



**BERWICKSHIRE HOUSING ASSOCIATION LIMITED  
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

Scottish Housing Regulator Registration No. HAL 289  
Co-operative and Community Benefit Society FCA No. 619299  
Scottish Charity No. SC042342



**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**ANNUAL REPORT and GROUP FINANCIAL STATEMENTS**

**For the year ended 31 March 2021**

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**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**ANNUAL REPORT and GROUP FINANCIAL STATEMENTS**

**For the year ended 31 March 2021**

**BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS**

**Board of Management**

Jim McDevitt	Chair
Vivienne Cockburn	Vice-Chair
Scott Holmes	Vice-Chair (resigned as Vice-Chair September 2020)
Graeme MacLeod	Vice-Chair (appointed Vice-Chair September 2020)
Hugh Carr	(Appointed September 2020)
John Campbell	(Appointed September 2020)
Sean Dickson	(Resigned May 2020)
Billie Dishington	(Resigned September 2020)
Lynn Gray	
Sam Hart	
Norrie MacPhail	
Paul Matthews	
Susie McCosh	(Resigned November 2020)
Anne Rutherford	
Stephen Scott	

**Executive Officers**

Michelle Meldrum	Chief Executive (appointed November 2020)
Helen Forsyth	Chief Executive (retired November 2020)
Angela Taylor	Property Director
Eleanor Rooke	Finance Director
Daniel Blake	Operations Director
John Bain	Resources Director & Secretary

**Registered Office and Principal Address**

55 Newtown Street, Duns, Berwickshire, TD11 3AU

**Funders**

Nationwide Building Society	The Royal Bank of Scotland plc	Allia C&C
Caledonia House	36 St. Andrew Square	Cheyne House
Carnegie Avenue	Edinburgh	Crown Court
Dunfermline	EH2 2YB	62-63 Cheapside
KY11 8PJ		London, EC2V 6AX

**Bankers**

The Royal Bank of Scotland plc  
36 St. Andrew Square  
Edinburgh  
EH2 2YB

**External Auditor**

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

**Internal Auditor**

TIAA Ltd  
Artillery House  
Newgate Lane  
Fareham  
PO14 1AH

**Solicitors**

Hastings Legal	BTO Solicitors LLP	TC Young Solicitors	Harper McLeod LLP
11 Murray Street	One Edinburgh Key	69 George Street	65 Haymarket Terrace
Duns	Edinburgh	Edinburgh	Edinburgh
TD11 3DF	EH3 9QG	EH2 2JG	EH12 5HD

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **ANNUAL REPORT and GROUP FINANCIAL STATEMENTS**

**For the year ended 31 March 2021**

#### **GROUP OPERATING REVIEW**

The directors present their annual report and audited group financial statements for the year ended 31 March 2021.

#### **Principal Activities**

The BHA Group comprises Berwickshire Housing Association ("BHA" or "the Association"), BHA Enterprise Ltd ("BHA Enterprise") and Berwickshire Community Renewables LLP ("BCR"). The principal activities of the Association are the provision and management of affordable rented accommodation. BHA Enterprise manages 12 mid-market rent properties and holds the majority membership in Berwickshire Community Renewables Limited Liability Partnership ("BCR"). BCR operates a three-turbine wind farm, named 'The Fishermen Three', with this being its second full year of operation.

#### **REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS: BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

BHA's core business is providing quality, affordable housing and creating flourishing communities people are proud to live in. BHA has 1,904 affordable homes to let in Berwickshire. Although first and foremost a landlord, BHA seeks to offer a much wider range of services that will contribute to the well-being of its tenants and of the communities in which they live. With just over 60 staff members, BHA is committed to delivering quality services relevant to its homes and the people who rent them and to contribute to thriving communities.

In the year to 31 March the Association recorded a surplus of £62,814, compared with the surplus of £904,281 for the previous year. This reduction in surplus was purely in relation to the re-measurement of the pension deficit. The net cash inflow from operating activities was £2,919,932 (2020: £2,859,275). Maintaining a strong level of cash generation is essential in ensuring that BHA's programme of new build development can be maintained and that it continues to meet the proposed programme of planned works within the existing stock. Further detail on the Association's financial performance is set out on pages 5-6.

#### **New homes**

BHA aims to build as many new homes as it can afford to meet local need. We completed 29 homes in Duns in 2020/21 and a further 31 homes are planned to be completed in Ayton in 2021/22. The development at Ayton was slightly delayed due to the pause in construction activity at the start of the year due to further Covid-19 lockdown restrictions.

#### **Delivery of services during Covid-19**

The Covid-19 pandemic has been a key feature for the Association across the year and has meant we have had to adapt and change how we deliver our core services. In the initial lockdown from 23<sup>rd</sup> March 2020, all our staff moved to working from home. Only emergency and void repairs and statutory and safety related cyclical maintenance were undertaken (where safe to do so.) All our routine repairs, planned maintenance and property investment works were paused, as were our onsite new build developments (which were able to restart again during June 2020). We implemented increased safety procedures at our three independent living courts, including closing the communal lounges and guest rooms and restricting access to our staff. Allocations of new homes were stopped and all interactions with our customers were on the telephone, digitally or through letters. We immediately identified our most vulnerable customers and started regular wellbeing calls. We furloughed a small number of staff between the end of April and the end of July because of reduced workloads linked to the restrictions on the services we could provide during this time. As the restrictions eased over the Summer months of 2020, we were able to plan and recommence several of our services including allocation of new homes, non-emergency repairs, adaptations, cyclical and planned maintenance, and essential home visits. To enable better remote working, we moved our data storage to an off-site solution and appointed a third-party provider to provide us with our IT support.

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **ANNUAL REPORT and GROUP FINANCIAL STATEMENTS**

#### **For the year ended 31 March 2021**

#### **REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS: BERWICKSHIRE HOUSING ASSOCIATION LIMITED (continued)**

We undertook monthly independent customer satisfaction surveys from July 2020 onwards, as opposed to one annual survey, and this allowed us to reach 40% of our customer base over the year. The outputs of these surveys along with the outcome of the large-scale customer satisfaction survey undertaken in 2019/20 allowed us to focus on key areas for improvement. As a result we have seen increased tenant satisfaction in a number of areas across the year, including; satisfaction with the overall service provided, satisfaction with opportunities given to tenants to participate in BHA's decision making processes, satisfaction with quality of their home, and satisfaction with repairs and maintenance service. We continue to focus on areas for improvement through our customer satisfaction action plan and will continue to utilise the outputs of the monthly satisfaction surveys to target areas of poor performance and create improvement plans.

Our Housing, Customer Accounts and Financial Inclusion teams have actively supported our customers throughout the year to keep their rent arrears to a minimum and to help customers get access to any benefits to which they are entitled. At 31 March 2021, our gross rent arrears as a percentage of rent due stood at 3.71% which represented a 1.32% reduction from the previous year end. Total benefit gains generated for our customers across the year totalled £1,004,805 (an increase over 2019/20 where £736,476 was generated for our customers). At the year-end 574 tenancies were in receipt of Universal Credit, an increase from 379 in March 2020.

Despite the Covid-19 restrictions, we have completed 3,894 reactive repairs in the year, which equates to 81% of the average we would complete in a normal year. Further, the average time taken to complete non-emergency repairs reduced by 3.25 days when compared to the prior year.

At present 90.64% of BHA's homes meet SHQS with the remaining classed as exemptions and abeyances. The SHQS has recently been amended by the requirement to carry out electrical safety checks on all residential properties within a cycle of not less than five years, we are required to comply with this by 31<sup>st</sup> March 2022.

Most of the planned investment works set for the 2020/21 year related to meeting the EESSH (Energy Efficiency Standard in Social Housing) and the Fire and Carbon Monoxide Detector Standard by 31 December 2020 and 1 February 2021 respectively. The planned EESSH works were made up of a window replacement project, and two energy efficiency contracts (heating replacement and insulation measures), one of which has grant subsidy from Warmworks. All these programmes required access to customer homes to undertake detailed survey and measurement work, prior to any installation being undertaken, which meant restarting this programme as restrictions eased over the Summer could not be undertaken quickly. The result of this was that it was not possible to meet the EESSH standard by the December 2020 deadline, however the Scottish Minister acknowledged that delays in meeting the deadlines due to Covid were inevitable and agreed that, providing there are clear delivery plans in place, compliance could extend past this deadline. It was hoped that most of the works would be completed by March 2021, however the new lockdown measures introduced in January 2021 made this impossible. These programmes have been restarted as the restrictions eased from April 2021 onwards. As at 31 March 2021 76.4% of our properties are EESSH compliant and we were able to bring 18 properties up to EESSH during the year. The deadline for compliance with the Fire and Carbon Monoxide Standard was delayed until February 2022 in light of the difficulties caused by Covid-19 and the vast majority of our planned works around this have been moved back into the 2021/22 financial year as a result.

#### **Support for our tenants, communities, and places where BHA tenants live**

Over the year we have been successful in securing two pieces of grant funding to allow us to support our tenants and communities through the Covid-19 pandemic.

- £78.2k of funding from the Supporting Communities Fund – BHA coordinated the funding to support digital inclusion, including a 'lending library' of digital devices, an expanded community initiatives programme and increased access to specialised mental health support, including disseminate this funding to community groups to increase support options for all.
- £25k of funding from the Covid-19 Recovery Fund – this funding was distributed to community organisations to support communities recovering from the pandemic.

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **ANNUAL REPORT and GROUP FINANCIAL STATEMENTS**

**For the year ended 31 March 2021**

#### **REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS: BERWICKSHIRE HOUSING ASSOCIATION LIMITED (continued)**

More recently, a joint bid between the four Borders RSLs was successful in securing £450k from Scottish Government's Fuel Poverty Fund. £32k of this was allocated to BHA for immediate payment to energy suppliers on behalf of our customers for large scale fuel arrears. There will also be a ring-fenced pot held by the Fuel Bank Foundation who can issue vouchers to our tenants throughout the coming year.

The current three-year National Lottery Community Fund funding for our Befriend service ended in May 2021, and we were successful in securing a medium grant of £200k to part fund a further three years of the service. Befriend provides one to one befriending and group activities for people who are 65 and over, living in Berwickshire and Kelso. Our trained and vetted volunteers visit or call people who feel lonely and isolated, offering companionship, a chat, a chance to go out for coffee, or even a walk around the park. The people we visit really feel the benefit to their physical and mental wellbeing. During the last year we had to move all our Befriending activities to phone calls, and outdoor visits where it was safe to do so.

We have commenced an 18-month pilot tenancy support service, called BeWell, aimed at supporting BHA tenants who have additional mental health and wellbeing support needs that impact on their ability to positively manage their tenancy. This service is funded by BHA with additional £10k funding from the Lintel Trust. The service is being operated by Penumbra, a national mental health support organisation.

Throughout the Covid-19 pandemic, BHA was an active member of the Berwickshire Community Assistance Hub, a multi-agency team in each locality providing a co-ordinated response between Scottish Border Council, NHS Borders, the Third/Voluntary Sector and local Resilient Communities Groups.

#### **Supporting our people**

The vast majority of BHA staff have been working from home since the first lockdown. We have all had to embrace digital technology to move our meetings online, using such platforms as Zoom and Teams. We have ensured that staff have access to the support they need through Westfield Health and regular wellbeing calls with their line manager. Where possible, staff training and development has continued, including attending online training and conferences.

#### **Ensuring financial wellbeing**

The significant changes to our services throughout the year to March 2021 has meant the financial plans we had in place at the start of the year also changed significantly. In the first months of lockdown regular and detailed cash flow monitoring was undertaken, particularly monitoring of rental income and arrears levels. Cash flow forecasts were regularly updated, and sensitivity analysis was undertaken to understand the impact of increasing arrears, and to plan mitigating actions. However, to date we have thankfully not experienced a significant increase in rental arrears. Ultimately, due to the delays in our planned investment and maintenance works, our expenditure reduced against budget and our cash position improved. However, this position is purely timing in nature, and we have had to reprofile the 2021/22 budget for carry forward spend relating to property works which could not be undertaken during the year to 31 March 2021. Due to this temporary improvement in our cash position, and the timing of the drawdown of our £5m Allia bond in April 2020, we were able to temporarily repay some of our £8m RBS revolving credit facility which helped manage our loan interest costs. By August 2021 we will have fully expended the Allia loan on the completion of our Springfield phase 1 and Ayton phase 1 development and will have redrawn the full RBS facility. We are in the process of putting in place a new loan facility with Nationwide to fund future development and investment plans.

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **ANNUAL REPORT and GROUP FINANCIAL STATEMENTS**

**For the year ended 31 March 2021**

#### **REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS: BERWICKSHIRE HOUSING ASSOCIATION LIMITED (continued)**

##### **Managing Risk**

We have been updating and refreshing our risk management approach over the year, embedding risk management throughout the organisation. Our approach has a focus on the key controls we have in place to manage risk and documenting and strengthening our assurance framework which helps us ensure those key controls are operating effectively. We have identified seven key strategic risks, with more detailed operational risks below. The strategic risks are:

- Failure to maintain Confidence and Trust for customers and staff in regard to all aspects of safety and security
- Failure to recruit, develop and retain the right people that are motivated, professional and dedicated to our values
- Failure to ensure BHA can evolve appropriately, efficiently and effectively
- Failure to ensure our governance arrangements are accountable, effective, ensure value for money and safeguard the association
- Failure to ensure BHA can adapt to external environmental challenges and changes
- Failure to identify and/or maximise opportunities for collaboration, sustainable development and growth
- Failure to manage our finances effectively to ensure the future direction of BHA and viability of services

##### **Future Developments**

Helen Forsyth retired in November 2020 after 13 successful years as Chief Executive of BHA. Michelle Meldrum was appointed as Chief Executive in November. Under Michelle's leadership a number of key pieces of work are progressing, including (but not restricted to); a review of our Strategic Framework, a refresh of our operating model and costs to ensure the best possible customer service is delivered in the most efficient and effective manner, development of our asset management and investment priorities including undertaking a full stock condition survey, a customer insights project and developing our customer experience and engagement strategies, moving to a new flexible way of working for staff, using hub, home, and roam model, and a review of our IT, data and systems and development of an IT and digital strategy, whilst we continue the development of our digital offering to customers.

##### **BHA Enterprise Ltd**

BHA Enterprise continues to support the Limited Liability Partnership Berwickshire Community Renewables in the management of the wind farm at Hoprigshiels known as the 'Fisherman Three'. It also manages 12 mid-market rent homes in Duns. BHA Enterprise made a small operating loss of £21,828 (2020: operating loss of £28,660) in the year which was in line with expected trading activities. After accounting for interest receivable, the reported loss for the financial year was £20,928 (2020: £193,780, after profit distribution from Berwickshire Community Renewables). BHA Enterprise gift aided £Nil (2020: £200,000) to BHA at the year end.

#### **FINANCIAL REVIEW**

##### **Income**

The Association's turnover for the year ended 31 March 2021 totalled £9.29 million (2020: £8.89 million). Rental and service charge income (net of void losses) accounted for 92% or £8.57 million of this with the remainder including:

- £135,690 of Housing Association Grant released from deferred income
- £61,370 grant received for adaptations and £56,586 received in relation to the Coronavirus Job Retention Scheme, recorded in other revenue grants
- £173,448 received for wider role activities including; £72,562 Lottery funding for Befriending services, £25,000 Covid Recovery Fund, and £67,533 Supporting Communities Fund.
- £25,084 received for recharges to subsidiaries for support services provided by BHA.
- £37,317 for factoring services (including recharged repairs).
- £37,466 for commercial rents.
- £132,090 of renewable income from installed solar PV panels and Renewable Heat Incentive from eligible heating systems installed in our homes.
- £52,988 of other income mainly relating to rechargeable repairs.

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **ANNUAL REPORT and GROUP FINANCIAL STATEMENTS**

**For the year ended 31 March 2021**

#### **FINANCIAL REVIEW (continued)**

The consolidated turnover for the group is £10.83 million (2020: £10.81 million).

#### **Expenses**

Total revenue expenditure in the year for the Association was £7.42 million (2020: £8.16 million), comprising the following main items:

- Letting activity management and maintenance administration costs £3.15 million (2020: £3.20 million)
- Depreciation of social housing properties £1.97 million (2020: £1.92 million)
- Reactive maintenance to social housing stock £1.02 million (2020: £1.18 million)
- Planned and cyclical maintenance of social housing stock £0.79 million (2020: £1.12 million)
- Wider role activities of £0.18 million (2020: £0.11 million)
- £0.05 million on Development activities (2020: £0.04 million).

The operating surplus generated by the Association in the year was £1.88 million against an operating surplus of £0.73 million for 2020.

After net interest charges of £592,084 (2020: £592,116) and loss on the sale and disposal of certain housing stock, the surplus for the year was £1,275,814 (2020: £67,281). A pension scheme re-measurement debit of £1,213,000 (2020: credit £837,000) takes total comprehensive income for the year to £62,814. The Group had a net surplus for the year of £18,827 (2020: £908,486).

The Association had a net asset position at the year-end of £39.93 million compared with a net asset position of £39.86 million for 2020. The consolidated net asset position was £40.82 million (2020: £40.81 million).

#### **Pension deficit**

Berwickshire Housing Association participates in the Scottish Housing Association Pension Scheme and along with other members of this Scheme has a past service pension deficit relating to the defined benefit service already earned by staff members whilst the scheme was still open to those staff members.

#### **Cash Flows**

The cash flow statement of the Association is shown on page 18. BHA generated £2.92 million (2020: £2.86 million) from operating activities. Cash and cash equivalents increased by £0.14 million (2020: decrease of £1.15 million) including the continued investment in new builds with this expenditure covered by a mixture of grants and private finance.

#### **Liquidity**

The Association has a net current liability position of £1.05 million as at 31 March 2021, an improvement of £0.65 million in the year due to cash flow and liquidity management and ensuring available funds on loan facilities are only drawn as required. BHA has a ten year, £8m loan facility with RBS of which £4.0 million remains undrawn and a £0.5 million revolving credit facility with Nationwide Building Society which is undrawn as at 31 March 2021. The Association is in the process of putting in place a further £5.5 million facility with Nationwide to fund planned development over the coming years.

#### **Capital Structure and treasury**

The Association's activities are funded based on a Business Plan which is updated annually. The main element of our long-term funding is provided by Nationwide Building Society and a smaller part of our loan facilities is provided by RBS and Allia. Interest rate risk is managed by the Audit and Finance Committee and treasury management arrangements are reviewed regularly.



## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **ANNUAL REPORT and GROUP FINANCIAL STATEMENTS**

**For the year ended 31 March 2021**

#### **BOARD OF MANAGEMENT AND EXECUTIVE OFFICERS**

The members of the Board of Management and the Executive Officers are listed on Page 1.

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

The members of the Board of Management are also Trustees of the Charity. Members of the Board of Management are appointed by the members at the Association's Annual General Meeting.

#### **BOARD OF MANAGEMENT'S RESPONSIBILITIES STATEMENT**

The Board of Management is responsible for preparing the Annual Report and Group Financial Statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation requires the Board of Management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of its income and expenditure for the year. In preparing those Group Financial Statements, the Board of Management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards and the Statement of Recommended Practice 2018 (SORP) have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Group 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 Board of Management 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 Board of Management are 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.

In so far as the Board of Management are aware:

- There is no relevant audit information (information needed by the Housing Association's auditor in connection with preparing their report) of which the Association's auditor is unaware, and
- The Board of Management have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Association's auditor is aware of that information.

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **ANNUAL REPORT and GROUP FINANCIAL STATEMENTS**

**For the year ended 31 March 2021**

#### **STATEMENT ON INTERNAL FINANCIAL CONTROL**

The Board of Management acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment 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;
- the safeguarding of assets against unauthorised use or disposition.

It is the Board of Management's responsibility to establish and maintain systems of Internal Financial Control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of 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 which allow the management team and the Board of Management to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate.
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies.
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board of Management;
- the Board of Management receive reports from management and from the external and internal 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;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Board of Management has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2021. No weaknesses were found in the 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.

#### **Donations**

During the year the Association made charitable donations amounting to £2,194 (2020: £4,495).

#### **Auditor**

A resolution to re-appoint Chiene +Tait LLP will be proposed at the Annual General Meeting.

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

**ANNUAL REPORT and GROUP FINANCIAL STATEMENTS (continued)**

**For the year ended 31 March 2021**

**Board**

The Board said farewell to three Trustees this year: Sean Dickson, Susie McCosh and Billie Dishington. We recruited in February 2020 and welcomed two new Board members in March 2020 (Stephen Scott and Sam Hart, who were casual appointees and formally appointed at our AGM in September) and another two at our AGM in September (Hugh Carr and John Campbell). The Board have been exceptionally supportive and effective throughout this challenging year, and it has been a pleasure working with them. We are always looking for new Board members, particularly from our tenant base, so if anyone is interested please contact John Bain and/or [secretary@Berwickshirehousing.org.uk](mailto:secretary@Berwickshirehousing.org.uk) for further details.

**BY ORDER OF THE BOARD OF MANAGEMENT**

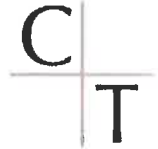


Jim McDevitt  
Chair  
55 Newtown Street  
Duns, TD11 3AU

17 August 2021

## **INDEPENDENT AUDITOR'S REPORT to the MEMBERS OF**

### **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**



#### **Opinion**

We have audited the Group financial statements of Berwickshire Housing Association Limited (the 'Association') for the year ended 31 March 2021 which comprise the Consolidated and Association Statement of Comprehensive Income, the Consolidated and Association Statement of Financial Position, the Consolidated and Association Statement of Cash Flows, the Consolidated and Association Statement of Changes in Reserves and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Association's affairs as at 31 March 2021 and of the Association's and the Group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010, and the Determination of Accounting Requirements – 2019.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council'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 Annual Report 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  
BERWICKSHIRE 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 obtained all the information and explanations necessary for the purposes of our audit.

**Responsibilities of the Board of Management**

As explained more fully in the Board of Management's Responsibilities Statement set out on page 7, 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 Group's and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**INDEPENDENT AUDITOR'S REPORT to the MEMBERS OF  
BERWICKSHIRE HOUSING ASSOCIATION LIMITED (continued)**



**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

06 September ~~2021~~  
2021

**REPORT BY THE AUDITOR TO THE MEMBERS OF BERWICKSHIRE HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS**

In addition to our audit of the financial statements, we have reviewed the Board's statement on page 8 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

**Basis of Opinion**

We carried out our review having regard to the requirements relating 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 reasons given for non-compliance.

**Opinion**

In our opinion the Statement on Internal Financial Control on page 8 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice 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 Board of Management and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Board of Management's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advice 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

06 September ~~2021~~  
2021

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****CONSOLIDATED STATEMENT of COMPREHENSIVE INCOME****For the year ended 31 March 2021**

	Notes	2021 £	2020 £
<b>Revenue</b>	2	10,825,893	10,812,208
Operating costs	2	8,548,190	9,443,674
<b>Operating Surplus</b>	2	2,277,703	1,368,534
Minority member's share of loss/(gain) in LLP		11,491	(105,213)
(Loss) on sale of housing stock	7	(10,118)	(72,206)
Interest receivable and similar income		3,074	10,549
Interest payable and similar charges	8	(1,050,323)	(1,130,178)
<b>Surplus before tax</b>		1,231,827	71,486
Taxation	10	-	-
<b>Surplus for year</b>		1,231,827	71,486
<b>Other comprehensive income</b>			
Re-measurement of pension deficit	11	(1,213,000)	837,000
<b>Total comprehensive income</b>		18,827	908,486

All items in the current year relate to continuing operations

The notes on pages 20 to 42 form part of these financial statements.

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****ASSOCIATION STATEMENT of COMPREHENSIVE INCOME****For the year ended 31 March 2021**

	<b>Notes</b>	<b>2021</b> £	<b>2020</b> £
<b>Revenue</b>	2	9,294,155	8,888,389
Operating costs	2	7,416,139	8,156,786
<b>Operating Surplus</b>	2	1,878,016	731,603
(Loss) on sale of housing stock	7	(10,118)	(72,206)
Interest receivable and similar income		2,061	3,913
Interest payable and similar charges	8	(594,145)	(596,029)
<b>Surplus for year</b>		1,275,814	67,281
<b>Other comprehensive income</b>			
Re-measurement of pension deficit	11	(1,213,000)	837,000
<b>Total comprehensive income</b>		62,814	904,281

All items dealt with in arriving at the operating surplus for the year relate to continuing operations.

The notes on pages 20 to 42 form part of these financial statements.



**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****CONSOLIDATED STATEMENT of FINANCIAL POSITION****As at 31 March 2021**

	Notes	2021 £	2020 £
<b>Tangible fixed assets</b>			
Housing properties	12	83,714,622	80,077,874
Other tangible fixed assets	13	11,008,069	10,573,890
		<u>94,722,691</u>	<u>90,651,764</u>
Investments	14	-	-
<b>Current assets</b>			
Stock	15	108,300	134,072
Debtors	16	703,215	879,069
Cash at bank and in hand		2,129,771	2,170,327
		<u>2,941,286</u>	<u>3,183,468</u>
<b>Creditors: amounts falling due within one year</b>	17	<u>(3,478,336)</u>	<u>(4,129,559)</u>
<b>Net current (liabilities)</b>		(537,050)	(946,091)
<b>Total assets less current liabilities</b>		94,185,641	89,705,673
<b>Creditors: amounts falling due after more than one year</b>	18	(34,896,655)	(33,314,214)
<b>Deferred income</b>	19	(17,116,239)	(15,144,137)
<b>Pension deficit</b>	26	(1,352,461)	(434,359)
<b>Net assets</b>		<u>40,820,286</u>	<u>40,812,963</u>
<b>Capital and reserves</b>			
Share capital	20	114	127
Minority interest		175,648	187,139
Revenue reserves		17,347,744	17,328,917
Revaluation reserve		23,069,844	23,069,844
Designated reserve		226,936	226,936
<b>Total reserves</b>		<u>40,820,286</u>	<u>40,812,963</u>

The financial statements were approved and authorised for issue by the Board of Management on 17 August 2021 and signed on their behalf.

  
Jim McDevitt  
Chair

  
Vivienne Cockburn  
Vice Chair

  
John Bain  
Secretary

The notes on pages 20 to 42 form part of these financial statements.

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**  
**ASSOCIATION STATEMENT of FINANCIAL POSITION**  
**As at 31 March 2021**

	Notes	2021 £	2020 £
<b>Tangible fixed assets</b>			
Housing properties	12	83,714,622	80,077,874
Other tangible fixed assets	13	206,862	203,852
		83,921,484	80,281,726
Investments	14	1	1
<b>Current assets</b>			
Stock	15	108,300	134,072
Debtors	16	293,439	378,561
Cash at bank and in hand		1,171,257	1,032,940
		1,572,996	1,545,573
<b>Creditors: amounts falling due within one year</b>	17	(2,619,752)	(3,241,684)
<b>Net current (liabilities)</b>		(1,046,756)	(1,696,111)
<b>Total assets less current liabilities</b>		82,874,729	78,585,616
<b>Creditors: amounts falling due after more than one year</b>	18	(24,478,827)	(23,142,719)
<b>Deferred income</b>	19	(17,116,239)	(15,144,137)
<b>Pension deficit</b>	26	(1,352,461)	(434,359)
<b>Net assets</b>		39,927,202	39,864,401
<b>Capital and reserves</b>			
Share capital	20	114	127
Revenue reserves		16,630,308	16,567,494
Revaluation reserve		23,069,844	23,069,844
Designated reserve		226,936	226,936
<b>Total reserves</b>		39,927,202	39,864,401

The Financial Statements were approved by the Board of Management and authorised for issue and signed on their behalf on 17 August 2021.

  
 Jim McDevitt  
 Chair

  
 Vivienne Cockburn  
 Vice Chair

  
 John Bain  
 Secretary

The notes on pages 20 to 42 form part of these financial statements.

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****CONSOLIDATED STATEMENT of CASH FLOWS****For the year ended 31 March 2021**

	Notes	2021 £	2020 £
<b>Net cash generated by operating activities</b>	21	3,867,038	3,715,445
<b>Investing activities</b>			
Acquisition and construction of properties		(5,614,853)	(9,183,560)
Purchase of other fixed assets		(1,020,026)	(155,020)
Social housing grant received		2,136,312	4,578,549
<b>Net cash (outflow) from investing activities</b>		(4,498,567)	(4,760,031)
<b>Financing activities</b>			
Interest received on cash and cash equivalents		3,074	10,549
Interest paid on loans		(937,826)	(1,095,178)
Loan principal repayments (including revolving credit)		(4,419,813)	(11,670,632)
Loan drawdown		5,945,535	12,945,000
Profit distribution to minority interest		-	(100,000)
Share capital issued		3	3
<b>Net cash inflow from financing</b>		590,973	89,742
<b>(Decrease) in cash and cash equivalents</b>		(40,556)	(954,844)
Opening cash and cash equivalents		2,170,327	3,125,171
<b>Closing cash and cash equivalents</b>		2,129,771	2,170,327
<b>Cash and cash equivalents</b>			
Current asset investment		-	-
Cash at bank and in hand		2,129,771	2,170,327
		2,129,771	2,170,327

**CONSOLIDATED ANALYSIS OF CHANGES IN NET DEBT****For the year ended 31 March 2021**

	2020	Cash Flows	Non-Cash Changes Finance Leases	Other Changes	2021
	£	£	£	£	£
Long-term borrowings	33,314,214	1,476,941	-	105,500	34,896,655
Short-term borrowings	1,382,762	48,784	-	-	1,431,546
<b>Total liabilities</b>	34,696,976	1,525,725	-	105,500	36,328,201
Cash and cash equivalents	-				-
<b>Total net debt</b>	34,696,976	1,525,725	-	105,500	36,328,201

The notes on pages 20 to 42 form part of these financial statements

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****ASSOCIATION STATEMENT of CASH FLOWS****For the year ended 31 March 2021**

	Notes	2021 £	2020 £
<b>Net cash generated by operating activities</b>	21	2,919,932	2,859,275
<b>Investing activities</b>			
Acquisition and construction of properties		(5,614,853)	(9,183,560)
Purchase of other fixed assets		(74,514)	(155,020)
Social housing grant received		2,136,312	4,578,549
<b>Net cash (outflow)/inflow from investing activities</b>		<u>(3,553,055)</u>	<u>(4,760,031)</u>
<b>Financing activities</b>			
Interest received on cash and cash equivalents		2,061	3,913
Interest paid on loans		(481,648)	(561,029)
Loan principal repayments (including revolving credit)		(3,748,999)	(688,477)
Loan drawdown		5,000,023	2,000,000
Share capital issued		3	3
<b>Net cash inflow from financing</b>		<u>771,440</u>	<u>754,410</u>
<b>Increase/(decrease) in cash and cash equivalents</b>		138,317	(1,146,346)
Opening cash and cash equivalents		1,032,940	2,179,286
<b>Closing cash and cash equivalents</b>		<u>1,171,257</u>	<u>1,032,940</u>
<b>Cash and cash equivalents</b>			
Current asset investment		-	-
Cash at bank and in hand		1,171,257	1,032,940
		<u>1,171,257</u>	<u>1,032,940</u>

**ASSOCIATION ANALYSIS OF CHANGES IN NET DEBT****For the year ended 31 March 2021**

	2020 £	Cash Flows £	Non-Cash Finance Leases £	Changes Other Changes £	2021 £
Long-term borrowings	23,142,719	1,230,608	-	105,500	24,478,827
Short-term borrowings	710,986	20,417	-	-	731,403
<b>Total liabilities</b>	<u>23,853,705</u>	<u>1,251,025</u>	<u>-</u>	<u>105,500</u>	<u>25,210,230</u>
Cash and cash equivalents	-	-	-	-	-
<b>Total net debt</b>	<u>23,853,705</u>	<u>1,251,025</u>	<u>-</u>	<u>105,500</u>	<u>25,210,230</u>

The notes on pages 20 to 42 form part of these financial statements.

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****CONSOLIDATED STATEMENT of CHANGES in RESERVES****For the year ended 31 March 2021**

	Share Capital £	Revenue Reserves £	Revaluation Reserve £	Minority Interest £	Designated Reserve £	Total £
Balance as at 1 April 2020	127	17,328,917	23,069,844	187,139	226,936	40,812,963
Issue of shares	4	-	-	-	-	4
Cancellation of shares	(17)	-	-	-	-	(17)
Transfer from revaluation reserve	-	-	-	-	-	-
Minority interest for the year	-	-	-	(11,491)	-	(11,491)
Surplus for the year	-	18,827	-	-	-	936,929
<b>Balance as at 31 March 2021</b>	<b>114</b>	<b>17,347,744</b>	<b>23,069,844</b>	<b>175,648</b>	<b>226,936</b>	<b>41,738,388</b>

**ASSOCIATION STATEMENT of CHANGES in RESERVES****For the year ended 31 March 2021**

	Share Capital £	Revenue Reserves £	Revaluation Reserve £	Designated Reserve £	Total £
Balance as at 1 April 2020	127	16,567,494	23,069,844	226,936	39,864,401
Issue of shares	4	-	-	-	4
Cancellation of shares	(17)	-	-	-	(17)
Transfer from revaluation reserve	-	-	-	-	-
Minority interest for the year	-	-	-	-	-
Surplus for the year	-	62,814	-	-	62,814
<b>Balance as at 31 March 2021</b>	<b>114</b>	<b>16,630,308</b>	<b>23,069,844</b>	<b>226,936</b>	<b>39,927,202</b>

The designated reserve relates to amounts transferred to the Association on the closure of subsidiary company limited by guarantee, Seton Care. The purpose and process for utilising these funds are being reviewed by the Board, and the funds will be drawn in the coming years.

The notes on pages 20 to 42 form part of these financial statements

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

### **NOTES to the FINANCIAL STATEMENTS**

#### **For the year ended 31 March 2021**

#### **LEGAL STATUS**

Berwickshire Housing Association Limited ("BHA" or the "Association") is registered under the Co-operative and Community Benefits Societies Act 2014 No. 2482R(S) and is a registered Scottish Charity number SC042342. BHA is registered as a housing association with the Scottish Housing Regulator under the Housing (Scotland) Act 2014. The principal activity of the Association is the provision of social housing. The registered address is 55 Newtown Street, Duns, Berwickshire, TD11 3AU. BHA has one wholly owned subsidiary, BHA Enterprise Ltd. BHA Enterprise is the 2/3<sup>rd</sup> majority member of Berwickshire Community Renewables LLP.

#### **1. Accounting policies**

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

##### **Basis of accounting**

The financial statements of the Association are prepared in accordance with applicable accounting standards and in accordance with the accounting requirements included in the Determination of Accounting Requirements (February 2019). The financial statements have also been prepared in accordance with the Statement of Recommended Practice for social housing providers 2018 ("SORP 2018"), issued by the National Housing Federation and in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102).

The financial statements have been prepared and under the historical cost accounting rules, modified to include the deemed cost of housing properties at the date of transition to FRS 102. Transfers are made from the revaluation reserve to the revenue reserve for the difference between depreciation based on historical cost and that charged on deemed cost.

The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102.

##### **Foreign currency translation**

###### **Functional and Presentational Currency**

Items included in the financial statement of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Sterling (£) is the Association's functional and the Group's presentation currency.

##### **Basis of consolidation**

The Group financial statements consolidate the financial statements of Berwickshire Housing Association Limited and its subsidiary undertakings as at 31 March 2021 on a 'line by line' basis. BHA Enterprise Ltd is a wholly owned subsidiary of BHA and is the majority member of Berwickshire Community Renewables LLP (BCR) which operates a windfarm. The share of non-controlling interest in BCR in the Group's Consolidated Statement of Financial Position and in Group's Consolidated Statement of Changes in Equity is disclosed as Minority Interests. The share of the profit or loss for the year is presented under the heading "Minority Member's Share of Gain in LLP."

Berwickshire Community Renewables LLP received project funding to construct and operate a windfarm. This project funding is such that distributions from Berwickshire Community Renewables LLP are only allowed if these are in compliance with its loan agreements.

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2021****1. Accounting policies (continued)****Turnover/Revenue**

The Association recognises rent receivable net of losses from voids. Service charge income (net of voids) is recognised when expenditure is incurred as this is considered to be the point when the service has been performed and the revenue recognition criteria is met. Income from electricity generation is recognised when the amount of revenue can be measured reliably.

**Land**

Land is valued at cost as a non-depreciable asset as the intention is to hold the land for future affordable housing development.

**Social housing grant and other grants in advance / arrears**

Social housing grants and other capital grants are accounted for using the accrual method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which it relates. Grants received for land purchases that are not yet developed and grants for developments under construction are deferred to income and not amortised until the development is complete.

Social housing grant received in respect of revenue expenditure is credited to income in the same period as the expenditure to which it relates.

Although social housing grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be recognised on the sale of the asset.

**Going concern**

The group financial statements have been prepared on a going concern basis after consideration of the future prospects for the Group and the preparation of long term financial forecasts and plans which include an assessment of the availability of funding, the potential impact of COVID 19, and the certainty of cash flow from the rental of social housing stock.

**Fixed assets – housing properties**

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

**Valuation of housing properties**

Housing properties are stated at cost less accumulated depreciation.

**Depreciation of housing properties**

Housing under construction and land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as housing properties within note 12.

Component	Useful Economic Life	Component	Useful Economic Life	Component	Useful Economic Life
Walls	100 years	Roofs	60 years	Chimney	50 years
Windows	20 years	Doors	20 years	Lifts	20 years
Kitchens	20 years	Heating	20 years	Alarm Systems	25 years
Boilers	10 years	Bathrooms	20 years	Fire Safety	10 years
Structure	100 years	Renewables	20 years		

Housing assets are depreciated for a full year in the year in which they are capitalised.

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

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2021****1. Accounting policies (continued)****New build**

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

**Mid-Market Rent**

Mid-market rent properties are let to BHA Enterprise at social housing rents. BHA has 12 mid-market rent properties and they are valued at depreciated cost. They are not considered to be investment property.

**Sales of housing properties**

First tranche Shared Ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as non-current asset disposals with the gain or loss on disposal shown in the Statement of Comprehensive Income.

Disposals of housing property under the Right to Buy scheme are treated as non-current asset disposals and any gain and loss on disposal accounted for in the Statement of Comprehensive Income.

Disposals under shared equity schemes are accounted for in the Statement of Comprehensive Income. The remaining equity in the property is treated as a non-current asset investment, which is matched with the grant received.

**Life cycle of components**

The Association estimates the useful lives of major components of its housing property with reference to professional advice, the Group's asset management strategy and the requirements of the Scottish Housing Quality Standard. We are still evaluating the implications of the new environmental standard, EESSH, on estimated useful lives.

**Leases/leased assets**

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position and are depreciated over their useful lives.

**Works to existing properties**

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

**Other tangible assets**

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. Tangible fixed assets are capitalised when the total cost is £1,000 or higher, otherwise the cost is recognised in the Statement of Comprehensive Income in the year in which it was incurred.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, over their expected useful lives, using the straight line method. The rates applicable are:

Office premises	10 years
Other equipment	5-10 years
Computer hardware	2-5 years
Motor vehicles	2-5 years
Improvements to leased properties	2-5 years
Tools	2 years
Wind Farm Turbines	25 years

Tangible fixed assets are depreciated for a full year in the year in which they are capitalised.



## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

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

#### **For the year ended 31 March 2021**

#### **1. Accounting policies (continued)**

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

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with the carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the Statement of Comprehensive Income.

If an impairment loss is subsequently reversed the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Comprehensive Income.

##### **Investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

##### **Deposits and liquid resources**

Cash, for the purposes of the cash flow statement, comprise cash in hand net of any overdraft repayable on demand. Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying value.

##### **Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

##### **Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, excluding bank loans, are measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

##### **Finance costs**

Finance costs are charged to the Statement of Financial Position over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

##### **Estimation uncertainty**

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Board of Management to exercise judgement in applying BHA's Accounting Policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements are disclosed below:

##### **Bad and doubtful debts**

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

##### **Retirement benefits**

The Association participates in the Scottish Housing Associations Pension Scheme (SHAPS). The defined benefit section of SHAPS has been closed to new members and future new service accrual and a defined contribution scheme is now offered to eligible employees. The SHAPS defined benefit scheme is in deficit and the Association accounts for its share of the deficit in accordance with FRS 102 using a specially commissioned actuarial valuation. The Association makes past service pension deficit payments in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

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

**For the year ended 31 March 2021**

**1. Accounting policies (continued)**

**Financial instruments**

The Association only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable are initially measured at the present value of future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables and receivables, are measured initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short term loan not at market rate, the financial asset or liability is measured, initially, at the present value of future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2021****2. (a) Consolidated particulars of revenue, operating costs and operating surplus**

	Notes	Revenue £	Operating Costs £	2021 Operating Surplus £	Operating Costs £	2020 Operating Surplus £
Affordable lettings activities	3(a)	8,840,673	7,105,568	1,735,105	7,723,835	451,215
Other activities	4(a)	1,985,220	1,442,622	542,598	1,719,839	917,319
<b>Total</b>		<b>10,825,893</b>	<b>8,548,190</b>	<b>2,277,703</b>	<b>9,443,674</b>	<b>1,368,534</b>

**2. (b) Association particulars of revenue, operating costs and operating surplus**

	Notes	Revenue £	Operating Costs £	2021 Operating Surplus £	Operating Costs £	2020 Operating Surplus £
Affordable lettings activities	3(b)	8,834,662	7,090,449	1,744,213	7,709,319	460,011
Other activities	4(b)	459,493	325,690	133,803	447,467	271,592
<b>Total</b>		<b>9,294,155</b>	<b>7,416,139</b>	<b>1,878,016</b>	<b>8,156,786</b>	<b>731,603</b>

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****NOTES to the FINANCIAL STATEMENTS (continued)**For the year ended 31 March 2021**3. (a) Particulars of income and expenditure from affordable lettings – Group**

	General needs housing £	Supported housing £	Shared ownership £	Garages £	2021 Total £	2020 Total £
<b>Revenue from lettings</b>						
Rent receivable net of service charges	7,894,127	351,850	5,701	262,199	8,513,877	8,041,953
Service charges	19,102	231,484	-	-	250,586	167,135
<b>Gross income from rents and service charges</b>	7,913,229	583,334	5,701	262,199	8,764,463	8,209,088
Less: voids	(57,755)	(32,975)	-	(100,818)	(191,548)	(242,556)
<b>Net income from rents and service charges</b>	7,855,474	550,359	5,701	161,381	8,572,915	7,966,532
Grants released from deferred income	135,690	-	-	-	135,690	111,462
Revenue grants from Scottish Ministers	61,370	-	-	-	61,370	97,056
Other revenue grants	70,698	-	-	-	70,698	-
<b>Total revenue from affordable letting activities</b>	8,123,232	550,359	5,701	161,381	8,840,673	8,175,050
<b>Expenditure on affordable letting activities</b>						
Service costs	112,190	62,432	-	-	174,622	173,213
Management and maintenance administration costs	2,774,691	224,990	-	160,494	3,160,175	3,204,935
Reactive maintenance	952,298	65,460	-	4,110	1,021,868	1,188,648
Bad debts – rents and service charges	(10,834)	3,000	-	265	(7,569)	118,955
Planned and cyclical maintenance inc. major repairs	756,745	31,738	-	-	788,483	1,116,409
Depreciation of social housing	1,897,572	70,417	-	-	1,967,989	1,921,675
Impairment of housing	-	-	-	-	-	-
<b>Operating costs for affordable letting activities</b>	6,744,347	479,170	-	179,964	7,105,568	7,723,835
<b>Operating surplus for affordable letting activities</b>	1,378,885	71,189	5,701	(18,583)	1,735,105	451,215
<b>2020</b>	566,039	(46,349)	5,641	(74,116)	451,215	

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2021****3. (b) Particulars of income and expenditure from affordable lettings – Association**

	General needs housing £	Supported housing £	Shared ownership £	Garages £	2021 Total £	2020 Total £
<b>Revenue from lettings</b>						
Rent receivable net of service charges	7,886,954	351,850	5,701	262,199	8,506,704	8,033,690
Service charges	19,102	231,484	-	-	250,586	167,135
<b>Gross income from rents and service charges</b>	<b>7,906,056</b>	<b>583,334</b>	<b>5,701</b>	<b>262,199</b>	<b>8,757,290</b>	<b>8,200,825</b>
Less: voids	(56,593)	(32,975)	-	(100,818)	(190,386)	(240,013)
<b>Net income from rents and service charges</b>	<b>7,849,463</b>	<b>550,359</b>	<b>5,701</b>	<b>161,381</b>	<b>8,566,904</b>	<b>7,960,812</b>
Grants released from deferred income	135,690	-	-	-	135,690	111,462
Revenue grants from Scottish Ministers	61,370	-	-	-	61,370	97,056
Other revenue grants	70,698	-	-	-	70,698	-
<b>Total turnover from affordable letting activities</b>	<b>8,117,221</b>	<b>550,359</b>	<b>5,701</b>	<b>161,381</b>	<b>8,834,662</b>	<b>8,169,330</b>
<b>Expenditure on affordable letting activities</b>						
Service costs	112,190	62,432	-	-	174,622	173,213
Management and maintenance administration costs	2,763,632	224,990	-	160,494	3,149,116	3,195,086
Reactive maintenance	948,238	65,460	-	4,110	1,017,808	1,183,981
Bad debts – rents and service charges	(10,834)	3,000	-	265	(7,569)	118,955
Planned and cyclical maintenance inc. major repairs	756,745	31,738	-	-	788,483	1,116,409
Depreciation of social housing	1,897,572	70,417	-	-	1,967,989	1,921,675
Impairment of housing	-	-	-	-	-	-
<b>Operating costs for affordable letting activities</b>	<b>6,729,228</b>	<b>479,170</b>	<b>-</b>	<b>179,964</b>	<b>7,090,449</b>	<b>7,709,319</b>
<b>Operating surplus for affordable letting activities</b>	<b>1,387,993</b>	<b>71,189</b>	<b>5,701</b>	<b>(18,583)</b>	<b>1,744,213</b>	<b>460,011</b>
<b>2020</b>	<b>574,835</b>	<b>(46,349)</b>	<b>5,641</b>	<b>(74,116)</b>	<b>460,011</b>	

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2021****4. (a) Consolidated particulars of revenue, operating cost and operating surplus or deficit from other activities**

	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total turnover £	Bad debts £	Operating costs		Operating surplus/ (deficit) 2020 £
							Other	Other	
Wider role activities	-	173,448	-	-	173,448	-	176,808	(3,360)	(9)
Factoring – agency services	-	-	-	37,317	37,317	-	24,617	12,700	35,200
Construction of property activities	-	-	-	-	-	-	46,026	(46,026)	(44,421)
Care activities	-	-	-	-	-	-	-	-	(2,443)
Sale of land and houses (non-RTB)	-	-	-	1,100	1,100	-	-	1,100	-
Other activities	-	-	-	-	-	-	-	-	-
<i>Electricity generation</i>	-	-	-	1,550,811	1,550,811	-	1,116,932	433,879	873,727
<i>Commercial rental</i>	-	-	-	37,466	37,466	-	19,678	17,788	(7,394)
<i>Renewable income</i>	-	-	-	132,090	132,090	-	-	132,090	69,654
<i>Other income/expenditure</i>	-	-	-	52,988	52,988	-	33,477	19,511	21,005
<i>Project management</i>	-	-	-	-	-	-	25,084	(25,084)	(28,000)
<b>Total from other activities</b>	-	173,448	-	1,811,772	1,985,220	-	1,442,622	542,598	917,319
<b>2020</b>	-	108,424	74,918	2,453,816	2,637,158	-	1,719,839	917,319	

## BERWICKSHIRE HOUSING ASSOCIATION LIMITED

## NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2021

## 4. (b) Particulars of revenue, operating cost and operating surplus or deficit from other activities - Association

	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total turnover £	Bad debts £	Operating costs		Operating surplus/ (deficit) 2020 £
							Other	Other	
Wider role activities	-	173,448	-	-	173,448	-	176,808	(3,360)	(9)
Factoring – agency services	-	-	-	37,317	37,317	-	24,617	12,700	35,200
Construction of property activities	-	-	-	-	-	-	46,026	(46,026)	(44,421)
Care activities	-	-	-	-	-	-	-	-	(2,443)
Sale of land and houses (non-RTB)	-	-	-	1,100	1,100	-	-	1,100	-
Other activities	-	-	-	-	-	-	-	-	-
<i>Commercial rental</i>	-	-	-	37,466	37,466	-	19,678	17,788	(7,394)
<i>Business support to sub companies</i>	-	-	-	25,084	25,084	-	25,084	-	-
<i>Gift aid from subsidiary company</i>	-	-	-	-	-	-	-	-	200,000
<i>Renewable income</i>	-	-	-	132,090	132,090	-	-	132,090	69,654
<i>Other income/expenditure</i>	-	-	-	52,988	52,988	-	33,477	19,511	21,005
<b>Total from other activities</b>	-	173,448	-	286,045	459,493	-	325,690	133,803	271,592
<b>2020</b>	-	108,424	74,918	535,717	719,059	-	447,467	271,592	

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2021****5. Officers emoluments – Group and Association**

	2021	2020
The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Board of Management, and managers of the Association. These officers also constitute the Association's Key Management Personnel		
Number of officers of the Association who received emoluments greater than £60,000	5	5
Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding pension contributions)	£404,034	£426,023
Pension contributions made on behalf on officers with emoluments greater than £60,000	£31,197	£28,481
Compensation payable to officers for loss of office	-	-
Emoluments payable to Chief Executive (excluding pension contributions)	£107,837	£102,228
Pension contributions made on behalf of Chief Executive	£7,829	£8,616
Total emoluments payable to Chief Executive	<u>£115,666</u>	<u>£110,844</u>

The number of officers, including the highest paid officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:

£60,001 to £70,000	1	-
£70,001 to £80,000	-	1
£80,001 to £90,000	4	3
£90,001 to £100,000	<u>-</u>	<u>1</u>

The previous Chief Executive retired in November 2020 and therefore received emoluments between £60,000 and £70,000 for the reporting period. The new Chief Executive joined in November 2020 and therefore has not received emoluments above £60,000 for the reporting period. The emoluments payable to Chief Executive disclosed above combines amounts paid both to the previous and new Chief Executive.

**6. Employee information – Group and Association**

	2021 No.	2020 No.
The monthly number of full time equivalent persons employed during the year was	56	58
The total number of employees employed during the year was	<u>63</u>	<u>66</u>
	£	£
<b>Staff costs were</b>		
Salaries	1,892,515	1,905,534
Social security costs	186,353	190,468
Other pension costs	139,644	132,190
<b>Total</b>	<u>2,218,512</u>	<u>2,228,192</u>



**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2021****7. (Loss) on sale of fixed assets – Group and Association**

	2021 £	2020 £
Sales proceeds	-	-
Cost of sales	(10,118)	(72,206)
<b>(Loss)/gain on sale of housing stock</b>	<b>(10,118)</b>	<b>(72,206)</b>

**8. Interest payable and similar charges**

	Group		Association	
	2021 £	2020 £	2021 £	2020 £
On bank loans and overdrafts	1,043,323	1,095,178	587,145	561,029
Net interest on net defined benefit pension obligations	7,000	35,000	7,000	35,000
	<b>1,050,323</b>	<b>1,130,178</b>	<b>594,145</b>	<b>596,029</b>

**9. Surplus for year**

	Group		Association	
	2021 £	2020 £	2021 £	2020 £
Depreciation:				
Housing properties	1,967,989	1,920,310	1,967,989	1,920,310
Other fixed assets	585,847	534,413	71,504	63,047
Auditors' remuneration:				
Audit services – current year	24,463	24,255	19,158	19,140
Other services – current year	2,500	2,400	-	-
Audit services – prior year	(540)	780	(540)	530
Operating lease rentals:				
Land and buildings	102,412	101,121	-	-
Other	31,026	16,856	31,026	16,856

**10. Tax on surplus on ordinary activities**

The Association is a registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its income and gains to the extent that the surplus is applied to the charitable objects.

BHA Enterprise Ltd is liable to United Kingdom Corporation Tax on its taxable profits.

Tax arising on the profits of Berwickshire Community Renewables LLP is borne by its Members.

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2021**

<b>11. Pension deficit adjustment – Group and Association</b>	<b>2021</b>	<b>2020</b>
	£	£
Re-measurement of pension deficit (note 26)	<u>(1,213,000)</u>	<u>837,000</u>

**12. Tangible fixed assets – social housing properties – Group and Association**

	<b>Housing properties held for letting</b>	<b>Assets under cons- truction</b>	<b>Land for develop- ment</b>	<b>Land for sale</b>	<b>Total</b>
	£	£	£	£	£
<b>Cost</b>					
As at 1 April 2020	82,643,231	5,073,806	1,731,479	483,053	89,931,569
Additions	-	4,556,454	359,892	-	4,916,346
Capitalised improvements	698,508	-	-	-	698,508
Disposals	(31,125)	-	-	-	(31,125)
Transfers	4,672,889	(4,262,889)	(410,000)	-	-
<b>As at 31 March 2021</b>	<u>87,983,503</u>	<u>5,367,371</u>	<u>1,681,371</u>	<u>483,053</u>	<u>95,515,298</u>
<b>Depreciation</b>					
As at 1 April 2020	9,853,695	-	-	-	9,853,695
Charge for the year	1,967,989	-	-	-	1,967,989
Disposals	(21,007)	-	-	-	(21,007)
<b>As at 31 March 2021</b>	<u>11,800,677</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,800,677</u>
<b>Net book value</b>					
<b>As at 31 March 2021</b>	<u>76,182,826</u>	<u>5,367,371</u>	<u>1,681,371</u>	<u>483,053</u>	<u>83,714,621</u>
As at 31 March 2020	<u>72,789,536</u>	<u>5,073,806</u>	<u>1,731,479</u>	<u>483,053</u>	<u>80,077,874</u>

Additions to housing properties include capitalised major repair costs to existing properties of £698,508 (2020: £1,730,029). Over the year, £1,810,351 (Group) and £1,806,291 (Association) was charged to responsive and planned and cyclical maintenance in the Statement of Comprehensive Income (2020: £2,305,057 – Group; £2,300,390 – Association).

All land and housing properties are heritable.

The Association's lenders have standard securities over housing property with a carrying value of £44.0m (2020: £44.5m).

**Impairment charges**

The Association classifies its cash generating units in terms of the property schemes that it uses for asset management purposes.

There is no impairment charge in this financial year.

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2021****13. Other tangible fixed assets – Group and Association**

	Heritable office property	Leasehold improvements	Equipment	Motor vehicles	Association Subtotal	Wind Farm & Grid Upgrade	Group Total
	£	£	£				£
<b>Cost</b>							
As at 1 April 2020	659,799	104,914	747,690	36,985	1,549,388	11,784,134	13,333,522
Additions	-	2,581	71,933	-	74,514	945,512	1,020,026
Disposals	-	-	(23,422)	-	(23,422)	-	(23,422)
<b>As at 31 March 2021</b>	<b>659,799</b>	<b>107,495</b>	<b>796,201</b>	<b>36,985</b>	<b>1,600,480</b>	<b>12,729,646</b>	<b>14,330,126</b>
<b>Depreciation</b>							
As at 1 April 2020	659,799	104,380	544,372	36,985	1,345,536	1,414,096	2,759,632
Charge for the year	-	2,394	69,110	-	71,504	514,343	585,847
Disposals	-	-	(23,422)	-	(23,422)	-	(23,422)
<b>As at 31 March 2021</b>	<b>659,799</b>	<b>106,774</b>	<b>590,060</b>	<b>36,985</b>	<b>1,393,618</b>	<b>1,928,439</b>	<b>3,322,057</b>
<b>Net book value</b>							
As at 31 March 2021	-	721	206,141	-	206,862	10,801,207	11,008,069
As at 31 March 2020	-	534	203,318	-	203,852	10,370,038	10,573,890

Borrowing costs capitalised during the year amount to £nil (2020: £nil) for the Group and £nil (2020: £nil) for the Association.

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2021****14. Investments**

	<b>Group</b>		<b>Association</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Unlisted – shares in subsidiary companies	-	-	1	1

The Association has ultimate control over the legal entities listed below.

BHA Enterprise Ltd is a private company wholly owned by the Association, which specialises in the owning of property and the delivery of renewable energy solutions. The Association owns the only issued share in the company with a nominal value of £1. In the Group financial statements, it is accounted for as a subsidiary.

BHA Enterprise Ltd is the majority member, with a 2/3 stake, in Berwickshire Community Renewables LLP, which is set up to develop and operate a windfarm.

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>BHA Enterprise Ltd (100%)</b>		
Aggregate capital and reserves	466,220	487,148
(Loss)/profit for the year	(20,928)	(6,220)
<b>Berwickshire Community Renewables LLP (2/3<sup>rd</sup>)</b>		
Aggregate capital and reserves	526,940	561,414
(Loss)/profit for the year	(34,474)	315,638

Berwickshire Housing Association Limited is considered to be the ultimate parent undertaking of the Group.

**15. Stock – Group and Association**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Consumables	108,300	134,072

Consumables relate to Sunamp batteries purchased in bulk, which will be fitted into properties over the course of the following years.

**16. Debtors**

	<b>Group</b>		<b>Association</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Arrears of rent and service charge	198,807	258,509	193,104	255,250
Less: provision for doubtful rental debts	(153,056)	(206,913)	(153,056)	(206,913)
Net rent arrears	45,751	51,596	40,048	48,337
Other debtors	833,967	999,895	325,199	398,820
Less: Provision for doubtful other debts	(201,778)	(187,084)	(201,778)	(187,084)
	632,189	812,811	123,421	211,736
Trade debtors	25,275	14,662	25,275	13,868
Inter-entity debtors	-	-	104,695	104,620
	703,215	879,069	293,439	378,561

Inter-entity debtors are unsecured, interest free and repayable on demand.

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2021****17. Creditors: amounts falling due within one year**

	<b>Group</b>		<b>Association</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Housing Loans	731,403	710,986	731,403	710,986
Other bank loans and overdrafts	700,143	671,776	-	-
Trade payables	108,427	65,113	102,966	64,763
Rent in advance	144,978	108,211	144,978	108,211
Other taxation and social security	137,003	155,867	60,490	50,470
Other payables	41	(1,085)	41	(1,085)
Provision for holiday pay	30,071	13,902	30,071	13,902
Accruals and deferred income (Note 19)	1,626,270	2,404,789	1,549,803	2,294,437
	<u>3,478,336</u>	<u>4,129,559</u>	<u>2,619,752</u>	<u>3,241,684</u>

**18. Creditors: amounts falling due after one year**

	<b>Group</b>		<b>Association</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Housing Loans	24,478,827	23,142,719	24,478,827	23,142,719
Project finance – bank and other loans	10,417,828	10,171,495	-	-
	<u>34,896,655</u>	<u>33,314,214</u>	<u>24,478,827</u>	<u>23,142,719</u>

Housing loans are secured by specific charges on the Association's properties. Loans are repayable at current rates of interest ranging from Libor +0.3% to 4.40%.

**Housing loans repayable by instalments - Group and Association:**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Repayable within one year	731,403	710,986
Repayable within two to five years	3,102,685	3,012,506
Repayable after five years	21,376,142	20,130,213
	<u>25,210,230</u>	<u>23,853,705</u>

Project Finance is secured by specific charges on the Windfarm. Loans are repayable at current rates of interest ranging from Base Rate+2.5% to 4.663%.

**Project finance loans repayable by instalments – Group:**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Repayable within one year	700,143	671,776
Repayable within two to five years	2,957,812	3,062,395
Repayable after five years	7,460,016	7,109,100
	<u>11,117,971</u>	<u>10,843,271</u>

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2021****19. Deferred income - Group and Association**

	<b>2021</b>	<b>2020</b>
	£	£
<b>Social Housing Grants</b>		
Balance as at 1 April	14,847,579	10,375,942
Additions in year	2,136,312	4,578,549
Amortisation in year	(131,141)	(106,912)
<b>Balance as at 31 March</b>	<u>16,852,750</u>	<u>14,847,579</u>
<b>Other Grants</b>		
Balance as at 1 April	544,743	604,090
Additions in year	186,495	90,394
Released in the year	(207,927)	(145,191)
Amortisation in year	(4,550)	(4,550)
<b>Balance as at 31 March</b>	<u>518,761</u>	<u>544,743</u>
<b>Total</b>	<u>17,371,511</u>	<u>15,392,322</u>
<b>Deferred income – analysed by age</b>		
Released in less than one year (note 17)	255,272	248,185
Released in more than one year	17,116,239	15,144,137
<b>Balance as at 31 March</b>	<u>17,371,511</u>	<u>15,392,322</u>

Grant is amortised over the life of the asset, once the development is complete. The amount expected to be released to income in 2021/22 is £164,211.

**20. Share capital – Association only**

	<b>2021</b>	<b>2020</b>
	£	£
Shares of £1 each at 1 April	127	137
Shares of £1 issued during the year	4	3
Cancellation of shares	(17)	(13)
<b>Balance as at 31 March</b>	<u>114</u>	<u>127</u>

Shares in the Association carry no rights to a dividend or other distributions and are not repayable.

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2021****21. Statement of cash flows**

<b>Reconciliation of operating surplus to net cash flow from operating activities</b>	<b>Group</b>		<b>Association</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Operating surplus	2,277,703	1,368,534	1,878,016	731,603
Depreciation	2,553,836	2,454,743	2,039,492	1,983,378
Amortisation of capital grants	(135,690)	(111,462)	(135,690)	(111,462)
Decrease/(increase) in stock	25,772	(25,772)	25,772	(25,772)
Decrease/(increase) in debtors	175,854	33,804	85,122	249,231
(Decrease)/increase in creditors	(728,526)	297,432	(670,869)	334,131
Pension deficit payments net of non-cash items	(301,898)	(301,821)	(301,898)	(301,821)
Share capital cancelled	(13)	(13)	(13)	(13)
	<u>3,867,038</u>	<u>3,715,445</u>	<u>2,919,932</u>	<u>2,859,275</u>

**22. Housing Stock – Group and Association**

	<b>2021</b>	<b>2020</b>
	<b>No.</b>	<b>No.</b>
The number of units of accommodation in management at the year-end was:		
General needs – new builds	1,807	1,778
General needs – not owned by BHA	14	53
Shared ownership	2	2
Supported Housing	83	83
<b>Balance as at 31 March</b>	<u>1,906</u>	<u>1,916</u>

The number of units of accommodation managed by others at the year-end was:

General needs – mid-market rent	<u>12</u>	<u>12</u>
<b>Balance as at 31 March</b>	<u>12</u>	<u>12</u>

The mid-market rent units are managed by BHA Enterprise Ltd on behalf of BHA.

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2021****23. (a) Commitments under Operating Leases**

At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:

	<b>Group</b>		<b>Association</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Not later than one year	123,951	127,755	21,539	26,634
Later than one year and not later than five years	424,283	430,103	14,636	25,620
Later than five years	1,921,287	2,013,277	-	-

**23. (b) Capital commitments**

	<b>Group</b>		<b>Association</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>As at 31 March 2021</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Expenditure authorised by the Board and contracted, less certified	5.4m	5.5m	5.3m	4.6m

Capital commitments will be met from available loan facilities and cash reserves.

**24. Related Parties**

Members of the Board of Management are related parties of the Association as defined by Financial Reporting Standard 102.

The related party relationships of the members of the Board of Management are that during the year one member was a tenant of the Association for the full year.

Board members who are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

Board of Management Members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Board of Management Member has a connection is made at arm's length and is under normal commercial terms.

Transactions with Board of Management members were as follows; £5,065 (2020: £4,570) was received as rent during the year. There were no rent arrears at year end.



## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

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

#### **For the year ended 31 March 2021**

#### **24. Related Parties (continued)**

##### **BHA Enterprise Ltd**

During the year the following members of the Board of Management of Berwickshire Housing Association have also been Directors of BHA Enterprise Ltd: Norrie MacPhail and John Campbell.

Berwickshire Housing Association levied fees for the following amounts to BHA Enterprise Ltd during the period 1 April 2020 to 31 March 2021.

£11,796 staff costs for shared services (2020: £15,000)

£1,000 for a share of facilities management costs (2020: £1,000)

£58,294 for the rental of residential properties let by BHA Enterprise as mid-market rental properties (2020: £57,228)

BHA Enterprise Ltd also made a gift aid donation of £Nil (2020: £200,000) to Berwickshire Housing Association during the year.

The balance outstanding due from BHA Enterprise Ltd as at 31 March 2021 to Berwickshire Housing Association Limited was £Nil (2020: £Nil).

BHA Enterprise had in prior years made loan advances of £250,000 to BCR where interest was payable at 10% per annum. Interest charges were capitalised within the outstanding balance up until 31 March 2018. The loan entered repayment as of 1 April 2019 triggering an interest rate of 8.5%. The loan capital interest repayments were linked to partner profit distributions from BCR, where 1/4 of any amounts distributed are utilised to repay interest and capital. During the prior year BCR refinanced its debt portfolio, eliminating all subordinated debt, and repaid the loan balance in full to BHA Enterprise. Interest charged and paid in the year was £Nil (2020, charged and paid: £22,118) and at the year end the balance was £Nil (2020: £Nil). The total amount due to BHA Enterprise Ltd by BCR as at 31 March 2021 was £Nil (2020: £Nil).

##### **Berwickshire Community Renewables LLP**

BHA Enterprise Ltd has a 2/3 ownership of Berwickshire Community Renewables LLP, which is therefore controlled by Berwickshire Housing Association Limited as BHA Enterprise Ltd is a wholly owned subsidiary of Berwickshire Housing Association Limited.

Berwickshire Housing Association Limited charged Berwickshire Community Renewables LLP £12,228 (2020: £12,000) for staff time provided on the operation of the windfarm. The balance outstanding from Berwickshire Community Renewables LLP to Berwickshire Housing Association as at 31 March 2021 was £104,620 (2020: £104,620).

BHA Enterprise Ltd has contributed £100,000 as its membership contribution of this limited liability partnership. BHA Enterprise's share (and there the Group's share) of Berwickshire Community Renewables LLP revenue reserves to date is £251,293 (2020: £274,276).

#### **25. Details of Association**

The Association is a Registered Society registered with the Financial Conduct Authority and is domiciled in Scotland. The Association's principal place of business is 55 Newtown Street, Duns, Berwickshire.

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing property in Berwickshire and a small number of properties in Berwick-upon-Tweed.

## **BERWICKSHIRE HOUSING ASSOCIATION LIMITED**

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

#### **For the year ended 31 March 2021**

#### **26. Retirement benefit obligations**

Berwickshire Housing Association Limited participates in the Scottish Housing Association Pension Scheme ('SHAPS', the Scheme) which offers defined benefit and defined contribution options. The defined benefit scheme is a multi-employer scheme. The Scheme is funded and is contracted out of the state scheme.

In prior years, it was not possible to identify the share of underlying assets and liabilities belonging to individual participating employers as the scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. As such an exemption was available under FRS 102 to account for the Scheme as a defined contribution scheme. From the financial year ending 31 March 2019 onwards, enough information was available for an employer in the Scheme to account for its obligations on a defined benefit basis. The Association did not take the available exemption but instead adopted the full defined benefit accounting method for the pension liability from the year ended March 2017, commissioning actuaries to provide a reasonable valuation of the Association's share of the scheme deficit. Therefore, the now available defined benefit information does not impact the disclosure in the Association's financial statements; however the Association continues to commission independent actuaries to review the assumptions utilised by the Scheme's actuaries to ensure the valuation of the Association's share of the scheme deficit is on a consistent basis.

The disclosures below explain how the net pension liability for 2021 is arrived at and the impact on the results for the year.

The last formal valuation of the Scheme was performed as at 30 September 2018 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £877m. The valuation revealed a shortfall of assets compared with the value of liabilities of £121m (equivalent to a past service funding level of 89%).

#### **Disclosures in relation to estimated share of scheme deficit**

Under UK pensions legislation, the Association is responsible for funding the Scheme's benefits and for paying contributions to make up any shortfall between the assets and the liabilities of the Schemes. The Scheme's liabilities are assessed at least every three years by the Scheme's actuary. It is the Association's funding policy to annually contribute an amount agreed between the Association and the Trustees of the scheme in accordance with UK legislative requirements if a funding deficit exists. The amount of contributions required depends on the assumptions used by the actuary and can therefore be volatile between actuarial valuations. This volatility of contribution amounts can be to the detriment of the Association's cashflows and impacts on the income statement. The volatility of the Scheme's liabilities against the assets held impacts on the Company's balance sheet.

The Scheme is a funded defined benefit arrangement.

No assets included in the fair value of plan assets are the entity's own financial instruments or are properties occupied or used by the entity.

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2021****26. Retirement benefit obligations (continued)****Principal Actuarial Assumptions**

	<b>2021</b>	<b>2020</b>
Discount rate	2.05%	2.40%
Salary increases	3.45%	2.85%
Inflation (CPI)	2.75%	1.85%
Inflation (RPI)	3.45%	2.85%
Male life expectancy at age 65	21.5 years	21.5 years
Female life expectancy at age 65	23.4 years	23.2 years

**Amounts recognised in Statement of Financial Position**

	<b>2021</b>	<b>2020</b>
	£	£
Fair Value of Scheme Assets	10,968,539	9,962,641
Present value of benefit obligations	12,321,000	10,397,000
<b>Net pension liability</b>	<b>(1,352,461)</b>	<b>(434,359)</b>

**Changes in defined benefit obligation**

	<b>2021</b>	<b>2020</b>
	£	£
Opening defined benefit obligation	10,397,000	10,866,000
Employer service cost	-	-
Interest expense	246,000	275,000
Employee contributions	-	-
Actuarial (gains)/losses	2,012,000	(539,000)
Benefits paid	(334,000)	(205,000)
<b>Closing defined benefit obligation</b>	<b>12,321,000</b>	<b>10,397,000</b>

**Changes in fair value of scheme assets**

	<b>2021</b>	<b>2020</b>
	£	£
Opening fair value of scheme assets	9,962,641	9,327,820
Actual return on scheme assets less interest income	799,000	298,000
Interest income	239,000	240,000
Employer contributions – past service contributions	311,950	310,821
Benefits paid	(334,000)	(205,000)
Administration costs	(10,052)	(9,000)
<b>Closing fair value of scheme assets</b>	<b>10,968,539</b>	<b>9,962,641</b>

**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2021****26. Retirement benefit obligations (continued)**

<b>Amounts recognised in in Statement of Comprehensive Income</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Administration costs	10,052	9,000
Net interest on net defined benefit obligation	7,000	35,000
<b>Total pension cost recognised in Statement of Comprehensive Income</b>	<b>17,052</b>	<b>44,000</b>
<b>Amounts recognised in Other Comprehensive Income</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Actual return on plan assets less interest income on plan assets	799,000	298,000
Actuarial (losses)/gains	(2,012,000)	539,000
<b>Re-measurement gains and (losses) recognised in other comprehensive income</b>	<b>(1,213,000)</b>	<b>837,000</b>

**27. Contingent liabilities**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Social Housing Grant	100,027	100,027

Social Housing grant is repayable in certain circumstances primarily following the sale of the related asset. The above amounts have been eliminated from the balance sheet but remain potentially repayable.

**Contractual Dispute**

The Association notes an ongoing contractual dispute but does not consider that an obligation exists at the end of the reporting period.

**Claims against the Association**

There are two on going claims against the Association. Due to the early stage of these claims, it is not possible to say with certainty whether any obligation will arise as a result of these claims or to quantify how much any obligation may be.