



Ark[®]

Ark Housing Association Limited

**ANNUAL REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS**

For the Year Ended

31 March 2023

(Co-operative & Community Benefit Society No. 1899RS)
(Scottish Housing Regulator Registration No. 66)
(Scottish Charity No. SC015694)

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BOARD OF MANAGEMENT, DIRECTORS, AND ADVISORS

Board of Management

| | |
|---|---|
| Graham Mitchell (Chair) | Ken Brown (resigned 29 September 2022) |
| Ian Logan# | David Proudfoot* |
| Neil McKnight | Anne Lane (resigned 27 October 2022) |
| Lucy Robertson | Dr Darcy Black* |
| Catriona Clarke# | Joanna Mansell#* |
| Kayleigh Bryan* | Donna Downie (joined 15 December 2022) |
| Craig Unsworth (joined 15 December 2022) | David Belfall (joined 15 December 2022) |
| Nikolas Koutris (resigned 15 December 2022) | Oliver Saint (joined 29 September 2022) |

* Audit sub committee member

Finance sub committee member

Chief Executive and Directors

| | |
|---------------|---|
| Bobby Duffy | Chief Executive |
| Victoria Knox | Director of People and Organisational Development |
| Stuart Green | Director of Finance |
| Mark Hall | Director of Care & Support |
| Caryn Innes | Director of Development & Customer Experience |

External Auditor

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

Bankers

The Royal Bank of Scotland plc
Corstorphine Branch
239 St Johns Road
Edinburgh EH12 7XA

Internal Auditor

TIAA Ltd
Business Support Centre
53-55 Gosport Business Centre
Aerodrome Road
Gosport
Hampshire
PO13 0FQ

Solicitors

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Melrose House
69a George Street
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Registered Office

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REPORT OF THE BOARD OF MANAGEMENT

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

Overview of Business

The principal objects of Ark Housing Association (“Ark”) are to provide for the relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage through the provision, construction, improvement and management of land and accommodation and the provision of care.

Purpose, Vision, Mission, Values, Objectives

Purpose

As a not-for-profit charity and registered social landlord, Ark is driven by its social purpose which is to “provide for the relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage through the provision, construction, improvement and management of land and accommodation and the provision of care”.

Vision

Our vision is of “inclusive communities where quality of housing and care enable people to thrive and live a good life”. Ark works every day to break down barriers for the people we serve, our tenants and supported people.

Through our housing teams, we work to ensure our tenants are not financially excluded by mitigating the impact of welfare reforms, keeping rents affordable, and alleviate the impact of rising fuel costs by ensuring our housing is energy efficient.

We provide care and support to one of the most marginalised and vulnerable group of people in society. Our vision is that through our work and the work of others, this group will be enabled to become active citizens in the communities in which they live.

Mission

Our mission is to “create the best possible customer outcomes through our highly skilled people, the provision of high quality affordable homes and excellent care”. Good quality housing and high quality care are therefore essential to enable Ark to achieve its vision.

Values

Arks' Values are true to the core purpose of the organisation and the services we deliver. They determine our behaviours, and what we should expect in our relationships with one another. Working within the following values will guide and help us deliver our vision and mission of Ark being an organisation where everyone is equal:

- **Trust:** We have confidence in our people to deliver excellent services and trust in them to do so. We will develop trusting and honest relationships and our customers will feel assured that they can rely on us to deliver;
- **Respect:** We treat everyone fairly and we listen. We are respectful of each person with whom we come into contact and expect our people to respond professionally and treat others as they would wish to be treated;
- **Understanding:** We will operate with empathy and compassion and approach each situation with an open mind. We will question and challenge to ensure we achieve the right outcomes for customers and our people;

REPORT OF THE BOARD OF MANAGEMENT (continued)

- **Equality:** We believe everyone is equal and expect our people to create positive experiences where everyone feels valued and included; and
- **Integrity:** We will do the right thing and take responsibility for our actions. We will work together to uphold the highest standards of behaviour and practice.

Objectives

Ark has in place a 5-year Business Plan, within which we have set four overarching strategic aims. The following aims were developed in response to the feedback we have received and we believe will deliver for the communities we serve in Ark:

- Have a reputation for excellence and be recognised as a high quality provider of housing and care;
- Be known as an excellent employer where employees will enjoy rewarding careers;
- Build our technological and digital capability to support a successful business;
- Have in place Leadership to create a culture of excellence throughout the business.

Whilst the current plan has a specific focus for the years 2020-2025, our ambitions for Ark organisation run beyond that. Our overall aim of transforming Ark and delivering the highest quality of housing and services will take time and we believe the strategic objectives we have set out will prepare the ground for the transformation of Ark and deliver the change our community told us they want to see.

Structure, Governance and Management

Ark is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered by the Financial Conduct Authority. Ark, a Registered Social Landlord and a registered charity, was established in 1977 under a Memorandum of Association which established the objects and powers of the Association.

Ark is governed by a voluntary Board of Management (“the Board”) and the management of Ark is delegated by this Board to the Executive Officers. Governance, management policies and procedures that set the parameters for those matters to be dealt with by the Board, and those which can be dealt with by the Executive Officers, have been approved by the Board. Meetings of both parties are held on a regular basis throughout the year and are conducted in accordance with Arks’ reporting procedures.

The Board has two sub-committees, Finance and Audit. We also have a Housing and Property Working Group to gain the benefit of the professional expertise of those Board members who have an interest in that area. Each sub-committee and the working group have specific terms of reference and functions delegated by the Board and with a member of the Board as their Chair. The Board also established an Executive Committee with delegated authority for decision-making in particular circumstances. The Board and Executive Officers of Ark serving during the year are listed on page 1.

Each member of the Board holds one fully paid share of £1 in Ark. The Executive Officers of Ark hold no interest in Arks’ share capital and, although not having the legal status of Directors, act as Executives within the authority delegated by the Board.

Ark has a documented policy for recruitment to the Board and the recruitment process is structured in such a way as to ensure that those appointed to the Board have the required diversity of skills, interests and experience. Ark has established twice-yearly induction days and is creating additional learning days for Board members to ensure they maintain and enhance their contribution to Board Governance. Continuous learning requirements will be captured through a Board Effectiveness Survey.

REPORT OF THE BOARD OF MANAGEMENT (continued)

Ark has two fully controlled subsidiaries in Ark Services Limited and Ark Commercial Investment Limited.

Ark Services Limited was set up to develop housing for those who are aged, infirm or disabled and in need of housing and associated amenities. As a registered charity, it was able to access Special Needs Capital Grant funding which was not available to Housing Associations.

Ark Commercial Investment Limited was set up as a vehicle to provide student accommodation in a former care home. As a commercial entity it leased the building from Ark and established a management contract to ensure high levels of occupancy throughout the academic year and a high level of take-up during holiday periods.

Ark has in place a management service contract with Ark Services Limited and Ark Commercial Investment Limited to provide management and professional services to these organisations.

The financial statements of Ark Services Limited and Ark Commercial Investment Limited are consolidated in the Ark Group financial statements.

Financial Review

The Group's turnover for the year ended 31 March 2022 totalled £23,839k (2022: £22,513k). The main source of income for the Group includes the provision of care and support services of £19,671k (2022: £18,381k). The remainder of the Group's income is primarily derived from the social rental of housing property, with net rental income of £4,168k (2022: £4,132k).

Operating costs for the Group in the year totalled £23,831k (2022: £22,634k), largely comprising of the following:

- Care and support activity costs of £20,331k (2022: £19,435k), which are primarily employee costs;
- Management and maintenance administration costs associated with affordable letting activities totalling £1,495k (2022: £934k);
- Planned and reactive maintenance costs of £940k to our social letting properties (2022: £1,131k); and
- Depreciation expenditure for social housing assets of £748k (2022: £748k).

The Group generated an operating surplus of £274k or 1.2% (2022: £20k surplus or 0.1%). Other expenditure in the year includes £81k of interest due on loan funding (2022: £76k).

Total comprehensive loss for the year of £762k (2022: income of £3,652k) includes a net £3,927k decrease (2022: £3,773k increase) in respect of the annual actuarial valuation of the Scottish Housing Associations' Pension Scheme ("SHAPS").

Cashflows

The cash flow statement of the Group is shown on page 25. Ark generated £1,444k on operating activities (2022: spent £491k), an increase of £1,935k on prior year. Cash and cash equivalents in the year increased by £681k (2022: decreased by £1,272k), to £7,894k (2022: £7,213k).

REPORT OF THE BOARD OF MANAGEMENT (continued)

Treasury Management

The Board reviews Ark's treasury management arrangements annually. Ark holds surplus working cash reserves in an investment portfolio with Brewin Dolphin with the remaining cash funds being held in instant access and 7 day notice deposit accounts.

Readily liquefiable assets are held at a balance of at least an amount equivalent to two months cashflow expenditure (approximately £3,700k), which is considered sufficient to cover operational working capital requirements.

Borrowings are secured based on a mix of fixed and variable rate finance. Approximately 55% of Group funds are secured on a fixed borrowing rate and 45% on a variable rate.

Fixed Assets

The cost of Ark's housing properties after depreciation is £23,324k (2022: £22,282k). These have been funded principally through a combination of Housing Association Grant and other grants, private finance, and internal resources. The market value of Ark's housing properties is substantially higher than the net book value and is sufficient to meet all asset value related loan covenants.

Reserves Policy

The Association operates with two principle reserves; a revenue reserve, and a restricted reserve.

Revenue reserve

The revenue reserve includes amortised historic grant received in respect of new build housing properties, and specific projects for which subsidy has been received. These grants have been invested for the specific purposes prescribed in the related grant conditions. The Association has no ability to realise new cash from this element of reserves, since selling the related assets which were constructed or improved with the grant funds would trigger clawback conditions and require repayment of grant to the Scottish Government or other grant providers.

The residual amount of revenue reserves, not represented by grant, may be invested by the Association in line with its 30-year financial plan. Such investment is subject to the Association maintaining a viable financial profile over the life of its financial plan, as well as approval by the Board of Management. In approving the financial plan annually, the Board will take into account projected compliance with loan covenants, as well as the impact of sensitivity analysis and other risk factors which may apply.

At 31 March 2023 revenue reserves stood at £17,495k (2021: £18,257k), a £762k decrease on prior year.

Restricted reserve

Restricted reserves are funds that have been donated to the Association for specific purposes. Details of which are set out in note 12. At 31 March restricted reserves stood at £44k (2021: £44k).

REPORT OF THE BOARD OF MANAGEMENT (continued)

Business Review

This review refers to Ark Housing Association only. Equivalent material for its subsidiaries, Ark Services Ltd and Ark Commercial Investment Ltd, is included in their separate Annual Reports and Financial Statements.

Housing Services

Following the successful recruitment into the two vacant Housing Services Officer (HSO) posts in July, the delivery of housing services returned to normal.

The key focus for year for the three HSO's were to resume the in person annual visits to all tenants which started in September after their induction period. This allowed them to make better assessments of whether tenants were struggling with the "cost of living" crisis, making referrals to appropriate agencies where needed and discussing issues relating to difficulties with paying rent. In general tenants continued to prioritise paying their rent and the rent arrears at year end fell from 1.11% at the end of the previous year to 0.76%.

The turnover of stock decreased again during the year, falling from 5.5% to 3.9% and this was reflected in the number of allocations made in the year, a total of 11, compared to 27 the previous year. 9 of the 11 properties were self-contained properties and 3 were rooms, a considerable shift away from the 24 rooms which were allocated in the previous years.

Despite having a low turnover and fewer lets, the average number of days to re-let increased from 32 days to 44 days and the total void loss incurred was 0.55% of the total rent debit. This increase in days to re-let were mainly due to challenges that we had with contractors sourcing materials and completing within target.

We continued to encourage tenant participation and involvement by involving tenants in estate walkabouts, the review of the format of our tenant newsletter and through the Scrutiny Group, Ark Rainbow Service Improvement Group. The Group had a successful year and completed their first activity, scrutinising the provision of the landscaping contract and producing an action plan which will be implemented in 2023-24. They have moved onto their second activity looking at parts of the repairs service.

Asset Management

During the financial year the asset team delivered over £300k in component replacements to a number of our properties throughout Ark HA stock. This work included:

- 5 x Bathrooms
- 1 x Full Heating System Replacement
- 15 properties x Window Replacements
- 21 properties x External Door Replacements
- 1 x Hot Water System Replacement
- 1 x Laundry Room Refurbishment
- 2 x Extensive Roof Works
- 1 x Commercial Gas Boiler Replacement

REPORT OF THE BOARD OF MANAGEMENT (continued)

From our results submitted in the Annual Return on the Charter criteria our repairs service delivered over 294 Emergency repairs and 594 Non-Emergency repairs throughout the year, for all works orders for Ark HA properties we completed 1426 jobs. We also completed void repairs to 11 properties which became vacant and were relet within the year.

Over the past year we also completed 19 stage 3 adaptations totalling £79,380 which was funded by Scottish Government grant funding, with £3,716 being funded by Ark. We currently have 10 applications at the year-end awaiting works.

Year-end results also contained within our annual returns to the Scottish Housing Regulator include:

| | |
|---|------------|
| Average time to complete emergency repairs | 12.58 hrs |
| Average time to complete non-emergency repairs | 12.06 days |
| % of reactive repairs completed right first time | 95.96% |
| % of tenants who have had repairs or maintenance carried out in last 12 months satisfied with the repairs and maintenance service | 80.11% |

During the year we completed our forecasts for our forthcoming Asset Management Strategy which will inform our investment requirements for the short, medium and long term.

New Build Development

In the approved 5-year financial plan, we presently have 2 approved development sites and overall capacity to build a total of 101 units over the next 5 years. The focus for 2023/24 is to achieve practical completion and occupy 20 new homes and achieve a start on site for 12 units, summarised below is an update on both approved schemes:

- Crusader Rise, Livingston

The contractor formerly started on site in July 2022 and initially made good progress, however there was a delay with stage 2 building warrant approval which resulted in a slowdown of works over a 12 week period. Full site works recommenced in October 2022 and we are currently working to a revised practical completion date of November 2023.

- Windsor Square, Penicuik

A contractor procurement exercise was completed in May 2023, the process successfully identified a preferred contractor for Ark to partner with for the design and construction of modular homes that achieve net zero in heat emissions. The programme target is to achieve internal board approval in August for the revised scheme and financials and commence site works in Qtr.4 2023/24.

Care & Support

The Covid-19 pandemic continued to impact the delivery of our care and support services at the beginning of 2022-23. As always, our priority remained the safety and wellbeing of the people we support and our staff.

REPORT OF THE BOARD OF MANAGEMENT (continued)

We monitored Scottish Government, Public Health and Local Authority specific guidance and updated our own risk assessments and staff guidance in line with changes. We developed and implemented an Infection Control Manual, which reflects current infection prevention control measures.

We reported staff absences to the Care Inspectorate on a weekly basis. This reporting was expanded by the Care Inspectorate to include all staff absence barring planned Annual Leave, Maternity Leave or Paternity leave.

We continued to manage significant levels of staff absence due to people isolating if they had the recognised symptoms, people testing positive. There were times where we were required to reduce support hours, adjust times of support, make last minute changes to staffing, implement critical support only or make other changes.

Where a supported person presented with symptoms, or was confirmed to have Covid, we reported this to the Welfare Guardian/family, Care Inspectorate, Local Authority, NHS24 and Public Health Scotland. We then strictly followed all guidance provided by them to protect the person, other supported people, staff and the wider community.

We worked closely with the people we support and their families to help them understand the restrictions that the pandemic placed on all of us; including where necessary to help people to adhere to social distancing and to isolate.

We complied with enhanced reporting requirements to the Care Inspectorate, Public Health Scotland and Local Authorities when appropriate.

All of our support staff continued to test and record results for Covid and were assisted to access the NHS vaccination programme.

All of our eligible supported people were assisted to access the NHS vaccination programme to receive boosters and Flu vaccinations in Autumn/Winter 2022.

Care Inspectorate

Due to the Covid-19 pandemic, the Care Inspectorate carried out a limited number of inspections throughout the year. Inspections earlier in the year were replaced by data gathering to monitor the impact of the pandemic; providing infection control and other pandemic related advice; and maintaining regular ongoing contact with managers with registration responsibilities, Operations Managers. Towards the end of the year inspections were carried out in person, sometimes with two inspectors present.

Seven of our ten registered services were inspected over the year. The services inspected were Ark Western Isles, Ark Fife East, Ark Grangemouth Care Home, Ark Tayside, Ark Lothians, Ark Forth Valley and Ark Fife West.

REPORT OF THE BOARD OF MANAGEMENT (continued)

For quality indicator 'How well do we support people's wellbeing?' the services were graded 5 (Very Good) and 4 (Good) except Ark Forth Valley and Ark Fife West, which were graded as 3 (Adequate). For quality indicator 'How good is our leadership?' the services were graded 5 (Very Good) and 4 (Good) except Ark Forth Valley, which was graded 3 (Adequate). Only one service was inspected on quality indicator 'How good is our staff team?' and that was Ark Grangemouth Care Home; this was graded 4 (Good). Only Ark Grangemouth Care Home was inspected on quality indicator 'How well is our care planned?' and this was graded 4 (Good).

Supported People Feedback

We offer regular opportunities for the people we support to provide feedback regarding the quality of our service. The optional 'How Are We Doing' form is included in all 6 monthly Support Plan Reviews. This year we received 504 forms which provide valuable information that our services can use to direct continuous improvement initiatives. Organisational-wide feedback provided via this method includes:

- 91% of respondents said they were happy with the support they get
- 96% of respondents said they were always treated with respect during their support time
- 96% of respondents said they knew who to speak to if they wanted to make changes to their support

Participation

During 2022, with the easing of Covid19 restrictions, we were able to safely offer a range of in-person opportunities for our supported people to get involved in managing, monitoring and shaping the services that we provide.

Some of our successes are:

- Increasing the number of Speak Out Groups from 10 to 14. At Speak Out Groups people socialize and are encouraged to influence their service and their community and re-starting the Voices Group and increasing attendance.
- Increasing the number of supported people involved in the Focus Group from 5 to 10. Through this group the people we support are involved in writing and reviewing the policies and procedures that affect them and making them easier to understand. A change that they effected was adding the right to have an advocate to the CS06 – Reducing Restrictive Practice Policy.
- Strengthening the involvement of supported people in recruitment. A key highlight was supporting 5 individuals to recruit the Head of Compliance & Improvement and the Assistant Director, Care & Support.

REPORT OF THE BOARD OF MANAGEMENT (continued)

Learning & Development

Ark is committed to investing in all staff, ensuring they feel confident and competent to deliver a high quality service to customers.

We have a dedicated Learning and Development (“L&D”) function to support an on-going delivery programme, aligned with the needs of the business. We are currently reviewing our L&D delivery models and moving towards a blended approach of classroom based, e-learning, and digital classroom solutions to improve our range of offering and accessibility. Additionally L&D are working closely with the Care & Support Business to pilot a Practice Delivery approach to embedding learning within our staff teams.

We also continue to deliver high quality SVQ qualifications and are audited regularly by the SQA to ensure our internal accredited centre operates at a high standard. We support our staff to meet their regulatory SSSC registration target within the required timescales, to allow them to deliver essential services in the Social Care Sector.

Employee Engagement

Employee Engagement has been a key focus for Ark and we have spent time planning the most effective ways to engage with our teams across the business. We have recently issued our Staff Engagement Survey and have had a very positive response. Ark have analysed the results to ensure that we are listening to what is important for our people and have created an improvement plan to help support engagement.

We have also launched our Employee Forum as we believe it is essential for us to work in partnership with our people to understand how we can improve the working experience. The Employee Voices Group is a key part of this with the aim to improve engagement and communications to ensure that our teams are part of decision making processes and shaping the future of the organisation.

Ark continue to recognise Unite the Union and have a longstanding Recognition Agreement in place. Consultation with staff representatives and a full-time Union Official takes place on a regular basis through meaningful discussions on all staff related matters. We work in partnership on issues affecting the sector and have carried on the excellent relationship we have enjoyed over the years.

Employee Reward

Ark continually monitor staff reward through regular Benchmarking in the sector and have implemented pay awards of 3.81% increase across all grades from 1st April 2023. Additionally, we implemented a non-consolidated payment of £200 to be paid to everyone employed by Ark on 31st July 2023.

We continue to offer Ark’s employee assistance programme, called Care First. Care First offer weekly well-being webinars, face-to-face counselling and a dedicated support line as well as Ark’s employee discounts platform.

Following the analysis of the results of the recent engagement survey, we will also carry out a review of our benefit offerings against what our people tell us are important to them.

REPORT OF THE BOARD OF MANAGEMENT (continued)

Funds held as Custodian Trustee on Behalf of Others

During the year we held 138 (2022: 129) bank accounts in trust on behalf of people we support. These accounts are kept separate from funds held by the Association and controls monitored by the Care Inspectorate are in place to ensure the safe custody of said funds.

Risk and Control Framework

The Association recognises the importance of effective identification, evaluation and management of all key strategic and operational risks. This is a requirement set out by the Scottish Housing Regulator's Regulatory Standards:

“The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation's purpose”.

Risk management is a key element of the Association's overarching governance arrangements and it demonstrates that the Association has considered those areas which put the achievement of its strategic objectives under threat, that it has analysed the consequences of things going wrong and identified the actions and controls needed to prevent or limit these consequences.

The Audit Sub-Committee advises the Board on its risk management processes, along with issues of control and governance and has a remit from the Board to monitor and review internal and external audit functions, compliance with relevant statutory regulations, compliance with our policies and procedures and health and safety management.

We also have in place a system of exception reporting to the Executive Officers and Audit Sub-Committee. This includes remedial risk assessment and action reports, ensures that learning and improvement from Reporting of Injuries, Diseases and Dangerous Occurrences Regulations and serious incidents is identified and acted upon. We maintain a Strategic Risk Register to ensure that, once they are identified, risks are monitored, managed and reported. This is reported to the Board twice per year.

We also operate an organisational regulatory checklist that is reviewed each month by officers. In respect of Health and Safety, the checklist is supported by our Health and Safety checks and audit system.

The services provided by us, in particular to those with learning difficulties, are inherently risky; however, we have in place policies, procedures, and guidelines to manage these risks. Risk assessments are carried out for each supported person and are regularly reviewed.

Within Care and Support, a regular system of reviews is in place, which is carried out at various management levels to ensure that risks to supported people and our employees are properly managed and to support best practice.

REPORT OF THE BOARD OF MANAGEMENT (continued)

Principal strategic risks facing the Association, and mitigations, are noted below:

| Risk | Mitigation |
|---|---|
| Failure to meet regulatory standards | The Board and Executive Team have in place a robust Governance framework to ensure compliance with regulatory standards and effective systems to monitor and accurately report delivery of objectives and financial performance across the business. |
| Failure to maintain financial sustainability | Ark have developed a financial strategy that provides the framework and guidance for all key financial and investment decisions; Five-year financial plans are reviewed on an annual basis by the Board, with regular management account updates presented throughout the year. |
| Failure to deliver good quality care and support | Good life support plans are in place which provides evidence of support provision, achievement of personal outcomes, and levels of supported person's satisfaction with the quality of support received; Management have a robust staff development programme that provides staff with the necessary skills and knowledge they require to deliver good quality Care and Support; Quality of service provision is monitored through a quality assurance framework. |
| Failure to provide high quality housing and asset management services to our customers | Completion of the Annual Return on the Charter; Key performance measures and targets reported on a regular basis; Stock condition surveys; Tenant visits and satisfaction surveys. |
| Failure to maintain good quality people to deliver the business objectives | All services have individually implemented Local People Plans; Training plans aligned to supported people's needs; SSSC registration and qualification targets monitored. |
| Failure to deliver development programme within the financial and quality parameters of the Business Plan | Five-year development plan included in the five-year financial plan, allowing for sensitivity analysis within the overall financial capacity of the organisation; Individual business cases in place to support identified projects to ensure we are developing the right homes, in the right location; Accessing specialist consultant and contractor frameworks to procure professional consultants and development contractors. |
| Failure to comply to our duty of care to our customers | Changes in legislation identified; Compliance with required safety checks are reviewed and audited by internal Health and Safety advisor. |
| Failure to respond effectively to significant event that causes major business disruption | Business critical activities have been identified; Departmental delivery plans in place to deliver business continuity; Risk assessments in place offering clear guidance and instruction on how to respond to a range of operating risks resulting from a significant event. |
| Failure to maintain income and/or achieve financial growth through ACIL and Ark Services | Intercompany Agreement in place to provide flexibility in management costs Monthly void and income reporting to review the financial position Operational changes and improvements implemented 5 Year Investment Plan in place and approved the BOM |
| Failure to prevent significant cyber security event creating major disruption to all Ark systems. | Annual Penetration testing to ensure that all external facing systems are secure Bi-monthly reminders to highlight awareness around phishing attacks. Daily/weekly checks in place and periodic restore tests carried out and updated BC tests carried out twice a year by external supplier. Full test restores from backup are scheduled bi-annually Full ICT disaster recovery tested annually and lessons learned documented |

REPORT OF THE BOARD OF MANAGEMENT (continued)

Plans for the Future

Ark launched its Business Plan for 2020-2025 in October 2020; delayed six months because of Covid-19 and only eight months after the UK left the EU. At the time of the launch, Ark remained committed to the aspirations set out within the business plan; which was developed to lay the foundations of a long-term strategy that would see the transformation of Ark over a five to ten year period.

The leadership of Ark believed launching the Business Plan at this time would provide direction and an overarching framework for Ark to operate within, as we sought to guide the organisation through a global pandemic. We have delivered on many of the commitments set out and made a positive difference across many aspects of the plan; regularly reported to the Board of Management.

The time is now right to create a strategic plan that reflects the significant change we have been through in the past few years and to respond to the emerging opportunities and challenges.

The lasting impacts of Covid-19 and of the UK leaving the EU were not known when we launched the business plan and over subsequent years, these significant global events have compounded the challenges present already within fragile social care and social housing systems.

Since the launch of the Business Plan there have also been a number of key national policy initiatives and events that directly impact Ark and our community; customers and our people; it therefore makes sense to refocus our strategic priorities for the next three years to bring clarity and purpose to all of our activities aimed at continuing to develop and drive Ark forward.

Our strategy for 2023-2026 will provide an overarching framework for the creation and delivery of a number of underpinning strategies and programmes that will support our key ambition set out in 2020; *becoming an excellent organisation across all aspects of our business*. We will build upon the work already begun and we will retain our focus on the high-level strategic aims we set for ourselves in 2020, as they are as relevant now as they were at that time.

This strategy will drive Ark forward in our pursuit of becoming an organisation that will:

- ▲ Have a reputation for excellence and be recognised as a high quality provider of housing and care;
- ▲ Be known as an excellent employer where employees will enjoy rewarding careers;
- ▲ Build our technological and digital capability to support a successful business;
- ▲ Have in place Leadership to create a culture of excellence throughout the business

We have spent some considerable time with our Board of Management over the past twelve months, discussing the future and together agreeing what our strategic focus should be. The Board have played a key role in creating our plan and therefore shaping the future focus of the leadership team and are fully supportive of the ambitions set out within the strategic plan, which are designed to enable Ark to achieve our vision and mission.

Our Strategic Priorities for 2023-2026

Our strategic plan sets out ten high level strategic priorities that we will work towards achieving over the next three years. We have retained the four strategic aims we identified as part of the last business

REPORT OF THE BOARD OF MANAGEMENT (continued)

plan as we strongly believe they will inspire our work over the next three years; they are clear aspirations for everyone in Ark to aim for and they describe explicitly, the organisation we are striving to become.

1.1 Delivering High Quality Housing and Care

Ark aims to build a reputation for excellence and be recognised as a high quality provider of housing and care; we have already made good progress in improving both our care and our housing offering and we have now identified several key strategic priorities to continue the improvements we have made to ensure we realise this strategic aim. We will create a new vision for Care and Support that will see the development of a bespoke care and support delivery model; we will launch our Housing Development Strategy in April 2023 which aims to provide the framework for Ark's new build programme and we will implement a new Asset Management Strategy in June 2023 which will set out the long term plans for the improvement in the quality of our existing stock.

1.2 Ark as an Excellent Employer

Our people are essential to any ambitions and success we have as an organisation and it is incumbent upon us to create an organisation where people can flourish and enjoy a rewarding career; where people feel valued and recognised for the difference they make every day; where we have in place a set of people policies that supports our teams and where we ensure the health and well-being of our people by offering appropriate and effective support.

1.3 Build our Technological and Digital Capability

At Ark we aim to build our technological and digital capability to a level where it will support the business to be successful. We will improve our technological and digital capability by providing our people with well-designed software and technology that in turn results in an excellent customer experience. Our ability to get more from our systems, data and technology will provide our people with better insight and intelligence to allow them to identify and proactively address operational issues and deliver excellent customer service.

1.4 Creating a culture of Excellence

Ark aspire to achieve excellence, however this outcome is only possible if achieving excellence is embedded within the culture of the organisation. We wish to create plans for improved communication and engagement across the organisation and in the external environment. This requires the Leadership of Ark to be proactive with all our people across the organisation and deliver a consistent message that excellence is what we should all be aspiring to.

Creation of this focus and culture is ultimately to the benefit of Ark's customers who would be in receipt of services that our people will be proud to be part of, as they will deliver the positive outcomes that are important to our customers.

This approach is underpinned by robust and compliant Governance systems and processes and we will create a framework where Governance becomes tangible within Ark and all of our people, including the Board understand the role they play in delivering good governance for Ark.

REPORT OF THE BOARD OF MANAGEMENT (continued)

Sustainability

Ark is committed to being a responsible and sustainable social housing and care provider and our aim is to embed Environmental, Social, and Governance frameworks (ESG) into all our business activities.

A key focus throughout 2022/23 has been to ensure Ark has appropriate strategic plans in place to support the organisation in its long-term sustainability journey.

Our emerging Asset Management Strategy will significantly increase the level of investment in our existing housing stock over the next decade, aligned to Scottish Government energy efficiency targets for the social housing sector. This will improve living conditions for our tenants, helping to tackle fuel poverty and progress towards meeting net zero ambitions.

Our new Equality, Diversity, Inclusion and Human Rights strategy promotes an environment which values all cultures and groups, and is committed to improving the lives of our customers and the communities in which they live, and to safeguard the rights and aspirations of people who require care and support.

Going forward, we are considering how best to report and externally benchmark our performance on our sustainability journey.

Going Concern

The Board of Management has reviewed the results for this year and has also reviewed the projections for the next five years. The Board, therefore, has a reasonable expectation that we have adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in these financial statements.

More details on the Board's assessment of the use of the going concern basis is provided in Note 2.

Auditors

A resolution to re-appoint CT as auditors for the ensuing year will be proposed at the annual general meeting.

By order of the Board of Management

Graham Mitchell (Chair)
30 August 2023

The Priory
Canaan Lane
Edinburgh
EH10 4SG

STATEMENT OF BOARD'S RESPONSIBILITIES IN RESPECT OF THE REPORT OF THE BOARD OF MANAGEMENT AND THE FINANCIAL STATEMENTS

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under that law the Board has elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs of the association and of the income and expenditure of the association for that period.

In preparing the associations financial statements, 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 UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business; and
- prepare a Statement on Internal Financial Control.

The Board is responsible for keeping proper accounting records of account that disclose with reasonable accuracy at any time the financial position of the association and to enable it to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and Registered Social Landlords Determination of Accounting Requirements 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 UK governing the preparation and dissemination of financial statements 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 auditors are 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.

By order of the Board of Management

Graham Mitchell (Chair)
30 August 2023

The Priory
Canaan Lane
Edinburgh
EH10 4SG

BOARD OF MANAGEMENT STATEMENT OF INTERNAL FINANCIAL CONTROLS

The Board of Management acknowledges their responsibility for ensuring that the Group has in place systems of control that are appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

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

It is the Board of Management's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material mis-statement or loss.

The key elements of the Group's systems of internal financial control are set out below:

- Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- Experienced and suitably qualified staff take responsibility for important business functions.
- Forecasts and budgets are prepared regularly which allow the Board and staff to monitor the key business risks and financial objectives as well as the progress towards the financial plans set for the year and the medium term.
- Management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate.
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures.

The Board reviews reports from management and from the Audit Sub-Committee, which scrutinises reports from both internal and external auditors, to obtain reasonable assurance that control procedures are in place and are being followed. The Group has a rolling programme of internal audit reviews which cover the key activities of the Group. Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports. These arrangements are considered appropriate to the scale and range of the Association's activities and comply with the requirements contained in the Scottish Housing Regulator's Guidance.

Significant risks are identified, evaluated and managed as outlined on page 10 and 11 of this document.

The Board of Management has reviewed the system of internal financial control in the Group during the year ended 31 March 2023 and up to the approval date of the financial statements. No weaknesses were found in internal financial controls which could result in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

By order of the Board of Management

Graham Mitchell (Chair)
30 August 2023

The Priory
Canaan Lane
Edinburgh
EH10 4SG

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF ARK HOUSING ASSOCIATION LIMITED



Opinion

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

In our opinion the financial statements:

- give a true and fair view of the state of the Association’s and the Group’s affairs as at 31 March 2023 and of the Association’s and the Group’s income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, 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 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.

Who we are reporting to

This report is made solely to the Association’s members, as a body, in accordance with 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board’s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the association’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Board is responsible for the other information. The other information comprises the information included in the Operating and Financial Review and Board of Management Report, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF ARK HOUSING ASSOCIATION LIMITED (CONTINUED)

cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Board

As explained more fully in the Statement of the Board's Responsibilities set out on page 14, the Board members (who are also the Trustees of the association for the purposes of charity law) are 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 determine 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 group's and 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 has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF ARK HOUSING ASSOCIATION LIMITED (CONTINUED)

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.

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.

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

2023

REPORT BY THE AUDITORS TO THE MEMBERS OF ARK HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Group Financial Statements, we have reviewed your statement on page 15 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 15 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 Group Financial Statements.

Through enquiry of certain members of the Board of Management and Officers of the Association and examination of relevant documents, we have satisfied ourselves that the Board of Management’s Statement on Internal Financial Control appropriately reflects the association’s compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls contained within the publication “Our Regulatory Framework” and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

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

2023

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2023 – GROUP

| | <i>Notes</i> | 2023 £'000 | 2022 £'000 |
|---|--------------|-----------------------------|-----------------------------|
| Turnover | 3 | 23,839 | 22,513 |
| Less: Operating costs | 3 | (23,831) | (22,634) |
| Operating surplus / (deficit) | | 8 | (121) |
| | | | |
| Interest receivable and similar income | 9 | 67 | 22 |
| Interest payable and similar charges | 10 | (81) | (76) |
| Deficit for the financial year | | (6) | (175) |
| | | | |
| Unrealised (loss) / gain on investments | 16 | (115) | 54 |
| Actuarial gain on investments | 22 | - | - |
| Amendment to pension recovery plan | 22 | (1,476) | 2,451 |
| | | (1,597) | 2,330 |
| | | | |
| Other Comprehensive Income | | | |
| Initial recognition of multi-employer defined benefit scheme | 22 | - | - |
| Actuarial gain in respect of pension scheme | 22 | 835 | 1,322 |
| | | | |
| Total comprehensive (loss) / income for the financial year | | (762) | 3,652 |

All amounts relate to continuing operations.

The notes on pages 29 to 56 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2023 – ASSOCIATION

| | <i>Notes</i> | 2023 £'000 | 2022 £'000 |
|---|--------------|-----------------------------|-----------------------------|
| Turnover | 3 | 23,638 | 22,291 |
| Less: Operating costs | 3 | (23,395) | (22,273) |
| Operating surplus | | 243 | 18 |
| | | | |
| Interest receivable and similar income | 9 | 56 | 22 |
| Interest payable and similar charges | 10 | (25) | (20) |
| Surplus for the financial year | | 274 | 20 |
| | | | |
| Unrealised (loss) / gain on investments | 16 | (115) | 54 |
| Actuarial gain on investments | 22 | - | - |
| Amendment to pension recovery plan | 22 | (1,476) | 2,451 |
| | | (1,317) | 2,525 |
| | | | |
| Other Comprehensive Income | | | |
| Initial recognition of multi-employer defined benefit scheme | 22 | - | - |
| Actuarial gain in respect of pension scheme | 22 | 835 | 1,322 |
| | | | |
| Total comprehensive (loss) / income for the financial year | | (482) | 3,847 |

All amounts relate to continuing operations.

The notes on pages 29 to 56 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2023 – GROUP

| | Income & Expenditure Reserve £'000 | Restricted Reserve £'000 | Total £'000 |
|----------------------------|---|---|------------------------|
| Balance at 1 April 2021 | 14,604 | 45 | 14,649 |
| Total comprehensive income | 3,653 | (1) | 3,652 |
| Balance at 1 April 2022 | <u>18,257</u> | <u>44</u> | <u>18,301</u> |
| Total comprehensive income | (762) | - | (762) |
| Balance at 31 March 2023 | <u>17,495</u> | <u>44</u> | <u>17,539</u> |

All amounts relate to continuing operations.

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2023 – ASSOCIATION

| | Income & Expenditure Reserve £'000 | Restricted Reserve £'000 | Total £'000 |
|----------------------------|---|---|------------------------|
| Balance at 1 April 2021 | 11,942 | 45 | 11,987 |
| Total comprehensive income | 3,848 | (1) | 3,847 |
| Balance at 1 April 2022 | <u>15,790</u> | <u>44</u> | <u>15,834</u> |
| Total comprehensive income | (482) | - | (482) |
| Balance at 31 March 2023 | <u>15,308</u> | <u>44</u> | <u>15,352</u> |

All amounts relate to continuing operations.

The notes on pages 29 to 56 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023 - GROUP

| | <i>Notes</i> | 2023 | 2022 |
|--|--------------|----------------------|----------------------|
| | | £'000 | £'000 |
| Fixed assets | | | |
| Housing properties | <i>14</i> | 23,324 | 22,282 |
| Other tangible fixed assets | <i>15</i> | 2,699 | 2,697 |
| Investment property | <i>16</i> | 475 | 475 |
| Investments | <i>16</i> | 1,476 | 1,561 |
| | | <u>27,974</u> | <u>27,015</u> |
| Current assets | | | |
| Debtors | <i>17</i> | 3,031 | 3,337 |
| Cast at bank | | 7,893 | 7,213 |
| | | <u>10,924</u> | <u>10,550</u> |
| Creditors: amounts falling due within one year | <i>18</i> | <u>(4,590)</u> | <u>(4,097)</u> |
| Net current assets | | <u>6,334</u> | <u>6,453</u> |
| Total assets less current liabilities | | 34,308 | 33,468 |
| Creditors: amounts falling due after more than one year | <i>19</i> | (15,486) | (14,525) |
| Provisions for liabilities | | | |
| Pension – defined benefit liability | <i>22</i> | <u>(1,283)</u> | <u>(642)</u> |
| Total net assets | | <u><u>17,539</u></u> | <u><u>18,301</u></u> |
| Capital and reserves | | | |
| Share capital | <i>20</i> | - | - |
| Restricted reserves | <i>12</i> | 44 | 44 |
| Revenue reserve | | 17,495 | 18,257 |
| Total reserves | | <u><u>17,539</u></u> | <u><u>18,301</u></u> |

These financial statements were approved by the Board of Management and authorised for issue on 30 August 2023 and signed on its behalf by:

Graham Mitchell (Chair)

Ian Logan (Board Member)

Bobby Duffy (Secretary)

The notes on pages 29 to 56 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023 - ASSOCIATION

| | <i>Notes</i> | 2023 | 2022 |
|--|--------------|----------------------|----------------------|
| | | £'000 | £'000 |
| Fixed assets | | | |
| Housing properties | <i>14</i> | 19,901 | 18,924 |
| Other tangible fixed assets | <i>15</i> | 2,699 | 2,697 |
| Investment property | <i>16</i> | 475 | 475 |
| Investments | <i>16</i> | 1,476 | 1,561 |
| | | <u>24,551</u> | <u>23,657</u> |
| Current assets | | | |
| Debtors | <i>17</i> | 3,046 | 3,971 |
| Cast at bank | | 5,894 | 4,248 |
| | | <u>8,940</u> | <u>8,219</u> |
| Creditors: amounts falling due within one year | <i>18</i> | <u>(3,972)</u> | <u>(3,583)</u> |
| Net current assets | | <u>4,968</u> | <u>4,636</u> |
| Total assets less current liabilities | | 29,519 | 28,293 |
| Creditors: amounts falling due after more than one year | <i>19</i> | (12,884) | (11,817) |
| Provisions for liabilities | | | |
| Pension – defined benefit liability | <i>22</i> | <u>(1,283)</u> | <u>(642)</u> |
| Total net assets | | <u><u>15,352</u></u> | <u><u>15,834</u></u> |
| Capital and reserves | | | |
| Share capital | <i>20</i> | - | - |
| Restricted reserves | <i>12</i> | 44 | 44 |
| Revenue reserve | | 15,308 | 15,790 |
| Total reserves | | <u><u>15,352</u></u> | <u><u>15,834</u></u> |

These financial statements were approved by the Board of Management and authorised for issue on 30 August 2023 and signed on its behalf by:

Graham Mitchell (Chair)

Ian Logan (Board Member)

Bobby Duffy (Secretary)

The notes on pages 29 to 56 form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023 - GROUP

| | <i>Notes</i> | 2023 | 2022 |
|---|--------------|--------------|--------------|
| | | £'000 | £'000 |
| Net cash generated from operating activities | <i>24</i> | <u>1,444</u> | <u>(491)</u> |
| Cash flow from investing activities | | | |
| Improvement of properties – housing stock | <i>14</i> | (256) | (384) |
| New build | <i>14</i> | (1,533) | (296) |
| Purchase of other fixed assets | <i>15</i> | (131) | (162) |
| Grants received | <i>18</i> | 1,358 | 286 |
| Finance income | <i>9</i> | 77 | 33 |
| Purchase of investments | <i>16</i> | <u>(233)</u> | <u>(249)</u> |
| | | (718) | (772) |
| Cash flow from financing activities | | | |
| Finance charges | <i>10</i> | (81) | (76) |
| Disposal of investments | <i>16</i> | 205 | 243 |
| Reinvested dividends | <i>16</i> | (13) | (26) |
| Repayment of housing loans | | <u>(156)</u> | <u>(150)</u> |
| | | (45) | (9) |
| Net change in cash and cash equivalents | | 681 | (1,272) |
| Cash and cash equivalents at 1 April | | 7,213 | 8,485 |
| Cash and cash equivalents at 31 March | | <u>7,894</u> | <u>7,213</u> |

The notes on pages 29 to 56 form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023 - ASSOCIATION

| | <i>Notes</i> | 2023 | 2022 |
|---|--------------|--------------|----------------|
| | | £'000 | £'000 |
| Net cash generated from operating activities | <i>24</i> | <u>2,131</u> | <u>(1,073)</u> |
| Cash flow from investing activities | | | |
| Improvement of properties – housing stock | <i>14</i> | (103) | (374) |
| New build | <i>14</i> | (1,533) | (296) |
| Purchase of other fixed assets | <i>15</i> | (131) | (162) |
| Grants received | <i>18</i> | 1,358 | 286 |
| Finance income | <i>9</i> | 66 | 33 |
| Purchase of investments | <i>16</i> | <u>(233)</u> | <u>(249)</u> |
| | | (576) | (762) |
| Cash flow from financing activities | | | |
| Finance charges | <i>10</i> | (25) | (20) |
| Disposal of investments | <i>16</i> | 205 | 243 |
| Reinvested dividends | <i>16</i> | (12) | (26) |
| Repayment of housing loans | | <u>(77)</u> | <u>(77)</u> |
| | | 91 | 120 |
| Net change in cash and cash equivalents | | 1,646 | (1,715) |
| Cash and cash equivalents at 1 April | | 4,248 | 5,963 |
| Cash and cash equivalents at 31 March | | <u>5,894</u> | <u>4,248</u> |

The notes on pages 29 to 56 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1. Legal status

Ark Housing Association (“Ark HA”) is registered under the Co-operative and Community Benefit Societies Act 2014 No. 1899RS and is a registered Scottish Charity No. SC015694. Ark is registered as a housing association with the Scottish Housing Regulator under the Housing (Scotland) Act 2014. The principal activity of Ark HA is the provision of social housing and associated housing management and care services.

The Company and its subsidiaries (Ark Services Limited and Ark Commercial Investment Limited) are referred to as “Ark Group”. The registered office is The Priory, Canaan Lane, Edinburgh, EH10 4SG.

Ark HA is a public benefit entity.

2. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements of Ark Group and the Company are prepared in accordance with applicable accounting standards and in accordance with the accounting requirements included within the Determination of Accounting Requirements 2019, and under the historical cost accounting rules. The financial statements have also been prepared in accordance with the Statement of Recommended Practice for social housing providers 2018 (“SORP 2018”), issued by the National Housing Federation and under FRS 102. The presentational currency of these financial statements is Sterling. All amounts in the financial statements have been rounded to the nearest £1,000. The results of Ark Services are prepared under the Charities SORP 2015.

The financial statements have been prepared on a going concern basis which the Board considers to be appropriate for the following reasons:

The Association prepares a 30-year financial plan which is updated and approved on an annual basis. The most recent financial plan was approved in March 2023 by the Board. This included considering the impact of a number of scenarios on the financial plan, measured against funding levels, with potential mitigating actions identified to reduce expenditure.

The Board, after reviewing the Association budgets for 2023/24 and the Association’s financial position as forecast in the 30-year financial plan, including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of plausible downsides, the Association has adequate resources to continue to meet their liabilities over the period of 12 months from the date of approval of the financial statements (the going concern assessment period). In reaching this conclusion, the Board has considered the following factors:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

2. Accounting policies (continued)

- Care and support income – the delivery of contracted hours quickly returned to pre-pandemic levels. Income is spread across a number of Local Authority areas and any reduction in income will be offset by reduced staffing costs. The Board is mindful of on-going pricing pressures, the short-term nature of contract income, and the on-going public sector funding challenges. The ongoing process of care contract renewal, margin monitoring and securing future funding is actively managed ensuring the needs of all stakeholders are taken into account;
- Rent and service charge receivable – arrears and bad debts have not materially increased in the previous year, and there is no indication of a significant change in the near future. The financial plan takes account of potential future increases;
- Development activity – financial plan scenarios have taken account of delays in new build activity;
- Maintenance costs – financial plan scenarios have been modelled to take account of increasing prices, and revised profiles of repairs and maintenance expenditure, with major works being phased into future years;
- Liquidity – current available cash of £5.9m gives significant headroom for forecast cash flows over the going concern assessment period.

The Board believe the Group and Association have sufficient funding in place and expect the Association to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Board is confident that the Group and Association will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Accounting judgements and estimations

Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts and other factors.

Judgements have been made in:

- Component accounting and the assessment of useful lives;
- The assessment of the fair value of financial instruments;
- Allocation of share of assets and liabilities for multi-employer pension schemes. Judgements in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi-employer pension schemes and estimations performed by their actuarial advisors.
- The provision for legal settlement has been estimated based on advice from the Group's solicitor.

Basis of consolidation

The Ark Group Financial Statements incorporate the financial statements of the Group's parent Ark Housing Association Limited and its subsidiaries Ark Services Limited and Ark Commercial Investment Limited. Profits or losses on intra-group transactions are eliminated in full in accordance with FRS 102.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

2. Accounting policies (continued)

Ark Services Limited is incorporated as a company limited by guarantee. It is a registered charity and per its articles it is to be treated as a subsidiary of the Housing Association. Ark Commercial Investment Limited is incorporated as a company limited by share capital and is also a subsidiary of the Housing Association. Consolidation has been carried out using the equity method.

Turnover

Turnover, which is stated net of value added tax, represents income receivable from lettings and service charges, fees receivable from Local Authorities less amounts carried forward as deferred income, revenue grants and other income. Turnover is recognised when there is entitlement, any performance conditions attached have been met, it is probable income will be received and the amount can be realised reliably. Income received in advance is treated as deferred income.

Grant income

Where a grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where a grant is received from government and other bodies as a contribution towards the capital cost of housing schemes, which are held at cost, the grant is recognised in turnover over the expected useful life of the housing property structure. Grants received specifically for components of a housing property are included in turnover over the expected useful life of the component under the accruals model.

Bad and doubtful debts

Provision is made against rent arrears of current and former tenants as well as other miscellaneous debts to the extent that they are considered potentially irrecoverable. Debts are classed as uncollectable after an assessment of the legislative options available to recover and consideration of specific circumstances.

Supported housing

Expenditure on housing accommodation and supported housing is allocated on the basis of the number of units for each type of accommodation.

Financial instruments

The Association has only basic financial assets and liabilities comprising debtors, cash and cash equivalents and trade creditors and accruals. These assets and liabilities are initially recorded at cost and subsequently at the amounts expected to be received or paid.

Deposits and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts repayable on demand. Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

2. Accounting policies (continued)

Pensions

Ark HA previously participated in the Pensions Trust Scottish Housing Association Pension Scheme (“SHAPS”) Defined Benefit Pension Scheme. The scheme is now closed. Retirement benefits to employees are funded by contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

In accordance with FRS 102, the Association’s share of the scheme assets and liabilities have been separately identified and are included in the Association’s Statement of Financial Position and measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The Association’s share of the deficit is recognised in full and the movement is split between operating costs, finance items and in the statement of comprehensive income as actuarial gain or loss on pension schemes.

Capitalisation Policy

The fixed asset register consists of items purchased within an accounting period valued at £1,000 or more that are considered to have a useful economic life of more than one year.

This threshold applies to single items only with the exception of computer equipment which should be grouped. Items that meet the definition of a fixed asset but are below this capitalisation threshold are recognised as an expense in the Statement of Comprehensive Income in the appropriate period the expense was incurred.

Fixed assets – housing properties

In accordance with SORP 2018, the Ark Group operates a full component accounting policy in relation to the capitalisation and depreciation of its completed housing stock.

(i) Initial recognition

Social Housing properties are stated at cost. Cost includes purchase price together with the cost of capitalised improvement works and repairs that result in enhancement of the economic benefits of the asset.

(ii) Depreciation and impairment

Housing properties are split between land, structure and major components which require periodic replacement. Replacement or refurbishment of such major components is capitalised and depreciated over the estimated useful life which has been set taking into account professional advice, the Association’s asset management strategy and the requirement of the Scottish Housing Quality Standard. In determining the remaining useful lives for the housing stock, Ark HA has taken account of views provided by both internal and external professional sources. Freehold land is not subject to depreciation.

Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the structure to which they relate, if shorter at the following annual rates:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

2. Accounting policies (continued)

| | Economic life (years) |
|------------------------------------|-----------------------|
| Bathrooms | 20 |
| Kitchens | 15 |
| Windows & Doors | 30 |
| Heating Systems | 15 |
| Structure & Roofs | 80 |
| Mechanical, Electrical, & Plumbing | 30 |
| Internal Works & Common Areas | 30 |
| External Environment | 30 |

Housing assets are depreciated in the month of acquisition or in the case of a larger project, from the month of completion.

Where there is evidence of impairment, the fixed assets are written down to the recoverable amount and any write down would be charged to operating surplus.

(iii) New build

Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties when ready for letting or sale.

The Group's policy is to capitalise the following:

- Cost of acquiring land and buildings;
- Interest costs directly attributable;
- Development expenditure, including staff costs attributable to the delivery of the capital investment programme; and
- Other directly attributable internal and external costs.

Expenditure on schemes which are subsequently aborted will be written off in the year in which it is recognised that the schemes will not be developed to completion.

Investment properties

Investment properties are held at fair value with revaluation movements recorded in the income statement for the period.

Sale of housing properties

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale, except for first tranche sales. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

2. Accounting policies (continued)

Grants

Housing association grants (“HAG”) and other capital grants are accounted for using the Accrual Method as outlined in Section 24 of FRS 102. Grants are treated as deferred income and recognised as income on a systematic basis over the expected useful life of the property and assets to which it relates.

Grants received in respect of revenue expenditure is credited to the Statement of Comprehensive Income in the same period as the expenditure to which it relates.

Other tangible fixed assets

Expenditure incurred on the Association’s office buildings is split into components and depreciated at the housing property rates detailed above. Depreciation is charged on a straight-line basis over the expected useful economic lives of fixed assets to write-off the cost, less estimated residual values over the following expected lives. Assets are depreciated in the month of acquisition, or in the case of a larger project, from the month of completion, at the following rates:

| | Economic life (years) |
|--|-----------------------|
| Office furniture and equipment | 7 |
| Computer equipment | 5 |
| Ark Information Management System (“AIMS”) | 10 |

Provisions

Ark Group only provides for liabilities at the date of the Statement of Financial Position where there is a legal or constructive obligation incurred which will probably result in the outflow of resources.

Taxation

The Group is considered to pass the tests as set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Group is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part II Corporation Tax Act 1992 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Subsidiary companies are not exempt from taxation except where they meet similar tests as above and taxation is based on the taxable profit or loss for the year after adjusting for the effect of any gift aid payments to Ark.

Equipment Replacement Creditor

The equipment replacement creditor represents the Association’s liability to replace service equipment for mainstream properties in accordance with a planned programme of work.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

2. Accounting policies (continued)

Restricted Reserves

This reflects revenue grants and donations / legacies received for restricted purposes / projects and related expenditure in these projects.

Credit Payment Policy

Purchases are paid within 30 days of invoice or in accordance with creditor payment terms.

Operating Leases

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

Investments

Investment income is brought into account when due and receivable. Investments are stated at market value. Unrealised gains or losses on valuation are reflected through the Statement of Comprehensive Income and disclosed in Revenue Reserve in the Statement of Financial Position. Realised gains or losses are recognised through the Statement of Comprehensive Income as they occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

3. Particulars of turnover, operating costs and operating surplus

Group

| | <i>Notes</i> | Turnover £'000 | Operating Costs £'000 | 2023 Operating Surplus / (Deficit) £'000 | 2022 Operating Surplus / (Deficit) £'000 |
|-------------------------------------|--------------|---------------------------|--------------------------------------|---|---|
| Affordable letting activities | 4 | 4,168 | (3,500) | 668 | 933 |
| Other activities | 5 | 19,671 | (20,331) | (660) | (1,054) |
| Total | | 23,839 | (23,831) | 8 | (121) |
| Total for previous reporting period | | 22,513 | (22,634) | (121) | |

Association

| | <i>Notes</i> | Turnover £'000 | Operating Costs £'000 | 2023 Operating Surplus / (Deficit) £'000 | 2022 Operating Surplus / (Deficit) £'000 |
|-------------------------------------|--------------|---------------------------|--------------------------------------|---|---|
| Affordable letting activities | 4 | 3,391 | (3,151) | 240 | 438 |
| Other activities | 5 | 20,247 | (20,244) | 3 | (420) |
| Total | | 23,638 | (23,395) | 243 | 18 |
| Total for previous reporting period | | 22,291 | (22,273) | 18 | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

4. Particulars of turnover, operating costs and operating surplus from social letting activities

Group

| | General Needs £'000 | Supported Housing Accommodation £'000 | 2023 Total £'000 | 2022 Total £'000 |
|--|------------------------------------|--|---------------------------------|---------------------------------|
| Rent receivable net of service charges | 3,570 | 29 | 3,599 | 3,553 |
| Service charges | 340 | 2 | 342 | 417 |
| Gross income from rents and service charges | 3,910 | 31 | 3,941 | 3,902 |
| Less rent losses from voids | (17) | - | (17) | (16) |
| Net income from rents and service charges | 3,893 | 31 | 3,924 | 3,886 |
| Grants released from deferred income | 244 | - | 244 | 244 |
| Other revenue grants | - | - | - | - |
| Total turnover from affordable letting activities | 4,137 | 31 | 4,168 | 4,132 |
| Management & administration costs | 1,488 | 7 | 1,495 | 934 |
| Service costs | 308 | 2 | 310 | 391 |
| Planned & cyclical maintenance including major repairs costs | 221 | 4 | 225 | 196 |
| Reactive maintenance costs | 709 | 6 | 715 | 935 |
| Bad debts – rents and service charges | 7 | - | 7 | (5) |
| Depreciation of affordable let properties | 739 | 9 | 748 | 748 |
| Operating costs from affordable letting activities | 3,472 | 28 | 3,500 | 3,199 |
| Operating surplus from affordable lettings | 665 | 3 | 668 | 933 |
| Operating surplus from affordable lettings for the previous reporting period | 919 | 14 | 933 | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

4. Particulars of turnover, operating costs and operating surplus from social letting activities (continued)

Association

| | General Needs £'000 | Supported Housing Accommodation £'000 | 2023 Total £'000 | 2022 Total £'000 |
|--|------------------------------------|--|---------------------------------|---------------------------------|
| Rent receivable net of service charges | 2,860 | 29 | 2,889 | 2,766 |
| Service charges | 298 | 2 | 300 | 349 |
| Gross income from rents and service charges | 3,158 | 31 | 3,189 | 3,115 |
| Less rent losses from voids | (17) | - | (17) | (16) |
| Net income from rents and service charges | 3,141 | 31 | 3,172 | 3,099 |
| Grants released from deferred income | 219 | - | 219 | 221 |
| Other revenue grants | - | - | - | - |
| Total turnover from affordable letting activities | 3,360 | 31 | 3,391 | 3,320 |
| Management & administration costs | 1,371 | 7 | 1,378 | 852 |
| Service costs | 266 | 2 | 268 | 329 |
| Planned & cyclical maintenance including major repairs costs | 212 | 4 | 216 | 166 |
| Reactive maintenance costs | 617 | 6 | 623 | 880 |
| Bad debts – rents and service charges | 7 | - | 7 | (5) |
| Depreciation of affordable let properties | 650 | 9 | 659 | 660 |
| Operating costs from affordable letting activities | 3,123 | 28 | 3,151 | 2,882 |
| Operating surplus from affordable lettings | 237 | 3 | 240 | 438 |
| Operating surplus from affordable lettings for the previous reporting period | 424 | 14 | 438 | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

5. Particulars of turnover, operating costs and operating surplus from other activities

Group

| | Grants from Scottish Ministers £'000 | Other Revenue Grants £'000 | Supporting People Income £'000 | Other Income £'000 | Total Turnover £'000 | Operating Costs £'000 | 2023 Operating Surplus (Deficit) £'000 | 2022 Operating Surplus (Deficit) £'000 |
|---|---|---|---|-----------------------------------|-------------------------------------|--------------------------------------|---|---|
| Care activities | - | - | 18,901 | 599 | 19,500 | (19,260) | 240 | 554 |
| Other activities | - | 72 | - | 99 | 171 | (1,071) | (900) | (1,608) |
| Total from other activities | - | 72 | 18,901 | 698 | 19,671 | (20,331) | (660) | (1,054) |
| Total from other activities for the previous reporting period | - | 24 | 17,957 | 400 | 18,381 | (19,435) | (1,054) | |

Association

| | Grants from Scottish Ministers £'000 | Other Revenue Grants £'000 | Supporting People Income £'000 | Other Income £'000 | Total Turnover £'000 | Operating Costs £'000 | 2023 Operating Surplus (Deficit) £'000 | 2022 Operating Surplus (Deficit) £'000 |
|---|---|---|---|-----------------------------------|-------------------------------------|--------------------------------------|---|---|
| Care activities | - | - | 18,901 | 599 | 19,500 | (19,260) | 240 | 554 |
| Other activities | - | 72 | - | 675 | 747 | (984) | (237) | (974) |
| Total from other activities | - | 72 | 18,901 | 1,274 | 20,247 | (20,244) | 3 | (420) |
| Total from other activities for the previous reporting period | - | 24 | 17,957 | 990 | 18,971 | (19,391) | (420) | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

6. Board members' emoluments – Group and Association

No Board members received remuneration with £995 (2022: £212) paid for reimbursed expenses.

7. Key management personnel – Group and Association

Under FRS 102 Ark Group has defined “key management personnel” as the members of the Executive Team whose posts are set out on page 1 of the Report and Financial Statements.

The total emoluments of the key management personnel over £60,000, including the Chief Executive were as follows:

| | 2023 | 2022 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Emoluments (excluding pension contributions) | 403 | 427 |

The Directors whose emoluments exceed £60,000 fall within the following bandings:

| | 2023 | 2022 |
|-------------------|-------------|-------------|
| | No. | No. |
| £60,000 - £69,999 | - | - |
| £70,000 - £79,000 | 4 | 4 |
| £80,000 - £89,000 | - | - |
| £90,000 - £99,000 | 1 | 1 |
| | 5 | 5 |

8. Employees – Group and Association

| | 2023 | 2022 |
|---|-------------|-------------|
| | No. | No. |
| The average monthly number of full time equivalent persons employed during the year was | 519 | 525 |
| The average total number of employees employed during the year was | 591 | 602 |

| | 2023 | 2022 |
|-------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Staff costs (for the above persons) | | |
| Wages and salaries | 15,132 | 14,877 |
| Social security costs | 1,326 | 1,213 |
| Pension costs | 1,385 | 1,882 |
| Temporary agency staff | 1,646 | 979 |
| | 19,489 | 18,951 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

9. Finance income

| | Group | | Association | |
|--|--------------|--------------|--------------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| | £'000 | £'000 | £'000 | £'000 |
| Bank interest receivable on deposits in the year | 36 | 2 | 25 | 2 |
| Dividend income | 31 | 20 | 31 | 20 |
| | <u>67</u> | <u>22</u> | <u>56</u> | <u>22</u> |

10. Finance charges

| | Group | | Association | |
|-------|--------------|--------------|--------------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| | £'000 | £'000 | £'000 | £'000 |
| Loans | 81 | 76 | 25 | 20 |
| | <u>81</u> | <u>76</u> | <u>25</u> | <u>20</u> |

11. Auditors remuneration

The remuneration of the auditor (excluding VAT) is as follows:

| | Group | | Association | |
|-------------------------------|--------------|--------------|--------------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| | £'000 | £'000 | £'000 | £'000 |
| In their capacity as auditors | 22 | 19 | 19 | 16 |
| In another capacity | - | 1 | - | 1 |
| Total | <u>22</u> | <u>20</u> | <u>19</u> | <u>17</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

12. Restricted reserves

| | Group | | Housing Association | |
|------------------------------------|--------------|--------------|----------------------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| Rotary Rymonth Hobbies Fund | £'000 | £'000 | £'000 | £'000 |
| At 1 April 2022 | 7 | 7 | 7 | 7 |
| At 31 March 2023 | <u>7</u> | <u>7</u> | <u>7</u> | <u>7</u> |

The Rotary Rymonth Hobbies Fund was created out of a donation received by Rymonth Housing Society from St Andrews Rotary Club for the purpose of promoting the leisure activities of the residents of Rymonth, including the provision of equipment and materials for the said purpose. Interest shall be credited annually and any expenditure exceeding £250 shall be notified to the Rotary Club in advance.

| | £'000 | £'000 | £'000 | £'000 |
|-------------------------------|--------------|--------------|--------------|--------------|
| Rymonth Donations | | | | |
| At 1 April 2022 | 28 | 29 | 28 | 29 |
| Transfer from revenue reserve | - | (1) | - | (1) |
| At 31 March 2023 | <u>28</u> | <u>28</u> | <u>28</u> | <u>28</u> |

The Rymonth Donations was created out of donations received by Rymonth Housing Society and by Ark for the residents of Rymonth.

| | £'000 | £'000 | £'000 | £'000 |
|----------------------------------|--------------|--------------|--------------|--------------|
| Ark Care and Support Fund | | | | |
| At 1 April 2022 | 7 | 7 | 7 | 7 |
| At 31 March 2023 | <u>7</u> | <u>7</u> | <u>7</u> | <u>7</u> |

The Ark Care and Support Fund is intended to be used to support one-off purchases such as furniture, or one-off activities such as trips, for Care and Support customers across Ark's services.

| | £'000 | £'000 | £'000 | £'000 |
|----------------------------------|--------------|--------------|--------------|--------------|
| Southhouse | | | | |
| At 1 April 2022 | 2 | 2 | 2 | 2 |
| At 31 March 2023 | <u>2</u> | <u>2</u> | <u>2</u> | <u>2</u> |
| Total Restricted Reserves | <u>44</u> | <u>44</u> | <u>44</u> | <u>44</u> |

The Southhouse Restricted Fund relates to a legacy received from the father of a supported person at Southhouse to be used for the benefit of staff at Southhouse service in Edinburgh.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

13. Financial commitments

Capital commitments – Group and Association

Capital commitments in relation to new build development at the end of the financial year are as follows:

| | Group | | Association | |
|---|--------------|--------------|--------------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| | £'000 | £'000 | £'000 | £'000 |
| Capital Expenditure | | | | |
| Expenditure contracted for but not provided in the accounts | 1,334 | - | 1,334 | - |
| Expenditure approved by the board, but not contracted | - | 3,607 | - | 3,607 |
| | <u>3,607</u> | <u>3,607</u> | <u>3,607</u> | <u>3,607</u> |

Operating leases

At the end of the financial year the Association had total future minimum lease payments under non-cancellable operating leases as follows:

| | Group | | Association | |
|---------------------------|--------------|--------------|--------------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| | £'000 | £'000 | £'000 | £'000 |
| Equipment | | | | |
| In one year or less | 3 | 5 | 3 | 4 |
| In two to five years | - | 3 | - | 3 |
| | <u>3</u> | <u>8</u> | <u>3</u> | <u>7</u> |
| Land and buildings | | | | |
| In one year or less | - | 11 | - | 11 |
| Between one and two years | - | - | - | - |
| | <u>-</u> | <u>11</u> | <u>-</u> | <u>11</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

14. Social housing properties

| Group | Social Housing Properties £'000 | Housing Under Construction £'000 | Total £'000 |
|---------------------------------|--|---|------------------------|
| Cost | | | |
| At 1 April 2022 | 35,550 | 663 | 36,213 |
| Additions | 256 | 1,533 | 1,789 |
| Disposals | (32) | - | (32) |
| Transfer | (77) | 77 | - |
| At 31 March 2023 | 35,698 | 2,273 | 37,970 |
| Accumulated Depreciation | | | |
| At 1 April 2022 | 13,931 | - | 13,931 |
| Charge for year | 737 | - | 737 |
| Disposals | (22) | - | (22) |
| At 31 March 2023 | 14,646 | - | 14,646 |
| Net Book Value | | | |
| At 31 March 2023 | 21,051 | 2,273 | 23,324 |
| At 31 March 2022 | 21,619 | 663 | 22,282 |

All land and property is owned by the Group. None is held under a lease.

Major Repairs costs amounted to £262k (2022: £371k) of which £256k (2022: £349k) was capitalised in the year.

| Association | Social Housing Properties £'000 | Housing Under Construction £'000 | Total £'000 |
|---------------------------------|--|---|------------------------|
| Cost | | | |
| At 1 April 2022 | 30,688 | 663 | 31,351 |
| Additions | 103 | 1,533 | 1,636 |
| Disposals | (32) | - | (32) |
| Transfer | (77) | 77 | - |
| At 31 March 2023 | 30,683 | 2,273 | 32,955 |
| Accumulated Depreciation | | | |
| At 1 April 2022 | 12,427 | - | 12,427 |
| Charge for year | 649 | - | 649 |
| Disposals | (22) | - | (22) |
| At 31 March 2023 | 13,054 | - | 13,054 |
| Net Book Value | | | |
| At 31 March 2023 | 17,624 | 2,273 | 19,901 |
| At 31 March 2022 | 18,261 | 663 | 18,924 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

14. Social housing properties (continued)

All land and property is owned by the Association. None is held under a lease. Major Repairs costs amounted to £204k (2022: £361k) of which £192k (2022: £339k) was capitalised in the year.

The number of units of accommodation (excluding unlettable voids) held by the Ark Group at 31 March is shown below:

| | Owned No. | Not Owned No. | 2023 Total No. | 2022 Total No. |
|-------------------------|----------------------|------------------------------|-------------------------------|-------------------------------|
| General needs | 183 | - | 183 | 183 |
| Supported accommodation | 361 | 43 | 404 | 407 |
| | 544 | 44 | 587 | 590 |

The Association and Group leases a number of properties to other providers (local authorities, RSLs or charitable bodies) who manage the properties on their behalf. No funding is payable by the Association or Group to the other providers in respect of these units.

15. Other tangible fixed assets – Group and Association

| | Heritable Buildings £'000 | Land £'000 | Computer Equipment £'000 | Office Equipment £'000 | Total £'000 |
|-------------------------------------|--|-----------------------|---|---------------------------------------|------------------------|
| Cost | | | | | |
| At 1 April 2022 | 1,607 | 1,250 | 822 | 81 | 3,760 |
| Additions | - | - | 131 | - | 131 |
| At 31 March 2023 | 1,607 | 1,250 | 953 | 81 | 3,891 |
| Accumulated Depreciation | | | | | |
| At 1 April 2022 | 532 | - | 450 | 81 | 1,063 |
| Charge for year | 33 | - | 96 | - | 129 |
| At 31 March 2023 | 565 | - | 546 | 81 | 1,192 |
| Net Book Value | | | | | |
| At 31 March 2023 | 1,042 | 1,250 | 407 | - | 2,699 |
| At 31 March 2022 | 1,075 | 1,250 | 372 | - | 2,697 |

The original cost of the office premises at The Priory was £1,043,000. These premises were valued in June 1994 at open market value on an equivalent use basis at £750,000 by Maurice Elliot FRICS, FSVA at Kean Kennedy and Partners, independent chartered surveyors, in accordance with the Statement of Asset Valuation Practice and Guidance Notes published by the Royal Institute of Chartered Surveyors. The reduction in value was fully written off in the year ended 31 March 1994.

As allowed under FRS transitional rules, as the valuation was carried out prior to the introduction of the FRS, the Association has chosen to retain that valuation as deemed cost in the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

16. Investments

| | Group | | Association | |
|--------------------------------------|--------------|--------------|--------------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| | £'000 | £'000 | £'000 | £'000 |
| Opening value | 1,561 | 1,486 | 1,561 | 1,486 |
| Additions | 232 | 249 | 232 | 249 |
| Disposals | (205) | (243) | (205) | (243) |
| Re-invested dividends | 13 | 26 | 13 | 26 |
| Investment management fees | (10) | (11) | (10) | (11) |
| Closing value before unrealised gain | 1,591 | 1,507 | 1,591 | 1,507 |
| Movement in unrealised gain | (115) | 54 | (115) | 54 |
| Closing market value | <u>1,476</u> | <u>1,561</u> | <u>1,476</u> | <u>1,561</u> |

Investment holdings over 5% of the portfolio total are as follows:

| | |
|--|-------|
| CT Investment Funds (UK) ICVC CT UK Equity Income Z GBP DIS | 5.19% |
| TB Evenlode Investment Funds Icvc TB Evenlode Income Fund C DIS | 5.21% |
| Brown Advisory Funds US sust gth SI GBP DIS | 5.64% |
| Fidelity UCITS ICAV US Quality Income UCITS ETF INC USD | 5.54% |
| JP Morgan Fund Icvc Jpm Us Equity Income C2 GBP NET DIS | 5.39% |
| SSGA SPDR ETFS Europe I Plc SPDR S&P Us Div Aristocrats UCIT ETF GBP | 5.39% |

Subsequent to the end of the 2022/23 financial year, but prior to the signing of the accounts, the decision was taken to withdraw all funds from our investment holdings, reducing the value of these investment funds to nil, and increasing the cash at bank by £1,476,000

Investment Property – West Adam Street

| | | | | |
|-----------------|------------|------------|------------|------------|
| Opening balance | 475 | 475 | 475 | 475 |
| Additions | - | - | - | - |
| Closing balance | <u>475</u> | <u>475</u> | <u>475</u> | <u>475</u> |

17. Debtors

| | Group | | Association | |
|--------------------------------|--------------|--------------|--------------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| | £'000 | £'000 | £'000 | £'000 |
| Rent arrears | 78 | 100 | 73 | 64 |
| Less: Provision for bad debts | (14) | (5) | (14) | (5) |
| | <u>64</u> | <u>95</u> | <u>59</u> | <u>59</u> |
| Prepayments and accrued income | 1,061 | 604 | 1,061 | 604 |
| Other debtors | 48 | 41 | 38 | 25 |
| Local authorities | 1,858 | 2,597 | 1,858 | 2,597 |
| Due from other group companies | - | - | 30 | 686 |
| | <u>3,031</u> | <u>3,337</u> | <u>3,046</u> | <u>3,971</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

18. Creditors: amounts falling due within one year

| | Group | | Association | |
|------------------------------|--------------|--------------|--------------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| | £'000 | £'000 | £'000 | £'000 |
| Trade creditors | 912 | 466 | 909 | 458 |
| Local authorities | 190 | 311 | 190 | 311 |
| Other creditors | 351 | 290 | 339 | 279 |
| Due to other group companies | - | - | - | - |
| Tax and social security | 571 | 549 | 571 | 545 |
| Accruals | 920 | 831 | 727 | 773 |
| Deferred income | 115 | 58 | 110 | 58 |
| Equipment replacement | 1,124 | 1,181 | 826 | 852 |
| HAG | 201 | 205 | 201 | 205 |
| Other grants | 43 | 43 | 18 | 18 |
| Housing Loans (note 19) | 163 | 163 | 81 | 84 |
| | 4,590 | 4,097 | 3,972 | 3,583 |

Analysis of deferred HAG / other grants – Group

| | Housing Association Grants £'000 | Other Grants £'000 | Total £'000 |
|---|---|-----------------------------------|------------------------|
| Deferred income as at 31 March 2022 | 10,557 | 2,506 | 13,063 |
| Additional income received | 1,358 | - | 1,358 |
| Released to Statement of Comprehensive Income | (201) | (43) | (244) |
| Deferred income as at 31 March 2023 | 11,714 | 2,463 | 14,177 |

Grants to be released to the Statement of Comprehensive Income

| | | | |
|--------------------------------|-----|----|-----|
| 2022 – all due within one year | 201 | 43 | 244 |
| 2023 – all due within one year | 201 | 43 | 244 |

Analysis of deferred HAG / other grants – Association

| | Housing Association Grants £'000 | Other Grants £'000 | Total £'000 |
|---|---|-----------------------------------|------------------------|
| Deferred income as at 31 March 2022 | 10,557 | 947 | 11,504 |
| Additional income received | 1,358 | - | 1,358 |
| Released to Statement of Comprehensive Income | (201) | (18) | (219) |
| Deferred income as at 31 March 2023 | 11,714 | 929 | 12,643 |

Grants to be released to the Statement of Comprehensive Income

| | | | |
|--------------------------------|-----|----|-----|
| 2022 – all due within one year | 201 | 19 | 220 |
| 2023 – all due within one year | 201 | 18 | 219 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

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

| | Group | | Association | |
|---------------|--------------|--------------|--------------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| | £'000 | £'000 | £'000 | £'000 |
| HAG | 11,511 | 10,352 | 11,511 | 10,352 |
| Other grants | 2,420 | 2,463 | 911 | 929 |
| Housing loans | 1,555 | 1,710 | 462 | 536 |
| | 15,486 | 14,525 | 12,884 | 11,817 |

Loans are secured by specific charges on the Group's properties. Loans are repayable at current rates of interest ranging from 1.41% to 6.52% (2022: 1.10% to 6.52%) in instalments due as follows:

| | Group | | Association | |
|-------------------------------|--------------|--------------|--------------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| | £'000 | £'000 | £'000 | £'000 |
| In one year or less (note 18) | 163 | 163 | 81 | 84 |
| In one to two years | 168 | 167 | 83 | 85 |
| Between two to five years | 545 | 533 | 265 | 266 |
| In five years or more | 841 | 1,010 | 113 | 185 |
| | 1,717 | 1,873 | 542 | 620 |

Housing loans will be fully repaid between 2029 and 2031.

20. Share capital – Group and Association

| | 2023 | 2022 |
|---|-------------|-------------|
| | £ | £ |
| Shares of £1 fully paid and issued at beginning of year | 41 | 44 |
| Shares issued during year | 4 | 2 |
| Shares cancelled during year | - | (5) |
| | 45 | 41 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

21. Related party transactions

Ark Services Limited & Ark Commercial Investment Limited are wholly owned subsidiaries of Ark Housing Association.

During the year Ark HA charged Ark Services £77,500 for professional and administrative support (2022: £64,440) and £14,113 (2022: £13,595) for insurance. Ark Services donated £662,700 to Ark HA (2022: £634,000). At 31 March 2023 there was a total balance of £17,722 (2022: £635,326) owed to Ark HA and a balance of £nil (2022: £nil) due from Ark HA in respect of rental and other income received on behalf of Ark Services Limited.

In addition Ark HA charged Ark Commercial Investment Limited £47,400 (2022: £nil) during the year for rental of the property at West Adam Street. At 31 March 2023 there was a total of £12,411 (2022: £50,804) owed to Ark HA by Ark Commercial Investment Limited which includes a donation to Ark HA of £7,446, with the balance being utility bills paid on its behalf.

During the year Ark held 138 bank accounts (2022: 129) in trust on behalf of supported people. These accounts are kept separate from funds held by the Association and controls monitored by the Care Commission are in place to ensure the safe custody of said funds. The total amount held in these accounts as at 31 March 2023 was £1,255,869 (2022: £1,201,485).

22. Pensions

General

Ark Housing Association Limited 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 2021. This valuation revealed a deficit of £27m, down from a deficit of £121m in the previous valuation. A Recovery Plan, in place to eliminate the deficit, ended in September 2022.

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

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2022. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March to 28 February inclusive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

22. Pensions (continued)

The liabilities are compared, at the relevant accounting date, with the Association's fair share of the Scheme's total assets to calculate the Association's net deficit or surplus.

The Association has been notified by The Pensions Trust that deficit contribution payments ceased from 30 September 2022, with no contributions due in the 2023/24 financial year.

A defined benefit liability of £1,283,000 is recognised within the provisions for this contractual obligation.

Ark Housing Association continues to offer defined contribution membership of the Scheme to its employees.

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

| | Group & Ass'n 2023 £'000 | Group & Ass'n 2022 £'000 |
|---|---|---|
| Fair value of plan assets | 24,855 | 36,156 |
| Present value of defined benefit obligation | (26,138) | (36,798) |
| Net defined liability to be recognised | (1,283) | (642) |

Reconciliation of opening and closing balances of the defined benefit obligation:

| | Group & Ass'n 2023 £'000 | Group & Ass'n 2022 £'000 |
|--|---|---|
| Defined benefit obligation at start of period | 36,798 | 38,742 |
| Expenses | 34 | 34 |
| Interest expense | 1,011 | 821 |
| Actuarial gains | (10,605) | (1,720) |
| Benefits paid and expenses | (1,100) | (1,079) |
| Defined benefit obligation at end of period | 26,138 | 36,798 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

22. Pensions (continued)

Reconciliation of opening and closing balances of the fair value of plan assets:

| | Group & Ass'n 2023 £'000 | Group & Ass'n 2022 £'000 |
|---|---|---|
| Fair value of plan assets at start of period | 36,156 | 34,327 |
| Interest income | 1,005 | 741 |
| Experience on plan assets | (12,081) | 731 |
| Contributions by the employer | 875 | 1,436 |
| Benefits paid and expenses | (1,100) | (1,079) |
| Fair value of plan assets at end of period | 24,885 | 36,156 |

The actual return on the plan assets (including any changes in share of assets) over the period from 01 April 2022 to 31 March 2023 was (£11,076k) (2022: £1,472k).

Defined benefit costs recognised in Statement of Comprehensive Income (SOCl):

| | Group & Ass'n 2023 £'000 | Group & Ass'n 2022 £'000 |
|--|---|---|
| Expenses | 34 | 34 |
| Net interest expense | 6 | 80 |
| Defined benefit costs recognised in Statement of Comprehensive Income | 40 | 114 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

22. Pensions (continued)

Defined benefit costs recognised in other comprehensive income:

| | Group & Ass'n 2023 £'000 | Group & Ass'n 2022 £'000 |
|--|---|---|
| Experience of plan assets | (12,081) | 731 |
| Experience gains and losses arising on plan liabilities – gain / (loss) | 379 | (1,024) |
| Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain / (loss) | 661 | (128) |
| Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain / (loss) | 9,565 | 2,872 |
| Total amount recognised in other comprehensive income | (1,476) | 2,451 |

In May 2021 the Scheme Trustee (TPT Retirement Solutions) notified employers of a review of historic scheme benefit changes, and the result of this is that there is uncertainty surrounding some of these changes. The Trustee is seeking clarification from the Court on these items, and this process is ongoing with it being unlikely to be resolved before the end of 2024 at the earliest. It is estimated that this could potentially increase the value of the full Scheme liabilities by £27m. We note that this estimate has been calculated as at 30 September 2022 on the Scheme's Technical Provisions basis. Until the Court direction is received, it is unknown whether the full (or any) increase in liabilities will apply and therefore, in line with the prior year, no adjustment has been made in these financial statements in respect of this.

Growth Plan

Ark Housing Association participates in the scheme, a multi-employer scheme which provides benefits to some 638 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

The scheme is classified as a 'last-man standing arrangement'. Therefore the 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.

A full actuarial valuation for the scheme was carried out at 30 September 2020. This valuation showed assets of £800.3m, liabilities of £831.9m and a deficit of £31.6m.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

22. Pensions (continued)

Present value of provision – reconciliation of opening and closing provisions:

| | Group & Ass'n 2023 £'000 | Group & Ass'n 2022 £'000 |
|--|---|---|
| Provision at start of period | 2 | 10 |
| Unwinding of the discount factor (interest expense) | - | - |
| Deficit contribution paid | (1) | (3) |
| Remeasurements – impact of any change in assumptions | - | - |
| Remeasurements – amendments to the contribution schedule | - | (5) |
| Provision at end of period | 1 | 2 |

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 Plan and The Pensions Act 2011 has more recently altered the definition of Series 3 of the Plan so that a liability arises to employers from membership of any Series except Series 4. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the plan (calculated on a buyout 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 Plan. 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 Plan's liability attributable to employment with the leaving employer compared to the total amount of the Plan's liabilities (relating to employment with all the currently participating 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 Plan liabilities, Plan 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.

When an employer withdraws from a multi-employer defined benefit pension scheme which is in deficit, the employer is required by law to pay its share of the deficit, calculated on a statutory basis (known as the buy-out basis). The calculation basis that applies to the Plan was amended due to a change in the definition of money purchase contained in the Pensions Act 2011 but the regulations that will determine exactly how the change will apply in practice are still awaited. As the law stands, it is not yet clear whether the statutory calculation should include or exclude Series 3 liabilities. However, based upon current advice, the most likely interpretation is that Series 3 liabilities will have to be included in the calculation of an employer's debt on withdrawal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

22. Pensions (continued)

The Plan is a “last man standing” multi-employer scheme. This means that if a withdrawing employer is unable to pay its debt on withdrawal the liability is shared amongst the remaining employers. The participating employers are therefore, jointly and severally liable for the deficit in the Plan.

The Association has been notified by The Pensions Trust that the amount to be paid in 2023/24 is £1,728. Subject to certain conditions, this amount is payable annually and is anticipated to increase by 3% per annum.

23. Contingent liability

Pensions

Ark Housing Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the SHAPS Scheme based on the financial position of the Scheme as at 30 September 2022. As of this date the estimated employer debt for Ark Housing Association was £9,878,420.

Ark Housing Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Growth Plan based on the financial position of the Plan as at 30 September 2022. As of this date the estimated employer debt for Ark was £7,255 including Series 3 liabilities in the calculation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

24. Cash flow analysis

Cash flow from operating activities – Group

| | 2023 | 2022 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Operating surplus / (deficit) for the year | 8 | (121) |
| Depreciation of tangible fixed assets | 877 | 868 |
| Decrease / (increase) in trade and other debtors | 306 | (1,039) |
| Increase / (decrease) in trade and other creditors | 253 | (199) |
| Net cash inflow / (outflow) from operating activities | 1,444 | (491) |

Reconciliation of net cash flow to movement in net funds / (debt):

| | 2023 | 2022 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Increase / (decrease) in cash in the period | 680 | (1,272) |
| Cash inflow from movement in debt | 156 | 150 |
| | 836 | (1,122) |
| Net funds at 1 April | 5,340 | 6,462 |
| Net funds at 31 March | 6,176 | 5,340 |

Analysis of changes in net funds:

| | At 31 | | At 31 |
|--------------------------|--------------|--------------|--------------|
| | March | Cash | March |
| | 2022 | Flows | 2023 |
| | £'000 | £'000 | £'000 |
| Cash in bank and in hand | 7,213 | 680 | 7,893 |
| Debt due within 1 year | (163) | - | (163) |
| Debt due after 1 year | (1,710) | 156 | (1,554) |
| Net funds | 5,340 | 836 | 6,176 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

24. Cash flow analysis (continued)

Cash flow from operating activities – Association

| | 2023 | 2022 |
|--|--------------|----------------|
| | £'000 | £'000 |
| Operating surplus for the year | 243 | 18 |
| Depreciation of tangible fixed assets | 788 | 779 |
| Decrease / (increase) in trade and other debtors | 925 | (1,647) |
| Increase / (decrease) in trade and other creditors | 175 | (223) |
| Net cash inflow / (outflow) from operating activities | 2,131 | (1,073) |

Reconciliation of net cash flow to movement in net funds / (debt):

| | 2023 | 2022 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Increase / (decrease) in cash in the period | 1,646 | (1,715) |
| Cash inflow from movement in debt | 78 | 77 |
| | 1,724 | (1,638) |
| Net funds at 1 April | 3,628 | 5,266 |
| Net funds at 31 March | 5,352 | 3,628 |

Analysis of changes in net funds:

| | At 31 | | At 31 |
|--------------------------|--------------|--------------|--------------|
| | March | Cash | March |
| | 2022 | Flows | 2023 |
| | £'000 | £'000 | £'000 |
| Cash in bank and in hand | 4,248 | 1,646 | 5,894 |
| Debt due within 1 year | (84) | 3 | (81) |
| Debt due after 1 year | (536) | 75 | (461) |
| Net funds | 3,628 | 1,724 | 5,352 |