



SBiA

SCOTTISH BORDERS HOUSING ASSOCIATION



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

Scottish Charity Registered No. SC030751
Co-operative and Community Benefit Societies Act 2017 – Registered No. 2573R(s)
The Scottish Housing Regulator Registered No. 313



CONTENTS

Board of Management, Executive Officers and Advisers	1
Strategic Report of the Board of Management	3
Statement of the Board of Management's Responsibilities	14
Board of Management's Statement of Internal Financial Controls.....	16
Independent Auditor's Report to the Members of Scottish Borders Housing Association..	20
Report by the Auditors to the Members of Scottish Borders Housing Association on Corporate Governance Matters	24
Statement of Comprehensive Income	25
Statement of Financial Position	26
Statement of Changes in Reserves	27
Statement of Cashflows.....	28
Notes to the Financial Statements.....	29

Board of Management, Executive Officers and Advisers

Board of Management

Chair - Robin Hill

Vice-Chair – Philippa Brosnan

Elected Board Members

Tracey Glover Re-elected 12.09.24

Anthony Burnette Resigned 17.08.24

Michael Grieve

Non-Tenant Elected Members

Philippa Brosnan

Ray Licence Elected 12.09.24

Robin Dodyk Elected 12.09.24

Matt Foreman

Kenny Simpson Resigned 20.08.24

Appointed Board Members

Robin Hill

Ian McDonald Convenor of Audit & Compliance Sub-Committee

Michael Levack Convenor of Customer Board; granted special leave of absence from 21.03.24 – 12.09.24

David Bell

Secretary to the Association

Carly Stewart

Executive Team

Julia Mulloy Chief Executive

Maria Lyle Chief Operating Officer

Carly Stewart Director of Finance

Henry Coyle Director of Customer Services (until 26.04.24)

Susan McDonald Director of Customer Services (from 02.12.24)

Caroline Purcell Director of Property Services

Emma Garry Director of Development

Board of Management, Executive Officers and Advisers (continued)

External Auditor

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

Internal Auditor

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

Solicitors

Harper Macleod
The Ca'd'oro
45 Gordon Street
Glasgow
G1 3PE

Bankers

Lloyds Bank plc
3rd Floor
25 Gresham Street
London
EC2V 7HN

Registered Office:

South Bridge House
Whinfield Road
Selkirk
TD7 5DT

Funders

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

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

Strategic Report of the Board of Management

The Board of Management of Scottish Borders Housing Association Ltd ("the Association" or "SBHA") has pleasure in submitting its report and the audited Financial Statements for the year ended 31 March 2025. This aims to give the reader of these Financial Statements a clear understanding of the business of SBHA, and its current and anticipated performance.

SECTION 1 – SBHA

1.0 PRINCIPAL ACTIVITIES

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

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

In the year ended 31 March 2025, the Association's principal activities directly reflected the objectives defined in its Constitution, namely the provision of housing and housing-related services for people in need.

2.0 BACKGROUND TO THE ASSOCIATION

SBHA was established to receive the transfer of the housing stock of Scottish Borders Council (SBC) and in March 2003 commenced trading. The Association is a charitable organisation and manages some 5,682 rented and 156 factored homes as well as 1,262 non-housing units.

The housing stock contains a range of construction types, aged between 500+ years old in the historical areas of Jedburgh, to less than one year old. There are no high-rise properties, and the great majority of properties are flats. SBHA has made significant investment since 2003 to improve the quality standards of the homes, including meeting Scottish Housing Quality Standard (SHQS) and the Energy Efficiency Standard for Social Housing (EESH).

Key services are delivered locally by Neighbourhood teams who tailor services to those communities, supported by agile working and a clear service offer and suite of Customer Service and Neighbourhood Standards. The first point of contact for all services is delivered by the Solutions Team and the established Customer Relationship Management (CRM) model, including a modern telephony system to enhance the customer experience. We aim to build impact through strong community partnerships - listening to tenants, building on experience and strengthening our financial foundations to enable us to progress into a new era of delivery.

3.0 GOVERNANCE

SBHA is governed through the Board of Management, consisting of up to 12 members. The governance structure is designed to ensure effective strategic impact and assurance. This is delivered through a quarterly meeting cycle, plus 2 additional meetings for Strategic Planning and Business Plan & Budget Setting. There are two main Sub-Committees: the Audit & Compliance Sub Committee who provide detailed assurance on compliance and risk; and the Customer Board, who review customer experience, service development and policy. The Chair of the Board and Convenor of the Audit & Compliance Sub-Committee are remunerated roles.

Scottish Borders Housing Association is committed to placing our Tenants and customers at the heart of decision making and service delivery. This is delivered in partnership with Scottish Borders Tenants Organisation (SBTO), the “umbrella” Tenants representative group for SBHA’s Tenants, based in the Head Office in Selkirk. Funded and supported primarily through SBHA, SBTO’s remit is to seek, represent and take forward Tenants’ views in relation to SBHA’s policies and procedures and to ensure that Tenants get the best possible service. They work in partnership to deliver the commitments in “Voices Together” (SBHA’s Tenant & Community Engagement Strategy) and were a vital partner in developing the revised Strategy in 2021 and the 2025-30 Strategic Plan as detailed below.

4.0 SBHA 2025-30 STRATEGIC & BUSINESS PLAN

The 2025-30 SBHA Strategic and Business Plan provides an overview of how SBHA’s mission, vision and values will be delivered over the 5-year period. It was developed over the year from a series of consultative activities, including workshops with senior leaders, the Board of Management, SBTO, stakeholders and the SBHA team. It recognises that effective Strategic Partnerships will be a key driver of our future success, as it has been to date, helping us along our journey of Creating Growth and Building Impact. The Board of Management approved the revised 30-year financial Business Plan in February 2025 and approved the full Strategic & Business Plan 2025-30 in May 2025.

This Strategic Plan is the lead document for SBHA’s 10 main supporting strategies and provides the framework for future decision making and a clear process for achieving commitments and measurable outcomes. In developing the plan, we have aligned with local, regional and national objectives, whilst being mindful of the changing economic, political and social situation, including the declaration of the national Housing Emergency.

There are 12 main themes across SBHA’s objectives: strengthening our service officer and customer outcomes; playing our part in the housing emergency; harnessing data to analyse and act; transforming place through partnerships; net zero homes; growth through learning; developing our growth mindset; finance for growth; digital expansion; dynamic delivery; optimising assets; and growing impact. The Delivery Plan sets out our commitment to action through a mix of projects and performance shifts to achieve outcomes that will grow our impact and will be actioned and monitored in the coming year.

The 10 supporting strategies will continue to be updated in their own cycles, including Asset Management and Voices Together Strategies which are due to be reviewed in the coming year.

5.0 SBHA’S OBJECTIVES

SBHA’s 5 Strategic Objectives which reflect our members’ vision for the future are:

- Great Customer Experience
- Great Places
- One Team
- Resilient Business
- Smart Investment Choice

MISSION STATEMENT

“Created by Tenants for Tenants, we enhance lives and communities across the Scottish Borders. We shape our homes and services to meet changing needs and expectations and we drive sustainable growth to ensure a fair prosperous future for all.”

The achievement of this is underpinned by our values – they define who we are and how we Operate.

Delivering
Excellence Together



Being
Responsible



Always
Improving



Everybody
Matters



OBJECTIVES

GREAT CUSTOMER EXPERIENCE

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

PERFORMANCE	ACTUAL 24-25	ACTUAL 23-24	TARGET
Overall Tenant Satisfaction	78%	76%	82%
Tenants who feel landlord is good at keeping them informed	82%	83%	85%
Satisfaction with opportunities to participate in decision making	93%	94%	92%

A positive shift in Tenant Satisfaction indicators was sustained in the year. Overall Tenant Satisfaction has increased but remains below the target of 82%. The most common areas of dissatisfaction for Tenants remain consistent from last year: the need to improve communication; speed of response; and a better repairs and maintenance service. We continue to focus on improving our repairs service through the Repairs Working Group, SBTO Scrutiny Project on Repairs and our Repairs Service Improvement Plan. We are also investing in delivery of the Planned Maintenance Programme and a new specialist Damp and Mould team as both were highlighted by tenants as areas which could be improved upon.

Also demonstrating our commitment to deliver excellent customer service, SBHA achieved Customer Service Excellence accreditation in the year. Compliance Plus was awarded in two areas, for our use of customer insight and prioritising customer focus at all levels. The project group are working on the areas highlighted for improvement ahead of the interim review of the accreditation due in the coming year.

The focus on improving satisfaction with the management of the neighbourhood through the revised Neighbourhood Standard and the work of our specialist ASB team is having a clear impact with satisfaction levels increasing to 79% (2024: 70.6%).

PERFORMANCE	ACTUAL 24-25	ACTUAL 23-24	TARGET
Lettable Stock Void Loss %	0.94%	1.01%	<0.90%
Average days to let empty homes	44	44	<36
% Lets to Homeless	53%	56%	>47%

Tackling homelessness and reducing poverty and inequalities, in an era of a housing emergency, remains a key priority. SBHA is committed to supporting the implementation of SBC's Local Housing Strategy and Rapid Rehousing Transition Plan (RRTP) and allocated 53% of lets in 2024-25 to a homeless household, exceeding target and national average, as well as increasing tenancy sustainment to its highest level of 92%. This is reflected in turnover reducing again this year with the number of relets falling from 492 to 481 and a reduction in low demand homes from 1.68% to 1.43%. This performance, whilst positive, reflects a reduction in housing options for those in significant housing need who are not homeless, reinforcing the pressing need to increase new housing supply.

Empty Homes Management performance has slightly increased compared to last year and slightly above target. A continued focus on empty home performance is planned for 2025-26 to ensure we continue to reduce all rent loss and ensure homes are let as quickly as possible.

PERFORMANCE	ACTUAL 24-25	ACTUAL 23-24	TARGET
Rent Collection %	99.52%	99.01%	>99.00%
Gross Arrears as a % of Rent Due	5.92%	6.14%	<5.70%

Rent collection has increased in the year, at a challenging time for household inflation. The teams focussed on early intervention and prevention, and maximising referrals for support.

As at 31 March 2025, a total of 2,748 Tenants (2024: 2,425) were in receipt of Universal Credit. SBHA continues to support Tenants who are in financial hardship through its Financial Inclusion and Welfare Benefits Service. An additional £499,000 (2024: £412,000) of income for Tenants was generated through the provision of this dedicated service, supporting 688 SBHA Tenants (2024: 731). This is further complemented by SBHA's Tenancy Support Service, providing tailored support to Tenants where health and wellbeing factors are impacting on their ability to maintain their home.

The decision to pilot Lightning Reach, a financial support platform allowing tenants to self-refer for external funding as well as our own support services, was agreed and will go live in the first half of 2025-26.

GREAT PLACES

SBHA's Asset Management strategy was approved in 2021 and will be updated in the coming year. This provides the roadmap to ensure SBHA's homes are fit for the future; and a key priority is the journey to net zero carbon and achieving Energy Efficiency Standard for Social Housing (EESH) is underpinned by More Sustainable Steps, SBHA's Sustainability Strategy.

The Climate Change (Scotland) Act 2009, as amended in 2020, sets a statutory target to reach net zero carbon emissions by 2045. The Scottish Government committed in the Heat in Buildings Strategy to review EESH2 with a view to aligning it with its net zero targets. This has resulted in a proposed, but not yet finalised, Social Housing Net Zero Standard (SHNZS) which will replace EESH2. The main elements of SHNZS are: a fabric efficiency rating; minimum fabric standard; the installation of clean heating systems; and air quality.

RSLs across the South of Scotland are collaborating on a pilot of the Powerhub Demonstrator, innovative battery storage technology. The expansion of this technology along with a Community Wealth Building approach to Retrofit across the South of Scotland are subjects of funding bids to the Borderlands Energy Programme, with outcomes awaited. Borders RSLs have commenced discussions with Changeworks to develop a proposal to GIS map all the housing archetypes and evaluate all stock data aligned with the proposed SHNZS outcomes; and how we can all deliver programmes of work in collaboration, considering the Scottish Borders Council Local Heat and Energy Efficiency Strategy (LHEES) and maximising heat network opportunities where appropriate.

A second phase of blocks to receive superfast broadband has been approved and further phases are being developed with Openreach to enhance digital connectivity in communities. The damp sensor pilot has been extended to include high risk properties with insight data through a gateway portal being monitored and actioned by SBHA where appropriate. Tenants are being encouraged to download the related app which gives advice and guidance based on information from the alarms and sensors, to encourage self-help. An evaluation will be undertaken to inform future roll-out options.

PERFORMANCE	ACTUAL 24-25	ACTUAL 23-24	TARGET
ESSH Compliance	95.98%	96.19%	97.5%
SHQS Compliance	90.84%	90.17%	92.0%

SBHA's Planned Maintenance Plan, connecting significant investment in neighbourhoods with the Community Model, saw total major repairs investment of £8.9m (2024: £7.4m), with 179 heating systems, 145 windows & 247 doors, 207 bathrooms and 152 kitchens upgraded, a concentration in homes in Galashiels Central and Innerleithen & Walkerburn. Continuing challenges on vacancies in commissioning teams and local challenges in the construction market contributed towards slippage of budgeted cost of £1.9m (2024: £1.4m) to be carried over, which predominantly relates to roof and window replacements where mixed tenure has been a factor adding to the complexity of planning and delivery.

PERFORMANCE	ACTUAL 24-25	ACTUAL 23-24	TARGET
Gas Safety Check by anniversary date	100.00%	99.90%	100%
Properties with an EICR <5 years old	99.52%	99.57%	100%

Creating safe places is a key priority and keeping Tenants and the SBHA Team safe have remained a primary focus with strong outcomes overall. Performance on gas has returned to full compliance in the year and only a small number of properties in exemption/abeyance on EICRs within 5 years. The work to achieve Health & Safety accreditation was temporarily postponed due to other priorities and is being taken forward in 2025-26. Along with the sector, SBHA has focused attention on its responsibility to ensure that its homes are well-maintained and of a decent standard. The policy for damp and mould introduced in 2023 continues to be reviewed in the light of best practice and deliverability and a revised framework including the investment of additional resource to implement a new dedicated team for complex cases is being progressed.

The 3rd year of a 6-year Environmental programme of works to improve the quality of neighbourhoods is in place. Works have progressed in the year to improve the safety and appeal within blocks including improved LED Stair lighting in a further 142 blocks as part of a 5-year programme, as well as re-painting 17 communal stairwells and installing 5 new secure entry doors/systems. In addition, the gutter cleaning programme is in its second year of delivery. This programme of works has contributed to the significant increase in tenant satisfaction with the management of the neighbourhood in the year, along with significant increases in tenant satisfaction with the safety of their neighbourhood and as a place to live.

PERFORMANCE	ACTUAL 24-25	ACTUAL 23-24	TARGET
Average Time to Complete Emergency Repairs (hrs)	1.85 hrs	1.99 hrs	<2 hrs
Average days for non- emergencies	10.5 days	11.2 days	<9 days
Right First Time (Repairs)	84.2%	81.40%	>88.00%

Performance in the Repairs Service has improved in the year despite the construction industry continuing to be challenging. The continuing delivery of improvements in the repairs service has also resulted in improved customer satisfaction with the repairs service and the re-introduction of repairs transactional surveys shows higher levels of current satisfaction with the service being delivered. Continuous improvement and ensuring repairs services are value for money will be an emphasis in the coming year.

ONE TEAM

The SBHA Team is key to the Association's success, driving our business and making a positive difference to the lives of the Tenants and communities we serve. The SBHA People Strategy 2022-2025 supports the delivery of the Strategic and Business Plan by focussing the Team's knowledge, commitment and motivation towards better outcomes for our Customers, and we were pleased to be re-accredited with an Investors in People Silver Award. This followed the achievement of Customer Service Excellence accreditation in Autumn, demonstrating assurance that our services meet recognised best practice. Our Great Customer Service journey remains as a focus with continuous improvement through working groups, shared experiences and our customer first approach. Strengthening the SBHA team to address the challenges of Damp and Mould and exploring progression pathways for future-skills in net-zero, retrofitting and digital agility, ensures alignment with strategic areas of growth and priority.

The introduction of a new recruitment portal has enhanced the attraction and appointment of new Team members, with hard to fill posts reducing to one trade area. Additionally, successful internal development has supported a number of promotions and secondments.

SBHA's commitment to Equality, Diversity and Inclusion has continued with knowledge development on neurodiversity, risk management around cuckooing and hoarding, and the prevention of sexual harassment.

The relationship with our local Developing the Young Workforce team has strengthened. We are members of the Employer Advisory Boards in two local High Schools and through our commitment to the Young Persons Guarantee, have contributed to a range of school events and provided work experience opportunities for young people. SBHA continued to directly support four apprentices in the year and, including supply chain commitments, a further 12 new learning/job opportunities.

SBHA's pledge to advance Fair Work First practices is demonstrated through the statement published on our website. This year we have shared positive Gender Pay Gap information with our Board of Management and continue to be an accredited Living Wage and Living Hours employer. Our Employee Strategy Group, Healthy Living Group and positive relationship with our recognised Unions ensure channels are in place for effective employee voice to build our culture of ownership and collaboration.

PERFORMANCE	ACTUAL	ACTUAL	TARGET
	24-25	23-24	
Employee Attendance	94.51%	92.24%	>96%

The Employee Attendance target has not been met, however there has been an improvement over the year with a reduction in ongoing long-term sickness cases. The Maximising Attendance policy and procedure is being utilised consistently alongside the services of Occupational Health, Working Health Services and access to wellbeing advice through our Employee Assistance Programme. Employee Turnover has reduced over the year from 16.5% to 11.7%, showing a significant change and meeting target.

RESILIENT BUSINESS

SBHA's IT & Digital Strategy 2022-27, which was introduced in March 2022, focused on building IT as a strategic asset that enhances SBHA's resilience and capability to drive growth, providing insight-driven service improvements and innovative solutions over five pillars for delivery. The journey to the Cloud has continued and expanded, and Digital resilience actions remain in place which have led to the successful re-accreditation for Cyber Essentials Plus. Moving forward, core solutions will be optimised and rolled out, including asset management diagnostic technology. Future plans will centre around adopting new technologies that enable greater efficiency and customer benefits such as AI; integration of core systems to provide integrated data management; and continuing to build on the extensive cyber security framework in response to this ever-changing risk landscape.

Value for money remains a core Sustainable Procurement objective, as are the objectives of the national and regional economic strategies, resulting in the creation of opportunities for collaboration, innovation and growth. SBHA is championing Community Wealth Building and Equality as well as opportunities for inclusive growth and skills development within the supply chain and our people. The Transition to Net Zero journey continues as the risk profile of SBHA is managed in its approach to evolving technologies and markets, while providing new homes and retrofitting existing homes.

As the SBC's second-generation Reactive Maintenance framework was launched, SBHA has continued the commitment to create more opportunities for Scottish Borders based organisations to bid successfully for a range of works and services. Contracts have continued to be awarded locally, creating local jobs and skills, where in line with SBHA's Procurement Strategy.

Implementation of SBHA's new rent policy commenced in the year, with a 5-year transition plan expected to reach full roll-out, in order to protect those most adversely impacted at a time of volatile inflation. The fundamental review of SBHA's rent setting framework was completed with the aim of ensuring it was fair, transparent, affordable for tenants, easy to administer and overall income neutral. Later in the year, the annual rent increase for 2025-26 was consulted with Tenants, before applying any shifts to target rents, along with benchmarking and the SFHA rent affordability tool being considered.

SMART INVESTMENT CHOICES

Development and delivery of new homes is now core to SBHA's business. Having emerged as one of the most active developing housing associations in the region, SBHA is now looking at its longer-term development ambitions. In looking to the future, SBHA remains committed to its guiding principle: building the right homes in the right places. This approach ensures that every development decision is driven by community needs while making the best use of existing assets and growing the local economy. SBHA continues to focus on both new-build projects and regeneration efforts, allowing it to respond effectively to housing demand while revitalising local areas.

In a significant boost to the Croft Street, Galashiels community, SBHA was awarded, through Scottish Borders Council, £3m of UK Government Community Regeneration Partnership (CRP) funding for a multiple roof programme and public realm works for this mixed tenure estate owned by SBHA, Waverley and Private owners. £301k capital and revenue grant was accrued, for works undertaken in the current year with the majority being committed for 2025-26.

In 2024-25, SBHA completed 20 new-build homes, including the conversion of 8 unlettable bedsits into 4 family homes and acquired 14 properties through open-market purchases. These acquisitions and those acquired in the prior year and becoming ready for let in the year, provided 11 homes for social rent and 7 for mid-market rent, helping to meet a range of housing needs across the Scottish Borders. The Association is also progressing a 70-home development in Jedburgh, which is already under construction, as well as an innovative 13-home HUSK project designed to create accessible housing. This project is expected to be completed by summer 2025.

SBHA's Development programme is supported by Scottish Government funding and contributes to the national goal of delivering 110,000 new homes. Scottish Borders Council have also provided financial support to specific projects within the development programme. The Association remains on track to provide 300 new homes by 2028. Planning permission is in place for a significant number of these homes, with some sites already under SBHA ownership.

To ensure long-term housing delivery, SBHA is also investing in a sustainable land bank. Over the past year, it has secured two additional sites with the potential to deliver up to 40 new homes. By proactively planning for the future, SBHA is strengthening its ability to meet housing demand while continuing to enhance communities across the region.

In the year, the Warm and Well service continued providing energy advice to alleviate fuel poverty. This was funded through a £40,000 grant from SBC's Cost of Living Fund awarded to the Borders Housing Network (BHN) and received on their behalf by SBHA at the end of 2023-24. The grant was released to income to match the expenditure in the year by SBHA for this service. Grants awarded in the previous year for fuel debt payments continued to be used and a further £16,000 from SBC's Community Led Local Development Fund to top up funds for fuel debt payments, fuel vouchers and purchase supermarket vouchers issued to vulnerable households. This service has been core funded in SBHA's 30 year Business Plan from 2025-26 and a 3 year commitment from Berwickshire and Waverley Housing to share services, expands the service with a part time post.

992 SBHA Tenants have been supported to address fuel poverty in the year including payments made directly by SBHA to the energy supplier and the provision of fuel vouchers; an additional 150 tenants benefited from Winter Packs which include heated throws, draught excluders, radiator panels and LED light bulbs.

In the year, 78 SBHA Tenants have attended the Rural Food Club, delivered in partnership with social enterprise You Can Cook, to enhance their cookery skills, helping them to eat well on a budget and reduce food waste. This was funded by a grant of £11k received by SBHA in the year.

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

SECTION 2 – FINANCIAL REPORT

1.0 FUNDING

SBHA was debt funded under a stock transfer model from 2003. In 2021-22 a full refinance with Royal Bank of Scotland plc was completed to fund aspirations for Development growth. This provided the best fit with SBHA's Strategic and Financial Business Plan as set out in a cost benefit analysis. The new facility agreement provides a good fit with SBHA's cashflow profile, including the flexibility of a 10-year revolving credit facility to match the Development plan profile.

The current Royal Bank of Scotland plc facility is split between a £40m 25-year term facility and £18m Revolving facility based on SONIA ('Sterling Over-Night Index Average'); the total drawn as at 31st March 2025 is £40m (2024: £40m).

In 2024, SBHA negotiated more favourable interest covenant terms with RBS, removing the requirement to add back capitalised maintenance in the calculations, known as EBITDA. This provides long term financial capacity to help towards future potential Net Zero costs and short term pressures arising through the mismatch between significant inflation experienced on costs not passed on through rent increases. At 31 March 2025, SBHA complied fully with all its Loan Covenants.

2.0 STATEMENT OF COMPREHENSIVE INCOME (SOCI) 2024-25

Affordable Letting Activities (Note 3)

Total Turnover increased by 5.3%. Rental income and related service charges make up 98.2% of the turnover from Affordable Letting Activities (and 94.5% of total turnover). Gross weekly rents including service charges increased by 6.7% overall due to an average rent increase of 6.0% plus an increase in stock numbers, offset by a marginal 0.1 % increase in rent loss due to unlettable empty homes. Rent lost due to lettable empty homes and garages as a percentage of gross rental income remained the same (1.5%), resulting in net rental income including service charges increasing by 6.6%.

Grant income released from capital deferred income increased by 48.2% compared with prior year, reflecting the new properties that have become available for let during the year, for which capitalised grant income is now being released.

Revenue grant income reflects the release of grants received in 23/24 to meet spend during the year on activities such as Warm & Well and Fuel Poverty support. The lower income compared with 23/24 reflects the lack of new grants received in the year. Revenue grant income also includes grants received for expenditure on adaptations; only £191k of this funding was awarded and received in 2025 (2024: £232k) and of this, £158k has been deferred to match the capitalisation of the corresponding expenditure (2024: £nil).

Operating Costs were 7.8% higher than the previous year. This was mostly due to an increase of 23.0% in the costs of Planned and Cyclical Maintenance, including major repairs. Bad debt expense was £287k higher than in 2024 but only £15k higher than the cost in 2023; the bad debt expense in 2024 reflected a one-off writeback of amounts written off in prior periods but subsequently received. Depreciation increased by 7.3% reflecting the increased asset base (Note 11B). The impairment charge of £38k relates to the purchase price of a property which will be part of a larger regeneration project.

Employee costs overall increased by 6.1% (Note 10); within this, wages and salaries increased by 10.3% (reflecting a slight increase in average staff numbers, increments and annual uplift), pension costs decreased by 40.6% because of the 0% contribution rate to the LGPS for the year (2024: 21.3%) and offset against an increase in numbers in the DC scheme and the change to a flat employers contribution rate of 8% (removing the tiered approach dependent on length of service)

Other Activities (Note 4)

Total turnover from Other Activities increased by £498k (81%) compared with 23/24. £143k of UK Government CRP grant income relating to third party owners' share of costs for major roof repairs on mixed tenure blocks of flats has been recognised. A further £191k of income relates to costs recharged

to owners for their share of major repair costs on different mixed tenure blocks. This is the first year that SBHA has undertaken major repairs on mixed tenure blocks, requiring significant contribution by owners of their share of the costs.

Other operating costs increased by £447k (143%), primarily because of the costs related to the third-party properties; these costs are matched by the corresponding income from the grant and recharges described above. Income and costs from commercial lets have also increased, reflecting the increased number of new properties being let to SBHA Plus for Mid-Market rentals.

Loss on disposal of property

This reflects the net book value of the components replaced during the year (as per Note 11B). The £202k lower loss in 2025 is due partly to lower replacement of existing components and partly to the replaced components having a lower net book value. (In 2025, the historic cost of components disposed was £166k less than in 2024, but the accumulated depreciation charged to date on them was £47k more than in 2024).

Interest Receivable and Payable

During the year, surplus cash funds were again invested in fixed term deposit accounts to maximise their yield. This resulted in bank interest receivable in the year of £682k (2024: £468k). Interest payable and financing costs were similar to prior year (due to fixed interest rates on loans and no change in borrowings).

An actuarial loss of £12,426k arose in the year in respect of SBHA's membership of the LGPS (2024: actuarial gain of £461k). This was primarily due to the net asset restriction cap which accounting standards require to be applied this year, as a result of the change brought in 2024 by the Scottish Government to the LGPS (Scotland) Regulations 2018. Without this cap, there would have been an actuarial gain in the year of £1,845k. Actuarial gains and losses are non-cash and are for accounting treatment only.

3.0 STATEMENT OF FINANCIAL POSITION (SOF) AS AT 31 MARCH 2025

At 31 March 2025, the Association showed a positive Statement of Financial Position where assets exceeded liabilities, including the Local Government Pension Scheme asset. This is a continuing trend from 2010-11 where increasing revenue reserves have maintained a positive Statement of Financial Position. The high revenue reserves are due to the continued full implementation of component accounting. Under this convention, expenditure on properties owned which is deemed to extend the useful life of the property or provides an enhancement of economic benefits or replaces a component of the property, is capitalised and added to the original cost of that property rather than being treated as an expense (as per accounting policy 1 (m) on page 32).

At 31 March 2025, the Association owned 5,682 properties (2024: 5,652); the movements are explained in Note 5. SBHA's current Accounting Policy is to show Properties on the Statement of Financial Position at original cost plus capitalised amounts.

The depreciated cost of housing properties increased by £14.0m during the year. There was £19.7m of capital investment in properties in the year (2024: £10.2m), with £6.0m of development assets becoming available for let during the year (2024: £5.0m).

Cash and cash equivalents is £30.2m (2024: £28.1m), remaining at higher levels than anticipated due to delays in the new build and the planned maintenance programme expenditure. Cash in bank is expected to reduce significantly over the next 2 years as committed project spends are progressed.

The Association had net current assets of £26.9m at 31 March 2025 (2024: £24.8m). The liquidity ratio for 2025 was 4.83 (2024: 5.08).

The £9.9m increase in Creditors falling due after more than one year is due to the increase in the Deferred Capital Grant.

The net Pension position of the LGPS decreased by £12,158k to a £1,686k net asset in 2025 and includes an actuarial loss of £12,426k (2024: £461k gain). The report is based on the triennial valuation at 31 March 2024 rolled forward, which leads to experience items, positive and negative, on both assets and obligations.

Unrestricted reserves and private financing are in place in order to meet future long term commitments. A positive Statement of Financial Position is still anticipated to continue throughout the Association's 30-year Business Plan (which is itself reviewed annually). It should be noted however that the accumulated 'reserves' are counter-balanced by an increase in the cost of the Association's properties and not in cash or other type of asset.

4.0 TREASURY MANAGEMENT

SBHA's Treasury Management Policy sets out the policy of the Association with regard to treasury matters including borrowing and investing, including minimum levels of counter-party credit scoring required. SBHA has adopted the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the "Code") as set out in the Scottish Housing Regulator's Standard on Recommended Practice for Treasury Management.

The Treasury Management Policy sets out the Association's policy concerning all of its funding or borrowing from external sources, and lending and investment of surplus funds. Authorisations for banking and transfer of funds are also covered. The use of financial instruments by the Association which are not linked to a loan agreement is currently forbidden, as is any exposure to currencies other than sterling. The overriding principles of the policy have been emphasised around the requirement to ensure that risk is managed, understood by the Board of Management and that a cautious approach of risk over potential returns is taken.

5.0 PENSIONS

The Association participates as a closed member in the Scottish Borders Council Pension Fund (SBCPF), a statutory multi-employer defined benefit scheme. It is administered by the Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended. This scheme moved to a Career Average Revalued Earnings (CARE) calculation method in 2015, which replaced the Final salary valuation method.

The actuarial method used to value the Pension Fund is known as the Projected Unit Method. The last valuation (triennial) was as at 31 March 2024 and, following this valuation, SBHA's employer's contributions were set at 0% of pensionable pay with effect from 1 April 2024. The Association recognises a Net Pension asset of £1,686,000 (2024: £13,884,000) at 31 March 2025.

A Defined Contribution pension scheme from Scottish Widows has been available to employees who are not members of the SBCPF since June 2013 and is the scheme into which employees were auto-enrolled from 1 April 2014. It is a joint contributory scheme with total contribution from the Association and employees being a minimum of 12%.

6.0 GOING CONCERN

The Board of Management has reviewed SBHA's 30-year Business Plan, including annual and 5-year budgets and forecasts, and have stress tested these in light of the current economic climate and affordability for Tenants, with an increased focus due to the Cost-of-Living emergency legislation which put in place a temporary cap on rent increases, but was lifted from April 2024. The Board approved a revised plan in 2025 based on updated forecasts taking into account potential risks to rental income, voids and the impact of increasing costs due to inflation, especially on SBHA's stock investment and development plans. This also focused on the impact on cash flow, ensuring sufficient cash is available to fund a potential significant increase in working capital requirements. This has provided assurance that potential financial risks can be managed. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

SECTION 3 – CONTROLS

1.0 BOARD OF MANAGEMENT AND EXECUTIVE OFFICERS

The Board of Management and Executive Officers are listed on page 1.

Each Board Member holds one fully paid, non-refundable share of £1 in the Association. The Board of Management have no beneficial interest in the Association's share capital. The Chief Executive and the Directors of the Association also have no beneficial interest in the Association's share capital, and they act within the authority delegated by the Board of Management.

Statement of Board of Management's Responsibilities

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board of Management to ensure that financial statements are prepared for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit for that period. In preparing these financial statements, the Board of Management is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the RSL will continue in business.

The Board of Management is responsible for instituting adequate systems of internal control and for:

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

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Association and to enable it 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 February 2019.

Statement of Disclosure to Auditor

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

Board and Sub-Committees

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

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

- **Customer Board** – is the Sub-Committee responsible for overseeing the joined-up customer experience delivered by SBHA. This includes actively promoting and monitoring the delivery of good customer care and tenant satisfaction in all areas of service delivery; monitoring performance relating to voids, rent arrears, repairs, the Planned Maintenance Programme, anti-social behaviour, and overall Tenant satisfaction; reviewing the output of the Customer Audit Team's Scrutiny Projects; The governance of investment and implementation, including approving the Development policy; effective oversight of implementation of the Development strategy and annual Programme; scrutinising the financial viability of projects and monitoring progress; understanding of housing need and demand; and oversee the customer aspects of the programme and standard.
- **Remuneration & Nominations Sub-Committee** - has a limited remit to oversee Chief Executive pay, Governance nominations and succession planning, and urgent staffing issues.

Board of Management's Statement of Internal Financial Controls

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

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

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

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

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

- The Association has a Strategic and Business Plan, which sets out its corporate priorities, the format of which follows Scottish Housing Regulator guidelines. The Plan covers a period of 5 years and is normally reviewed and approved by the Board annually in conjunction with the annual Budget mentioned below and the updated 30-year Business Plan. The Strategic and Business Plan 2025-30 was developed in the year and approved in May 2025;
- Experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- The Association's Financial Regulations were replaced by a suite of Financial Policies which are reviewed and amended as required;
- The Association's Financial Policies set out exactly how the Association's financial controls are to operate;
- A wide range of SBHA Policies deal with, amongst other things, control issues for the Corporate, Finance, Human Resources, Customer Services and Assets & Property Services areas. These are approved at Sub-Committee level and homologated at Board of Management level as and when required;
- The Association's Policy on the procurement of goods and services sets out limits of authority for post holders;
- A detailed Budget is set annually and approved by the Board of Management;
- The overall Budget is divided by service area. Detailed management accounts are prepared monthly, both on an overall basis and by service area. Actual v Budget reports for service areas are discussed with individual Budget Holders, with a view to identifying areas where corrective action is required to prevent avoidable overspends;
- The Association's Executive Officers, comprised of the Chief Executive, a Chief Operating Officer and 4 Directors, receive and monitor the management accounts on a monthly basis;
- The Board of Management is presented with a Financial Monitoring report for the Association on a quarterly basis. This report compares actual financial results against budget and comments on any significant variances and on whether the forecast out-turn for the year is likely to be materially different from budget;
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;

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

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

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

The Key Performance Indicators comparing target with actual results reported at the Board of Management cover financial matters such as loan covenants, arrears and voids level, and staff attendance levels. Actual performance is set out at pages 5-10.

The effectiveness of the Association's system of internal financial control has been reviewed by the Audit and Compliance Sub-Committee and Board of Management for the year ended 31 March 2025. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in these financial statements or in the auditor's report on the financial statements.

SBHA's Board of Management has undertaken a Self-Assessment review against the Scottish Housing Regulatory Standards and is committed to re-assess two standards per annum on a rolling basis. In the year this was undertaken by Internal Audit with substantial assurance provided on the standards 3 and 4.

2.0 RISK MANAGEMENT

There are currently 9 Strategic Risks, with 31 operational risks/ causes being recognised, monitored and controlled in the current year and re-scored. The principal risks are deemed to pose the most acute threat to the Association in the short term and the actions required to mitigate the effect of such risks. The Top 4 strategic risk areas currently identified and their principal operational risks are:

STRATEGIC RISK	OPERATIONAL RISK/CAUSE	MITIGATING CONTROLS
FINANCIAL <i>Fail to manage our finances effectively</i>	• Costs increase above inflation and maintaining affordability for Tenants results in Business plan viability/covenant issues • Significant reduction in income due to economic uncertainty, legislative changes and the cost of living. • Unable to secure affordable funding (grant / loans) to meet EESSH 2 / Net Zero requirements and future growth commitments in developing new homes • Failure to monitor & control commitments, and minimise slippage, results in reduced head room and breach of covenants.	• Governance of management accounts, monthly/quarterly; realistic Business Plan assumptions/stress testing • Contingency in contracts/sensitivity/BP assumptions differential • Bad Debt budget and working capital contingency; engage with DWP; Financial Inclusion Services • Treasury advisor; treasury strategy & evaluate requirements • Internal controls; IT security framework; training/awareness of fraud risks
CONFIDENCE & TRUST <i>Fail to build and maintain an environment of trust</i>	• Fail to deliver & communicate landlord services & ensure core provision meets agreed customer standards • Failure to manage health & safety effectively and meet existing and emerging standards, with an emphasis on damp and mould, fire, electrical, asbestos, water management and gas safety. • Failure to have robust IT security Controls resulting in breach / cyber-attack • Fail to understand & respond to diversity of customers/communities	• Communications Strategy/Customer back • Repairs workshop • Tenant engagement strategy • Scrutiny on estate management • H&S framework; key roles; competent person/advisor; H&S manuals; damp & mould action plan • Suite of policies-conduct/values/ fraud & theft • IT controls; audit/penetration testing • Business Continuity Plan
ORGANISATIONAL IMPROVEMENT <i>Inability to design and implement effective improvement strategies</i>	• Leaders fail to embed & sustain effective change resulting in inability to achieve performance targets • Inconsistent & Ineffective performance management of our teams and individuals (approach & communication) • Fail to engage colleagues with our growth mindset culture	• Performance management and objective setting embedded in Board & individual development reviews – golden thread • Customer back sessions to share growth mindset culture • Recruitment and retention strategy
SUSTAINABILITY <i>Fail to deliver our contribution and comply to achieve net zero and mitigate the impact of climate change</i>	• Inability to work with partners to create local supply chains and impact on community wealth building principles particularly the impact of supply chain availability • Inability to establish base solutions, establish principles and deliverables and funded plans for achieving net zero • Inability to influence and engage tenants to support the journey to net zero	• Work with South of Scotland RSLs to identify opportunities for delivering SHNZS/Net Zero Carbon • Evaluation of property archetypes to determine future priorities for the delivery of Net Zero to establish principles for the future programme • Participate in pilots of innovative technology/ Shelf Ready Bids for funding • Tenant Engagement strategy

3.0 EXTERNAL AUDITORS

RSM UK Audit LLP were re-appointed as auditors following a tendering process in 2024. A resolution to reappoint them as auditors will take place at the Annual General Meeting in 2025.

By Order of the Board of Management



Robin Hill
SBHA Chair
Date: 21st August 2025

Independent Auditor's Report to the Members of Scottish Borders Housing Association

Opinion

We have audited the financial statements of Scottish Borders Housing Association (the 'Association') for the year ended 31 March 2025 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves, Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2025 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – February 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of the Board of Management

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

In preparing the financial statements, the Board of Management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Management either intends to liquidate the Association or to cease operations, or 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.

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

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

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

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

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

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

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

The most significant laws and regulations that have an indirect impact on the financial statements are the Scottish Housing Regulator's Regulatory Framework (published 2019), the Co-operative and Community Benefit Societies Act 2014, the Management of Health and Safety at Work Regulations 1999, Housing (Scotland) Acts 2006 and 2014 and the Data Protection Act 2018. We performed audit procedures to inquire of management and those charged with governance whether the company is in compliance with these laws and regulations, inspected correspondence with regulatory authorities including mandatory submissions to the Regulator, reviewed minutes of meetings of the Board of Management and relevant sub-committees, and reviewed available online information with the Information Commissioner's Office and the Health and Safety Executive.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, and challenging judgments and key estimates.

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

Use of our report

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

RSM UK Audit LLP

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

Date 25/08/25

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

In addition to our audit of the Financial Statements, we have reviewed your statement on Pages 16 and 17 concerning the Association's compliance with the information required by the Regulatory Standards for systemically important RSLs in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

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

Opinion

In our opinion the Statement on Internal Financial Control on pages 16 and 17 has provided the disclosures required by the relevant Regulatory Standards for systemically important RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

RSM UK Audit LLP

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

Date: 25/08/25

Statement of Comprehensive Income

	Note	2025 £	2024 £
Turnover	2	29,473,410	27,543,198
Operating Expenditure	2	(22,935,497)	(20,496,195)
(Loss) on disposal of property, plant and equipment	2,9	<u>(337,707)</u>	<u>(540,130)</u>
Operating Surplus	2, 8	6,200,206	6,506,873
Interest receivable	6	1,362,836	1,095,274
Interest payable and financing costs	7	<u>(1,271,496)</u>	<u>(1,274,886)</u>
Surplus for the Year	19	6,291,546	6,327,261
Actuarial (loss) / gain in respect of Pension Scheme	23	<u>(12,426,000)</u>	<u>461,000</u>
Total Comprehensive (Loss)/ Income for the Year		<u>(6,134,454)</u>	<u>6,788,261</u>

The results relate wholly to continuing activities.

The accompanying notes on pages 29 to 51 form part of these financial statements.

Statement of Financial Position

	Note	2025 £	2024
Fixed Assets			
Intangible Assets	11a	40,925	119,708
Housing Properties – Depreciated Cost	11b	98,003,828	84,006,826
Other Fixed Assets	11c	1,674,679	1,696,746
Investment in Subsidiary Company	12	1	1
		<u>99,719,433</u>	<u>85,823,281</u>
Current Assets			
Stock	13	70,431	83,810
Trade and Other Debtors	14	3,589,351	2,765,280
Fixed Term Deposits		15,420,336	15,123,316
Cash and Cash Equivalents		14,810,638	12,962,765
		<u>33,890,756</u>	<u>30,935,171</u>
Current Liabilities			
Creditors: Amounts falling due within one year	15	(7,018,326)	(6,088,332)
Net Current Assets		<u>26,872,430</u>	<u>24,846,839</u>
Total Assets less Current Liabilities		<u>126,591,863</u>	<u>110,670,120</u>
Creditors: Amounts falling due after more than one year	16	(59,973,579)	(50,075,380)
Pension: Defined Benefit Pension Asset	23	1,686,000	13,844,000
		<u>(58,287,579)</u>	<u>(36,231,380)</u>
Total Net Assets		<u>68,304,284</u>	<u>74,438,740</u>
Reserves			
Unrestricted Reserve	19a	66,618,157	60,594,611
Pension Reserve	19b	1,686,000	13,844,000
Share Capital	19	127	129
Total Reserves		<u>68,304,284</u>	<u>74,438,740</u>

The Board of Management approved the Financial Statements on pages 25 to 51 and authorised them for issue on 21st August 2025 and they were signed on their behalf by:

Robin Hill Chair

[Redacted Signature]

Ian McDonald Board Member

[Redacted Signature]

Carly Stewart Secretary

[Redacted Signature]

Statement of Changes in Reserves

	Note	Unrestricted Reserve £	Pension Reserve £	Total £
Balance as at 31 March 2023		54,859,350	12,791,000	67,650,350
Surplus for the Year	19	6,327,261	-	6,327,261
Transfer from Unrestricted to Pension Reserve		(592,000)	592,000	-
Pension Actuarial Gain	23	-	461,000	461,000
Balance at 31 March 2024		60,594,611	13,844,000	74,438,611
Surplus for the Year	19	6,291,546	-	6,291,546
Transfer (to)/ from Unrestricted to Pension Reserve		(268,000)	268,000	-
Pension Actuarial (Loss)	23	-	(12,426,000)	(12,426,000)
Balance at 31 March 2025		66,618,157	1,686,000	68,304,157

Statement of Cashflows

	Note	2025 £	2024 £
Net Cash generated from Operating Activities	20	<u>13,172,556</u>	<u>12,227,623</u>
Cashflow from Investing Activities			
Purchase of Tangible Fixed Assets		(19,732,900)	(10,250,900)
Purchase of Intangible Fixed Assets		(52,103)	-
Proceeds from Sale of Tangible Fixed Assets		-	9,980
Grants Received		9,313,006	2,805,364
Interest Received		<u>681,836</u>	<u>468,274</u>
Net Cash from/ (Used in) Investing Activities		<u>(9,790,161)</u>	<u>(6,967,282)</u>
Cashflow from Financing Activities			
Interest Paid		(1,237,500)	(1,240,890)
Contributions to Defined Benefit Liability		-	(390,000)
Shares Issued		5	9
Shares (Cancelled)		<u>(7)</u>	<u>(26)</u>
Net Cash (Used In) Financing Activities		<u>(1,237,502)</u>	<u>(1,630,907)</u>
Net Increase in Cash and Cash Equivalents		<u>2,144,893</u>	<u>3,629,434</u>
Cash and Cash Equivalents at Beginning of Year		<u>28,086,081</u>	<u>24,456,647</u>
Cash and Cash Equivalents at End of Year		<u>30,230,974</u>	<u>28,086,081</u>

Notes to the Financial Statements

1. STATEMENT OF ACCOUNTING POLICIES

a) Legal Status

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

b) Basis of Accounting

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

c) Accounting Estimates and Areas of Judgement

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

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

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

d) Financial Instruments

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

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

Financial Assets

Debtors

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

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

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are

recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in income and expenditure.

Cash and cash equivalents

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

Financial Liabilities

Trade Creditors

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

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

Borrowings

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

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

Derecognition of financial assets and liabilities

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

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

e) Going Concern

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

- The prevailing economic climate, both internationally and locally and its impact, if any, on the Association's viability.
- The financial position of the Association and the impact, if any, of perceived weaknesses on the Association's viability.
- The short, medium and long term financial prospects resulting from the modelling exercise carried out annually in updating the Association's 30 year Business Plan including sensitivity analysis and independent verification of key underlying assumptions.
- Cash & Fixed Term Deposits at the year end was £30.2m and post year end is sufficient and within the parameters of the revised 30-year Business Plan, based on sensitivities due to the current economic climate.
- A refinance was completed in 2021/2022 and an £18m revolving loan facility remains available and undrawn at 31st March 2025. All covenants continue to be compliant, and the current Business Plan fully funded. This undertaking was to fund future Development aspirations and provide flexibility for future growth.

In the absence of any fundamental shortcomings raised as a result of the above exercise the Board of Management consider the going concern assumption underlying the preparation of the Association's Financial Statements to be appropriate.

f) Turnover

Turnover represents:

- Rental and Service Charge income (net of voids);
- Grant income; and
- Fees and other types of income as shown in Note 4.

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

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

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

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

g) Other Income

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

h) Consolidation

The Association has two wholly owned subsidiaries, as follows:

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

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

- For SBBS, consolidation would be impractical and of no real value to the Members of the Association, as SBBS is currently a dormant company.
- For SBHA Plus Limited, consolidation is not necessary in view of the immaterial amounts involved and would not be beneficial to the users of the Financial Statements.

i) Finance

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

j) Investments

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

k) Government grants

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

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

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

l) Fixed Assets – Housing Land and Buildings

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

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

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

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

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

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

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

m) Depreciation – Housing Properties

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

Component	Useful Economic Life (Yrs)
Structure (including roofs)	50
Wiring	40
Central Heating	15
Kitchens	20
Bathrooms	25
Windows and Doors	30
Smoke Detector System	10

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

n) Depreciation – Other Fixed Assets

For other types of Fixed Asset, SBHA will capitalise items of expenditure which will be of lasting benefit to SBHA and which will have an estimated useful life of a period in excess of one year. Assets are written off evenly over their expected useful lives as follows:

Asset Type	Useful Economic Life (Yrs)
Head Office	50
Solar Panels	20
Area Offices	10
Tenant Improvements	Over the initial term of the lease
Furniture and Fittings	5
Office Equipment and Info Systems	4
Plant	4 (vehicle fixtures over 3-year lease)
Motor Vehicles	4

Land is not depreciated

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

o) Amortisation – Intangible Assets

For Intangible Assets, SBHA will capitalise items of expenditure which will be of lasting benefit to SBHA and which will have an estimated useful life greater than one year. The Association's assets are written off evenly over their expected useful lives as follows:

Asset Type	Useful Economic Life (Yrs)
------------	----------------------------

IT Software	4
-------------	---

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

p) Impairment of Fixed Assets

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

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

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

q) Cyclical Repairs and Maintenance

Due to the number of properties held, the Association has a regular programme of repairs and maintenance and charges actual costs incurred to the Income and Expenditure account. Where necessary expenditure is to be covered by an insurance claim, the claims are offset against the costs.

r) Major Repairs

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

s) Lease Obligations

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

t) Value Added Tax

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

u) Service Charge Equalisation

Service Charge equalisation accounts are not used. Any surplus or deficit made in charging for the provision of services to Tenants and factored properties is written off to the Income and Expenditure account in line with the practice previously adopted by Scottish Borders Council.

v) Stock of Materials

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

w) Sales of Properties

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

x) Taxation

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

y) Employee Benefits

The costs of short-term employee benefits are recognised as a liability and an expense. Employees are entitled to carry forward any unused holiday entitlement at the reporting date. The cost of any unused entitlement is recognised in the period in which the employee's services are received. The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when SBHA is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

z) Pension Schemes

Defined Benefit Scheme

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

The net defined benefit asset/liability in the year represents the present value of the defined benefit obligation minus the fair value of plan assets out of which obligations are to be settled. Any asset resulting from this calculation is limited to the present value of available refunds or reductions in future contributions to the plan. Following the changes to the Local Government Pension Schemes (Scotland) Regulations 2018 on 29 June 2024 that removed the unconditional right to an exit credit, the net pension asset is restricted on the basis of a right to reduced contributions.

The rate used to discount the benefit obligations to their present value is based on market yields for high quality corporate bonds with terms and currencies consistent with those of the benefit obligations.

Gains or losses recognised in other comprehensive income:

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

Defined Contribution Scheme

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

aa) Provisions

Provisions are recognised when the Association has an obligation, at the reporting date, as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability.

bb) Reserves

The Association establishes restricted funds for specific purposes where their use is subject to restrictions imposed by third parties.

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Note	Turnover £	Operating Costs £	Loss on Disposal £	Operating Surplus £	2024 £
Affordable Lettings Activities	3	28,359,243	(22,170,509)	-	6,188,734	6,743,348
Other Activities	4	1,114,167	(764,988)	-	349,179	303,655
Loss on disposal of PPE	9	-	-	(337,707)	(337,707)	(540,130)
Total for 2025		29,473,410	(22,935,497)	(337,707)	6,200,206	6,506,873
Total for 2024		27,543,198	(20,496,195)	(540,130)	6,506,873	

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

	Note	2025 £	2024 £
Rent receivable net of service charges		28,137,122	26,283,814
Service charges		145,919	234,779
Gross income from rents and service charges		28,283,041	26,518,593
Less voids		(424,198)	(393,452)
Net Income from rents and service charges		27,858,843	26,125,141
Grants Released from Deferred Income	17	309,825	209,011
Grants from Scottish Ministers		190,575	593,314
Total turnover from social letting activities		28,359,243	26,927,466
Management and maintenance administration costs		7,120,366	6,670,852
Service costs		274,331	293,196
Planned and cyclical maintenance including major repairs cost		5,132,580	4,172,195
Reactive Maintenance costs		3,598,459	3,568,127
Grounds Maintenance		440,715	390,387
Bad debts rents and service charges		350,173	63,403
Depreciation of Affordable Let Properties		5,215,669	4,859,502
Impairment of Affordable Let Properties		38,216	166,456
Operating Costs for Affordable Letting Activities		22,170,509	20,184,118
Operating surplus for Affordable Letting Activities		6,188,734	6,743,348

SBHA owns no other accommodation except for General Needs Housing Accommodation and 15 homes for Mid-Market rent leased to SBHA Plus Limited (disclosed in note 5).

3(b) AVERAGE RENTS

	2025 £	2024 £
The average weekly rent (48-week basis) per property available to let at the period end was:	104.55	97.84

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

	Grants £	Other £	Total Turnover £	Other Operating Costs £	Operating (Deficit)/ Surplus £	Operating (Deficit)/ Surplus 2024 £
Other Agency / Management Services	-	5,046	5,046	-	5,046	5,795
Factoring	-	24,593	24,593	(33,219)	(8,626)	(6,917)
Development Revenue	-	-	-	(67,232)	(67,232)	(9,639)
Other Activities	143,210	941,318	1,084,528	(664,537)	419,991	314,416
Total from other activities 2025	143,210	970,957	1,114,167	(764,988)	349,179	303,655
Total from other activities 2024		- 615,732	615,732	(312,077)	303,655	

Grant Income is the part of the UK Government's CRP grant relating to third party owners' share of costs for major roof repairs on mixed tenure blocks of flats. Turnover from Other Activities also includes £191k (2024:£nil) relating to costs recharged to owners for their share of major repair costs on different mixed tenure blocks; less related costs of the same amount £334k (2024:nil).

Other Activities also includes commercial lets of £485,299 (2024: £433,065) less related costs of £307,155 (2024: £234,942).

5. ACCOMMODATION IN MANAGEMENT

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

	2025 No.	2024 No.
General Needs Housing	5,593	5,570
Homeless Lets	74	74
Mid-Market Lets – leased to SBHA Plus	15	8
Factored Properties	156	156
	<u>5,838</u>	<u>5,808</u>

Stock movements during the year: 16 new build properties were brought into use during the year along with 11 properties bought on the open market and ready for first use. 8 existing properties were reconfigured into 4 new properties. An additional 7 properties bought on the open market were brought into use in the year as mid-market lets.

6. INTEREST RECEIVABLE

	2025 £	2024 £
Interest Receivable	681,836	468,274
Pension scheme net interest income	681,000	627,000
	<u>1,362,836</u>	<u>1,095,274</u>

7. INTEREST PAYABLE AND FINANCE COSTS

	2025	2024
	£	£
Loan Interest	1,125,900	1,128,984
Non-utilisation Fees	111,600	111,906
Arrangement Fees	33,996	33,996
	<u>1,271,496</u>	<u>1,274,886</u>

8. OPERATING SURPLUS

Operating surplus is stated after charging:

	Note	2025	2024
		£	£
Amortisation of Intangible Assets	11a	130,886	145,724
Depreciation of Housing Properties	11b	5,293,906	4,928,778
Impairment of Housing Properties	11b	38,216	166,456
Depreciation of Other Tangible Assets	11c	88,139	73,296
Operating Lease Rental	22	280,408	256,538
Cost of Stock recognised as expense		972,251	1,758,007

Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services included in operating expenditure are as follows:

External auditors remuneration:

Audit Service	38,220	36,762
Non-Audit Services for entities related to Auditor	300	300
	<u>38,520</u>	<u>37,062</u>

Internal Auditors Remuneration	<u>13,703</u>	<u>12,705</u>
--------------------------------	---------------	---------------

9. DEFICIT ON SALE/DISPOSAL OF FIXED ASSETS

	2025	2024
	£	£
Disposal Proceeds	-	10,000
Carrying Value/Cost of Disposal	<u>(337,707)</u>	<u>(550,130)</u>
Net loss	<u>(337,707)</u>	<u>(540,130)</u>

Disposal proceeds in 2024 related to the sale of a small parcel of garden ground. The carrying value of the assets includes the cost on disposal of housing property component assets replaced in the year £337,707 (2024: £550,110); and the cost of disposal of assets sold was £nil (2024: £20).

10. EMPLOYEES

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

	2025	2024
	£	£
Wages and Salaries	6,036,823	5,473,385
Social Security Costs	622,173	560,415
Pension costs	341,819	575,103
Agency/Secondment Costs	300,782	269,871
	<u>7,301,597</u>	<u>6,878,774</u>
Average number employed during the year of full-time equivalents (including key personnel) was:	No.	No.
Directorate and Senior Management	12	13
Supervisory and Administrative	86	84
Trades	56	52
	<u>154</u>	<u>149</u>

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

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

	2025	2024
	No.	No.
£ 60,000 - £ 70,000	1	-
£ 70,001 - £ 80,000	1	1
£ 80,001 - £ 90,000	-	2
£ 90,001 - £100,000	2	1
£100,001- £110,000	-	1
£110,001 - £120,000	1	-
£120,001 - £130,000	-	-
£130,001 - £140,000	-	1
£140,001 - £150,000	1	-

During the year, 2 Directors (2024: 2 Directors) participated in the Association's defined benefit pension scheme, of which Employer Contributions were set at 0% in the year. The Chief Executive Officer is an ordinary member of the Association's defined benefit pension scheme. No enhancements or special terms apply to membership, and they had no other pension arrangements to which the Association contributes.

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

	2025	2024
	No.	No.
£ 5,001 - £10,000	1	1
£10,001 - £15,000	1	1

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

10. EMPLOYEES CONTD

	2025 £	2024 £
Aggregate emoluments for the above key management personnel (excluding pension contributions)	591,935	579,259
The emoluments of the Chief Executive (excluding pension contributions)	142,812	132,843
Employer Pension Contributions of the Chief Executive	-	28,296
Total emoluments of the Chief Executive payable	142,812	161,139
Aggregate Pension Contributions in relation to the above key management personnel	25,413	69,647
Aggregate emoluments for the above key board personnel (excluding pension contributions)	17,500	17,135

11(a) INTANGIBLE ASSETS

Cost	£
At 1 April 2024	1,048,213
Additions	52,103
At 31 March 2025	1,100,316
Amortisation	
At 1 April 2024	(928,505)
Charge for Year	(130,886)
At 31 March 2025	(1,059,391)
Net Book Value at 31 March 2025	40,925
Net Book Value at 31 March 2024	119,708

11(b) TANGIBLE FIXED ASSETS: HOUSING PROPERTY

	Housing for Let	Under Construction Housing Properties	Total
Cost	£	£	£
At 1 April 2024	127,652,279	3,654,981	131,307,260
Additions	2,301,263	11,540,786	13,842,049
Works to Existing Properties	5,824,782	-	5,824,782
Transfer to Housing for Let	6,035,405	(6,035,405)	-
Disposals	(1,135,336)	-	(1,135,336)
At 31 March 2025	140,678,393	9,160,362	149,838,755
Depreciation and Impairment			
At 1 April 2024	(47,300,434)	-	(47,300,434)
Charge for Year	(5,293,906)	-	(5,293,906)
Impairment	(38,216)	-	(38,216)
Disposals	797,629	-	797,629
At 31 March 2025	(51,834,927)	-	(51,834,927)
Net Book Value			
At 31 March 2025	88,843,466	9,160,362	98,003,828
At 31 March 2024	80,351,845	3,654,981	84,006,826

EXPENDITURE ON WORKS TO EXISTING PROPERTIES

	2025 £	2024 £
Replacement component spend capitalised	5,824,782	5,835,523
Amounts charged to income and expenditure	3,090,203	1,558,598
Total Major Repairs Spend	8,914,985	7,394,121

The Association's Housing property used as security (2,576 properties) was independently valued as at August 2024 at £95.3m (August 2021: £84.4m) by Jones Lang LaSalle on the Market Value Subject to Tenancy (MVT) valuation method. Jones Lang LaSalle is a financial and professional services firm which specialises in commercial real estate services and investment management, providing surveying and valuation services around the world and is independent from SBHA. The valuation has not been recognised in these Financial Statements. The value reported has been made in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Standards. It should be noted that future growth in both capital and rental values may not occur, and values can fall as well as rise. The valuation of the portfolio secured provides a loan collateral cover of 238% compared with the minimum 125% on MVT.

Included in the Housing Properties is £4,394,978 (2024: £3,179,610) in respect of land which is not depreciated. The impairment charge relates to the open market purchase of a privately owned property in an area that SBHA has earmarked for regeneration.

11(c) TANGIBLE FIXED ASSETS: OTHER

	Office Premises £	Furniture & Fittings £	Office Equipment & Information Systems £	Plant £	Total £
Cost					
At 1 April 2024	2,800,447	59,972	951,931	148,698	3,961,048
Additions	-	2,028	64,044		66,072
At 31 March 2025	2,800,447	62,000	1,015,975	148,698	4,027,120
Depreciation and Impairment					
At 1 April 2024	(1,205,291)	(59,972)	(850,341)	(148,698)	(2,264,302)
Charge for the year	(41,634)	(507)	(45,998)	-	(88,139)
At 31 March 2025	(1,246,925)	(60,479)	(896,339)	(148,698)	(2,352,441)
Net Book Value					
At 31 March 2025	1,553,522	1,521	119,636	-	1,674,679
At 31 March 2024	1,595,156	-	101,590	-	1,696,746

12. SUBSIDIARY UNDERTAKINGS

Name of Undertaking	Class of Shareholding	Nominal value	Proportion of nominal value held directly	Nature of Business
SBHA Plus Limited	Ordinary	£1	100% (2024: 100%)	General commercial company with an emphasis on housing related activities
Scottish Borders Building Services Ltd	Ordinary	-	100% (2024: 100%)	Dormant

The income of SBHA Plus in 2025 was £79,654 (2024: £44,806) with costs of £67,507 (2024: £39,991), and interest receivable was nil (2024: nil) resulting in a surplus for the year before tax of £12,147 (2024: £4,815). The net assets of the company as at 31 March 2025 were £44,282 (2024: £36,950).

13. STOCK

As at March 2025, the value of materials in relation to responsive repairs is £70,431 (2024: £83,810).

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2025 £	2024 £
Gross Arrears of Rent and Service Charges	1,886,833	1,857,436
Less: Provision for Bad & Doubtful Debts	(951,647)	(877,975)
	935,186	979,461
Other Debtors	331,461	17,579
Prepayments and Accrued Income	2,322,704	1,768,240
	<u>3,589,351</u>	<u>2,765,280</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Note	2025 £	2024 £
Accruals and Deferred Income		1,978,121	1,854,349
Rent and Service Charges in Advance		1,634,638	1,453,476
Deferred Capital Grants	17	402,874	209,011
Trade Creditors		1,992,051	1,801,832
Other Creditors		563,789	338,491
Amounts due to Subsidiary Company		3,088	442
Other Taxes and Social Security		26,941	13,907
SHG Repayable		416,824	416,824
Debt	18	-	-
		<u>7,018,326</u>	<u>6,088,332</u>

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

	Note	2025 £	2024 £
Deferred Capital Grant	17	20,428,927	10,564,724
Debt	18	40,000,000	40,000,000
Deferred Finance Cost		(455,348)	(489,344)
		<u>59,973,579</u>	<u>50,075,380</u>

Included in creditors are:

Amounts repayable other than by instalments		<u>40,000,000</u>	<u>40,000,000</u>
---	--	-------------------	-------------------

SBHA's loan agreement with RBS provides a total facility of £58m. £18m of this is a 10-year revolving credit facility available until August 2031; none of this has yet been drawn down. £35m of the loan facility was drawn at refinancing in August 2021 and a second and last tranche drawn down in 2023-24. Both are 25-year term loans on an interest only basis for 10 years followed by 15 years on a straight-line repayment. The loans are secured by way of standard securities on the Association's housing land and buildings. As at 31 March 2025, £40,000,000 (100%) of total loans drawn were at fixed rates for a period of one year or more. The average rate of interest on all borrowings for the year ended 31 March 2025 was 2.81% (2024: 2.82%).

17. DEFERRED CAPITAL GRANT

	Note	2025 £	2024 £
As at 1 April		10,773,735	8,477,246
Grants Received in the Year		10,367,891	2,805,363
Transferred to SHG Repayable		-	(299,863)
Capital Grants Released		(309,825)	(209,011)
As at 31 March		<u>20,831,801</u>	<u>10,773,735</u>
Amounts to be released within one year	15	<u>402,874</u>	<u>209,011</u>
Amounts to be released after more than one year	16	<u>20,428,927</u>	<u>10,564,724</u>

In 2023-24 grants of £299,863 included as deferred capital grants received in previous years and transferred from SBHA's ring-fenced disposals receipts, were moved to SHG Repayable; on final account the Scottish Government deemed this did not meet the grant award criteria.

18. DEBT ANALYSIS - BORROWINGS

	Note	2025 £	2024 £
Creditors: Amounts falling due within one year:			
Bank Loans	15	-	-
		-	-
Creditors: Amounts falling due after more than one year:			
Bank Loans	16	40,000,000	40,000,000
		40,000,000	40,000,000
Total		40,000,000	40,000,000

Borrowings are denominated and repaid in pounds sterling, have contractual interest rates ranging between 2.65% - 3.97%, that are either fixed rates or variable rates linked to SONIA that are not leveraged, and do not contain conditional returns or repayment provisions other than to protect the lender against credit deterioration or changes in relevant legislation or taxation.

Bank borrowings of £40,000,000 (2024: £40,000,000) are secured against the Association's housing properties. Based on the lender's earliest repayment date, borrowings are repayable as follows:

	Note	2025 £	2024 £
Due within one year	15	-	-
Due in one year and more but less than two years	16	-	-
Due between two and five years	16	-	-
Due in more than five years	16	40,000,000	40,000,000
		40,000,000	40,000,000

19. SHARE CAPITAL AND RESERVES

The Association is limited by guarantee and consequently has no share capital. Each of the Association's Members agrees to contribute £1 in event of the Association winding up and these contributions are treated as share capital for the purposes of the financial statements. When a Shareholder ceases to be a Member, that person's share is cancelled, and the amount paid thereon becomes the property of the Association. Each Member has a right to vote at a Members' meeting.

	2025 No.	2024 No.
Shares of £1 issued and fully paid:		
Active Shares at 1 April 2024	129	146
Relinquished during the period	(7)	(26)
Issued during the period	5	9
Active Shares at 31 March 2025	127	129

	2025 £	2024 £
a) Unrestricted Reserve		
At 1 April 2024	60,594,611	54,859,350
Surplus for the Year	6,291,546	6,327,261
Transfer (to)/from Pension Reserve	(268,000)	(592,000)
At 31 March 2025	<u>66,618,157</u>	<u>60,594,611</u>

The total deficit for the year amounts to £6,134,454 (2024: surplus £6,788,261) of which £12,426,000 relates to an actuarial loss on the pension reserve (2024: gain £461,000), as disclosed in Note 19b.

	Note 23	2025 £	2024 £
b) Pension Reserve			
At 1 April 2024		13,844,000	12,791,000
Transfer from/(to) Unrestricted Reserves		268,000	592,000
Actuarial (Loss) / Gain in the Year		<u>(12,426,000)</u>	<u>461,000</u>
At 31 March 2025		<u>1,686,000</u>	<u>13,844,000</u>

The Pension Reserve represents the Association's share of the surplus that exists within the pension scheme of which it is a member, in accordance with FRS 102 calculations, which includes a net asset restriction cap of £14,271,000 (2024: nil), detailed as an actuarial loss.

20. CASH FLOW

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

	2025	2024
	£	£
Surplus for the year	6,291,546	6,327,261
<i>Adjustment for non-cash items:</i>		
Depreciation of Tangible Fixed Assets	5,382,045	5,002,074
Amortisation of Intangible Assets	130,886	145,724
Impairment of Tangible Fixed Assets	38,216	166,456
Defined Benefit Pension Schemes	413,000	425,000
(Decrease) in Provisions	140,224	(34,045)
Loss on Disposal of Tangible Fixed Assets	337,707	540,130
Release of Deferred capital grant	(309,825)	(209,011)
Interest Receivable	(1,362,836)	(1,095,274)
Interest Payable	1,271,496	1,274,886
Operating cash flows before movements in working capital	12,332,459	12,543,201
Decrease in Stock	13,379	2,681
(Increase) in Debtors	90,586	(9,856)
(Decrease)/Increase in Creditors	736,132	(308,403)
Cash Generated from operations	13,172,556	12,227,623
Cash and cash equivalents represent:		
Fixed Term Deposits	15,420,336	15,123,316
Cash at bank and in hand	14,810,638	12,962,765
Total Cash and Cash Equivalents	30,230,974	28,086,081

(ii) ANALYSIS OF CHANGES IN NET DEBT

	2024	Cash Flows	Other Non-Cash Movement	2025
	£	£	£	£
Cash and Cash Equivalents	28,086,081	2,144,893	-	30,230,974
Debt due within one year	-	-	-	-
Debt due after one year	(40,000,000)	-	-	(40,000,000)
Total	(11,913,919)	2,144,893	-	(9,769,026)

21. CAPITAL COMMITMENTS AND OTHER CONTRACTUAL OBLIGATIONS

	2025 £	2024 £
Capital Expenditure contracted for but not provided in the Financial Statements	16,212,172	7,002,219
Expenditure authorised by the board, but not contracted	56,632,444	72,525,237

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

22. OPERATING LEASE COMMITMENTS

SBHA as Lessee

At 31 March 2025, the Association had total future minimum lease commitments and had made payments under non-cancellable operating leases as set out below:

	2025 £	2024 £
Plant & Equipment		
Within 1 year	269,322	256,538
Between 1-5 years	806,164	1,165,810
Over 5 years	-	-
Total commitment at 31 March	1,075,486	1,422,348
Payments in current year	280,408	256,538

SBHA as Lessor

SBHA leases properties to SBHA Plus. As at 31 March 2025, the future minimum lease payments due to SBHA from SBHA Plus under non-cancellable operating leases are set out below:

	2025 £	2024 £
Rental Properties		
Within 1 year	79,817	40,590
Between 1-5 years	253,594	99,815
Over 5 years	252,664	106,809
Total commitment at 31 March	586,075	247,214
Rental receipts in current year	59,223	31,997

23. PENSION COMMITMENT

Based on eligibility, SBHA staff are entitled to be members of one of two different pension schemes:

- Scottish Widows
- Scottish Borders Council Local Government Pension Scheme (LGPS)

Scottish Widows

The scheme is a defined contribution scheme for all qualifying employees in the United Kingdom. The assets of the scheme are held separately from those of the Company in an independently administered fund. The contributions payable by the Association charged to income and expenditure amounted to £341,819 (2024: £183,724).

Scottish Borders Council Local Government Pension Fund

The Association is an admitted body of this statutory multi-employer defined benefit scheme administered by Scottish Borders Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended. The Pension Fund is a defined benefit scheme into which employees' and employers' contributions, and interest and dividends from investments are paid and from which pensions, lump sums and superannuation benefits are paid out.

The total pension cost charge for the year amounted to £nil (2024: £390,066). At 31 March 2025, the Association had no pension contributions outstanding (2024: £nil).

Employees' contributions are fixed by statute for SBHA employees according to the following scale for the year ended 31 March 2025:

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

In the year to 31 March 2025 employer's contributions were 0% (2024: 21.3%) based on the pensionable salary of the previous year. Employer's basic contributions are assessed every three years by an actuary and are fixed to ensure the fund remains solvent and in a position to meet its future liabilities. The actuarial method used is known as the Projected Unit Method.

The Board of Management are aware that the Court of Appeal has upheld the decision in the Virgin Media vs NTL Pension Trustees II Limited case. The decision puts into question the validity of any amendments made in respect of the rules of a contracted-out pension scheme between 6 April 1997 and 5 April 2016. The judgment means that some historic amendments affecting s.9(2B) rights could be void if the necessary actuarial confirmation under s.37 of the Pension Schemes Act 1993 was not obtained.

On the 5 June 2025, the Government announced its intention to introduce legislation to give affected pension schemes the ability to retrospectively obtain written confirmation that historical benefit changes met the necessary standards. However, details of the legislation have not been announced. Subject to the RSL being able to comply with the legislation and the pension scheme obtaining the required written actuarial confirmation(s), the Board of Management do not expect the valuation of the scheme liabilities to change.

In accordance with Financial Reporting Standard 102 Section 28, on retirement benefits, the Fund's actuaries undertook a pension Asset/(Liability) calculation as at 31 March 2025 including an allowance for the McCloud judgement. This calculation was based on rolling forward valuation data as of 31 March 2024 on the basis of a number of financial assumptions that comply with FRS102. The projected unit method of valuation was used to calculate the service cost. The main financial assumptions used included:

Assumptions as at 31 March	2025	2024
CPI increases	2.80%	2.85%
Salary increases	3.30%	3.35%
Discount rate	5.50%	5.00%

The expected return on assets is based on the long-term future expected investment for each asset class as at 31 March 2025.

Assumed life expectancies from age 65 are:	2025	2024
Retiring today:	Years	Years
Males	19.4	19.4
Females	22.9	22.9
Retiring in 20 years:		
Males	20.7	20.8
Females	25.2	25.3

Assets (Employer) as at 31 March	2025	2024
Equities	33%	32%
Bonds	37%	34%
Property	28%	27%
Cash	2%	7%
Total	100%	100%

Net Pension Asset/ (Liability) as at 31 March	2025 £'000	2024 £'000	2023 £'000	2022 £'000	2021 £'000
Fair value of scheme assets	43,750	43,668	40,374	43,002	40,596
Present value of funded obligation	(27,793)	(29,824)	(27,583)	(42,560)	(43,843)
Restriction on asset valuation	(14,271)		-	(442)	-
Net pension asset/(liability)	1,686	13,844	12,791	-	(3,247)

Amount recognised in Income & Expenditure Account as at 31 March	2025 £'000	2024 £'000
Service cost	413	425
Net interest on the defined liability	(681)	(627)
Administration expenses	-	-
Total	(268)	(202)

Reconciliation of opening and closing balances of the present value of the defined benefit obligation as at 31 March	2025 £'000	2024 £'000
Opening defined benefit obligation	29,824	27,583
Service cost	413	425
Interest cost	1,475	1,337
Change in financial assumptions	(2,554)	(1,051)
Change in demographic assumptions	(51)	(450)
Experience loss/(gain) on defined benefit obligation	(274)	3,141
Estimated benefits paid (net of transfers in)	(1,155)	(1,276)
Contributions by scheme participants	115	115
Closing defined benefit obligation	<u>27,793</u>	<u>29,824</u>
Reconciliation of opening and closing balances of the fair value of Scheme assets as at 31 March	2025 £'000	2024 £'000
Opening fair value of scheme assets	43,668	40,374
Interest on assets	2,156	1,964
Return on assets less interest	(1,034)	1,652
Other actuarial gains/(losses)	-	449
Administration expenses	-	-
Contributions by employer (including unfunded)	-	390
Contributions by scheme participants	115	115
Estimated benefits paid (net of transfers in and including unfunded)	<u>(1,155)</u>	<u>(1,276)</u>
Fair value of scheme assets at end of period	<u>43,750</u>	<u>43,668</u>
Net Actuarial movement in the year	2025 £'000	2024 £'000
Defined Obligation – Change in financial assumptions	2,554	1,051
Defined Obligation – Change in Demographic assumptions	51	450
Experience gain on DB obligation	274	(2,692)
Scheme Assets – return on assets less interest	(1,034)	1,652
Net asset restriction	<u>(14,271)</u>	-
Net Actuarial (Loss) / Gain	<u>(12,426)</u>	<u>461</u>
Projected pension expense for year to 31 March 2026		2026 £'000
Service cost		354
Net interest on the defined liability		<u>(868)</u>
Total		<u>(514)</u>
Employer contributions		<u>-</u>

Note that these figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2025. These projections are based on the assumptions as at 31 March 2025, as described earlier.

24. RELATED PARTIES

Current Board Member Philippa Brosnan is Head of Secretariat of the Scottish Government's Fuel Poverty Advisory Panel. Any transactions with the Scottish Government are at arm's length, on normal commercial terms and the Board member cannot use their position to an advantage. Current Board Members Tracey Glover and Michael Grieve, and Anthony Burnette who resigned from the board during the year, are Tenants of the Association. The sister of current Board Member Tracey Glover is also a Tenant of the Association. During the year £20,956 (2024: £19,432) of rent was receivable from these members. At the year-end there was £101 (2024: £370) of non-technical rent arrears and £379 (2024: £171) credit due to these tenants. Amounts outstanding are unsecured, non-interest bearing and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the year (2024: £Nil) in respect of bad debts from related parties. The tenancies are subject to normal commercial terms and conditions and do not allow the Board Members concerned to use their position to any advantage.

As detailed in note 10, SBHA's Chair and the Convenor of the Audit and Compliance Sub-Committee received emoluments in the year. Expenses reimbursed to Board Members during the year totalled £1,086 (2024: £1,763).

SBHA Plus Ltd, a company incorporated in Scotland in July 2009, is a related party by virtue of being a wholly owned subsidiary of SBHA. SBHA Plus Ltd is controlled by a Board of Directors appointed by the Board of Management of SBHA. Six members of the Board of SBHA served as Directors of SBHA Plus during the year: Robin Hill, Michael Levack, Michael Grieve, Kenny Simpson (resigned from SBHA Plus 20 August 2024), Ian McDonald (appointed to SBHA Plus 21 August 2024, resigned 12 September 2024) and Robin Dodyk (appointed to SBHA Plus 12 September 2024). Carly Stewart, the Director of Finance of SBHA and current Secretary of SBHA, is also the secretary of SBHA Plus Ltd.

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

During the year ended 31 March 2025 SBHA recharged SBHA Plus Ltd the sum of £64,954 (2023-24: £37,401) representing costs incurred in connection with Mid-Market rental and Post Office activities. The amount due to SBHA Plus from SBHA at 31 March 2025 was £3,088 (2023-24: £442). During the year ended 31 March 2025, SBHA Plus Ltd made a donation to SBHA under gift aid of £4,815, being the profits of SBHA Plus Ltd for the year ended 31 March 2024, paid out in 2025 (prior year donation: £2,447).

Scottish Borders Building Services Limited (SBBS Ltd), a company incorporated in Scotland, is a related party by virtue of being a wholly owned subsidiary of SBHA. SBBS Ltd is controlled by its own Board of Directors which is appointed by the Board of Management of SBHA. SBBS Ltd was dormant during the year to 31 March 2025.

Carly Stewart, the Director of Finance of SBHA and current Secretary of SBHA, is Secretary of SBBS Ltd. Robin Hill, the Chair of the Board of Management of SBHA is also a Director of SBBS Ltd but holds no shares in the company.

There was no trading between SBHA and SBBS Ltd during the years ended 31 March 2025 or 2024.

SBHA promotes and supports the active participation of its Tenants and their local communities in the Association's activities, and in influencing decision-making. This is achieved by means of a grant to the Scottish Borders Tenants Organisation (SBTO) which in 2024-25 amounted to £89,255 (2023-24: £71,663), as well as SBHA's direct employment of a Tenant & Community Engagement Facilitator and a dedicated budget for SBHA-led Tenant Participation projects. In 2024-25, the Association's total expenditure on Tenant Participation was £99,267 (2024: £85,929).

