

# Hanover (Scotland) Housing Association Limited



## **Financial Statements** **for the year ended 31 March 2022**

# Hanover (Scotland) Housing Association Limited

## Registered Address and Head Office:

Hanover (Scotland) Housing Association Ltd  
95 McDonald Road  
EDINBURGH  
EH7 4NS

## External Auditor:

Anderson Anderson & Brown Audit LLP  
1 Lochrin Square  
92 Fountainbridge  
EDINBURGH  
EH3 9QA

## Internal Auditors:

TIAA  
Artillery House  
Fort Fareham  
Newgate Lane  
Fareham  
PO14 1AH

## Solicitors:

TC Young  
7 West George Street  
GLASGOW  
G2 1BA

## Bankers:

The Royal Bank of Scotland PLC  
Scotland Corporate Service Centre  
Drummond House  
PO Box 1727  
EDINBURGH  
EH12 9JN

**Registered Housing Association No. 124**  
**Financial Conduct Authority No. 1983 R (S)**  
**Scottish Charity Registration SC014738**  
**Registered Property Factor No PF000340**

# Hanover (Scotland) Housing Association Limited

## Financial Statements for the year ended 31 March 2022

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# Hanover (Scotland) Housing Association Limited

## The Board Members

**Gary Devlin** ACA CPFA (Chairperson)

**Julia Fitzpatrick** MA (Hons) FCIH

**Fraser Mitchell**

**Prof Sir Geoffrey Palmer** Kt OBE DSc

**Joanne Roger**

**James Rowney** MCIBS MBA MRICS

**Margaret Whoriskey** MBE PhD MPhil BA (Hons)

**Catherine Wyllie** BA CA

## Officers

**Angela Currie** CIHCM  
Chief Executive

**Adam Curry** BA (Hons) ACIPD  
Director of Organisational Services (resigned 22 September 2021)

**Joanna Voisey**  
Director of Asset Management

**Donna Henderson**  
Director of Strategic Finance

**Dr Louise Reid** MA (Hons) MSc (Vice Chairperson)

**Alan Stewart**

**Adele Erwin**

**Ashley Campbell** CIHCM

**Rob Rowe**

**Mike Martin** (Chairperson resigned in September 2021)

**Christopher Milburn** MBA MBCS  
Director of Customer Services

Note that the Chief Executive and the Directors, noted here, are deemed to be the key management personnel of the Association.

# Hanover (Scotland) Housing Association Limited

## Review by the Board

Year ended 31 March 2022

### Report of the Board incorporating the Strategic Report for the period ended 31 March 2022

The Board of Management presents its report and the audited financial statements for the year ended 31 March 2022.

#### Structure and Activities

Hanover (Scotland) Housing Association Limited (HSHA) (the Association) is incorporated in Scotland and registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 as a mutual society. A Scottish charity and registered social landlord (RSL), Hanover is focused on providing housing and related services, mainly to older people and was founded in 1979. It has expanded both organically and through the transfer of Arklet Housing Association in November 2019, to become a national organisation that manages 4,690 properties across 24 Scottish local authority areas. In addition, Hanover provides a factoring service for 1086 owner occupied properties across Scotland.

#### Governance and the Board

The Board has overall responsibility for managing the Association and is supported by the Audit, Performance & Risk Committee, the Partnership Committee (dissolved March 2022) and now a People Committee. The Audit & Risk Committee has specific responsibility for overseeing the integrity of the financial and non-financial controls and reporting, performance scrutiny, including internal and external audit and risk management. At 31 March 2022 there are thirteen Board Members. This structure strengthens the Board and the control of Hanover's strategic direction and provides a streamlined and efficient governance structure.

There are clear reporting arrangements within the current structure with minutes of the Audit, Performance and Risk Committee, Partnership Committee and the People Committee presented to the Board. The

Board operates within the agreed rules, policies and financial regulations with delegated authority given to the Chief Executive and Executive Leadership Team. Key reports on financial and corporate performance, updates on priority actions and regular strategic reports are provided to Board to enable them to monitor progress in meeting the agreed objectives.

The Board ensure appropriate levels of assurance and strategic risk management, including seeking external advice where appropriate. Board members are volunteers and are unpaid, except for expenses. We have a Board appraisal process to support skills development and identify succession planning requirements.

### The Highlights of 2021-22

#### Governance Development

The Board agreed to the formation of an additional committee – The People Committee to create a focus on developing a resilient organisation through the creation of a new People Strategy. The Board also adopted an updated set of rules and a new scheme of delegation as part of the development of a comprehensive good governance framework.

#### New Five-Year Strategy for 2022

Following significant review and evaluation the Board adopted a new Five Year Strategy that sets out the vision for the next five years. Underpinning this are 5 & 30 year financial plans which provide the resourcing plans that are aligned with the 3 key strategic objectives.

The new strategy is the outcome of a robust strategic planning process, with a key element being understanding of the operating environment. This provides the platform to move forward with confidence, maintaining Hanover's strong position within the sector.

# Hanover (Scotland) Housing Association Limited

## Review by the Board Year ended 31 March 2022

Newly refreshed values underpin the continued drive to grow a caring customer focused organisation with 3 new strategic goals:

- Happy Customers
- Desirable Homes
- Resilient Organisation

### Managing COVID-19

Covid-19 continued to impact on Hanover despite 2021-22 being a year of recovery. This was felt acutely in our allocations with higher levels of voids and longer relet times. Other areas of the business were impacted and in particular restrictions on the level of repairs and maintenance that could be carried out. A more normal operating level was adopted in the last part of the year but as cases spiked again in quarter four, this impacted on the delivery our housing, care and support services.

Many of our front-line services experienced challenges due to high case numbers but showed high levels of resilience to continue to support our customers.

We focused our priorities on effective management of services during Covid and we have successfully introduced a model of hybrid working, which will now be refined to reflect the lessons learned since the pandemic struck in March 2020.

The financial impact of Covid-19 continues through lost income due to high void levels so reduced rental income but has been offset in other parts of the business due to the Supplier Relief scheme. We are yet to return to pre-pandemic levels but the outlook for 2022-23 is positive.




### Developing Our People

We have continued to embed positive working practices with the continuation of our hybrid working model.

The new People Plan has been developed and sets out the key people projects we will focus on this year to ensure Hanover is seen as an employer of choice. This aims to ensure we have modern and progressive employment practices and policies in place to support its employees and that we have the right capacity and capability across all teams to deliver the corporate strategy. This work is being scrutinised by the new People Committee and will lead to the production of a new People Strategy.

### Progress Towards Strategic Objectives

Our purpose is to provide affordable, modern, and safe housing and support services mainly for older people. The outgoing strategy was underpinned by four key strategic goals Customer Centric, Digital by Design, Efficient & Effective and Sustainable. Following the transfer of engagements with the former RSL Arklet Housing Association, 37 priority actions identified at the outset that, once achieved, would ensure Arklet's full integration with Hanover.

Strategic Objectives	RAG Status		
			
Priority Actions	37	-	-
Customer Centric	1	5	2
Digital By Design	3	6	-
Efficient & Effective	8	7	-
Sustainable	6	3	3
<b>Total</b>	<b>55 (68%)</b>	<b>21 (26%)</b>	<b>5 (6%)</b>

# Hanover (Scotland) Housing Association Limited

## Review by the Board Year ended 31 March 2022

In total there were 81 objectives, 55 were completed and 21 partially completed and expected to be completed in the first quarter of 2022-23. Only 5 actions were incomplete and will be carried forward to 2022-23.

### Transfer of Engagements Implementation

A review of the implementation plan and role of the Partnership Committee was undertaken in December/January, which demonstrated that the work was now complete (where it could be) and recommended that the committee be dissolved.

This recommendation has since been approved by Board. The review demonstrated the significant work delivered to meet the tenant promises that were made and noted the Committee played an important role in ensuring a holistic approach was undertaken that respected the values of the Jewish community. Further work is planned to capture the history of the Jewish housing organisation which will go on display within the community.

### Performance Management

Hanover continues to closely monitor key performance indicators including those required by the Scottish Housing Regulator to demonstrate assurance on meeting the Scottish Social Housing Charter. We also scrutinise key financial indicators through budget reports and set out our gearing and interest cover to meet our lending covenants and ensure ongoing financial stability

Benchmarking is undertaken and reported to managers and to the APR Committee on a quarterly basis to show comparison with the sector and against internal targets. Performance over the last two years has been directly impacted by Covid-19 particularly reactive repairs, planned maintenance, allocations, and employee absence, as experienced by most RSLs in Scotland. Despite this,

the summary table below shows relatively strong performance against target across key areas of the business.

We expect Covid-19 to continue to have an impact on 2023-23 in both performance and financial terms and have budgeted based on our knowledge and understanding at the time. We will carefully monitor our position and introduce quarterly reforecasting to ensure we fully understand the impact and adapt our operating systems as required through the year.

Summary of Performance Objectives	Actual 2021-22	Actual 2020-21
<b>Housing and Repairs Services</b>		
Average time to re-let properties - days	67.01	95.59
Void loss as % of rental and service charge income	3.42%	3.62%
Arrears as a % of rent and service charge income (net of HB)	1.35%	1.05%
Emergency Repairs - Average time to Complete – hours	3.42	3.97
Non Emergency Urgent Repairs - Average time to Complete – Days	5.70	6.45
Repairs carried out right first time	92.59%	95.36%
<b>Complaints Handling</b>		
Stage 1 complaints responded to in SPSO timescale	98.05%	99.26%
Stage 2 complaints responded to in SPSO timescale	95.65%	94.06%
<b>Employee Performance</b>		
% of staff turnover	12.70%	11.55%
% of days lost through staff sickness	6.8%	5.75%
<b>Customer Satisfaction</b>		
% Tenants satisfied with overall service provided	81.5%	85.1%
% Owners satisfied with overall service provided	65.2%	65.2%

# Hanover (Scotland) Housing Association Limited

## Review by the Board Year ended 31 March 2022

### Financial and Non Financial Performance

The purpose of this section is to provide an appropriate assessment of the performance of Hanover during 2021-22. The key strategic objectives include remaining financially viable, delivering value for money and achieving a financial surplus to meet our long term commitments.

The Board is pleased to report, that despite the current economic challenges and the ongoing impact of Covid-19, the Association's performance remained strong and returned an operating surplus for the year of £4.5m (2021: £5.9m).

Gross income from rent and service charges (note 3a) increased by 1.6%, and turnover by 3.2% to £44.1m and operating costs increased by 7.4% to £39.6m. Operating costs include expenditure on care of £2.4m, and reactive maintenance of our properties of £3.9m. High reactive maintenance costs in 2021-22 again impacted on planned and cyclical investment with costs of £2.2m incurred which was less than had been provided for in the investment plan.

The current gearing positions at 17.3% and 12.5% (2021: 17.7% and 13%) are shown in the Financial Performance Headlines below and on the next which provide considerable comfort in terms of ability to

continue borrowing to fund future developments. Cash outflow in 2021-22 was just under £1.3m. Closing cash balance at the end of the year remains healthy at £3.1m. Cash inflow from operating activities during the year was £8.6m.

Our reported satisfaction levels have remained static as we won't repeat our large scale survey until later this year. However, our transactional surveys show strong results on a day to day basis. In general we have seen a fall in customer satisfaction levels over the past 3 years. Currently we report satisfaction at 81.5% (2019: 85.1%) for tenants and 65.2% (2019: 65.4%) for owners. Now that Covid restrictions have significantly eased we are pressing ahead with our improvement plan to focus on improved transactional surveying and increasing satisfaction.

In the year ahead we will refresh our Customer Engagement Plan with an emphasis on reinvigorating the methods of engagement to increase levels of participation and scrutiny. We will utilise the technology now available in our communal lounges to encourage and support this as well as support more traditional methods of participation.

### Financial Performance Headlines

#### Ratios

#### Financial Capacity

Interest Cover

Gearing – Financial indebtedness as %age of Net Worth (excl pensions)

Gearing – Financial indebtedness as %age of Historic Cost of Properties

Note	2022 £'000	2021 £'000
	354.3%	354.4%
	17.3%	17.7%
	12.5%	13%



# Hanover (Scotland) Housing Association Limited

## Review by the Board

Year ended 31 March 2022

### Efficiency

Arrears	1.35%	1.05%
Former Tenant Arrears written off (as a % of former tenant arrears)	53.52%	38.34%
Staff Costs / Turnover	34.85%	35.48%
Turnover per unit	£9,347	£9,228

### Profitability

Gross Surplus	10.31%	13.78%
Net Surplus	5.89%	9.18%

### Financing

Debt per unit	£8,610	£9,006
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### **Housing Management**

The pandemic still had a significant impact on the average void re-let period this year at 67 days (2021: 96 days). Void rent and service charge loss of £1,105k (2021: £1,276k) does not include a service charge write off of £260k deemed irrecoverable. Void loss has reduced but remains a challenge for 2022-23. Progress will continue to be closely monitored by our Strategic Void Group focused on reducing void numbers for the long and short term.

### **Maintenance**

Hanover seeks to maintain its properties to the highest standard. Reactive maintenance is carried out in accordance with our published response targets. There were 18,842 (2021:15,189) reactive repairs carried out in the year with 92.6% (2021: 97.4%) completed right first time.

### **Housing Assets**

The Association manages 5,880 properties, of which we own over 4,627. The remainder are managed on behalf of individual owners. Note 22 of the Financial Statements sets out the number of units that are both owned and managed. The majority of our stock is between 25 and 35 years old and has reached an age profile that now requires significant investment to maintain it to modern standards. Within the next five years it is anticipated the investment will be in region of £31.8m of capital component replacements.

For the next five years a programme of cyclical repairs and planned maintenance of £19.6m are planned. This programme also includes works required by legislation, such as the Energy Efficiency Standards for Social Housing (ESSH) which had a target date for compliance of December 2020. Currently 85.3% of properties comply with ESSH.

# Hanover (Scotland) Housing Association Limited

## Review by the Board

Year ended 31 March 2022

Total expenditure on revenue repairs and maintenance in the year was £3.9m (2021: £4.7m), with a further £1.3m of expenditure on our capital investment programme (2021: £0.93m). Capital and planned investment have again been impacted by Covid-19 and the deferred investment has been re-profiled over the next ten years.

We received Scottish Government grants of £427k (2021: £236k) for the adaptation of 167 (2021:104) properties to meet the needs of tenants as they become increasingly frail. Hanover has, through previous research on Social Return on Investment (SROI), demonstrated the value of adaptations where for every £1 spent there is a total return on investment of between £5.50 and £6.00. Post pandemic we intend to increase our efforts in demonstrating to others the benefits of this funding in an attempt to persuade the Scottish Government to increase and not to reduce this valuable resource.

### Development Grant

We continue to consider development opportunities on a case by case basis where there are strong strategic links underpinned by a robust business plan. A key issue for the viability and sustainability of individual development opportunities remains the availability and level of capital grant funding. We are well placed to manage a modest development programme due to the low level of debt as a percentage of the value of the business.

### New Development

Developments currently under construction expected to complete in 2022-23 and deliver 25 new units are noted in the table below.

Elgin – Spynie 2	10 Units	Phased Completion to April 2022 sees remaining units finished.
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Drymen – Conic Way	15 Units	November 2022
Elgin Village Gardens	25 Units	December 2022

Currently included in Strategic Housing Investment Plans but not through our internal appraisal stage and Board approval are the developments noted below that could potentially start in 2022-23.

Bearsden – Bearsden Road	20 Units	Estimated completion December 2023
Troon – Low St Meddams	28 Units	Estimated completion November 2023

These housing assets are included on the Statement of Financial Position (SOFP) at £190.9m (2021: £187.6 million), which is gross historical cost less depreciation. Housing Association Grant is included as deferred income and stands at £102.7m (2021: £102.6 million).

Details of fixed assets are set out in Note 9.

### Employees

We have a highly skilled and loyal workforce that have a real focus on customer service. Many of our teams continued to work at the frontline during covid and showed their dedication to our customers' health and wellbeing. Our teams have openly adapted to the change and adopted new ways of working with relative ease since the pandemic hit.

Hanover continues to benchmark its working environment to ensure that it provides competitive salary and benefits to its staff. The job market is increasingly competitive and for Hanover to remain an appealing employer of choice that attracts and retains the best people, we plan to undertake a pay framework review in the year ahead. This includes our terms and conditions and other rewards to ensure we are competitive.

# Hanover (Scotland) Housing Association Limited

## Review by the Board

Year ended 31 March 2022

During 2021-22, the average number of staff employed by the Association was 617 (2020-21: 617), a full-time equivalent of 469 (2020-21: 469).

### Pension Strategy

In 2015 the Board approved a Pension Strategy with short, medium and long-term outcomes. The Strategy's overarching principle remains to have an occupational pension scheme which is fair and equitable for all staff, which is viable across all timescales.

The major risks that were identified in terms of viability were the increasing funding requirement needed to sustain the Defined Benefit Pension scheme and therefore Hanover closed The Pensions Trust defined benefit scheme entirely from 1 April 2016. Scheme members had the option to transfer to the same provider's Defined Contribution Scheme or, the Group Personal Pension Scheme (the provision introduced to implement Auto-enrolment legislation).

In late 2019 the Association commenced its statutory consultation with members of the Lothian Pension Fund on the closure of that Scheme. Members were given the option in the event of closure to join The Pensions Trust Defined Contribution Scheme or the Group Personal Pension Scheme. Spence and Partners, a consultancy specialising in actuarial and pensions management, was engaged to ensure full and proper conduct of the closure process. The Lothian Pension Fund scheme closed in October 2021.

The cessation of the Lothian Pension Fund fulfils the strategic objective of having only two pension schemes:

- The Pensions Trust defined contribution scheme and,
- For statutory purposes, and for staff who may not wish to or be able to afford the higher rate of contribution in the above scheme, the Group Personal Pension Scheme.

The results of the 2021 triennial valuation for the Pensions Trust defined benefit scheme are due imminently and once received a short life sub committee will be formed from existing Board Members to review the current pension provision offered by Hanover and review the achievement of our strategic goals.

### Customer Engagement

Hanover has a strong track record on customer engagement and our approach is led by a Customer Experience Manager. The pandemic impacted on our ability to hold the many face to face engagement activities that are customary but we made good use of the large screens and communal wi-fi in our developments to hold many events to engage our customers. Our on-site teams play a critical role in engaging our customers, reducing isolation and support people to be independent.

In the year ahead we will review our Customer Engagement & Scrutiny Plans to update our approach following the lessons learned during the pandemic. This includes a new focus on gathering customer insight information to boost our understanding of our customers' needs and also an enhanced approach to satisfaction monitoring to give us real time data.

### Welfare Rights

We provide a dedicated Welfare Rights service to our tenants to support increased access to welfare benefits and support effective budgeting. This service has been invaluable during the pandemic and continues to be an effective support service. More recently we have focused on supporting those in fuel poverty and have accessed funding to provide a new hardship fund to those in high need and monitor this to ensure it is being targeted at those in need.

# Hanover (Scotland) Housing Association Limited

## Review by the Board

Year ended 31 March 2022

### Volunteering

We operate a well-established volunteering programme to assist in providing vulnerable customers with access to a range of additional services, such as befriending. The number of Hanover volunteers reduced during Covid-19 but is now picking up again. We are focusing on recruiting new volunteers in the year ahead to meet the demand for this service and continue to fund a dedicated post to show our commitment to this valuable activity.

### Information and Communications Technology (ICT)

The ICT section plays a crucial role in supporting the organisation and never more so given our reliance on digital technology to deliver services. The primary focus of the ICT team is the delivery of the ICT plan. The focus has been on ensuring our teams can work effectively during the pandemic. This has included the continued roll out and upgrading of the connectivity available in our developments. This year we continued the roll out Microsoft Office 365 which kept staff connected via teams during the pandemic and we have utilised even more the functionality to help us work smartly.

We are focused on the work required to achieve the shift from analogue to digital that will impact on our telephony and telecare based services. We are working closely with the Scottish Government on this approach and are on track to achieve a smooth transition. We are part of the national group looking at the possibility of a national software system to be made available to all call receiving centers.

Our accredited telecare service is also examining how it can evolve to meet the needs of our customers with a focus on more proactive approaches. A small project has been established to consider how this could be done.

Our focus in the year 2022-23 will also see the formation of a new Digital Strategy to support our new 5 year Strategy and help us build on our strong foundations while protecting us from the increasing threat of cyber attacks.

### Employee Involvement and Health and Safety

Our Health and Safety management system is a critical feature of our organisation, never more so than during the pandemic. We have adapted well to the ever-changing rules and guidance to keep our customers and employees safe. As we look ahead our focus is on creating a robust plan for improvement in the year ahead. This includes developing a more sophisticated monitoring and reporting of our landlord asset management and compliance duties.

As we emerge from the pandemic, we are turning our focus to the ongoing wellbeing of our employees. The pandemic has taught us valuable lessons in how we support our employees to stay well, and our internal working group are refreshing our approach to reflect this.

Our approach to formal engagement is conducted using our employee representative group called SCARF. We are now reviewing how we expand and increase the level of employee engagement in how we develop services. We plan to commission a formal review of our set up to create an engagement ladder allowing our people to be as active in shaping our future as they want to be.

### Equality and Diversity

Hanover has a legal and moral obligation as a good and socially responsible service provider and employer to be fair and equitable in the treatment of its customers, employees and others. With an increasingly diverse marketplace we are firmly committed to providing equal access to service and employment opportunities. Our policies, procedures and practices ensure that no one is disadvantaged. We have recently been

# Hanover (Scotland) Housing Association Limited

## Review by the Board Year ended 31 March 2022

awarded Investors in Diversity status and continue to embed these values across our business.

The revised guidance on recording and monitoring of data in this area is being implemented across the business and this will support greater transparency around the characteristics of our customers and workforce and support our understanding of where we could improve.

### Accounting Policies

The principal accounting policies are covered in detail in Note 1 of the Financial Statements on pages 26 to 31.

### Revenue Reserves

The revenue reserve represents our accumulated surpluses. The long term target is an average of 4% growth.

It is important to generate sufficient reserves to pursue the Association's objectives and to ensure that the level is adequate to cover both known and unforeseen risks. Where possible, the potential cost of known risks is quantified to inform the annual review of the reserves policy. The Statement of Changes to Reserves is provided on page 21.

It should be noted that these reserves are not fully cash backed as this would be considered an inefficient use of resources.

### Treasury Management

Hanover has an active treasury management function which operates in accordance with the Treasury Management Strategy. The strategy aims to manage liquidity, funding, investment and the Association's financial risk, including risk from volatility in interest rates and counterparty credit risk. The objective is to manage risk on a cost-effective basis.

The Association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst optimising excess cash and liquid resources held. The Association manages interest rate risk by utilising a high proportion of fixed interest debt. At 31 March 2022, 86% of the debt portfolio was at a fixed rate (2021: 86%).

### Creditor Payment Policy

This policy's intention is to comply with the Confederation of British Industry guidelines, of payment within 30 days.

### Going Concern

The Board has in the course of 2021-22 reviewed the results for this year and has also reviewed the projections for the next five years. Stress testing and scenario planning has been undertaken and detailed financial forecasts have been provided. Long term financial forecasts have been updated regularly to reflect the changes in the current operating environment due to the impact of Covid-19 and high levels of inflation. The new five-year Business Plan was launched to provide resourcing plans for the new corporate strategy.

Hanover's business activities, together with the factors likely to affect its future development, performance and position are set out in the Review on pages 2 - 15. The financial position of the Association, its cash flows, liquidity position and borrowing facilities are described on pages 23 – 25 and notes 11 - 13 to the financial statements. The level of cash balances at the end of 2021-22 were less than last year but still considered high at £3.16m and sufficient to meet the current liabilities as they fall due.

A £20m revolving credit facility is in place and remains undrawn but available to meet the development requirements for the next two years. Therefore, Hanover continues to operate on a going concern basis.

# Hanover (Scotland) Housing Association Limited

## Review by the Board Year ended 31 March 2022

Hanover has considerable financial resources together with long-term income from its customers, and the Board believe that Hanover is well placed to manage its business risks successfully despite the current uncertain economic outlook. The impact of COVID-19 and the high levels of inflation being experienced will be continuously monitored and plans in the short and long term will be adapted to recognise any financial implications.

The Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### Outlook

Hanover continues to meet the challenges of Covid-19 and the economic uncertainty, in the context of reductions in public sector spending, and remains committed to investment in the maintenance and upgrading of our customers' homes. On the basis of the assumptions used in the projections of income and expenditure, longer term plans over the next 30 years offer a satisfactory picture of viability.

### Risks

Hanover recognises the critical importance of monitoring and assessing the changes taking place in our operating environment and our risk register and map helps us assess the level of the main risks facing our organisation. Risk management is a continuous process and risks are regularly reviewed by Executive Leadership Team, Audit Performance and Risk Committee and our Board. Key risks currently facing the Association are set out below.

### Key Risks – Identified as High Risk

Key Risks Identified	Action being taken	Update
<p><b>Failure of key contractor</b> If a contractor (major/long term) goes into administration, then there is potential significant negative financial/customer/legislative impact to Hanover</p>	<ul style="list-style-type: none"> <li>Financial appraisals are undertaken</li> <li>Procurement Strategy (incl. SLA &amp; T&amp;C's)</li> <li>Internal contracts register (£10k - £50k) &amp; Public Contracts Scotland Contract Register (&gt;£50k)</li> <li>Continued customer surveys/feedback (LC)</li> <li>Continued monitoring of suppliers</li> </ul>	<p>Hanover is continuing to work collaboratively with key partners to ensure the continuous provision of key services is supported by our contractors. Regular contract management meetings are held, and financial appraisals are actioned regularly on key contractors to check of their financial resilience and identify any potential risks at the earliest opportunities.</p> <p>Back-up plans have been formulated are in place to ensure</p>



# Hanover (Scotland) Housing Association Limited

## Review by the Board

Year ended 31 March 2022

	<ul style="list-style-type: none"> <li>• Performance Reporting to the board</li> <li>• Contract management reporting/reviewing</li> </ul>	continuity of service should a failure occur.
<p><b>Recovery - Covid-19</b> If Hanover fails to manage the impact on operations as the pandemic becomes an endemic or to build on the changes and opportunities. The initial risk around Covid-19 centred around ensuring our operational services where able to continue to support customers.</p>	<ul style="list-style-type: none"> <li>• Covid-19 Management Group</li> <li>• Building on Hybrid Working</li> <li>• Access the new opportunities to reach new geographical areas</li> <li>• Assess opportunities in relation to commissioning, procurement and care and support services.</li> </ul>	<p>The initial risk around Covid-19 was very much about ensuring that our operational services were able to continue to support customers. This was overseen by an operational Covid Management Group which will continue to operate to support the business.</p> <p>Now Covid-19 has been categorised as endemic we are focusing on two key areas. Firstly, to ensure that we build on the hybrid operating model we now have and secondly. To assess new opportunities to develop services across the country given the level of change that has occurred due to the pandemic, particularly in terms of the commissioning and procurement of care and support services.</p>
<p><b>Pay Framework</b> If Hanover's T&amp;C's are not competitive then we may fail to recruit and retain staff which would have a negative impact on service delivery</p>	<ul style="list-style-type: none"> <li>• Annual submission (pay claim)</li> <li>• Revision to the Pay Policy - Board approved</li> <li>• People Cttee established and have responsibility for scrutiny in these areas</li> <li>• Review of pay structure</li> <li>• Pay review consultants in place</li> <li>• Review of Healthcare and Fleet underway</li> <li>• New procedure in place for Market Supplements</li> <li>• Action plan in place</li> <li>• Recruitment Drive by HR business partner</li> <li>• Better advertising in relation to benefits</li> </ul>	<p>As part of the new five-year Corporate Strategy, Hanover will look to build the strong platform from which the organisation can further grow and develop. A key element of the new strategy will be retaining and developing our people, which of course in the current climate can be a challenge and competitive terms and conditions play an essential role.</p> <p>A pay review has recently commenced which will review all aspects of the pay framework, not just salary levels. A full assessment of the range of terms and conditions offered to Hanover's employees is being undertaken to ensure we take a holistic view that will allow a robust implementation plan to be developed.</p>

# Hanover (Scotland) Housing Association Limited

## Review by the Board Year ended 31 March 2022

	of working for HSHA care sector	
<p><b>Economic Environment</b> If the economic circumstances of Brexit, Covid-19 and high inflation impact on the UK Government, then there could be significant impact to the Association in relation to: finances (potentially higher prices i.e., tender costs/cost of materials etc) OJEU Procurement</p>	<ul style="list-style-type: none"> <li>• Scenario planning &amp; stress testing of the Business Plan</li> <li>• Close Budget Monitoring</li> <li>• G20 updates</li> <li>• Letters sent to contractors requesting information re "Implications of Brexit on your service provision for HSHA"</li> <li>• Regular bulletins and updates from Treasury Advisors</li> </ul>	<p>It is likely that financial hardship will continue due to the fallout from Covid-19, Brexit and high inflation. Spending cuts will, therefore, continue to put further pressure on public and voluntary sector services bringing further discomfort for our customers. Should this trend continue, we will continue to see the deepening of fuel and food poverty, particularly in more remote rural areas.</p> <p>The pressures on living standards place further strain on the affordable housing sector through increased demand for access to our services. We need to be aware of the affordability issues some of our customers will experience with the heightened risk that some will be unable to meet these costs in this challenging economic environment.</p>
<p><b>Day Care Services</b> If further LAs stop commissioning and don't resume day care services, then we will need to reconfigure operational services at the developments involved in order to avoid them going into a deficit position</p>	<ul style="list-style-type: none"> <li>• Re-apportionment of costs</li> <li>• Re-deployment of staff</li> <li>• Other means of funding being investigated</li> <li>• Good and regular dialogue being maintained with Local Authority partners.</li> </ul>	<p>Post Covid-19 the Day Care service commissioned by Local Authorities closed. They have yet to reopen to normal to pre-Covid levels and Moray Council have not renewed their contract.</p> <p>There is no indication that other Local Authorities will re-commission they Day Cares services, but plan have been formulated in case this does happen.</p>



# Hanover (Scotland) Housing Association Limited

## Review by the Board Year ended 31 March 2022

### Statement of Responsibilities of the Board

The Co-operative and Community Benefit Societies Act 2014 requires the Board to ensure that financial statements are prepared for each financial year, which give a true and fair view of the Association's state of affairs and of the surplus or deficit of the Association for that period. In preparing those financial statements, the Board is required to:

- select suitable accounting policies and 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 being disclosed and explained in the financial statements.
- prepare the financial statements on the going concern basis unless it is not appropriate to presume that the Association will continue in business; and
- ensure a statement on Internal Financial Controls is prepared.

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

The members of the Board at the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditor is unaware. They confirm that they have taken all steps that they ought to have taken to make

themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

### Statement on Internal Financial Controls

1. The Board acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:
  - the reliability of financial information used within the Association, or for publication.
  - the maintenance of proper accounting records; and
  - the safeguarding of assets against unauthorised use or disposition.
2. It is the Board's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable, and not absolute, assurance against material financial mis-statement or loss or failure to meet objectives. Key elements of the Association's systems include ensuring that:
  - formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
  - experienced and suitably qualified staff take responsibility for the important business functions and annual appraisal procedures have been established to maintain standards of performance;
  - forecasts and budgets are prepared which allow the Management Team and Board to monitor the key business risks, financial

# Hanover (Scotland) Housing Association Limited

## Review by the Board

Year ended 31 March 2022

objectives and progress being made towards achieving the financial plans set for the year and for the medium term.

- monthly management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information, with significant variances from budget being investigated as appropriate.
  - regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies.
  - all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through the Board;
  - the Audit Committee receives reports from management and from the external and internal auditors, to provide reasonable assurance that control procedures are in place and are being followed, and that a general review of the major risks facing the Association is undertaken;
  - formal procedures have been established for instituting appropriate action to correct any weakness identified through internal and external audit reports.
  - and significant risks are identified, evaluated and managed, as previously outlined on pages 13 -14 of this review.
3. The internal auditor was appointed in 2019 for a three year period. The second year of the programme of work, based on the Audit Needs Assessment and an internal risk review, was completed in 2020/21. In addition to individual reports resulting from the ongoing

programme of work, the internal auditor prepares an annual report for the Audit Committee each year. 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 Regulatory Advice Note: Internal Financial Controls and Regulatory Standards September 2014.

4. The effectiveness of the Association's system of internal financial control has been reviewed by the Audit Committee. 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. 2021-22 has seen the introduction of a financial control framework which be implemented and rolled through through the course of 2022-23.

### Auditor

A resolution for the appointment of Anderson, Anderson & Brown Audit LLP, as auditor of the Association, will be proposed at the Annual General meeting.

### On behalf of the Board

**Board Member: Gary Devlin**

**Date: 29 August 2022**

# Hanover (Scotland) Housing Association Limited

## Independent Auditor's Report to the members of Hanover (Scotland) Housing Association Limited

### Opinion

We have audited the financial statements of Hanover (Scotland) Housing Association Limited (the Association) for the year ended 31 March 2022 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 a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including 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 2022 and of its income and expenditure for the year then ended.
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of Co-operative and Community Benefits Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – February 2019, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) regulation 2006 (as amended).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities

for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director'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 on the company'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 directors with respect to 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 is responsible for the other information. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially

# Hanover (Scotland) Housing Association Limited

## Independent Auditor's Report to the members of Hanover (Scotland) Housing Association Limited (continued)

misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Matters on which we are required to report by exception

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

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

### Responsibilities of the Board

As explained more fully in the Board's Responsibilities Statement set out on page 14, the Board 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 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 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 either intends to

liquidate the Association or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

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

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

We obtained an understanding of the legal and regulatory frameworks within which the Association operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements.

The laws and regulations we considered in this context were Co-operative and Community Benefits Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – February 2019, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts 9Scotland) regulation 2006 (as amended).

# Hanover (Scotland) Housing Association Limited

## Independent Auditor's Report to the members of Hanover (Scotland) Housing Association Limited (continued)

We identified the greatest risk of material impact on the financial statements from irregularities including fraud to be:

- Management override of controls to manipulate the company's key performance indicators to meet targets
- Compliance with relevant laws and regulations which directly impact the financial statements and those that the company needs to comply with for the purpose of trading

Our audit procedures to respond to these risks included:

- Testing of journal entries and other adjustments for appropriateness
- Evaluating the business rationale of significant transactions outside the normal course of business
- Reviewing judgments made by management in their calculation of accounting estimates for potential management bias
- Enquiries of management about litigation and claims and inspection of relevant correspondence
- Reviewing legal and professional fees to identify indications of actual or potential litigation, claims and any non-compliance with laws and regulations
- Analytical procedures to identify any unusual or unexpected trends or relationship;
- Reviewing minutes of meetings of those charged with governance to identify any matters indicating actual or potential fraud

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves

intentional concealment, forgery, collusion, omission or misrepresentation.

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

### Use of our report

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

**Andrew Shaw**  
**For and on behalf of Anderson Anderson & Brown Audit LLP,**  
**Statutory Auditor**

***Eligible to act as auditor in terms of section 1212 of the  
Companies Act 2006***  
**Chartered Accountants**  
**1 Lochrin Square**  
**92 Fountainbridge**  
**EDINBURGH**  
**EH3 9QA**

**Date: 29 August 2022**

# Hanover (Scotland) Housing Association Limited

## Independent Auditor's Report to the members of Hanover (Scotland) Housing Association Limited on Corporate Governance Matters

In addition to our audit of the Financial Statements, we have reviewed your statement on pages 14 -15 concerning the Association's compliance with the information required by 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 14 - 15 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.

**Andrew Shaw**  
**For and on behalf of Anderson Anderson & Brown Audit LLP**  
**Statutory Auditor**  
**Chartered Accountants**  
**1 Lochrin Square**  
**92 Fountainbridge**  
**EDINBURGH**  
**EH3 9QA**

**Date: 29 August 2022**



# Hanover (Scotland) Housing Association Limited

## Statement of Comprehensive Income

For the year ended 31 March 2022

	Notes	2022 £'000	2021 £'000
Turnover	2	43,838	42,700
Less: Operating Costs	2	(39,600)	(36,859)
Gain on disposal of housing property		280	42
<b>Operating surplus</b>		<b>4,518</b>	<b>5,883</b>
Interest receivable and other income	7	-	3
Interest payable and financing costs	8	(1,922)	(1,963)
<b>Surplus before taxation</b>		<b>2,596</b>	<b>3,923</b>
Taxation	21	(12)	(5)
<b>Surplus for the year</b>		<b>2,584</b>	<b>3,918</b>
Actuarial Gain / (Loss) on pension obligations	20	2,677	(5,502)
<b>Total comprehensive income for the year</b>		<b>5,261</b>	<b>(1,584)</b>

The results for the year relate wholly to continuing activities.

The notes on pages 25 to 48 form part of these financial statements.

# Hanover (Scotland) Housing Association Limited

## Statement of Changes in Reserves

	£'000
<b>Income and Expenditure Reserve</b>	
Balance at 31 March 2020	40,528
Surplus from the Statement of Comprehensive Income	3,918
Other Comprehensive Income	
Actuarial loss in respect of pension schemes	<u>(5,502)</u>
<b>Balance at 31 March 2021</b>	<u>38,944</u>
Surplus from the Statement of Comprehensive Income	2,584
Other Comprehensive Income	
Actuarial gain in respect of pension schemes	<u>2,677</u>
<b>Balance at 31 March 2022</b>	<u>44,205</u>



# Hanover (Scotland) Housing Association Limited

## Statement of Financial Position at 31 March 2022

	Notes	£'000	2022 £'000	£'000	2021 £'000
<b>Fixed Assets</b>					
<b>Non-Current Assets:</b>					
Intangible assets	9		571		588
Housing properties	9		190,872		187,628
Other tangible fixed assets	9		4,947		5,272
Investment in subsidiary	24		1		1
			196,391		193,489
<b>Current Assets</b>					
Trade and other debtors	10	3,177		2,259	
Cash and cash equivalents	11	3,136		4,410	
		6,313		6,669	
<b>Current Liabilities</b>					
Creditors: Amounts falling due within one year	12	(10,833)		(8,463)	
<b>Net Current (Liabilities) / Assets</b>			(4,520)		(1,794)
<b>Total Assets less Current Liabilities</b>			191,871		191,695
Creditors: Amounts falling due after more than one year	13		(147,221)		(146,284)
Provisions	15		(5)		(27)
Defined benefit pension liabilities	20		(440)		(6,440)
<b>Total Net Assets</b>			44,205		38,944
<b>Capital and Reserves</b>					
Share Capital	14		-		-
Income and Expenditure Reserve			44,205		38,944
<b>Total Reserves</b>			44,205		38,944

The Board approved and authorised the financial statements for issue on 29 August 2022 and are signed on its behalf by:

**Chairperson:**  
Gary Devlin

**Board Member:**  
Julia Fitzpatrick

**Company Secretary:**  
Wendy Russell

The notes on pages 25 to 48 form part of these financial statements.

# Hanover (Scotland) Housing Association Limited

## Statement of Cash Flows For the year ended 31 March 2022

	Notes	2022 £'000	2021 £'000
<b>Net cash generated from operating activities</b>	(i)	8,544	8,286
<b>Cash Flow from Investing Activities</b>			
Purchase of tangible fixed assets	9	(10,378)	(7,010)
Proceeds from sale of tangible fixed assets		461	86
Grants received		3,238	3,497
Interest received		-	3
<b>Net cash used in investing activities</b>		<u>(6,679)</u>	<u>(3,424)</u>
<b>Cash Flow from Financing Activities</b>			
Interest paid		(1,819)	(1,924)
New loans		-	-
Repayments of borrowings		<u>(1,320)</u>	<u>(4,460)</u>
<b>Net cash from financing activities</b>		<u>(3,139)</u>	<u>(6,384)</u>
<b>Net Decrease in cash</b>		(1,274)	(1,522)
<b>Opening cash at beginning of year</b>		4,410	5,932
<b>Closing cash at end of year</b>		<u>3,136</u>	<u>4,410</u>

# Hanover (Scotland) Housing Association Limited

## Notes to the Cash Flow Statement for the year ended 31 March 2022

(i) **Reconciliation of surplus to net cash generated from operations**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Surplus	2,584	3,918
Depreciation on Housing Properties	6,568	6,303
Depreciation on Other Fixed Assets	456	465
Amortisation on Intangible Fixed Assets	188	188
Amortisation of Capital Grants	(3,050)	(2,955)
Gain on disposal of assets	(280)	(42)
Changes in owners' funds	484	143
Changes in service and heating charges	21	108
SHAPS Remeasurement	(15)	1
Decrease in pension provision	(1,166)	(1,406)
Deferred Finance Charge write down	29	26
Pension Past Service Deficit paid in year	(7)	(7)
Interest receivable	-	(3)
Interest paid	1,922	1,963
Taxation paid	2	1
	<hr/>	<hr/>
<b>Operating cash flows before movement in working capital</b>	<b>7,732</b>	<b>8,703</b>
Increase in trade and other debtors	(902)	(60)
Increase / (Decrease) in trade and other creditors	1,714	(357)
	<hr/>	<hr/>
<b>Cash generated from operations</b>	<b><u>8,544</u></b>	<b><u>8,286</u></b>

## Hanover (Scotland) Housing Association Limited

**(ii) Analysis of net debt**

	At 31 March 2021 £'000	Cash Flow £'000	Other Change £'000	At 31 March 2022 £'000
Cash and short term deposits	4,410	(1,274)	-	3,136
Debt due within one year	(1,294)	1,320	(1,345)	(1,319)
Debt due after one year	(40,379)	-	1,316	(39,063)
<b>Total</b>	<b>(37,263)</b>	<b>46</b>	<b>(29)</b>	<b>(37,246)</b>

**(iii) Reconciliation of net cash flow to movement in net debt**

Decrease in cash and short term deposits in the period	(1,274)
Decrease in loans in the period	1,291
Change in net debt	17
Net debt at 1 April 2021	(37,263)
Net debt at 31 March 2022	(37,246)

# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2022

### 1 Accounting Policies

Hanover is incorporated under the Co-operative and Community Benefit Societies Act 2014, is registered in Scotland with the Financial Conduct Authority and is classed as a public benefit entity under FRS102. The Association's registered housing association number is 124 and its registered office is 95 McDonald Road, Edinburgh EH7 4NS.

#### a) Going Concern

Hanover continues to conduct regular stress testing and forecasting and is confident that there will be no detrimental impact on loan covenants, liquidity or cash flows. Creditors due after more than 1 year are more than the previous year mainly due to the liability that has realised with Hanover's exit from Lothian Pension Fund defined benefits scheme of £1.9m to be repaid over a seven year period. This eliminates the risk of increased pension liabilities that being in the scheme presented. Cash balances at the end of 2021-22 were less than last year but still considered high at £3.16m and sufficient to meet current liabilities due. There remains £20m of undrawn funding available to meet the commitment over the next five year and therefore, the Association continues to operate on a going concern basis.

#### 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 comply with the Determination of Accounting Requirements 2019, and under the historical cost convention.

The financial statements are prepared in £ sterling and are rounded to the nearest £'000 unless otherwise stated.

#### c) Accounting judgements and estimations of accounting

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.

Management reviews its estimates of the useful lives of depreciable assets at each reporting date, using both internal and external advice. See note f) v) for depreciation information.

Judgements have been made in determining the Association's share of the underlying assets and liabilities of the SHAPS defined benefit scheme, the valuations prepared by the Scheme actuaries includes estimations in relation to life expectancy, salary growth, inflation and the discount rate on corporate bonds (details as per note 20). Variations in these estimations may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 20). The net defined benefit pension liability as at 31 March 2022 was £0.44m SHAPS. Our commitment to the SHAPS Growth Plan, of £2k (plus 3% increase) per annum over the next 3 years has been discounted at a rate of 2.35%, amounting to a net present value of £5k.

Following SORP 2018 guidance, any gains or losses arising on the disposal of replacement components are recognised within operating surplus. These are disclosed separately from operating costs.

The former Arklet housing properties is valued on the basis of estimated use value for social housing (EUV-SH) which uses a significant level of estimation by the valuer. These properties will be subject to a triennial revaluation where future variations in rent levels may impact on valuations.

# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2022

### d) Turnover and Revenue Recognition

Turnover represents rental and service charge income receivable, income from the sale of housing properties are recognised in the period in which they are due. Fees and revenue based grants receivable from Local Authorities and Scottish Government, and charges to Hanover Telecare service users are recognised in the period to which services were provided. Grant income is recognised when all conditions have been met and the Association is entitled to the income.

### e) Social Housing Grant and Other Grants

For developments under the terms of the Housing (Scotland) Act 2010, Housing Association Grant (HAG) is paid directly to the Association as required to meet its liabilities during the development process.

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. These are held as deferred capital grants.

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

### f) Housing properties and depreciation

- i) Housing properties are properties for the provision of social housing or to otherwise provide social benefit. Housing properties are stated at cost less accumulated depreciation and

impairment losses. Cost includes the cost of acquiring land and buildings, development expenditure and interest charged on the funds used to finance housing projects in the development period less depreciation.

- ii) Works to existing properties will generally be capitalised 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. Works to existing properties which fail to meet the above criteria are charged to operating costs within the Statement of Comprehensive Income.
- iii) The major components are deemed to be: Land, Structure, Roof Structure and Coverings, Bathrooms, Kitchens, Doors, Windows, Lifts, Intercom/Door Entry, Radiators/Pipework, Storage Heating, Boilers and Smoke Alarms. Each component has a substantially different economic life and is depreciated over this individual life. Depreciation rates are shown in note f)v.
- iv) Reviews for impairment indicators of housing properties are carried out on an annual basis and any impairment in an income generating unit is recognised by a charge to the Statement of Comprehensive Income. Indicators of impairment can be: contamination of land; a change in government policy that has a material impact on the net income; a change in demand with a material increase in the level of voids; or obsolescence of a property. If there is an indication of

# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2022

impairment, the carrying amount of the asset should be compared to the recoverable amount. If the recoverable amount is lower than the carrying value, the Association will need to record an impairment. The recoverable amount is the higher of value in use of the asset, based on its service potential, and fair value less costs to sell.

- v) Depreciation is charged on a straight line basis over the expected economic useful lives of each major component that makes up the housing property, not including land, as land is not depreciated, as follows:

Component	Useful Economic Life
Structure	60 years
Roof Structure	60 years
Radiators and Pipework for	
Commercial Boilers	40 years
Roof Covering	35 years
Windows	30 years
Radiators / Pipework	30 years
External Doors	30 years
Bathrooms	30 years
Kitchens	20 years
Lifts	20 years
Commercial Boilers	20 years
Biomass Boilers	20 years
Boilers	15 years
Storage Heating	15 years
Intercom / Door Entry	15 years
Smoke Alarms	10 years

- vi) The Shared Equity properties reflect the Association's 30% interest share in three shared equity developments. This 30% share reflects the value of the Housing Association Grant received from the then Scottish Office and remains the

property of the Association in perpetuity. The properties are stated at cost less accumulated depreciation. Shared Equity and Shared Ownership properties are depreciated over 60 years.

- vii) Strictly attributable development staff and administration costs relating to development activities are capitalised based on an apportionment of staff time spent on this activity.
- viii) Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of the property sold are removed from the financial statements at the date of sale, except for first tranche sales. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.
- ix) Properties, which are no longer in use and are marketed for sale as at 31 March, are held as assets for sale at their estimated realisable sale value net of disposal costs.
- x) Gains or losses arising on the disposal of replacement components are recognised within operating surplus. These are disclosed separately from operating costs.

### g) Other fixed assets

Other fixed assets purchased that are over the value of £1,000 are capitalised.

Depreciation is calculated to write down the cost of other fixed assets on a straight line basis over the expected useful lives at the following rates:

Office premises	2% - 15%
Garages	7%
Equipment	20% – 25%

# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2022

### h) Intangible Fixed Assets

All intangible assets are considered to have a finite useful life. The useful life of an intangible asset that arises from contractual or other legal rights shall not exceed the period of the contractual or other legal rights, but can be shorter depending on the period over which the entity expects to use the assets. Intangible assets are depreciated on a straight line basis at 20% per annum. This depreciation charge is included within the Association's operating costs.

### i) Fund for replacement of scheme equipment – owner occupiers

Transfers are made from the service charge to replace items of scheme equipment based on current replacement costs and estimated lives. The fund is included in deferred income and is split into amounts falling due within one year and after more than one year, based on budgeted figures for the following year.

### j) Fund for repairs and replacement equipment – owner occupiers

Transfers are made from the service charge to meet the cost of future repairs on owner occupied developments based on current repairs and replacement costs and estimated lives. The fund is included in deferred income and is split into amounts falling due within one year and after more than one year, based on budgeted figures for the following year.

### k) Service equalisation accounts – tenanted properties

The Association maintains Service Charge Equalisation accounts for tenanted properties. These accounts hold the under/over recovery of costs at the tenanted developments and are recognised in debtors / long term creditors respectively.

### l) Reserves Policy

The Association will build up sufficient reserves to keep it financially viable to enable it to achieve its overall aims. This requirement is reviewed annually. The Association will maintain any risk reserve

which is considered necessary in accordance with the policy on risk management.

### m) Income and Expenditure Reserve

The reserve, which is not cash backed, is held to meet any unforeseen risks encountered by the Association. The Board regularly considers the target level on a risk management basis and the future expected use of this reserve (see Revenue Reserves page 12).

### n) Operating Leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the term of the lease.

### o) Taxation Policy

The Association pays corporation tax on its non-charitable activities. As a Registered Social Landlord, the Association is exempt from payment of corporation tax on its social letting activities.

### p) Value Added Tax

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

### q) Retirement Benefits

The Board made the decision that from 1 April 2016 the Scottish Housing Associations' Pension Scheme (SHAPS), which was a defined benefit scheme, would be closed for Association staff and all participating staff would be moved to the SHAPS defined contribution option.

Retirement benefits to employees are funded by contributions from employers and employees in the schemes. The amount charged to



# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2022

the Statement of Comprehensive Income in respect of the defined contribution scheme are the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Hanover exited the Lothian Pension Fund scheme on 7 October 2021. At that point, 16 employees (2020:17 employees) were members of the fund, administered by The City of Edinburgh Council. The LPF was a defined benefit scheme, providing benefits based on final pensionable pay.

At 7 October 2021, the final cessation results showed a deficit of £2.58m. It was agreed that this would be paid over a period of eight years. The first payment was made in December 2021. The remaining balance has been transferred from pension liabilities to Creditors due within 1 year (£323k) and Creditors due after 1 year (£1.94m).

The Association is able to identify its share of the scheme assets and liabilities for the Scottish Housing Association Pension Scheme (SHAPS) defined benefit scheme. The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates.

As at the year ended 31 March 2022, the net defined benefit pension deficit liability was £0.44m, which has been included within the provisions for pensions liability in the financial statements. In the year ended 31 March 2022, the current service cost and costs from settlements and curtailments are charged against the operating surplus. Past service costs are recognised in the current period within the income and expenditure account. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income. Refer to Note 20 for more details.

For the Pensions Trust's Growth Plan, it is not possible for the Association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore, it accounts for the scheme as a defined contribution scheme. The estimated future liability for the Past Service Deficit is held as a provision and is shown in note 15.

### r) Financial Instruments

The Association has elected to apply the provisions of Section 11 "Basic Financial Instruments" and section 12 "Other Financial Instruments Issues" of FRS102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument, and are offset only when the Association currently has a legal 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.

# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2022

### *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.

### *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 payment 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.

### *Cash and Cash Equivalents*

Cash and cash equivalents include cash at bank and in hand and short term deposits maturing within one year.

### s) 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 effect of 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. The unwinding of the discount is recognised within interest payable and similar charges.

# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2022

### 2 Turnover, Operating Costs and Operating Surplus

	Notes	Turnover £'000	Operating Costs £'000	2022 Operating Surplus £'000	2021 Operating Surplus £'000
Social Lettings	3a	35,798	(31,861)	3,937	5,473
Other Activities	3b	8,040	(7,739)	301	368
		<b>43,838</b>	<b>(39,600)</b>	<b>4,238</b>	<b>5,841</b>
Gain on disposal of housing property		280	-	280	42
<b>Total for 2022</b>		<b>44,118</b>	<b>(39,600)</b>	<b>4,518</b>	<b>5,883</b>
<b>Total for 2021</b>		<b>42,742</b>	<b>(36,859)</b>	<b>5,883</b>	

# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2022

### 3a Income and Expenditure from Affordable Letting Activities

	General Needs Housing £'000	Supported Housing Accommodation £'000	Shared Equity & Ownership Accommodation £'000	Total 2022 £'000	Total 2021 £'000
Rent receivable net of Identifiable Service Charges	2,082	19,274	74	21,430	20,931
Service Charges receivable	199	12,118	-	12,317	12,126
Gross income from rents & service charges	2,281	31,392	74	33,747	33,057
Less: Voids	(38)	(1,066)	-	(1,104)	(1,276)
<b>Net income from rents &amp; service charges</b>	<b>2,243</b>	<b>30,326</b>	<b>74</b>	<b>32,643</b>	<b>31,781</b>
Other Revenue Grants	-	111	-	111	162
Grant released from deferred income	408	2,614	22	3,044	2,955
<b>Total turnover from affordable letting activities</b>	<b>2,651</b>	<b>33,051</b>	<b>96</b>	<b>35,798</b>	<b>34,898</b>
Management & maintenance administration costs	589	5,917	21	6,527	6,011
Service costs	190	11,896	-	12,086	11,863
Planned and cyclical maintenance including major repairs costs	193	2,045	-	2,238	1,558
Reactive maintenance costs	323	3,570	-	3,893	3,157
Bad debts - rents and service charges	32	517	-	549	533
Depreciation of affordable housing	822	5,711	35	6,568	6,303
<b>Operating Costs for affordable letting activities</b>	<b>2,149</b>	<b>29,656</b>	<b>56</b>	<b>31,861</b>	<b>29,425</b>
<b>Operating Surplus for affordable letting</b>	<b>502</b>	<b>3,395</b>	<b>40</b>	<b>3,937</b>	<b>5,473</b>
Operating Surplus for affordable letting for previous period of account	930	4,480	63	5,473	

# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2022

### 3b Turnover, Operating Costs and Operating Surplus/(Deficit) from Other Activities

	Grants from Scottish Ministers £'000	Other Revenue Grants £'000	Supporting People Income £'000	Other Income £'000	Total Turnover £'000	Operating Costs Bad Debts £'000	Other Operating Costs £'000	2022 Surplus/ (Deficit) for the Year £'000	2021 Surplus/ (Deficit) for the Year £'000
Wider Role Activities	-	-	-	-	-	-	-	-	-
Care & Repair of Property	-	-	-	-	-	-	-	-	-
Investment property activities	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	2,206	2,206	-	(2,206)	-	-
Support Activities	-	-	1,105	-	1,105	-	(1,061)	44	(2)
Care Activities	-	-	-	2,419	2,419	-	(2,459)	(40)	55
Contracted out services for RSLs	-	-	-	-	-	-	-	-	-
Contracted out services for other organisations	-	-	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-
Developments & improvements for sale to other organisations	-	-	-	-	-	-	-	-	-
Uncapitalised development administration costs	-	-	-	-	-	-	-	-	-
Telecare	-	-	-	1,532	1,532	-	(1,325)	207	167
Stage 3 Adaptations	-	427	-	-	427	-	(427)	-	-
Other Activities*	-	-	-	351	351	-	(261)	90	148
<b>Total from Other Activities</b>	<b>-</b>	<b>427</b>	<b>1,105</b>	<b>6,508</b>	<b>8,040</b>	<b>-</b>	<b>(7,739)</b>	<b>301</b>	<b>368</b>
<b>Total from Other activities for year ended 31 March 2020</b>	<b>-</b>	<b>182</b>	<b>1,050</b>	<b>6,570</b>	<b>7,802</b>	<b>-</b>	<b>(7,434)</b>	<b>368</b>	

\* Under other activities – no single activity exceeds £250k or 5% of turnover.

# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2022

### 4 Key Management's Emoluments

Key management personnel (KMP) are defined as the members of the Board, the directors, the Chief Executive and any other person reporting directly to the directors or the Board. The KMP consist of the Chief Executive and the Directors, as noted on page 1.

	2022 £'000	2021 £'000
Total emoluments for the above key management personnel (excluding pension contributions and benefits in kind):	<u>418</u>	<u>398</u>
The emoluments (excluding pension contributions) of the Chief Executive amounted to :	<u>116</u>	<u>126</u>
The emoluments of the Chief Executive represent the total amount paid to the two postholders during the year.		
The total emoluments payable to the highest paid member of the key management personnel amounted to :	<u>123</u>	<u>135</u>

The number of key management personnel, who received emoluments (excluding pension contributions) were within the following ranges:

	2022 No. of Key Mgt Personnel	2021 No. of Key Mgt Personnel
£60,001 to £70,000	1	-
£70,001 to £80,000	1	1
£80,001 to £90,000	2	2
£90,001 to £100,000	-	1
£100,001 to £110,000	-	-
£110,001 to £120,000	<u>1</u>	<u>-</u>

The Association made pension contributions of £28,387 (2021: £54,477) on behalf of those key management personnel including £7,100 (2021: £34,788) to the highest paid.

The Board had a membership of 13 as at 31 March 2022 and a maximum of 14 members during the year. No payment of fees or other remuneration was made to the members during the year.

	2022 £'000	2021 £'000
Total expenses reimbursed to the Chief Executive insofar as not chargeable to UK Income Tax:	<u>-</u>	<u>1</u>
Total expenses incurred on behalf of Board Members who were neither officers nor employees of the Association amounted to:	<u>-</u>	<u>1</u>

### 5 Employee Information

The average monthly FTE number of persons (including key management personnel) employed in the year was:

	2022 No.	2021 No.
The average number of persons (including key management personnel) employed in the year was:	<u>455</u>	<u>469</u>
	<u>601</u>	<u>617</u>

# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2022

Staff costs (including key management personnel emoluments)	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	13,483	13,243
Social security costs	1,093	1,067
Pension costs	692	825
BUPA	11	15
	<u>15,279</u>	<u>15,150</u>

Payments to the value of £100,258 (2021: £24,568), in respect of redundancy costs, are included within the totals for staff costs.

### Average FTE Employees per Month

Apr-21	468	Oct-21	451
May-21	465	Nov-21	452
Jun-21	468	Dec-21	446
Jul-21	463	Jan-22	441
Aug-21	456	Feb-22	442
Sep-21	457	Mar-22	449

## 6 Operating Surplus

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Operating surplus is stated after charging/ (crediting) :		
Depreciation (exc Intangible Assets)	7,024	6,475
Amortisation on Intangible Assets	188	188
Grant amortisation	(3,050)	(2,955)
Repairs: cyclical, planned, day to day	6,118	4,715
External auditors' remuneration – audit services	22	36

Internal auditors' remuneration	16	16
Hire of plant and machinery - rentals payable under operating leases	102	102

## 7 Interest Receivable and Other Income

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Interest receivable on bank deposits	<u>-</u>	<u>3</u>

## 8 Interest Payable and Similar Charges

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Housing loans:		
On loans from banks and building societies repayable in more than 5 years	2,017	1,998
Less interest capitalised in year	<u>(198)</u>	<u>(74)</u>
	1,819	1,924
Interest on owner occupier funds	-	-
Net return on pension assets	<u>103</u>	<u>39</u>
	<u>1,922</u>	<u>1,963</u>

# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2022

### 9 Fixed Assets

	-----Social Housing Properties-----				Total Housing £'000	Heritable Office Property £'000	Computer & Leased Equipment £'000	Total Other £'000	Intangible Fixed Assets £'000
	Held for Letting £'000	Shared Ownership £'000	Shared Equity £'000	WIP Properties/ Components £'000					
<b>Cost</b>									
At 1 April 2021	277,271	1,121	1,059	9,162	<b>288,614</b>	7,008	1,809	<b>8,817</b>	<b>1,418</b>
Additions in the year	1,240	-	-	8,836	<b>10,076</b>	1	130	<b>131</b>	<b>171</b>
Transfers in the year	13,745	-	-	(13,745)	-	-	-	-	-
Disposals in the year	(476)	(124)	-	-	<b>(600)</b>	-	-	-	-
At 31 March 2022	291,780	997	1,059	4,253	<b>298,090</b>	7,009	1,939	<b>8,948</b>	<b>1,589</b>
<b>Depreciation</b>									
At 1 April 2021	100,245	125	616	-	<b>100,987</b>	2,302	1,243	<b>3,545</b>	<b>830</b>
Provided during year	6,533	18	17	-	<b>6,568</b>	151	305	<b>456</b>	<b>188</b>
Disposals in the year	(285)	(51)	-	-	<b>(336)</b>	-	-	-	-
At 31 March 2022	106,493	92	633	-	<b>107,218</b>	2,453	1,548	<b>4,001</b>	<b>1,018</b>
<b>Net book value</b>									
at 31 March 2021	177,026	997	443	9,162	<b>187,628</b>	4,706	566	<b>5,272</b>	<b>588</b>
at 31 March 2022	185,287	905	426	4,253	<b>190,872</b>	4,556	391	<b>4,947</b>	<b>571</b>



# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2022

### 9 Fixed Assets (continued)

- a) Hanover received £426,650 (2021: £181,601) in the year in respect of Housing Association Grant for Adaptations of which £426,650 (2021: £181,601) has been treated as revenue and £nil (2021: £nil) was capitalised in the Statement of Financial Position. No grants were received in the year for Major Repairs.
- b) Notwithstanding the required accounting in the Statement of Financial Position, Hanover undertook a programme of property valuations in 2021. The average value of each unit was £29,340, using the existing use criteria. This compares to an average net book value of £18,389 per unit at 31 March 2022.
- c) For major repairs during the year the Association spent £2.70m (2021: £1.96m): £1.23m (2021: £0.93m) was capitalised for replacement components; and £1.47m (2021: £1.03m) was expensed through operating costs in the Statement of Comprehensive Income. A further £5k (2021: £0.2m) was capitalised for expenditure on new developments completed in 2019/20 and 2018/19. £Nil (2021: £nil) of additions relate to improvements.
- d) Development administration costs capitalised in the year amounted to £2,080 (2021: £232,996).
- e) Interest capitalised in the year amounted to £198,606 (2021: £73,639). The interest capitalised was in respect of the interest paid on loans used specifically for new development expenditure. Interest capitalised was 9.8% of total loan interest (2021: 3.7%).
- f) No Land or Buildings included in Fixed Assets are held on a lease or managed by other association bodies.

- g) Included in fixed assets is land of £22,396k which is not depreciated.

### 10 Debtors

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Rental debtors	871	698
Less: bad debt provision	(62)	-
	809	698
HAG receivable	123	132
Owners service charge balances	17	37
Tenants service charge Balances	267	223
Tenants heating charge Balances	24	22
Other debtors	1,016	497
Prepayments and accrued income	921	650
	3,177	2,259

# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2022

### 11 Cash and Cash Equivalents

	2022	2021
	£'000	£'000
Cash and cash equivalents	<u>3,136</u>	<u>4,410</u>

### 12 Creditors: Amounts Falling Due Within One Year

	2022	2021
	£'000	£'000
Loan repayments: instalments of principal (see note 13)	1,319	1,294
Deferred capital grants (see note 16)	3,065	2,997
Owners' funds (see note 13)	918	559
Owners service charge balances	170	301
Corporation Tax	12	5
Other taxation and social security	353	56
Development 'work in progress' accruals	307	211
Accruals and deferred income	1,869	2,249
Rent in advance	363	300
Lothian Pension Fund (see note 20)	323	-
Trade creditors	<u>2,133</u>	<u>491</u>
	<u>10,833</u>	<u>8,463</u>

### 13 Creditors: Amounts Falling Due After More Than One Year

	2022	2021
	£'000	£'000
Loans	39,063	40,379
Deferred capital grants (see note 16)	99,606	99,593
Owners' funds	335	210
Tenants Service Charge Balances	5,315	5,055
Tenants Heating Charge Balances	901	983
Lothian Pension Fund (see note 20)	1,937	-
Other	<u>64</u>	<u>64</u>
	<u>147,221</u>	<u>146,284</u>

# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2022

Hanover's only debt constitutes loans as detailed below. Deferred finance costs of £362k (2021: £391k) have been offset against the loans.

Loans are secured by fixed charges of Hanover's properties and interest is payable at:

- i. Fixed rates between 3.52% and 6.64% (2021: between 3.52% and 6.64%)
- ii. Residents funds receive interest of 0% (2021: 0%)

	2022	2021
	£'000	£'000
<b>Loan instalments are due as follows:</b>		
Within one year (note 12)	1,319	1,294
Between one and two years	1,337	1,319
Between two and five years	4,188	3,757
In over five years	33,538	35,303
	<u>40,382</u>	<u>41,673</u>

### Owners' Funds

	Balance at 31/03/21 £'000	Expenditure in year £'000	Provided in year £'000	Balance at 31/03/22 £'000
Owners replacement of scheme equipment	107	(4)	21	124
Owner occupier repairs	662	(446)	913	1,129
	<u>769</u>	<u>(450)</u>	<u>934</u>	<u>1,253</u>
Split as follows :				
Less than one year and included in note 12	<u>(559)</u>			<u>(918)</u>
More than one year	<u>210</u>			<u>335</u>

# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2022

### 14 Share Capital

	2022	2021
	No.	No.
Opening share capital	365	374
Shares allocated during the year	10	15
Shares relinquished during the year	(31)	(24)
Closing share capital	<u>344</u>	<u>365</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings. Shares are fully paid as at 31 March 2022.

### 15 SHAPS Growth Plan Pension Provision

	2022	2021
	£'000	£'000
Balance at start of year	27	32
Utilised in the year	(7)	(7)
Remeasurement	(15)	1
Unwinding of discount	-	1
Balance at end of year	<u>5</u>	<u>27</u>

The amount held within this provision represents an estimate of the future liability in respect of the Past Service Deficit of the SHAPS Growth Plan Scheme payable over the next 3 years.

### 16 Deferred Capital Grants

	2022
	£'000
<b>Grant</b>	
As at 1 April 2021	177,528
Grant received in the year	3,229
Grant repaid / abated in the year	(124)
As at 31 March 2022	<u>180,633</u>
<b>Amortisation of Grant</b>	
As at 1 April 2021	74,938
Grant released during the year	3,050
Disposals / abatements	(26)
As at 31 March 2022	<u>77,962</u>
Net book value at 31 March 2021	<u>102,590</u>
Net book value at 31 March 2022	<u>102,671</u>
Shown as:	
Amount to be released within one year	<u>3,065</u>
Amount to be released after more than one year	<u>99,606</u>

# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2022

### 17 Financial Instruments

As at 31 March 2022, the Association held the following financial assets and liabilities:

	£'000
Financial assets measured at amortised cost	5,817
Financial assets measured at fair value	-
Total financial assets	<u>5,817</u>

	£'000
Financial liabilities measured at amortised cost	54,651
Financial liabilities measured at fair value	-
Total financial liabilities	<u>54,651</u>

### 18 Capital Commitments

Housing expenditure contracted less certified at 31 March 2022 amounted to £1.79m (2021: £5.06m). Expenditure authorised by the Board but not contracted at 31 March 2022 amounted to nil (2021: £1.51m). Furthermore, the Board has authorised expenditure on capitalised major repairs and replacement components amounting to £4.1m (2021: £0.7m).

In addition, the Board has authorised expenditure on other fixed assets amounting to £0.9m (2021: £0.4m), which includes the purchase of computer equipment and software.

A £20m revolving credit facility is in place to finance future commitments but remains undrawn at 31 March 2022.

### 19 Leasing Commitments

	2022 £'000	2021 £'000
Amounts due:		
Within one year	28	102
Between one and five years	-	28
	<u>28</u>	<u>130</u>

The operating leases are in relation to the lease of company cars.

### 20 Pension Commitments

The Board made the decision that from 1 April 2016 the Scottish Housing Associations' Pension Scheme (SHAPS), which was a defined benefit scheme, would be closed for Association staff and all participating staff would be moved to the SHAPS defined contribution option. All participating staff were moved to the SHAPS defined contribution option or the Group Personal Pension Scheme.

The assets of the schemes are held separately from those of the Association and employer contributions to the schemes are charged to operating costs, so as to spread the costs of pensions over employees' working lives with the Association. The contributions are determined by a qualified actuary on the basis of triennial valuations.

In October 2021, Hanover's membership of Lothian Pension Fund was terminated. This was a defined benefit scheme, providing benefits based on final pensionable pay. The cessation payment of £2.6m relating to Lothian Pension Fund, at the point of cessation, was transferred to Creditors due within 1 year and Creditors due after 1 year.

# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2022

### Scottish Housing Associations Pension Scheme

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

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

The triennial valuation of the scheme for funding purposes was carried out as at 30 September 2018. This valuation revealed a deficit of £121m. A Recovery Plan has been put in place to eliminate the deficit which will run to September 2022. A triennial valuation was carried out in September 2021, with the results due imminently.

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

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September each year. The liability figures from this valuation were rolled forward to the relevant accounting dates, allowing for the different financial assumptions required under FRS102 by a qualified independent actuary, and are used in conjunction with the Association's share of the scheme's total assets to calculate the Association's net deficit at the accounting period start and end dates. The SHAPS net deficit as at 31 March 2022 is £0.44m (2021: £4.494m).

The estimate of total contributions payable by the Association in 2022/23 to the SHAPS scheme is £622k.

### Principal actuarial assumptions at the balance sheet date

	2022 p.a.	2021 p.a.
Discount rate	2.79%	2.15%
Salary growth	3.62%	3.86%
Inflation (RPI)	3.21%	3.29%
Inflation (CPI)	4.21%	2.86%

### Fair value of employer assets

	2022 £'000	2021 £'000
Equities	31,391	30,748
Bonds	3,019	3,959
Property	5,050	4,121
Cash	3,646	3,668
Total Estimated Employer Assets	<u>43,106</u>	<u>42,496</u>

### Movement in deficit during the year

	2022 £'000	2021 £'000
Deficit in scheme at beginning of year	(4,494)	(1,053)
<u>Movements during the year:</u>		
Expenses	(39)	(39)
Contributions paid	1,243	1,226
Other finance costs	(84)	(11)
Actuarial gain / (loss)	2,934	(4,617)
<b>Deficit at the year end</b>	<b><u>(440)</u></b>	<b><u>(4,494)</u></b>

# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2022

### The amounts recognised in the balance sheet are as follows:

	2022 £'000	2021 £'000
Present value of funded liabilities	(43,546)	(46,990)
Fair value of employer assets	43,106	42,496
Net Liability	<u>(440)</u>	<u>(4,494)</u>

### Expense recognised in the statement of comprehensive income

	2022 £'000	2021 £'000
Expenses	(39)	(39)
Net interest on net defined benefit obligations	<u>(84)</u>	<u>(11)</u>
	<u>(123)</u>	<u>(50)</u>

The expense is recognised in the following line items in the statement of comprehensive income

	2022 £'000	2021 £'000
Current service costs in operating costs	39,600	36,859
Net interest in interest payable and financing costs	1,922	1,963

### The total amount recognised in the statement of comprehensive income in respect of actuarial changes

	2022 £'000	2021 £'000
Actuarial gains / (losses)	4,934	(4,617)

### Movements in present value of defined benefit obligation

	2022 £'000
Opening defined benefit obligation	46,990
Expenses	39
Interest cost	992
Actuarial losses	(2,789)
Estimated benefits paid	<u>(1,686)</u>
<b>Closing defined benefit obligation</b>	<b><u>43,546</u></b>

### Movements in the fair value of plan assets are as follows:

	£'000
Opening fair value of employer assets	42,496
Expected return on assets	908
Contributions by members	-
Contributions by the employer	1,243
Contributions in respect of unfunded benefits	-
Actuarial gains	145
Estimated unfunded benefits paid	-
Estimated benefits paid	<u>(1,686)</u>
<b>Closing fair value of employer assets</b>	<b><u>43,106</u></b>

# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2022

### Growth Plan

The Association participates in the Pensions Trust's Growth Plan (the Plan). This is a multi-employer scheme. The scheme is a defined benefit scheme in the UK. It is not possible for the Association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The Association offers the Plan as an AVC investment option for members of the SFHA Pension Scheme. The members pay contributions at a rate of their choice. The Association does not pay any contributions to the Plan.

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2020. This valuation showed assets of £800.3m, liabilities of £831.9m and a deficit of £31.6m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme. The Trustees and the participating employers have agreed that additional contributions of £3.3m will be paid to the scheme per annum to 31 January 2025. The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

As at the balance sheet date there were 2 active members of the Plan employed by The Association. The Association continues to offer membership of the Plan to its employees.

Where the scheme is in deficit and where the Association has agreed to a deficit funding arrangement the Association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate of 2.35% (2021: 0.66%). The discount rate used is the equivalent single discount rate which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions. The unwinding of the discount rate is recognised as a finance cost. At 31 March 2022 the present value of the Association's share of the deficit funding was £5k. This is held within provisions in the SOFP. This liability will be paid over the next 3 years. The amount to be paid in 2022/23 is £1.9k.



# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2022

### Lothian Pension Fund

The Association participates in the Lothian Pension Fund (“the Scheme”) and had 16 active members up until 7 October 2021 when Hanover’s participation in the scheme ended.

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme. Hanover paid contributions at the rate of 41.5% up until leaving the scheme during the accounting period and individual members paid contributions between 5.6% and 8.0%.

The last formal valuation of the Association’s share of the Scheme assets and liabilities was performed at 31 March 2020 by a professionally qualified actuary using the projected unit method. The cessation assumptions as 7 October 2021 are those recommended by the fund and are in line with the Funds Funding Strategy and used for the previous formal valuation. A closing position on FRS102 accounting basis was prepared by the scheme actuaries Hymens Robertson LLP.

### Principal actuarial assumptions at the date of cessation/balance sheet date

	2022 p.a.	2021 p.a.
Pension increase rate	3.05%	2.85%
Salary increase rate	3.55%	3.35%
Discount rate	1.75%	1.95%

### Fair value of employer assets

	2022 £'000	2021 £'000
Equities	-	2,907
Bonds	7,887	3,979
Property	-	230
Cash	329	536
<b>Total Estimated Employer Assets</b>	<b>8,216</b>	<b>7,651</b>

### Movement in deficit during the year

	2022 £'000	2021 £'000
Deficit in scheme at beginning of year	(1,946)	(1,248)
<u>Movements during the year:</u>		
Current service cost	(144)	(250)
Contributions paid	286	464
Other finance costs	(19)	(27)
Actuarial loss	(257)	(885)
<b>Deficit at cessation date / year end</b>	<b>(2,080)</b>	<b>(1,946)</b>
Cessation	2,080	-
<b>Deficit at year end</b>	<b>-</b>	<b>(1,946)</b>

The actual cessation liability was £2,583,000, of which £2,260,000 is outstanding at the year end.

# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2022

<b>The amounts recognised in the balance sheet are as follows:</b>	<b>2022 £'000</b>	<b>2021 £'000</b>	<b>The total amount recognised in other comprehensive income in respect of actuarial changes</b>	<b>2022 £'000</b>	<b>2021 £'000</b>
Present value of funded liabilities	(10,276)	(9,577)	Actuarial losses	(257)	(885)
Fair value of employer assets	8,216	7,651			
	(2,060)	(1,926)	<b>Movements in present value of defined benefit obligation</b>		
Present value of unfunded liabilities	(20)	(20)	Opening defined benefit obligation	9,597	8,031
Deficit	(2,080)	(1,946)	Current service cost	144	250
Cessation	2,080	-	Interest cost	97	185
Net Liability	-	(1,946)	Contribution by members	20	48
			Actuarial losses	632	1,339
<b>Expense recognised in the statement of comprehensive income</b>	<b>2022 £'000</b>	<b>2021 £'000</b>	Estimated unfunded benefits paid	(1)	(1)
Current service cost	(144)	(250)	Estimated benefits paid	(193)	(255)
Net interest on net defined benefit obligations	(19)	(27)	<b>Closing defined benefit obligation</b>	<b>10,296</b>	<b>9,597</b>
Cessation (difference between actual amount paid and FRS102 liability)	(503)	-	<b>Movements in the fair value of plan assets are as follows:</b>	<b>£'000</b>	<b>£'000</b>
	(666)	(277)	Opening fair value of employer assets	7,651	6,783
			Expected return on assets	78	158
The expense is recognised in the following line items in the statement of comprehensive income	<b>2022 £'000</b>	<b>2021 £'000</b>	Contributions by members	20	48
Current service cost in operating costs	39,600	36,859	Contributions by the employer	285	463
Net interest in interest payable and financing costs	1,922	1,963	Contributions in respect of unfunded benefits	1	1
			Actuarial gains	375	454
			Estimated unfunded benefits paid	(1)	(1)
			Estimated benefits paid	(193)	(255)
			<b>Closing fair value of employer assets</b>	<b>8,216</b>	<b>7,651</b>

# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2022

### 21 Taxation

	2022 £000	2021 £000
<b>UK Corporation Tax Charge</b>		
Based on the results for the year	(12)	(5)
<b>Total Current tax</b>	<u>(12)</u>	<u>(5)</u>
<b>Factors affecting tax charge for the year</b>		
Surplus / (Deficit) on ordinary activities before taxation	2,596	3,923
Expected tax charge at 19% (2021: 19%)	(493)	(745)
Exempt charitable activities	481	740
<b>Current tax charge</b>	<u>(12)</u>	<u>(5)</u>

### 22 Housing Stock

The number of units in management as at 31 March 2022, was as follows:

	2022 No.	2021 No.
Rented - General needs housing	426	392
Rented - Supported housing accommodation	4,264	4,235
Shared ownership	31	34
Shared equity	105	105
Owner occupied	1,086	1,114
<b>Totals</b>	<u>5,912</u>	<u>5,880</u>

3 shared ownership units were sold in the year. The sale proceeds were £146k and the gain on disposal was £50k. The gain is recognised within the Statement of Comprehensive Income.

The number of units in development as at 31 March 2022, was as follows:

	2022 No.	2021 No.
Rented - General Needs housing	25	64
Rented - Supported housing accommodation	15	27
	<u>40</u>	<u>91</u>

### 23 Average Annual Scottish Secure Tenancy Rents

	2022 £	2021 £
Average annual Scottish secure tenancy rents for housing accommodation	<u>4,542</u>	<u>4,458</u>
	%	%
Percentage (decrease) / increase from previous year	<u>1.89%</u>	<u>(5.8%)</u>
	No.	No.
Number of Scottish secure tenancies	<u>4,463</u>	<u>4,331</u>

# Hanover (Scotland) Housing Association Limited

## Notes to the Financial Statements for the year ended 31 March 2022

### 24 Group Structure

Hanover Scotland Housing Association has the following wholly owned subsidiary undertaking. As part of the transfer of engagements with Arklet Housing Association in November 2019, Arklet Homes Limited a wholly owned subsidiary was also transferred. The registered office of the subsidiary is Barrland Court, Barrland Drive, Giffnock. Companies House registration number is SC268847.

Year ended 31 March 2022	Reserves	Profit / (Loss)
	£	£
Arklet Homes Limited	<u>1,000</u>	<u>-</u>

### 25 Related Party Transactions

There were no related party transactions in the year.

### 26 Contingent Liabilities

The Board is not aware of any contingent liabilities as at 31 March 2022 and no other liabilities have emerged since.

### 27 Post Balance Sheet Events

The Board is not aware of any post balance sheet events, which affect the Association as at 31 March 2022.