



**Scottish Housing
Regulator**

**Analysis of
Registered Social Landlord
Audited Financial Statements
2021/22**

March 2023

Contents

About this report	1
Highlights	2
Financial Review 2021/22	3
➤ Statement of Comprehensive Income	3
➤ Statement of Financial Position	5
➤ Statement of Cash Flow	6
➤ Cost per Unit & Ratios	7
➤ Arrears, Voids & Bad Debts	8
➤ Earnings before Interest & Tax	9
Rent Increases & Inflation	10
Pensions	11
Sector Auditors	13
Appendix – Financial Statements	15
Glossary	20

About this Report

This report provides an overview of the aggregated, Audited Financial Statements (AFS) returns for the year to 31 March 2022 submitted to us by Registered Social Landlords (RSLs).

The level of economic volatility and uncertainty facing RSLs and their tenants over the reporting period was unprecedented and several key factors continued to impact RSL performance during 2021/22, including:

- Ongoing work to catch up on maintenance and development deferred due to the COVID-19 pandemic restrictions;
- The impact of Brexit and Russia's invasion of Ukraine.

Highlights

In general, RSLs withstood difficult economic and operating conditions in 2021/22. Their robust financial performance and strong liquidity means they remain in a relatively strong position to respond to the financial challenges ahead, although those challenges are significant.

At an aggregate level in 2021/22, RSLs:

- turnover increased by 5.05% to £1.90 billion;
- affordable lettings turnover rose by 3.07% to £1.64 billion, contributing 86.27% of total turnover. This includes gross rent receivable & service charges of £1.47 billion, a rise of 2.70%;
- operating costs increased by 9.06% to £1.55 billion, well above both inflation and average rent increases during the period;
- planned and reactive maintenance costs rose significantly, rising by 17.63% and 22.94%;
- operating surplus after exceptional items dropped marginally by 2.54% to £380.57 million;
- affordable lettings surplus was lower than the prior year as RSLs began to catch up on maintenance and development delayed by the COVID-19 pandemic;
- despite challenges from the pandemic, RSLs continued investing in new and existing homes, with net housing assets up by £860.23 million to £14.92 billion by 31 March 2022;
- cash balances decreased by £98.40 million to £892.22 million;
- cash generation from operating activities was down from £626.61 million in 2021/22 to £603.38 million;
- interest Cover increases in operating margins caused a 23-percentage point reduction in EBITDA MRI interest cover, which was down to 261.39% for 2021/22;
- voids, arrears and bad debts at 31 March 2022 either remained around the previous year's levels or showed some improvement, demonstrating the positive impact of the work done by RSLs to mitigate these;
- in aggregate, the average rent increase for RSLs rose well below both CPI and RPI. More detailed information can be found in our recent [Rent Increases Thematic](#) published in September 2022;
- the number of employees in defined benefit schemes continued to reduce.

Looking ahead

Since 31 March 2022 the complex and uncertain economic environment that RSLs operate in has worsened. Inflation rose to more than 11% in October 2022 and while it has started to fall, it remains high with food and energy prices continuing to put pressure on household incomes. The Bank of England base rate is currently 4%, having risen from a record low of 0.1%. Supply chain disruption and labour scarcity has added to the volatility. And while the Scottish Government has not capped rents beyond 31 March 2023 for the social rented sector, RSLs have committed to an average rent increase of no more than 6.1%.

It is in that context, that RSLs are looking to deliver on investment in their existing stock, building safety and, decarbonisation and stock quality commitments as well as continuing to invest in building new homes. Information on RSL projections can be found in [Summary of RSL Financial Projections: 2022/23 - 2026/27](#) published in December 2022. We expect RSLs will require to adjust their business plans as appropriate to ensure they continue to manage their resources to ensure their financial well-being, while maintaining rents at a level that tenants can afford to pay.

Financial Review 2021/22

Statement of Comprehensive Income

The aggregate net surplus of the year to 31 March 2022 was £159.86 million, a reduction of 48.4% from the prior year (2021 £309.86m). A reduction was anticipated as RSLs started to catch up on planned maintenance deferred due to the COVID-19 pandemic.

The full statement is in the Appendix and the key movements were:

- Turnover increased by 5.05% to £1.90 billion, with affordable letting turnover increasing by 3.07% to £1.64 billion;
- Operating costs rose by 9.06% to £1.55 billion which includes planned and reactive maintenance increases of 17.63% and 22.94% respectively. This includes deferred works caused by the pandemic but are not as high as might have been expected. Some RSLs have advised of difficulties in securing contractors and materials to deliver the works;
- Operating surplus after exceptional items dropped marginally by 2.54% to £380.57 million;
- Share of operating surplus in joint ventures & associates of £32.29 million is primarily due to one RSL recording the acquisition of the fair value of a transfer of engagements as a business combination as opposed to an exceptional item;
- Interest payable reduced by 14.14% to £183.69 million;
- Decrease in valuation of housing properties of £74.62 million (2021 £216.00k), and;
- The actuarial moved to a pension gain of £179.11 million (2021 £(144.85) million).

Affordable Lettings Activity

Turnover for affordable lettings increased by 3.07% to £1.64 billion (2021 £1.59 billion), with gross rental income & service charges rising by 2.70% to £1.47 billion, from a combination of annual rent increases and new units coming on stream. Voids remained high at £24.61 million (2021 £24.56 million) and well above the pre-pandemic £16.98 million in 2019/20. Similarly, the voids ratio reduced slightly to 1.67 (2021 1.79) but remained well above the 2019/20 rate of 1.22. We are aware of the post-pandemic difficulties facing RSLs in getting utility companies to connect new meters, replacing & repairing existing meters and securing contractors and materials to complete maintenance works.

Operating costs rose at the much higher rate of 9.46% to £1.30 billion (2021 £1.19 billion) with the expected rise in planned & reactive maintenance to £388.03 million (2021 £321.60 million). This is lower than expected and, as with voids, may be due to the known supply chain issues arising from the pandemic and the end of the Brexit interim arrangements. Management & maintenance admin costs rose by 5.0% to £415.87 million (2021 £395.90 million). Bad debts reduced by 16.4% to £10.00 million (2021 £11.29 million), which was not expected given the increasing cost pressures on households.

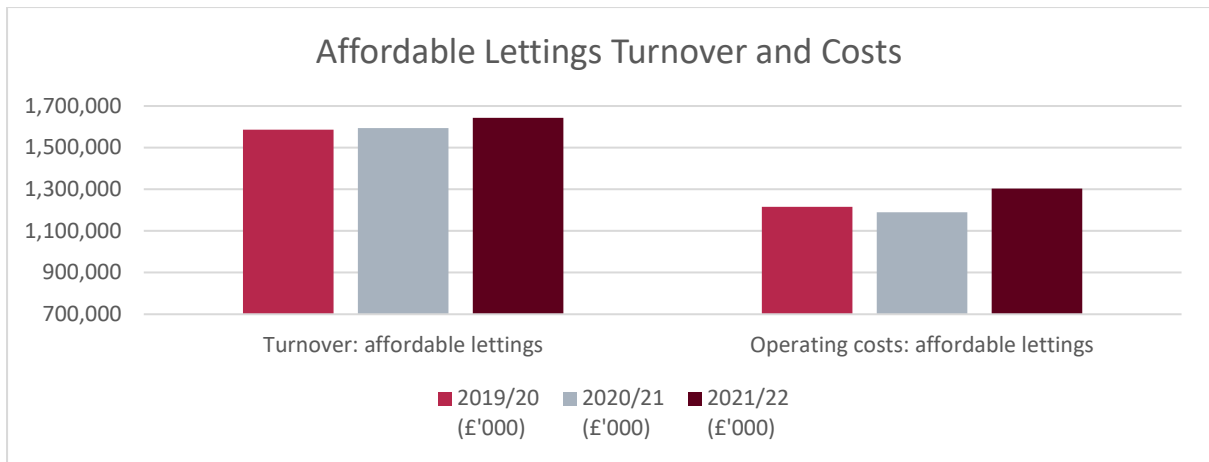


Figure 1: Analysis of Affordable Lettings Turnover & Costs (Source: AFS Returns 2021/22)

Other Activities

Turnover for other activities increased by 24.20% to £261.50 million (2021 £210.57 million) and is the highest value since we began our published analysis in 2014/15. Care activities generated £118.41 million (2021 £110.68 million) and continue to be the dominant business activity, accounting for 45.28% (2021 52.56%) of total other activities turnover.

Developments for sale to RSLs and non-RSLs increased to £33.05 million (2021 £12.41 million), driven by a small number of RSLs who act as lead developers for other RSLs. This was expected with RSLs catching up on development deferred or delayed due to the pandemic. Unlike the English sector, Scottish RSLs are much less reliant on sales to non-RSLs.

Other activities, a range of business activities that do not have to be separately disclosed per the Determination of Accounting Requirements, rose by 45.59% to £64.97 million (2021 £44.63 million) and accounts for 24.85% of the total turnover. As the audited accounts do not have to state what activities are included in this category, it is very difficult to analyse what lies behind such a material balance. In due course, we will consult with RSLs and auditors as to what kind of activities are included and consider if this should be discussed in the next consultation on the Determination.

Operating costs increased at the much lower rate of 6.54% to £247.67 million (2021 £231.48 million). As expected, care activities costs are high due to the business models at £115.75 million (2021 £111.92 million). Other activities, however, saw costs fall by 2.99% to £57.12 million (2021 £55.42 million). No analysis is available to determine what is included or what caused the reduction.

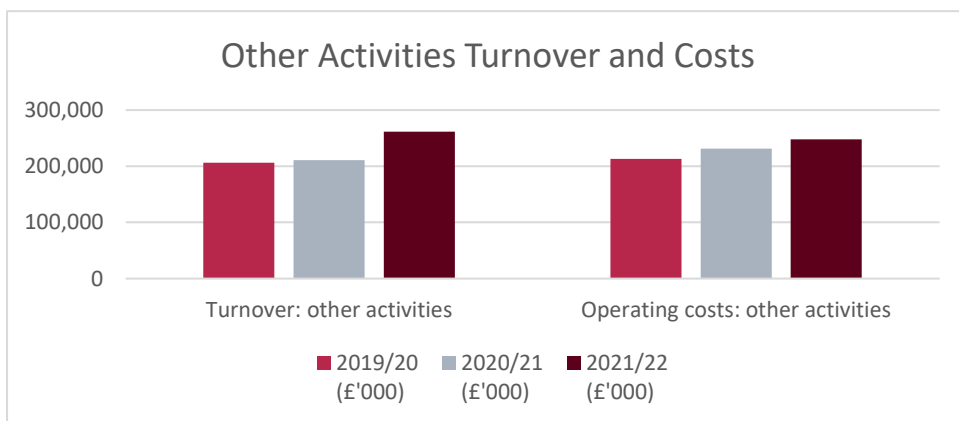


Figure 2: Analysis of Other Activities Turnover & Costs (Source: AFS Returns 2021/22)

Exceptional Items

Exceptional items of £20.03 million (2021 £5.16 million) includes £22.29 million gain from two RSLs transferring to a different local government pension fund and a £8.81 million loss from seven RSLs involved in transfers of engagement. The balance is a mix of commercial property revaluations and the net impact of business combinations from transfers of engagement.

Operating Surplus

The operating surplus for the year was £380.57 million (2021 £390.50 million). A significant reduction was expected as the pandemic restrictions eased and the backlog in maintenance and development was cleared. These results indicate that RSLs continued to face issues dealing with the backlog that were outwith their control.

Analysis of the operating surplus and deficit values showed a rise in the number of RSLs reporting surpluses in excess of £10 million and those reporting deficits.

Operating surplus/(deficit)	2019/20	2020/21	2021/22
Deficit (< 0)	5	7	15
0 - 2,500.0	114	101	96
2,500.0 - 5,000.0	16	27	17
5,000.0 - 7,500.0	11	10	7
7,500.0 - 10,000.0	3	2	2
Above 10,000.0	7	7	9

Table 1: Analysis of Operating Surplus/Deficits (Source: AFS Returns 2021/22)

The RSLs reporting operating deficits increased to 15 RSLs (2021 7 RSLs), the highest number recorded since 2014/15:

- 5 were related to transfers of engagements;
- 9 were primarily due to major increases in planned and reactive maintenance, and;
- 1 RSL included an impairment charge for a specific development.

Over the last two years, there have been several group restructurings where RSLs were transferred within the same group as well as several transfers of engagements from out with an RSL's group. A total of 4 RSLs regularly report surpluses above £10 million.

The aggregated net surplus for the year was £160.03 million (2021 £309.86 million) after charging:

- Gain on disposal of property, plant & equipment £6.22 million (2021 £2.16 million);
- Share of operating surpluses/(deficits) in joint ventures & associations £32.29 million (2021 £0.31 million), where £32.09 million is due to a single RSL reporting a transfer of engagements;
- Interest receivable of £6.54 million (2021 £9.57 million);
- Interest payable of £183.69 million (2021 £213.95 million);
- Movement in fair value of financial instruments was a loss of £2.96 million (2021 gain of £3.43 million), and;
- Movements in valuation of housing properties a loss of £72.45 million (2021 gain of £121.35 million) in relation to RSLs using the performance method.

Statement of Financial Position

The total aggregated net assets for the year increased to £4.38 billion (2021 £4.05 billion).

The key movements include:

- Net housing assets increased by £860.23 million to £14.92 billion (2021 £14.06 billion);
- Other non-current assets increased to £433.35 million (2021 £405.70 million);
- Receivables due after more than one year reduced to £45.89 million (2021 £65.64 million);
- Cash & cash equivalents reduced by £98.40 million to £892.22 million (2021 £990.62 million);
- Total loans payable of £3.80 billion (2021 £3.58 billion);
- Total deferred income of £6.37 billion (2021 £6.15 billion), and;
- Pension asset of £27.2 million (2021 £(174.6) million)

Receivables due after more than one year reduced by £19.75 million to £45.89 million. For one RSL, the balance reduced by £23.11 million in relation to a sub-contract agreement with a local authority to undertake catch up repairs. The audited accounts included a provision of the same amount so the net impact on the Statement of Financial Position was nil.

Net rental receivables rose to £43.32 million (2021 £39.18 million) whilst the net arrears percentage rose slightly to 3.0% (2021 2.8%). This remains well above the 2.4% reported from 2020 and the last two years reflect the difficulties faced by both RSLs and tenants with the impact of the pandemic and increasing cost of living pressures.

Analysis of the total loans payable as at 31 March 2022 is detailed within our publication ["Annual Loan Portfolio 2022"](#) on our website [Scottish Housing Regulator](#).

An aggregated small pension asset of £27.21 million was reported compared with last year's liability of £174.61 million (see "Pensions" section).

Statement of Cash Flow

The aggregated cash & cash equivalents as at 31 March 2022 was £892.22 million, a net reduction of £98.40 million (2021 £990.62 million). The key movements were:

- Net cash inflow from operating activities of £603.38 million (2021 £626.61 million);
- Net cash outflow from investing activities of £843.87 million (2021 £448.61 million);
- Net cash inflow from financing £147.82 million (2021 £(18.01) million);

Net cash inflow from operating activities reduced by 3.71%. Although a small reduction, it has removed £23.24 million from the capacity of RSLs to cover capital repayments and debt servicing costs. The recent trend in cash generated from operations and debt servicing is shown in the chart below:

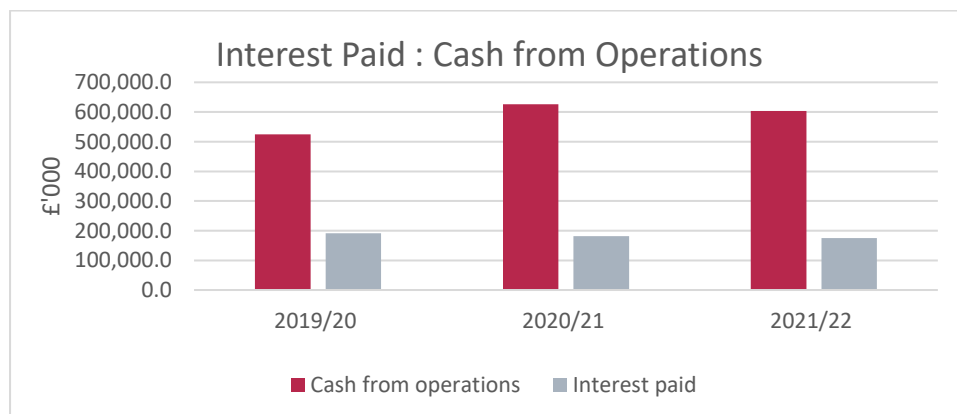


Figure 3: Analysis of Interest Paid & Net Cash from Operational Activities (Source: AFS Returns 2021/22)

The ratio of cash from operating activities to each £1 of interest paid remained unchanged at 3.45 despite the increased level of debt. This continues to be a source of assurance for lenders and other key stakeholders in the sector.

Within investing activities:

- Acquisition & construction of properties rose to £1.29 billion (2021 £907.65 million) as RSLs increased development as the sector emerged from the pandemic;
- Property sales generated £33.61 million (2021 £19.05 million), of which £9.28 million was a single RSL (2021 £0.80 million);
- Net capital grants received totalled £437.10 million (2021 £453.02 million);

Key movements in financing activities included:

- Interest paid £174.79 million (2021 £181.62 million);
- Debt drawn down of £523.00 million (2021 £423.28 million);
- Early repayment from re-financing of debt & associated charges £8.00 million (2021 £5.93 million) for 14 RSLs (2021 9 RSLs), of which £5.84 million was a single RSL.

Cost per Unit & Financial Ratios

As operational costs can rise at a faster rate than rental income, there is continual pressure on RSLs to maximise financial effectiveness and efficiency. Cost per unit is one measure that can help to monitor this.

Management & Maintenance Costs per Unit

Management & maintenance costs rose by 10.42% to £2,606/unit (2021 £2,360/unit), which is consistent with an overall increase in total maintenance spend post-pandemic. As anticipated, both reactive and planned maintenance increased with the cessation of strict lockdown restrictions.

	2019/20 £	2020/21 £	2021/22 £
Management & maintenance administration	1,314	1,302	1,348
Planned maintenance	502	455	527
Reactive maintenance	639	603	731
Total direct maintenance	1,141	1,058	1,258
Total management & maintenance	2,455	2,360	2,606

Table 2: Analysis of Cost per Unit (Source: AFS Returns 2021/22)

Ratio of Reactive to Planned Maintenance

As in the prior year, the 50%-75% band has the greatest number of RSLs at 39 (2021 44 RSLs) followed by the 25%-50% band with 27 RSLs (2021 32 RSLs). Key points to note are:

- 48 RSLs have a ratio greater than 100% (2021 38 RSLs), where 8 of these RSLs have a ratio exceeding 200% (2021 10 RSLs)
- 68 RSLs have a ratio in the range 50%-100% (2021 73 RSLs), where 29 of these RSLs are in the range 75%-100% (2021 29 RSLs)

A total of 10 RSLs have maintained a ratio in excess of 100% over the three-year review period (2021 7 RSLs), of which six of these RSLs exceed 100% for at least four years in succession. We will continue to monitor the position and discuss the business rationale with the relevant RSLs.

Aggregated Total Staff Costs

Total staff costs increased by 3.84% to £495.53m (2021 £477.19m) and has risen by 16.92% over the six years since 2016/17. This is significantly higher than the 1.1% increase in 2020/21 but well below the average CPI and RPI rates for the year per the [Office of Budget Responsibility's \(OBR's\) November 2022 supplementary economy table 1.7.](#)

Staffing rationalisations within RSLs and intervention costs need to be taken into consideration and a number of RSLs were subject to transfers of engagement over the year.

	2019/20	2020/21	2020/21	% Change 2020/21 to 2021/22
Staff costs	£471.91m	£477.19m	£495.53m	3.84%
Employees (FTE)	12,193	13,029	13,147	0.91%
Average cost per FTE	£36,541	£36,625	£37,692	2.91%

Table 3: Analysis of Average Staff Cost per Unit (Source: AFS Returns 2021/22 & ARC Returns 2021/22 for FTE)

The employee FTE values can differ between the Charter and AFS returns due to the slightly different definitions used. The calculations above use staff costs per the AFS return and employee FTE per the Charter. Care is therefore needed when interpreting results; in particular, those RSLs with disproportionate increases or decreases.

The aggregate staff cost per unit rose by 2.29% to £1,606 (2021 £1,570) and is well above the 0.6% rise reported in the prior year. This is still well below the average inflation rates for the year and the 3.84% rise in total staff costs.

The aggregated CEO excluding pension contributions reduced to £10.87 million (2021 £11.18 million) and is the second year where the cost reduced. There is no obvious trend, but we noted a number of RSLs who are part of a group do not consistently record these costs in the required manner year on year.

Arrears, Voids & Bad Debts

Arrears, voids and bad debts are key performance indicators in assessing the efficiency and effectiveness of rent collection and property letting. SHR continued to work with the Social Housing Resilience Group to support recovery from the pandemic. A major part of this work was monitoring and reporting on the operational impact as the pandemic receded via the COVID-19 quarterly return.

	2019/20 %	2020/21 %	2020/21 %
Voids	1.22	1.79	1.67
Bad Debts	0.99	0.80	0.69
Gross Arrears	n/a	5.36	5.57
Net Arrears	2.45	2.79	3.00

Table 4: Analysis of Operational Ratios (Source: AFS Returns 2021/22)

The aggregated results show that arrears continued to rise and remained well above pandemic levels. This may reflect the impact of rising inflation outstripping wage increases as lower income households are disproportionately impacted. Voids reduced marginally but potentially not as much as expected after the lockdown restrictions were lifted. We are aware that RSLs have faced difficulties securing contractors to clear the maintenance backlog and utility companies to replace and repair meters and this would likely impact on the time required to get properties ready for re-letting. The longer-term impact of Brexit continues to impact on labour availability, supply chain and material cost inflation.

Earnings before Interest & Tax

Interest cover remains a key performance indicator of RSLs ability to cover finance costs.

	2019/20 %	2020/22 %	2020/21 %
EBITDA MRI (%)	261.83	284.87	261.39

Table 5: Analysis of Earnings Before Interest & Tax (Source: AFS Returns 2021/22)

This is the first time in three years that the ratio has reduced but is on a par with the 2019/20 pre-pandemic rate. During 2020/21, the pandemic resulted in a marked drop off in both development and maintenance expenditure, which increased the ratio as operating profits rose. This was partially reversed during 2021/22 as RSLs started to catch up of delayed and deferred maintenance.

Although the interest cover has reduced, it remains at a favourable level, particularly when compared with the aggregated value of 128% for Registered Providers in England. That reduction was primarily due to a £1.10 billion increase in repairs and maintenance spending. A significant number of Registered Providers rely on asset sales which is not the case in Scotland.

Rent Increases & Inflation

In November 2022, the OBR published their updated Economic & Fiscal Outlook. This reported that:

- CPI increased from 0.6% to 4.0% in 2020/21, and;
- CPI was projected to rise rapidly to 10.1% in 2022/23.

When compared with the average RSL rent increase, there is a very marked change in both 2021 and 2022.

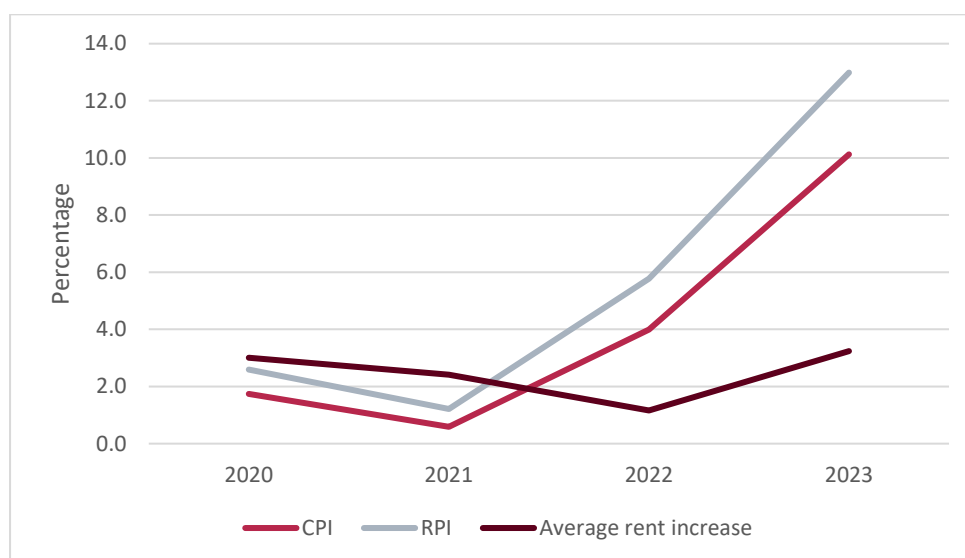


Figure 4: Analysis of Rent Increases (Source: ARC Returns) & Published CPI & RPI (Source: OBR Economic & Fiscal Outlook November 2022)

In 2020/21, the average rent increase reduced to 2.41% (2020 3.01%) but rising energy costs and Brexit supply issues started to drive up inflation. By the time the pandemic hit in March 2020, RSL rents for 2020/21 were already agreed. The lengthy duration of the pandemic put further pressures on inflation throughout the world. By the time the 2021/22 rents were agreed, inflation was still rising, and the added impact of the Ukraine War pushed inflation up at an even faster rate and the gap between average rent and inflation continued to grow.

Pensions

As at 31 March 2022, there was a pension asset of £27.21 million compared with liabilities in the prior years. The pension schemes generated an actuarial gain during the year of £179.11 million compared with an actuarial loss of £144.85 million in the prior year.

An analysis of the £27.21 million net asset shows:

- 5 RSLs with a pension scheme asset (2020/21 1 RSL)
- 52 RSLs had no pension asset or liability (2020/21 14 RSLs)
- 84 RSLs had a pension liability (2020/21 131 RSLs)

The impact of the actuarial gain has significantly reduced the median liability value to £0.02 million (2021 £0.59 million) and the peak liability value has also reduced to £8.35 million (2021 £11.54 million). The maximum asset value, however, has risen to £58.17 million (2021 £5.84 million) and is due to pension transfers into one RSL as part of a group restructuring.

The analysis of the pension scheme types shows the number of RSLs with final salary schemes continues to fall but at a slower rate to 30 (2021 33 RSLs). The number of RSLs with defined contribution schemes has fallen to 134 (2021 141 RSLs). This is partly due to transfers of engagement.

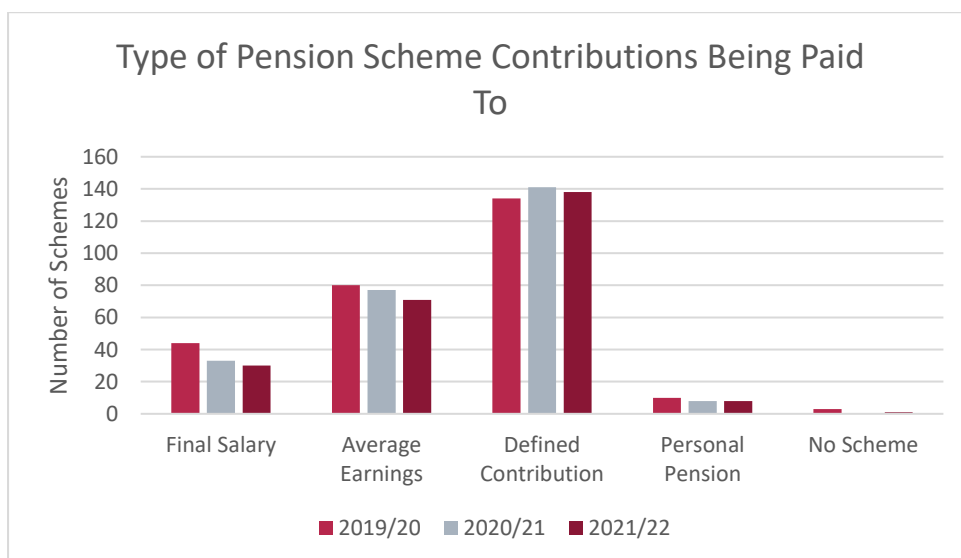


Figure 5: Analysis of the Number of RSLs by Pension Scheme Type (Source: AFS Returns)

The number of employees per scheme type shows final salary scheme members reduced to 269 (2021 459 employees) whilst average earning scheme members increased slightly to 2,283 employees (2021 2,187 employees). Those previously in final salary schemes will have retained their benefits under the schemes and the RSLs still have the associated liability and cessation costs. Employees who have transferred from a final salary to an average earnings scheme continue to generate future liabilities as preserved benefits so the risks to the RSL are only partially mitigated.

The defined contribution members rose to 9,268 employees (2021 9,038 employees). The number of non-participating employees reduced again to 2,218 employees (2021 2,313 employees)

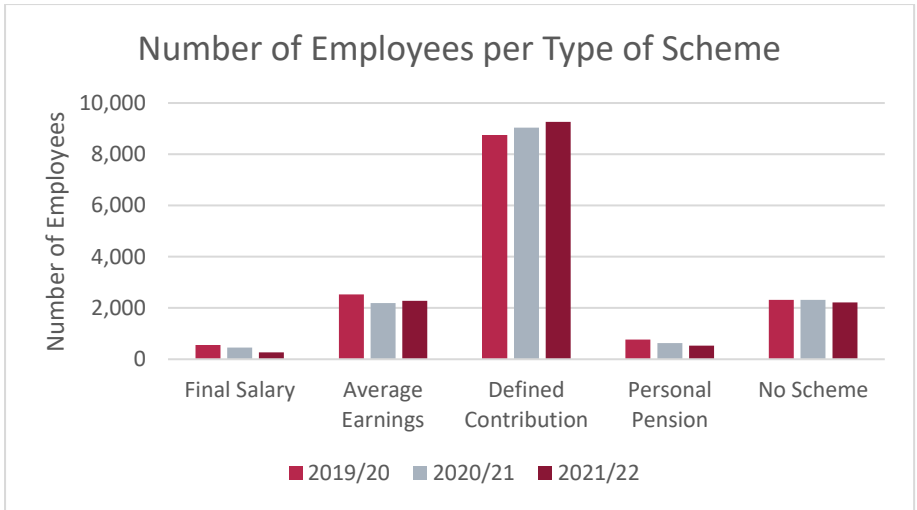


Figure 6: Analysis of the Number of RSL Employees by Pension Scheme Type (Source: AFS Returns)

Sector Auditors

Over the last year there have been several reports about a significant shortage of both external and internal auditors working in the UK housing sector. The number of social landlords being classed as Public Interest Entities (PIEs) has increased and are subject to stricter (and more expensive) external auditing processes, but the number of audit firms providing such audits has significantly reduced.

In Scotland, there are few RSLs that qualify as PIEs but there are indications that non-PIEs are finding it difficult to get submissions for audit tenders. We are aware of several RSLs where no tender submissions were received for external audit services.

There are 16 auditors active in the Scottish sector (2021 15 auditors) but four auditors account for 73.28% of the available external audits (2021 68.84%). This has been the position for a considerable period. Seven auditors have one or two audits (2021 6 audit firms), which includes one new entrant to the sector who secured a single audit.

Analysis of the internal auditors shows a similar pattern of dominance by a small number of firms. Three firms have 65.75% of the internal audits (2021 59.74%) and five firms have two audits or less (2021 6 audit firms).

Internal audit does not necessarily require an independent body to carry out the audit. It is common for large organisations to have their own internal audit function which is independent of the operational activities.

In 2022, eleven audits were classified as “Internal” (2021 13 audits), of which seven were for RSLs within a single group (2021 7 audits). Of the remaining four audits, three were for RSLs that are subsidiaries of an English parent (2021 3 audits). Only one RSL which is neither large nor part of a group has an internal audit function (2021 2 RSLs).

We will look to understand the implications for the RSL sector with auditors at this year’s annual auditor forum.

Procurement of Auditors

For several years, we have collected data on the number of years since the internal and external audit services were last procured. Based on the recent AFS returns, there is a significant number of RSLs who have not procured services for seven years or more.

For external audits:

- 8 RSLs reported it was at least 10 years since the last procurement exercise (2021 9 RSLs);
- 13 RSLs reported in the 7-9 years range (2021 18 RSLs);
- 45 RSLs reported in the 4-6 years range (2021 54 RSLs), and;
- 80 RSLs reported in the 0-3 years range (2021 73 RSLs).

For internal audits:

- 12 RSLs reported it was at least 10 years since the last procurement exercise (2021 13 RSLs);
- 10 RSLs reported in the 7-9 years range (2021 8 RSLs);
- 39 RSLs reported in the 4-6 years range (2021 41 RSLs), and;
- 85 RSLs reported in the 0-3 years range (2021 92 RSLs).

We have identified a number of RSLs where the data is incorrect and relates to procurements that resulted in the same audit firm being awarded the contract e.g. Audit Firm

X has been the auditor for five years, wins the tender and the AFS return shows Audit Firm X is unchanged but the number of years since the last procurement is six years and not one year.

Care must be taken when analysing this data and we will be liaising with the sector to improve reporting in this area.

Appendix - Financial Statements

Statement of Comprehensive Income

	2021/22 £'000s	2020/21 £'000s	2019/20 £'000s
Turnover	1,904,809	1,804,911	1,793,283
Operating costs	(1,550,491)	(1,421,729)	(1,429,495)
Operating surplus / (deficit), before exceptional operating items	354,318	383,182	363,788
Gain / (loss) on disposal of plant, property and equipment	6,221	2,159	1,710
Exceptional operating items	20,030	5,156	26,970
Operating surplus / (deficit)	380,568	390,497	392,468
Share of operating surplus / (deficit) in joint ventures and associates	32,286	310	526
Interest receivable & other income	6,544	9,573	10,090
Interest payable & similar charges	(183,691)	(213,950)	(194,494)
Other financing (costs) / income	(977)	(1,996)	(3,410)
Release of negative goodwill	572	646	638
Movement in fair value of financial instruments	(2,959)	3,433	(1,633)
Decrease in valuation of housing properties	(74,615)	(216)	(15,799)
Reversal of previous decrease in valuation of housing properties	2,162	121,568	62,729
Surplus / (deficit) before tax	159,891	309,864	251,116
Net tax (payable) / receivable	(31)	(44)	(36)
Surplus / (deficit) for year	159,860	309,820	251,080
Unrealised surplus / (deficit) on revaluation of housing properties	0	0	0
Actuarial (loss) / gain in respect of pension schemes	179,109	(144,848)	156,021
Change in fair value of hedged financial instruments	374	76	(836)
Total comprehensive Income for the year	339,343	165,049	406,265

Statement of Financial Position

	2021/22 £'000s	2020/21 £'000s	2019/20 £'000s
Intangible assets and goodwill	5,065	4,912	5,134
Housing properties net book value	14,942,672	14,083,014	13,677,638
Negative goodwill	(21,907)	(22,479)	(23,125)
Non-current investments	167,669	149,190	146,719
Other plant, property and equipment	241,478	236,282	238,095
Investments in joint ventures and associates	19,139	15,313	6,713
Total non-current assets	15,354,116	14,466,232	14,051,174
Receivables due after more than 1 year	45,892	65,637	66,548
Investments (non-cash)	9,147	168,956	9,847
Stock and work in progress	21,113	36,351	30,594
Trade and other receivables due within 1 year	274,926	208,848	211,426
Cash and cash equivalents	892,217	990,623	835,631
Total current assets	1,197,403	1,404,778	1,087,498
Payables due within 1 year	(710,352)	(687,605)	(648,422)
Scottish housing grants due within 1 year	(174,415)	(165,801)	(178,941)
Other grants due within 1 year	(10,331)	(3,812)	(2,728)
Total current liabilities	(895,098)	(857,217)	(830,092)
Net current assets / (liabilities)	302,305	547,561	257,407
Payables due after more than 1 year	(5,156,212)	(4,850,533)	(4,646,162)
Provisions	(12,842)	(23,656)	(23,849)
Pension asset / (liability)	27,207	(174,608)	(51,806)
Scottish housing grants due after more than 1 year	(6,117,123)	(5,904,701)	(5,667,903)
Other grants due after more than 1 year	(64,750)	(75,519)	(76,016)
Total long-term liabilities	(11,323,720)	(11,029,017)	(10,465,736)
Net Assets	4,378,592	4,050,413	3,909,393
Share capital	18	19	20
Revaluation reserves	645,892	725,508	640,813
Restricted reserves	4,397	5,423	3,254
Revenue reserves	3,728,286	3,319,463	3,265,305
Total reserves	4,378,592	4,050,413	3,909,393

Statement of Cash Flows

	2021/22 £'000s	2020/21 £'000s	2019/20 £'000s
Net cash inflow / (outflow) from operating activities	603,375	626,610	524,227
Tax (paid) / refunded	(28)	(43)	(31)
<u>Cash flow from investing activities</u>			
Acquisition and construction of properties	(1,293,097)	(907,649)	(1,090,909)
Purchase of other non-current assets	(36,726)	(19,774)	(41,890)
Sales of properties	33,614	19,046	22,642
Sales of other non-current assets	12,182	2,329	5,999
Capital Grants received	445,238	456,085	471,844
Capital Grants repaid	(8,134)	(3,070)	(4,949)
Interest received	3,052	4,424	6,365
Net cash inflow / (outflow) from investing	(843,871)	(448,610)	(630,897)
<u>Cash flow from financing activities</u>			
Interest paid	(174,792)	(181,626)	(191,159)
Interest element of finance lease rental payment	(84)	(43)	(46)
Share capital received/(repaid)	2,487	0	1
Funding drawn down	522,995	423,283	839,584
Funding repaid	(196,286)	(256,181)	(428,679)
Early repayment and associated charges	(8,000)	(5,931)	(10,375)
Capital element of finance lease rental payments	(3,119)	(204)	(341)
Withdrawal from deposits	4,620	2,686	1,268
Net cash inflow / (outflow) from financing	147,822	(18,014)	210,252
Net change in cash and cash equivalents	(92,702)	159,942	103,551
Cash and cash equivalents at the beginning of the year	982,694	830,321	732,080
Opening balance adjustments	2,226	360	0
Cash and cash equivalents at the end of the year	892,217	990,623	835,631

Analysis of Affordable Lettings

	General Needs Social Housing £'000s	Supported Social Housing Accommodation £'000s	Shared Ownership Housing £'000s	Other £'000s	Total £'000s
Rent receivable net of service charges	1,253,301	122,889	11,808	10,804	1,398,802
Service charges	27,133	39,308	2,348	2,001	70,790
Gross income from rents and service charges	1,280,434	162,197	14,156	12,805	1,469,592
Less voids	(16,803)	(7,399)	(73)	(332)	(24,607)
Net income from rents and service charges	1,263,631	154,798	14,083	12,473	1,444,985
Grants released from deferred income	159,902	8,640	1,604	335	170,481
Revenue grants from Scottish Ministers	14,135	3,360	21	31	17,548
Other revenue grants	7,183	2,864	18	230	10,294
Total turnover from affordable letting activities	1,444,851	169,662	15,726	13,069	1,643,307
Management and maintenance administration costs	(366,997)	(41,548)	(3,658)	(3,670)	(415,872)
Service costs	(40,829)	(54,390)	(1,156)	(1,988)	(98,363)
Planned and cyclical maintenance including major repairs costs	(148,825)	(12,777)	(492)	(588)	(162,681)
Reactive maintenance costs	(204,798)	(18,096)	(903)	(1,551)	(225,348)
Bad debts written(off)/ back - rents and service charges	(8,640)	(942)	(2)	(412)	(9,995)
Depreciation of affordable let properties	(352,073)	(25,195)	(3,154)	(2,681)	(383,103)
Impairment of affordable let properties	(7,415)	(44)	0	0	(7,459)
Operating costs for affordable letting activities	(1,129,577)	(152,990)	(9,365)	(10,888)	(1,302,820)
Operating surplus / (deficit) for affordable letting activities	315,274	16,671	6,361	2,181	340,488

Analysis of Other Activities

	Grants from Scottish Ministers £'000s	Other revenue grants £'000s	Supporting People income £'000s	Other income £'000s	Total turnover £'000s	Operating costs £'000s	Operating surplus / (deficit) from other activities £'000s
Wider role activities	2,531	4,002	255	2,339	9,126	(19,339)	(10,213)
Care and repair	3,668	1,434	55	1,552	6,708	(6,314)	394
Investment property activities	39	0	0	17,856	17,895	(2,123)	15,772
Factoring	202	0	0	10,710	10,913	(11,452)	(539)
Support activities	1,287	195	5,256	5,239	11,977	(13,640)	(1,663)
Care activities	1,727	56,558	28,235	13,206	99,726	(95,798)	3,929
Contracted out services undertaken for RSLs	0	0	30	1,642	1,672	(1,436)	236
Contracted out services undertaken for other organisations	0	0	0	3,703	3,703	(3,065)	639
Developments for sale to RSLs	0	0	0	16,703	16,703	(14,438)	2,265
Developments and improvements for sale to other organisations	3,021	0	0	13,329	16,350	(16,377)	(27)
Uncapitalised development administration costs	1,205	278	0	277	1,759	(8,276)	(6,517)
Other activities	2,142	1,470	134	61,224	64,971	(55,416)	9,555
Total from other activities	15,823	63,937	33,964	147,779	261,502	(247,672)	13,830

Glossary

Annual Return on the Charter (ARC)	The annual return collating data on the indicators from the Scottish Social Housing Charter
Audited Financial Statements (AFS) return	The annual return collating data from the audited annual financial statements of RSLs
Care organisation	An organisation employing greater than 50% of their FTE staff in a care role
CARE pension scheme	A career average revalued earnings (CARE) defined pension benefit scheme based on the average salary across each year of the scheme membership
Consumer Prices Index (CPI)	The benchmark inflation rate calculated by the Office of National Statistics (ONS) and used by the Bank of England to determine monetary policy
Defined benefit (DB)	A pension scheme that pays benefits based on employee salary and where the risk lies with the employer
Defined contribution (DC)	A pension scheme that pays benefits based on value of the pension fund that the employee pays into at the date of retirement and where the risk lies with the employee
EBITDA MRI (Earnings before interest, tax, depreciation, amortisation, major repairs included)	[(Operating surplus + depreciation + impairment – capitalised maintenance costs) / interest payable]. A version of interest cover commonly used as a loan covenant.
Final salary (FS)	A defined benefit pension scheme that pays benefits based on the highest salary earned by an employee in the last three years of the scheme membership
Interest paid to operating cash	[Net cash inflow/(outflow) from operating activities/interest paid]
Loan Portfolio (LP) return	The annual return collating data on the private borrowings held by RSLs.
Office for Budget Responsibility (OBR)	Non-departmental public body funded by the UK Treasury and established by the UK government to provide independent economic forecasts and independent analysis of the public finances.
Performance method	Accounting policy choice allowing release of capital grant as deferred income when related performance criteria are met. Can only be used where housing assets are valued using revaluation method.
Registered Social Landlord (RSL)	As registered under the Housing (Scotland) Act 2010 to provide Scottish Secure Tenancies. This does not include Local Authorities.
Retail Prices Index (RPI)	RPI is another ONS inflation rate, this one including housing costs.

Stock / unit numbers	The unit numbers entered into the Annual Financial Statements, or AFS, return that we require each RSL to complete.
Total staff costs	The total staff costs for the organisation including any payments made in respect of pension deficit recovery programmes.

