



Alexander Sloan
Accountants and Business Advisers

Forth Housing Association Limited

Report and Financial Statements

For the year ended 31 March 2023

Registered Social Landlord No. HAL 110

FCA Reference No.2268R(S)

Scottish Charity No. SCO03550

FORTH HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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FORTH HOUSING ASSOCIATION LIMITED

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

Management Committee

Ann Dickson	Chair from February 2022
Lynore MacLeod	Secretary
James Bryce	Treasurer
Priscilla Maramba	Vice Chair
Cllr Gerry McGarvey	Stirling Council Observer from Oct 2022
John Jenkins	Committee Member from September 2021
Alistair Hutton	Committee Member from October 2021
Kenny Hutton	Committee Member from March 2022
Lyndsay Moffat	Committee Member from May 2022
Andrea Finkel-Gates	Committee Member from May 2022
Lynne Lavery	Committee Member from Oct 2022
Heather Arthur	Committee Member from Oct 2022
Claire Quinn	Resigned Oct 2022
Fiona Russell	Resigned Sept 2022
Cllr J Preston	Stirling Council Observer until Sept 2022

Executive Officers

Jacqueline Norwood	Joint Interim Director until December 2022
Sharon Brady-Wardrope	Joint Interim Director from September 2022 / sole Interim Director from January 2023
Angela Laley	Project & Communication Coordinator from September 2021
Mareta Greig	Head of Tenant Services from August 2022
Niall Patterson	Retired December 2022

Registered Office

Kildean Business & Enterprise Hub
146 Drip Road
Stirling
FK8 1RW

External Auditors

Alexander Sloan
Accountants and Business Advisers
180 St Vincent Street
Glasgow
G2 5SG

Bankers

Clydesdale Bank Plc
Clydesdale Bank Head Office
1st Floor 30 Vincent Place
Glasgow
G1 2HL

Internal Auditors

Quinn Internal Audit
55 Lady Place
Livingston
EH54 6TB

Solicitors

TC Young LLP
7 West George Street
Glasgow
G2 1BA

Finance Agents

FMD Financial Services Limited
KCEDG Commercial Centre
Unit 29, Ladyloan Place
Glasgow
G15 8LB

Development Agents

MacDonald & Cameron
Office B1-10
SAMS
Oban
Argyll
PA37 1QA

FORTH HOUSING ASSOCIATION LIMITED

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

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

Legal Status

The Association is registered with the Financial Conduct Authority as a Co-operative and Community Benefit Society (No 2268RS), the Scottish Housing Regulator as a registered social landlord (No. HAL110) under the Housing (Scotland) Act 2010 and as a registered Scottish Charity with the charity number SCO03550.

Principal Activities

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

Review of Business and Future Developments

Strategic Option Appraisal

Following the resignation of the Director in 2021, the Management Committee wanted to take stock and consider its options for the future and appointed the independent consultants, HRC, to undertake a strategic option appraisal.

HRC have considered the evidence and concluded that it is in the best interests of the tenants of Forth Housing Association (FHA) that it should remain independent.

The options explored were:

- Remain as an Independent RSL.
- Remain independent but share services with another RSL.
- Join a larger housing association as a subsidiary (constitutional partnership).
- A Transfer of Engagements to a larger RSL (ToE).

HRC explored the relative advantages and disadvantages of each option from a financial and non-financial perspective.

It was considered that the association is financially viable as a standalone registered social landlord; it is a high performing, responsive and locally accountable organisation and that the Association is now building a strong track record in good governance and accountability. In common with all RSLs, the Association understands there are areas where it can continue to progress improvements in governance and services to their customers.

Governance

The Association's Management Committee, which meets monthly, is elected by the membership at the AGM, held in September each year, and can consist of up to 15 individuals. Following each AGM, the Committee review their membership and can elect, if appropriate, to co-opt additional individuals to provide additional experience and/or skills. At the AGM 11 members were elected and this represented a wide range of skills and experience. The 2022/23 Committee involves members with a range of professional backgrounds and includes 4 Association tenants, who can provide first hand customer insight.

FORTH HOUSING ASSOCIATION LIMITED

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

Review of Business and Future Developments cont.

To ensure that Committee members maintain appropriate levels of knowledge and skills a training plan has been created and several in-house courses were held over the year covering a range of topics including Finance and Treasury Management, Notifiable Events, Whistleblowing and Code of Conduct delivered by SHARE or independent consultants.

Attendance at training features as part of the annual appraisal and review carried out with each Committee member in August. All new Committee members are involved in an induction programme to ensure that they are fully aware of the governance and business arrangements of the Association. An informal mentoring programme also ensures that new Committee members receive support and guidance from their more experienced colleagues. We have further strengthened our support to committee by the appointment of a 3-year contract for ongoing appraisal and coaching and mentoring support to new and existing committee members.

Aims and Objectives

The Business Plan was reviewed and updated in March 2023. The Business Plan for the period 2023-2028 was subsequently approved on 24th April 2023 and the one year delivery plan approved on 26th June 2023. The Business Plan will be subject to an annual review. This summarised the Association's aims and objectives as follows:

Aims:

Forth aims to develop and maintain quality affordable homes and services.

Objectives:

- Developing and maintaining quality homes within Stirling.
- Allocating homes to meet a range of housing needs.
- Delivering excellent customer services.
- Engaging with our communities and encouraging tenant involvement.
- Encouraging tenants to meet their responsibilities.
- Providing income maximisation and associated assistance.
- Ensuring robust governance and value for money.
- Ensuring that all our people, by which we mean tenants, staff and committee members have a positive wellbeing experience with us.

Values:

At Forth our values have a tenant first focus with every business decision taken with integrity and fairness ensuring we are looking after tenants' interests in a caring and collaborative way.

We passionately believe in innovation while seeing efficiency, reliability, trustworthiness, and excellence as the norm.

Staff and Committee work as a team in an approachable, open, transparent, and honest way to empower tenants and enable them to be as resilient as they can be in their day to day lives.

Our values of dignity, respect and choice apply to tenants, staff, management committee and all our partners and we pride ourselves on valuing the diversity all around us.

FORTH HOUSING ASSOCIATION LIMITED

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

Review of Business and Future Developments cont.

We work hard at communicating in an approachable, friendly, and supportive way to gain the trust of our communities and make ourselves attractive as a current and future landlord and employer.

Main Activities:

The main activities and services are as follows:

Housing Management - full range of housing management services to tenants and prospective tenants, delivered in a generic manner.

Property Management - full range of property management services to tenants and factored owners involving reactive, planned, and cyclical works.

Development - development of rented and low-cost home ownership properties, involving site procurement, scheme design and contract supervision.

Income Maximisation - provide welfare benefits, budgeting, and debt advice to Forth tenants and other household members.

General Advice - general housing related advice to Forth tenants, applicants, and other household members.

Strategic and Operational Objectives 2023/2028

The following represent the Association's main strategic objectives for the period of this plan, and these will be incorporated going forward following consultation with tenants on their priorities.

- To consolidate current areas of strength and at the same time keep abreast of forthcoming changes (in funding, political, legislative, and economic world) so that the Association can be well placed to respond as required.
- To continue to ensure local control of any future housing developed for affordable rent in the Association's area of operation and to seek to further increase the Association's stock and range of housing.
- To continue to develop joint working initiatives with other Associations and partner agencies to provide new and/or more effective services for the Association, its tenants, and the communities it works in.
- To identify every possible opportunity to improve the efficient running of the Association's operations and services.
- To embed a culture that has the welfare and wellbeing of people at its heart including tenants, staff and committee.

These aims and objectives outline the strategic and operational ambitions of the Association and translate into a series of SMART objectives and targets which formed the basis for monitoring and reporting during the period.

FORTH HOUSING ASSOCIATION LIMITED

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

Review of Business and Future Developments (Contd.)

Risk Assessment and Strategy

The Business Plan also summarised the Risk Assessment and Risk Strategy, which again influenced the work objectives for the year. The Association carried out a comprehensive review of our approach, establishing a new Risk Management Policy and Framework in February 2021.

Our top key risks remain the development of new homes; political changes; and regulatory requirements. In addition, there is the risk of the cost of meeting the Scottish Governments Zero carbon targets to our stock.

Registered risks are reviewed formally and regularly by the responsible risk owners to ensure all new risks are identified and tracked with the top rated risks reviewed quarterly by the Audit and Risk Sub Committee and bi-annually to the Management Committee.

A Business Continuity Plan reviewed in March 2021 outlines proposals to respond to and mitigate the main areas of risk to the Association's operational service delivery and a Business Continuity Agreement has been signed by all StrathFor Associations, committing each organisation to provide support and assistance to partners in the event of disaster.

The Association has in place an Audit and Risk Sub Committee who regularly audit all controls to ensure we are being properly managed, and each Committee report has a risk section relating to the item under discussion.

The Association's financial performance remains subject to scrutiny by the Management Committee on a quarterly basis and before any major capital expenditure, through new housing development, is undertaken.

Covid-19

Like many other businesses the Covid-19 pandemic at times, interrupted our service delivery to our tenants, however our Business Continuity Plan operated successfully, and the review that followed to update on lessons learned during the pandemic informed our next steps. We have further invested in a web portal for our governance processes allowing electronic access for all committee meetings and our new home working policy supported by issuing laptops to all staff ensures greater flexibility and business continuity going forward.

We have also carried out sensitivity analysis to test negative impact on our 30 year cashflow projections due to increase in voids, bad debts and arrears which has little impact on the cashflow or key performance indicators.

The Management committee are satisfied that the range of sensitivity analysis tested does not pose any threat to the going concern of the Association.

The Association went through a period of change during 22/23. This includes changes to Senior Management and Management Committee at Forth.

The Association's engagement with the Scottish Housing Regulator remains and Management Committee have a Governance Improvement Plan that they oversee monthly. It is anticipated that all actions within the Governance Improvement Plan will be met in time for the Annual Assurance Statement in October 2023.

FORTH HOUSING ASSOCIATION LIMITED

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

Review of Business and Future Developments (Contd.)

The plan has actions that are required against each of the Regulatory Standards.

The key documents that the Scottish Housing Regulator required from Forth were a Business Plan, Development Strategy and Asset Management Strategy, all of which were approved by the Management Committee in June 2022. There is a regular update given to SHR on the progress of each of the actions.

The Association continues to develop new homes and completed 30 during 2022/23. There is a development plan for the period 2022/27 and there are 79 homes committed, 69 proposed and 128 potential developments in the later years of the plan.

The culture of Forth has been one of the key areas during 2022/23 and there is a specific reference to culture within the business plan 2023/28 as noted below.

- *The Association aims for a culture that has the welfare of people at its heart including tenants and staff.*
- *We operate with integrity in an inclusive, honest, and open way with an emphasis on an enabling atmosphere rather than being process driven.*

External consultants continue to be utilised as required, providing specialist advice and assistance to the Management Committee.

Future Plans

Tenant Insight will provide us with an improved range and quality of customer data which we will use to ensure that the services we are delivering are what tenants want and need. It will also ensure that tenants are at the heart of shaping and influencing the organisation going forward.

We will use this information and engagement to prioritise investment, shape services and make decisions that satisfy both tenants and the regulator and make sound business sense.

By 2026 we intend to have completed a customer journey exercise of every interaction we have with customers so that we can gain a visual representation of what their experience is with us and give us actionable insights on how we can improve the service we deliver.

The above tenant insight information and the lessons gleaned from the Customer Journey exercise will determine what partnership initiatives we will engage in with tenants.

Management Committee and Executive Officers

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

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

FORTH HOUSING ASSOCIATION LIMITED

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

Review of Business and Future Developments (Contd.)

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

Statement of Management Committee's Responsibilities

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

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

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to: ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

Going Concern

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

Statement on Internal Financial Control

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

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

FORTH HOUSING ASSOCIATION LIMITED

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

Review of Business and Future Developments (Contd.)

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

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

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

Disclosure of Information to the Auditor

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

Auditor

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

By order of the Management Committee



Lynore MacLeod
Secretary
28 August 2023

FORTH HOUSING ASSOCIATION LIMITED

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

In addition to our audit of the financial statements, we have reviewed your statement on page 7 and 8 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

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

Opinion

In our opinion the Statement of Internal Financial Control on page 7 and 8 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

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



ALEXANDER SLOAN
Accountants and Business Advisers
Statutory Auditors
180 St Vincent Street
Glasgow
G2 5SG



28 August 2023

FORTH HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FORTH HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2023

Opinion

We have audited the financial statements of Forth Housing Association Limited (the 'Association') for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2023 and of the surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019.

Basis of Opinion

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

Conclusions relating to going concern

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

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

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

Other Information

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

FORTH HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FORTH HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2023 (continued)

Other Information (Contd.)

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- proper books of account have not been kept by the Association in accordance with the requirements of the legislation;
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation;
- the Statement of Comprehensive Income and Statement of Financial Position are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Management Committee

As explained more fully in the statement of Management Committee's responsibilities as set out on page 7, the Management Committee is responsible for the preparation of the financial statements and for being satisfied that they give true and fair view, and for such internal control as the Management Committee determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

FORTH HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FORTH HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2023 (continued)

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

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

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

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

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

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

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

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

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

FORTH HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FORTH HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2023 (continued)

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

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

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

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

Use of our Report

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



ALEXANDER SLOAN
Accountants and Business Advisers
Statutory Auditors
180 St Vincent Street
Glasgow
G2 5SG

28 August 2023



FORTH HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023		2022	
		£	£	£	£
Revenue	2		4,357,368		4,100,731
Operating costs	2		3,034,556		2,828,363
OPERATING SURPLUS			1,322,812		1,272,368
Loss on sale of housing stock	7	(8,665)		(23,665)	
Loss on sale of other fixed assets		(2,679)		-	
Interest receivable and other income		23,707		5,428	
Interest payable and similar charges	8	(465,192)		(252,462)	
Other Finance income/(charges)	10	7,000		(8,000)	
			(445,829)		(278,699)
Surplus on ordinary activities before taxation	9		876,983		993,669
SURPLUS FOR THE YEAR			876,983		993,669
Other comprehensive income					
Actuarial (losses)/gains on defined benefit pension plan	17		(125,000)		264,000
TOTAL COMPREHENSIVE INCOME			751,983		1,257,669

The results relate wholly to continuing activities.

The notes on pages 18 to 41 form an integral part of these financial statements.

FORTH HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023

	Notes	2023	2022
		£	£
NON-CURRENT ASSETS			
Housing properties - depreciated cost	11	49,557,495	47,397,291
Other tangible assets	11	408,335	392,966
		<u>49,965,830</u>	<u>47,790,257</u>
CURRENT ASSETS			
Receivables	12	172,871	349,182
Cash and cash equivalents	13	2,680,181	2,453,943
		<u>2,853,052</u>	<u>2,803,125</u>
CREDITORS: Amounts falling due within one year	14	<u>(1,667,347)</u>	<u>(1,789,811)</u>
NET CURRENT ASSETS		1,185,705	1,013,314
TOTAL ASSETS LESS CURRENT LIABILITIES			
		51,151,535	48,803,571
CREDITORS: Amounts falling due after more than one year	15	(14,709,091)	(13,885,713)
PENSIONS AND OTHER PROVISIONS FOR LIABILITIES AND CHARGES			
Scottish housing association pension scheme	17	(133,000)	(67,000)
		<u>(133,000)</u>	<u>(67,000)</u>
DEFERRED INCOME			
Social housing grants	18	(18,992,794)	(18,286,201)
Other grants	18	-	-
		<u>(18,992,794)</u>	<u>(18,286,201)</u>
NET ASSETS		<u>17,316,650</u>	<u>16,564,657</u>
EQUITY			
Share capital	19	76	66
Revenue reserves		17,449,574	16,631,591
Pension reserves		(133,000)	(67,000)
		<u>17,316,650</u>	<u>16,564,657</u>

The financial statements including the Income and Expenditure Account and Balance Sheet were approved by the Management Committee and authorised for issue and signed on their behalf on 28 August 2023.


Chairperson


Treasurer


Secretary

The notes on pages 18 to 41 form an integral part of these financial statements.

FORTH HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023	2022
		£	£
Surplus for the Year		1,322,812	1,272,368
<i>Adjustments for non-cash items:</i>			
Depreciation of tangible fixed assets	11	1,003,694	961,605
Impairment of tangible fixed assets	11	-	138,667
Amortisation of capital grants	18	(265,276)	(225,790)
Non-cash adjustments to pension provisions		(59,000)	(92,000)
Share capital written off	19	-	(2)
		<u>679,418</u>	<u>782,480</u>
Operating cash flows before movements in working capital		2,002,230	2,054,848
Change in debtors		190,534	(202,228)
Change in creditors		(221,270)	232,941
		<u>(30,736)</u>	<u>30,713</u>
Net cash inflow from operating activities		1,971,494	2,085,561
Investing Activities			
Acquisition and construction of properties		(3,146,215)	(4,865,433)
Purchase of other fixed assets		(44,394)	(41,916)
Social housing grant received		957,644	3,438,336
		<u>(2,232,965)</u>	<u>(1,469,013)</u>
Net cash outflow from investing activities		(2,232,965)	(1,469,013)
Financing Activities			
Loan Advances Received		1,750,000	-
Other Financing Income/(Charges)		7,000	(8,000)
Interest received on cash and cash equivalents		23,707	5,428
Interest paid on loans		(465,192)	(252,462)
Loan principal repayments		(827,816)	(818,534)
Share capital issued	19	10	4
		<u>487,709</u>	<u>(1,073,564)</u>
Net cash inflow / (outflow) from financing activities		487,709	(1,073,564)
Increase/(decrease) in cash	20	226,238	(457,016)
Opening cash & cash equivalents		2,453,943	2,910,959
Closing cash & cash equivalents		<u>2,680,181</u>	<u>2,453,943</u>
Cash and cash equivalents as at 31 March			
Cash	20	2,680,181	2,453,943
		<u>2,680,181</u>	<u>2,453,943</u>

The notes on pages 18 to 41 form an integral part of these financial statements.

FORTH HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2023

	Share Capital	Scottish Housing Association Pension reserve	Revenue Reserve	Total
	£	£	£	£
Balance as at 1 April 2021	64	(423,000)	15,729,922	15,306,986
Issue of Shares	4	-	-	4
Cancellation of Shares	(2)	-	-	(2)
Other comprehensive income	-	264,000	-	264,000
Other movements	-	92,000	(92,000)	-
Surplus for the year	-	-	993,669	993,669
Balance as at 31 March 2022	66	(67,000)	16,631,591	16,564,657
Balance as at 1 April 2022	66	(67,000)	16,631,591	16,564,657
Issue of Shares	10	-	-	10
Other comprehensive income	-	(125,000)	-	(125,000)
Other movements	-	59,000	(59,000)	-
Surplus for the year	-	-	876,983	876,983
Balance as at 31 March 2023	76	(133,000)	17,449,574	17,316,650

The notes on pages 18 to 41 form an integral part of these financial statements.

FORTH HOUSING ASSOCIATION LIMITED

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

1. PRINCIPAL ACCOUNTING POLICIES

Statement of Compliance and Basis of Accounting

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

Revenue

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

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

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

Retirement Benefits

The Association participates in the Scottish Housing Association Pension Scheme (SHAPS) a multi-employer defined benefit scheme. Retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating organisations taken as a whole. The Association accounts for this scheme as a defined benefit pension scheme in accordance with FRS 102. The Association moved to the SHAPS defined contribution scheme on leaving the defined benefit scheme. Contributions to defined contribution plans are recognised as an employee benefit expense when they are due.

Going Concern

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

FORTH HOUSING ASSOCIATION LIMITED

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

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Housing Properties

Housing properties are held for the provision of social housing. Housing properties are stated at cost less accumulated depreciation and impairment losses. Cost includes acquisition of land and buildings and development cost. The Association depreciates housing properties over the useful life of each major component. Housing under construction and land are not depreciated.

<i>Component</i>	<i>Useful Economic Life</i>
Kitchens	17-20 years
Bathrooms	30 years
Boilers	12-15 years
Radiators	30 years
Windows	30 years
External Doors	30 years
Rewiring	30 years
Structures	83-100 years
Shared ownership	50 years

Depreciation and Impairment of Other Tangible Assets

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

<i>Asset Category</i>	<i>Depreciation Rate</i>
Office Premises	2% straight line
Office Equipment	15% straight line
Computer Equipment	25% straight line

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

Social Housing Grants and Other Capital Grants

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

Social housing grant attributed to individual components is written off to the statement of comprehensive income when these components are replaced.

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

Sales Of Housing Properties

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

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

FORTH HOUSING ASSOCIATION LIMITED

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

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Taxation

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

Leases

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

Works to Existing Properties

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

Capitalisation Of Development Overheads

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

Borrowing Costs

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme. All other borrowing costs are expensed to the statement of comprehensive income using the effective interest rate method.

Property Development Cost

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

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

Housing Property Managed By Agents

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

VAT

The Association is not VAT registered. As a result all VAT paid is not recovered and therefore expenditure is shown inclusive of VAT.

Financial Instruments - Basic

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

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

FORTH HOUSING ASSOCIATION LIMITED

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

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Cash and Liquid Resources

Cash comprises cash at bank and in hand, deposits repayable on demand less overdrafts. Liquid resources are current asset investments that cannot be disposed of without penalty and are readily convertible into amounts of cash at their carrying value.

Impairment

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

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

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

Key Judgements and estimates made in the application of Accounting Policies

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

Key Judgements

a) Categorisation of Housing Properties

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

b) Identification of cash generating units

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

c) Financial instrument break clauses

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

d) Pension Liability

The Association participates in a defined benefit pension scheme arrangement with the Scottish Housing Association Pension Scheme. The fund is administered by TPT Retirement Solutions ("TPT"). TPT have developed a method of calculating each member's share of the assets and liabilities of the scheme. The Association has decided that this method is appropriate and provides a reasonable estimate of the pension assets and liabilities of the Association and has therefore adopted this valuation method. Judgements relating to the benefits issue are included in Note 27.

FORTH HOUSING ASSOCIATION LIMITED

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

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Key Judgements and estimates made in the application of Accounting Policies (Continued)

Estimation Uncertainty

a) Rent Arrears - Bad Debt Provision

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

b) Life Cycle of Components

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

c) Useful life of properties, plant and equipment

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

d) Costs of shared ownership

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

e) Defined pension liability

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

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

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

FORTH HOUSING ASSOCIATION LIMITED

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

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT

	Notes	Turnover £	Operating costs £	Operating surplus / (deficit) £	Turnover £	Operating costs £	Operating surplus / (deficit) £
Affordable letting activities	3	4,317,525	2,956,628	1,360,897	4,057,736	2,768,053	1,289,683
Other Activities	4	39,843	77,928	(38,085)	42,995	60,310	(17,315)
Total		4,357,368	3,034,556	1,322,812	4,100,731	2,828,363	1,272,368

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

	General Needs Housing £	Shared Ownership £	2023 Total £	2022 Total £
Revenue from Lettings				
Rent receivable net of service charges	4,036,767	22,006	4,058,773	3,833,604
Gross income from rent and service charges	4,036,767	22,006	4,058,773	3,833,604
Less: Rent losses from voids	(6,524)	-	(6,524)	(4,009)
Income from rents and service charges	4,030,243	22,006	4,052,249	3,829,595
Grants released from deferred income	265,276	-	265,276	225,790
Other revenue grants	-	-	-	2,351
Total turnover from affordable letting activities	4,295,519	22,006	4,317,525	4,057,736
Expenditure on affordable letting activities				
Management and maintenance administration costs	1,155,484	-	1,155,484	967,253
Service costs	107,974	-	107,974	97,166
Planned and cyclical maintenance, including major repairs	208,765	-	208,765	228,180
Reactive maintenance costs	471,346	-	471,346	384,482
	35,713	-	35,713	2,214
	973,929	3,417	977,346	950,091
	-	-	-	138,667
Operating costs of affordable letting activities	2,953,211	3,417	2,956,628	2,768,053
Operating surplus on affordable letting activities	1,342,308	18,589	1,360,897	1,289,683
2022	1,278,796	10,887		

FORTH HOUSING ASSOCIATION LIMITED

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

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

	Grants from Scottish Ministers	Other income	Total Turnover	Other operating costs	Operating surplus / (deficit) 2023	Operating surplus / (deficit) 2022
	£	£	£	£	£	£
Wider role activities	-	-	-	46,527	(46,527)	(43,970)
Factoring	-	3,426	3,426	3,508	(82)	1,077
Office Premises Rental Income	-	26,719	26,719	13,351	13,368	16,214
Other activities	5,520	4,178	9,698	-	9,698	15,481
Tenant Participation	-	-	-	14,542	(14,542)	(6,117)
Total From Other Activities	5,520	34,323	39,843	77,928	(38,085)	(17,315)
2022	2,331	40,664	42,995	60,310	(17,315)	

FORTH HOUSING ASSOCIATION LIMITED

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

5. OFFICERS' EMOLUMENTS

The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers and employees of the Association.

No Officer of the Association received emoluments greater than £60,000 during the year.

No pension contributions were made to Officers receiving emoluments greater than £60,000.

	2023	2022
	£	£
Emoluments payable to the Directors during the year (excluding pension contributions and social security payments)	63,344	90,759
Pension contributions paid on behalf of the Directors during the year	2,471	4,774
Total emoluments payable to the Directors during the year	<u>65,815</u>	<u>95,533</u>
Total emoluments paid to key management personnel (excluding social security payments)	<u>174,987</u>	<u>177,826</u>

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

	Number	Number
£60,001 to £70,000	<u>-</u>	<u>-</u>

6. EMPLOYEE INFORMATION

	2023	2022
	No.	No.
Average monthly number of full time equivalent persons employed during the year	<u>14</u>	<u>15</u>
Average total number of employees employed during the year	<u>15</u>	<u>16</u>
Staff costs were:	£	£
Wages and salaries	552,927	580,551
National insurance costs	55,357	51,940
Pension costs	53,130	40,875
Temporary, agency and seconded staff	33,172	-
	<u>694,586</u>	<u>673,366</u>

During the year the Association made contributions of £59,866 (2022 - £101,175) towards the past service deficit of the Scottish Housing Association Pension Scheme.

FORTH HOUSING ASSOCIATION LIMITED

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

7. LOSS ON DISPOSAL OF REPLACED COMPONENTS

	2023	2022
	£	£
Components replaced - cost	35,974	91,717
Cumulative depreciation on replaced components	(27,309)	(68,052)
Loss on disposal of replaced components	<u>(8,665)</u>	<u>(23,665)</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2023	2022
	£	£
On bank loans and overdrafts	(465,192)	(252,462)
	<u>(465,192)</u>	<u>(252,462)</u>

9. SURPLUS FOR THE YEAR

	2023	2022
	£	£
Surplus For The Year is stated after charging/(crediting):		
Depreciation - non-current assets	1,003,694	961,605
Auditors' remuneration - audit services	12,700	14,000
Operating lease rentals - other	<u>552</u>	<u>552</u>

10. OTHER FINANCE INCOME / (CHARGES)

	2023	2022
	£	£
Net interest on pension obligations	<u>7,000</u>	<u>(8,000)</u>

FORTH HOUSING ASSOCIATION LIMITED

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

11. NON-CURRENT ASSETS

(a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Shared Ownership Completed £	Total £
COST				
At 1 April 2022	45,880,292	7,120,809	170,852	53,171,953
Additions	273,364	2,872,851	-	3,146,215
Disposals	(35,974)	-	-	(35,974)
Transfers	4,037,284	(4,037,284)	-	-
At 31 March 2023	50,154,966	5,956,376	170,852	56,282,194
DEPRECIATION				
At 1 April 2022	5,747,393	-	27,269	5,774,662
Charge for Year	973,929	-	3,417	977,346
Impairment	-	-	-	-
Transfers	-	-	-	-
Disposals	(27,309)	-	-	(27,309)
At 31 March 2023	6,694,013	-	30,686	6,724,699
NET BOOK VALUE				
At 31 March 2023	43,460,953	5,956,376	140,166	49,557,495
At 31 March 2022	40,132,899	7,120,809	143,583	47,397,291

Expenditure on Existing Properties	2023		2022	
	Component replacement £	Non-component £	Component replacement £	Non-component £
Amounts capitalised	273,364	-	640,662	-
Amounts charged to the statement of comprehensive income	-	680,111	-	612,662
	<u>273,364</u>	<u>680,111</u>	<u>640,662</u>	<u>612,662</u>

All land and housing properties are heritable.

The Association's lenders have standard securities over housing property with a carry value of £24,461,927 (2022 - £24,874,998).

FORTH HOUSING ASSOCIATION LIMITED

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

11. NON CURRENT ASSETS (continued)

(b) Other tangible assets	Office Premises £	Office Equipment £	Computer Equipment £	Total £
COST				
At 1 April 2022	377,099	44,559	88,238	509,896
Additions	-	4,124	40,270	44,394
Eliminated on disposals	-	(8,708)	(12,561)	(21,269)
At 31 March 2023	<u>377,099</u>	<u>39,975</u>	<u>115,947</u>	<u>533,021</u>
DEPRECIATION				
At 1 April 2022	26,651	34,683	55,596	116,930
Charge for year	6,842	2,986	16,520	26,348
Eliminated on disposals	-	(8,632)	(9,960)	(18,592)
At 31 March 2023	<u>33,493</u>	<u>29,037</u>	<u>62,156</u>	<u>124,686</u>
NET BOOK VALUE				
At 31 March 2023	<u>343,606</u>	<u>10,938</u>	<u>53,791</u>	<u>408,335</u>
At 31 March 2022	<u>350,448</u>	<u>9,876</u>	<u>32,642</u>	<u>392,966</u>

FORTH HOUSING ASSOCIATION LIMITED

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

12. RECEIVABLES		
	2023	2022
	£	£
Gross arrears of rent & service charges	119,018	101,809
Less: Provision for doubtful debts	(29,582)	(29,197)
<i>Net arrears of rent and service charges</i>	89,436	72,612
Social housing grant receivable	23,236	9,013
Other receivables	60,199	267,557
	<u>172,871</u>	<u>349,182</u>
13. CASH AND CASH EQUIVALENTS		
	2023	2022
	£	£
Cash at bank and in hand	2,672,873	950,524
Balances held in deposit accounts	7,308	1,503,419
	<u>2,680,181</u>	<u>2,453,943</u>
14. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR		
	2023	2022
	£	£
Bank loans	1,067,548	968,742
Trade payables	149,295	515,083
Rent received in advance	236,531	191,408
Other taxation and social security	23,861	24,872
Other payables	3,000	3,100
Accruals and deferred income	187,112	86,606
	<u>1,667,347</u>	<u>1,789,811</u>
15. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
	2023	2022
	£	£
Bank loans	<u>14,709,091</u>	<u>13,885,713</u>

FORTH HOUSING ASSOCIATION LIMITED

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

16. DEBT ANALYSIS - BORROWINGS		
	2023	2022
	£	£
Bank Loans		
Amounts due within one year	1,067,548	968,742
Amounts due in one year or more but less than two years	1,078,042	979,027
Amounts due in two years or more but less than five years	3,299,284	3,000,917
Amounts due in more than five years	10,331,765	9,905,768
	15,776,639	14,854,454

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

Lender	Units Secured	Effective Interest Rate	Maturity (Year)	Variable or Fixed
Bank of Scotland	121	3.45% all in rate	2027	Fixed
Scottish Building Society	40	4.25% all in rate	2036	Variable
Nationwide	542	4.8349% all in rate	2041	Variable

All the Association's bank borrowings are repayable on a monthly basis with the principal being amortised over the term of the loans.

In accordance with FRS 102 the Association's bank borrowings are valued using at amortised cost using the effective interest rate method.

	2023	2022
	£	£
Due to lenders At 31 March 2023	15,776,639	14,854,455

FORTH HOUSING ASSOCIATION LIMITED

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

17. RETIREMENT BENEFIT OBLIGATIONS

Scottish Housing Association Pension Scheme

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

The Association moved to a defined contribution scheme but has a net liability for the past service deficit in the defined benefit scheme.

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

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

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

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

	2023	2022
	£	£
Fair value of plan assets	2,432,000	3,668,000
Present value of defined benefit obligation	2,565,000	3,735,000
(Deficit) / Surplus in plan	(133,000)	(67,000)
Defined benefit (liability) / asset to be recognised	(133,000)	(67,000)

FORTH HOUSING ASSOCIATION LIMITED

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

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Reconciliation of opening and closing balances of the defined benefit obligation

	2023 £	2022 £
Defined benefit obligation at the start of period	3,735,000	3,907,000
Expenses	3,000	3,000
Interest expense	103,000	84,000
Actuarial losses / (gains) due to scheme experience	(83,000)	102,000
Actuarial losses (gains) due to changes in demographic assumptions	(58,000)	12,000
Actuarial losses / (gains) due to changes in financial assumptions	(1,049,000)	(293,000)
Benefits paid and expenses	(86,000)	(80,000)
Defined benefit obligation at the end of period	2,565,000	3,735,000

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

	2023 £	2022 £
Fair value of plan assets at start of period	3,668,000	3,484,000
Interest income	102,000	76,000
Experience on plan assets (excluding amounts included in interest income) - gain / (loss)	(1,315,000)	85,000
Contributions by the employer	63,000	103,000
Benefits paid and expenses	(86,000)	(80,000)
Fair value of plan assets at the end of period	2,432,000	3,668,000

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2023 was (£1,213,000) (2022 - £161,000).

FORTH HOUSING ASSOCIATION LIMITED

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

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Defined benefit costs recognised in the statement of comprehensive income

	2023	2022
	£	£
Expenses	3,000	3,000
Net interest expense	1,000	8,000
	<hr/>	<hr/>
Defined benefit costs recognised in statement of comprehensive income	4,000	11,000
	<hr/>	<hr/>

Defined benefit costs recognised in the other comprehensive income

	2023	2022
	£	£
Experience on plan assets (excluding amounts included in interest income) gain / (loss)	(1,315,000)	85,000
Experience gains and losses arising on plan liabilities - gain / (loss)	83,000	(102,000)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligations - gain / (loss)	58,000	(12,000)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligations - gain / (loss)	1,049,000	293,000
	<hr/>	<hr/>
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain / (loss)	(125,000)	264,000
	<hr/>	<hr/>
Total amount recognised in other comprehensive income - gain / (loss)	(125,000)	264,000
	<hr/> <hr/>	<hr/> <hr/>

FORTH HOUSING ASSOCIATION LIMITED

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

17. RETIREMENT BENEFIT OBLIGATIONS (continued.)

Scottish Housing Association Pension Scheme (continued.)

Assets

	2023	2022	2021
	£	£	£
Absolute Return	33,000	168,000	172,000
Alternative Risk Premia	14,000	151,000	140,000
Corporate Bond Fund	3,000	232,000	263,000
Credit Relative Value	93,000	118,000	100,000
Distressed Opportunities	75,000	131,000	119,000
Emerging Markets Debt	19,000	136,000	140,000
Global Equity	64,000	725,000	539,000
Infrastructure	262,000	229,000	195,000
Insurance-Linked Securities	68,000	77,000	73,000
Liability Driven Investment	1,030,000	887,000	838,000
Long Lease Property	82,000	106,000	81,000
Net Current Assets	5,000	12,000	26,000
Over 15 Year Gilts	-	2,000	2,000
Private Debt	109,000	92,000	82,000
Property	101,000	95,000	62,000
Risk Sharing	177,000	120,000	125,000
Secured Income	163,000	196,000	191,000
Opportunistic Illiquid Credit	107,000	122,000	89,000
Liquid Credit	-	23,000	60,000
High Yield	12,000	36,000	91,000
Opportunistic Credit	-	13,000	95,000
Currency Hedging	5,000	(13,000)	-
Cash	10,000	10,000	1,000
Total assets	2,432,000	3,668,000	3,484,000

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

Key Assumptions

	2023	2022	2021
Discount Rate	4.9%	2.8%	2.2%
Inflation (RPI)	3.2%	3.6%	3.3%
Inflation (CPI)	2.8%	3.2%	2.9%
Salary Growth	3.8%	4.2%	3.9%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance		

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

	Life expectancy at age 65 (years)
Male retiring in 2023	20.5
Female retiring in 2023	23.0
Male retiring in 2043	21.7
Female retiring in 2043	24.4

FORTH HOUSING ASSOCIATION LIMITED

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

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

The Growth Plan

The company participates in the scheme, a multi-employer scheme which provides benefits to some 638 non associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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 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.

A full actuarial valuation for the scheme was carried out at 30 September 2020. This valuation showed assets of £800.3m, liabilities of £831.9m and a deficit of £31.6m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Defined Contributions

From 1 April 2022 to 31 January 2025:	£3,312,000 per (payable monthly) annum
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Unless a concession has been agreed with the Trustee the term to 31 January 2025 applies.

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee asked the participating employers to pay additional contributions to the scheme as follows:

Defined Contributions

From 1 April 2019 to 30 September 2025:	£11,243,000 (payable monthly and per annum increasing by 3% each on 1st April)
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The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

FORTH HOUSING ASSOCIATION LIMITED

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

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Present Values of Provision

	2023 £	2022 £
Present Value of Provision	717	1,125

Reconciliation of Opening and Closing Provisions

	2023 £	2022 £
Provision at start of period	1,125	4,433
Unwinding of the discount factor (interest expense)	21	26
Deficit contribution paid	(410)	(1,122)
Remeasurements - impact of any change in assumptions	(19)	(26)
Remeasurements - amendments to the contribution schedule	-	(2,186)
Provision at end of period	717	1,125
Total amount recognised in other comprehensive income - gain /(loss)	717	1,125

Income and Expenditure Impact

	2023 £	2022 £
Interest expense	21	26
Remeasurements - impact of any change in assumptions	(19)	(26)
Remeasurements - amendments to the contribution scheme	-	(2,186)

Key Assumptions

	31 March 2023 % per annum	31 March 2022 % per annum
Rate of discount	4.9%	2.4%

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

FORTH HOUSING ASSOCIATION LIMITED

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

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Additional Information

The following schedule details the deficit contributions agreed between the company and the scheme at each year end period:

Defined Contribution Schedule

	2023	2022
	£	£
Year 1	410	410
Year 2	341	410
Year 3	-	341
Year 4	-	-
	<u> </u>	<u> </u>

The company must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the company's balance sheet liability.

Pension Scheme Growth Plan Note

It is the opinion of the trustees the growth plan deficit of £717 (2022, £1,125) is based on estimated calculations and is not material in relation to the accounts. Accordingly, this provision is not reflected in the annual financial statements.

FORTH HOUSING ASSOCIATION LIMITED

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

18. DEFERRED INCOME

	Social Housing Grants £	Other Housing Grants £	Total £
Capital grants			
At 1 April 2022	19,255,156	-	19,255,156
Additions in the year	971,869	-	971,869
Eliminated on disposal	-	-	-
At 31 March 2023	<u>20,227,025</u>	<u>-</u>	<u>20,227,025</u>
Amortisation			
At 1 April 2022	968,955	-	968,955
Amortisation in year	265,276	-	265,276
At 31 March 2023	<u>1,234,231</u>	<u>-</u>	<u>1,234,231</u>
Net book value			
At 31 March 2023	<u>18,992,794</u>	<u>-</u>	<u>18,992,794</u>
At 31 March 2022	<u>18,286,201</u>	<u>-</u>	<u>18,286,201</u>
Total at 31 March 2023	<u>18,992,794</u>	<u>-</u>	<u>18,992,794</u>
Total at 31 March 2022	<u>18,286,201</u>	<u>-</u>	<u>18,286,201</u>

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

	2023 £	2022 £
Amounts due within one year	455,800	382,702
Amounts due in more than one year	18,536,994	17,903,499
	<u>18,992,794</u>	<u>18,286,201</u>

19. SHARE CAPITAL

Shares of £1 each, issued and fully paid	2023 £	2022 £
At 1 April	66	64
Issued in year	10	4
Cancelled in year	-	(2)
At 31 March	<u>76</u>	<u>66</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

FORTH HOUSING ASSOCIATION LIMITED

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

20. CASH FLOWS

Reconciliation of net cash flow to movement in net debt

	£	2023 £	£	2022 £
Increase / (decrease) in cash	226,238		(57,016)	
Cashflow from change in net debt	(922,184)		818,534	
Movement in net debt during the year		(695,946)		361,518
Net debt at 1 April		(2,400,512)		(2,762,030)
Net debt at 31 March		(3,096,458)		(2,400,512)

Analysis of changes in net debt

	At 1 April 2022 £	Cashflows £	Other Changes £	At 31 March 2023 £
Cash and cash equivalents	2,453,943	226,238	-	2,680,181
	2,453,943	226,238	-	2,680,181
Debt: Due within one year	(968,742)	(922,184)	823,378	(1,067,548)
Due after more than one year	(13,885,713)	-	(823,378)	(14,709,091)
Net debt	(12,400,512)	(695,946)	-	(13,096,458)

21. CAPITAL COMMITMENTS

	2023 £	2022 £
Capital Expenditure that has been contracted for but has not been provided for in the financial statements	1,681,166	2,920,836

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

22. COMMITMENTS UNDER OPERATING LEASES

	2023 £	2022 £
At the year end, the total minimum lease payments under non-cancellable operating leases were as follows:		
Other		
Expiring in the next year	552	552
Expiring later than one year and not later than five years	276	828

FORTH HOUSING ASSOCIATION LIMITED

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

23. DETAILS OF ASSOCIATION

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

The Association's principal place of business is Kildean Business & Enterprise Hub, 146 Drip Road, Stirling, FK8 1RW.

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

24. MANAGEMENT COMMITTEE MEMBER EMOLUMENTS

Management Committee members received £989 (2022 - £708) in the year by way of reimbursement of expenses. No remuneration is paid to Management Committee members in respect of their duties to the Association.

25. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2023 No.	2022 No.
General needs - Built by Association	901	881
General Needs - Purchased by the Association	2	2
Shared ownership	10	10
	<u>913</u>	<u>893</u>

26. RELATED PARTY TRANSACTIONS

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

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

Transactions between the Association and members of the Management Committee (and their close family) were as follows:

	2023 £	2022 £
Rent received from tenants on the Management Committee and their close family members	22,842	26,881

At the year end total rent arrears owed by the tenant members on the Management Committee (and their close family) were £nil (2022 - £435).

At the year end total factoring arrears owed by owner occupiers on the Management Committee (and their close family) were £nil (2022 - £nil).

Members of the Management Committee who are tenants	<u>4</u>	<u>4</u>
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FORTH HOUSING ASSOCIATION LIMITED

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

27. CONTINGENT LIABILITY

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