

Registered Housing Association No. HCB70
Financial Conduct Authority No. 2229R(S)
Scottish Charity No. SC036265

BARRHEAD HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2019



BARRHEAD HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2019

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BARRHEAD HOUSING ASSOCIATION LIMITED

GOVERNING BOARD, EXECUTIVES AND ADVISERS

For the year ended 31 March 2019

Governing Board

David McCready (Chairperson)

John Hamilton (Vice Chairperson)

Chris Baird

Clare Boyd

Brian Connelly MBE

Cllr Annette Ireland

Rena McGuire

(Resigned May 2018 and Reappointed July 2018)

Drew McKinney

Michael Mukhtar

Tommy Reilly

Beth Welsh

Laura Hendry

(Resigned June 2018)

Executive Officers

Shirley Robison

Lorraine Dallas

James Ward

Helen Sutherland

Chief Executive

Director of Customer Services

Director of Asset Management

Director of Corporate Services

Registered Office

60-70 Main Street

Barrhead

Glasgow

G78 1SB

External Auditors

Chiene + Tait LLP

Chartered Accountants

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

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 Housing Association Number HCB 70

Scottish Charity Regulator

Charities and Trustee Investment (Scotland) Act 2005

Scottish Charity Number SC036265

BARRHEAD HOUSING ASSOCIATION LIMITED

REPORT OF GOVERNING BOARD

For the year ended 31 March 2019

The Governing Board present their report and audited financial statements for the year ended 31 March 2019.

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 Scottish 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 Key Strategic Objectives

Barrhead's strategic aims are set out in its 5-year Business Plan and these are as follows:

- We will deliver our 5-year proposed investment as defined in our asset management strategy by March 2024
- We will continue to develop our self-assessment governance framework to ensure high standards of leadership, updating two Regulatory Standards each year to complete a full review by March 2022
- We will maintain our engagement and participation with our customers in delivery of our services including maximising the opportunities to improve the health and well-being of our customers' lives (community regeneration strategy review due 2019)
- We will support financial advice and service improvements to minimise the impact of Universal Credit
- We will continue to develop enhanced digital services to meet the demands of all our customers
- We will deliver 100 new social rented homes by March 2023 to exceed our '1000 homes' target
- We will continue to invest, support and reward our people to maximise staff empowerment and support personal development
- We will continue to deliver efficiencies by understanding and reviewing our costs, our performance, our benchmarks against the housing sector and demands on our resources
- We will continually review the opportunities to maximise growth through our subsidiary for the wider community, to grow our in-house repairs service over the next 5 years, for employment and training, and to maintain collaboration and partnership working

Our Overall Aims:

What we want to do:

- Create communities that fit the needs and aspirations of our customers and allow customers to engage with us
- Provide quality homes that are affordable to our customers now and in the future
- 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 accountable, open and transparent
- Prepare for change, growth and 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.

BARRHEAD HOUSING ASSOCIATION LIMITED

REPORT OF GOVERNING BOARD (continued)

For the year ended 31 March 2019

Members of the Governing Board

The Members of the Governing Board of the Association during the year to 31 March 2019 and to the date of this report are shown on page 1. With a new local Councillor, our Board membership totals 11 and efforts to recruit a tenant member to the last vacancy have not been successful over the last year. Our last remaining tenant member, Laura Hendry resigned after 20 years of service last July 2018 and joined our Tenant Scrutiny Panel to continue to support the organisation's activities. BHA will use the FLAIR Academy and local newsletters to continue to seek Board membership.

Following an extensive governance review including work to consider our Board recruitment, retention and succession plans, new Office Bearers were elected after the AGM in August 2018 and the new Chair and Vice Chair are listed above. Our Director of Corporate Services was elected Secretary in August 2018 also.

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.

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 over the last two years, we continue to build on work from previous years which strengthened our governance arrangements, particularly around recruitment retention and succession planning for Board membership. This has led to a number of changes to Office Bearer positions including fixed term appointments for Chair and Vice Chair, and the establishment of an Office Bearers Group which reports to the full governing Board every quarter.

Two further Board members, John Hamilton and Beth Welsh have undertaken governance and leadership courses with Napier University and EVH respectively. Both Claire Boyd and Brian Connelly MBE hold the SVQ Governance qualification. All Board members receive an annual appraisal which includes, where applicable, assessment against the requirement to meet the 9-year membership Rule. 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.

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. Given the absence of tenants on our governing Board, it is essential that the Board listens to the views and opinions from our Tenant Scrutiny Panel and wider feedback from surveys, open days, etc.

Barrhead is committed to involving staff in decision making and policy making. In the year just ended, staff were fully involved in the production of the new 5-year business planning process which included a review of our future options which concluded that the governing Board wished to remain an independent organisation. Having considered our location, our performance and our satisfaction levels, the governing Board could see no reason to seek or consider partnership options. Regular staff meetings were held to keep staff informed of our activities. In October 2018, we recruited a part-time Corporate Services Manager post to assist the organisation with the overview of governance arrangements, meeting GDPR, overseeing HR and planning for Freedom of Information. This has proved an invaluable new addition to our senior team and for servicing the Governing Board.

BARRHEAD HOUSING ASSOCIATION LIMITED

REPORT OF GOVERNING BOARD (continued)

For the year ended 31 March 2019

Performance Management

Service delivery is underpinned by staff performance. This continues to be a high priority for us. In the last three years we have worked with our two new senior Directors to ensure the new team are able to take a fresh look at what we do and how we work with staff to achieve our objectives. During the year we have continued with our staff appraisal system and this produces a staff development needs assessment in line with the budget provision. Our Customer Services Manager has successfully completed her Diploma in Housing and our Corporate Finance Officer passed his CA exams in May 2019. We also continue to review our performance management framework, which influences our reporting performance framework and have recently become members of the Scottish Housing Network benchmarking group. We continue to review our performance with our FLAIR local partners and completed a peer review of specific performance areas during the year to learn from each other. Investors in People status was first awarded in May 2009. At re-assessment in January 2015 when 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. We retained our Silver Accreditation in January 2018 following assessment.

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 on-going Asset Management Strategy review. We have been focused on up-dating this asset management strategy, having completed a revised externally commissioned stock condition survey which assessed 100% of our external properties and a 30% sample of internal properties in 2017 and taken our house waiting list service back in-house following the decision to end the Common Housing Register. This new information is being used to review and update our asset management strategy, to ensure that our long-term financial planning reflects our future investment requirements. Having also moved our financial modelling to Brixx during the year, work will continue to re-align the future investment plans with the long term financial planning document to ensure business viability and delivery of our investment plans. During the year we have further developed our Information and Technology system to improve performance throughout the organisation and conducted an internal audit review on IT security. Recommendations from this review are now being implemented. Towards the end of last year we also completed an internal audit review on our in-house repairs service which is undertaken through our subsidiary. The review was positive and will allow to implement recommendations to improve services for tenants and continue to manage our main contractors to deliver improvements to performance.

Self-Assessment on Governance and Financial Management

The Governing Board has been responsible for overseeing progress against reports on the Scottish Housing Regulator's Regulatory Framework. As this was reviewed during the year resulting in new guidance being issued in February 2019, the governing Board has renewed its focus on the strategic direction and operational activities reported by senior staff to ensure compliance with the new Annual Assurance Statements. As well as governance and financial management, the governing Board will review the Social Housing Charter, the Energy Efficiency for Social Housing targets, legislative issues, and equalities and human rights issues. We await further guidance on a governance toolkit. The first submission will be in October 2019 and the Association will report to members at the 2019 AGM and tenants thereafter on what the Assurance Statement confirms. The governing Board continues to review its engagement status with the Scottish Housing Regulator and the new annual engagement plan issued in March 2019 is available on the Association's website.

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. We report annually on our complaints report from the social housing charter and will implement further improvements to lessons learned and improvements going forward.

BARRHEAD HOUSING ASSOCIATION LIMITED

REPORT OF GOVERNING BOARD (continued)

For the year ended 31 March 2019

Operational Review (continued)

Wider Community Benefit

As a charitable not for profit housing association, we aim to provide for the relief of those in need for reason of age, ill-health, disability, financial hardship or other disadvantage through the provision, construction, improvement and management of land and accommodation and the provision of care. We therefore extend the provision of our services beyond the provision of affordable housing and services. Our Vision statement says 'we believe that everyone deserves to live in a secure, good quality, well-maintained home within communities that are safe, supportive and inclusive. We aim through wider community regeneration activities to support initiatives to promote health and improvement to the quality of people's lives. Aspects of our wider community regeneration contribute to the local economy and support our local community. We have therefore accessed appropriate funding to further these aims and in doing so, the Association employs a Community Regeneration Officer to fulfil these aims and work with our community and wider partners. We understand that such work supplements our activities and is therefore provided at a cost not always covered by grant. We believe that such costs add much needed assistance to our residents and wider communities. In the past year, we have supported the following projects with access to grant funding and match funding from the Association – Creative Pathways, Craft Café, Aspiring Communities – DIY Dunterlie and Community Choices.

Development Issues

In the year just completed, the Association has spent £677,903 (2018 - £560,825) on component replacement, medical adaptations development and acquisition of houses, of which £284,319 (2018 – £90,434) was funded by grants received from the Scottish Government (Housing Association Grant) for medical adaptation improvements.

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. Tenancy turnover, last year was very low and has fallen over the last three years. The rent loss due to empty properties was £13,125 (2018 - £26,498). We are always striving to reduce this loss further although improvement may be difficult as we monitor the effects of the roll out of full universal Credit in our area from September 2018. We have reviewed our long term assumptions for bad debts, void loss and rent arrears for future financial planning.

General Data Protection Regulations (GDPR)

The Association implemented and updated all policy requirements for the revised GDPR requirements in May 2018. This included the governing Board approving all new policy documents and Fair Processing Notices for distribution to all customers, members and staff. The Association highlighted to the Board, the Information commissioner and to the Scottish Housing Regulator one 'non reportable' data breach during the year which related to an IT processing error. This has been resolved.

Social Housing Charter

The Association continues to work with our tenants and service users to feedback on our performance against the indicators contained with the Social Housing Charter. We issue a Performance Report to tenants in October each year. Areas for improvement are identified with the governing Board and monitored quarterly.

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 have worked with our internal auditors to review our risk management strategy over the last year by reviewing our policy and producing up-dated risk control logs which focus on our 'risk universe' and highlight our top risks for reporting. This assessment of our risk universe involved identifying 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, update the top risks as part of the annual business plan review and report quarterly on the top risks to the Board. Our senior staff update our risk activities at every senior team meeting.

BARRHEAD HOUSING ASSOCIATION LIMITED

REPORT OF GOVERNING BOARD (continued)

For the year ended 31 March 2019

Risks and Uncertainties (continued)

In terms of 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 are now working to ensure that over the next 2 years we install integrated heat and fire smoke alarms throughout all our properties. Work is due to commence following a tender exercise later in 2019.

We update our key top risks annually as part of our Business Plan and the top risks include the following:

- Roll out of Universal Credit from September 2018 – confusion for tenants as welfare reform continues; uncertainties around rental payments, arrears/voids/bad debts increasing and advice; uncertainty around payments to BHA and risk to our cashflows.
- Development of new homes – reviewing costs and uncertainties, delays in relation to private finance loan drawn down, assumptions, approvals, etc.
- Corporate Finance plan – ensuring long term assumptions are robust especially inflation, proper scenario testing, delivered with cost control and certainty.
- Pension liability and uncertainty over continuing to offer 'defined benefits' – assessment of 3-year valuation awaited
- Delivering SHQS for new fire safety regulations within 2 years and delivering 2020 target for EESSH (energy efficiency)
- Completion of our Asset Management Strategy following transfer of house waiting list data in-house
- Sheltered housing complex – new staff, lack of decision on de-registration, significant spend on adaptations and impact on tenants
- Health and safety – to ensure we keep up-to-date with staff training, increase knowledge, improvements following audit, risk assessments, etc
- Completion of first Annual Assurance Statement for governance for October 2019
- Being prepared for Freedom of Information implementation from November 2019

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.

BARRHEAD HOUSING ASSOCIATION LIMITED

REPORT OF GOVERNING BOARD (continued)

For the year ended 31 March 2019

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 9.

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 £577,348 (2018 - £1,081,424) during the year before an actuarial loss of £115,000 arising on the accounting for the defined benefit scheme which has been recognised through other comprehensive income to give total comprehensive income for the year of £462,348 (2018 - £1,081,424).

The Association has continued in 2018/19 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 98.4% compliant with the Scottish Housing Quality Standards and will continue to meet these standards. Our inability to reach 100% is due to improvements at mixed tenure properties where residents fail to participate in planned upgrades. The Association is 88.7% compliant with the Energy Efficiency target for social housing and we are required to meet the 2020 target by Feb 2020 – we anticipate applying for a small number of exemptions due to excessive costs.

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 £9,844,881 to £10,307,229. 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 now undergo a 5- year review, as it was anticipated the majority of rents would be harmonized in the first five year period.

BARRHEAD HOUSING ASSOCIATION LIMITED

REPORT OF GOVERNING BOARD (continued)

For the year ended 31 March 2019

Financial review (continued)

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 Statement of Comprehensive Income.

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 Statement of Comprehensive Income, 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.

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. Silver accreditation was maintained when re-assessed in January 2018. 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 2019

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. We hold a Disability Confident employer accreditation which is renewed every 2 years.

Future developments

The Association intends to continue with its policy of improving the quality of housing within its area of operation. In consultation with the local authority and to meet the Scottish Government's 50,000 new homes target by 2021, we are on-site with 12 new homes at Neilston Road in partnership with Taylor Wimpey and these will be delivered in spring 2020. A range of other potential partnership developments are also under discussions with the possibility of a further 50 new homes being delivered over the next couple of years.

Auditor

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

ON BEHALF OF THE GOVERNING BOARD


David McCready
CHAIRPERSON

15th August 2019

BARRHEAD HOUSING ASSOCIATION LIMITED

GOVERNING BOARD'S RESPONSIBILITIES STATEMENT

For the year ended 31 March 2019

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 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 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 in operation; 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 (February 2019). 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. It is also responsible for ensuring the Association's suppliers are paid promptly.

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


David McCready
CHAIRPERSON

15th August 2019

BARRHEAD HOUSING ASSOCIATION LIMITED

GOVERNING BOARD'S STATEMENT ON INTERNAL FINANCIAL CONTROLS

For the year ended 31 March 2019

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 authority, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- experienced and suitably qualified staff take responsibility for 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, 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, with significant variances from budget investigated as appropriate;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Governing Board;
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- 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, and that a general review of the major risks facing the Association is undertaken; and
- formal procedures have been established for implementing appropriate action to correct any weaknesses identified through internal or external audit 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 2019 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.

The Governing Board approved a three year programme of internal audit in April 2018 and during the year completed audit reviews for IT security and our in-house repairs service. An annual updated plan is approved each year by the audit and Risk Sub-Group who are also responsible for ensuring recommendations are progressed.

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 three events that resulted in a Notifiable Event being confirmed to the Scottish Housing Regulator – these included the development of new homes at Kirkstyle Lane being halted by the local authority, the resignation of our past Vice Chairperson for non-personal reasons and a non-material breach of data. All actions were undertaken to satisfy the Scottish Housing Regulator.

BY ORDER OF THE GOVERNING BOARD


David McCready
CHAIRPERSON

15th August 2019

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



Opinion

We have audited the financial statements of Barrhead Housing Association Limited for the year ended 31 March 2019 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 UK 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 2019 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 (February 2019).

Basis for opinion

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

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 Governing 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**



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 Governing Board

As explained more fully in the Governing Board's Responsibility Statement set out on page 10, 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. 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**

12/9/2019

**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 11 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 Auditing Practices Board. 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 11 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**

12/9/2019

BARRHEAD HOUSING ASSOCIATION LIMITED

STATEMENT of COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	2019 £	2018 £
Turnover	2	5,270,636	5,204,195
Operating expenditure	2	(3,898,193)	(3,802,015)
Operating surplus	2	1,372,443	1,402,180
(Loss)/gain on disposal of property, plant and equipment		(23,599)	23,137
Interest receivable		27,586	22,209
Interest and financing costs	4	(360,215)	(369,102)
Pension re-measurement	13	-	3,000
Recognition of Multi-Employer Defined Benefit Scheme		(438,867)	-
Surplus before tax		577,348	1,081,424
Taxation	5	-	-
Surplus for the year		577,348	1,081,424
Other comprehensive income	13	(115,000)	-
Total Comprehensive Income for the Year		462,348	1,081,424

The results for the year relate wholly to continuing activities.

STATEMENT of CHANGES in RESERVES

For the year ended 31 March 2019

	Share Capital £	Income and Expen- diture Reserve £	Restricted Reserve £	Total Reserves £	Total Restricted Fund £	Total Un- restricted Fund £
Balance at 1 April 2018	54	9,844,881	-	9,844,881	-	9,844,881
Issue of Shares	5	-	-	-	-	-
Cancellation of shares	(9)	-	-	-	-	-
Surplus/(deficit) from statement of comprehensive income	-	577,348	-	577,348	-	577,348
Surplus/(deficit) from other comprehensive income	-	(115,000)	-	(115,000)	-	(115,000)
Balance at 31 March 2019	50	10,307,229	-	10,307,229	-	10,307,229

The notes on pages 18 to 33 form part of these financial statements.




BARRHEAD HOUSING ASSOCIATION LIMITED

STATEMENT of FINANCIAL POSITION

As at 31 March 2019

	Notes	£	2019 £	2018 £
Fixed assets				
Tangible fixed assets	7		45,819,533	46,604,484
Investments	8		1	1
			-----	-----
			45,819,534	46,604,485
Current assets				
Debtors		381,770		311,065
Cash and cash equivalents		3,866,554		3,254,689
		-----		-----
		4,248,324		3,565,754
Creditors: amounts falling due within one year	10	(1,392,509)		1,368,260
		-----		-----
Net current assets			2,855,815	2,197,494
			-----	-----
Total assets less current liabilities			48,675,349	48,801,979
Creditors: amounts falling due after more than one year				
Pension – defined benefit liability	11		9,508,623	10,418,468
Deferred Income	13		908,000	-
	14		27,951,447	28,538,576
			-----	-----
Total net assets			10,307,279	9,844,935
			=====	=====
Reserves				
Share capital	15		50	54
Income and expenditure reserve	16		10,307,229	9,844,881
Restricted reserves	17		-	-
			-----	-----
			10,307,279	9,844,935
			=====	=====

These financial statements were approved and authorised for issue by the Governing Board on 15th August 2019 and signed on their behalf by:


 David McCready

 John Hamilton

 Helen Sutherland

Chair, Governing Board Member

Vice Chair, Governing Board Member

Secretary

The notes on pages 18 to 33 form part of these financial statements.

BARRHEAD HOUSING ASSOCIATION LIMITED

STATEMENT of CASH FLOWS

For the year ended 31 March 2019

	Notes	£	2019 £	2018 £
Net cash generated from operating activities	18		1,936,041	1,747,553
Cash flow from investing activities				
Purchase of tangible fixed assets			(692,540)	(610,585)
Proceeds from sale of tangible fixed assets			-	33,494
Housing association grant received (net)			283,626	90,434
Interest received			27,586	22,209
			-----	-----
			(381,328)	(464,448)
			-----	-----
Cash flow from financing activities				
Interest paid		(339,016)		(365,102)
Repayment of borrowings		(603,837)		(582,209)
Shares issued		5		5
		-----		-----
			(942,848)	(947,306)
			-----	-----
Net change in cash and cash equivalents			611,865	335,799
Cash and cash equivalents at beginning of the year			3,254,689	2,918,890
			-----	-----
Cash and cash equivalents at end of the year			3,866,554	3,254,689
			=====	=====

The notes on pages 18 to 33 form part of these financial statements.

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS

For the year ended 31 March 2019

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 (February 2019). 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 recognized using the accrual model and is recognized 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

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.

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS

For the year ended 31 March 2019

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.

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
Sheltered Housing Improvements	20 years

Other fixed assets

The Association's assets cost, less any residual value, is written off evenly over the expected useful life 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 with no charge being 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.

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

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.

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.

Previously where the scheme is in deficit and the Association has agreed to a deficit funding arrangement with the scheme trustees, the Association recognised 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.

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

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 2019

2. Particulars of turnover, operating costs and operating surplus or deficit

	Turnover	Operating costs	Surplus/ (Deficit) 2019	Surplus/ (Deficit) 2018
	£	£	£	£
Affordable letting activities (note 3a)	5,039,571	3,614,843	1,424,728	1,436,352
Other activities (note 3c)	231,065	283,350	(52,285)	(34,172)
Total	5,270,636	3,898,193	1,372,443	1,402,180
	=====	=====	=====	=====
2018	5,204,195	3,802,015	1,402,180	
	=====	=====	=====	

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

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 £	2019 Total £	2018 Total £
Income from lettings						
Rent receivable net of service charges	3,899,896	125,681	3,946	106,351	4,135,874	4,013,038
Service charges	26,078	16,196	494	-	42,768	46,437
	<u>3,925,974</u>	<u>141,877</u>	<u>4,440</u>	<u>106,351</u>	<u>4,178,642</u>	<u>4,059,475</u>
Gross income from rents and service charges						
Less: Voids	(12,054)	(1,071)	-	-	(13,125)	(26,498)
	<u>3,913,920</u>	<u>140,806</u>	<u>4,440</u>	<u>106,351</u>	<u>4,165,517</u>	<u>4,032,977</u>
Net income from rents and service charges						
Grants released from deferred income	817,824	34,545	523	17,864	870,756	871,870
Revenue grants from Scottish Ministers	-	1,740	-	-	1,740	1,672
Other revenue grants	-	1,558	-	-	1,558	1,519
	<u>4,731,744</u>	<u>178,649</u>	<u>4,963</u>	<u>124,215</u>	<u>5,039,571</u>	<u>4,908,038</u>
Total turnover from affordable letting activities						
Management and maintenance administration costs	1,140,955	46,519	-	15,436	1,202,910	1,137,556
Service costs	26,078	16,196	494	-	42,768	46,437
Planned and cyclical maintenance including major repairs costs	512,139	10,516	-	1,037	523,692	434,470
Reactive maintenance costs	384,754	13,762	-	5,658	404,174	434,492
Bad debts – rents and service charges	30,497	31	-	-	30,528	14,717
Depreciation of affordable letting properties	1,327,201	49,085	730	26,270	1,403,286	1,391,509
Tenant Participation	7,485	-	-	-	7,485	12,505
	<u>3,429,109</u>	<u>136,109</u>	<u>1,224</u>	<u>48,401</u>	<u>3,614,843</u>	<u>3,471,686</u>
Operating costs for affordable letting activities						
Operating surplus for affordable letting activities	1,302,635	42,540	3,739	75,814	1,424,728	1,436,352
2018	<u>1,307,657</u>	<u>41,544</u>	<u>9,629</u>	<u>77,522</u>	<u>1,436,352</u>	<u>1,436,352</u>

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

3(b). Expenditure on works to existing properties

Capitalised:
Improvements
Component replacements

	2019 £	2018 £
	223,785	-
	430,277	369,209
	-----	-----
	654,062	369,209
	271,250	148,461
	-----	-----
	925,312	517,670
	=====	=====

Charged to revenue

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) 2019 £	Operating surplus or (deficit) 2018 £
Wider role activities:								
Creative Pathways	64,000	-	-	64,000	-	71,000	(7,000)	(7,000)
Craft Café	-	-	-	-	-	2,500	(2,500)	(2,000)
Community Regeneration Officer	-	-	19,760	19,760	-	38,235	(18,475)	(9,117)
Aspiring Communities	73,495	-	-	73,495	-	88,243	(14,748)	-
Digital Fund	-	3,793	-	3,793	-	3,793	-	-
Community Choices	40,000	-	-	40,000	-	54,416	(14,416)	(12,000)
Factoring	-	-	-	-	-	-	-	(1,000)
Development administration costs	23,941	-	-	23,941	-	22,097	1,844	(4,255)
Other Agency/ Management services	-	-	3,066	3,066	-	3,066	-	-
Other Income	-	-	3,010	3,010	-	-	3,010	1,200
	-----	-----	-----	-----	-----	-----	-----	-----
Total from other activities	201,436	3,793	25,836	231,065	-	283,350	(52,285)	(34,172)
	=====	=====	=====	=====	=====	=====	=====	=====
2018	92,235	5,750	198,172	296,157	-	330,329	(34,172)	(34,172)
	=====	=====	=====	=====	=====	=====	=====	=====

Note: Other activity headings as noted in the Determination of Accounting Requirements (February 2019) do not apply.

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

4. Interest and financing costs	2019	2018
	£	£
Interest paid on loans in period	339,016	365,102
Finance costs in respect of pension provision	21,199	4,000
	-----	-----
	360,215	369,102
	=====	=====

5. Taxation

The Association has charitable status and therefore is not liable to corporation tax on any income or gains to the extent that these are applied to the charitable objects .

6. Employees	2019	2018
	£	£
(a) Staff costs during year		
Wages and salaries	750,171	649,746
Social security costs	72,583	59,990
Pension costs:		
Current service contributions	63,071	57,976
	-----	-----
	888,825	767,712
	=====	=====

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:

	2019	2018
	No	No
Housing management	20	18
	=====	=====

(b) Key management

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

	2019	2018
	£	£
Compensation (excluding pension contributions) paid to key management personnel	272,251	257,581
	=====	=====
Pension Contributions Payable	26,223	24,402
	=====	=====

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

	2019	2018
	No	No
£60,001 to £70,000	-	1
£70,001 to £80,000	1	-
	=====	=====

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

6. Employees (continued)	2019	2018
	£	£
(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	71,606	68,815
	=====	=====
Emoluments payable to the Chief Executive	71,606	68,815
Employer's pension contribution	8,315	7,947
	-----	-----
	79,921	76,762
	=====	=====

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.

	2019	2018
	£	£
Governing Board Expenses	214	304
	=====	=====

7. Tangible fixed assets

Cost	Housing Properties Held for Letting £	Housing Properties in course of Construction £	Completed Shared Ownership Properties £	Office Premises £	Furniture Fittings & Equipment £	Total £
At 1 April 2018	63,588,322	893	146,051	764,133	298,316	64,797,715
Additions	650,441	27,462	-	11,501	3,136	692,540
Transfers	97,367	-	(97,367)	-	-	-
Disposals	(48,691)	-	-	-	(33,125)	(81,816)
	-----	-----	-----	-----	-----	-----
At 31 March 2019	64,287,439	28,355	48,684	775,634	268,327	65,408,439
	-----	-----	-----	-----	-----	-----
Depreciation						
At 1 April 2018	17,628,415	-	56,960	263,870	243,986	18,193,231
Provided	1,402,556	-	730	26,227	21,387	1,450,900
Transfer	38,880	-	(38,880)	-	-	-
Disposals	(22,100)	-	-	-	(33,125)	(55,225)
	-----	-----	-----	-----	-----	-----
At 31 March 2019	19,047,751	-	18,810	290,097	232,248	19,588,906
	-----	-----	-----	-----	-----	-----
Net book value						
As at 31 March 2019	45,239,688	28,355	29,874	485,537	36,079	45,819,533
	=====	=====	=====	=====	=====	=====
As at 31 March 2018	45,959,907	893	89,091	500,263	54,330	46,604,484
	=====	=====	=====	=====	=====	=====

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 2019

8. Investments	2019	2018
	£	£
Levern Property Services Limited	1	1
	=====	=====

Barrhead's wholly owned trading subsidiary, Levern Property Services Limited, was incorporated in Scotland on 24 November 2011 and commenced trading on 1 April 2012. The company made a distribution to the Association of £3,010 in the current year (2018 - £Nil), generated a post-tax profit of £850 and had net assets of £4,259 at 31 March 2019.

9. Debtors	2019	2018
	£	£
Amounts falling due within one year:		
Gross rents in arrears	130,663	112,385
<u>Less: Bad debt provision</u>	(110,695)	(95,369)
	-----	-----
	19,968	17,016
Prepayments and accrued income	24,696	12,105
Other debtors	337,106	281,944
	-----	-----
	381,770	311,065
	=====	=====

10. Creditors: amounts falling due within one year	2019	2018
	£	£
Loans (note 12)	599,822	585,751
Trade creditors	78,452	13,115
Other creditors	194,420	205,471
Accruals and Deferred Income	394,459	344,649
Pension Deficit Funding Contributions	-	98,198
Other taxes and Social Security	19,196	16,489
Rents in advance	106,160	104,587
	-----	-----
	1,392,509	1,368,260
	=====	=====

11. Creditors: amounts falling due after more than one year	2019	2018
	£	£
Loans (note 12)	9,508,623	10,126,533
Pension deficit funding provision (note 13)	-	291,935
Deferred Grants (note 14)	27,951,447	28,538,576
	-----	-----
	37,460,070	38,957,044
	-----	-----
Pension – defined benefit liability	908,000	-
	-----	-----
	38,368,070	38,957,044
	=====	=====

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

12. Loans

Loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest on instalments due as follows:

	2019	2018
	£	£
In one year or less	599,822	585,751
Between two and five years	3,114,467	3,091,593
In five years or more	6,394,156	7,034,940
	-----	-----
	10,108,445	10,712,284
	=====	=====

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.

Historically it was not possible for the Association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore, it was accounted 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 2019 for Barrhead Housing Association have been set at £104,184. The deficit contribution of £101,145 will increase by 3% per annum.

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

	2019	2018
	£	£
Fair value of plan assets	3,539,000	3,238,000
Present value of defined benefit obligation	4,447,000	4,067,000
Deficit in plan	(908,000)	(829,000)
	-----	-----
Defined benefit liability to be recognised (Note 11)	(908,000)	(829,000)
	=====	=====

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

13. Pension Scheme (continued)

Reconciliation of opening and closing balances of the defined benefit obligation

	2019
	£
Defined benefit obligation at start of period	4,067,000
Current service cost	38,000
Expenses	3,000
Interest expense	106,000
Contributions by plan participants	23,000
Actuarial losses (gains) due to scheme experience	(80,000)
Actuarial losses (gains) due to changes in demographic assumptions	11,000
Actuarial losses (gains) due to changes in financial assumptions	317,000
Benefits paid and expenses	(38,000)

Defined benefit obligation at end of period	4,447,000
	=====

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

	2019
	£
Fair value of plan assets at start of period	3,238,000
Interest income	85,000
Experience on plan assets (excluding amounts included in interest income)	133,000
Contributions by the employer	98,000
Contributions by plan participants	23,000
Benefits paid and expenses	(38,000)

Fair value of plan assets at end of period	3,539,000
	=====

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

	2019
	£
Current service cost	38,000
Expenses	3,000
Net interest expense	21,000

Defined benefit costs recognised in statement of comprehensive income	62,000
	=====

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

13. Pension Scheme (continued)

Defined benefit costs recognised in other comprehensive income

	2019
	£
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	133,000
Experience gains and losses arising on the plan liabilities - gain (loss)	80,000
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(11,000)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(317,000)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(115,000)

Total amount recognised in other comprehensive income - gain (loss)	(115,000)
	=====

13. Pension Scheme (continued)

Assets

	2019	2018
	£'000	£'000
Global Equity	569	582
Absolute Return	300	384
Distressed Opportunities	60	15
Credit Relative Value	61	-
Alternative Risk Premia	198	123
Fund of Hedge Funds	10	93
Emerging Markets Debt	113	111
Risk Sharing	103	29
Insurance-Linked Securities	92	89
Property	70	128
Infrastructure	148	59
Private Debt	46	30
Corporate Bond Fund	248	226
Long Lease Property	43	-
Secured Income	123	119
Over 15 Year Gilts	91	105
Index Linked All Stock Gilts	-	-
Liability Driven Investment	1,260	1,139
Net Current Assets	4	6
	-----	-----
Total assets	3,539	3,238
	=====	=====

None of the fair value of the assets shown above include any direct investments in the employers' own financial instruments or any property occupied by, or other assets used by the employer.

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

13. Pension Scheme (continued)

Key Assumptions

	31 March 2019	31 March 2018
	% per annum	% per annum
Discount Rate	2.35	2.60
Inflation (RPI)	3.25	3.14
Inflation (CPI)	2.25	2.14
Salary Growth	3.25	3.14
Allowance for commutation of pension for cash at retirement	75% of max. allowance	75% of max. allowance

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65
Male retiring in 2019	21.7
Female retiring in 2019	23.4
Male retiring in 2039	23.1
Female retiring in 2039	24.7

14. Deferred Income

	2019 £	2018 £
Social Housing Grants		
Balance as at 1 April 2018	28,538,576	29,320,012
Additions in Year	284,320	90,434
Released/Repaid as the result of property disposals	(693)	-
Amortisation in Year	(870,756)	(871,870)
	27,951,447	28,538,576
	=====	=====
Due for release:		
Within one year	870,757	871,870
After more than one year	27,080,690	27,666,706
	27,951,447	28,538,576
	=====	=====

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

	2019 £	2018 £
Opening balance at 1 April 2018	9,844,881	8,756,697
Surplus for the year	468,121	1,081,424
Net transfer from restricted reserves (note 17)	-	6,760
	10,313,002	9,844,881
	=====	=====

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2019

17. Restricted Funds	At 1 April 2018 £	Received During Year £	Spent During Year £	At 31 March 2019 £
Land Sale Fund	-	-	-	-
	=====	=====	=====	=====

The balance on the fund was released to the Income and Expenditure Reserve last year (refer note 16).

18. Reconciliation of surplus for the year to net cash inflow from operating activities	2019 £	2018 £
Surplus for year	462,348	1,081,424
<i>Adjustments for non cash items:</i>		
Depreciation of tangible fixed assets	1,450,900	1,433,522
Amortisation of Capital Grants	(870,756)	(871,870)
(Increase)/decrease in debtors	(70,707)	249,490
Increase/(decrease) in creditors	108,376	(411,676)
Pension cost less contributions payable including remeasurement	517,867	(94,340)
Shares cancelled	(9)	(2)
<i>Adjustment for investing and financing activities:</i>		
Carrying value of tangible fixed asset disposals	26,592	51,606
Proceeds from the sale of tangible fixed assets	-	(33,494)
Interest receivable	(27,586)	(22,209)
Interest payable	339,016	365,102
	-----	-----
	1,936,041	1,747,553
	=====	=====

19. Capital Commitments	2019 £	2018 £
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.

BARRHEAD HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2019****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.

As at 31 March 2019 the Association had no other contingent liabilities (2018 - £Nil).

21. Housing Stock	2019	2018
	£	£
The number of units in Management at 31 March was as follows:		
General Needs – Rehabilitation	300	300
General Needs - New Build	621	619
	-----	-----
	921	919
Supported Accommodation	12	12
Shared Ownership	1	3
	-----	-----
	934	934
	=====	=====

22. Auditor's Remuneration	2019	2018
	£	£
External Audit	6,600	6,420
	=====	=====

23. Related Parties

Councillor Annette Ireland served on the Governing Board during the year. Any transactions with East Renfrewshire Council are made at arm's length, on normal commercial terms and Councillor Ireland cannot use her position to her advantage.

There was one tenant board member until their resignation on 25 June 2018. The aggregate rent charged during the year was £946 (2018: £3,893).

Levern Property Services Limited ("Levern") is charged for a proportion of office overheads. The charge in the year was £3,066 (2018: £7,371.) Levern also charges Barrhead for staff services provided. The cost in the year was £14,368 (2018: £6,179). At the year end an amount of £13,948 (2018: £19,211) was due from Levern, the balance unsecured, held interest free and with no fixed repayment terms.

24. Commitments Under Operating Leases	2019	2018
	£	£
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	5,998	12,903
	=====	=====

