



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



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Board of Management, Executive Officers and Advisers

Board of Management

Chair - Ian McDonald Appointed 11.09.25

Vice-Chair – Robin Dodyk Appointed 11.09.25

Elected Board Members (Tenants)

Tracey Glover

Michael Grieve

Melissa Fogwill Appointed to a casual vacancy 29.05.25; stood down & Elected 11.09.25

Non-Tenant Elected Members

Ray Licence Resigned 07.10.25

Robin Dodyk

Matt Foreman

Rob Brittain Appointed to a casual vacancy 04.12.25

Appointed Board Members

Robin Hill Stood Down 11.09.25

Ian McDonald

Michael Levack Convenor of Customer Board

David Bell

Philippa Brosnan Convenor of Audit & Compliance Sub-Committee; Stood down and Appointed 11.09.25

Secretary to the Association

Carly Stewart

Executive Team

Julia Mulloy Chief Executive (until 31.05.26)

Maria Lyle Chief Operating Officer (until 31.05.26)

Chief Executive (from 01.06.26)

Carly Stewart Director of Finance

Susan McDonald Director of Customer Services

Caroline Purcell Director of Property Services

Emma Garry Director of Development (until 29.08.25)

David Chalmers Director of Development (from 07.01.26)

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
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Solicitors

Harper Macleod
The Ca'd'oro
45 Gordon Street
Glasgow
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Bankers

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

Registered Office:

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Selkirk
TD7 5DT

Funders

Royal Bank of Scotland plc
4th Floor
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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 2026. This aims to provide the reader of these Financial Statements a clear understanding of the business of SBHA, its strategic direction and its performance during the year.

Firstly, the Board of Management extends its sincere thanks to Julia Mulloy for her outstanding contribution to SBHA and the wider social housing sector over a career of over 30 years. Julia retired as Chief Executive at the end of May 2026 after more than 16 years of dedicated service with the Association. During that time, she provided exceptional leadership and played a pivotal role in strengthening the organisation, enhancing services for tenants and communities, and positioning SBHA for future success. The Board wishes her a happy and fulfilling retirement.

Following Julia's retirement, Maria Lyle was appointed Chief Executive. Maria brings a strong track record of strategic leadership within the social housing sector, together with extensive experience in organisational transformation, culture development and service improvement. The Board is confident that her leadership will build on SBHA's strong foundations and support the continued delivery of positive outcomes for tenants and communities across the Scottish Borders.

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 2026, 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 commenced trading in March 2003. The Association is a charitable organisation and manages some 5,754 rented and 154 factored homes as well as 1,218 non-housing units.

The housing stock contains a range of construction types, aged between 500+ years old in the historical areas of Jedburgh, to newly completed properties delivered through the development programme. There are no high-rise properties, and the majority of properties are flats. SBHA has made significant investment since 2003 to improve the quality of its homes, including meeting Scottish Housing Quality Standard (SHQS) and the Energy Efficiency Standard for Social Housing (ESSH).

Key services are delivered locally by Neighbourhood teams, supported by agile working, a clear service offer and a suite of Customer Service and Neighbourhood Standards. The first point of contact for services is through the Solutions Team and the established Customer Relationship Management (CRM) model. SBHA aims to build impact through strong community partnerships by listening to tenants, learning from experience and strengthening the financial foundations needed to support future delivery.

3.0 GOVERNANCE

SBHA is governed through the Board of Management, consisting of up to 12 members. The governance structure is designed to support effective strategic oversight and assurance. This is delivered through a quarterly meeting cycle, plus 2 additional meetings for Strategic Planning and Business Plan & Budget Setting. There are 2 main Sub-Committees: the Audit & Compliance Sub Committee which provides detailed assurance on compliance and risk; and the Customer Board, which reviews 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 tenants and customers at the heart of decision making and service delivery. This is supported through partnership working with Scottish Borders Tenants Organisation (SBTO), the “umbrella” representative group for SBHA’s Tenants, based in the Head Office in Selkirk. Funded and supported primarily by 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. SBTO works in partnership with SBHA to represent tenants’ views and to support delivery of the commitments in Voices Together, SBHA’s Tenant and Community Engagement Strategy. SBTO contributed to the development of the 2025-30 Strategic and Business Plan and is supporting the revised Voice Together Strategy for 2026-27.

4.0 SBHA 2025-30 STRATEGIC & BUSINESS PLAN

SBHA’s 2025-30 Strategic and Business Plan sets out how SBHA’s mission, vision and values will be delivered over the 5-year period. It was developed through a range of consultative activities, including workshops with senior leaders, the Board of Management, SBTO, stakeholders and the wider SBHA team. The Plan recognises that effective strategic partnerships will continue be a key driver of SBHA’s future success, supporting delivery of its strategic priorities and its focus on Creating Growth and Building Impact. The Board of Management approved the Strategic & Business Plan 2025–30 in May 2025 and the revised 30-year financial Business Plan in February 2026.

The Strategic Plan is the lead document within SBHA’s strategic framework, supported by ten aligned strategies. It provides a clear structure for decision-making and delivery. In developing the Plan, SBHA aligned its ambitions with local, regional and national priorities, including the declared national Housing Emergency and the wider economic, political and social context.

SBHA’s objectives are delivered through twelve strategic themes: strengthening the service offer 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. Early actions under the Delivery Plan are in progress and are monitored through regular Board reporting.

Supporting strategies will continue to be reviewed and re-aligned through established review cycles, including the Asset Management and Voices Together strategies, both of which are currently in development.

5.0 SBHA'S OBJECTIVES

SBHA's five Strategic Objectives reflect members' vision for the future and provide the foundation for delivery of the 2025–30 Strategic and Business Plan:

- 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 which define who we are and how we operate.



GREAT CUSTOMER EXPERIENCE

Delivering excellent customer service remains a key strategic priority for SBHA. During 2025-26, SBHA achieved Customer Service Excellence reaccreditation and, alongside retaining Compliance Plus for the use of customer insight and prioritising customer focus, all areas previously highlighted for continuous improvement were assessed as fully compliant. This external accreditation provides assurance of sustained progress and a structured approach to continuous improvement to enhance customer outcomes.

PERFORMANCE	ACTUAL 25-26	ACTUAL 24-25	TARGET
Overall Tenant Satisfaction	78%	78%	82%
Tenants who feel landlord is good at keeping them informed	83%	82%	85%
Satisfaction with opportunities to participate in decision making	89%	93%	92%

Overall tenant satisfaction remained stable at 78.4% (the highest level since pre-pandemic) and the Net Promoter Score increased to its highest level of +29 (2025: +26), indicating strong tenant advocacy and confidence. Tenant feedback confirms that the repairs service remains the key driver, with 16.3% of respondents advising improvements to the repair service would improve their overall satisfaction. Targeted improvement activity during the year supported stronger performance and higher satisfaction with this service, providing assurance that actions taken are having a positive impact. Focus will remain on continuing to enhance the customer experience through service improvements and engagement, building on this positive shift.

Listening to and acting on tenant feedback, engagement activity continued throughout the year, including tenant events focussed on the Planned Maintenance Programme and Warm & Well initiatives, supporting awareness of services and investment in homes. These, alongside the launch of SBHA's new website, contributed to the ongoing improvements in communication and satisfaction with being kept informed.

Satisfaction with opportunities to participate in decision-making reduced to 89%, although remained above peer group average. The shift is an increase in neutral responses rather than increased dissatisfaction which remained low at 2%. This reflects that the vast majority of Tenants (80%) advised they are not interested in getting involved. The new Voices Together Strategy, to be launched in the coming year, will support the next phase of engagement and communication improvements.

PERFORMANCE	ACTUAL 25-26	ACTUAL 24-25	TARGET
Lettable Stock Void Loss %	0.75%	0.94%	<0.80%
Average days to let empty homes	32	44	<36
% Lets to Homeless	47%	53%	>50%

Empty Homes management performance improved during the year, with rent loss and average re-let times reducing, both improved from the prior year and within target. Satisfaction with the quality of the home when moving-in remained high at 91% and low demand homes reduced. A continued focus on empty homes performance is planned for 2026-27 to sustain this position and progress options for identified unlettable homes.

SBHA allocated 47% of homes that became available in the year to homeless households (2025: 53%). While this was below the target of 50%, it remained a significant contribution to meeting local housing need and continued to exceed the national average. The reduction was mainly due to an increase in the number of refusals on the first offer. Alongside direct lets to homeless households, SBHA contributed towards tackling the housing emergency through wider activity such as homelessness prevention lets, temporary accommodation provision and tenancy support, with tenancy sustainment increasing to 92.9%.

PERFORMANCE	ACTUAL 25-26	ACTUAL 24-25	TARGET
Rent Collection %	99.03%	99.52%	99.10%
Gross Arrears as a % of Rent Due	5.71%	5.92%	<6%

Rent collection reduced marginally in the year, but positively gross arrears slightly reduced and tenancy sustainment increased to the highest level achieved, despite ongoing cost of living pressures. Performance continues to be supported through early intervention, welfare benefits advice and financial inclusion services to maximise income and sustain tenancies.

SBHA's Financial Inclusion Service supported 673 tenants (2025: 688) and generated £541k (2025: £499k) in additional income for households by providing advice and support to tenants to access welfare benefits they are entitled to. Alongside this, SBHA's dedicated Tenancy Support Service continued to provide practical assistance to tenants whose personal circumstances were affecting their ability to maintain their home successfully. This included tailored support with health and wellbeing issues, household management and support to engage with other agencies and resolve issues that may place their tenancy at risk. Through early intervention and tailoring support to individual needs, the service helped tenants remain safe and settled, contributing to increased tenancy sustainment and a reduction in the number of abandoned homes, down to 33 in the year (2025: 51).

During the year, SBHA enhanced its digital service offer to tenants, broadening access to financial help and support through a new online self-service support platform provided in partnership with Lightning Reach. This is a pilot project which will be evaluated in 2026-27 to inform longer-term provision.

GREAT PLACES

The external policy environment continues to evolve. Scotland's statutory commitment to achieve net zero emissions by 2045 is driving significant change in the housing sector and the Scottish Government has consulted on proposals for a new Social Housing Net Zero Standard (SHNZS). While final requirements have not yet confirmed, the proposed direction of travel includes improving building fabric, transitioning to clean heating and enhancing indoor air quality. SBHA is monitoring these developments and assessing the implications for its asset base to respond effectively once national standards are confirmed and published.

In response, SBHA is taking a collaborative and data-led approach with partners across the South of Scotland to test emerging solutions, such as participation in the Powerhub Demonstrator pilot during the year. This approach is helping to understand practical delivery considerations and explore how future investment could be planned at scale. In parallel, joint work with regional partners to map housing archetypes and align stock data with emerging standards is progressing and supports evidence-based investment planning. This work seeks to ensure that future programmes are targeted, deliver value for money and align with wider place-based strategies, such as the Local Heat and Energy Efficiency Strategy (LHEES).

Alongside longer-term investment planning, SBHA continued to focus on improving the quality, resilience and management of existing homes. Digital connectivity programmes were extended, enhancing tenant access to services and support inclusion. The expanded use of damp-sensor technology in higher-risk properties reflects a more proactive approach to asset management through real-time data and earlier identification of potential risks. Tenant engagement through digital tools is helping to encourage early reporting, support behaviour change and self-management, with evaluation underway to assess impact and scalability.

SBHA's Asset Management Strategy will be revised in the coming year to ensure it remains aligned with regulatory requirements, emerging sector standards and SBHA's long-term sustainability objectives. The revised Strategy will set out a clear roadmap to maintaining and investing in SBHA homes, with a particular focus on future-proofing the stock, supporting the transition to net zero carbon and responding to emerging national frameworks.

PERFORMANCE	ACTUAL 25-26	ACTUAL 24-25	TARGET
EESSH Compliance	95.4%	95.98%	97%
SHQS Compliance	90.5%	90.84%	92%

SBHA continued to invest in homes and deliver its Planned Maintenance Programme, investing £12.2m over the year (2025: £8.9m) in major repairs and upgrades to improve the quality, safety and energy efficiency of homes and neighbourhoods. Delivery included 241 heating system installations, 266 windows and 470 door replacements, 165 bathrooms and 268 kitchens upgraded. Budget slippage was £2.6m (2025: £1.9m) predominantly related to the complexity and challenges in delivery of a mixed-tenure roof and window replacement project in Kelso and delays in a gas heating replacement contract linked to contractor performance.

PERFORMANCE	ACTUAL 25-26	ACTUAL 24-25	TARGET
Number of Time in the Reporting Year did not meet requirements to:			
Complete a Gas Safety Check < 12 Months	1	0	0
Complete an EICR < 5 Years of the Last EICR	27	n/a	0

Ensuring the safety of tenants and colleagues remains a core strategic priority. Overall compliance performance has remained strong. A single instance of non-compliance in gas servicing was identified and rectified promptly with controls implemented to prevent recurrence and strengthen overall assurance of a compliance plus approach. Electrical compliance performance reflects a small number of properties (predominantly ones held for regeneration and disposal and therefore outside normal investment cycles) without a valid Electrical Installation Condition Report (EICR) within the five year period. This position is understood, controlled and managed as part of the asset strategy.

During the year, SBHA achieved a Royal Society for the Prevention of Accidents (RoSPA) Bronze Award, providing external assurance of SBHA's approach to occupational health and safety and supporting its commitment to best practice. Aligned to regulatory expectations and tenant priorities, there has been continued focus on maintaining homes in a safe and decent condition, with sustained investment in compliance, maintenance and improvement programmes.

Supporting the strategic objective to improve neighbourhood quality and customer experience, the 6 year environmental and neighbourhood investment programme continued to deliver targeted improvements. Key activities included: continued rollout of LED stair lighting in 103 blocks, improving visibility, safety and energy efficiency; internal redecoration to 26 communal stairwells, improving the condition and appearance of shared spaces; installation of 20 new secure entry systems, strengthening building security; and progression of the cyclical gutter cleaning programme, supporting preventative maintenance and asset longevity. These interventions demonstrate a balanced approach between compliance-driven works, preventative maintenance and place-based investment, contributing to long-term asset performance and high levels of tenants feeling safe (91%).

PERFORMANCE	ACTUAL 25-26	ACTUAL 24-25	TARGET
Average Time to Complete Emergency Repairs (hrs)	1.97 hrs	1.85 hrs	2.0 hrs
Average days for non- emergencies	10.4 days	10.5 days	10.5 days
Right First Time (Repairs)	98%	84.2%	95%
% Tenants Satisfied with Repairs Carried out in the Last 12 Months	84%	81%	81%

Repairs service performance improved over the year, providing assurance on the delivery of core responsive repairs and customer access. The volume of reactive repairs completed reduced by 5.6% compared to last year. While the time taken to complete emergency repairs increased slightly, performance remained within the 2hr target promised to Tenants. The average time taken to complete non-emergency repairs improved marginally, comparing favourably with SBHA's peer group, and right first time is high at 98% (the significant increase compared with the previous year is primarily due to a change in the prescribed way that this indicator is now calculated). Tenant satisfaction with repairs increased by 3.1% and dissatisfaction has fallen by 6% to its lowest level, indicating a positive shift in customer experience and closer to peer performance.

SBHA further strengthened its approach to damp and mould through revised policies, the establishment of a dedicated team, enhanced case management and the expanded use of environmental sensors. These measures support earlier intervention, improved oversight and readiness for new statutory duties and regulatory requirements. As this is an evolving area of focus, performance data will continue to be developed over time to strengthen insight, support benchmarking and inform future service improvement.

ONE TEAM

Over the past year, SBHA's people have underpinned the ability to deliver strong operational performance, maintain service delivery and progress key strategic priorities aligned to the 2025-30 Strategic and Business Plan. This has contributed to organisational resilience while maintaining a clear focus on customer outcomes and continuous improvement.

Work is progressing to strengthen organisational capacity and capability through the development of the revised People Strategy and supporting workforce planning activity. This includes completion of a digital skills assessment and initial development of a role-based competency framework, alongside continued progress on succession planning and leadership transition, including recruitment to senior roles. The Strategy is anticipated to be in place mid-way through the next financial year to ensure alignment with wider organisational priorities, but delivery remains active, supported by the ongoing embedding of the growth mindset programme and development activity across teams.

Investment in learning and development has supported workforce capability and compliance with mandatory requirements. Teams have engaged positively with health and safety, compliance, organisational development and role-specific training, helping to reduce organisational risk and strengthen assurance.

Commitment to Equality, Diversity and Inclusion continued, supported by learning and awareness activity to promote SBHA's values, safe working practices and inclusive service delivery. This included building confidence in identifying and responding to vulnerabilities and risks, including hoarding and domestic abuse, while ensuring that policies and training remain current and understood.

SBHA's positive and productive relationship with local Developing the Young Workforce partners remained strong, with continued participation in Employer Advisory activity and a pledge of support, school engagement events and the provision of work experience opportunities. Apprenticeships and early careers pathways were supported within SBHA during the year and, through supply chain commitments, 12 additional learning and employment opportunities were created within the wider local economy.

SBHA continues to apply Fair Work First principles in practice, including fair pay, secure work and effective employee voice. Established forums, including the Employee Strategy Group and Healthy Living Group, alongside positive constructive relations with recognised trade unions, supported workforce engagement and contributed to a collaborative organisational culture.

PERFORMANCE	ACTUAL 25-26	ACTUAL 24-25	TARGET
Employee Attendance	93.71%	94.51%	94.5%

Employee attendance remained below target and whilst performance continued to be challenging, consistent application of attendance policy and procedures, supported by Occupational Health, Working Health Services and access to wellbeing advice through the Employee Assistance Programme were reinforced.

Employee turnover reduced to 9.04% (2025: 11.7%), the lowest level achieved post-pandemic, reflecting improved retention and attraction with successful recruitment to most vacancies, including hard-to-fill posts. Recruitment approaches continue to be refined to support attraction, selection and onboarding in a competitive labour market.

RESILIENT BUSINESS

SBHA's IT and Digital Strategy continued focus on strengthening organisational resilience, modernising core infrastructure and enhancing digital capability to support service delivery. During the year, significant progress was made in improving device management and endpoint security, strengthening control, compliance and overall cyber resilience. The modernisation of Head Office infrastructure was also completed through upgrades to network security, equipment and connectivity. These improvements have enhanced system performance and reliability, with minimal disruption to operations.

SBHA maintained its strong cyber security position and successfully retained Cyber Essentials Plus certification in the year, demonstrating a continued commitment to strengthening its security framework and responding proactively to an evolving threat landscape.

In parallel, the Strategic Assets programme has been initiated to support SBHA's asset management objectives, introducing key system modules to enhance data quality, support compliance, and enable more effective management of housing assets. Work also progressed on data integration, business intelligence and the development of AI principles to inform the wider IT and Business Solutions policy and Strategy.

SBHA continued implementation of its revised rent policy, being rolled out over a 5-year transition plan, in order to protect those most adversely impacted at a time of volatile inflation. The rent setting framework aims to ensure that rent is fair, transparent, affordable for tenants and easy to administer whilst balancing the need to protect long term financial capacity and support future investment requirements. The annual rent increase for 2026-27 was consulted with tenants, before applying any shifts to target rents, along with benchmarking and the SFHA rent affordability tool being considered.

Supporting the local economy and engaging tenants remained a key priority in procurement activities throughout the year. SBHA's approach ensured that contracts delivered tangible benefits to the Scottish Borders economy and communities, while maintaining high standards of quality and sustainability. The construction of new homes generated significant local economic impact, with a high level of subcontracting to Scottish Borders organisations, along with the use of the SBC reactive maintenance framework for local sub-contracting in day-to-day repairs not carried out in-house. SBHA's procurement strategy also supports local job creation, skills development and investment in the future through apprenticeships, traineeships, and work experience opportunities.

SMART INVESTMENT CHOICES

The Warm and Well service continued to provide energy advice to alleviate fuel poverty with 358 SBHA tenants 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 112 tenants benefited from household items including heated throws, heated airers and LED light bulbs.

The service is core funded through SBHA's 30-year Business Plan, with a three-year commitment from Berwickshire Housing Association and Waverley Housing to share services. This has enabled the service to expand through the appointment of a part-time, fixed-term post until March 2028.

In the year, 82 SBHA Tenants 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.

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 independent living and tenancy sustainment.

SBHA also made progress on place-based regeneration, including delivery of the Croft Street programme in Galashiels supported by Community Regeneration Partnership funding of £3m. Works completed during the year addressed the most urgent asset risks and the next phase will focus on security, communal fabric and environmental improvements. This reflects a targeted approach to mixed-tenure investment where customer impact and asset risk are greatest.

Development and delivery of new homes is core to SBHA's business and over the year, SBHA delivered the majority of the new affordable housing provided by Registered Social Landlords in the region, with 75 homes including 4 for mid-market rent being completed for first let. These were delivered primarily through the development and regeneration of SBHA-owned land and assets, alongside turn-key acquisitions. The programme continues to evolve and now includes homes delivered through Section 75 planning obligations, with the first completions via this route anticipated in the next financial year.

The Association continues to expand its development programme while remaining firmly guided by local housing need, the requirements of the communities it serves and a clear commitment to prudent financial management. Delivery decisions are informed by the needs of end users and underpinned by an approach that carefully balances ambition with affordability, risk management and long-term sustainability.

Looking ahead, 24 homes in the final phase at Howdenburn, Jedburgh, are scheduled for completion in the first quarter of the new financial year, marking the successful delivery of SBHA's largest development to date at 70 homes. Construction is underway on a further 85 homes across sites in Lauder, Selkirk and Melrose, with an additional 12 homes due to commence on site in Peebles in summer 2026. Beyond this, several sites are being actively progressed towards planning submission, with design work advancing in two projects for more than 80 additional homes.

SBHA remains on track to deliver over 300 new homes by 2028 and is also investing in sustainable land acquisitions to ensure long-term housing delivery. During the year, two additional sites were secured in Galashiels, with the potential to deliver up to 87 new homes, and further opportunities continue to be explored to ensure a strong pipeline of projects and fluid programme. These acquisitions have been supported through a combination of Scottish Government Affordable Housing Supply programme funding and Scottish Borders Council funding, and the continued partnership working with both organisations is essential to the future growth of the programme. By planning proactively for future delivery, through Business Plan modelling and Treasury Management Strategies, SBHA is strengthening its ability to meet housing demand while continuing to enhance communities across the Scottish Borders.

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 Overnight Index Average'); the total drawn as at 31st March 2026 is £40m (2025: £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 2026, SBHA complied fully with all its loan covenants.

2.0 STATEMENT OF COMPREHENSIVE INCOME (SOCI) 2025-26

Affordable Letting Activities (Note 3)

Total Turnover increased by 7.3% (2025: 5.3%). Rental income and related service charges make up 96.7% of the turnover from Affordable Letting Activities (and 93.4% of total turnover). Gross weekly rents including service charges increased by 5.8% overall due to an average rent increase of 5.0% (2025: 6.0%) plus an increase in stock numbers, and a small decrease (0.5%) in rent loss due to unlettable empty homes. Rent lost due to lettable empty homes and garages as a percentage of gross rental income decreased from 1.5% to 1.36%. Net rental income including service charges increased by 6.0%.

Grant released from deferred income increased by 84.3% reflecting the increase in new properties that have become available for let during the year, for which capitalised grant income is now being released.

Revenue grant income is made up of grant received for public realm works in Galashiels £282k (2025: £nil), grant income for adaptations that are not capitalised (£101k; 2025: £33k), and release of grants received in previous years to cover spend on tenant well-being projects. Total adaptation grant funding received in 2026 was £445k (2025: £191k) and of this, £343k has been deferred to match the capitalisation of the corresponding expenditure (2025: £158k).

Operating Costs were 4.8% higher than the previous year. Management & Maintenance costs increased by 4.8%; Reactive Maintenance costs increased by 11.4% due to cost inflation and higher sub-contracting costs for responsive and empty home repairs, in line with anticipated budget; Planned & Cyclical Maintenance costs expensed decreased by 4.3%, but overall spend adding back capitalised components increased by £3.4m; Bad debt expense was £135k lower due in part to changes to SBHA's Bad Debt provisioning policy which now requires less provision at lower level debt; Property depreciation increased by 12.2% (2025: 7.3%) reflecting the increasing asset base (Note 11B); and an impairment charge of £24k related to the remaining 1 property becoming empty at a scheme to be regenerated.

Employee costs overall increased by 10.9% (Note 10). Within this, wages and salaries increased by 9.4%, reflecting increments an annual uplift and an increase in average staff numbers (5.2%); Employer National Insurance Contribution increased by 38%; and Pension costs increased by 4%, with all costs relating to the Defined Contribution pension scheme, as the 0% contribution rate to the LGPS continued for a 2nd year.

Other Activities (Note 4)

Total turnover from Other Activities increased by £63k compared with 24/25. £88k (2025: £nil) of grant income relating to expensed development costs has been recognised in the year. £198k (2025: £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 £66k (2025: £191k) of income relates to costs recharged to owners for their share of major repair costs on different mixed tenure blocks. This is the second year that SBHA has undertaken major repairs on mixed tenure blocks, requiring contribution by owners of their share of the costs.

Other operating costs increased by 18%, reflecting an increase in Development Revenue costs (partly offset by grant income) as well as costs from commercial lets (with a corresponding increase in income), 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 £138k greater loss in 2026 is due to a higher level of replacement of existing components through the planned maintenance programme.

Interest Receivable and Payable

During the year, surplus cash funds were invested in fixed term deposit accounts to maximise their yield. This resulted in bank interest receivable in the year of £521k (2025: £682k), the reduction reflecting lower average interest rates available. Net interest income from the pension scheme was £84k (2025: £681k). Interest payable and financing costs were similar to prior years (due to fixed interest rates on loans and no change in borrowings).

An actuarial loss of £30k arose in the year in respect of SBHA's membership of the LGPS (2025: actuarial loss of £12,426k). This loss was primarily due to an increase of £2,523k in the net asset restriction cap (made up of £1,739k reflected as an actuarial loss and £784k of pension interest not recognised in the Statement of Comprehensive Income). Without the actuarial loss relating to the asset restriction, there would have been an actuarial gain in the year of £1,709k (2025: £1,845k). Actuarial gains and losses are non-cash and are for accounting treatment only.

3.0 STATEMENT OF FINANCIAL POSITION (SOFP) AS AT 31 MARCH 2026

At 31 March 2026, 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 2026, the Association owned 5,754 properties (2025: 5,682); 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 £17.3m during the year. There was £23.8m of capital investment in properties in the year (2025: £19.7m), with £13.8m of development assets becoming available for let during the year (2025: £6.0m).

Cash and cash equivalents (including Fixed Term Deposits) is £29.5m (2025: £30.2m), 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 £23.9m at 31 March 2026 (2025: £26.9m). The liquidity ratio at March 2026 was 3.55 (March 2025: 4.83).

The £7.8m increase in Creditors falling due after more than one year is due to the increase in the Deferred Capital Grant. (2025: £9.9m increase).

The net pension position of the LGPS decreased by £316k to a £1,370k net asset in 2026 and includes an actuarial loss of £30k (2025: £12,426k loss). 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 2023 and, following this valuation, SBHA's employer's contributions have been set at 0% of pensionable pay with effect from 1 April 2024. The Association recognises a Net Pension asset of £1,370,000 (2025: £1,686,000) at 31 March 2026.

A defined contribution pension scheme from Scottish Widows has been available since June 2013 to employees who are not members of the SBCPF and is the scheme into which employees were auto-enrolled since 1 April 2014. It is a joint contributory scheme with total combined 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. The Board approved a revised plan in 2026 based on updated forecasts taking into account potential risks to rental income, empty homes 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 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 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 2024/25 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 and Development 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 established a comprehensive suite of Key Performance Indicators (KPIs) aligned to strategic objectives and regulatory requirements. Performance against these KPIs is routinely monitored and reported to Sub-Committees and Board of Management throughout the year, providing structured oversight, supporting effective decision-making with a focus on continuous improvement.

The KPIs presented include comparison of target with actual performance across operational and financial matters such as loan covenants, rent arrears and empty homes, and staff attendance levels. This supports effective scrutiny and assurance over organisational performance. 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 2026. 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 carried out its Self-Assessment review against the Scottish Housing Regulatory Standards and published its Annual Assurance Statement in accordance with regulatory requirements. The Board remains fully committed to a structured programme of continuous compliance review, with at least two regulatory standards subject to detailed reassessment per annum on a rolling basis. This approach supports continuous improvement and ensures that compliance remains actively monitored and evidenced.

To provide independent assurance, Internal Audit completed a review during the year of Standards 5, 6 and 7 with substantial assurance provided. The outcomes of this work, alongside the Board's own assurance processes, confirms that effective governance, financial management and risk control arrangements are in place.

2.0 RISK MANAGEMENT

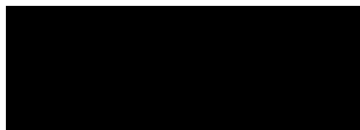
There are currently 9 Strategic Risks, with 31 operational risks/ causes being recognised, monitored and controlled in the current year and re-scored. The principal risks are deemed to pose the most acute threat to the Association in the short term and the actions required to mitigate the effect of such risks. The Top 5 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 • Unable to secure affordable funding (grant / loans) to meet Net Zero requirements and future growth commitments for 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 in particular with regard to imminent introduction of Awaab's law, fire, electrical, asbestos, water management, gas safety and lifts • Failure to have robust IT security Controls resulting in breach / cyber-attack	• 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>	• Inconsistent & Ineffective performance management of our teams and individuals (approach & communication) • Fail to engage colleagues with our growth mindset culture	• Performance mgmt framework; Development reviews and objective setting; Leadership programmes • Customer back sessions to share growth mindset culture; AI coaching/mentoring
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
GROWTH <i>Inability to anticipate and/or maximise opportunities to Develop and Grow</i>	• Ineffective asset management results in poor performing assets /Insufficient data/insight and inability to analyse results in poor decision-making • Failure to create effective partnerships & community support to work with partners to meet housing needs (including building new homes) and maintain / increase affordable supply	• Asset Mgmt Strategy; Stock Condition Surveys; Life Cycle planning; Scenario planning; Performance monitoring • Planning & Strategic Housing team relationship; SG; Health & Social Care partnership framework; Project based community council engagement; Communications 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 2026.

By Order of the Board of Management



Ian McDonald
SBHA Chair

Date: 27 August 2026

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 2026 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 2026 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 have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and the Co-operative and Community Benefit Societies Act 2014 and report in accordance with regulations made under those Acts.

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:

- proper books of account have not been kept by the association in accordance with section 75; or
- a satisfactory system of control over transactions has not been maintained by the association in accordance with section 75; or
- the income account and the balance sheet are not in agreement with the books of account of the association; or
- we have not obtained all the information and explanations which, to the best of our knowledge and belief, we consider necessary for the purposes of 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, the Scottish Housing Acts, the Housing SORP, and the Scottish Housing Regulator's Determination of Accounting Requirements – February 2019. 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 Housing (Scotland) Acts 2006, 2010, 2014, the Co-operative and Community Benefit Societies Act 2014, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended), the Scottish Housing Regulator's regulatory framework and the Data Protection Act. 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 and the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.



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

Date: 1 September 2026

RSM UK Audit LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

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
Statutory Auditor
Chartered Accountants
Third Floor
2 Semple Street
Edinburgh
EH3 8BL

Date: 1 September 2026

Statement of Comprehensive Income

	Note	2026 £	2025 £
Turnover	2	31,709,443	29,473,410
Operating Expenditure	2	(24,138,196)	(22,935,497)
(Loss) on disposal of property, plant and equipment	2,9	<u>(475,967)</u>	<u>(337,707)</u>
Operating Surplus	2, 8	7,095,280	6,200,206
Interest receivable	6	605,734	1,362,836
Interest payable and financing costs	7	<u>(1,271,484)</u>	<u>(1,271,496)</u>
Surplus for the Year	19	6,429,530	6,291,546
Actuarial (loss) in respect of Pension Scheme	23	<u>(30,000)</u>	<u>(12,426,000)</u>
Total Comprehensive Income /(Loss) for the Year		<u>6,399,530</u>	<u>(6,134,454)</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	2026 £	2025
Fixed Assets			
Intangible Assets	11a	224,128	40,925
Housing Properties – Depreciated Cost	11b	115,318,620	98,003,828
Other Fixed Assets	11c	1,668,750	1,674,679
Investment in Subsidiary Company	12	1	1
		<u>117,211,499</u>	<u>99,719,433</u>
Current Assets			
Stock	13	100,913	70,431
Trade and Other Debtors	14	3,643,379	3,589,351
Fixed Term Deposits		10,458,366	15,420,336
Cash and Cash Equivalents		<u>19,090,369</u>	<u>14,810,638</u>
		<u>33,293,027</u>	<u>33,890,756</u>
Current Liabilities			
Creditors: Amounts falling due within one year	15	<u>(9,366,144)</u>	<u>(7,018,326)</u>
Net Current Assets		<u>23,926,883</u>	<u>26,872,430</u>
Total Assets less Current Liabilities		<u>141,138,382</u>	<u>126,591,863</u>
Creditors: Amounts falling due after more than one year	16	(67,804,571)	(59,973,579)
Pension: Defined Benefit Pension Asset	23	<u>1,370,000</u>	<u>1,686,000</u>
		<u>(66,434,571)</u>	<u>(58,287,579)</u>
Total Net Assets		<u>74,703,811</u>	<u>68,304,284</u>
Reserves			
Unrestricted Reserve	19a	73,333,687	66,618,157
Pension Reserve	19b	1,370,000	1,686,000
Share Capital	19	124	127
Total Reserves		<u>74,703,811</u>	<u>68,304,284</u>

The Board of Management approved the Financial Statements on pages 25 to 51 and authorised them for issue on 27th August 2026 and they were signed on their behalf by:

Ian McDonald Chair

Philippa Brosnan Board Member

Carly Stewart Secretary

Statement of Changes in Reserves

	Note	Unrestricted Reserve £	Pension Reserve £	Total £
Balance as 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 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
Surplus for the Year	19	6,429,530	-	6,429,530
Transfer (to)/ from Unrestricted to Pension Reserve		286,000	(286,000)	-
Pension Actuarial (Loss)	23	-	(30,000)	(30,000)
Balance at 31 March 2026		73,333,687	1,370,000	74,703,687

Statement of Cashflows

	Note	2026 £	2025 £
Net Cash generated from Operating Activities	20	<u>15,392,846</u>	<u>13,172,556</u>
Cashflow from Investing Activities			
Purchase of Tangible Fixed Assets		(23,884,156)	(19,732,900)
Purchase of Intangible Fixed Assets		(198,075)	(52,103)
Proceeds from Sale of Tangible Fixed Assets		358,795	-
Grants Received		8,364,109	9,313,006
Interest Received		<u>521,734</u>	<u>681,836</u>
Net Cash from/ (Used in) Investing Activities		<u>(14,837,593)</u>	<u>(9,790,161)</u>
Cashflow from Financing Activities			
Interest Paid		(1,237,489)	(1,237,500)
Contributions to Defined Benefit Liability		-	-
Shares Issued		13	5
Shares (Cancelled)		<u>(16)</u>	<u>(7)</u>
Net Cash (Used In) Financing Activities		<u>(1,237,492)</u>	<u>(1,237,502)</u>
Net (Decrease) / Increase in Cash and Cash Equivalents		<u>(682,239)</u>	<u>2,144,893</u>
Cash and Cash Equivalents at Beginning of Year		<u>30,230,974</u>	<u>28,086,081</u>
Cash and Cash Equivalents at End of Year		<u>29,548,735</u>	<u>30,230,974</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 – Housing Properties
- 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 £29.5m 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 2026. 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 affordable 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
Solar Panels	20
Battery Storage	15
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 £	2025 £
Affordable Lettings Activities	3	30,532,471	(23,236,722)	-	7,295,749	6,188,734
Other Activities	4	1,176,972	(901,474)	-	275,498	349,179
Loss on disposal of PPE	9	-	-	(475,967)	(475,967)	(337,707)
Total for 2026		31,709,443	(24,138,196)	(475,967)	7,095,280	6,200,206
Total for 2025		29,473,410	(22,935,497)	(337,707)	6,200,206	

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

	Note	2026 £	2025 £
Rent receivable net of service charges		29,785,495	28,137,122
Service charges		150,198	145,919
Gross income from rents and service charges		29,935,693	28,283,041
Less voids		(408,294)	(424,198)
Net Income from rents and service charges		29,527,399	27,858,843
Grants Released from Deferred Income	17	586,536	309,825
Grants from Scottish Ministers		101,384	190,575
Grants from Others		317,152	-
Total turnover from affordable letting activities		30,532,471	28,359,243
Management and maintenance administration costs		7,464,617	7,120,366
Service costs		290,540	274,331
Planned and cyclical maintenance including major repairs cost		4,913,658	5,132,580
Reactive Maintenance costs		4,010,322	3,598,459
Grounds Maintenance		468,839	440,715
Bad debts rents and service charges		215,152	350,173
Depreciation of Affordable Let Properties		5,849,498	5,215,669
Impairment of Affordable Let Properties		24,096	38,216
Operating Costs for Affordable Letting Activities		23,236,722	22,170,509
Operating surplus for Affordable Letting Activities		7,295,749	6,188,734

SBHA owns no other accommodation except for General Needs Housing Accommodation and 19 (2025:15) homes for Mid-Market rent leased to SBHA Plus Limited (disclosed in note 5).

3(b) AVERAGE RENTS

	2026 £	2025 £
The average weekly rent (48-week basis) per property available to let at the period end was:	110.27	104.55

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 2025 £
Other Agency / Management Services	-	7,483	7,483	-	7,483	5,046
Factoring	-	24,431	24,431	(34,544)	(10,113)	(8,626)
Development Revenue	87,685	-	87,685	(167,624)	(79,939)	(67,232)
Other Activities	198,190	859,183	1,057,373	(699,306)	358,067	419,991
Total from other activities 2026	285,875	891,097	1,176,972	(901,474)	275,498	349,179
Total from other activities 2025	143,210	970,957	1,114,167	(764,988)	349,179	

Grant Income (Development Revenue) relates to part of a grant from Scottish Borders Council for the purchase of a building in Galashiels being developed and partially demolished with related costs being £97k. Grant Income (Other Activities) of £198k 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 £66k (2025: £191k) relating to costs recharged to owners for their share of major repair costs on different mixed tenure blocks. The total cost of £264k (2025: £334k) for the work on non-SBHA properties is included in Other Operating Costs (Other Activities).

Other Activities also includes income relating to commercial lets (£509k) and leasing to SBHA plus for Mid-Market rental (£82k) (2025: £426k and £59k respectively) less related costs of £393,552 (2025: £307,155).

5. ACCOMMODATION IN MANAGEMENT

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

	2026 No.	2025 No.
General Needs Housing	5,659	5,593
Homeless Lets	76	74
Mid-Market Lets – leased to SBHA Plus	19	15
Factored Properties	154	156
	<u>5,908</u>	<u>5,838</u>

Stock movements during the year: 59 new build properties were brought into use during the year; 12 properties acquired on the open market were brought into use in the year, 2 of which had been factored properties, therefore reducing overall factored properties. 3 properties were sold during the year. A further 4 open-market purchases were brought into use as mid-market lets.

6. INTEREST RECEIVABLE

	2026 £	2025 £
Interest Receivable	521,734	681,836
Pension scheme net interest income	84,000	681,000
	<u>605,734</u>	<u>1,362,836</u>

The pension scheme net interest income has been reduced by £784,000 because of the effect of the net asset ceiling.

7. INTEREST PAYABLE AND FINANCE COSTS

	2026 £	2025 £
Loan Interest	1,125,889	1,125,900
Non-utilisation Fees	111,600	111,600
Arrangement Fees	33,995	33,996
	<u>1,271,484</u>	<u>1,271,496</u>

8. OPERATING SURPLUS

Operating surplus is stated after charging:

	Note	2026 £	2025 £
Amortisation of Intangible Assets	11a	14,872	130,886
Depreciation of Housing Properties	11b	5,955,851	5,293,906
Impairment of Housing Properties	11b	24,096	38,216
Depreciation of Other Tangible Assets	11c	96,329	88,139
Operating Lease Rental	22	271,085	280,408
Cost of Stock recognised as expense		929,658	972,251

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	39,750	38,220
Non-Audit Services	9,750	300
	<u>49,500</u>	<u>38,520</u>
Internal Auditors Remuneration	<u>17,131</u>	<u>13,703</u>

9. DEFICIT ON SALE/DISPOSAL OF FIXED ASSETS

	2026 £	2025 £
Disposal Proceeds	34,255	-
- Carrying Value/Cost of Disposal	(510,222)	(337,707)
Net loss	<u>(475,967)</u>	<u>(337,707)</u>

Disposal proceeds relate to the open market sale of three hard to let properties, net of 95% of the gain on disposal that is accounted for in grant repayable (Note 15) until Development projects are identified and it replaces future Housing Grant. The Carrying Value of the assets includes the loss on disposal of housing property component assets being replaced of £493,638 (2025: £337,707) and the costs of disposal of properties sold is £16,584 (2025 £nil).

10. EMPLOYEES

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

	2026	2025
	£	£
Wages and Salaries	6,605,404	6,036,823
Social Security Costs	859,150	622,173
Pension costs	355,423	341,819
Agency/Secondment Costs	280,768	300,782
	<u>8,100,745</u>	<u>7,301,597</u>
Average number employed during the year of full-time equivalents (including key personnel) was:	No.	No.
Directorate and Senior Management	13	12
Supervisory and Administrative	92	86
Trades	57	56
	<u>162</u>	<u>154</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:

	2026	2025
	No.	No.
£ 60,000 - £ 70,000	-	1
£ 70,001 - £ 80,000	-	1
£ 80,001 - £ 90,000	-	-
£ 90,001 - £100,000	3	2
£100,001- £110,000	-	-
£110,001 - £120,000	-	1
£120,001 - £130,000	1	-
£130,001 - £140,000	-	-
£140,001 - £150,000	-	1
£150,001 - £160,000	1	-

During the year, 2 Directors (2025: 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:

	2026 No.	2025 No.
£ 0,001 - £ 5,000	1	-
£ 5,001 - £10,000	2	1
£10,001 - £15,000	-	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.

	2026 £	2025 £
Aggregate emoluments for the above key management personnel (excluding pension contributions)	570,260	591,935
The emoluments of the Chief Executive (excluding pension contributions)	151,949	142,812
Employer Pension Contributions of the Chief Executive	-	-
Total emoluments of the Chief Executive payable	151,949	142,812
Aggregate Pension Contributions in relation to the above key management personnel	25,475	25,413
Aggregate emoluments for the above key board personnel (excluding pension contributions)	17,658	17,500

11(a) INTANGIBLE ASSETS

Cost	£
At 1 April 2025	1,100,316
Additions	198,075
At 31 March 2026	1,298,391
Amortisation	
At 1 April 2025	(1,059,391)
Charge for Year	(14,872)
At 31 March 2026	(1,074,263)
Net Book Value at 31 March 2026	224,128
Net Book Value at 31 March 2025	40,925

11(b) TANGIBLE FIXED ASSETS: HOUSING PROPERTY

	Housing for Let	Under Construction Housing Properties	Total
Cost	£	£	£
At 1 April 2025	140,678,393	9,160,362	149,838,755
Additions	1,014,316	13,343,323	14,357,639
Works to Existing Properties	9,436,118	-	9,436,118
Transfer to Housing for Let	13,768,900	(13,768,900)	-
Disposals	(1,908,827)	-	(1,908,827)
At 31 March 2026	162,988,900	8,734,785	171,723,685
Depreciation and Impairment			
At 1 April 2025	(51,834,927)	-	(51,834,927)
Charge for Year	(5,955,851)	-	(5,955,851)
Impairment	(24,096)	-	(24,096)
Disposals	1,409,809	-	1,409,809
At 31 March 2026	(56,405,065)	-	(56,405,065)
Net Book Value			
At 31 March 2026	106,583,835	8,734,785	115,318,620
At 31 March 2025	88,843,466	9,160,362	98,003,828

EXPENDITURE ON WORKS TO EXISTING PROPERTIES

	2026 £	2025 £
Replacement component spend capitalised	9,436,118	5,824,782
Amounts charged to income and expenditure	2,766,311	3,090,203
Total major repairs spend	12,202,429	8,914,985

The Association's Housing property used as security (2,573 properties (2025: 2,576)) was independently valued as at August 2024 at £95.3m, with disposals in the year reducing this to £95.2m (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 £5,516,474 (2025: £4,394,978) in respect of land which is not depreciated. A review of the net book values of unlettable properties resulted in an impairment charge of £24,096 (2025: £38,216) in respect of 1 property, the last to become empty in a scheme being held for regeneration.

11(c) TANGIBLE FIXED ASSETS: OTHER

	Office Premises £	Furniture & Fittings £	Office Equipment & Information Systems £	Plant £	Total £
Cost					
At 1 April 2025	2,800,447	62,000	1,015,975	148,698	4,027,120
Additions	-	-	90,400	-	90,400
At 31 March 2026	2,800,447	62,000	1,106,375	148,698	4,117,520
Depreciation and Impairment					
At 1 April 2025	(1,246,925)	(60,479)	(896,339)	(148,698)	(2,352,441)
Charge for the year	(50,249)	(507)	(45,573)	-	(96,329)
At 31 March 2026	(1,297,174)	(60,986)	(941,912)	(148,698)	(2,448,770)
Net Book Value					
At 31 March 2026	1,503,273	1,014	164,463	-	1,668,750
At 31 March 2025	1,553,522	1,521	119,636	-	1,674,679

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% (2025: 100%)	General commercial company with an emphasis on housing related activities
Scottish Borders Building Services Ltd	Ordinary	-	100% (2025: 100%)	Dormant

The income of SBHA Plus in 2026 was £120,426 (2025: £79,654) with costs of £90,712 (2025: £67,507), and interest receivable of £nil (2025: £nil) resulting in a surplus for the year before tax of £29,714 (2025: £12,147). The net assets of the company as at 31 March 2026 were £59,541 (2025: £44,282).

13. STOCK

As at March 2026, the value of materials in relation to responsive repairs is £100,913 (2025: £70,431).

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2026 £	2025 £
Gross Arrears of Rent and Service Charges	2,160,603	1,886,833
Less: Provision for Bad & Doubtful Debts	(884,813)	(951,647)
	1,275,790	935,186
Other Debtors	112,503	331,461
Prepayments and Accrued Income	2,255,086	2,322,704
	<u>3,643,379</u>	<u>3,589,351</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Note	2026 £	2025 £
Accruals and Deferred Income		3,380,714	1,978,121
Rent and Service Charges in Advance		1,885,336	1,634,638
Deferred Capital Grants	17	605,337	402,874
Trade Creditors		1,881,180	1,992,051
Other Creditors		834,233	563,789
Amounts due to Subsidiary Company		3,677	3,088
Other Taxes and Social Security		23,098	26,941
Social Housing Grant Repayable		752,569	416,824
Debt	18	-	-
		<u>9,366,144</u>	<u>7,018,326</u>

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

	Note	2026 £	2025 £
Deferred Capital Grant	17	28,225,925	20,428,927
Debt	18	40,000,000	40,000,000
Deferred Finance Cost		<u>(421,354)</u>	<u>(455,348)</u>
		<u>67,804,571</u>	<u>59,973,579</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 2026, £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 2026 was 2.81% (2025: 2.81%).

17. DEFERRED CAPITAL GRANT

	Note	2026 £	2025 £
As at 1 April		20,831,801	10,773,735
Grants Received in the Year		8,585,997	10,367,891
Transferred to SHG Repayable		-	-
Capital Grants Released		<u>(586,536)</u>	<u>(309,825)</u>
As at 31 March		<u>28,831,262</u>	<u>20,831,801</u>
Amounts to be released within one year	15	<u>605,337</u>	<u>402,874</u>
Amounts to be released after more than one year	16	<u>28,225,925</u>	<u>20,428,927</u>

18. DEBT ANALYSIS - BORROWINGS

	Note	2026 £	2025 £
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 (2025: £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	2026 £	2025 £
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.

	2026 No.	2025 No.
Shares of £1 issued and fully paid:		
Active Shares at 1 April 2025	127	129
Relinquished during the period	(16)	(7)
Issued during the period	13	5
Active Shares at 31 March 2026	<u>124</u>	<u>127</u>

	2026 £	2025 £
a) Unrestricted Reserve		
At 1 April	66,618,157	60,594,611
Surplus for the Year	6,429,530	6,291,546
Transfer from / (to)/ Pension Reserve	<u>286,000</u>	<u>(268,000)</u>
At 31 March	<u>73,333,687</u>	<u>66,618,157</u>

The total surplus for the year is £6,399,530 (2025: deficit £6,134,454) of which £30,000 relates to an actuarial loss on the pension reserve (2025: loss £12,426,000), as disclosed in Note 19b.

	Note 23	2026 £	2025 £
b) Pension Reserve			
At 1 April		1,686,000	13,844,000
Transfer (to)/from Unrestricted Reserves		(286,000)	268,000
Actuarial (Loss) in the Year		<u>(30,000)</u>	<u>(12,426,000)</u>
At 31 March		<u>1,370,000</u>	<u>1,686,000</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 £16,794,000 (2025: £14,271,000), detailed as an actuarial loss.

20. CASH FLOW

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

	2026	2025
	£	£
Surplus for the year	6,429,530	6,291,546
<i>Adjustment for non-cash items:</i>		
Depreciation of Tangible Fixed Assets	6,052,180	5,382,045
Amortisation of Intangible Assets	14,872	130,886
Impairment of Tangible Fixed Assets	24,096	38,216
Defined Benefit Pension Schemes	370,000	413,000
(Decrease)/Increase in Provisions	(50,233)	140,224
Loss on Disposal of Tangible Fixed Assets	475,967	337,707
Release of Deferred capital grant	(586,536)	(309,825)
Interest Receivable	(605,734)	(1,362,836)
Interest Payable	1,271,484	1,271,496
Operating cash flows before movements in working capital	13,395,626	12,332,459
(Increase)/Decrease in Stock	(30,482)	13,379
Decrease in Debtors	218,092	90,586
Increase in Creditors	1,809,610	736,132
Cash Generated from operations	15,392,846	13,172,556
Cash and cash equivalents represent:		
Fixed Term Deposits	10,458,366	15,420,336
Cash at bank and in hand	19,090,369	14,810,638
Total Cash and Cash Equivalents	29,548,735	30,230,974

(ii) ANALYSIS OF CHANGES IN NET DEBT

	2025	Cash Flows	Other Non-Cash Movement	2026
	£	£	£	£
Cash and Cash Equivalents	30,230,974	(682,239)	-	29,548,735
Debt due within one year	-	-	-	-
Debt due after one year	(40,000,000)	-	-	(40,000,000)
Total	(9,769,026)	(682,239)	-	(10,451,265)

21. CAPITAL COMMITMENTS AND OTHER CONTRACTUAL OBLIGATIONS

	2026 £	2025 £
Capital Expenditure contracted for but not provided in the Financial Statements	<u>20,779,210</u>	<u>16,212,172</u>
Expenditure authorised by the board, but not contracted	<u>38,835,252</u>	<u>56,632,444</u>

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 2026, the Association had total future minimum lease commitments and had made payments under non-cancellable operating leases as set out below:

	2026 £	2025 £
Plant & Equipment		
Within 1 year	271,949	269,322
Between 1-5 years	544,899	806,164
Over 5 years	-	-
Total commitment at 31 March	<u>816,848</u>	<u>1,075,486</u>
Payments in current year	<u>271,085</u>	<u>280,408</u>

SBHA as Lessor

SBHA leases properties to SBHA Plus. As at 31 March 2026, the future minimum lease payments due to SBHA from SBHA Plus under non-cancellable operating leases are set out below:

	2026 £	2025 £
Rental Properties		
Within 1 year	104,336	79,817
Between 1-5 years	348,517	253,594
Over 5 years	299,509	252,664
Total commitment at 31 March	<u>752,362</u>	<u>586,075</u>
Rental receipts in current year	<u>82,024</u>	<u>59,223</u>

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 £355,423 (2025: £341,819).

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 (2025: £nil). At 31 March 2026, the Association had no pension contributions outstanding (2025: £nil).

Employees' contributions are fixed by statute for SBHA employees according to the following scale for the year ended 31 March 2026:

Pensionable Salary	% Payable
£0 - £27,500	5.50
£27,501 - £33,600	7.25
£33,601 - £46,100	8.50
£46,101 - £61,400	9.50
£61,401 and above	12.00

In the year to 31 March 2026 employer's contributions were 0% (2025: 0%) 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.

In relation to the Virgin Media vs NTL Pension Trustees II Limited case, it has been confirmed with the Scottish Borders fund that the ruling may create an administrative burden, but does not impact on the valuation of scheme liabilities.

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 2026 including an allowance for the McCloud judgement. This calculation was based on rolling forward valuation data as of 31 March 2025 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	2026	2025
CPI increases	3.05%	2.80%
Salary increases	3.55%	3.30%
Discount rate	6.20%	5.50%

The expected return on assets is based on the long-term future expected investment for each asset class as at 31 March 2026.

Assumed life expectancies from age 65 are:	2026	2025
Retiring today:	Years	Years
Males	19.8	19.4
Females	23.0	22.9
Retiring in 20 years:		
Males	21.0	20.7
Females	25.4	25.2

Assets (Employer) as at 31 March	2026	2025
Equities	42%	33%
Bonds	29%	37%
Property	26%	28%
Cash	3%	2%
Total	100%	100%

Net Pension Asset/ (Liability) as at 31 March	2026 £'000	2025 £'000	2024 £'000	2023 £'000	2022 £'000
Fair value of scheme assets	45,326	43,750	43,668	40,374	43,002
Present value of funded obligation	(27,162)	(27,793)	(29,824)	(27,583)	(42,560)
Restriction on asset valuation	(16,794)	(14,271)		-	(442)
Net pension asset/(liability)	<u>1,370</u>	<u>1,686</u>	<u>13,844</u>	<u>12,791</u>	<u>-</u>

Amount recognised in Income & Expenditure Account as at 31 March	2026 £'000	2025 £'000
Service cost	370	413
Net interest on the defined liability	(84)	(681)
Administration expenses	-	-
Total	<u>286</u>	<u>(268)</u>

Reconciliation of opening and closing balances of the present value of the defined benefit obligation as at 31 March	2026 £'000	2025 £'000
Opening defined benefit obligation	27,793	29,824
Service cost	370	413
Interest cost	1,511	1,475
Change in financial assumptions	(1,883)	(2,554)
Change in demographic assumptions	167	(51)
Experience loss/(gain) on defined benefit obligation	223	(274)
Estimated benefits paid (net of transfers in)	(1,139)	(1,155)
Contributions by scheme participants	120	115
Closing defined benefit obligation	<u>27,162</u>	<u>27,793</u>
 Reconciliation of opening and closing balances of the fair value of Scheme assets as at 31 March	 2026 £'000	 2025 £'000
Opening fair value of scheme assets	43,750	43,668
Interest on assets	2,379	2,156
Return on assets less interest	216	(1,034)
Other actuarial gains/(losses)	-	-
Administration expenses		
Contributions by employer (including unfunded)	-	-
Contributions by scheme participants	120	115
Estimated benefits paid (net of transfers in and including unfunded)	<u>(1,139)</u>	<u>(1,155)</u>
Fair value of scheme assets at end of period	<u>45,326</u>	<u>43,750</u>
 Net Actuarial movement in the year	 2026 £'000	 2025 £'000
Defined Obligation – Change in financial assumptions	1,883	2,554
Defined Obligation – Change in Demographic assumptions	(167)	51
Experience gain on DB obligation	(223)	274
Scheme Assets – return on assets less interest	216	(1,034)
Net asset restriction	<u>(1,739)</u>	<u>(14,271)</u>
Net Actuarial (Loss)	<u>(30)</u>	<u>(12,426)</u>
 Projected pension expense for year to 31 March 2027		2027 £'000
Service cost		330
Net interest on the defined liability		<u>(75)</u>
Total		<u>255</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 2026. These projections are based on the assumptions as at 31 March 2026, 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 current Independent Customer Board Member Margaret Graham, are Tenants of the Association. During the year £16,072 (2025: £20,956) of rent was receivable from these members. At the year-end there was £527 (2025: £101) of non-technical rent arrears and £357 (2025: £379) 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 (2025: £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 £1,871 (2025: £1,086).

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. Four members of the Board of SBHA served as Directors of SBHA Plus during the year: Robin Dodyk, Michael Levack, Michael Grieve and Robin Hill (resigned from SBHA Plus 11 September 2025). 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 2026 SBHA recharged SBHA Plus Ltd the sum of £88,118 (2025: £64,954) representing costs incurred in connection with Mid-Market rental and Post Office activities. The amount due to SBHA Plus from SBHA at 31 March 2026 was £3,677 (2025: £3,088). During the year ended 31 March 2026, SBHA Plus Ltd made a donation to SBHA under gift aid of £12,147, relating to the profits of SBHA Plus Ltd for the year ended 31 March 2026 (prior year donation: £4,815 relating to profits for year ended 31 March 2024).

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 2026. The wind up of the company was approved by the Board of Management of SBHA and was dissolved on 21 July 2026.

Carly Stewart, the Director of Finance of SBHA and current Secretary of SBHA, is Secretary of SBBS Ltd. Ian McDonald, 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 2026 or 2025.

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 2025-26 amounted to £103,300 (2025: £89,255), as well as SBHA's direct employment of a Tenant & Community Engagement Facilitator and a dedicated budget for SBHA-led Tenant Participation projects. During the year, the Association's total expenditure on Tenant Participation was £91,591 (2025: £99,267).