the following straight-line rates:

Other Fixed Assets	Life in Years	Rate as a %
Furniture & fittings	10	10.00%
Other equipment	5	20.00%
Information technology	4	25.00%
Motor vehicles	4	25.00%

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, the RSL estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in the income and expenditure account.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in income and expenditure. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (xvi) Investment Property (Note 13)

Investment properties (including properties held under an operating lease) consist of commercial properties and properties not held for social benefit. These properties are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in income and expenditure.

The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in FRS 102. The Board consider that, because investment properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view.

If this departure from the Companies Act 2006 had not been made in order to give a true and fair view, the surplus/deficit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount relating to the depreciation of the property cannot be separately identified.

### (xvii) Sale of Housing Properties (Notes 7, 12 and 14)

Properties are disposed of under the appropriate legislation and guidance. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

### (xviii) Financial Instruments (Note 17)

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.

A provision for doubtful debts is made against all former tenant rent arrears and the arrears balances of all current tenants that have arrears over 3 months.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### Financial assets and 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.

Debt instruments that do not meet the conditions in FRS 102, paragraph 11.9, are subsequently measured at fair value through income and expenditure. 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.

#### Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to fair value, at each reporting date. Fair value gains and losses are recognised in profit or loss unless hedge accounting is applied and the hedge is a cash flow hedge.

To qualify for hedge accounting, the Association documents the hedged item, the hedging instrument and the hedging relationship between them, and the causes of hedge ineffectiveness (such as different maturities, nominal amounts or variable rates, and counterparty credit risk).

The Association elects to adopt hedge accounting for interest rate swaps where:

- The interest rate swap is a qualifying hedging instrument with an external party that hedges interest rate risk on a loan, part of the nominal amount of a loan, or a group of loans managed together that share the same risk and that qualify as a hedged item
- The hedging relationship between the interest rate swap and the interest rate risk on the loan is consistent with the risk management objectives for undertaking hedges (i.e. to manage the risk that fixed interest rates become unfavourable in comparison to current market rates or the variability in cash flows arising from variable interest rates)
- The change in the fair value of the interest rate swap is expected to move inversely to the change in the fair value of the interest rate risk on the loan.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### Fair value hedge - hedge of fixed interest rate risk

Where an interest rate swap that converts fixed rate debt into variable rate debt qualifies for hedge accounting, it is accounted for as a fair value hedge and changes in the fair value of the interest rate swap are recorded in income and expenditure. The change in the fair value of the fixed rate debt that is attributable to the fixed interest rate risk is also recorded in income and expenditure and adjusts the carrying amount of the fixed rate debt. Net cash settlements on the interest rate swap are recognised in income and expenditure in the period(s) when the net settlements accrue.

When a fixed to floating interest rate swap expires, is sold, terminated or exercised, or when the conditions for hedge accounting are no longer met or the Association documents its election to discontinue hedge accounting, any cumulative fair value gains or losses adjusted against the carrying amount of the fixed rate debt are amortised to income and expenditure using the effective interest method.

### Cash flow hedge - hedge of variable interest rate risk

Where an interest rate swap that converts variable rate debt into fixed rate debt qualifies for hedge accounting, it is accounted for as a cash flow hedge. The cumulative change in the fair value of the interest rate swap is recognised in other comprehensive income up to the amount of the cumulative fair value movement on the variable rate debt that is attributable to the variable interest rate risk. Any excess fair value gains or losses on the interest rate swap not recognised in other comprehensive income are recognised in income and expenditure. The gains and losses recognised in other comprehensive income are recorded as a separate component of equity (the cash flow hedge reserve).

Net cash settlements on the interest rate swap are recognised in income and expenditure in the period(s) when the net cash settlements accrue. The cash flow hedge reserve is reclassified to income and expenditure when the variable rate interest is recognised in income and expenditure.

Hedge accounting is discontinued when a floating to fixed interest rate swap expires, is sold, terminated or exercised, or when the conditions for hedge accounting are no longer met or the Association documents its election to discontinue hedge accounting. Any fair value gains or losses accumulated in the cash flow hedge reserve are reclassified to income and expenditure, either when the variable interest rate expense is recognised in profit or loss, or immediately on discontinuation of hedge accounting if future variable interest rate cash flows are no longer expected to occur.

### (xix) Pensions (Note 23)

The Association participates in a funded multi-employer defined benefit scheme, the Scottish Housing Associations' Pension Scheme (SHAPS). It has become possible to identify the share of underlying assets and liabilities belonging to individual participating employers as at 31 March 2018 and the scheme is now accounted for as a defined benefit plan, as opposed to defined contribution, for the benefit of its employees. No new benefits have been introduced and there is no change to the benefits themselves.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

A liability for the Association's obligations under the plan is recognised net of plan assets. The net change in the net defined benefit liability is recognised as the cost of the defined benefit plan during the period. Pension plan assets are measured at fair value and the defined benefit obligation is measured on an actuarial basis using the projected unit method. Actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

Historically the scheme was accounted for as a defined contribution scheme as there was insufficient information for each social landlord's share of SHAPS to allow for defined benefit accounting. The liability previously recognised for the present value of the social landlord's deficit funding agreement has been derecognised. The difference between the deficit funding agreement liability, historically recognised for SHAPS, and the net defined benefit deficit for SHAPS, has been recognised in other comprehensive income. This accounting policy change has been accounted for in accordance with FRED 71: Draft Amendments to FRS 102: Multi-employer defined benefit plans as a matter of best practice. FRED 71 is an exposure draft and has not yet been implemented into financial reporting standards.

### (xx) Leasing

Rentals paid and received under operating leases are charged and credited respectively to income and expenditure on a straight-line basis over the term of the lease.

### (xxi) VAT

The Association is VAT registered. However, a large proportion of the 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. There is a group VAT registration scheme.

### (xxii) Subsidiary

Eildon Enterprise Ltd is incorporated as a company limited by guarantee.

### (xxiii) Taxation (Note 10)

The Association is recognised by the Inland Revenue as a charity for taxation purposes. This results in no liability to corporation tax in the year.

The Group incurs liability to pay corporation tax through its subsidiary Eildon Enterprise Ltd.

### (xxiv) Employee Benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

Employees are entitled to carry forward up to five days of 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.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the RSL is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 2. Particulars of Turnover, Operating Costs and Operating Surplus or Deficit

## GROUP

		Turnover	Operating Costs	2023 Operating Surplus/ (Deficit)	2022 Operating Surplus/ (Deficit)
	Notes	£'000	£'000	£'000	£'000
Affordable letting activities	3	17,014	12,299	4,715	3,855
Other activities	4	3,260	3,801	(541)	(736)
<b>Total 2023</b>		<b>20,274</b>	<b>16,100</b>	<b>4,174</b>	<b>3,119</b>
Total 2022		17,129	14,010	3,119	

## ASSOCIATION

		Turnover	2023 Operating Costs	Operating Surplus/ (Deficit)	2022 Operating Surplus/ (Deficit)
	Notes	£'000	£'000	£'000	£'000
Affordable letting activities	3	16,940	12,295	4,645	3,820
Other activities	4	3,260	3,801	(541)	(736)
<b>Total 2023</b>		<b>20,200</b>	<b>16,096</b>	<b>4,104</b>	<b>3,084</b>
Total 2022		17,091	14,007	3,084	



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 3. Particulars of Turnover, Operating Costs and Operating Surplus or Deficit from Affordable Letting Activities

## GROUP

	2023			2022	
	General Needs Social Housing	Supported Social Housing Accom	Shared Ownership Accom	Total	Total
	£'000	£'000	£'000	£'000	£'000
Rent receivable net of service charges	12,785	833	192	13,810	12,556
Service charges	379	750	1	1,130	433
Gross income from rents and service charges	13,164	1,583	193	14,940	12,989
Less voids	123	53	-	176	234
Net income from rents and service charges	13,041	1,530	193	14,764	12,755
Amortised grant	2,000	216	34	2,250	1,976
Grants from the Scottish Ministers	-	-	-	-	31
Other revenue grants	-	-	-	-	5
Other	-	-	-	-	5
Non-rental income	2,000	216	34	2,250	2,017
<b>Total turnover from affordable letting activities</b>	<b>15,041</b>	<b>1,746</b>	<b>227</b>	<b>17,014</b>	<b>14,772</b>
Management and maintenance administration costs	4,518	411	48	4,977	4,674
Service costs	379	790	9	1,178	545
Planned & cyclical maintenance including major repairs	729	114	4	847	1,141
Reactive maintenance costs	1,231	178	-	1,409	1,335
Other property costs	40	-	-	40	41
Bad debts – rents and service charges	79	2	-	81	42
Depreciation of affordable let properties	3,391	331	45	3,767	3,139
<b>Operating costs for affordable letting activities</b>	<b>10,367</b>	<b>1,826</b>	<b>106</b>	<b>12,299</b>	<b>10,917</b>
<b>Operating surplus for affordable letting activities</b>	<b>4,674</b>	<b>(80)</b>	<b>121</b>	<b>4,715</b>	<b>3,855</b>
Operating surplus for affordable letting activities for 2022	3,775	(63)	143	3,855	

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 3. Particulars of Turnover, Operating Costs and Operating Surplus or Deficit from Affordable Letting Activities (Cont'd)

## ASSOCIATION

	2023			2022	
	General Needs Social Housing	Supported Social Housing Accom	Shared Ownership Accom	Total	Total
	£'000	£'000	£'000	£'000	£'000
Rent receivable net of service charges	12,393	833	192	13,418	12,398
Service charges	379	750	1	1,130	433
Gross income from rents and service charges	12,772	1,583	193	14,548	12,831
Less voids	121	53	-	174	234
Net income from rents and service charges	12,651	1,530	193	14,374	12,597
Amortised grant	2,000	216	34	2,250	1,976
Grants from the Scottish Ministers	-	-	-	-	31
Other revenue grants	-	-	-	-	5
Other	316	-	-	316	125
Non-rental income	2,316	216	34	2,566	2,137
<b>Total turnover from affordable letting activities</b>	<b>14,967</b>	<b>1,746</b>	<b>227</b>	<b>16,940</b>	<b>14,734</b>
Management and maintenance administration costs	4,514	411	48	4,973	4,671
Service costs	379	790	9	1,178	545
Planned & cyclical maintenance including major repairs	729	114	4	847	1,141
Reactive maintenance costs	1,231	178	-	1,409	1,335
Other property costs	40	-	-	40	41
Bad debts – rents and service charges	79	2	-	81	42
Depreciation of affordable let properties	3,391	331	45	3,767	3,139
<b>Operating costs for affordable letting activities</b>	<b>10,363</b>	<b>1,826</b>	<b>106</b>	<b>12,295</b>	<b>10,914</b>
<b>Operating surplus for affordable letting activities</b>	<b>4,604</b>	<b>(80)</b>	<b>121</b>	<b>4,645</b>	<b>3,820</b>
Operating surplus for affordable letting activities for 2022	3,740	(63)	143	3,820	

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 4. Particulars of Turnover, Operating Costs and Operating Surplus or Deficit from Other Activities

## GROUP &amp; ASSOCIATION

	2023						2022
	Grants from Scottish Ministers £'000	Supporting People Income £'000	Other Income £'000	Total Turnover £'000	Other Operating Costs £'000	Operating Surplus/ (Deficit) £'000	Total £'000
Wider role activities to support the community	-	-	58	58	2	56	11
Care & Repair	282	-	88	370	273	97	59
Factoring	-	-	11	11	14	(3)	(1)
Support activities	-	-	243	243	222	21	(237)
Care Activities	14	138	2,230	2,382	2,672	(290)	(193)
Contracted out services undertaken for registered social landlords	-	-	5	5	2	3	(3)
Contracted out services undertaken for other organisations	-	-	17	17	16	1	4
Uncapitalised development administration costs	-	-	-	-	452	(452)	(396)
Other activities	43	-	131	174	148	26	20
<b>Total from other activities</b>	<b>339</b>	<b>138</b>	<b>2,783</b>	<b>3,260</b>	<b>3,801</b>	<b>(541)</b>	<b>(736)</b>
Total from other activities for 2022	485	153	1,719	2,357	3,093	(736)	

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****5. Accommodation in Management****GROUP & ASSOCIATION**

	2023 (Units)	2022 (Units)
The number of units of accommodation in management at the year end was:		
General needs housing	2,614	2,564
Shared ownership	56	59
Supported housing	207	218
Total units in management	2,877	2,841

**6. Surplus/(Deficit) for the Year**

	GROUP		ASSOCIATION	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Surplus is stated after charging:				
Depreciation of housing properties	3,776	3,152	3,776	3,152
Depreciation of other tangible fixed assets	170	146	170	146
Surplus on disposal of tangible fixed assets	22	120	22	120
Fees payable to CT and its associates in respect of both audit and non-audit services are as follows:				
Audit related assurance services	27	27	25	24
Taxation compliance services	1	2	0	0
	28	29	25	24

**7. Gain on Disposal of Plant & Equipment****GROUP & ASSOCIATION**

	2023 Total £'000	2022 Total £'000
<b>Housing properties</b>		
Net proceeds	114	290
Less asset cost and recycled grant	(72)	(157)
Accumulated depreciation	(20)	(13)
	22	120

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 8. Interest Receivable

#### GROUP & ASSOCIATION

	2023	2022
	£'000	£'000
Bank deposit interest	101	33

### 9. Interest and Financing Costs

#### GROUP & ASSOCIATION

	2023	2022
	£'000	£'000
<b>Loan interest</b>		
Interest payable	3,237	2,923
<b>Pension deficit movement</b>	80	1,320

### 10. Taxation

#### ASSOCIATION

The Association is recognised by the Inland Revenue as a charity for taxation purposes. This results in no liability to corporation tax in the year.

#### GROUP

##### Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	2023	2022
	£'000	£'000
Tax charge in the year	3	2
Tax credit on profit on ordinary activities	3	2

In common with many other businesses of our size and nature we use a firm related to our auditors, CT, to prepare and submit returns to the tax authorities.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****11. Employees****GROUP & ASSOCIATION****Officers' emoluments**

	2023 £'000	2022 £'000
Aggregate emoluments (excluding pension contributions, but including National Insurance contributions) for all directors employed during the year (four) as detailed on page 21.	442	429
The emoluments of the Chief Executive (excluding pension contributions, but including National Insurance contributions)	125	120
Aggregate pension contributions in relation to the above key management personnel	35	35

No payments or fees or other remuneration was made to the Board Members during the year.

The number of directors whose emoluments (excluding pension contributions, but including National Insurance contributions) paid were:

	No.	No.
£120k - £130k	1	1
£110k - £120k		
£100k - £110k	3	1
£90k - £100k		2

**GROUP & ASSOCIATION**

	2023 £'000	2022 £'000
Staffing costs:		
Salaries	5,536	4,627
Social security costs	516	424
Defined contribution pension costs	452	387
Defined benefit pension deficit	284	536
Agency staffing cost	60	29
	6,848	6,003
	No.	No.
Average monthly number of employees (full time equivalent)		
Office based	88	86
Project based	83	58
Total	171	144

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****12. Tangible Fixed Assets – Housing Properties****GROUP & ASSOCIATION**

	Held for Let £'000	Completed Properties Shared Ownership £'000	Under Construction Held for Let £'000	Total £'000
<b>COST</b>				
At 1 April 2022	220,761	2,439	58,720	281,920
Additions – new & existing stock	188	-	22,853	24,042
Additions – component replacement	1,274	-	-	1,274
Transfers	32,706	-	(32,706)	-
Disposal – Existing Stock	-	(129)	-	(129)
Disposal – component replacement	(268)	-	-	(268)
<b>At 31 March 2023</b>	<b>254,662</b>	<b>2,310</b>	<b>49,867</b>	<b>306,839</b>
<b>DEPRECIATION</b>				
At 1 April 2022	45,045	960	-	46,005
Charge	3,733	43	-	3,776
Disposal – Existing Stock	-	(19)	-	(19)
Disposal – component replacement	(220)	-	-	(220)
<b>At 31 March 2023</b>	<b>48,558</b>	<b>984</b>	<b>-</b>	<b>49,542</b>
<b>Net book value at 31 March 2023</b>	<b>170,950</b>	<b>1,326</b>	<b>85,021</b>	<b>257,297</b>
Net book value at 31 March 2022	175,716	1,479	58,720	235,915

During the year the amount of works to existing properties that were capitalised was £984k (2022 - £653k), out of a total spend of £3,542k (2022 - £3,130k).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 13. Tangible Fixed Assets – Other Fixed Assets

## GROUP &amp; ASSOCIATION

	Furniture & Fittings £'000	Other Equipment £'000	Information Technology £'000	Motor Vehicles £'000	Heritable Property £'000	Total £'000
<b>COST</b>						
At 1 April 2022	64	47	585	174	3,871	4,741
Additions	-	-	45	-	122	167
Disposal	-	(1)	(114)	-	-	(115)
<b>At 31 March 2023</b>	<b>64</b>	<b>46</b>	<b>516</b>	<b>174</b>	<b>3,993</b>	<b>4,793</b>
<b>DEPRECIATION</b>						
At 1 April 2022	1	47	461	126	497	1,132
Charge for year	2	-	54	30	84	170
Disposal	-	(1)	(114)	-	-	(115)
<b>At 31 March 2023</b>	<b>3</b>	<b>46</b>	<b>401</b>	<b>156</b>	<b>581</b>	<b>1,187</b>
<b>Net book value at 31 March 2023</b>	<b>61</b>	<b>-</b>	<b>115</b>	<b>18</b>	<b>3,412</b>	<b>3,606</b>
Net book value at 31 March 2022	63	-	124	48	3,374	3,609

## 14. Fixed Asset Investments

## GROUP &amp; ASSOCIATION

	2023 £'000	2022 £'000
Heritable investment property	275	275

In 2013/14 the three commercial properties; one in Galashiels, one in Peebles and one in Denholm were valued by Allied Surveyors Scotland plc. The market value was estimated to be £275k for existing use as office accommodation or shops. The carrying value prior to the transfer to the investment property category was £373k and therefore an impairment charge of £98k was charged to the income and expenditure account in 2013/14. We do not believe this valuation has altered materially.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****15. Debtors**

	<b>GROUP</b>		<b>ASSOCIATION</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year:				
Rental debtors	<b>912</b>	813	<b>909</b>	812
Provision for bad debts	<b>(577)</b>	(539)	<b>(577)</b>	(538)
	<b>335</b>	274	<b>332</b>	274
SHG receivable	<b>768</b>	2,526	<b>768</b>	2,526
Other debtors	<b>667</b>	658	<b>667</b>	658
Owed by group undertakings	-	-	<b>132</b>	48
Prepayments and accrued income	<b>201</b>	173	<b>201</b>	173
	<b>1,971</b>	3,631	<b>2,100</b>	3,679

**16. Creditors – Amounts Falling Due Within One Year**

	<b>GROUP</b>		<b>ASSOCIATION</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Housing loans (Note 17)	<b>984</b>	1,018	<b>984</b>	1,018
Rent & services charged in advance	<b>300</b>	280	<b>300</b>	280
Trade creditors	<b>1,705</b>	3,865	<b>1,705</b>	3,865
Other taxation & social security costs	<b>142</b>	131	<b>142</b>	131
Unpaid contributions for retirement benefits	-	551	-	551
Other creditors	<b>1,408</b>	809	<b>1,408</b>	809
Deferred income – non-liquid creditors	<b>122</b>	122	<b>122</b>	122
Accruals and deferred income	<b>979</b>	1,870	<b>973</b>	1,867
	<b>5,640</b>	8,646	<b>5,634</b>	8,643

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****17. Creditors – Amounts Falling Due After More Than One Year****GROUP & ASSOCIATION**

		2023 £'000	2022 £'000
	Notes		
Bank and building society loans		91,442	86,835
Local authority and other loans		183	187
		91,625	87,022
Other creditors			
Development retentions		937	499
Future pension liability	19	638	150
Financial instruments (SWAP)	18	244	766
		1,819	1,415
		93,446	88,437

**Other Creditors**

Development retentions due for properties currently under construction.

**Loans**

Loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest (2022/23 average 3.26%), in instalments due as follows:

**GROUP & ASSOCIATION**

		2023 £'000	2022 £'000
Due within 1 year: (Note 16)			
Bank and building society loans		982	1,016
Local authority and other loans		2	2
		984	1,018
Due within 1 to 2 years:			
Bank and building society loans		13,520	988
Local authority and other loans		2	2
		13,522	990
Due within 2 to 5 years:			
Bank and building society loans		19,764	8,749
Local authority and other loans		8	7
		19,772	8,756
Due after 5 years:			
Bank and building society loans		58,158	77,100
Local authority and other loans		173	175
		58,331	77,276
		92,609	88,040

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### Financial Instruments

Due to the nature of the Association's business, the only financial risks the Board consider relevant to the Association is credit, cash flow, interest rate and liquidity risk. The credit and cash flow risks are not considered significant.

### Interest Rate Risk

The financial risk management objectives of the Association are to ensure that financial risks are mitigated by the use of financial instruments where they cannot be addressed by means of contractual provisions. The Association uses interest rate swaps to reduce its exposure to interest rate movements. Financial instruments are not used for speculative purposes.

### Liquidity Risk

The Association's liquidity risk is principally managed through financing the Association by means of long-term borrowings.

## 18. Financial Instruments

	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
			£'000	£'000
<b>Financial liabilities</b>				
Long term borrowing	3,000	2,634	3,000	2,112
Interest rate SWAP	-	366	-	888
	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>
	<b>2023</b>			
	<b>£'000</b>			
Due within 1 year	122			
Due more than 5 years (Note 17)	244			
	<b>366</b>			

The fair values of the fixed rate borrowing and the interest rate swap have been calculated by discounting the fixed cash flows at the prevailing interest rates at the year end.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****19. Future Pension Liability (Provisions)**

	2023 SHAPS Pension £'000
Pension	
1 April 2022	(150)
Deficit contribution paid	285
Expense factor	(17)
Change in discount rate	267
Remeasurement	(1,023)
31 March 2023	(638)
	2023 £'000
Due within 1 year	0
Due more than 5 years (Note 19)	(638)

The SHAPS provision represents the net present value of the commitment to the multi employee pension scheme in respect of past deficits.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 20. Deferred Income

	2023 £'000	2022 £'000
Social housing grants		
Balance as at 1 April 2022	145,698	131,045
Additions	10,559	16,588
Amortisation in year	(2,245)	(1,937)
<b>Balance as at 31 March 2023</b>	<b>154,012</b>	<b>145,696</b>
Other grants		
Balance as at 1 April 2022	(23)	(23)
Amortisation in year	-	-
<b>Balance as at 31 March 2023</b>	<b>(23)</b>	<b>(23)</b>

## 21. Client Bank Account

Funds held and managed on behalf of Care & Repair clients.

	2023 £'000	2022 £'000
Balance as at 1 April 2022	62	57
Payment to contractors	(544)	(332)
Income*	539	338
Bank Charges	(1)	(1)
<b>Balance as at 31 March 2023</b>	<b>56</b>	<b>62</b>

\*Income received by and on behalf of Care & Repair

## 22. Commitments

## GROUP &amp; ASSOCIATION

	2023 £'000	2022 £'000
<b>Capital commitments</b>		
Capital expenditure authorised but not contracted for	51,200	54,285
Capital expenditure that has been contracted for but has not been provided for in the financial statements	10,172	19,321

The amount contracted for at 31 March 2023 will be funded from grants approved by The Scottish Housing Regulator, financed from private loans or met from the Association's reserves.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****23. Pensions****Scottish Housing Associations' Pension Scheme****Present values of defined benefit obligation, fair value of assets and defined benefit asset (liability)**

	2023	2022
	£'000	£'000
Fair value of plan assets	12,379	18,328
Present value of defined benefit obligation	13,017	20,317
<b>Surplus (deficit) in plan</b>	<b>(638)</b>	<b>(1,989)</b>
<b>Defined benefit asset (liability) to be recognised</b>	<b>(638)</b>	<b>(1,989)</b>

**Reconciliation of opening and closing balances of the defined benefit obligation**

	2023 £'000
Defined benefit obligation at start of period	19,100
Expenses	17
Interest expense	524
Actuarial losses (gains) due to scheme experience	(846)
Actuarial losses (gains) due to changes in demographic assumptions	(319)
Actuarial losses (gains) due to changes in financial assumptions	(4,856)
Benefits paid and expenses	(603)
Defined benefit obligation at end of period	13,017

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

	2023 £'000
Fair value of plan assets at start of period	18,950
Interest income	525
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	(6,820)
Contributions by the employer	327
Benefits paid and expenses	(603)
<b>Fair value of plan assets at end of period</b>	<b>12,379</b>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2023 was (£6,295,000)

**Defined benefit costs recognised in statement of comprehensive income (SOCl)**

	2023 £'000
Expenses	17
Net interest expense	37
<b>Defined benefit costs recognised in statement of comprehensive income (SOCl)</b>	<b>54</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****Defined benefit costs recognised in other comprehensive income**

	2023 £'000
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	240
Experience gains and losses arising on the plan liabilities - gain (loss)	(339)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(64)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	1,521
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	1,358
<b>Total amount recognised in other comprehensive income - gain (loss)</b>	<b>1,358</b>

**Accounting Disclosures**

Eildon Housing Association Ltd participates in the Scottish Housing Associations' 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 pension schemes in the UK.

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2021. This valuation revealed a deficit of £27m. A Recovery Plan has been put in place to eliminate the deficit which will run to 30 September 2022.

The Scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

For financial years ending on or before 28 February 2019, it was not possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September each year. The liability figures from this valuation were rolled forward for accounting year-ends from 31 March to 28 February inclusive.

The latest accounting valuation was carried out with an effective date of 30 September 2022. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2023 to 29 February 2024 inclusive.

The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### Deficit contributions

The total scheme pension cost for the Association was £923,022 of which £284,092 relates to additional contributions for past service deficit on the scheme.

The best estimate of contributions to be paid to the Scheme in the next accounting period are ordinary contributions of £421,322. There is a provision for future payments of £638k (Note 19).

### Contingent Liability if Eildon ceases to participate in the Scheme

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total scheme liabilities, scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

## 24. Legislative Provisions

Eildon Housing Association Ltd was incorporated in 1974 under the Industrial and Provident Societies Act and is currently incorporated under the Co-operative and Community Benefit Society. Eildon Enterprise Ltd is a company limited by guarantee incorporated under the Companies Act 1985.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****25. Called Up Share Capital**

	GROUP		ASSOCIATION	
	2023	2022	2023	2022
Allotted, Issued and Fully Paid: Shares of £1 each				
	£	£	£	£
At 1 April	78	77	78	77
Issued in year at par	10	2	10	2
Cancelled in year	(7)	(1)	(7)	(1)
At 31 March	81	78	81	78

The shares were allotted to individuals wishing to become Members.

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distribution in the event of 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 the Members' meetings.

**26. Related Party Transactions****Eildon Enterprise Ltd**

Eildon Enterprise Ltd (EEL) is a subsidiary of Eildon Housing Association Ltd (EHA). All shares of EEL are held by EHA and the Board Members of EHA make up the majority of the EEL Board.

Mr Nile Istephan, the Secretary and Chief Executive of EHA is also Secretary of EEL.

The Chair, Vice Chair, Secretary and Assistant Secretary of EHA are also Trustees of The Eildon Charitable Trust. The Trust was dormant throughout the year.

During the year the following transactions took place between EHA and EEL:

	2023	2022
	£'000	£'000
Consultancy services provided to EEL	316	120
Amount due from EEL at the year end	133	47
Amount due to EEL at the year end	-	-
Tenant Board Members:		
	2023	2022
	£	£
Payments to EHA Board Members who are tenants	158	0
Amount due to EHA at the year end (paid in advance)	0	0

The EEL Balance Sheet and Profit & Loss Account, along with Eildon Housing Association make up the Group accounts financial statements (pages 32 - 34).

