HARBOUR HOMES SCOTLAND LIMITED
(formerly Port of Leith Housing Association)

ANNUAL REPORT and GROUP ACCOUNTS

For the year ended 31 March 2023

HARBOUR HOMES SCOTLAND LIMITED

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For the year ended 31 March 2023

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REPORT of the BOARD of MANAGEMENT

For the year ended 31 March 2023

BOARD, EXECUTIVE and ADVISORS

Board of Management
Members of the Board of Management during the year were as follows:
Caitlin McCorry (Chair)
Brian Reilly
Anthony Gillespie
Kevin Anderson
David Welsh
Liz McLean
Campbell Whyte
Nicola Dobson (Resigned 14.9.22)
Leigh Eardley
Jim Sherval (Appointed 21.9.22)
Iain MacPhail (Appointed 21.9.22)

Registered Office	108 Constitution Street Leith Edinburgh EH6 6AZ
Chief Executive & Secretary	Heather Kiteley
Auditor	CT Chartered Accountants and Statutory Auditor 61 Dublin Street Edinburgh EH3 6NL
Internal Auditor	Wylie & Bisset LLP 168 Bath Street Glasgow G2 4TP
Solicitors House	TC Young Melrose 69a George Street Edinburgh EH2 2JG
Bankers	Bank of Scotland Leith Branch PO Box 1000 BX2 1LB
Charity Number	SC 027945
Scottish Housing Regulator Registration Number	HAL 170
Letting Agent Registration	LARN1811003

HARBOUR HOMES SCOTLAND LIMITED

REPORT of the BOARD of MANAGEMENT

For the year ended 31 March 2023

Legal Status and Registration
The Association is established under the Co-operative and Community Benefit Societies Act 2014, (having formed in 1975), is registered with the Office of the Scottish Charity Regulator as a charity, and with the Scottish Housing Regulator as a registered housing association under the Housing (Scotland) Act 2010, and is also registered with the Financial Conduct Authority.

Membership of Board of Management and Structure
The Association's Rules provide for up to 15 members (including two co-optees) on the Board. At the year end the Board comprised 10 members. In addition to the main Board, there is one sub-Committee for Finance and Risk (formerly Group Audit and Remuneration)
Members of the Board of Management are noted on page 3.

Directors
The following directors held office during the financial year and up to the date of signing off these financial statements.

Caitlin McCorry (Chair)
Brian Reilly
Anthony Gillespie
Kevin Anderson
David Welsh
Liz McLean
Campbell Whyte
Nicola Dobson (Resigned 14.9.22)
Leigh Eardley
Jim Sherval (Appointed 21.9.22)
Iain MacPhail (Appointed 21.9.22)

Key management personnel
The following key management personnel held office during the financial year and up to the date of signing of these financial statements.

Heather Kiteley	Group Chief Executive
Ngeme Ntuli	Director of Group Finance and Business Support
Gordon Cameron	Director of Group Operations

The composition of the Board of Management changed during the year resulting from one resignation. Board members undertook an assessment of their learning and development needs to inform a programme of activity in support of their role to provide strategic direction and oversight of performance. The Board meets four times a year and has an additional special board meeting following the Annual General Meeting in September. Twice a year, the Board meets with the Boards of its subsidiary companies, Harbour Lettings Limited, Harbour Connections and Harbour Multi-Trades, to discuss future strategy, planning priorities and addressing risks. During this year the Board held an additional meeting in December. A Special General Meeting was also held to allow Association members to vote on the name change in line with the Association Rules.

The Board is responsible for overseeing the strategic direction and providing oversight of the performance of the Association. Its members are elected from the membership.
Each member of the Board of Management holds one fully paid share of £1 in the Association. The Group Chief Executive of the Association holds no interest in the Association's share capital and although not having the legal status of a director, they act as an executive within the authority delegated by the Board.

Objectives and Principal Activities
The principal activities of Harbour Homes are the provision of high-quality accommodation at affordable rents for those in housing need and the provision of support services for those in necessitous circumstances including due to age, infirmity, disability, or economic hardship.

The Association has Harbour Lettings which is a private company limited by shares (having formed in 2010 as a wholly owned subsidiary of Harbour Homes). The principal activity of Harbour Lettings is to increase the range and variety of high-quality housing available for those experiencing difficulty accessing social or affording full market priced accommodation and is currently focused on the provision of mid-market rented housing.

The Association has Harbour Connections which is a community interest company limited by shares (having formed in 2016 as a wholly owned subsidiary of Harbour Homes). The principal activities of Harbour Connections are to deliver facilities management services and provide opportunities to support the wider economic and social wellbeing of the community.

The Association wholly acquired Harbour Multi-Trades (formerly TB Mackay) an energy services company on 13 December 2019. The principal activities of Harbour Multi-Trades are to provide a repairs and maintenance service.

Vision, Mission and Strategy
The vision of the Association and its subsidiaries, herein referred to as "the Harbour Group", is "Our communities are brilliant" and it is Harbour Group's mission "To make a positive impact on people's lives in Leith and north Edinburgh by providing affordable homes and services, and creating brilliant communities".

The Group aims to remain a strong effective organisation making a positive impact on improving peoples' quality of life and wellbeing, contributing to the ongoing regeneration of the areas of operation, developing and maintaining sustainable communities through alleviating poverty and reducing social exclusion.

Housing, support and targeted community development activity including employability support will remain our core activities. The Group will continue to diversify, using its expertise to increase the range of products and services available to address need and demand within our communities.

The Group is committed to learn and improve in pursuit of delivering excellent services and which provide value for money for its customers. It will continue to invest in its people and in the wider community. The Group will adapt to the changing needs, expectations and opportunities and deliver its services within a culture of continuous improvement.

The Group maintains a five-year Business Plan setting out its vision, mission, priorities and resources and which is reviewed and approved by the Board each year. The Plan is designed to ensure that its strategy, products and services are delivered in accordance with its overall ambition and goals, that resources are in place to deliver according to the agreed performance standards, and that key risks are identified and mitigated.

Risk Management Policy
The Board has a formal risk management process to assess business risks and implement risk management strategies. This involves identifying the types of risks the Group faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks.

Key Strategic Risks
The Management Team has identified seven key strategic hazards that the Group faces with resulting risks that have medium or high-risk exposure. These risks, all relating to the Association, have been specifically addressed as part of the business planning process and are detailed below. It should be noted that although Harbour Lettings, Harbour Connections and Harbour Multi-Trades have strategic risks the impact of these on the group are lower than when considered for the subsidiaries on their own.

After considering the existing policies, processes and systems in place which provide mitigation against the identified hazards and resulting risks seven risks for the Association remain classed as having moderate exposure:

- The continued rollout of Universal Credit, the expected migration of all legacy cases from Housing Benefit to Universal Credit and other UK wide Welfare Benefit Reforms may cause an increase in both arrears and bad debt. This risk still sits in the 'moderate' exposure level, primarily because of the likelihood score over which we have no control. The controls in place have mitigated the impact and so we tolerate this risk.
- Housing Association Grant has not increased in line with the increased costs of development that have been driven by competition for sites and shortage of materials and labour and this mayrestrict the development programme. This risk still sits in the 'moderate' exposure level, primarily because of the likelihood score over which we have no control. The controls in placehave mitigated the impact and so we tolerate this risk.
- The Defined Benefit Pension Scheme represents a significant financial liability to the organisation. The scheme was closed to new members from April 2014 and closed to future accrual from January 2018 however the liability may grow further increasing past deficit contributions on an annual basis because actuarial assumptions and stock market performance is unpredictable / volatile. This risk still sits in the 'moderate' exposure level as it is considered that we have no affordable option to further mitigate this risk and so we tolerate it.
- The cost-of-living crisis and potential for future rent freezes or rent cap will restrict the income for tenants and Harbour Homes. The risk still sits in the 'moderate' exposure level primarily because of the likelihood score over which we have no control. The controls in place mitigate the impact and so we tolerate this risk.
- Public spending cuts and government austerity measures may result in Housing Association Grant benchmarks not being in line with inflation requiring more private funding This risk still sits in the 'moderate' exposure level, primarily because of the likelihood score over which we have no control. The controls in place have mitigated the impact and so we tolerate this risk.
- The threat of a cyber attack on the organisation's IT system may cause the IT security to be compromised. This risk still sits in the 'moderate' exposure level. The controls in place have mitigated the impact and so we tolerate this risk.
- The risk that Harbour Multi-Trades continues to make a loss resulting in an impairment review of the investment and goodwill, may result in a covenant breach to Harbour Homes. The controls in place have mitigated the impact and we continue to monitor and tolerate this risk.

Business Review

Achievements and Performance

The Harbour Group is made up of four entities: the registered social landlord and charity, Harbour Homes (the parent organisation), and three wholly-owned subsidiary companies: a private rented sector letting agent, Harbour Lettings, a community initiatives / social enterprise company, Harbour Connections CIC , and a multi-trades repairs and maintenance company, Harbour Multi-Trades.

More information on Lettings, Connections and Multi-Trades activities can be found in their separate Annual Accounts.

During the reporting period the parent organisation and its subsidiaries completed a rebrand exercise, including the introduction of new names, logos and tone of voice. The group is now collectively known as Harbour. Harbour is made up of:

- Harbour Homes (previously Port of Leith Housing Association)
- Harbour Lettings (previously Persevere Developments)
- Harbour Connections (previously Quay Community Improvements)
- Harbour Multi-Trades (previously TB Mackay Energy Services)

The Association has, over the past year, continued with its ambition to support the regeneration and wellbeing of the community including being very active in developing new additional affordable housing in the City. This presents ongoing challenges due to the continued pressure on public spending and restrictions on the availability of public subsidy.

In 2021 the Association secured an internationally recognised excellence award from the European Foundation for Quality Management (EFQM). EFQM's Recognised for Excellence status enables organisations to evaluate and demonstrate efforts to improve performance against a range of globally recognised definitions of excellence. We retain this award for three years.

We continue to be an accredited Scottish Living Wage employer.
In February 2022 the Association was successful in maintaining the Investors in Diversity Award following a rigorous reassessment exercise. We retain this award for two years.

New development
Three projects were completed during 2022-23: Allanfield , Ocean Drive (Ramage Square) and Bath Road. Allanfield comprises 3 mid-market rent flats, completed in January 2023. Ocean Drive comprises 41 social rent and 41 mid-market rent flats, also completed in January 2023 and Bath Road comprises 26 social rent and 17 mid-market rent flats, completed in March 2023. In addition, two projects were under construction during the year: A total of 310 flats are being developed at Plot S, Granton Harbour, of which 226 will be retained by Harbour (130 for mid-market by Harbour Lettings and 96 for social rent by Harbour Homes) with 84 for others under agency agreements. In addition, 11 flats for mid-market rent were under construction at Telford Drive. In addition, during the year Harbour Homes progressed negotiations for the acquisition on completion of 20 social rent flats at Iona Street. All three developments are due to complete in 2023/24.

Harbour Homes also continued to progress its future developments on its own sites at Wellington Place and Constitution Street and continued to investigate other development opportunities In addition, the Development Team provided development agency services to Manor Estates on their Section 75 development at Echline, South Queensferry.

Harbour Homes will continue to be actively involved in the ongoing regeneration of Leith and North Edinburgh over the remainder of the five-year strategy period and is continuing to pursue any further development opportunities within the area. As the need and demand for affordable housing in Edinburgh is still very high, Harbour Homes continues to work closely with Edinburgh City Council, the Scottish Federation of Housing Associations (SFHA) and developers, to explore alternative ways to finance additional new affordable housing in the city. The Group is also exploring the potential future provision of open market rent properties through Harbour Lettings.

Property management
In 2022-23, the organisation continued to maintain properties to the Scottish Housing Quality Standard (SHQS) which now fully incorporates the Energy Efficiency Standard for Social Housing (EESSH). 79.50% of our total number of homes in ownership meet the now combined SHQS.

Various major repair projects have been delivered with 104 properties receiving internal refurbishment along with continuing to deliver external and common area works including 2 passenger lift upgrades.

The organisation has continued to face challenges in relation to the delivery of common repairs to multi tenure properties predominantly pre-1919 tenement stairs with the programme continuing to be hampered by owners financial struggled during the pandemic and now the cost of living crisis, resulting in no projects being taken to site. During the year this co-ordinated activity has focused on 4 projects involving 7 separate stairs, affecting 49 flats in the Association's ownership and which are at various stages of progress to complete necessary repair works. We also have 3 smaller projects where owners are leading the project negotiations.

In December 2015 the organisation received approval from the City of Edinburgh Council and Scottish Government to dispose of 113 pre-1919 tenement flats, with further Board approval granted during 2020 for the disposal of an additional 136 properties over the next 10-year period. In previous years 84 properties were sold with a further 27 properties sold during 2022-23 fully removing the Association's liability to a total of 39 common stairs.

Customer feedback
Harbour Homes carried out its annual customer satisfaction survey in autumn 2022. Postal surveys were sent to all 2,475 tenants and responses were received either by post or online. A total of 332 responses were received which is a 13% response rate. Overall, 82% of respondents were satisfied with the overall service provided by Harbour Homes. Harbour Homes will work with our customers to identify improvements which can be made to enhance customer experience.

During the year Harbour Homes obtained feedback from residents living in the two developments completed the previous year, Bonnington Mill and Heron Place (Plot 3, Granton Harbour). Bonnington Mill received a 100% satisfaction rate and Heron Place 98%.

Housing management and support
The Association let 154 homes in Leith and North Edinburgh through the city's Choice Based Lettings scheme during the year, all of which were re-lets of existing properties, as well as 46 new properties. It continued to work in partnership with other social landlords in the City (including housing associations and the City Council), letting its available social housing through the established Edindex system.

The Association owns and manages three sheltered housing developments for older people, with a housing support service which is registered with the Care Inspectorate. The Association is currently graded the top Grade 6 (excellent) for the quality of care and support provided to the residents.

The Association has a tenant advice team, consisting of a Money Advice Worker, two Welfare Rights Officers and two Tenancy Sustainment Officers who together provide advice and assistance to tenants with debt, benefit and help and advice on practical issues to help people manage and sustain their tenancies in a positive way. We have secured funding from the Big Lottery in conjunction with our ARCHIE partners to employ 2 energy advisers and are currently recruiting for these positions.

Placemaking

Harbour Connections is the Group's vehicle for placemaking and contributes specifically to improving:

- The environment of the area
- The economic opportunities in the area
- The social fabric of communities in the area

Harbour Connections is a subsidiary of Harbour Homes and has achieved ongoing success in generating profit for reinvestment in its community. It has established itself as a commercial entity over a number of years and has a solid and growing customer base in it's key delivery areas of cleaning provision and training services. Harbour Connections is in the process of paying back its business loan to Harbour Homes.

The strategic approach of Harbour Connections is;

- To deliver and facilitate community projects to meet the requirements of the 2020-25 Group Strategic Business Plan – supporting community improvement and community voice.
- To be recognised as a community anchor.
- To maintain current internal and external commercial contracts.
- To increase income generation.
- To have demonstrable high customer service levels
- To be an excellent place to work

The delivery priorities for Harbour Connections are;

- Focus on commercial activities which will ensure the financial viability of the entity.
- Deliver and seek funding for appropriate community engagement and improvement projects in collaboration with local organisations.
- Ensure existing commercial contracts are fully met.

Commercial Activities

Cleaning Services to a range of customers -

- Muirhouse Housing Association (contract renewed)
- West Granton Housing Association (contract renewed)
- Hunters Hall Housing Co-operative Ltd (now part of Hillcrest Group) (contract renewed)
- Touchstone
- St Andrews Church (contract renewed)
- Lister Housing Co-op (contract renewed)
- Homestart
- Harbour Lettings
- RMG
- The Crags
- Foursquare
- S. Sturdy
- Harbour Multi-Trades
- Aspire
- Dalton Demolition

Services delivered by Harbour Connections include:

- Stair Cleaning
- Office Cleaning
- Responsive Cleaning
- Void Property Clearances and Cleaning Training Services delivered by Harbour

Connections Training Delivery

- Emergency First Aid
- Food Hygiene
- Mental Health First Aid
- Equality and Diversity
- Forklift
- IOSH Managing Safely
- IOSH Working Safely
- Slinging and Lifting
- Manual Handling
- Reach Truck
- Mechanical Handling
- Working at Height
- Workplace Coaching
- Managing Change
- Risk Assessment
- Asbestos
- COSHH

Community Initiatives

- Community Works employability services
- Greening Projects
- Food poverty initiatives
- Community development and social isolation events

Reserves

The Harbour Group needs to have reserves to ensure the organisation can function into the future and meet its future liabilities. This includes keeping up with the rising cost of major repairs, cyclical maintenance, retrofitting, maintaining properties to Scottish Housing Quality Standard (SHQS) which now fully incorporates the Energy Efficiency Standard for Social Housing (EESSH) and the rising cost of developing new properties to achieve Scottish Government standards. The revenue reserve of £43.2m reflects primarily the past investment in the housing stock and reserves for future major repairs and development. The Harbour Group has a cash level of £26.3m to support its future plans and operating requirements. The Harbour Group reviews its maintenance spending plans regularly and re-assesses them in relation to reserves and cash flows.

Financial Review Overall results

Group turnover was £27.9m (2022: £29.6m) offset by operating costs of £22.4m (2022: £24.6m), leading to an operating surplus of £5.5m (2022: £5m) and a net surplus of £2.5m (2022: £3.1m).

The SHAPS pension scheme's defined benefit liability as at 31 March 2023 is £456k (2022: £3k), resulting in an increase in the liability of £453k. This has also resulted in an actuarial loss through other comprehensive income of £680k (2022: actuarial gain of £861k).

The increase in operating surplus is attributable to an increase in rent income from affordable letting activities, increase in gain on sale of pre1919 properties and growth in the mid-market letting activities of Harbour Lettings, which is set off against an increase in expenditure on letting activities.

Annual surpluses are required to cover long term maintenance obligations to property, repayment of loans and future risks.

The surplus has resulted in an increase in the value of net assets over the year, from £46,878k to £49,418k as at 31 March 2023. The Group's liquidity remains strong with a significant number of unencumbered properties available as security for further funding if required.

Going Concern
The Board has a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future.

Matters which are taken into account in this process include:

- The prevailing economic climate, both internationally and locally and its impact, if any, on the Group's viability.
- The financial position of the Group and the impact if any of perceived weaknesses on the Group's viability.
- The short, medium and long-term financial prospects resulting from the modelling exercise carried out annually in updating the Association's 30 year Business Plan including sensitivity analysis and independent verification of key underlying assumptions along with subsidiary budgets.

Our approach to see the business through the short and long-term period, involves careful planning.

We revise our annual budgets on a quarterly basis and long- term impact is predicted by revisions to our 5 year and 30 year plans including, scenario planning, impact analysis and robust stress testing of all plans. The forecasts we have produced for the next 12-24 months demonstrate that we expect to generate surpluses and maintain a strong cash position. We expect no significant adverse medium to long term issues apart from the ones highlighted in our risk analysis and have adequate mitigating controls in place.

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

Plans for the Future
The Harbour Vision is: Our communities are brilliant.

The Harbour Mission is: To make a positive impact on people's lives in Leith and north Edinburgh by providing affordable homes and services and creating brilliant communities.

There are significant opportunities over the years up to 2025 for the Group to play an important part in the ongoing regeneration and development of Leith and in the wider Edinburgh Waterfront, within Western Harbour and Granton in particular. As core areas of operation the Group is extremely well placed to continue playing a very active part creating new and large scale mixed-use and mixed-tenure communities and where new services will be developed for ongoing management, maintenance and support linking together both existing and new communities in future.

There are also opportunities through collaboration and partnership working with other RSLs operating in the City and including through the ARCHIE alliance of smaller independent housing organisations to be working more closely together, and benefitting through sharing knowledge and information, undertaking joint procurement activity to secure improved value for specific goods and services, and improving the range of service offering to tenants and other stakeholders in future.

It is also a period of significant change and challenge, most notably from the continued roll out of Universal Credit, from the aftermath of Brexit and the COVID-19 pandemic.

Funds Held on Behalf of Others
The Group holds no funds on behalf of other organisations.

Employees
The Association's policy is to discuss and consult with employees, through a staff representative group, on all matters likely to affect employees' interests. Information regarding the Association is provided through staff team meetings and reports including a monthly business progress update report. This seeks to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Association's performance. The Group encourages all staff to participate in reviewing its strategic direction and key priorities during its business planning process. The Group strives to afford equal opportunities to all individuals and sections of the community and the policy is to encourage the recruitment of disabled people for all suitable vacancies. All necessary assistance with initial training courses is given. Arrangements are made, where possible, for re-training employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Members of the Group Leadership Team, consisting of the Group Chief Executive and 2 Group Directors are defined as the key management of the Group. Remuneration for all staff is based on salary scales, with the exception of the Group Leadership Team who are on spot salaries. The salaries are all benchmarked and approved by the Finance & Risk Committee on an annual basis (further information is contained within note 7).

Political and charitable gifts
No political donations or gifts were made in the year to 31 March 2023 (2022: £nil). During the year there were no charitable donations made to housing related charities (2022: £nil).

Treasury Management
The Group has an active treasury management function, which operates in accordance with the Treasury Management Policy approved by the Board. In this way the Group manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due.

The Group, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2023, the Group has a mix of fixed and variable rate finance, which it considers appropriate at this time.

Rent Arrears
Management has a preventative measure for managing rent arrears. Information is given to tenants which reinforces responsibility for payment of rent, the possible consequences of falling into arrears and the action we will take if in arrears. Balances are checked on a monthly basis to identify cases where accounts have fallen into arrears and/or arrangements have been broken, allowing for prompt follow up action. We attempt to find out if there are any underlying causes for the arrears e.g. change in employment/benefits; relationship breakdown/death of a partner; vulnerability; habitual late or erratic payers and provide assistance and advice accordingly. A variety of options and methods for recovery of rent arrears will be used, including deduction from welfare benefits and, as a last resort, court action and eviction.

Other Activities (Association)

Other activities include the activities of developing new homes, place making by Harbour Connections CIC, the lease of mid-market properties to Harbour Lettings Limited and the letting of commercial properties. The Board fully support these activities and will continue to find ways to fund, or reduce the current high expenditure on these activities

Statement of Board of Management's Responsibilities
The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Association, and of its surplus for that year.

In preparing these accounts, the Board is required to:

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

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Association and to enable it to ensure that the accounts comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements – February 2019. The Board is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Association's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Information for the Auditors
The Board members have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the Board members has confirmed that they have taken all the steps they ought to take as trustees in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

REPORT of the BOARD of MANAGEMENT (continued)

For the year ended 31 March 2023

Internal Financial Control
The Board is ultimately responsible for the Association's systems of internal financial controls. However, it should be recognised that such systems can provide only reasonable and not absolute assurance against material misstatement or loss.

The approach adopted by the Board to provide effective financial control can be summarised as follows:
(a) an appropriate control environment has been created by careful recruitment and training of staff and provision of comprehensive guidance on the standards and controls to be applied throughout the Association.
(b) management information systems have been developed to provide accurate and timeous data on all aspects of the business. Management accounts comparing actual results against budget are presented to the Board quarterly.
(c) major business risks and their financial implications are assessed systematically by reference to established criteria.
(d) the financial implications of major business risks are controlled by means of delegated authorities which reserve significant matters to the Board for decision; segregation of duties in appropriate areas and physical controls over assets and access to records.
(e) the Board monitors the operation of the internal financial control system by considering regular reports from management and the internal and external auditors and ensures appropriate corrective action is taken to address any reported weakness.

The Board confirms that it has reviewed the effectiveness of the Association's system of internal financial control as it operated during the year under review. Such a system can provide only reasonable and not absolute assurance against material misstatement or loss.

During the period there were no identified weaknesses in internal controls which resulted in material losses, contingencies or uncertainties that require disclosure in the accounts or the report of the auditor.

BY ORDER OF THE BOARD OF MANAGEMENT

CAITLIN MCCORRY
Chairperson

24 August 2023

For the year ended 31 March 2023

Opinion

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

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Association's affairs as at 31 March 2023 and of the income and expenditure of the Group and the income and expenditure of the Association for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – 2019.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board'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 group's or the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board 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 contained within the annual report. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

We gained an understanding of the legal and regulatory framework applicable to the Association and the industry in which it operates and considered the risk of acts by the Association which were contrary to applicable laws and regulations, including fraud. These included but were not limited to the Housing SORP 2018, the Co-operative and Community Benefit Societies Act 2014 and the Housing (Scotland) Act 2010.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the Association's financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of the members;
- review of minutes of Board meetings throughout the period;
- review of legal correspondence or invoices, and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

There are inherent limitations in an audit of financial statements and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at 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.

CT
Statutory Auditor
Chartered Accountants and Statutory Auditors
61 Dublin Street
Edinburgh
EH3 6NL

12 September 2023

REPORT BY THE AUDITOR TO THE MEMBERS OF

HARBOUR HOMES SCOTLAND LIMITED ON CORPORATE GOVERNANCE MATTERS

For the year ended 31 March 2023

In addition to our audit of the Financial Statements, we have reviewed your statement on page 14 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion
We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. 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 page 14 has provided the disclosures required by the relevant Regulatory Standards 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.

CT
Statutory Auditor
Chartered Accountants and Statutory Auditors
61 Dublin Street
Edinburgh
EH3 6NL

12 September 2023

HARBOUR HOMES SCOTLAND LIMITED

CONSOLIDATED and ASSOCIATION STATEMENT of COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	Group		Association	
		2023	2022	2023	2022
		£'000	£'000	£'000	£'000
Turnover	2/3	27,960	29,672	24,070	25,415
Operating expenditure	3	(22,478)	(24,634)	(18,286)	(20,092)
Operating surplus		5,482	5,038	5,784	5,323
Gain on sale of non-property fixed asset			-	-	-
Interest receivable and similar income	9	321	20	326	31
Interest payable and similar charges	9	(2,583)	(2,762)	(2,580)	(2,743)
Surplus on ordinary activities before taxation		3,220	2,296	3,530	2,611
Taxation on ordinary activities	10	-	(18)	-	-
Surplus on ordinary activities after taxation		3,220	2,278	3,530	2,611
Actuarial gains (losses) in respect of pension scheme		(680)	861	(680)	861
Total comprehensive income for the year		2,540	3,139	2,850	3,472

CONSOLIDATED and ASSOCIATION STATEMENT of CHANGES IN RESERVES

For the year ended 31 March 2023

	Group			Association		
	Restricted	Income and Expenditure Reserve	Total Reserves	Restricted	Income and expenditure Reserve	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2022	3,254	43,624	46,878	3,254	43,007	46,261
Opening balance adjustment						
Surplus from statement of comprehensive income	2,970	(430)	2,540	2,970	(120)	2,850
Transfers (note 27)						
Balance at 31 March 2023	**6,224**	**43,194**	**49,418**	**6,224**	**42,887**	**49,111**

All results relate to continuing activities.

The notes on pages 23 to 46 form part of these financial statements.

HARBOUR HOMES SCOTLAND LIMITED

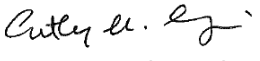
CONSOLIDATED and ASSOCIATION STATEMENT of FINANCIAL POSITION

For the year ended 31 March 2023

	Notes	Group		Association	
		2023	2022	2023	2022
		£'000	£'000	£'000	£'000
Fixed assets					
Housing properties	11	236,908	221,673	236,908	221,673
Other tangible fixed assets	12	2,548	2,645	2,294	2,378
Intangible assets	12	523	165	523	165
Goodwill	13	2,018	2,320	-	-
		241,997	226,803	239,725	224,216
Investments	14	-	-	3,821	3,821
Current assets					
Stock and work in progress	15	269	198	-	-
Debtors	16	1,122	2,318	1,159	2,008
Cash and cash equivalents		26,355	41,947	24,358	40,300
		27,746	44,463	25,517	42,308
Creditors: amounts falling due within one year	17	(12,005)	(12,185)	(11,667)	(11,922)
Net current assets		15,741	32,278	13,850	30,386
Total assets less current liabilities		257,738	259,081	257,396	258,423
Creditors: amounts falling due after more than one year	18	(207,864)	(212,200)	(207,829)	(212,159)
Defined benefit pension obligations	22	(456)	(3)	(456)	(3)
Total net assets		49,418	46,878	49,111	46,261
Capital and reserves					
Restricted reserves		6,224	3,254	6,224	3,254
Revenue reserves		43,194	43,624	42,887	43,007
Total capital and reserves	27	49,418	46,878	49,111	46,261

These financial statements were approved and authorised for issue on 24 August 2023 by the Board of Management and signed on its behalf by:

Chairperson
Caitlin McCorry



Board Member
Anthony Gillespie

Secretary
Heather Kiteley

The notes on pages 23 to 46 form part of these financial statements.

HARBOUR HOMES SCOTLAND LIMITED

CONSOLIDATED and ASSOCIATION STATEMENT of CASH FLOWS

For the year ended 31 March 2023

	Notes	Group		Association	
		2023	2022	2023	2022
		£'000	£'000	£'000	£'000
Net cash generated from operating activities	21	5,738	10,699	5,276	11,043
Cash flow from investing activities					
Purchase of tangible fixed assets		(21,728)	(23,404)	(21,610)	(23,389)
Purchase of intangible assets		(403)	(113)	(403)	(113)
Proceeds from sale of tangible fixed assets		4,672	1,875	4,658	1,871
Purchase of subsidiary		-	-	-	-
Grants received in year		240	10,026	240	10,026
Grants repaid in year		(538)	(236)	(538)	(236)
Interest received		321	20	326	31
Net cash from/ (used in) investing activities		(17,436)	(11,832)	(17,327)	(11,810)
Cash flow from financing activities					
Interest paid		(2,583)	(2,762)	(2,580)	(2,743)
Repayments of borrowings		(1,311)	(1,408)	(1,311)	(1,408)
New secured borrowings			-	-	-
Net cash from/(used in) financing activities		(3,894)	(4,170)	(3,891)	(4,151)
Net change in cash and cash equivalents		(15,592)	(5,303)	(15,942)	(4,918)
Cash and cash equivalents at the beginning of the year		41,947	47,250	40,300	45,218
Cash and cash equivalents at the end of the year		26,355	41,947	24,358	40,300

The notes on pages 23 to 46 form part of these financial statements.

CONSOLIDATED and ASSOCIATION STATEMENT of CASH FLOWS

For the year ended 31 March 2023

Net debt reconciliation (Group)	1 April 2022 £'000	Cashflow £'000	Other non Cash changes £'000	31 March 2023 £'000
Cash	41,947	(15,592)	-	26,355
Borrowings	41,947	(15,592)	-	26,355
Debt due within one year	(1,276)	1,279	(1,298)	(1,295)
Debt due after one year	(91,524)	-	1,298	(90,226)
	(92,800)	1,279	-	(91,521)
	(50,853)	(14,313)	-	(65,166)

Net debt reconciliation (Association)	1 April 2022 £'000	Cashflow £'000	Other non Cash changes £'000	31 March 2023 £'000
Cash	40,300	(15,938)	-	24,362
Borrowings	40,300	(15,938)	-	24,362
Debt due within one year	(1,276)	1,279	(1,298)	(1,295)
Debt due after one year	(91,524)	-	1,298	(90,226)
	(92,800)	1,279	-	(91,521)
	(52,500)	(14,659)	-	(67,159)

The notes on pages 23 to 46 form part of these financial statements.

NOTES to the GROUP ACCOUNTS

For the year ended 31 March 2023

1. Accounting Policies

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Financial Conduct Authority (registered number is 1844R (S)). The Association is a Public Benefit Entity incorporated in Scotland. The Association is registered with SHR under the Housing (Scotland) Act 2010.

The accounts have been prepared in accordance with UK Generally Accepted Accounting Practice (UKGAAP), including Financial Reporting Standard 102 (FRS 102) and in compliance with the Statement of Recommended Practice for Registered Social Housing Providers (Housing SORP 2018) and the Scottish Housing Regulator's Determination of Accounting Requirements (2019). The accounts are prepared on the historical cost basis of accounting modified to include the fair value of fixed assets at the date of a transfer of engagements.

The address of the Association's registered office and principal place of business is on page 3.

The Association's principal activities are detailed on page 5.

The financial statements are prepared in Sterling (£). The amounts are rounded to the nearest thousand (£'000) unless otherwise stated.

The principal accounting policies of the Association are set out below.

Critical Accounting Estimates and Areas of Judgement
Preparation of the financial statements requires management to make critical judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts and other factors. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results.

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 22). The net defined benefit pension liability at 31 March 2023 was £456k.

Bad debts are provided 100% on all former tenants. Arrears that are greater than 2 months are provided at 10% of the total; greater than 3 months 25% of the total. All rechargeable repairs and private owners are provided at 100% of total amount raised, with insurance claims at 50% of the total claim.

Management deem any gain or loss on disposal of housing property to be part of the operating activities. Management reviews its estimates of the useful lives of goodwill and depreciable assets at each reporting date, using both internal and external advice. See continuation of note 1 for depreciation information.

Shared owners are 100% liable for the maintenance of their property and also for their share of communal areas.

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

- The prevailing economic climate, both internationally and locally and its impact, if any, on the Group's viability.
- The financial position of the Group and the impact if any of perceived weaknesses on the Group's viability.
- The short, medium and long term financial prospects resulting from the modelling exercise carried out annually in updating the Group's 30 year Business Plan including sensitivity analysis and independent verification of key underlying assumptions.

1. Accounting Policies (continued)

- The impact of COVID 19 on the wider community and effect this will have on the economic climate.
- Forecasts that cover 12 months from the signing of the accounts.
- Current economic climate.

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

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

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

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.

Financial Liabilities – Trade Creditors
Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled. Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

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

Loans provided at a below market interest rate are recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Basis of consolidation
The Association has a wholly owned non-charitable subsidiary, Harbour Lettings Limited; a community interest company, Harbour Connections CIC and an energy services & repair company Harbour Multi-Trades. These group accounts consolidate those of the Association and its subsidiaries on a line by line basis.

Turnover
Turnover represents rental and service charge income receivable, income from support services, income from fees, grants of a revenue nature from local authorities and the Scottish Government and amortisation of capital grant income. Turnover is recognised when amounts fall due and when income has been earned.

1. Accounting Policies (continued)

Fixed assets and depreciation
Tangible fixed assets are stated at cost less accumulated depreciation. The threshold for capitalisation of all fixed assets is £5,000. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates net of any net realisable value:

Other Fixed Assets	
Heritable Property	2%
Furniture	10%
Fittings, Equipment & Motor Vehicles	20%
Computer Equipment	20% - 33%
Intangible Assets	20%

Housing properties
Housing properties are properties for the provision of social housing or to otherwise provide social housing and are principally properties available for rent and shared ownership.

Housing properties are stated at cost less accumulated depreciation and impairment losses. The cost of properties includes land cost, all construction costs, professional fees, borrowing costs, impairment losses and development administration costs.

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

The Association depreciates housing properties by component on a straight line basis over the estimated useful economic lives of component categories, which have materially different useful lives. Land is not depreciated and is stated at cost.

Useful economic lives for identified components are as follows:

Component	***Useful Economic Life***	***Depreciation rate***
Structure	50 years	2%
Kitchens	15 years	6.67%
Bathrooms	30 years	3.34%
Central heating distribution	15 years	6.67%
Central heating source	30 years	3.34%
Windows	30 years	3.34%
Lifts	10 - 25 years	4% - 10%
Solar panels	25 years	4%

Works to existing properties
Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that enhance the economic benefits of the property are capitalised as improvements. Such enhancement can occur if the improvements result in:

- the ability to increase rental income or
- 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 the Statement of Comprehensive Income.

Shared ownership properties are split proportionately between fixed assets and current assets based on the element relating to first tranche sales. The first tranche acquisition is classed as a current asset and related sale proceeds are included in turnover.

1. Accounting Policies (continued)

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

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

Impairment
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, the Association will need to record an impairment. The recoverable amount is the higher of value in use of the property and fair value.

Taxation
Harbour Homes as a registered charity is not subject to corporation tax on its charitable activities, but is subject to corporation tax on its non-charitable trading activities. Harbour Lettings Limited; Harbour Connections CIC and Harbour Multi-Trades Limited are subject to corporation tax. Taxation is accrued based on taxable profits for the year.

Pension Costs
The Association is a member of the Scottish Housing Association Pension Scheme, a defined benefit scheme. The Association recognises its share of assets and liabilities in these financial statements. 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. the current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability. Remeasurements and actuarial gains or losses are reported in other comprehensive income.

As at the year ended 31 March 2023, the net defined benefit pension deficit liability was £456k, 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 operating surplus. Past service costs are recognised in the current reporting 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 22 for more details.

1. Accounting Policies (continued)

Operating leases
Operating leases and the payments made under them are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Companies which the group controls are fully consolidated from the date at which the group obtains control.

Business Combinations
The cost of a business combination is the fair value at the acquisition date, of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of the business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

Contingent consideration
The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably and is adjusted for changes in contingent consideration after the acquisition date. Contingent consideration is discounted if material.

Intangible assets – Goodwill
Goodwill is capitalised and written off evenly over 10 years as in the opinion of management, this represents the period over which the goodwill is expected to give rise to economic benefits as this is the length of contracted services between Harbour Homes and Harbour Multi-Trades.

Work in Progress
Construction work undertaken by Harbour Homes on development Plot S Granton Harbour includes expenditure for another Housing Association: Cairn Housing; and Dean and Cauvin Young Peoples Trust. These costs are reported within Stock and Work in Progress within Current Assets. All these costs are recoverable and the subsequent income that is received will net off against these costs.

2. Turnover

	Group		Association	
	2023	**2022**	**2023**	**2022**
	£'000	£'000	£'000	£'000
Income from lettings	17,404	16,720	14,418	14,055
Rent losses from voids	(169)	(235)	(146)	(200)
	17,235	16,485	14,272	13,855
Management services and other income	10,725	13,187	9,798	11,560
Total turnover	27,960	29,672	24,070	25,415

3(a). Turnover, operating costs, operating Surplus: Group

	Turnover	Operating Costs	2023 Operating Surplus	2022 Operating Surplus
	£'000	£'000	£'000	£'000
Income and expenditure from affordable letting and other activities				
Affordable letting activities – note 4(a)	23,781	(13,637)	10,144	9,157
Other activities – note 5(a)	4,179	(8,841)	(4,662)	(4,119)
Total 2023	27,960	(22,478)	5,482	5,038
Total 2022	29,672	(24,634)	5,038	

NOTES to the GROUP ACCOUNTS (continued)

For the year ended 31 March 2023

3(b). Turnover, operating costs, operating Surplus: Association Turnover	Turnover £'000	Operating Costs £'000	2023 Operating Surplus £'000	2022 Operating Surplus £'000
Income and expenditure from affordable letting and other activities				
Affordable letting activities – note 4(b)	20,818	(12,880)	7,938	6,816
Other activities – note 5(b)	3,252	(5,406)	(2,154)	(1,493)
Total 2023	24,070	(18,286)	5,784	5,323
Total 2022	25,415	(20,092)	5,323	

4(a). Particulars of turnover, operating costs and operating surplus or deficit from affordable letting activities: Group

	Housing Accom'n £'000	Shared Ownership Accom'n £'000	Mid-market Accom'n £'000	2023 £'000	2022 £'000
Income from affordable letting activities					
Rent receivable net of identifiable service charges	12,906	387	2,985	16,278	15,643
Service charges receivable	1,117	9	-	1,126	1,077
Gross rents receivable	14,023	396	2,985	17,404	16,720
Less: Rent losses from voids	(143)	(4)	(22)	(169)	(235)
Net rents receivable	13,880	392	2,963	17,235	16,485
Grants released from deferred income (social)	2,621	91	-	2,712	2,587
Gain from the disposal of properties	3,834	-	-	3,834	1,487
Supporting People Income Receivable	-	-	-	-	-
Total income from affordable letting activities	20,335	483	2,963	23,781	20,559
Expenditure on affordable letting activities					
Services	701	-	-	701	594
Management and maintenance administration costs	2,302	97	43	2,442	2,408
Reactive maintenance	2,169	272	101	2,542	1,752
Planned and cyclical maintenance including major repair costs	3,335	5	7	3,347	2,115
Rent losses from bad debts	-	-	(5)	(5)	40
Housing Depreciation	4,500	110	-	4,610	4,493
Total expenditure on affordable letting activities	13,007	484	146	13,637	11,402
Operating surplus on affordable letting activities	7,328	(1)	2,817	10,144	9,157
Operating surplus 2022	7,250	288	1,619	9,157	

4(b). Particulars of turnover, operating costs and operating surplus or deficit from affordable letting activities: Association

	Housing Accom'n	Shared Ownership Accom'n	2023	2022
	£'000	£'000	£'000	£'000
Income from affordable letting activities				
Rent receivable net of identifiable service charges	12,906	386	13,292	12,978
Service charges receivable (see below)	1,117	9	1,126	1,077
Gross rents receivable	14,023	395	14,418	14,055
Less: Rent losses from voids	(142)	(4)	(146)	(200)
Net rents receivable	13,881	391	14,272	13,855
Grants released from deferred income (social)	2,621	91	2,712	2,587
Gain from the disposal of properties	3,834	-	3,834	1,487
Supporting People Income Receivable				-
Total income from affordable letting activities	20,336	482	20,818	17,929
Expenditure on affordable letting activities				
Services (see below)	619	-	619	532
Management and maintenance administration costs	2,178	92	2,270	2,146
Reactive maintenance	1,928	282	2,210	1,478
Planned and cyclical maintenance including major repair costs	3,166	5	3,171	2,425
Rent losses from bad debts	-	-	-	39
Housing Depreciation	4,502	108	4,610	4,493
Housing impairment	-	-	-	-
Total expenditure on affordable letting activities	12,393	487	12,880	11,113
Operating surplus on affordable letting activities	7,943	(5)	7,938	6,816
Operating surplus 2022	6,655	161	6,816	

Services

Included within the service charges receivable above are amounts relating to non-eligible housing benefit amounting to £14k (2022: £143k). Supporting People income receivable for Scheme Co-ordinator support for the Association's sheltered housing schemes is disclosed above. This income covers part of the cost of providing this service with the balance being recovered from service charges. The Association feels that to disclose the Supporting People income under "Other Activities" in note 5 would not show a true position in relation to these services.

For the year ended 31 March 2023

5(a). Other Activities: Group

	Grants £'000	Other Income £'000	Total Turnover £'000	Operating Operating Costs £'000	2023 Operating Surplus/ (deficit) £'000	2022 Surplus (deficit) £'000
Wider role activities	136	-	136	(816)	(680)	(661)
Factoring	-	73	73	(1)	72	37
Development & construction of property activities	-	-	-	(3,100)	(3,100)	(2,819)
Other agency/ management service	-	409	409	(370)	39	(82)
Commercial rent	-	71	71	-	71	69
Adaptations income	-	46	46	(55)	(9)	5
Leasing fee	-	-	-	-		-
MM grant amortisation	-	271	271	-	271	271
Mid-market Depreciation	-	-	-	(840)	(840)	(745)
Other activities	-	-	-	(1,569)	(1,569)	(1,683)
TBM subsidiary repairs and maintenance	-	3,173	3,173	(2,090)	1,083	1,438
TBM Coronavirus job retention	-			-		65
Release of Cairn Cost	-					(14)
Total from other Activities	136	4,043	4,179	(8,841)	(4,662)	(4,119)
Total 2022	147	8,966	9,113	(13,232)	(4,119)	

Other activities include the activities of Harbour Connections CIC, the lease of mid-market properties to Harbour Lettings Limited and the letting of commercial properties.

5(b). Other Activities: Association

	Grants £'000	Other Income £'000	Total Turnover £'000	Operating Costs £'000	2023 Operating Surplus/ (deficit) £'000	2022 Operating Surplus (deficit) £'000
Wider role activities	136	-	136	(751)	(615)	(542)
Factoring	-	73	73	(1)	72	37
Development & construction of property activities	-	-	-	(2,845)	(2,845)	(2,371)
Other agency/ management service	-	157	157	(350)	(193)	(186)
Commercial rent	-	71	71	-	71	69
Adaptations income	-	46	46	(55)	(9)	5
Leasing fee	-	2,206	2,206	-	2,206	1,931
MM grant amortisation	-	271	271	-	271	271
Mid-market Depreciation	-	-	-	(840)	(840)	(745)
Gift Aid	-	37	37	-	37	396
Other activities	-	255	255	(564)	(309)	(344)
Release of Cairn HAG	-	-	-	-	-	4,245
Release of Cairn Cost	-	-	-	-	-	(4,259)
Total from other Activities	136	3,116	3,252	(5,406)	(2,154)	(1,493)
Total 2022	147	7,339	7,486	(8,979)	(1,493)	

Other activities include the activities of Harbour Connections CIC, the lease of mid-market properties to Harbour Lettings Limited and the letting of commercial properties.

6. Surplus on ordinary activities before taxation

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Surplus on ordinary activities before taxation is stated after:				
Depreciation	5,666	5,431	5,555	5,344
Amortisation	347	343	45	41
Auditor's remuneration				
Audit services	33	43	21	23
Non-audit services	25	4	20	2

7. Key management Personnel

Members of the Leadership Team, consisting of the Chief Executive, and 2 Directors are defined as the key management of the Group. No emoluments were paid to any member of the Board of Management during the year and details of emoluments paid to key management follow

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Total emoluments of key management [excluding pension contributions]	371	476	304	363
Pension contributions on above	37	101	37	101
The emoluments of the highest paid officer, excluding pension contributions	120	113	120	113
Pension contributions on above	13	8	13	8

The number of key management whose emoluments, excluding pension contributions, exceeded £60,000 for the twelve month equivalent period were:

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
£60,001 to £70,000		1		1
£70,001 to £80,000		-		-
£80,001 to £90,000		1		1
£90,001 to £100,000	2	1	2	1
£100,001 to £110,000				
£110,001 to £120,000		1		1
£120,001 to £130,000	1	-	1	-

Expenses payable to Board Members for out of pocket expenses amounted to £Nil (2022: £Nil).

8. Employee information

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Staff costs (including key management personnel) during the year were as follows: -				
Wages and salaries	6,355	5,845	3,719	3,267
Social security costs	634	578	378	333
Pension costs	361	414	296	354
Pension liability remeasurement	24	43	24	43
Temp staff cost	184	168	184	168
	7,558	7,048	4,601	4,165

Pension costs do not include past deficit contributions of £224k (2022: £861k) which are now charged to the defined benefit pension deficit liability under FRS 102 (see note 22).

The average monthly number of persons employed by the Association during the year (including part-time staff) was as follows:

	Group		Association	
	2023	2022	2023	2022
	No.	No.	No.	No.
Office staff	202	177	90	91
Cleaning Team staff	19	14	19	14
Sheltered Accommodation Staff	7	7	7	7
Total Staff	228	198	116	112
Full-time equivalent total staff	193	190	107	107

9. Interest

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Interest receivable and similar income				
Interest receivable on bank balances	321	20	326	31
Interest payable and similar charges				
Interest payable on loans & Hire Purchase	2,941	3,155	2,938	3,136
Less: capitalised	(355)	(415)	(355)	(415)
	2,586	2,740	2,583	2,721
Net finance costs on defined benefit pension (see note 22)	(3)	22	(3)	22
	2,583	2,762	2,580	2,743

10. Taxation

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
(a) Tax expense included in comprehensive income				
Current tax on surplus on ordinary activities				
UK corporation tax	-	18	-	-
Total current tax (note 10(b))	-	18	-	-
Tax on ordinary activities	-	18	-	-

(b) Reconciliation of tax expense included in comprehensive income

The tax on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are reconciled below:

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Surplus on ordinary activities before taxation	3,220	2,296	3,530	2,611
Tax calculated at 19% (2022: 19%)	612	436	671	496
Exempt charitable activities	(612)	(418)	(671)	(496)
Group relief claimed	-	-	-	-
Adjustment to tax charge in respect of previous period	-	-	-	
Tax expense / (refund) for the year (note 10(a))	**-**	18	-	-

The Association is a registered Charity (number SC027945) and is not liable to United Kingdom corporation tax on its housing activities. No tax liability arises in the year on the Association's non-housing activities.

11. Tangible fixed assets – housing properties: Group and Association

	Housing properties held for letting	Shared Ownership held for Properties letting	Housing Properties in course of con-struction	Housing Properties Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2022	220,732	7,118	60,005	287,855
Opening balance restated	17,542	-	(17,542)	-
Additions – properties under construction	-	-	20,194	20,194
Capitalised improvements including components	1,157	237	-	1,394
Disposals including replaced components	(1,468)	(277)	-	(1,745)
Schemes and components completed	20,448	-	(20,448)	-
At 31 March 2023	258,411	7,078	42,209	307,698
Depreciation				
At 1 April 2022	64,573	1,609	-	66,182
Charged for the year	5,413	39	-	5,452
Disposals including replaced components	(816)	(28)	-	(844)
At 31 March 2023	69,170	1,620	-	70,790
Net book value				
At 31 March 2023	189,241	5,458	42,209	236,908
At 31 March 2022	156,159	5,509	60,005	221,673

All housing land and buildings are heritable property. All schemes in progress have been approved for Housing Association Grant.

Housing properties includes properties developed for mid-market rent and leased to Persevere Developments Limited (note 25).

For major repairs during the year the Association spent £3,236k (2022: £3,239k): £1,760k (2022: £1,893k) was capitalised for replacement components; and £1,476k (2022: £1,346k) was expensed through operating costs in the Statement of Comprehensive Income.

Interest capitalised in the year amounted to £652k (2022: £321k). The interest capitalised was in respect of the interest paid on loans used specifically for new development expenditure.

Interest capitalised on fixed assets is capitalised at a rate of 3.58% (2022: 3.40%).

Fixed assets pledged as security amount to £139m (2022: £124m).

The value of land amounts to £16.8m (2022: £16.8m).

12a. Other fixed assets – Group

	Heritable property	Computer equipment	Office furniture and equipment	Motor vehicles	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April 2022	3,330	1,041	253	895	2	5,521
Additions during year	-	22	7	111	-	140
Disposals during the year	-	(32)	(22)	(93)	-	(147)
At 31 March 2023	3,330	1,031	238	913	2	5,514
Depreciation						
At 1 April 2022	1,113	901	230	630	2	2,876
Charged during year	66	25	2	123	-	216
Disposals during the year	-	(21)	(12)	(93)	-	(126)
At 31 March 2023	1,179	905	220	660	2	2,966
Net book value						
At 31 March 2023	2,151	126	18	253	-	2,548
At 31 March 2022	2,217	140	23	265	-	2,645

12b. Other fixed assets – Association

	Heritable property	Computer equipment	Office furniture and equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2022	3,330	952	198	129	4,609
Additions during year	-	22	-	-	22
Disposals during the year	-	-	-	-	-
At 31 March 2023	3,330	974	198	129	4,631
Depreciation					
At 1 April 2022	1,112	835	194	90	2,231
Charged during year	66	22	1	17	106
Disposals during the year	-	-	-	-	-
At 31 March 2023	1,178	857	195	107	2,337
Net book value					
At 31 March 2023	2,152	117	3	22	2,294
At 31 March 2022	2,218	117	4	39	2,378

12c. Intangible assets – Group and Association

	£'000
Cost	
At 1 April 2022	316
Additions during year	403
At 31 March 2023	719
Amortisation	
At 1 April 2022	151
Charged during year	45
At 31 March 20232	196
Net book value	
At 31 March 2022	523
At 31 March 2023	165

13. Goodwill

	£'000
GROUP	
Cost	
As at 1 April 2022	3,026
Discount adjustment	-
As at 31 March 2023	3,026
Amortisation	
As at 1 April 2022	706
Amortisation recognised in the statement of comprehensive income	302
As at 31 March 2023	1,008
Carrying amount	
As at 31 March 2023	2,018
As at 31 March 2022	2,320

The amortisation of goodwill is included in other activities.

The balance of goodwill includes the net assets of the acquired entity Harbour Multi-Trades as at 13 December 2019.

14. Investments – Association

The financial statements consolidate the results three wholly owned subsidiaries; a non-charitable subsidiary Harbour Lettings Ltd; a Community Interest Company Harbour Connections; and a repairs & maintenance company Harbour Multi-Trades Ltd from the 13 December 2019. The association has the right to appoint members to the boards of the three subsidiaries and thereby exercise control over them.

Harbour Lettings Ltd is a provider of affordable housing; Harbour Connections carries out community work and Harbour Multi-Trades provides a repairs and maintenance service.

	Total £'000
Cost	
At 31 March 2022	3,821
Discount adjustment	-
At 31 March 2023	3,821
Provisions for impairment	
At 31 March 2022	-
Impairment loss	-
At 31 March 2023	-
Carrying amount	
At 31 March 2023	3,821
At 31 March 2022	3,821

15. Stock

	Group		**Association**	
	2023	**2022**	**2023**	**2022**
	£'000	£'000	£'000	£'000
Development costs incurred on behalf of Cairn HA & Dean Cauvin Young Peoples Trust	-	-	-	-
Finished goods and goods for resale	269	198	-	-
	269	198	-	-

16. Debtors

	Group		**Association**	
	2023	**2022**	**2023**	**2022**
	£'000	£'000	£'000	£'000
Arrears of rent	582	567	553	530
Less: bad debt provision	(154)	(178)	(143)	(161)
	428	389	410	369
Group debtors – Intercompany Loan to QCI	-	-	124	124
Group debtors – Other	-	-	352	169
Other debtors and prepayments	649	1,929	228	1,346
Accrued income	45	-	45	-
	1,122	2,318	1,159	2,008

The Association is due £114k from Harbour Connections (2022: £124k). £104k of this is due after more than a year (2022: £114k).

17. Creditors: amounts falling due within one year

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Housing loans (note 18)	1,295	1,276	1,295	1,276
Prepaid rent	644	584	585	573
Contractors for retentions unpaid and certified work	1,771	1,402	1,771	1,402
Group creditors	-	-	320	436
Trade creditors	559	393	138	91
Sundry creditors	1,204	1,543	1,200	1,437
Maintenance and general accruals	2,845	3,570	2,671	3,308
Other Creditors	613	613	612	613
Deferred capital grant (note 19)	2,931	2,786	2,932	2,786
HAG Repayable	143	-	143	-
Corporation tax	-	18	-	-
	12,005	12,185	11,667	11,922

18. Creditors: amounts falling due after more than one year

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Housing loans	90,226	91,524	90,226	91,524
Deferred Tax	35	41	-	-
Other Creditors	-	-	-	-
Deferred capital grant (note 20)	117,603	120,635	117,603	120,635
	207,864	212,200	207,829	212,159

Housing loans from building societies and banks are secured by specific charges on the Association's housing properties and are repayable at interest rates varying from 2.84% to 5.52% (2022: 1.20% to 5.52%) over a period of between 4 and 17 years in instalments due as follows:

	Group		Association	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
In one year or less	1,295	1,276	1,295	1,276
Between one and two years	1,295	1,276	1,295	1,276
Between two and five years	3,369	3,690	3,369	3,690
In five or more years	85,562	86,558	85,562	86,558
	91,521	92,800	91,521	92,800
Amounts falling due within one year	1,295	1,276	1,295	1,276
Amounts falling due after more than one year	90,226	91,524	90,226	91,524
	91,521	92,800	91,521	92,800

19. Deferred capital grant

	Group		Association	
	2023	**2022**	**2023**	**2022**
	£'000	£'000	£'000	£'000
At 1 April	123,421	116,260	123,421	116,260
Grant received during the year	240	10,026	240	10,026
Grant repaid during the year	(538)	(236)	(538)	(236)
HAG disbursed	-	46	-	46
Released to income in the year	(2,588)	(2,675)	(2,588)	(2,675)
At 31 March	120,535	123,421	120,535	123,421

Grants relating to assets are released to income over the lifetime of the related asset resulting in release as follows:

	Group		Association	
	2023	**2022**	**2023**	**2022**
	£'000	£'000	£'000	£'000
In one year or less	2,932	2,786	2,932	2,786
In more than one year	117,603	120,635	117,603	120,635
	120,535	123,421	120,535	123,421

20. Share capital

	2023	**2022**
	£	£
At 1 April	144	150
Issued during the year	2	4
Surrendered during the year	(12)	(10)
At 31 March	134	144

Each Member of the Association holds one voting share (nominal value £1) in the Association. These shares carry no rights to interest, bonuses, dividend or distributions on a winding up. All shares are surrendered on the cessation of membership. Each Member has the right to vote at members' meetings.

21. Cash flow from operating activities

	Group		Association	
	2023	**2022**	**2023**	**2022**
	£'000	£'000	£'000	£'000
Surplus for the year after tax	3,220	2,278	3,530	2,611
Adjustments for non-cash items:				
Depreciation of tangible fixed assets	5,666	5,431	5,555	5,344
Amortisation of tangible fixed assets	347	343	45	41
Decrease/(Increase) in stock	(71)	1,339	-	1,339
Decrease/(increase) in trade and other debtors	1,195	1,876	849	2,223
Increase/(decrease) in trade and other creditors	(316)	1,157	(385)	1,226
Pension cost less contributions payable	(227)	(321)	(227)	(321)
Carrying amount of tangible fixed asset disposals	922	422	901	414
Tax provided	-	(18)	-	-
Adjustments for investing or financing activities:				
Proceeds from the sale of tangible fixed assets	(4,672)	(1,875)	(4,658)	(1,871)
Government grants utilised in the year	(2,588)	(2,675)	(2,588)	(2,675)
Interest payable	2,583	2,762	2,580	2,743
Interest received	(321)	(20)	(326)	(31)
Loan at deemed cost	-	-	-	-
Cash generated from operating activities	5,738	10,699	5,276	11,043
Tax paid		-	-	-
Net cash generated from operating activities	5,738	10,699	5,276	11,043

22. Pension Obligations

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

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 last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2018. This valuation revealed a deficit of £121m. A Recovery Plan has been put in place to eliminate the deficit which runs to 30 September 2022 or 31 March 2023 (depending on funding levels) for the majority of employers, although certain employers have different arrangements.

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

Sufficient information is available for the Association in respect of SHAPS to account for its obligation on a defined benefit basis. The most recent formal actuarial valuation was completed as at 30 September 2018 and rolled forward, allowing for the different financial assumptions required under FRS 102, to 31 March 2020 by a qualified independent actuary.

22. Pension Obligations (continued)

Present values of defined benefit obligation, fair value of assets and defined benefit liability

	2023 £'000	2022 £'000
Fair value of plan assets	9,355	13,373
Present value of defined benefit obligation	(8,899)	(13,376)
(Deficit) in plan	(456)	(3)
Unrecognised surplus	-	-
Defined benefit (liability) / asset to be recognised	(456)	(3)
Deferred tax	-	-
Net defined benefit (liability)/asset to be recognised	(456)	(3)
Reconciliation of the impact of the asset ceiling		
Impact of asset ceiling at start of period	-	-
Effect of the asset ceiling included in net interest cost	-	-
Actuarial losses (gains) on asset ceiling	-	-
Impact of asset ceiling at end of period	-	-
Reconciliation of opening and closing balances of the defined benefit obligation		
Defined benefit obligation at start of period	13,376	13,882
Current service cost	-	-
Expenses	12	11
Interest expense	370	299
Contributions by plan participants	-	-
Actuarial losses (gains) due to scheme experience	(186)	571
Actuarial losses (gains) due to changes in demographic assumptions	(221)	44
Actuarial losses (gains) due to changes in financial assumptions	(3,739)	(1,131)
Benefits paid and expenses	(257)	(300)
Liabilities acquired in a business combination	-	
Liabilities extinguished on settlements	-	-
Losses (gains) on curtailments	-	-
Losses (gains) due to benefit changes	-	-
Exchange rate changes	-	-
Defined benefit obligation at end of period	9,355	13,376
Reconciliation of opening and closing balances of the fair value of plan assets		
Fair value of plan assets at start of period	13,373	12,697
Interest income	373	277
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	(4,826)	345
Contributions by the employer	236	354
Benefits paid and expenses	(257)	(300)
Fair value of plan assets at end of period	8,899	13,373

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2023 was (£4,453k).

22. Pension Obligations (continued)

Defined benefit costs recognised in statement of comprehensive income (SOCI)

	2023 £'000	2022 £'000
Expenses	12	11
Net interest expense	(3)	22
Defined benefit costs recognised in statement of comprehensive income (SOCI)	9	33

Defined benefit costs recognised in other comprehensive income

Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	(4,826)	345
Experience gains and losses arising on the plan liabilities - gain (loss)	186	(571)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	221	(44)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	3,739	1,131
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(680)	861
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-	-
Total amount recognised in other comprehensive income - gain (loss)	(680)	861

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total scheme liabilities, scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

In May 2021 the Scheme Trustee (TPT Retirement Solutions) notified employers of a review of historic scheme benefit changes, and this review has raised legal questions regarding whether and when some historic benefit changes should take effect, the outcome of which could give rise to an increase in liabilities for some employers. The Scheme Trustee has determined that it is prudent to seek clarification from the Court on these items. This process is ongoing and the matter is unlikely to be resolved before late 2024 at the earliest.

On 4 May 2022 the Scheme Trustee issued an update to employers which included an estimate of the potential total additional liabilities at total scheme level, on a Technical Provisions basis. However, until Court directions are received, it is not possible to calculate the impact of this issue on an individual employer basis with any accuracy. As a result of this no allowance will be made for this within the accounting disclosures included in this note.

23. Capital commitments

	Group		Association	
	2023	**2022**	**2023**	**2022**
	£'000	£'000	£'000	£'000
Housing developments				
Capital expenditure that has been contracted for but has not been provided for in the accounts	8.6	27.8	8.6	27.8

These costs are expected to be met from current bank funding facilities.

24. Units of Accommodation

Group and Association	**At 1 April 2022**	**Additions**	**Disposals**	**Adjustment**	**At 31 March 2023**
	£'000	£'000	£'000	£'000	£'000
Property held for letting					
General	2,197	68	(27)	(2)	2,236
Sheltered	113	-	-	-	113
Medium dependency	155	-	-	(1)	154
Wheelchair housing	62	-	-	3	65
Special needs (Bed spaces)	48	-	-	-	48
Mid-market rent	362	61	-	-	423
Shared ownership	127		(2)	-	125
	3,064	129	(29)	-	3,164

As at 31 March 2023 the number of properties the Association leased to Harbour Lettings Limited for onward letting at mid-market rent was 423 (2022: 362).

25. Related party disclosure

The 1 tenant members (2022: 4) of the Board of Management during the year had tenancies on normal terms and the Board Members cannot use their position to their advantage. The amount of rents charged in the year ended 31 March 20232 in respect of the tenancies amounted to £6k (2022: £24k). The rent prepaid at 31 March was £Nil (2022: £1k).

The Association has leased to Harbour Lettings, its subsidiary company, those properties which it has developed for mid-market rent. Harbour Homes also provides staff and services to Harbour Lettings under a Service Level Agreement (SLA). Under the terms of the lease and SLA quarterly charges commenced in the quarter commencing 1 April following commencement of the lease and will continue over the duration of the lease concluding with a final charge in the quarter following the termination of the lease and SLA. Management charges amounted to £47k (2022: £49.5k) and leasing fees totalled £2,206k (2022: £1,930k) in the year ended 31 March 2023. Lettings owed Homes £308k (2022: £Nil) and Homes owed Lettings £14k (2022: £43k).

Harbour Connections provides cleaning services to Harbour Homes Limited. Invoices amounted to £Nil (2022: £Nil) in the period ended 31 March 2023. There is a balance due to Harbour Connections CIC at 31 March 2023 of £Nil (2022: £Nil). The Association has provided a loan to Harbour Connections, its subsidiary, and provides staff and services under a Service Level Agreement (SLA). Management charges amounted to £9k (2022: £9k) and recharges of staff costs amounted to £93k (2022: £99k) in the year ended 31 March 2023. Connections owed Homes £158k (2022: £151k) at 31 March 2023. A loan of £114k (2022: £124k) is included in the amount owed.

In the year ended 31 March 2023 Homes owed Multi-Trades £334k in respect of outstanding invoices for maintenance and repair work. In the same period Harbour Lettings Limited owed Harbour Multi-Trades £29k.

26. Contingent liabilities

Lorne Area Housing Association Limited - Pension Scheme
On 30 September 2005 the activities and the net assets of Lorne Area Housing Association Limited (LAHA) were transferred to Harbour Homes as a transfer of engagements.

At the date of transfer, LAHA was a participating member of the Scottish Housing Associations' Pension Scheme; a multi-employer defined benefit pension scheme. New legislation on the treatment of funding deficits when solvent employers withdraw from a multi-employer scheme came into effect on 2 September 2005 and required the withdrawing employer to settle a minimum funding debt level.

A form of security in favour of the Pensions Trust for the buy-out liability, as an alternative to payment of the liability, was agreed during 2009. An "account security arrangement" has been entered into with the Pensions Trust and the Association placed on deposit in 2009 the sum of £520,507. The deposit held under the security arrangement must be amended as necessary to reflect the periodic revaluation of the buy-out debt. As at 31 March 2022 the Association has on deposit £1,125,270 being the latest estimate of the potential debt notified by the Pensions Trust based on the draft 2020 triennial valuation. This separate deposit account is included in these accounts.

Harbour Homes Limited – Pension Scheme
The Pensions Trust has notified the Association of the latest estimate of the debt on withdrawal potentially due by the Association based on the draft 2020 triennial actuarial valuation of the Scheme. This contingent liability, crystallization of which is considered remote due to the continued membership of the Scheme, is estimated at £3,635,538 and includes an amount in respect of Lorne Area Housing Association of £354,497.

Housing Association Grant
Grants relating to assets are recognised as a liability which is then amortised or released to income over the lifetime of the related asset. The deferred capital grant disclosed at note 19 represents the remaining capital grants yet to be released to income. The original amounts of these grants become repayable on the sale or disposal of the related assets unless there is a specific agreement in place to recycle the grant against new property development. Housing Association Grant amortised to 31 March 2023 amounts to £2,588k.

27. Group and Association Reserves

Group	30 April 2022 £'000	Income £'000	Expen-diture £'000	Pension Actuarial (loss) £'000	In £'000	Transfers Out £'000	31 March 2023 £'000
Reserves							
Restricted pension	539	-	-	-	-	-	539
Restricted recycled proceeds	2,715	-	-	-	2,970	-	5,685
Total restricted	3,254	-	-	-	2,970	-	6,224
General	43,624	28,281	(25,061)	(680)	(2,970)	-	43,194
Total reserves	46,878	28,281	(25,061)	(680)	-	-	49,418

Association	30 April 2022 £'000	Income £'000	Expen-diture £'000	Pension Actuarial (loss) £'000	In £'000	Transfers Out £'000	31 March 2023 £'000
Reserves							
Restricted pension	539	-	-	-	-	-	539
Restricted recycled proceeds	2,715	-	-	-	2,970	-	5,685
Total restricted	3,254	-	-	-	2,970	-	6,224
General	43,007	24,396	(20,866)	(680)	(2,970)	-	42,887
Total reserves	46,261	24,396	(20,866)	(680)	-	-	49,111

28. Commitments under operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows.

Group	**2023**	**2022**
	£	£
Amounts Due		
Within one year	76,850	76,850
Between one and five years	290,525	347,875
	367,375	424,725

Association	**2023**	**2022**
	£	£
Amounts Due		
Within one year	19,845	19,500
Between one and five years	-	-
	19,845	19,500

29. Harbour Lettings operating lease

Harbour Homes charges Harbour Lettings a lease fee for the properties that Homes owns and Lettings collects mid-market rental. This year it amounted to £2,212k (2022: £1.931k).