

**BRIDGEWATER HOUSING ASSOCIATION LIMITED**

**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2017**

Registered Housing Association Number: HAL301  
Charity Registration Number: SC035819  
FCA Reference Number: 2525RS

# **BRIDGEWATER HOUSING ASSOCIATION LIMITED**

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## **BRIDGEWATER HOUSING ASSOCIATION LIMITED**

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### **THE MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS FOR THE YEAR ENDED 31 MARCH 2017**

#### **MEMBERS OF THE MANAGEMENT COMMITTEE**

##### **BOARD**

Hugh Cameron (Chairperson)  
Angela Westrop (Vice Chairperson)  
Alastair Morris (Secretary)  
William Robertson  
Frank Bradley  
Robert McNally  
Aileen Naismith  
Jim Sheridan  
Heather Stirling  
John Paterson  
Ken McIntosh

##### **EXECUTIVE OFFICER**

Ian McLean, Chief Executive

##### **REGISTERED OFFICE**

1<sup>st</sup> Floor  
Bridgewater Shopping Centre  
Erskine  
PA8 7AA

##### **AUDITORS**

French Duncan LLP  
Chartered Accountants and Statutory Auditor  
133 Finnieston Street  
Glasgow  
G3 8HB

##### **BANKERS/FUNDERS**

The Royal Bank of Scotland PLC  
27 Canal Street  
Renfrew  
PA4 8QG

Nationwide Building Society Limited  
Housing Finance  
Commercial Division  
Nationwide Building Society  
Northampton  
NN3 6NW

##### **SOLICITORS**

Harper MacLeod LLP  
The Ca'd'oro  
45 Gordon Street  
Glasgow

## **REPORT FROM THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2017**

The Management Committee presents their report and the audited Financial Statements for the year ended 31 March 2017.

### **Legal Status**

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No. 2525R (S). The Association is governed under its Rule Book. The Association is a Registered Scottish Charity with the charity number SC035819.

### **Principal Activities**

The principal activities of the Association are:

- The provision and management of housing for rent.
- The provision of services to owner-occupiers where the Association either factors property or has a relationship with an owner by virtue of the Association's previous role as Feu Superior.
- The Managing Agent for Renfrewshire and East Renfrewshire Care and Repair Projects.
- The provision of a Supported Housing Service to tenants living in the Association's Sheltered Housing.

### **Charitable Objects**

Bridgewater Housing Association Limited has been formed for the benefit of the community. Its charitable objects focus on the provision of housing and related services for people who are in need of our housing and services.

### **Permitted Activities**

The Association's permitted activities and powers include anything which is necessary and expedient to help us achieve our charitable objects but we will also:

- Have regard for the requirement of public accountability;
- Use any money we receive carefully and properly; and
- Consider the welfare of the people who live in the properties we own.

### **Review of the Business**

#### **Priorities**

The Association approved a Business Plan for 16/17 to 19/20 early in 2016. This followed comprehensive work to review the vision, mission and objectives of the Association and to determine the future direction of the organisation. The Association intends to refresh the plan to take account of the Scottish Housing Regulators Recommended Practice for Business Planning and the Regulatory Standards of Governance and Financial Management. The refresh will also allow the Association to take on board the views of board members and staff from the 2016 away day and to take account of more up to date customer satisfaction information.

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The Board confirmed that the Association wants to be:

A customer focussed organisation which delivers the best affordable housing and services to people who need them.

And that our mission is to:

Get It Right For Every Customer.

### REPORT FROM THE MANAGEMENT COMMITTEE (Continued)

Our values will be:

Doing what matters most, with and for, our customers. We are committed to providing quality, not just in the homes we build and maintain but also the services that we deliver. We believe that our customers want excellent homes and environments, value for money and a good experience when dealing with their landlord and we aim to deliver this, in partnership with them.

Putting customers first. We believe that this should permeate everything that we do, whether it's in procuring the best repairs and maintenance contracts or redesigning a service to better meet our customers' needs or removing the obstacles which prevent us from doing what they want. Our Board, as the Governing Body and our Leadership Team will provide strong leadership and oversight, ensuring tenants and other customers are protected and at the forefront of all that we do.

Getting it right first time. We will ensure a consistent approach to service delivery and strive to make sure that our customers experience is a "one stop" one. This means delivering excellent customer service which we can be proud of and that our customers can expect as a matter of course.

Our Business Plan aims to ensure that the programme of continuous improvement is implemented effectively to support the excellent services that our customers are used to. To achieve this our Board have established a set of strategic objectives, underpinned by clear delivery plans over the life of the plan. These reflect the opportunities and threats in the evolving external environment in which we operate and the current internal strengths and weaknesses of the Association. These are:

1. Increase, as well as manage and maintain high quality, affordable homes.
2. Increase tenant's opportunities to influence change.
3. Delivering high quality, cost efficient services.
4. Protect the environment and the value of our assets.
5. Provide a challenging, supportive and rewarding work environment for staff and Board Members.

The Association has developed an action plan around these five strategic objectives and monitors its actions and outcomes on a regular basis.

### SHQS

The Association continued to work towards ensuring that all of our properties met the Scottish Government's Scottish Housing Quality Standard. The Association developed a plan, the purpose of which was to pave the way and fund the completion of all the necessary work by April 2015. The Association successfully met its SHQS obligations other than abeyances and deferments. There are still a small number of abeyances and deferments which the Association will deal with as and when the opportunities arise.

### Performance

The Association regularly measures key performance information in relation to our service delivery, our income and our expenditure. The Association sets itself challenging targets for how well it wants to deliver its services. Despite a very challenging year, particularly in relation to arrears recovery, we continued to report good performance in relation to how quickly and efficiently we carry out repairs, how quickly we allocate our properties once they become empty, and how well we deal with people who owe us money, whether that is tenants who find it difficult to pay their rent, or owner occupiers who have trouble paying their Factoring and other charges. We also report good performance in relation to a host of other important performance indicators. Our 16/17 Annual Report on the Charter, will show a significant improvement in many aspects of our Customer Service.

## **REPORT FROM THE MANAGEMENT COMMITTEE (Continued)**

### **Right to Buy**

The Association's business and finances were always at risk because of the obligation to sell properties to tenants who either had the "preserved" Right to Buy, or the "modernised" Right to Buy. However, the Scottish Government abolished the Right to Buy in August 2016 which allows for more accurate accounting for income and expenditure.

### **Welfare Reform**

The other single biggest risk to the Association is the UK Government's social security reform agenda. The Government are seeking to reduce the social security bill significantly and this has meant a raft of measures which started to affect our tenants on housing benefit in 2011/12 and tenants on other benefits in 2012/13 and 2013/14. More recently Universal Credit has been an issue for some of our Tenants.

The Association has been proactive in preparing for the Government's Welfare Reforms and we have an established and approved strategy. This has meant, increasing our Welfare Rights and Money Advice services, changing our allocations policy to make it easier for people to downsize and entering into agreements with national home swap organisations to make it easier for people to swap homes. During 2016/17 we have again been proactive in making sure that those people who are entitled to Discretionary Housing Payments from the local authority to cover the shortfall in rent from the bedroom tax, access this fund. This has likely meant that our arrears levels have remained relatively low. In addition, we have collaborated with other local housing associations and Renfrewshire Council to provide a range of advice and assistance to people who receive benefits or should receive benefits to maximise their income and mitigate the costs of, for example heating etc. We also limited our rent increase during 16/17 to 1.5% which was a below inflationary increase and reflected concerns amongst board members about the rising cost of living for many of our tenants.

### **Statement of Management Committee's responsibilities**

The Co-operative and Community Benefit Act 2014 require The Management Committee 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 the surplus or deficit of the Association for that year. In preparing those Financial Statements, the Management Committee 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 have been followed, subject to any material departures disclosed and explained in the Financial Statements;
  - Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- 
- Prepare a statement on Internal Financial Control.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them 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 - 2014. They 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. It is also responsible for ensuring the Association's suppliers are paid promptly.

**REPORT FROM THE MANAGEMENT COMMITTEE  
FOR THE YEAR ENDED 31 MARCH 2017**

The Management Committee must in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Management Committee are aware:

- There is no relevant audit information (information needed by the Housing Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- The Management Committee 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 auditors are aware of that information.

**Statement on Internal Financial Control**

The Management Committee 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; and
- The safeguarding of assets against unauthorised use or disposition.

It is the Management Committee's responsibility to establish and maintain systems of Internal Financial Control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements 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 Management Committee 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 Management Committee;
- The Management Committee 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; and
- Formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2017. 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.

# **BRIDGEWATER HOUSING ASSOCIATION LIMITED**

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## **REPORT FROM THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2017**

### **Auditors**

As a result of a tendering process, French Duncan LLP were appointed as auditors during the year. A resolution to re-appoint the auditors, French Duncan LLP, Chartered Accountants, will be proposed at the Annual General Meeting

### **By order of Management Committee**



Alastair Morris, Secretary

Date: 16.8.17



**REPORT BY THE AUDITORS TO THE MANAGEMENT COMMITTEE OF BRIDGEWATER HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS FOR THE YEAR ENDED 31 MARCH 2017**

In addition to our audit of the Financial Statements, we have reviewed your statement on page 7 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 Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

**Opinion**

In our opinion the Statement on Internal Financial Control on page 7 has provided the disclosures required by the relevant Regulatory Standards with the publication "Our Regulatory Framework" and associated Regulatory Advice Notes 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 Management Committee and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that The Management Committee'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 within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



**French Duncan LLP**  
Chartered Accountants  
Statutory Auditors  
133 Finnieston Street  
GLASGOW  
G3 8HB  
Date: 21/08/2017

**INDEPENDENT AUDITORS REPORT TO THE MANAGEMENT COMMITTEE OF BRIDGEWATER HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2017**

We have audited the financial statements of Bridgewater Housing Association Limited for the year ended 31 March 2017 which comprise a statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in reserves and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Association's members, as a body, in accordance with Section 87 of 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 auditors' 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.

**RESPECTIVE RESPONSIBILITIES OF MANAGEMENT COMMITTEE AND AUDITORS**

As explained more fully in the Statement of The Management Committee's Responsibilities the Association's Management Committee, are responsible for the preparation of the Financial Statements that give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**SCOPE OF THE AUDIT ON THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by The Management Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in The Management Committee's report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

**OPINION ON THE FINANCIAL STATEMENTS**

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2017 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements December 2014.

## BRIDGEWATER HOUSING ASSOCIATION LIMITED

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### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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



**French Duncan LLP**

Chartered Accountants

Statutory Auditors

133 Finnieston Street

GLASGOW

G3 8HB

Date: 21/08/2017

# BRIDGEWATER HOUSING ASSOCIATION LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

	Notes	£	2017 £	£	2016 £
<b>REVENUE</b>	2		5,487,791		5,404,986
Operating Costs	2		<u>4,047,207</u>		<u>4,142,964</u>
<b>OPERATING SURPLUS</b>			1,440,584		1,262,022
Gain on Property, Plant & Equipment	7	105,944		45,677	
Interest Receivable & Other Income		21,688		35,779	
Interest Payable & Other Income	8	(449,515)		(483,336)	
Other Finance Charges	11	(37,000)	(358,883)	(39,000)	(440,880)
<b>SURPLUS BEFORE OTHER COMPREHENSIVE INCOME</b>			<u>1,081,701</u>		<u>821,142</u>
SHAPS Pension Adjustment	23		772,000		-
			<u><u>1,853,701</u></u>		<u><u>821,142</u></u>

The results for the year relate wholly to continuing activities.

The notes on pages 16 to 29 form part of these financial statements.

# BRIDGEWATER HOUSING ASSOCIATION LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	Notes	£	2017 £	£	2016 £
<b>NON-CURRENT ASSETS</b>					
Housing Properties –	12 (a)				
Depreciation Costs			26,427,064		26,832,900
Other Fixed Assets	12 (b)		3,227		11,694
			<u>26,430,291</u>		<u>26,844,594</u>
Trade & Other Debtors	14	909,923		1,101,600	
Cash & Cash Equivalents		4,581,390		4,161,862	
		<u>5,491,313</u>		<u>5,263,462</u>	
<b>CREDITORS</b>					
Amounts falling due within one year	15	(1,737,308)		(1,990,319)	
<b>NET CURRENT ASSETS</b>			3,754,005		3,273,143
<b>TOTAL ASSETS LESS LIABILITIES</b>			<u>30,184,296</u>		<u>30,117,737</u>
<b>CREDITORS</b>					
Amount falling due after more than one year					
Social Housing Loans	16		(8,448,080)		(9,159,296)
SHAPS Deficit	16		<u>(655,000)</u>		<u>(1,557,000)</u>
			<u>(9,103,080)</u>		<u>(10,716,296)</u>
<b>DEFERRED INCOME</b>					
Social Housing Grant	18		<u>(10,784,012)</u>		<u>(10,957,842)</u>
<b>NET ASSETS</b>			<u>10,297,204</u>		<u>8,443,599</u>
<b>CAPITAL AND RESERVES</b>					
Share Capital	19		59		155
Revenue reserves			10,297,145		8,443,444
			<u>10,297,204</u>		<u>8,443,599</u>

The financial statements were approved by the Management Committee, authorised for issue, and signed on its behalf on 16/08 2017.



**Hugh Cameron**  
Chair-person



**Angela Westrop**  
Vice Chair-person



**Alastair Morris**  
Secretary

The notes on pages 16 to 29 form part of these financial statements.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2017**

	Notes	£	2017 £	£	2016 £
<b>Net cash generated from Operating Activities</b>	17		1,859,581		1,649,624
<b>Cash Flow from Investing Activities</b>					
Acquisition & Construction of Properties		(532,664)		(695,219)	
Purchase of Other Fixed Assets		-			
Social Housing Grant Received		71,394		42,978	
Social Housing Grant Repaid		-		-	-
Proceeds on Disposal of Properties		<u>124,000</u>		<u>58,466</u>	
<b>Net Cash Outflow from Investing Activities</b>			(337,270)		(593,775)
<b>Cash Flow from Financing Activities</b>					
Interest Received on Cash & Cash Equivalents		21,688		35,779	
Interest Paid on loans		(449,515)		(486,301)	
Loan Principal Repayments		(674,968)		(646,823)	
Share Capital Issued		<u>12</u>		<u>4</u>	
<b>Net Cash Inflow/(Outflow) from Financing</b>			<u>(1,102,783)</u>		<u>(1,097,341)</u>
<b>Increase/(decrease) in Cash &amp; Cash Equivalents</b>			419,528		(41,492)
<b>Cash &amp; Cash Equivalents at 1 April 2016</b>					
<b>Cash &amp; Cash Equivalents at 31 March 2017</b>			<u>4,161,862</u>		<u>4,203,354</u>
			<u>4,581,390</u>		<u>4,161,862</u>

# BRIDGEWATER HOUSING ASSOCIATION LIMITED

## STATEMENT OF CHANGES IN CAPITAL AND RESERVES FOR THE YEAR ENDED 31 MARCH 2017

	Share Capital £	Revenue Reserve £	Total £
<b>Balance as at 1 April 2016</b>	155	8,443,444	8,443,599
Issues of Shares	12	-	12
Cancelled Shares	(108)	-	(108)
Surplus for the year		1,081,701	1,081,701
SHAPS Pension Adjustment	<u>-</u>	<u>772,000</u>	<u>772,000</u>
<b>Balance as at 31 March 2017</b>	<u><u>59</u></u>	<u><u>10,297,145</u></u>	<u><u>10,297,204</u></u>
<b>Balance as at 1 April 2015</b>	164	7,622,302	7,622,466
Issues of Shares	4	-	4
Shares Cancelled	(13)	-	(13)
Surplus for Year	<u>-</u>	<u>821,142</u>	<u>821,142</u>
<b>Balance as at 1 April 2016</b>	<u><u>155</u></u>	<u><u>8,443,444</u></u>	<u><u>8,443,599</u></u>

**BRIDGEWATER HOUSING ASSOCIATION LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**1 PRINCIPAL ACCOUNTING POLICIES**

The Association is incorporated under the Co-operation and Community Benefits Societies Act 2014 and is registered by the Financial Conduct Authority. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102

**Basis of Accounting**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice for Social Housing Providers 2014 and comply with the requirements of the Determination of Housing Requirements 2014 as issued by the Scottish Housing Regulator.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Association's accounting policies (see below).

The following principal accounting policies have been applied:

**Going Concern**

The Management Committee have assessed the Association's ability to continue as a going concern and have reasonable expectations that the Association has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

**Revenue**

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

Government Grants are released to income over the expected useful life of the asset to which it relates.

**Retirement Benefits**

The Association participates in the Scottish Housing Association Defined Benefits Pension Scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

The Association accounts for amounts that it has agreed to pay towards the Scheme deficit in accordance with paragraph 28.11A of FRS 102. The present value of this liability has been recognised in the Statement of Financial Position. The discount rate applied to this obligation is that of a yield rate for the high quality corporate bond.

**Valuation of Housing Properties**

Housing Properties are stated at cost less accumulated depreciation. 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. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.



**BRIDGEWATER HOUSING ASSOCIATION LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**1. PRINCIPAL ACCOUNTING POLICIES** (Continued.)

<i>Component</i>	<i>Useful Economic Life</i>
Land	Not depreciated
Structure	50 years
Kitchens	15 years
Bathrooms	30 years
Central heating boilers	15 years
Central heating radiators and controls	30 years
Windows and doors	25 years
Electrical rewiring	25 years
Roofs	40 years
Lifts	25 years

**Depreciation and Impairment of Other Non-Current Assets**

Non-Current Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

Leasehold improvements	- over remaining life of lease
Office equipment	- 20% Straight line
Fixtures and fittings	- 15% Straight line
Computer equipment	- 33.3% Straight line
Motor vehicles	- 25% Reducing balance

The carrying value of non-current assets is reviewed for impairment at the end of each reporting year.

**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.

Social Housing Grant attributed to individual components is written off to the Income and Expenditure Account when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same year 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 restricted to the net proceeds of sale.

**Sales of Housing Properties**

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

**BRIDGEWATER HOUSING ASSOCIATION LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**1. PRINCIPAL ACCOUNTING POLICIES (Continued.)**

**Estimation Uncertainty**

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Management Committee to exercise judgement in applying the Association'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, is disclosed below:

***Rent Arrears - Bad Debt Provision***

The Association assesses the recoverability of rent arrears through a detailed assessment process which considers: tenant payment history, arrangements in place, and court action.

***Life Cycle of Components***

The Association estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors.

***Useful Lives of Other Fixed Assets***

The useful lives of other fixed Assets are based on the knowledge of senior management at the Association with reference to expected asset life cycles.

***Pension Liabilities***

This has relied on the actuarial assumptions of qualified actuaries which have been reviewed and are considered reasonable and appropriate.

***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.

***Development Interest***

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme.

**Key Judgements made in the application of Accounting Policies**

***a) The Categorisation of Housing Properties***

In the judgement of the Management Committee the entirety of the Association's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

***b) Identification of cash-generating units***

The Association considers its cash-generating units to be the entire housing portfolio in which it manages its housing property for asset management purposes.

**BRIDGEWATER HOUSING ASSOCIATION LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**  
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**1. PRINCIPAL ACCOUNTING POLICIES** (Continued.)

**Financial Instruments – Basic**

The Association only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like rents, accounts receivable and payable, loans from banks and related parties.

These are recognised in accordance with Section 11 of Financial Reporting Standard 102

The Association's debt instruments are measured at amortised cost using the effective interest rate method.

**2. PARTICULARS OF REVENUE, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS**

		2017			2016		
	Notes	Revenue	Operating Costs	Operating Surplus/ (Deficit)	Revenue	Operating Costs	Operating Surplus/ (Deficit)
		£	£	£	£	£	£
Social Lettings	3	4,317,502	2,967,626	1,349,876	4,412,281	3,200,959	1,211,322
Other Activities	4	<u>1,170,289</u>	<u>1,079,581</u>	<u>90,708</u>	<u>992,705</u>	<u>942,005</u>	<u>50,700</u>
Total		<u>5,487,791</u>	<u>4,047,207</u>	<u>1,440,584</u>	<u>5,404,986</u>	<u>4,142,964</u>	<u>1,262,022</u>

**BRIDGEWATER HOUSING ASSOCIATION LIMITED**  
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**3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL LETTINGS**

	General Needs Housing £	Supported Housing £	2017 Total £	2016 Total £
<b>Revenue from Lettings</b>				
Rent Receivable Net of Identifiable Service Charges	3,346,133	561,075	3,907,208	3,821,866
Service Charges Receivable	<u>21,483</u>	<u>148,775</u>	<u>170,258</u>	<u>193,544</u>
<b>Gross Rents Receivable</b>	3,367,616	709,850	4,077,466	4,015,410
<b>Less: Rent losses from voids</b>	<u>(25,069)</u>	<u>(7,859)</u>	<u>(32,928)</u>	<u>(25,758)</u>
<b>Net Rents Receivable</b>	3,342,547	701,991	4,044,538	3,989,652
Amortisation of Social Housing Grants and Other Grants	245,224	-	245,224	223,629
Revenue Grants from Local Authorities and Other Agencies	<u>27,740</u>	<u>-</u>	<u>27,740</u>	<u>199,000</u>
<b>Total Income From Social Letting</b>	<u>3,615,511</u>	<u>701,991</u>	<u>4,317,502</u>	<u>4,412,281</u>
<b>Expenditure on Social Letting Activities-</b>				
Service Costs	19,366	134,113	153,479	159,817
Management and maintenance administration costs	876,574	148,268	1,024,842	952,275
Reactive Maintenance	419,112	70,276	489,388	431,827
Bad Debts - Rents and Service Charges	8,148	1,366	9,514	35,760
Planned and Cyclical Maintenance, including Major Repairs	199,223	23,123	222,346	565,003
Housing Costs	126,416	21,197	147,613	145,912
Depreciation of Social Housing	<u>788,268</u>	<u>132,176</u>	<u>920,444</u>	<u>910,365</u>
<b>Operating Costs of Social Letting</b>	<u>2,437,107</u>	<u>530,519</u>	<u>2,967,626</u>	<u>3,200,959</u>
<b>Operating Surplus on Social Letting Activities</b>	<u>1,178,404</u>	<u>171,472</u>	<u>1,349,876</u>	<u>1,211,322</u>
<b>2016</b>	<u>1,015,764</u>	<u>195,558</u>	<u>1,211,322</u>	

**BRIDGEWATER HOUSING ASSOCIATION LIMITED**  
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**4. PARTICULARS OF REVENUE, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES**

	Grants From Scottish Ministers £	Other Revenue Grants £	Supporting People Income £	Other Income £	Total Turnover £	Operating Costs Bad Debts £	Operating Costs Other £	Operating Surplus/ (Deficit) 2017 £	Operating Surplus/ (Deficit) 2016 £
Wider Role Activities	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	557,120	557,120	9,603	574,220	(26,703)	(977)
Support Activities	-	-	56,741	110,413	167,154	-	151,331	15,823	23,350
Other Income/Expenditure	-	-	-	21,542	21,542	-	-	21,542	3,275
Care and Repair	-	41,000	-	383,473	424,473	-	344,427	80,046	25,052
<b>Total From Other Activities</b>	-	41,000	56,741	1,072,548	1,170,289	9,603	1,069,978	90,708	50,700
<b>2016</b>	-	74,997	48,145	869,563	992,705	-	942,005	50,700	

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**5. BOARD MEMBERS AND OFFICERS EMOLUMENTS**

The Officers are defined as the members of the Management Committee, the executive officers and employees of the Association reporting directly to the Chief Executive or the Management Committee.

2017	2016
£	£

No emoluments have been paid to any member of the Management Committee

Aggregate emoluments payable to Officers with Emoluments greater than £60,000 (excluding pension contributions)

-	-
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Emoluments payable to the Director/Chief Executive (excluding pension contributions)

66,244	64,354
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Pension contributions paid on behalf of the Director

8,111	7,985
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Payments to board members of £634 during the year for reimbursement of expenses (2016-£1,044)

**6. EMPLOYEE INFORMATION**

The Average monthly number of full time equivalent persons employed during the year was

2017	2016
No	No
32	31

**Staff Costs were:**

Wages & Salaries

912,156	927,291
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Social Security Costs

85,594	72,522
--------	--------

Other Pension Costs

157,856	111,869
---------	---------

Employer past service pension deficit costs

161,340	145,046
---------	---------

1,316,946	1,256,728
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**7. GAIN ON SALE OF HOUSING STOCK**

Sale Proceeds

2017	2016
£	£
124,000	58,466

Cost of Sales

18,056	12,789
--------	--------

Gain on Sale of Housing Stock

105,944	45,677
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**8. INTEREST PAYABLE AND SIMILAR CHARGES**

On Bank Loans & Overdrafts

2017	2016
£	£
449,515	483,336

**BRIDGEWATER HOUSING ASSOCIATION LIMITED**  
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**9. OPERATING SURPLUS FOR YEAR**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Surplus is stated after charging:-		
Depreciation	928,911	940,063
Auditors' Remuneration		
- Audit Services	7,745	10,260
- Other Services	-	1,200
Operating Lease Rentals		
- Land and Buildings	54,802	54,382
- Other	18,835	12,688
Gain on sale of fixed assets	105,944	45,677
Amortisation of Capital Grants	<u>245,224</u>	<u>223,629</u>

**10. TAX ON SURPLUS ON ORDINARY ACTIVITIES**

The Association is a Registered Scottish Charity and is exempt from Corporation Tax on its charitable activities.

**11. OTHER FINANCE INCOME/CHARGES**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Unwinding of Discounted Liabilities	<u>37,000</u>	<u>39,000</u>

**BRIDGEWATER HOUSING ASSOCIATION LIMITED**  
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**12. NON-CURRENT ASSETS**

<b>a) Housing Properties</b>	<b>Housing Properties Held for Letting £</b>
<b>COST</b>	
As at 1 April 2016	35,145,221
Additions	187,100
Expenditure on components	345,564
Disposals - RTB	(28,212)
- Replaced components	(162,860)
As at 31 March 2017	35,486,813
<b>DEPRECIATION</b>	
As at 1 April 2016	8,312,321
Charge for Year	920,444
Disposals - RTB	(10,156)
- Replaced components	(162,860)
As at 31 March 2017	9,059,749
<b>NET BOOK VALUE</b>	
As at 31 March 2017	26,427,064
As at 31 March 2016	26,832,900

All housing property is heritable.



**BRIDGEWATER HOUSING ASSOCIATION LIMITED**  
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**b) Other Tangible Assets**

	<b>Leasehold Improvements</b>	<b>Furniture, Fittings &amp; Equipment</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>COST</b>			
As at 1 April 2016	98,255	191,002	289,257
Additions in year	-	-	-
Disposals in year	-	(14,281)	(14,281)
As at 31 March 2017	98,255	176,721	274,976
<b>AGGREGATE DEPRECIATION</b>			
As at 1 April 2016	98,255	179,308	277,563
Charge for year	-	8,467	8,467
Disposals in year	-	(14,281)	(14,281)
As at 31 March 2017	98,255	173,494	271,749
<b>NET BOOK VALUE</b>			
As at 31 March 2017	-	3,227	3,227
As at 31 March 2016	-	11,694	11,694

**13. COMMITMENTS UNDER OPERATING LEASES**

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

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Not later than one year	71,727	62,634
Later than one year and not later than five years	22,346	7,324
Later than five years	-	-
	<u>94,073</u>	<u>69,958</u>

**14. DEBTORS**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Arrears of Rent & Service Charges	154,465	90,447
Less: Provision for Doubtful Debts	(84,835)	(29,286)
	<u>69,630</u>	<u>61,161</u>
Other Debtors	238,407	205,785
Prepayments and Accrued Income	601,886	834,654
	<u>909,923</u>	<u>1,101,600</u>

**BRIDGEWATER HOUSING ASSOCIATION LIMITED**  
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**15. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2017</b>	<b>2016</b>
	£	£
Housing Loans	710,932	674,684
Trade Payables	236,709	52,195
Rent in Advance	70,391	44,206
Other Taxation and Social Security	51,098	45,644
Other Payables	74,817	66,729
Liability for Past Service Contribution Arrangements	167,000	149,000
Accruals and Deferred Income	426,361	957,861
	<u>1,737,308</u>	<u>1,990,319</u>

**16. CREDITORS AMOUNTS FALLING DUE AFTER ONE YEAR**

	<b>2017</b>	<b>2016</b>
	£	£
Housing loan	8,448,080	9,159,296
Liability for Past Service Contribution Arrangements	<u>655,000</u>	<u>1,557,000</u>
	<u>9,103,080</u>	<u>10,716,296</u>

The Association has a number of long term housing loans the terms and conditions of which are as follows:

Loans are secured by specific charges on the Association's properties. All of the Association's bank borrowings are repayable in a monthly basis with the principal being amortised over the term of the loans. Interest is payable at a fixed rate of 6.78% and a variable rate of 0.84% which produce a weighted average of 4.77%.

The Bank loans are repayable as follows:

	<b>2017</b>	<b>2016</b>
	£	£
Between one and two years	743,377	708,819
Between two and five years	2,451,520	2,482,309
In five years or more	<u>5,253,183</u>	<u>5,968,168</u>
	<u>8,448,080</u>	<u>9,159,296</u>

**BRIDGEWATER HOUSING ASSOCIATION LIMITED**  
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**17. STATEMENT OF CASH FLOWS**

<b>Reconciliation of operating surplus to balance as at 31 March 2017</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Operating Surplus	1,440,584	1,262,022
Depreciation	928,911	940,063
Amortisation of Capital Grants	(245,224)	(223,629)
Change in debtors	191,677	(333,445)
Change in creditors	(307,259)	151,626
Gain/(Loss) on sale of fixed assets	-	-
Unwinding of Discount on Pension Liability	(37,000)	(39,000)
Movement in Pension Liability	(112,000)	(108,000)
Cancelled Shares	(108)	(13)
	<u>1,859,581</u>	<u>1,649,624</u>
Balance as at 31 March 2017		

**18. DEFERRED INCOME**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
<i>Social Housing Grants</i>		
Balance as at 1 April 2016	10,957,842	11,138,493
Additions in year	71,394	42,978
Released / Repaid as the result of property disposal	-	-
Amortisation in Year	(245,224)	(223,629)
Balance as at 31 March 2017	<u>10,784,012</u>	<u>10,957,842</u>

This is expected to be released to the Statement of Comprehensive Income as follows:

Amounts due within one year	215,680	219,157
Amounts due in one year or more	10,568,332	10,738,685
	<u>10,784,012</u>	<u>10,957,842</u>

**19. SHARE CAPITAL**

<del>Shares of £1 each Issued and Fully Paid</del>	<b>£</b>
At 1 April 2016	155
Issued in year	12
Cancelled in year	(108)
At 31 March 2017	<u>59</u>

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**20. HOUSING STOCK**

The number of units of accommodation in management at the year end was:-	<b>2017</b>	<b>2016</b>
	<b>No.</b>	<b>No.</b>
General Needs	704	705
Supported Housing	150	150
Shared Ownership	7	7
	<hr/>	<hr/>
	861	862

**21. RELATED PARTY TRANSACTIONS**

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

The related party relationships of the members of the Management Committee are summarised as:

- Members are tenants of the Association
- Members are factored owners
- Management Committee members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Management Committee member has a connection with is made at arm's length and is under normal commercial terms.

Transactions with Management Committee members were as follows:

- Rent Received from Tenants on the Committee was £28,194
- Factoring income received from Owner Occupiers in the Committee was £610.78
- At the year-end total rent arrears owed by the tenant members of the Committee were NIL
- At the year-end total rent arrears owed by Owner Occupiers of the Committee were NIL

**22. DETAILS OF ASSOCIATION**

The Association is a Registered Society registered within the Financial Conduct Authority and is domiciled in Scotland.

The Association's principal place of business is 1<sup>st</sup> Floor, Bridgewater Shopping Centre, Erskine, PA8 7AA.

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing in Erskine.

## **23. RETIREMENT BENEFIT OBLIGATIONS**

The Association participates in the Scottish Housing Association Pension Scheme, a multi-employer scheme which provides benefits to over 150 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2012. This actuarial valuation showed assets of £394m, liabilities of £698m and a deficit of £304m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

### Deficit contributions

From 1 April 2014 to 30 September 2027: £26,304,000 per annum (payable monthly, increasing by 3% each 1st April)

A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

### Deficit contributions

From 1 April 2017 to 28 February 2022: £25,735,092 per annum (payable monthly, increasing by 3% each 1st April)

From 1 April 2017 to 30 June 2025: £727,217 per annum (payable monthly, increasing by 3% each 1st April)

From 1 April 2017 to 31 October 2026: £1,239,033 per annum (payable monthly, increasing by 3% each 1st April)

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30<sup>th</sup> September 2016. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £810m and indicated an increase in the shortfall of assets compared to liabilities to approximately £210m, equivalent to a past service funding level of 79%.

The Scheme operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal then the liability of the withdrawing employer is re-apportioned amongst the remaining employer. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

All employers in the scheme have entered into an agreement to make additional contributions to fund the Scheme's past service deficit. This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102. At the balance sheet date the present value of this obligation was £822,000 (2016 - £1,706,000). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of high quality corporate bond with a similar term. The discount rate used was 1.06%.

**BRIDGEWATER HOUSING ASSOCIATION LIMITED**  
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**24. CAPITAL COMMITMENTS**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Capital expenditure which has been contracted for but has not been provided for in the financial statements	<u>£nil</u>	<u>£nil</u>
Capital expenditure which has been authorised by the Management Committee but is not contracted	<u>£nil</u>	<u>£nil</u>