Hanover (Scotland) Housing Association Limited

HANOVER SCOTLAND

Financial Statements
for the year ended 31 March 2023

Hanover (Scotland) Housing Association Limited

Registered Address and Head Office:
Hanover (Scotland) Housing Association Ltd
95 McDonald Road
EDINBURGH
EH7 4NS

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

External Auditor:
Anderson & Brown Audit LLP
81 George Street
EDINBURGH
EH2 3ES

Internal Auditors:
TIAA
Artillery House
Fort Fareham
Newgate Lane
Fareham
PO14 1AH

Solicitors:
TC Young
7 West George Street
GLASGOW
G2 1BA

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 2023

Hanover (Scotland) Housing Association Limited

The Board Members

Gary Devlin ACA CPFA (Chairperson)

Julia Fitzpatrick MA (Hons) FCIH (resigned 27 June 2023)

Kathleen McAdams FCIPD (co-opted 25 May 2023)

Fraser Mitchell MA MSc

Prof Sir Geoffrey Palmer Kt OBE DSc (resigned 21 September 2022)

Christa Reekie (co-opted 25 May 2023)

Joanne Roger FCIPD

Rob Rowe MA (Hons) C Eng

James Rowney MCIBS MBA MRICS

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

Alan Stewart LLB (Upper Second Class) Hons, DPLP

Donald Taylor MBA BSc (Hons) (co-opted 25 May 2023)

Margaret Whoriskey MBE PhD MPhil BA (Hons)

Catherine Wyllie BA CA

Adele Erwin BEng (Hons)

Ashley Campbell CIHCM

Officers

Angela Currie CIHCM
Chief Executive

Wendy Russell BSc
Director of Business Support and Transformation (appointed 1 May 2022)

Joanna Voisey
Director of Asset Management (resigned 30 September 2022)

Donna Henderson ACMA
Director of Strategic Finance

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 Hanover.

Hanover (Scotland) Housing Association Limited

Review by the Board

Year ended 31 March 2023

Report of the Board incorporating the Strategic Report for the period ended 31 March 2023

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

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. As a registered social landlord (RSL) Hanover is considered systemically important in its engagement with the Scottish Housing Regulator. As a registered charity 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 4,740 properties across 22 Scottish local authority areas. In addition, Hanover provides a factoring service for 1180 owner occupied properties across Scotland.

Governance and the Board

The Board has overall responsibility for managing Hanover and is supported by the Audit, Performance & Risk Committee, and a People Committee. The Audit Performance & 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 2023 there are twelve 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 & Risk Committee and the People Committee presented to the Board. The Board operates within the agreed Rules, polices and Financial Control Framework 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 the Board to enable them to monitor progress in meeting the agreed objectives.

The Board ensures 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 an annual Board appraisal process to support skills development and identify succession planning requirements.

The Highlights of 2022-23

Governance Development

We introduced a People Committee a little over 12 months ago and this has been a useful addition to our governance framework to provide the focus and scrutiny to focus on changing culture, improving practices and embedding our values. We held two strategy days this year in addition to our standard Board and Committee meetings. This allowed us to focus on providing the Board with the opportunity to scrutinise strategic results but also help shape a number of new sub strategies such as our Happy Customer Strategy and our Development Plan, part of our Asset Management Strategy.

Strategy Progress

We successfully completed Year One of our current 5-year Strategy and tested our Delivery Plan approach to managing strategic projects. We completed many of our key projects as set out further on in this document. This was helped by the introduction of a new project management framework to support effective delivery.

We updated our 5- & 30-year financial plans which are captured in detail in our Business Plan which has been approved by Board and shared with our funders and the Regulator. The focus in year ahead will turn to the production and implementation of a range of sub strategies and plans that set out a clear vision for a range of operational services to support continuous improvement and modernisation.

COVID-19 Legacy

We have returned to normal operating levels post pandemic but are still feeling the impact that Covid has had. Our void relet targets are proving hard to meet due to the challenges of allocating homes because those on our housing register don't want to consider the upheaval of a move or are too frail as a result of being shut indoors during the pandemic. This has increased relet times and is now an area of focus for the organisation.

The impact on many of our existing tenants is also noticeable with many now more frail, less likely to socialise and generally more fearful. Our front-line teams are putting a real emphasis on supporting our customers to engage more and tackle isolation and loneliness that is inevitably now an issue as a result.

Developing Our Pay & Reward Framework

We undertook a major review of our Pay and Conditions this year and the Board approved the proposals to modernise the framework. This includes moving to a new spot salary model that would see us being above benchmark in terms of pay and car allowances, a harmonisation of terms and conditions particularly around annual leave and alignment of benefits such as flexi-time.

We took significant steps forward in terms of our People engagement approach. In February and March, we held Hanover Engage events in 15 locations across the country for our people to attend. We got them to consider our proposed pay framework and our new engagement vision and decide what level of engagement they want to achieve.

Progress Towards Strategic Objectives

Our mission is to provide excellent services to meet the housing needs of Scotland's older people and to support them to be as independent as possible. The table below shows our delivery plan for 2022-23 and what we have achieved against these objectives.

Hanover Delivery Plan 2022-23	On Target	Behind Target	Completed
Happy Customers			
1. We will have introduced a new customer service model	5	0	0
2. We will have invested in new technology	4	1	0
Desirable Homes			
3. All our homes will be well-maintained, affordable, warm, safe and desirable	4	3	1
4. We will have embedded sustainability	0	2	2

Hanover (Scotland) Housing Association Limited

Review by the Board

Year ended 31 March 2023

Resilient Organisation			
5. We will be recognised as a great employer	3	1	1
6. We will modernise our business	5	2	2

In total there were 36 projects for us to achieve, 6 of which were completed as planned and 24 were on target for completion. In the year ahead we have reduced this number to 21 strategic projects and also adopted a more robust approach to service improvement planning This will ensure that everyday enhancements to what we do proceed in a planned way that support the 3 strategic goals of Desirable Homes, Happy Customers and being a Resilient Organisation.

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 and treasury reporting to ensure compliance with 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 year shows a positive picture despite the many challenges particularly in assets around labour and material costs and the challenges of securing contractors, particularly in the north of Scotland.

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

Summary Charter Results 2022-23

Ind No	Indicator	Hanover 2022-23	Hanover 2021-22	2020-21	Trend	Internal Target	External Benchmark (last year)
4	Average time in working days for a full complaint response - 1st Stage	4	4.1	3.52	Declined	4 days	4.05
4	Average time in working days for a full complaint response - 2nd Stage	19.7	17.7	16.36	Declined	15 days	18.02
8	Average hours to complete emergency repairs	4.13	3.42	3.97	Declined	5 hours	4.1
9	Average working days to complete non-emergency repairs	6.25	5.7	6.5	Declined	5 days	6.5
10	Repairs right first time	90%	93%	97%	Declined	90%	90%
11	Gas safety checks not in line with statutory requirements	30	46	103	Improved	0	54
18	Rent loss due to voids	3.00%	3.42%	3.62%	Improved	3.0%	4.2%
21	Average days to complete adaptations	39.0	116.8	98	Improved	90 days	77
27	Gross rent arrears	1.46%	1.35%	1.1%	Declined	2.0%	2.1%
30	Time to re-let properties (calendar days)	86.9	67.0	95.6	Declined	50	81.7
C1.3.2	Employee turnover	15.0%	12.7%	12%	Declined	12%	21%
C1.3.3	Employee sickness absence	6.0%	6.8%	5.8%	Improved	6%	6%
C9	Scottish Housing Quality Standard	89.9%	83.0%	98.9%	Improved	n/a	81%

Review by the Board

Year ended 31 March 2023

Financial and Non Financial Performance

The purpose of this section is to provide an appropriate assessment of the performance of Hanover during 2022-23. 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 Brexit and Covid-19, Hanover's performance remained strong and returned an operating surplus for the year of £3.9m (2022: £4.5m).

Gross income from rent and service charges (note 3a) increased by 4.7%, and turnover by 4.5% to £46.1m and operating costs increased by 6.4% to £42.1m. Operating costs include expenditure on care of £2.8m, and reactive maintenance of our properties of £3.8m. With planned and cyclical investment costs of £3.3m incurred in the year.

The current gearing positions at 18.23% and 11% (2022: 17.3% and 12.5%) are shown in the Financial Performance Headlines below which provides considerable comfort in terms of ability to continue borrowing to fund future developments. Cash inflow in 2022-23 was just over £1.9m. The closing cash balance at the end of the year remains healthy at £5.1m. Cash inflow from operating activities during the year was £9.5m.

During 2022-23 our regulatory status with the Scottish Housing Regulator changed to 'working toward compliance' for a period of five months. This was following an internal review of our customer safety function which highlighted issues in our compliance levels on the key safety areas within the regulatory framework. A full improvement group and action plan was established, and full compliance reinstated on the 1 April 2023.

Our reported satisfaction levels have remained static as we haven't repeated our large-scale survey. This will be undertaken in Q3 of 2023-24. However, our transactional surveys show strong results on a day-to-day basis. We do know that our satisfaction results will be impacted by the increases in heating and service charges passed onto our customers from 1 April 2023. Our gas and electricity contracts were due for renewal, and we had previously benefited from low priced contracts, so our customers had been protected from many of the increase's others had felt over the past few years.

The size of increase meant that much of this has to be passed to tenants, and we put in place a wide-ranging package of support and financial help to mitigate the worst of this. While customers generally understand that the price of fuel is out of our control, we do know that many are unhappy about it, and this will no doubt be reflected in our satisfaction survey results.

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.

Review by the Board

Year ended 31 March 2023

Financial Performance Headlines

Ratios	Note	2023 £'000	2022 £'000
Financial Capacity			
Interest Cover		234%	354.3%
Gearing – Financial indebtedness as %age of Net Worth (excl pensions)		18.2%	17.3%
Gearing – Financial indebtedness as %age of Historic Cost of Properties		11%	12.5%
Efficiency			
Arrears		1.46%	1.35%
Former Tenant Arrears written off (as a % of former tenant arrears)		39.1%	53.52%
Staff Costs / Turnover		39.1%	34.85%
Turnover per unit		£9,712	£9,347
Profitability			
Gross Surplus		8.57%	10.31%
Net Surplus		4.43%	5.89%
Financing			
Debt per unit		£9,006	£8,610

Housing Management

The legacy of the pandemic is still having a significant impact on the average void re-let period this year at 86.9 days (2022: 67 days). Void rent and service charge loss of £1,054k (2022: £1,147k) does not include a service charge write off of £457k deemed irrecoverable or the provision of £172k which was created in the year. Void loss has reduced but remains a challenge for 2023-24. 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 18,870 (2022:18,842) reactive repairs carried out in the year with 90% (2022: 92.6%) completed right first time.

Housing Assets

The Association manages 5,920 properties, of which we own over 4,740. 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 modern standards. It is anticipated that an average of £5.7m of capital investment will be required each year.

This programme also includes works required by legislation, such as the Energy Efficiency Standards for Social Housing (EESSH). Currently 85.3% of properties comply with EESSH. Total expenditure on revenue repairs and maintenance in the year was £3.8m (2022: £3.9m), with a further £2.9m of expenditure on our capital investment programme (2022: £1.3m). Capital and planned investment have again been impacted by the economic crisis and Covid-19 and the deferred investment has been re-profiled over the next ten years.
We received Scottish Government grants of £413k (2022: £427k) for the adaptation of 260 (2022:167) 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

Two new developments were completed in the year delivering 40 new units are noted in the table below. Both have a mix of amenity, wheelchair accessible and general needs units. The award winning Drymen development was built to Passivhaus standard which is the first of this type for Hanover. An evaluation framework will help us understand the benefits of this standard in the year ahead.

Drymen – Conic Way	15 Units	November 2022
Elgin Village Gardens	25 Units	December 2022

Our speculative Programme currently includes but not through our internal appraisal stage and Board approval are the developments noted below that could potentially start in 2022-23.

Troon – Low St Meddans	28 Units	Estimated completion November 2025
Forres – Leonchoil Hospital	>40 units	Early stages

These housing assets are included on the Statement of Financial Position (SOFP) at £190.5 (2022: £190.9 million), which is gross historical cost less depreciation. Housing Association Grant is included as deferred income and stands at £101.7m (2022: £102.7 million). Details of fixed assets are set out in Note 9.

Review by the Board
Year ended 31 March 2023

Employees
We have a highly skilled and loyal workforce that have a real focus on customer service. Our teams have openly adapted to new ways of working with relative ease post pandemic, with most teams operating a Hybrid Working approach. We have Team Charters in place that set out the agreed working arrangements of each individual team to maximise team working and a good balance with home working.

During the year Hanover conducted a Pay Framework Review, including the Benchmarking of our pay and all benefits, including our fleet car / car allowance model to ensure that what we offer is competitive and affordable. This has shown us that across the 90 roles that were Benchmarked, we are competitive at Point 4 and 5 of our scale and so a proposal to bring all roles to Salary Point 5 over the next 3 years. At the year end, we are still in negotiations with our recognised union, GMB, on the outcome of the proposals from that review, and that includes our cost-of-living increase. As per our 5-Year Strategy, Hanover wants to be a Great employer and be in a position to attract and retain the best people. We also plan to introduce a new Health Cash Plan for employees in the year ahead to support our employees in this difficult economic climate. At 31st March 2023, the number of staff employed by Hanover was 579 (2021-22: 601).

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 Hanover commenced its statutory consultation with members of the Lothian Pension Fund which resulted in the closure of that Scheme. 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 were received in 2022 and a short life sub-committee formed from existing Board Members to review the current pension provision offered by Hanover and review the achievement of our strategic goals. The sub-committee met in October 2022 and confirmed Hanover had fulfilled the objectives set out in the Pension Strategy and the results of the triennial valuation were positive in that the scheme was almost fully funded and there was therefore no requirement for the continuance of past service deficit payments.

The Pension Review Group agreed to meet again in twelve months once the economic position had settled to discuss a new strategy.

Customer Engagement
Hanover has a strong track record on customer engagement and our approach is led by our Customer Experience Manager. Our

engagement activities are returning to pre-pandemic levels with development and regional meetings taking place regularly. Our on-site teams play a critical role in engaging our customers, reducing isolation and supporting 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. This will come under the umbrella of our new Happy Customer Strategy.

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 cost-of-living crisis with a critical activity being the distribution of financial aid via our Tenant Support Fund to support those of our customers facing fuel poverty. We have been successful in applying for grants to supplement the fund which has significantly increased the number of customers we can support.

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 Digital Plan which was approved by the Board in January 2023 and will result in £2.5m of investment in digital transformation. Part of the plan has been to ensure our teams can work as effectively and efficiently as possible and this has included the continued roll out and upgrading of the connectivity available in our developments.

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 2023-24 will we the next stage to our move form on premise to cloud technology with the scoping and procurement for the replacement of our core systems, we will engage with our employees across the business to ensure any new system meeting the needs of the whole business.
Another key focus will be to continue to strengthen our defenses against the evolving threat of cyber-attacks. Cyber Essential and Cyber Essential Plus accreditation was achieved in 2022-23.

Employee Involvement and Health and Safety

Our Health, Safety & Wellbeing management system is a critical feature of our organisation and is a strong foundation for supporting both our customers and our employees. We adapted well to the ever-changing rules during the pandemic and have now commenced a programme to review our suite of Health Safety & Wellbeing policies and procedures with 40% of the review now complete. This last year saw a significant focus on our Customer Safety Compliance, with a 5-month project undertaken to review all aspects of the "Big Six". We established a Customer Safety Action Group to head up this project, and employees from both our Assets & Health & Safety Teams worked together on this. Although during the last year we were "working towards compliance" we were delighted that our new SHR Engagement plan for the year ahead, acknowledged that we are now back to compliance in this area, and embedding longer-term automated approaches to support the management of this function.

In the last year we have undertaken a review of our approach to formal employee engagement, whilst continuing to involve our current employee representative group called SCARF (Staff Consultative & Representative Forum). In Q4, we undertook a series of nationwide events called Hanover Engage, allowing us to meet more than a one third of our workforce over the space of two weeks. These sessions were invaluable in getting to meet and know our employees better, and to talk to them about important topical issues such as the ongoing Pay Review Project, and our options with regards to future employee engagement. We commenced discussions about our employee 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 other stakeholders. 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. During the past year we have established regular monitoring of key Equality Diversity and Inclusion data for customers, employees and Board members. We have also established an Equality, Diversity and Inclusion Working group which seeks to look at the data we gather and use it to help shape our services for customers and inform our processes that support our employees and Board Members.
A calendar of EDI events is now in place and the working group will continue to develop our approach in this area.

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 which will be reviewed in the course of 2023.
It is important to generate sufficient reserves to pursue Hanover'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 Plan. A revised Framework was approved in May 2023 and work is underway to embed the new updated strategy aims to manage liquidity, funding, investment and the Hanover'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.

Hanover 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. Hanover manages interest rate risk by utilising a high proportion of fixed interest debt. At 31 March 2023, 87% of the debt portfolio was at a fixed rate (2022: 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 2022-23, 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 current economic factors such as rising energy costs, cost of living crisis and high levels of inflation. Our five-year Business Plan was approved and provided resourcing plans for the delivery of the first year of our five-year 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 Hanover, 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 2022-23 £5.1m had increased from last year and plans are underway to ensure we are maximising the return on any surplus cash balances within the parameters detailed in the revised Treasury Management Framework that ensure there are sufficient funds available to meet the current liabilities as they fall due.
A £20m revolving credit facility is in place had 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 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 legacy 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 Hanover 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 in relation to 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. During the year, we took the opportunity to do a full review of our Risk Framework and Strategic Risk Register, ensuring full alignment with the 5-year Strategy. Key risks currently facing Hanover are set out below.

Key Risks – Identified as High Risk

Key Risks Identified	
Economic Uncertainty If Hanover is unable to withstand current economic uncertainly, or, fails to ensure our rents and services are affordable then then this could be detrimental to the homes and services we would be able to offer	• Rent Policy – which requires rent consultation & that an assessment of affordability is undertaken • Annual rent consultation • Service Charge/heating charge/mitigation package consultation • Customer Satisfaction survey (value for money questions) • Procurement policies and procedures which look to ensure best value • Political lobbying ourselves and through our involvement with SFHA • SFHA forums for networking and sharing of ideas. • Treasury advisors and receive monthly treasure and market information. • Regular reviews our business plan and stress test and undertake scenario planning. • We have fixed the majority of our loan portfolio (86.5%) to reduce our exposure to interest rate rises • Tenant fuel fund implemented • Tenancy sustainment plan
Cyber Crime If Hanover is victim of Cyber Crime/Ransomware, then the loss of access to all our systems would mean significant downtime/business interruption	• Core Servers are replicated to Glasgow every 15 Minutes via Microsoft Hyper-v Manager. • Servers are backed up and copied offsite to Glasgow each night via Microsoft Data Protection Manager • Anti-Virus is on all PC Clients and Remote Desktop Servers (reviewed every three years) • Firewalls reviewed every four years to ensure that we are using technology and have security policies that are acceptable for Hanover. • Email filtering software, Mimecast filters out many viruses, spam and dangerous emails according to the selected security policies. • Annual penetration tests (TP provider) to prove the internet footprint we have is secure and not easily accessible from external sources • Improved VPN security to digital tokens per session. Via Safe Pass and Cisco Any connect

	• Mandatory Staff training on ICT security, making users aware of the importance ICT security across the organisation and how it can affect them • ICT Audit recommendations are implemented • Additional threat protection purchased via Mimecast • Cyber risk assessment tool implemented • External consultant instructed and a delivery plan drawn up
Delivery of Strategy If Hanover fails to attract and retain employees with the right skills, knowledge and expertise needed to deliver our strategy, then this would have an adverse impact on service delivery	• Pay review project completed and moving to implementation phase • Modern pay framework incorporating benchmarking and external evaluation process • 3 pay frameworks to reflect diverse aspects of our business • Suite of updated pay and benefits policies and procedures • Creation of the people and engagement strategy • External review of Telecare to resolve operational challenges and improve the operating model • New values framework to support behaviours • Code of conduct in place • New employee performance framework in development • Review of the induction and onboarding processes underway • Plan to implement leadership development programme in 23-24 • Recruitment and retention measure to address the recruitment challenges in Care • Team service reviews undertaken across the business
Net Zero If we do not have a robust strategic plan with a clear annual action plan and targets in relation to net zero sustainability, then we may struggle to meet our internal and external targets which could have a negative impact on our ability to let stock and meet our regulatory requirements	• The Plan has now been written and approved by Board • We have invested in additional resources to drive forward the plan by recruiting a new senior management post of Head of Development & Sustainability • Along with our Head of Governance and Transformation the freelance contractor is now focusing on creating the detailed Action Plan and the re-imagining of the internal group that will oversee the delivery of the Action Plan

Review by the Board
Year ended 31 March 2023

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

Review by the Board
Year ended 31 March 2023

- 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, Performance & Risk 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, Performance & Risk 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, Performance & Risk 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.

5. The introduction of our new financial control framework has continued to be rolled out this year.

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

[redacted]

Date: 10 August 2023

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 2023 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

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).

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.

[redacted]

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
81 George Street
EDINBURGH
EH2 3ES

Date: 18 August 2023

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.

[redacted]

Andrew Shaw
For and on behalf of Anderson Anderson & Brown Audit LLP
Statutory Auditor
Chartered Accountants
81 George Street
EDINBURGH
EH2 3ES

Date: 18 August 2023

Hanover (Scotland) Housing Association Limited

Statement of Comprehensive Income

For the year ended 31 March 2023

	Notes	2023 £'000	2022 £'000
Turnover	2	46,038	43,838
Less: Operating Costs	2	(42,137)	(39,600)
Gain on disposal of housing property		44	280
Operating surplus		3,945	4,518
Interest receivable and other income	7	25	-
Interest payable and financing costs	8	(1,923)	(1,922)
Surplus before taxation		2,047	2,596
Taxation	21	(6)	(12)
Surplus for the year		**2,041**	**2,584**
Actuarial (Loss) / Gain on pension obligations	20	(1,732)	2,677
Total comprehensive income for the year		**309**	**5,261**

The results for the year relate wholly to continuing activities.

The notes on pages 25 to 47 form part of these financial statements.

Statement of Changes in Reserves

	£'000
Income and Expenditure Reserve	
Balance at 31 March 2021	38,944
Surplus from the Statement of Comprehensive Income	2,584
Other Comprehensive Income	
Actuarial gain in respect of pension schemes	2,677
Balance at 31 March 2022	44,205
Surplus from the Statement of Comprehensive Income	2,041
Other Comprehensive Income	
Actuarial loss in respect of pension schemes	(1,732)
Balance at 31 March 2023	44,514

Hanover (Scotland) Housing Association Limited

Statement of Financial Position at 31 March 2023

	Notes		2023		2022
Fixed Assets		£'000	£'000	£'000	£'000
Non-Current Assets:					
Intangible assets	9		466		571
Housing properties	9		190,486		190,872
Other tangible fixed assets	9		4,822		4,947
Investment in subsidiary	24		1		1
			195,775		196,391
Current Assets					
Trade and other debtors	10	2,975		3,177	
Cash and cash equivalents	11	5,073		3,136	
		8,048		6,313	
Current Liabilities					
Creditors: Amounts falling due within one year	12	(14,192)		(10,833)	
Net Current Liabilities			(6,144)		(4,520)
Total Assets less Current Liabilities			189,631		191,871
Creditors: Amounts falling due after more than one year	13		(143,661)		(147,221)
Provisions	15		(3)		(5)
Defined benefit pension liabilities	20		(1,453)		(440)
Total Net Assets			44,514		44,205
Capital and Reserves					
Share Capital	14		-		-
Income and Expenditure Reserve			44,514		44,205
Total Reserves			44,514		44,205

The Board approved and authorised the financial statements for issue on 10 August 2023 and are signed on its behalf by:

[redacted] [redacted] [redacted]

Chairperson: **Gary Devlin**

Board Member: **James Rowney**

Company Secretary: **Wendy Russell**

The notes on pages 26 to 48 form part of these financial statements.

Hanover (Scotland) Housing Association Limited

Statement of Cash Flows
For the year ended 31 March 2023

	Notes	2023 £'000	2022 £'000
Net cash generated from operating activities	(i)	9,472	8,544
Cash Flow from Investing Activities			
Purchase of tangible fixed assets	9	(6,722)	(10,378)
Proceeds from sale of tangible fixed assets		237	461
Grants received		2,193	3,238
Interest received		25	-
Net cash used in investing activities		(4,267)	(6,679)
Cash Flow from Financing Activities			
Interest paid		(1,920)	(1,819)
Repayments of borrowings		(1,348)	(1,320)
Net cash from financing activities		(3,268)	(3,139)
Net Increase in cash		1,937	(1,274)
Opening cash at beginning of year		3,136	4,410
Closing cash at end of year		5,073	3,136

Notes to the Cash Flow Statement for the year ended 31 March 2023

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

	2023 £'000	2022 £'000
Surplus	2,041	2,584
Depreciation on Housing Properties	6,663	6,568
Depreciation on Other Fixed Assets	340	456
Amortisation on Intangible Fixed Assets	192	188
Amortisation of Capital Grants	(3,084)	(3,050)
Gain on disposal of assets	(44)	(280)
Changes in owners' funds	(273)	484
Changes in service and heating charges	(639)	21
SHAPS Remeasurement	-	(15)
(Decrease) in pension provision	(722)	(1,166)
Deferred Finance Charge write down	29	29
Pension Past Service Deficit paid in year	(2)	(7)
Interest receivable	(25)	-
Interest paid	1,923	1,922
Taxation paid	(6)	2
Operating cash flows before movement in working capital	**6,393**	**7,732**
Decrease / (Increase) in trade and other debtors	99	(902)
Increase in trade and other creditors	2,980	1,714
Cash generated from operations	**9,472**	**8,544**

(ii) Analysis of net debt

	At 31 March 2022 £'000	Cash Flow £'000	Other Change £'000	At 31 March 2023 £'000
Cash and short-term deposits	3,136	1,937	-	5,073
Debt due within one year	(1,319)	1,348	(1,454)	(1,425)
Debt due after one year	(39,063)	-	1,425	(37,638)
Total	(37,246)	3,285	(29)	(33,990)

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

	2023 £'000
Increase in cash and short-term deposits in the period	1,937
Decrease in loans in the period	1,319
Change in net debt	3,256
Net debt at 1 April 2022	(37,246)
Net debt at 31 March 2023	(33,990)

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. Hanover'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 remain high due to the liability that has realised with Hanover's exit from Lothian Pension Fund defined benefits scheme of £1.61m to be repaid over the remaining five-year period. This eliminates the risk of increased pension liabilities that being in the scheme presented. In addition, accruals and trade creditors were higher than the previous year due to the number of planned projects completed in the final quarter of the year.

Cash balances at the end of 2022-23 were higher than last year at £5.07m 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, Hanover 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 2023 was £1.45m. Our commitment to the SHAPS Growth Plan, of £2k per annum over the next 2 years has been discounted at a rate of 5.52%, amounting to a net present value of £3k.

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.

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 Hanover 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 Hanover 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 impairment, the carrying amount of the asset should be compared to the recoverable amount. If the recoverable amount is lower than the carrying value, Hanover 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 Hanover'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 Hanover 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%

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
Hanover 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
Hanover will build up sufficient reserves to keep it financially viable to enable it to achieve its overall aims. This requirement is reviewed annually. Hanover 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 Hanover. 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
Hanover pays corporation tax on its non-charitable activities. As a Registered Social Landlord, Hanover is exempt from payment of corporation tax on its social letting activities.

p) Value Added Tax
Hanover 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 Hanover 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 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, 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 remaining balance resides within Creditors due within 1 year (£323k) and Creditors due after 1 year (£1.61m).

Hanover 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 2023, the net defined benefit pension deficit liability was £1.45m, which has been included within the provisions for pensions liability in the financial statements. In the year ended 31 March 2023, 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 Hanover 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

Hanover 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 Hanover becomes a party to the contractual provisions of the instrument and are offset only when 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.

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 Hanover 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.

2 Turnover, Operating Costs and Operating Surplus

	Notes	Turnover £'000	Operating Costs £'000	2023 Operating Surplus £'000	2022 Operating Surplus £'000
Social Lettings	3a	37,277	(34,052)	3,225	3,937
Other Activities	3b	8,761	(8,085)	676	301
		46,038	**(42,137)**	**3,901**	**4,238**
Gain on disposal of housing property		44	-	44	280
Total for 2023		**46,082**	**(42,137)**	**3,945**	**4,518**
Total for 2022		**44,118**	**(39,600)**	**4,518**	

3a Income and Expenditure from Affordable Letting Activities

	General Needs Housing £'000	Supported Housing Accommodation £'000	Shared Equity & Ownership Accommodation £'000	Total 2023 £'000	Total 2022 £'000
Rent receivable net of Identifiable Service Charges	2,253	20,039	71	22,363	21,430
Service Charges receivable	235	12,720	-	12,955	12,317
Gross income from rents & service charges	2,488	32,759	71	35,318	33,747
Less: Voids	(34)	(1,202)	-	(1,236)	(1,104)
Net income from rents & service charges	**2,454**	**31,557**	**71**	**34,082**	**32,643**
Other Revenue Grants	-	117	-	117	111
Grant released from deferred income	488	2,562	28	3,078	3,044
Total turnover from affordable letting activities	**2,942**	**34,236**	**99**	**37,277**	**35,798**
Management & maintenance administration costs	685	6,297	23	7,005	6,527
Service costs	190	12,441	-	12,631	12,086
Planned and cyclical maintenance including major repairs costs	122	3,106	-	3,228	2,238
Reactive maintenance costs	324	3,434	-	3,758	3,893
Bad debts - rents and service charges	67	699	1	766	549
Depreciation of affordable housing	1,034	5,597	33	6,664	6,568
Operating Costs for affordable letting activities	**2,422**	**31,574**	**57**	**34,052**	**31,861**
Operating Surplus for affordable letting	**520**	**2,662**	**42**	**3,225**	**3,937**
Operating Surplus for affordable letting for previous period of account	**502**	**3,395**	**40**	**3,937**	

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	2023 Surplus/ (Deficit) for the Year £'000	2022 Surplus/ (Deficit) for the Year £'000
Wider Role Activities	-	-	-	-	-	-	-	-	-
Care & Repair of Property	-	-	-	-	-	-	-	-	-
Investment property activities	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	2,294	2,294	-	(2,294)	-	-
Support Activities	-	-	1,188	-	1,188	-	(1,112)	76	44
Care Activities	-	-	-	2,983	2,983	-	(2,817)	166	(40)
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	-	-	-	1,583	1,583	-	(1,276)	307	207
Stage 3 Adaptations	-	413	-	-	413	-	(413)	-	-
Other Activities*	-		-	300	300	-	(173)	127	90
Total from Other Activities	**-**	**413**	**1,188**	**7,160**	**8,761**	**-**	**(8,085)**	**676**	**301**
Total from Other activities for year ended 31 March 2020	**-**	**427**	**1,105**	**6,508**	**8,040**	**-**	**(7,739)**	**301**	

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

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.

	2023 £'000	2022 £'000
Total emoluments for the above key management personnel (excluding pension contributions and benefits in kind):	420	418
The emoluments (excluding pension contributions) of the Chief Executive amounted to :	120	116

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 :	130	123

The number of key management personnel, who received emoluments (excluding pension contributions) were within the following ranges:	2023 No. of Key Mgt Personnel	2022 No. of Key Mgt Personnel
£60,001 to £70,000	2	1
£70,001 to £80,000	-	1
£80,001 to £90,000	1	2
£90,001 to £100,000	1	-
£100,001 to £110,000	-	-
£110,001 to £120,000	1	1

Hanover has made pension contributions of £35,235 (2022: £28,387) on behalf of those key management personnel including £10,108 (2022: £7,100) to the highest paid.

The Board had a membership of 12 as at 31 March 2023 and a maximum of 13 members during the year. No payment of fees or other remuneration was made to the members during the year.

	2023 £'000	2022 £'000
Total expenses reimbursed to the Chief Executive insofar as not chargeable to UK Income Tax:	-	-
Total expenses incurred on behalf of Board Members who were neither officers nor employees of Hanover amounted to:	-	-

5 Employee Information

	2023 No.	2022 No.
The average monthly FTE number of persons (including key management personnel) employed in the year was:	451	455
The average number of persons (including key management personnel) employed in the year was:	593	601

Staff costs (including key management personnel emoluments)	2023 £'000	2022 £'000
Wages and salaries	13,833	13,483
Social security costs	1,187	1,093
Pension costs	597	692
BUPA	5	11
	15,622	15,279

Payments to the value of £166,298 (2022: £100,258), in respect of redundancy costs, are included within the totals for staff costs.

Average FTE Employees per Month

Apr-22	455	Oct-22	450
May-22	455	Nov-22	446
Jun-22	454	Dec-22	447
Jul-22	447	Jan-23	446
Aug-22	454	Feb-23	456
Sep-22	453	Mar-23	451

6 Operating Surplus

	2023 £'000	2022 £'000
Operating surplus is stated after charging/ (crediting) :		
Depreciation (exc Intangible Assets)	7,003	7,024
Amortisation on Intangible Assets	192	188
Grant amortisation	(3,084)	(3,050)
Repairs: cyclical, planned, day to day	6,994	6,118
External auditors' remuneration – audit services	23	22
Internal auditors' remuneration	13	16
Hire of plant and machinery - rentals payable under operating leases	80	102

7 Interest Receivable and Other Income

	2023 £'000	2022 £'000
Interest receivable on bank deposits	25	-

8 Interest Payable and Similar Charges

	2023 £'000	2022 £'000
Housing loans:		
On loans from banks and building societies repayable in more than 5 years	2,052	2,017
Less interest capitalised in year	(138)	(198)
	1,914	1,819
Interest on owner occupier funds	6	-
Net return on pension assets	3	103
	1,923	1,922

9 Fixed Assets

	Social Housing Properties								
	Held for Letting £'000	Shared Ownership £'000	Shared Equity £'000	WIP Properties/ Components £'000	Total Housing £'000	Heritable Office Property £'000	Computer & Leased Equipment £'000	Total Other £'000	Intangible Fixed Assets £'000
Cost									
At 1 April 2022	291,780	997	1,059	4,253	**298,090**	7,009	1,939	**8,948**	**1,589**
Additions in the year	2,633	-	-	3,787	**6,420**	-	215	**215**	**87**
Transfers in the year	7,310	-	-	(7,310)	**-**	-	-	**-**	**-**
Disposals in the year	(271)	(107)	-	-	**(378)**	-	-	**-**	**-**
At 31 March 2023	301,452	890	1,059	730	**304,131**	7,009	2,154	**9,163**	**1,676**
Depreciation									
At 1 April 2022	106,493	92	633	-	**107,218**	2,453	1,548	**4,001**	**1,018**
Provided during year	6,630	16	17	-	**6,663**	150	190	**340**	**192**
Disposals in the year	(197)	(39)	-	-	**(236)**	-	-	**-**	**-**
At 31 March 2023	112,926	69	650	-	**113,645**	2,603	1,738	**4,341**	**1,210**
Net book value									
at 31 March 2022	185,287	905	426	4,253	**190,872**	4,556	391	**4,947**	**571**
at 31 March 2023	188,526	821	409	730	**190,486**	4,406	416	**4,822**	**466**

9 Fixed Assets (continued)

a) Hanover received £413,224 (2022: £426,650) in the year in respect of Housing Association Grant for Adaptations of which £413,224 (2022: £426,650) has been treated as revenue and £nil (2022: £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 £18,465 per unit at 31 March 2023.

c) For major repairs during the year Hanover spent £4.6m (2022: £2.7m): £2.3m (2022: £1.23m) was capitalised for replacement components; and £2.3m (2022: £1.47m) was expensed through operating costs in the Statement of Comprehensive Income. A further £359k (2022: £5k) was capitalised for expenditure on new developments completed in 2021/22. £Nil (2022: £nil) of additions relate to improvements.

d) Development administration costs capitalised in the year amounted to £99,023 (2022: £2,080).

e) Interest capitalised in the year amounted to £137,916 (2022: £198,606). The interest capitalised was in respect of the interest paid on loans used specifically for new development expenditure. Interest capitalised was 6.7% of total loan interest (2022: 9.8%).

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 £22,600k which is not depreciated.

10 Debtors

	2023 £'000	2022 £'000
Amounts falling due within one year:		
Rental debtors	803	871
Less: bad debt provision	(138)	(62)
	665	809
HAG receivable	20	123
Owners service charge balances	259	17
Tenants service charge Balances	352	267
Tenants heating charge Balances	108	24
Other debtors	885	1,016
Prepayments and accrued income	686	921
	2,975	3,177

11 Cash and Cash Equivalents

	2023 £'000	2022 £'000
Cash and cash equivalents	5,073	3,136

12 Creditors: Amounts Falling Due Within One Year

	2023 £'000	2022 £'000
Loan repayments: instalments of principal (see note 13)	1,425	1,319
Deferred capital grants (see note 16)	3,067	3,065
Owners' funds (see note 13)	643	918
Owners service charge balances	259	170
Corporation Tax	6	12
Other taxation and social security	317	353
Development 'work in progress' accruals	153	307
Accruals and deferred income	4,142	1,869
Rent in advance	557	363
Lothian Pension Fund cessation	323	323
Trade creditors	3,300	2,133
	14,192	10,833

13 Creditors: Amounts Falling Due After More Than One Year

	2023 £'000	2022 £'000
Loans	37,638	39,063
Deferred capital grants (see note 16)	98,584	99,606
Owners' funds	337	335
Tenants Service Charge Balances	4,608	5,315
Tenants Heating Charge Balances	880	901
Lothian Pension Fund cessation	1,614	1,937
Other	-	64
	143,661	147,221

Hanover's only debt constitutes loans as detailed below. Deferred finance costs of £333k (2022: £362k) 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% (2022: between 3.52% and 6.64%)
ii. Residents' funds receive interest of 0.5% (2022: 0%)

	2023	2022
Loan instalments are due as follows:	£'000	£'000
Within one year (note 12)	1,425	1,319
Between one and two years	1,451	1,337
Between two and five years	3,570	4,188
In over five years	32,617	33,538
	39,063	40,382

Owners' Funds	Balance at 31/03/22 £'000	Expenditure in year £'000	Provided in year £'000	Balance at 31/03/23 £'000
Owners' replacement of scheme equipment	124	(3)	18	139
Owner occupier repairs	1,129	(815)	527	841
	1,253	(818)	545	980
Split as follows:				
Less than one year and included in note 12	(918)			(643)
More than one year	335			337

14 Share Capital

	2023 No.	2022 No.
Opening share capital	344	365
Shares allocated during the year	17	10
Shares relinquished during the year	(1)	(31)
Closing share capital	360	344

Each member of Hanover 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 Hanover. Each member has a right to vote at members' meetings. Shares are fully paid as at 31 March 2023.

15 SHAPS Growth Plan Pension Provision

	2023 £'000	2022 £'000
Balance at start of year	5	27
Utilised in the year	(2)	(7)
Remeasurement	-	(15)
Unwinding of discount	-	-
Balance at end of year	3	5

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 2 years.

16 Deferred Capital Grants

	2023 £'000
Grant	
As at 1 April 2022	180,633
Grant received in the year	2,090
Grant repaid / abated in the year	(39)
As at 31 March 2023	182,684
Amortisation of Grant	
As at 1 April 2022	77,962
Grant released during the year	3,084
Disposals / abatements	(13)
As at 31 March 2023	81,033
Net book value at 31 March 2022	102,671
Net book value at 31 March 2023	101,651
Shown as:	
Amount to be released within one year	3,067
Amount to be released after more than one year	98,584

17 Financial Instruments

As at 31 March 2023, Hanover held the following financial assets and liabilities:

	£'000
Financial assets measured at amortised cost	7,465
Financial assets measured at fair value	-
Total financial assets	7,465

	£'000
Financial liabilities measured at amortised cost	55,322
Financial liabilities measured at fair value	-
Total financial liabilities	55,322

18 Capital Commitments

Housing expenditure contracted less certified at 31 March 2023 amounted to £0.7k (2022: £1.79m). Expenditure authorised by the Board but not contracted at 31 March 2023 amounted to nil (2022: £nil). Furthermore, the Board has authorised expenditure on capitalised major repairs and replacement components amounting to £4.2m (2022: £4.1m).

In addition, the Board has authorised expenditure on other fixed assets amounting to £1.1m (2022: £0.9m), 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 2023.

19 Leasing Commitments

	2023 £'000	2022 £'000
Amounts due:		
Within one year	195	28
Between one and five years	782	-
	977	28

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

Scottish Housing Associations Pension Scheme

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

The Scheme is classified as a 'last man standing arrangement'. Therefore, Hanover 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.

The latest accounting valuation was carried out with an effective date of 30 September 2022. The liability figures from this valuation were rolled forward for accounting to the relevant accounting dates.

The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to assets to calculate company's net deficit or surplus. The SHAPS net deficit as at 31 March 2023 is £1.453m (2022: £0.44m). The estimate of total contributions payable by Hanover in 2023/24 to the SHAPS scheme is £nil.

Principal actuarial assumptions at the balance sheet date	**2023 p.a.**	**2022 p.a.**
Discount rate	4.89%	2.79%
Inflation (RPI)	3.20%	3.62%
Inflation (CPI)	2.72%	3.21%
Salary Growth	3.72%	4.21%

Fair value of employer assets	**2023 £'000**	**2022 £'000**
Equities	19,758	31,391
Bonds	38	3,019
Property	5,179	5,050
Cash	3,341	3,646
Total Estimated Employer Assets	28,316	43,106

Movement in deficit during the year	**2023 £'000**	**2022 £'000**
Deficit in scheme at beginning of year	(440)	(4,494)
<u>Movements during the year:</u>		
Expenses	(39)	(39)
Contributions paid	761	1,243

Other finance costs	(3)	(84)
Actuarial (loss) / gain	(1,732)	2,934
Deficit at the year end	**(1,453)**	**(440)**

The amounts recognised in the

balance sheet are as follows:

	2023 £'000	2022 £'000
Present value of funded liabilities	(29,769)	(43,546)
Fair value of employer assets	28,316	43,106
Net Liability	(1,453)	(440)

Expense recognised in the statement of comprehensive income

	2022 £'000	2022 £'000
Expenses	(39)	(39)
Net interest on net defined benefit obligations	(3)	(84)
	(42)	(123)

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

	2023 £'000	2022 £'000
Current service costs in operating costs	42,137	39,600
Net interest in interest payable and financing costs	1,923	1,922

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

	2023 £'000	2022 £'000
Actuarial (losses) / gains	(1,732)	2,934

Movements in present value of defined benefit obligation	2023 £'000
Opening defined benefit obligation	43,546
Expenses	39
Interest cost	1,186
Actuarial losses	(12,912)
Estimated benefits paid	(2,090)
Closing defined benefit obligation	**29,769**

Movements in the fair value of plan assets are as follows:	£'000
Opening fair value of employer assets	43,106
Expected return on assets	1,183
Contributions by members	-
Contributions by the employer	761
Contributions in respect of unfunded benefits	-
Actuarial losses	(14,644)
Estimated unfunded benefits paid	-

Estimated benefits paid	(2,090)
Closing fair value of employer assets	**28,316**

Growth Plan

Hanover 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 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.

Hanover 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. Hanover 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 Hanover 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 Hanover. Hanover continues to offer membership of the Plan to its employees.

Where the scheme is in deficit and where Hanover has agreed to a deficit funding arrangement Hanover 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 5.52% (2022: 2.35%). 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 2023 the present value of the Hanover's share of the deficit funding was £3k. This is held within provisions in the SOFP. This liability will be paid over the next 2 years. The amount to be paid in 2023/24 is £1.9k.

21 Taxation

	2023	2022
UK Corporation Tax Charge	**£000**	**£000**
Based on the results for the year	(6)	(12)
Total Current tax	(6)	(12)
Factors affecting tax charge for the year		
Surplus / (Deficit) on ordinary activities before taxation	2,047	2,596
Expected tax charge at 19% (2022: 19%)	(389)	(493)
Exempt charitable activities	383	481
Current tax charge	(6)	(12)

22 Housing Stock

The number of units in management as at 31 March 2023, was as follows:

	2023	2022
	No.	No.
Rented - General needs housing	466	426
Rented - Supported housing accommodation	4,274	4,264
Shared ownership	26	31
Shared equity	82	105
Owner occupied	1,072	1,086
Totals	5,920	5,912

4 shared ownership units were sold in the year. The sale proceeds were £250k and the gain on disposal was £117k. The gain is recognised within the Statement of Comprehensive Income.

The number of units in development as at 31 March 2023, was as follows:

	2023	2022
	No.	No.
Rented - General Needs housing	-	25
Rented - Supported housing accommodation	-	15
	-	40

23 Average Annual Scottish Secure Tenancy Rents

	2023	2022
	£	£
Average annual Scottish secure tenancy rents for housing accommodation	4,682	4,542
	%	%
Percentage (decrease) / increase from previous year	3.08 %	1.89 %

	No.	No.
Number of Scottish secure tenancies	4,531	4,463

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	1,000	-

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 2023 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 Hanover as at 31 March 2023.