

Registered Housing Association No. HCB70  
Financial Conduct Authority No. 2229R(S)  
Charity No. SC 036265

**BARRHEAD HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS**

**For the year ended 31 March 2018**

**BARRHEAD HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS**

**For the year ended 31 March 2018**

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**BARRHEAD HOUSING ASSOCIATION LIMITED**

**GOVERNING BOARD, EXECUTIVES AND ADVISERS**

**For the year ended 31 March 2018**

**Governing Board**

Claire Boyd (Chairperson)	Tommy Reilly
Rena McGuire BEM (Vice Chairperson), (Resigned 20 <sup>th</sup> June 2018, Reappointed 11 <sup>th</sup> July 2018)	John Hamilton
Brian Connelly MBE (Secretary)	Drew McKinney
Michael Mukhtar	Chris Baird
David McCready	Beth Welsh (Appointed 24 <sup>th</sup> August 2017)
Laura Hendry (Resigned 25 <sup>th</sup> June 2018)	Cllr Annette Ireland (Appointed 14 <sup>th</sup> December 2017)

**Executive Officers**

Shirley Robison	Chief Executive
Lorraine Dallas	Director of Customer Services
James Ward	Director of Asset Management
Helen Sutherland	Director of Corporate Services

**Registered Office**

60-70 Main Street  
Barrhead  
Glasgow  
G78 1SB

**External Auditors**

Chiene + Tait LLP  
61 Dublin Street  
EDINBURGH  
EH3 6NL

**Bankers**

Bank of Scotland  
112 Main Street  
Barrhead  
GLASGOW  
G78 1RD

**Solicitors**

TC Young  
7 West George Street  
GLASGOW  
G2 1BA

**Internal Auditors**

Wylie + Bisset LLP (Appointed May 2018)  
168 Bath Street  
GLASGOW  
G2 4TP

**Registration particulars:**

Financial Conduct Authority	Registered Society under the Co-operative and Community Benefit Societies Act 2014 Registered Number 2229R(S)
Scottish Housing Regulator	Housing Scotland Act 2010 Registered Number HCB 70
Scottish Charity Regulator	Charities and Trustee Investment (Scotland) Act 2005 Scottish Charity Number SC 036265

# **BARRHEAD HOUSING ASSOCIATION LIMITED**

## **REPORT OF GOVERNING BOARD**

### **For the year ended 31 March 2018**

The Governing Board present their report and audited financial statements for the year ended 31 March 2018.

#### **Legal Status**

Barrhead Housing Association Limited ("Barrhead" or "Association") is registered with the Financial Conduct Authority as a Registered Society under the Co-operative and Community Benefit Societies Act 2014, the Office of the Scottish Charities Regulator (OSCR) as a charity, and with the Scottish Housing Regulator as a Registered Social Landlord.

#### **Principal activity**

The principal activity of Barrhead is the provision of housing for let at rents affordable to the client groups for whom it intends to provide. This includes general needs, supported accommodation, amenity/disabled accommodation and sheltered housing.

#### **Our Strategic Aims**

Barrhead's strategic aims are set out in its Business Plan and are as follows:

- Strive for excellence across the organisation
- Encourage our customers to get involved in our business
- Be accountable to customers and responsive to their aspirations and needs
- Invest in our properties to provide desirable, safe and secure homes
- Provide quality homes that are affordable for our customers and our overall business
- Provide value for money and be cost aware across all services delivered
- Work in partnership to meet our objectives
- Build new affordable homes if financially viable
- Create opportunities for employment, training and support for our people, particularly our young people and our wider community
- Improve the quality of our customers' lives
- Grow and expand our subsidiary to further the aims of the Association

#### **Our Strategic objectives:**

What we want to do:

- Create communities that fit the needs and aspirations of our customers
- Create desirable neighbourhoods by investing in our homes
- Be responsive by developing and improving all areas of our work
- Strive for excellence across the organisation
- Grow our business, our communities and our people

How we want to do it:

- Empower our people to lead the changes we need to make
- Deliver value for money and sound finances
- Deliver personal services to our customers in a 'can do' way
- Be flexible and adaptable to our changing environment
- Prepare for new opportunities

We see these as challenging objectives, which will change the way we deliver our core services of housing, housing support, advice, and consultancy. In particular, we seek to challenge what we currently do and look to improve, rather than simply carry on with existing patterns of work.

#### **Members of the Governing Board**

The Members of the Governing Board of the Association during the year to 31 March 2018 and to the date of this report are shown on page 1. Following a recruitment drive, Beth Welsh filled a casual vacancy and then stood for election at the 2017 AGM. Councillor Annette Ireland was approved as a co-optee in December 2017. This brought the Board membership to the maximum of 12 during the year to 31<sup>st</sup> March. Laura Hendry resigned in June 2018 reducing the Board membership to 11.

Each full member of the Governing Board holds one fully paid share of £1 in Barrhead. The executive officers of Barrhead hold no interest in Barrhead's share capital and although not having the legal status of "director" they act as executives within the authority delegated by the Governing Board.

## **BARRHEAD HOUSING ASSOCIATION LIMITED**

### **REPORT OF GOVERNING BOARD (continued)**

**For the year ended 31 March 2018**

#### **Corporate Governance**

Barrhead has a Governing Board which is elected by the members of the Association. It is the responsibility of the Board to undertake the strategy and policy setting and overall direction for the Association. The Board also monitors the operational activities of the Association. The members of the Governing Board are unpaid.

The Executive Team of Barrhead is responsible for achieving the strategy set and undertaking the operational activities in line with the policies set.

Our governing body is our Governing Board, which is responsible to the wider membership. The Governing Board members serve in a voluntary capacity, and we recognise that this puts even more onus on us to ensure that we set and achieve high standards of professionalism in our work. We take governance very seriously, and in the last year we continued to build on work from previous years which strengthened our governance arrangements.

The Chair, Claire Boyd and Secretary, Brian Connelly MBE hold the SVQ Governance qualification. John Hamilton completed a governance and leadership certificate at Napier University during the year. All Board members receive an annual appraisal on their performance, which is then reported on to the Governing Board. We have an annual Board member's development budget and programme for continuous learning and offer a variety of networking opportunities including with our FLAIR local housing association partners and the wider housing sector. During 2017, the governing Board has been working with external consultants on a governance review which has included a review of the Regulator's regulatory framework with a particular focus on Board retention, recruitment and succession. The Board approved and adopted the governance report. An approved Action Plan will take forward the recommendations and suggestions during 2018.

#### **Operational Review**

The following paragraphs describe the key matters which have affected the main activities undertaken by Barrhead.

##### Corporate Issues

Tenant involvement and participation is a major part of Barrhead's Aims and Objectives, and we continue to review how Barrhead involves tenants and residents in all its activities.

Barrhead is committed to involving staff in decision making and policy making. In the year just ended, staff were consulted on the final year of the current business plan and will be involved in the new Business Plan during 2018/19. In addition, regular staff meetings were held to keep staff informed of our activities.

##### Performance Management

Service delivery is underpinned by staff performance. This continues to be a high priority for us. With two new senior Directors within the Association, policies and processes continue to be updated and reviewed to ensure we work with staff to achieve our objectives. During the year, senior staff took part in our governance review, and worked with external consultants on Myers Briggs to increase the level of understanding and knowledge of each other at senior level. We have continued with our staff appraisal system and this produces a staff development needs assessment in line with the budget provision. We also continue to review our performance management framework, which influences our reporting performance framework. Investors in People status was first awarded in May 2009. At re-assessment in January 2015, the Association achieved Silver accreditation and also the Investors in Young People Good Practice Award in recognition for our development and training of young people into further education, training and employment. Our 3-year review in January 2018 confirmed a continuing standard of good performance against the Silver accreditation.

##### Best use of resources

We regularly conduct risk assessments, and take any action necessary to reduce or limit risk. We have continued with a programme of major investment in our housing stock, which is by far our most costly asset. This includes both carrying out improvements, and also considering the requirements for future demand as highlighted in our Asset Management Strategy. We are now focused on up-dating this asset management strategy and have just completed a revised externally commissioned stock condition survey which assessed 100% of our external properties and a 30% sample of internal properties. This review has been extensive and we hope to have an approved new Asset Management Strategy in place in September 2018. This will also result in a review of our longer term financial plans to ensure we are investing in the correct areas, and are able to respond to continued improvement as a result of the Scottish Government's working party on fire safety issues.

## **BARRHEAD HOUSING ASSOCIATION LIMITED**

### **REPORT OF GOVERNING BOARD (continued)**

#### **For the year ended 31 March 2018**

#### **Operational Review (continued)**

During the year we have further developed our Information and Technology system to improve performance throughout the organisation and conducted a validation exercise with an external consultant to review our evidence folders for completion of our Annual Return on the Scottish Social Housing Charter. We have also worked hard to review policies and processes to meet the demands of the General Data Protection Regulations which came into force on 25 May 2018. We have a detailed risk processing map to continue to progress this area going forward. Towards the end of the year we have completed the appointment of our internal auditor for the next three years, selecting 6 audit areas going forward. These will be reviewed with the internal auditor. We have also worked to re-tender our single term contract, and this will see a new contractor appointed from July 2018. This new contract takes account of the introduction of a new in-house repairs operative appointed through our subsidiary.

#### Services

We aim to deliver high quality services, and we set ourselves the goal of achieving continuous improvement in what we do. We continue to monitor and encourage feedback and complaints, which assist us in monitoring the views and expectations of our tenants to help drive our continuous service improvement.

#### Development Issues

In the year just completed, the Association has spent £560,825 (2017 - £1,071,943) on its development programme, component replacement and acquisition of houses, of which £90,434 (2017 – £361,863) was funded by grants received from the Scottish Government (Housing Association Grant).

#### Housing Issues

Barrhead continues to work on minimising the period of time taken to re-let or let new properties, to ensure that we maximise our effectiveness in housing people in need, and reduce our costs. The rent loss due to empty properties was £26,498 (2017 - £16,934). We are always striving to reduce this loss further although improvement may be difficult due to the impact and roll out of Universal Credit which has now started in our area.

#### **Risks and Uncertainties**

#### Risk Management Policy

The Governing Board has a formal risk management process, which is linked to our Business Plan. This will assess business risks and the implementation of our risk management strategies. We updated our risk management strategy during 2016/17 and continue to update and report on our risk control logs and key risk areas. The previous assessment also included identifying our risk universe - the types of risks the Association faces and is likely to face, assessing them in terms of whether they pose a low, medium or high risk and identifying means of mitigating the risks. As part of this process the Governing Board have reviewed the adequacy of the Association's current internal controls. We now report annually on the risk universe, and quarterly on the top risks to the Board. Our senior staff update our risk activities at every senior team meeting.

Following the tragic fire at Grenfell Tower, in London, we have again highlighted fire safety to our tenants. We have assured residents living in a Barrhead Housing Association home that we take safety very seriously. While Barrhead HA does not own or manage any high-rise tower blocks, we are committed to ensuring that all of our properties comply with fire safety regulations and that we meet our statutory duty as a landlord. We have been complying with requests for further information from the Scottish Government and the Scottish Housing Regulator principally around information on tower blocks and over cladding systems and of course we will act on any further instructions from them. We have approved an estate based fire risk assessment which is being taken forward with our residents. We are also now to consider the requirements for reviewing integrated smoke alarm systems following consultation with the Scottish Government.

## **BARRHEAD HOUSING ASSOCIATION LIMITED**

### **REPORT OF GOVERNING BOARD (continued)**

**For the year ended 31 March 2018**

#### **Risks and Uncertainties (continued)**

Our key top risks have been identified as follows:

- Social security reform and the Introduction of Universal Credit – with a number of tenants already on Universal Credit and reform continuing, this could put pressure on our cash flow and potentially increase our rent arrears and our bad debts. This is being closely monitored.
- Building new homes – while this has become more attractive with the increase in grant subsidy, longer term growth will depend on our ability to borrow. We tendered for private finance during 2018/18 but were unable to progress the facility as the development programme has resulted in unforeseen risks, including the Council withdrawing a site that had been submitted for planning consent. We continue to build on relationship with ERC and to obtain a deliverable development programme to provide much needed affordable social rented accommodation in our area. We continue to assess each development for financial viability and risk.
- GDPR – to ensure compliance with the requirements to meet the new regulations by 25<sup>th</sup> May 2018, we have reviewed policies and registers creating a data processing map to allow us to prepare for the implementation and compliance beyond the deadline date.
- Governance – to implement the Action Plan for succession planning following the external review of the Regulatory framework and to provide external support for the Chief Officer's appraisal process.
- Asset Management Strategy and Corporate Finance – to complete the transfer of data from the stock condition survey to our IT system, to complete the Strategy and review our long term financial plans using Brixx financial modelling. This will include reporting of robust scenario testing to the Governing Board.
- Our IT system - has been delivered at a significant investment and during 2017 recruited a suitably qualified IT business and support officer to help the association take improvements forward. We need to ensure that we continue to develop the system to ensure it delivers improved information, better analysis and ultimately service improvements to our customers, our senior staff and our governing Board. We have appointed internal auditors to deliver a 3 year programme of audit and one of the first audit areas will be to assess our IT systems against the risk of cyber-attack.
- Longer Term Planning– Updating our asset management strategy and our Corporate Plan is a priority. We have just completed a stock condition survey and this will allow us to review our longer term strategies during 2017/18. This will ensure the continuing appropriate investment and improvement in our stock, assessment of housing demands, as well as continued compliance with SHQS (Social Housing Quality Standard) and ESSH (Energy Efficiency Standard for Social Housing) by 2020.

We will share our risk strategy and risk universe with our FLAIR partners going forward to review commonality across our sector

Our policies on internal controls cover the following:

- consideration of the type of risks the Association faces;
- the level of risks which they regard as acceptable;
- the likelihood of the risks concerned materialising;
- the Association's ability to reduce the incidence and impact on the business of risks that do materialise and the costs of operating particular controls relative to the benefit obtained;
- clarified the responsibility of management to implement the Governing Board's policies and to identify and evaluate risks for their consideration;
- communicated that employees have responsibility for internal control as part of their accountability for achieving objectives;
- embedded the control system in the Association's operations so that it is part of the culture of the Association;
- developed systems to respond quickly to evolving risks arising from factors within the Association and to changes in the external environment; and
- included procedures for reporting failings immediately to appropriate levels of management and the Governing Board together with details of corrective action being undertaken.

#### **Internal Financial Control**

The Governing Board is responsible for establishing and maintaining the Association's system of internal control. Internal control systems are designed to meet the particular needs of the Association and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which the Governing Board has established with a view to providing effective internal financial control are listed on page 10.

## **BARRHEAD HOUSING ASSOCIATION LIMITED**

### **REPORT OF GOVERNING BOARD (continued)**

#### **For the year ended 31 March 2018**

##### Management Structure

The Governing Board has overall responsibility for the Association and there is a formal schedule of matters specifically reserved for decision by the Governing Board. The Chief Officer has delegated authority for certain items and this policy is reviewed and approved by the Board on a regular basis.

##### Budgetary Process

Each year the Governing Board approves the annual budget and rolling three-year strategic business plan. Key top risk areas are identified. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Governing Board of variances from the budget, updated forecasts for the year together with information on the key risk areas. Approval procedures are in place in respect of major areas of risk such as major contract tenders and procurement, expenditure and treasury management.

##### Credit Payment

The Association's approach concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is thirty days.

#### **Financial review**

##### Results for the year

The results for the year are shown in the Statement of Comprehensive Income. Barrhead made a surplus of £1,081,424 (2017 - £1,682,294) during the year, however, it should be noted that £3,000 (2017 - £510,093) of the surplus has resulted from remeasurement of the pension liability (Note 13).

The Association has continued in 2017/18 to review its systems, controls and procedures

The Association has a clearly defined programme of improvement works which it is in the process of carrying out. The Association is 98.2% compliant with the Scottish Housing Quality Standards and will continue to meet these standards. Our ability to reach 100% will depend on improvements at mixed tenure properties where residents fail to participate in planned upgrades.

##### General Reserves

The Governing Board members have reviewed the reserves of Barrhead. This review encompassed the nature of the income and expenditure streams, the need to match variable income with fixed commitments and the nature of the reserves. During the year the Association's general reserve increased from £8,756,697 to £9,844,881. These funds are held for future investment in our properties including major repairs and to provide against the risk of loss of revenue in the future.

##### Investment Appraisal

Capital expenditure is regulated by budgetary process and authorisation levels. For expenditure beyond specified levels, detailed written proposals have to be submitted to the Governing Board. Reviews are carried out during the development period, to monitor expenditure and performance.

##### Rental Income

Barrhead's Rent Setting Policy is a points system based on the size, type and facilities of the accommodation. The policy ensures that the rent structure is easy to administer and covers the wide variations within the Association's properties. This policy follows the generally accepted practice/principles of the housing sector. We have completed an extensive review of our rent setting policy with a rent harmonisation programme commencing from April 2015. The harmonisation will take several years to complete, with the majority of rents harmonised in the first five year period.

##### Maintenance policies

Barrhead seeks to maintain its properties to the highest standard. To this end, programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs would be charged to the Income and Expenditure account.



## **BARRHEAD HOUSING ASSOCIATION LIMITED**

### **REPORT OF GOVERNING BOARD (continued)**

**For the year ended 31 March 2018**

#### Maintenance policies (continued)

In addition, the Association has a long-term programme of major improvements to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. The cost of these repairs would be charged to the Income and Expenditure account, unless it was agreed they could be capitalised within the terms outlined in the SORP. The Association is a member of a consortium of locally based housing associations, I-FLAIR, delivering a procurement framework agreement for our planned and cyclical programmes. We are also members of the Scottish Procurement Alliance, a further consortium providing access to procurement frameworks across a range of planned maintenance programmes. These frameworks allow us to ensure compliance with Procurement regulations, minimising both risk and the time required to administer procurement contracts and ultimately cost efficiencies to our tenants.

The Association is now reporting annually to the Regulator on how we will meet the requirement of the Energy Efficiency Standard for Social Housing, EESSH. The second report on EESSH was required for 2016/17 and shows 54.5% of our properties meet the 2020 target. We have a programme in place to bring the remaining properties up to this target. There are targets for 2020 and further targets to be met for 2050 on energy efficiency standards.

#### Treasury Management

Barrhead has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Governing Board. In this way the Association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held. The Association, as a matter of policy, does not enter into transactions of a speculative nature.

#### **Staff matters**

##### Key Management

Our key management has responsibility for planning, directing and controlling the activities of the Association. This consists of the Governing Board, the Chief Executive and 3 senior Directors. The Governing Board is not remunerated for their services. The Chief Executive and Directors' salaries are set, as all staff salaries are, based on the Employers in Voluntary Housing (EVH) salary scales. The Governing Board receives a review of the Chief Executive's remuneration package annually. In addition, the salary scales and responsibilities for the Chief Executive and the senior Directors were reviewed in February 2016 by EVH to ensure continued relevance to the set scales. The governing Board accepted the recommendations of EVH's report and these were implemented immediately, with a commitment to review these every three years. This will ensure an independent review which will recognise the growth and complexities of our business and ensure that the Association can continue to recruit senior staff with the right skills and qualifications. Given the recent change at senior staff level, this was considered appropriate.

##### Employee Involvement and Health & Safety

Barrhead achieved Investors in People accreditation in May 2009. Bronze status was accredited in January 2012 and Silver status achieved in January 2015 along with an Investors in Young People good practice award. Barrhead is also involved in the Healthy Working Lives accreditation to improve the health and wellbeing of staff. We are re-assessed every year to ensure we continue to meet the Gold Standard.

The Association encourages employee involvement in all major initiatives and maintaining Health & Safety standards in all areas. When appropriate, staff are encouraged to participate in the development and revision of policies and procedures, etc.

##### Quality and Integrity of Personnel

The integrity and competence of personnel are ensured through high recruitment standards and subsequent staff development. High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the Chief Executive.

**BARRHEAD HOUSING ASSOCIATION LIMITED**

**REPORT OF GOVERNING BOARD (continued)**

**For the year ended 31 March 2018**

**Staff matters (continued)**

Disabled Employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Association may continue. It is the policy of the Association that training, career development and promotion opportunities should be available to all employees.

**Future developments**

The Association intends to continue with its policy of improving the quality of housing within its area of operation. In April 2016, the development of 15 affordable new build units at Rankin Court was completed. We have taken forward partnership discussions with East Renfrewshire Council for the delivery of more new affordable housing for social rent in the East Renfrewshire area. We are now actively working on developments in partnership with Taylor Wimpey in Neilston and our development, Walton Street in Barrhead, along with a range of other partnership options which could see delivery of almost 100 new homes in the next 3-4 years. This includes the Barrhead south masterplan.

**Auditor**

Chiene + Tait LLP have indicated their willingness to continue to act as auditor to the Association.

**ON BEHALF OF THE GOVERNING BOARD**

  
**Claire Boyd**  
**CHAIRPERSON**

 2018

# BARRHEAD HOUSING ASSOCIATION LIMITED

## STATEMENT OF GOVERNING BOARD RESPONSIBILITIES

**For the year ended 31 March 2018**

The Governing Board is responsible for preparing the report and financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 and social housing legislation require the Governing Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association at the date of Statement of Financial Position and Statement of comprehensive Income for the year ended on that date. In preparing these financial statements, the Governing Board is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards 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 its business; and
- Prepare a Statement on Internal Financial Control.

The Governing Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing Scotland Act 2010 and the Determination of Accounting Requirements (December 2014). The Governing 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 Governing Board is responsible for the maintenance and integrity of the corporate and financial information included on the Association's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Information for the Auditor**

In so far as the Governing Board is aware:

- there is no relevant audit information of which the Association's auditor is unaware; and
- the Governing Board has taken all steps that it ought to have taken to make its members aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

### **BY ORDER OF THE GOVERNING BOARD**



**CHAIRPERSON**

 2018

## **BARRHEAD HOUSING ASSOCIATION LIMITED**

### **GOVERNING BOARD'S STATEMENT ON INTERNAL FINANCIAL CONTROLS**

#### **For the year ended 31 March 2018**

The Governing Board acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is 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 Association or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets (against unauthorised use or disposition).

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

- 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 and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared regularly which allow the Governing Board and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term; regular 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, through the Governing Board;
- the Governing Board review reports from management, from directors, from staff and from the internal and external auditors to provide reasonable assurance that control procedures are in place and are being followed, including a general review of the major risks facing the Association; and
- formal procedures have been established for implementing appropriate action to correct weaknesses identified from the above reports.

The Governing Board have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2018 and until the below date. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

During April 2018, the Association tendered for a three year internal audit programme and the Governing Board approved the tender for internal audit services received from Wylie + Bissett. Wylie +Bissett were appointed in May 2018. This is based on 6 risk areas, 2 per year and will be reviewed annually with the governing Board. These will conclude with a forward plan of improvements to meet recommendations made.

#### **Scottish Housing Regulator – Notifiable Events**

The Association is required, along with all other registered social landlords, to notify the Scottish Housing Regulator of unusual events. These could be, for example, around significant performance failures, of major health and safety events, or members being removed from the Governing Board or senior staff leaving the organisation. The list is quite lengthy. During the year, we have had no events that resulted in a Notifiable Event being confirmed to the Scottish Housing Regulator. However, we have had two notifiable events between April – July 2018. The first one related to our abortive development at Kirkstyle Lane, Neilston and the repayment of our abortive fees by East Renfrewshire Council. The second one related to our Vice chairperson resigning for non-personal reasons following completion of our governance review. The Vice chairperson then withdrew her resignation and was re-instated as Vice Chair by the governing Board on 11<sup>th</sup> July 2018. The Scottish Housing Regulator has been updated on the position with both events.

#### **BY ORDER OF THE GOVERNING BOARD**

  
**Claire Boyd**  
**CHAIRPERSON**

  
2018

### Opinion

We have audited the financial statements of Barrhead Housing Association Limited for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position, Statement of Cash Flows and 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 (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UKD and Republic of Ireland.

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been 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 Scottish Housing Regulator Determination of Accounting Requirements (December 2014).

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.

### Basis for opinion

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

### Conclusions relating to going concern

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 Report of the Governing Board, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
BARRHEAD HOUSING ASSOCIATION LIMITED (continued)**

**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 9, 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 determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Association or to cease operations, or 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.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of our report**

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



**Chiene + Tait LLP**  
**Chartered Accountants and Statutory Auditor**  
**61 Dublin Street**  
**Edinburgh EH3 6NL**



2018

**REPORT BY THE AUDITOR'S TO THE MEMBERS OF  
BARRHEAD HOUSING ASSOCIATION ON CORPORATE GOVERNANCE MATTERS**



In addition to our audit of the financial Statements, we have reviewed your statement on page 10 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.

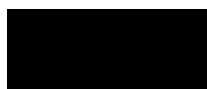
**Opinion**

In our opinion the Statement on Internal Financial Control on page 10 has provided the disclosures required by the relevant Regulatory Standards within the publication 'Our Regulatory Framework' and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

Through enquiry of certain members of the Governing Board and Officers of the Association and examination of relevant documents, we have satisfied ourselves that the Governing Board'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.



**Chiene + Tait LLP**  
**Chartered Accountants and Statutory Auditor**  
**61 Dublin Street**  
**Edinburgh EH3 6NL**



2018

**BARRHEAD HOUSING ASSOCIATION LIMITED**

**STATEMENT of COMPREHENSIVE INCOME**

**For the year ended 31 March 2018**

	Notes	2018 £	2017 £
<b>Turnover</b>	2	5,204,195	5,030,624
Operating expenditure	2	(3,802,015)	(3,442,509)
<b>Operating surplus</b>	2	1,402,180	1,588,115
(Loss)/gain on disposal of property, plant and equipment		23,137	(11,434)
Interest receivable		22,209	27,822
Interest and financing costs	4	(369,102)	(433,112)
Pension re-measurement	13	3,000	510,903
<b>Surplus before tax</b>		1,081,424	1,682,294
Taxation	5	-	-
<b>Surplus for the year and total comprehensive income for the year</b>		1,081,424	1,682,294

The results for the year relate wholly to continuing activities.

**STATEMENT of CHANGES in RESERVES**

**For the year ended 31 March 2018**

	Share Capital £	Income and Expen- diture Reserve £	Restricted Reserve £	Total Reserves £	Total Restricted Fund £	Total Un- restricted Fund £
Balance at 1 April 2017	51	8,756,697	6,760	8,763,508	6,760	8,756,697
Issue of Shares	5	-	-	5	-	-
Cancellation of shares	(2)	-	-	(2)	-	-
Surplus/(deficit) from statement of comprehensive income	-	1,081,424	-	1,081,424	-	1,081,424
Transfer	-	6,760	(6,760)	-	(6,760)	6,760
<b>Balance at 31 March 2018</b>	54	9,844,881	-	9,844,935	-	9,844,881

The notes on pages 17 to 30 form part of these financial statements.



**BARRHEAD HOUSING ASSOCIATION LIMITED**

**STATEMENT of FINANCIAL POSITION**

**As at 31 March 2018**

	Notes	£	2018 £	2017 £
<b>Fixed assets</b>				
Tangible fixed assets	7		46,604,484	47,479,027
Investments	8		1	1
			-----	-----
			46,604,485	47,479,028
<b>Current assets</b>				
Debtors	9	311,065		560,555
Cash and cash equivalents		3,254,689		2,918,890
		-----		-----
		3,565,754		3,479,445
<b>Creditors:</b> amounts falling due within one year	10	1,368,260		1,770,264
		-----		-----
<b>Net current assets</b>			2,197,494	1,709,181
			-----	-----
<b>Total assets less current liabilities</b>			48,801,979	49,188,209
<b>Creditors:</b> amounts falling due after more than one year	11		38,957,044	40,424,701
			-----	-----
<b>Total net assets</b>			9,844,935	8,763,508
			=====	=====
<b>Reserves</b>				
Share capital	15		54	51
Income and expenditure reserve	16		9,844,881	8,756,697
Restricted reserves	17		-	6,760
			-----	-----
			9,844,935	8,763,508
			=====	=====

These financial statements were approved and authorised for issue by the Governing Board on [redacted] 2018 and signed on their behalf by:

[redacted] .....  
 Claire Boyd  
 Chair, Governing Board Member

[redacted] .....  
 Patsy McGuire BEM  
 Vice Chair, Governing Board Member

[redacted] .....  
 Secretary

The notes on pages 17 to 30 form part of these financial statements.

**BARRHEAD HOUSING ASSOCIATION LIMITED****STATEMENT of CASH FLOWS****For the year ended 31 March 2018**

	<b>Notes</b>	<b>£</b>	<b>2018 £</b>	<b>2017 £</b>
Net cash generated from operating activities	18		1,747,553	1,879,163
<b>Cash flow from investing activities</b>				
Purchase of tangible fixed assets		(610,585)		(1,081,913)
Proceeds from sale of tangible fixed assets		33,494		1,000
Housing association grant received (net)		90,434		361,863
Interest received		22,209		27,822
		-----	(464,448)	(691,228)
<b>Cash flow from financing activities</b>				
Interest paid		(365,102)		(409,856)
Repayment of borrowings		(582,209)		(570,296)
Shares issued		5		4
		-----	(947,306)	(980,148)
<b>Net change in cash and cash equivalents</b>			335,799	207,787
Cash and cash equivalents at beginning of the year			2,918,890	2,711,103
<b>Cash and cash equivalents at end of the year</b>			3,254,689	2,918,890
			=====	=====

The notes on pages 17 to 30 form part of these financial statements.

# BARRHEAD HOUSING ASSOCIATION LIMITED

## NOTES to the FINANCIAL STATEMENTS

For the year ended 31 March 2018

### 1. Accounting Policies

#### Introduction and accounting basis

The financial statements have been prepared in accordance with Financial Reporting Standard 102 (FRS 102), the statement of Recommended Practice for social housing providers "Housing SORP 2014" (SORP 2014) and the Determination of Accounting Requirements 2014. The financial statements are prepared under the historical cost basis of accounting. Barrhead Housing Association is a Public Benefit Entity. The financial statements have been presented in Pounds Sterling as this is the functional and presentational currency of the Association. The principal accounting policies of the Association are set out below.

#### Going concern

The financial statements have been prepared on a going concern basis. The Governing Board have assessed the Association's ability to continue as a going concern and have reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing these financial statements.

#### Housing Association Grants

Housing Association Grants (HAG) are awarded to reduce the amount of mortgage loan (or other funding) in respect of an approved scheme to the amount which it is estimated can be serviced by the net annual income of the scheme. The amount of HAG is calculated on the qualifying cost of the scheme in accordance with instructions issued from time to time by the grant awarding body. HAG and other grants are repayable under certain circumstances. These include the disposal of the properties to which the grants relate. HAG is recognised using the accrual model and is recognised in income on a systematic basis over the useful life of the related housing asset. The Association uses the useful life of the housing property structure as the basis for amortisation.

#### Tangible fixed assets - Housing properties (note 7)

Housing properties are initially stated at cost. The cost of such properties includes the following:

- (i) cost of acquiring land and buildings
- (ii) development expenditure including applicable overheads
- (iii) interest charged on the loans raised to finance the scheme

These costs are either termed "qualifying costs" by the grant awarding bodies for approved HAG schemes and are considered for mortgage loans by the relevant lending authorities or they are met out of the Association's reserves.

All invoices and architects' certificates relating to capital expenditure incurred in the year at gross value including retentions are included in the financial statements for the year, provided that the dates of issue or valuations are prior to the year end.

Development costs are capitalised to the extent that they are attributable to specific schemes, where such costs are not felt to be excessive.

If expenditure does not qualify for HAG, it may nevertheless be capitalised. Expenditure on schemes, which are subsequently aborted, is written off in the year in which it is recognised that the scheme will not be developed to completion.

Interest on the loan financing the development is capitalised up to the relevant date of completion.

#### Depreciation

##### Housing Properties

Housing properties are stated at cost, less accumulated depreciation. The Association depreciates housing properties by major component on a straight line basis over the expected economic useful lives of each identified component. All components are categorised as Housing Properties in note 7. No depreciation is charged on the cost of land.

## BARRHEAD HOUSING ASSOCIATION LIMITED

### NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

#### 1. Accounting Policies (continued)

##### Depreciation (continued)

Component	Useful Economic Life
Kitchen	15 years
Central Heating System	30 years
Boilers	15 years
Bathrooms	20 years
Windows	25 years
Lifts	40 years
Structure	50 years
Roofs	40 years

##### Other fixed assets

The Association's assets are written off evenly over their expected useful lives as follows:

Office premises	over 5 to 30 years
Furniture & equipment	over 5 years

A full year's depreciation is charged on these assets in the year of purchase, but no charge is made in the year of disposal.

##### **Apportionment of management expenses**

Direct employee administration and operating costs have been apportioned to the activities reported in the Statement of Comprehensive Income on the basis of costs of the staff to the extent that they are directly engaged in each of the operations dealt with in these financial statements.

##### **Lease obligations**

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on the accruals basis.

##### **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 and, except for first tranche sales, any gain or loss is recognised. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements. Proceeds of first tranche sales are recognised as turnover and associated costs as operating costs.

##### **Impairment of fixed assets**

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income-generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units.

##### **Improvements**

Improvements are capitalised where these represent the replacement of separately depreciated components or where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:

- an increase in rental income or
- a material reduction in future maintenance costs or
- a significant extension of the life of the property.

Works to existing properties, which fail to meet the above criteria, are charged to the Statement of Comprehensive Income.

**1. Accounting Policies (continued)**

**Financial instruments**

*Debtors and creditors receivable/payable within one year*

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at the transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income in other administrative expenses.

*Loans and borrowings*

Bank loans provided by Private Lenders are also classed as basic under the requirements of FRS 102 and are therefore also measured at amortised cost.

*Payment arrangements with tenants*

In the case of payment arrangements that exist with tenants, these are deemed to constitute financing transactions and, where material, are measured at the present value of future payments discounted at a market rate of interest applicable to similar debt instruments.

**Pensions**

The Association participates in the centralised Scottish Housing Associations' Defined Benefit and Defined Contribution Pension Schemes and retirement benefits to employees of the Association 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. Accordingly, in respect of current service cost the accounting charge represents the employer contributions payable.

Where the scheme is in deficit and the Association has agreed to a deficit funding arrangement with the scheme trustees, the Association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement. The unwinding of the discount rate is recognised as a finance cost.

**Turnover**

Turnover represents rental income and service charges receivable from tenants, grants and management fees for services, and is measured at the fair value of the consideration received or receivable.

**Value added tax**

The Association is not registered for VAT and operating expenditure therefore includes Input VAT.

**Judgements in applying policies and key sources of estimation uncertainty**

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The members of the Governing Board are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied in apportioning the cost of housing properties between constituent components and in determining the depreciation rates which have been deemed to be appropriate for the class of asset or assets component and in determining the appropriate level of bad debt provision for rental arrears.

**BARRHEAD HOUSING ASSOCIATION LIMITED****NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2018****2. Particulars of turnover, operating costs and operating surplus or deficit**

	Turnover £	Operating costs £	Operating Surplus/ (Deficit) 2018 £	Operating Surplus/ (Deficit) 2017 £
Affordable letting activities (note 3a)	4,908,038	3,471,686	1,436,352	1,623,972
Other activities (note 3b)	296,157	330,329	(34,172)	(35,857)
<b>Total</b>	<u>5,204,195</u>	<u>3,802,015</u>	<u>1,402,180</u>	<u>1,588,115</u>
2017	<u>5,030,624</u>	<u>3,442,509</u>	<u>1,588,115</u>	

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

3(a). Particulars of turnover operating costs and operating surplus or deficit from affordable letting activities

	General Needs Social Housing £	Supported Social Housing Accom- modation £	Shared Ownership Housing £	Other Social Housing £	2018 Total £	2017 Total £
<b>Income from lettings</b>						
Rent receivable net of service charges	3,779,883	119,127	9,724	104,304	4,013,038	3,881,928
Service charges	25,857	19,512	1,068	-	46,437	39,042
Gross income from rents and service charges	3,805,740	138,639	10,792	104,304	4,059,475	3,920,970
Less: Voids	(26,164)	(334)	-	-	(26,498)	(16,934)
<b>Net income from rents and service charges</b>	3,779,576	138,305	10,792	104,304	4,032,977	3,904,036
Grants released from deferred income	827,723	24,777	1,506	17,864	871,870	932,647
Revenue grants from Scottish Ministers	1,672	-	-	-	1,672	3,032
Other revenue grants	-	1,519	-	-	1,519	1,519
<b>Total turnover from affordable letting activities</b>	4,608,971	164,601	12,298	122,168	4,908,038	4,841,234
Management and maintenance administration costs	1,075,094	47,800	-	14,662	1,137,556	1,057,137
Service costs	25,857	19,512	1,068	-	46,437	37,973
Planned and cyclical maintenance including major repairs costs	427,170	5,967	-	1,333	434,470	369,878
Reactive maintenance costs	420,312	11,815	-	2,365	434,492	383,247
Bad debts – rents and service charges	14,717	-	-	-	14,717	2,351
Depreciation of affordable letting properties	1,325,659	37,963	1,601	26,286	1,391,509	1,347,897
Tenant Participation	12,505	-	-	-	12,505	18,779
<b>Operating costs for affordable letting activities</b>	3,301,314	123,057	2,669	44,646	3,471,686	3,217,262
<b>Operating surplus for affordable letting activities</b>	1,307,657	41,544	9,629	77,522	1,436,352	1,623,972
2017	1,567,938	22,384	11,413	22,237	1,623,972	

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

3(b). Expenditure on works to existing properties

	2018 £	2017 £
Capitalised:		
Improvements	-	-
Component replacements	369,209	381,540
	<u>369,209</u>	<u>381,540</u>
	148,461	137,032
	<u>517,670</u>	<u>518,572</u>

3(c). Particulars of turnover, operating costs and operating surplus or deficit from other activities

	Grants from Scottish Ministers £	Other revenue grants £	Other income £	Total Turnover £	Operating costs - bad debts £	Other operating costs £	Operating surplus or (deficit) 2018 £	Operating surplus or (deficit) 2017 £
Wider role activities:								
Creative Pathways	64,000	-	-	64,000	-	71,000	(7,000)	(7,802)
Craft Café	-	-	-	-	-	2,000	(2,000)	(2,000)
Community Regeneration Officer	-	-	17,189	17,189	-	26,306	(9,117)	(13,076)
Climate Challenge	-	1,250	91,847	93,097	-	93,097	-	-
Digital Fund	-	4,500	-	4,500	-	4,500	-	-
Community choices	23,000	-	-	23,000	-	35,000	(12,000)	-
Factoring	-	-	-	-	-	1,000	(1,000)	(1,037)
Development administration costs	5,235	-	-	5,235	-	9,490	(4,255)	(12,942)
Development – Abortive Scheme	-	-	80,565	80,565	-	80,565	-	-
Other Agency/ Management services	-	-	7,371	7,371	-	7,371	-	-
Other Income	-	-	1,200	1,200	-	-	1,200	1,000
<b>Total from other activities</b>	<b>92,235</b>	<b>5,750</b>	<b>198,172</b>	<b>296,157</b>	<b>-</b>	<b>330,329</b>	<b>(34,172)</b>	<b>(35,857)</b>
<b>2017</b>	<b>77,565</b>	<b>3,769</b>	<b>108,056</b>	<b>189,390</b>	<b>-</b>	<b>225,247</b>	<b>(35,857)</b>	

Note: Other activity headings as noted in the Determination of Accounting Requirements (December 2014) do not apply.



**BARRHEAD HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2018**

<b>4. Interest and financing costs</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Interest paid on loans in period	365,102	409,856
Finance costs in respect of pension provision	4,000	23,256
	-----	-----
	<b>369,102</b>	<b>433,112</b>
	=====	=====

**5. Taxation**

The Association has charitable status and no Corporation Tax is due on its exempt activities.

<b>6. Employees</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
(a) Staff costs during year		
Wages and salaries	649,746	631,833
Social security costs	59,990	57,675
Pension costs:		
Current service contributions	57,976	43,497
	-----	-----
	<b>767,712</b>	<b>733,005</b>
	=====	=====

The past service deficit has been separately disclosed on the face of the Statement of Comprehensive Income.

The average full time equivalent number of persons employed by the Association during the year was as follows:

	<b>2018</b>	<b>2017</b>
	<b>No</b>	<b>No</b>
Housing management	18	18
	=====	=====

**(b) Key management**

Key management includes members of the Governing Board, the Chief Executive and 3 senior Directors.

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Compensation (excluding pension contributions) paid to key management personnel	230,455	218,131
	=====	=====

The emoluments of the key managers whose emoluments, excluding pension contributions, were over £60,000 were as follows:

	<b>2018</b>	<b>2017</b>
	<b>No</b>	<b>No</b>
£60,001 to £70,000	1	1
	=====	=====

**BARRHEAD HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2018**

<b>6. Employees (continued)</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
(b) Key management (continued)		
Aggregate emoluments payable to key management whose total emoluments (excluding pension contributions but including benefits in kind) are £60,000 or more	68,815	66,533
	=====	=====
Emoluments payable to the Chief Executive	68,815	66,533
Employer's pension contribution	7,947	6,173
	-----	-----
	76,762	72,706
	=====	=====

The Chief Executive is an ordinary member of the Association's pension scheme described in note 13. No enhanced or special terms apply to membership and she has no other pension arrangements to which the Association contributes.

No member of the Governing Board received any emoluments in respect of their services to the Association.

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Governing Board Expenses	304	174
	=====	=====

**7. Tangible fixed assets**

<b>Cost</b>	<b>Housing Properties Held for Letting £</b>	<b>Housing Properties in course of Construction £</b>	<b>Completed Shared Ownership Properties £</b>	<b>Office Premises £</b>	<b>Furniture Fittings &amp; Equipment £</b>	<b>Total £</b>
At 1 April 2017	62,953,681	8,035	310,364	764,133	260,427	64,296,640
Additions	560,801	24	-	-	49,760	610,585
Transfers	164,313	-	(164,313)	-	-	-
Disposals	(90,473)	(7,166)	-	-	(11,871)	(109,510)
	-----	-----	-----	-----	-----	-----
At 31 March 2018	63,588,322	893	146,051	764,133	298,316	64,797,715
	-----	-----	-----	-----	-----	-----
<b>Depreciation</b>						
At 1 April 2017	16,257,993	-	117,723	238,340	203,557	16,817,613
Provided	1,355,826	-	1,601	25,530	50,565	1,433,522
Transfer	62,364	-	(62,364)	-	-	-
Disposals	(47,768)	-	-	-	(10,136)	(57,904)
	-----	-----	-----	-----	-----	-----
At 31 March 2018	17,628,415	-	56,960	263,870	243,986	18,193,231
	-----	-----	-----	-----	-----	-----
<b>Net book value</b>						
As at 31 March 2018	45,959,907	893	89,091	500,263	54,330	46,604,484
	=====	=====	=====	=====	=====	=====
As at 31 March 2017	46,695,688	8,035	192,641	525,793	56,870	47,479,027
	=====	=====	=====	=====	=====	=====

All housing property and office premises are heritable property.

**BARRHEAD HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2018**

<b>8. Investments</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Levern Property Services Limited	1	1
	=====	=====

Barrhead's subsidiary, Levern Property Services Limited commenced trading on 1 April 2012. It was incorporated in Scotland on 24 November 2011. The Association holds all of the issued share capital of £1. The company made an after tax profit (and after Gift Aid of £Nil to the Association) of £Nil and had net assets of £3,409 at 31 March 2018.

<b>9. Debtors</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Amounts falling due within one year:		
Gross rents in arrears	112,385	110,372
<u>Less:</u> Bad debt provision	(95,369)	(88,429)
	-----	-----
	17,016	21,943
Prepayments and accrued income	12,105	106,735
Other debtors	281,944	431,877
	-----	-----
	311,065	560,555
	=====	=====

<b>10. Creditors: amounts falling due within one year</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Loans (note 12)	585,751	578,939
Trade creditors	13,115	307,162
Other creditors	205,471	226,939
Accruals and Deferred Income	344,649	435,929
Pension Deficit Funding Contributions	98,198	95,338
Other taxes and Social Security	16,489	13,399
Rents in advance	104,587	112,558
	-----	-----
	1,368,260	1,770,264
	=====	=====

<b>11. Creditors: amounts falling due after more than one year</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Loans (note 12)	10,126,533	10,715,555
Pension deficit funding provision (note 13)	291,935	389,134
Deferred Grants (note 14)	28,538,576	29,320,012
	-----	-----
	38,957,044	40,424,701
	=====	=====

**BARRHEAD HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2018**

**12. Loans**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Loans are secured by specific charges on the Association's properties.		
In one year or less	585,751	578,939
Between two and five years	3,091,593	2,431,044
In five years or more	7,034,940	8,284,511
	-----	-----
	<b>10,712,284</b>	<b>11,294,494</b>
	=====	=====

<b>Lender</b>	<b>Security</b>	<b>Effective</b>	<b>Maturity</b>	<b>Variable/ Fixed</b>
Nationwide	Standard Security over 401 properties	3.32%	2018	Fixed
Nationwide	Standard Security over 401 properties	4.13%	2022	Fixed
Nationwide	Standard Security over 401 properties	4.71%	2025	Fixed
Nationwide	Standard Security over 401 properties	5.03%	2020	Fixed
Nationwide	Standard Security over 401 properties	Libor + 0.27%	2032	Variable
Santander	Standard Security over 163 properties	4.26%	2026	Fixed
Santander	Standard Security over 163 properties	4.26%	2021	Fixed
Santander	Standard Security over 163 properties	Libor +0.85%	2026	Variable
RBS	Standard Security over 24 properties	Libor + 1.96%	2040	Variable
BoS	Standard Security over 23 properties	Libor + 3.00%	2028	Variable
BoS	Standard Security over 23 properties	5.10%	2028	Fixed

**13. Pension Scheme**

The Association participates in the Scottish Housing Associations' Pension Scheme (SHAPS), a multi-employer scheme, which provides benefits to some 155 non-associated employers. The scheme is a defined benefit scheme in the UK.

It is not possible for the Association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore, it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

**Total deficit contributions (whole scheme)**

From 1 April 2017 to 28 February 2022:	£25.7m per annum (payable monthly and increasing by 3% each 1 April)
From 1 April 2017 to 30 June 2025	£0.7m per annum (payable monthly and increasing by 3% each 1 April)
From 1 April 2017 to 31 October 2026	£1.2m per annum (payable monthly and increasing by 3% each 1 April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities. Contributions for the year from 1 April 2018 for Barrhead Housing Association have been set at £101,237. The deficit contribution of £98,199 will increase by 3% per annum.

**BARRHEAD HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2018**

**13. Pension Scheme (continued)**

There has been an improvement in the ongoing funding level from 76% at 30 September 2015 to 87% at 30 September 2017. The deficit has decreased from £197m to £129m.

The details of both the ongoing and solvency funding positions are set out below:

30 Sept	Technical Provisions' ongoing' Funding basis				Solvency Funding Basis		
	Assets (£m)	Liabilities (£m)	Deficit (£m)	Funding Level (%)	Liabilities (£m)	Deficit (£m)	Funding Level (%)
2015	616	813	197	76	1,553	937	40
2016	810	1,020	210	79	1,986	1,176	41
2017	852	981	129	87	1,752	900	49

The improvement in the 'ongoing' funding level is in line with the actuary's expectation. The main contributing factors to the change in the funding level are the increase in the value of the liabilities due to the reduction in government bond yields, and the assets have performed better than expected together with the deficit contributions paid. The Trustee's view is that the recovery plan remains appropriate and there is no need to take any action ahead of the next actuarial valuation due at 30 September 2018.

The actual monetary value of the deficit has decreased from £210m to £129m at 30 September 2017. Between 30 September 2015 and 30 September 2017 the solvency funding position improved from 39.7% to 48.6%. The deficit has decreased from £937m to £900m, mainly due to better than expected investment returns over the period.

Where the scheme is in deficit and where the Association has agreed to a deficit funding arrangement the Association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

<b>Assumptions</b>	<b>2018</b>	<b>2017</b>
	%	%
Rate of discount - % per annum	1.51	1.06
	=====	=====

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

<b>The liability (notes 10 &amp; 11) recognised is as follows:</b>	<b>2018</b>	<b>2017</b>
	£	£
Present value of provision at start of period	484,473	1,062,052
Unwinding of the discount factor (interest expense)	4,000	23,256
Deficit contribution paid	(95,340)	(89,932)
Re-measurements – impact of any change in assumptions	(3,000)	(510,903)
	-----	-----
Present value of provision at end of period	390,133	484,473
	=====	=====

**BARRHEAD HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2018**

**13. Pension Scheme (continued)**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
The actual contributions payable over the period to 30 September 2017 are:		
In one year or less	98	95
Between two and five years	303	401
In five years or more	-	-
	-----	-----
	401	496
	=====	=====

The impact on the Statement of Comprehensive Income is:

	<b>£</b>	<b>£</b>
Unwinding of the discount factor (interest expense)	4,000	23,256
Re-measurements – impact of any change in assumptions	(3,000)	(510,903)
Contributions paid in respect of future service	27,268	36,656
	=====	=====

**14. Deferred Income**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Social Housing Grants</b>		
Balance as at 1 April 2017	29,320,012	29,820,911
Additions in Year	90,434	361,863
Released/Repaid as the result of property disposals	-	-
Amortisation in Year	(871,870)	(862,762)
	-----	-----
	28,538,576	29,320,012
	=====	=====
Due for release:		
Within one year	871,870	862,762
After more than one year	27,666,706	28,457,250
	-----	-----
	28,538,576	29,320,012
	=====	=====

**15. Share Capital**

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.

**16. Income and expenditure reserve**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Opening balance at 1 April 2017	8,756,697	7,074,403
Surplus for the year	1,081,424	1,682,294
Net transfer to restricted reserves	6,760	-
	-----	-----
Closing balance at 31 March 2018	9,844,881	8,756,697
	=====	=====

**BARRHEAD HOUSING ASSOCIATION LIMITED**

**NOTES to the FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2018**

	At 1 April 2017 £	Received During Year £	Spent During Year £	At 31 March 2018 £
<b>17. Restricted Funds</b>				
Land Sale Net Proceeds	6,760	-	(6,760)	-
	=====	=====	=====	=====
<b>18. Reconciliation of surplus for the year to net cash inflow from operating activities</b>			<b>2018</b>	<b>2017</b>
			£	£
Surplus for year			1,081,424	1,682,294
<i>Adjustments for non cash items:</i>				
Depreciation of tangible fixed assets			1,433,522	1,420,331
Amortisation of Capital Grants			(871,870)	(862,762)
Decrease/(Increase) in debtors			249,490	(323,868)
(Decrease)/ increase in creditors			(411,676)	147,298
Pension cost less contributions payable			(98,340)	(600,835)
Shares cancelled			(2)	(19)
<i>Adjustment for investing and financing activities:</i>				
Carrying value of tangible fixed asset disposals			51,606	12,434
Proceeds from the sale of tangible fixed assets			(33,494)	(1,000)
Interest receivable			(22,209)	(27,822)
Interest payable			369,102	433,112
			-----	-----
			1,747,553	1,879,163
			=====	=====
<b>19. Capital Commitments</b>			<b>2018</b>	<b>2017</b>
			£	£
Expenditure authorised by the Governing Board contracted less certified			-	-
Expenditure authorised by the Governing Board not contracted			-	-
			-----	-----
			-	-
			=====	=====

Expenditure will be funded from Housing Association Grant and the Association's cash reserves.

**20. Contingent liabilities**

**Pensions**

Barrhead has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2015. The Association has no current plans to withdraw from the scheme and has made provision for the present value of past service deficit contributions being paid to eliminate the deficit in the scheme.

As at 31 March 2018 the Association had no other contingent liabilities (2017 - £Nil).

**BARRHEAD HOUSING ASSOCIATION LIMITED****NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2018**

<b>21. Housing Stock</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
The number of units in Management at 31 March was as follows:		
General Needs – Rehabilitation	300	300
General Needs - New Build	619	616
	-----	-----
	919	916
Supported Accommodation	12	12
Shared Ownership	3	6
	-----	-----
	934	934
	=====	=====

<b>22. Auditor's Remuneration</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
The remuneration of the auditors (including expenses and Non-recoverable VAT for the year)	6,420	6,148
	=====	=====

**23. Related Parties**

One member of the Governing Board is a tenant of the Association. The terms applicable to them are the same as applicable to all of the tenants. Tommy Reilly served on the Governing Board during the year. He was a councillor with East Renfrewshire Council until the elections in May 2017. Any transactions with East Renfrewshire Council are made at arm's length, on normal commercial terms and Councillor Reilly cannot use his position to his advantage.

The aggregate rent charged to tenant members of the Governing Board during the year was £3,893 (2017: £3,817) and the aggregate outstanding balance in respect of these rents at the year-end was £Nil.

Levern Property Services Limited ("Levern") is charged for Barrhead staff costs for staff services provided to Levern as well as a proportion of office overheads. The charge in the year was £7,371 (2017: £7,712.) Levern also charges Barrhead for staff services provided. The cost in the year was £6,179 (2017: £237). At the year end Barrhead included in debtors, £19,211 (2017: £39,027) due from Levern.

During the year, the Association successfully applied for a Climate Challenge Fund Grant on behalf of the Auchenback Resource Centre. The Association's secretary Brian Connelly is also a director of the Auchenback Active Limited, which manages the Resource Centre. Barrhead staff managed the project throughout the year. Barrhead recharged costs of £91,801 (2017: £79,826) to Auchenback Active Limited. At the year end, Barrhead was due £45,911 (2017: £45,670) from Auchenback Active Limited in respect of these recharges.

<b>24. Commitments Under Operating Leases</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
At the year end, the total future minimum lease payments under non- cancellable operating leases were as follows:		
Not later than one year	-	-
Later than one year and not later than five years	12,903	4,671
	=====	=====