

PRIVATE AND CONFIDENTIAL



SCOTTISH BORDERS HOUSING ASSOCIATION

FINANCIAL STATEMENTS

For the year ended 31st March 2015

“Created by tenants for tenants, SBHA is an independent Housing Association serving communities in the Scottish Borders by providing quality, affordable homes”.

Registered as a Scottish Charity – No. SC030751

**Registered under Co-operative and Community Benefit Society (CCBS) Act 2014 - Registered Number
– 2573R(s)**

Scottish Housing Regulator – Registered Number 313

Financial Statements for the year ended 31st March 2015

	Page
Board of Management, Executive Officers and Advisers	1 - 2
Report of the Board of Management and Operating and Financial Review.....	3 – 15
Report on Corporate Governance by Independent Auditor's.....	16
Independent Auditor's Report.....	17
Income and Expenditure Account.....	18
Statement of Total Recognised Gains and Losses	18
Balance Sheet.....	19
Cash Flow Statement.....	20
Notes to the Financial Statements.....	21 – 41

Board of Management, Executive Officers and Advisers

Board of Management

Ray Licence – Chair	(Re-elected as Chair 15-09-14)
Simon Mountford – Vice-Chair	(Re-elected as a Councillor Vice-Chair 15-09-14)
Marlen Jones – Tenant Vice Chair	(Elected as Tenant Vice Chair 15-09-14)

Tenant

Frances Wilkie	(Elected 15-09-14)
Ann Knight	
Ethel Munro	(Resigned 23-06-14)
Marlen Jones	
Michael Grieve	
Robert McVittie	(Stood Down 15-09-14)
Michael Bray	(Elected 15-09-14), (Resigned 24-02-15)

Council

Vicky Davidson	
Simon Mountford	
David Paterson	(Stood Down 19-01-15)
Bill Herd	
Alistair Cranston	(Resigned 08-09-14)

Independent

Ray Licence	
David Pye	
Ian MacDonald	
John Paton-Day	
Sheila Spence	(Resigned 19-11-14)
Harriet Campbell	(Appointed 01-12-14)

Co-optees

Eric Glass	(Co-opted 15-09-14)
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Secretary to the Association

Julia Mulloy	Chief Executive
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Board of Management, Executive Officers and Advisers (continued)

Directors

Carly Stewart	Director of Finance and Corporate Services
Maria Lyle	Director of Housing Services
Alan Vass	Director of Technical Services

External Auditor

Baker Tilly UK Audit LLP
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Internal Auditor

Findlay & Company
Chartered Accountants
11 Dudhope Terrace
Dundee
DD3 6TS

Solicitors

Harper Macleod
The Ca'd'oro
45 Gordon Street
Glasgow
G1 3PE

Bankers

Lloyds TSB Bank plc
3rd Floor
25 Gresham Street
London
EC2V 7HN

Registered Office:

South Bridge House
Whinfield Road
Selkirk
TD7 5DT

Co-operative and Community Benefit Society Registered Number	2573R(s)
Scottish Charity Registered Number	SC030751
The Scottish Housing Regulator Registered Number	313

REPORT OF THE BOARD OF MANAGEMENT AND OPERATING AND FINANCIAL REVIEW

The Board of Management of Scottish Borders Housing Association Ltd (“the Association” or “SBHA”) has pleasure in submitting its report and the Financial Statements for the year ended 31st March 2015. Included within this document is the Operating and Financial Review (“OFR”) which aims to give the reader of these Financial Statements a clear understanding of the business of SBHA, and its current and anticipated performance.

SECTION 1 – SBHA

1.0 PRINCIPAL ACTIVITIES

Scottish Borders Housing Association is a not-for-profit housing Association, registered with the Scottish Housing Regulator, i.e. a “Registered Social Landlord”, and operating in the Scottish Borders area, excluding Berwickshire. The Association is a registered Charity, No. SC030751.

SBHA is the parent company in a group structure which also incorporates Scottish Borders Building Services (SBBS), which is currently dormant and SBHA Plus. SBHA Plus is intended to be the ‘vehicle’ for progressing projects and activities which are unable to be carried out by SBHA due to its charitable status. Neither SBBS nor SBHA Plus are charities. Due to immateriality, the results of SBHA Plus have not been consolidated into these Financial Statements. The subsidiary results are disclosed at Note 14.

In the year ended 31st March 2015, the Association’s principal activities directly reflected the objectives defined in its Constitution, namely the provision of housing and housing-related services for people in need.

SECTION 2 - OPERATING AND FINANCIAL REVIEW 2014-15: PART 1 (OPERATIONAL)

2.0 BACKGROUND TO THE ASSOCIATION

SBHA was established to receive the transfer of the housing stock of Scottish Borders Council (SBC) and on 3rd March 2003 commenced trading. The Association is a charitable organisation and manages some 5,666 rented and over 145 factored homes.

The Association is governed by a Board of Management comprising five Tenants, three Council nominees (Scottish Borders Council), and five independent community representatives. There is also scope for up to 2 Co-optees on the Board and as at 31st March 2015, one was filled. During the year, SBHA’s Shareholding Membership approved new Rules to comply with the updated SFHA Model Rules and Scottish Housing Regulator’s Regulatory Standards. A reduction of 2 Council nominated places was actioned. Governance is supported by 3 main Sub-Committees (Housing Services, Technical Services and Audit & Compliance) which include Board Members and local independent and tenant members.

Scottish Borders Tenants Organisation (SBTO) is the “umbrella” Tenants representative group for SBHA’s Tenants, and has an office in Selkirk, and SBTO and SBHA share the employment of 1 full-time employee. SBTO is funded and supported primarily by SBHA, and operates to an Annual Work Plan which is approved by SBHA’s Board of Management. SBTO is very active and maintains a high volume of business. It acts as the principal “lobby group” on behalf of SBHA’s Tenants, and all proposed changes to SBHA Policies and business activities which could affect Tenants are taken through a consultation process with the SBTO. SBHA’s Scrutiny model was approved in March 2015, which formalises existing practices for tenant scrutiny in the future.

SBHA delivers front-line services from owned offices in Selkirk, Galashiels and Hawick. All SBHA's offices are Disability Discrimination Act-compliant, and provide modern, connected workplaces for staff located therein.

3.0 PROVIDING CUSTOMER SERVICES

SBHA's core housing management services of allocations, estate management, rent collection, management of anti-social behaviour and housing support continue to be provided in-house within specialised teams and work in partnership with other agencies to reduce rent arrears, prevent homelessness and improve tenancy sustainment.

Welfare Reform preparations continue to be a central focus of SBHA's operations and as well as forming its own Welfare Reform Mitigation Project Group, SBHA are a partner in the Scottish Borders Universal Credit Delivery Group, which aims to provide a coordinated and uniform approach, especially regarding communicating the changes to tenants. The Department for Work and Pensions (DWP) are also a member of this group. Universal Credit will go live in the Scottish Borders at the end of April 2015, where it is estimated that a relatively small number of new benefit claimants will be affected by the phased roll out as part of ongoing welfare reforms.

The risk of the change in housing benefit under occupation criteria from 1st April 2014 is being managed. Scottish Borders Council have confirmed that all under occupying households will have their Discretionary Housing Payment (DHP) renewed for 2015/16. The development of housing options advice, a tenant profiling exercise and partnership has meant that over 500 tenants affected by the change have either received Discretionary Housing Payment, which has been extended to April 2016, or sought other housing options. A long term sustainable solution to this issue is being investigated.

SBHA's Financial Support Worker (providing financial education, including money management), a core service now provided by SBHA, was supplemented in 2014-15 by the Financial Inclusion Service, via 5 year funding provided by the Big Lottery Fund in partnership with Berwickshire Housing Association and Waverly Housing. SBHA also continue to provide dedicated welfare benefits support, and in 2014/15 an additional £290,000 income for tenants was generated through benefit maximisation.

Wider Role activities continued through the year, with Big Lottery funding in place until December 2016 for the Transitions Project at Albert Place, Galashiels, which is governed by SBHA Plus. The project has been developed further to provide outreach support to young people leaving Care and living across the Scottish Borders. Funding was also secured from the Scottish Government's People in Communities Fund and DWP in 2014 to introduce an Employability Service for young SBHA Tenants aged 18 – 24 years old. This service assisted 24 Tenants to enhance their employability skills, with 5 Tenants securing full time jobs, reducing dependency on benefits. Further funding has been secured from both the Scottish Government and DWP to continue this service into 2015/16.

SBTO continues to work in partnership with SBHA to ensure that tenant's voices are heard in decision making. An additional 2014 Tenant Satisfaction Survey was undertaken in the year, with one third of the tenants being surveyed, and the results will be used to focus and improve on services. Overall, the satisfaction levels with younger people and families was lower and this will be researched in 2015 with follow up work commissioned and carried out by bmg (Survey Consultant) in the form of focus groups. Implementation of the Tenant Participation Strategy is progressing with the Tenant Scrutiny Model being approved by the Board of Management in March 2015. This model was devised in conjunction with the Tenant Participatory Advice Service (TPAS), which will involve tenants looking at the services that SBHA delivers. Works on the Scrutiny Projects will continue in the coming year with a student internship being offered over the summer months.

4.0 PROVIDING GOOD QUALITY HOMES

SBHA's Asset Management Strategy sets out how the Association plans to make the most of its Assets – through an effective approach of looking-after and enhancing through investment, management and maintenance.

The housing stock contains a range of construction types, aged between 500+ years old in the historical areas of Jedburgh, to less than one year old. There are no high-rise properties, and the great majority of properties are flats. SBHA have made significant investment since 2003 and SBHA met the target to ensure that all homes meet Scottish Housing Quality Standard (SHQS) by March 2015.

Capital projects have been significant in the year; remodelling and refurbishment of two blocks in Stonefield were completed, three further blocks have commenced refurbishment and 44 units new build has also commenced, as part of the Stonefield Regeneration project. An 8 unit development at Deanfield was also started in the year, and the major reconfiguration of Rutherford Square, an amenity block in Kelso was completed and successfully let.

The criteria for Energy Efficiency for Scottish Social Housing (ESSH) compliance was published and SBHA have completed an energy survey, which will be used to form works plans in the coming year, setting out priorities and investment plans by property, to ensure maximum compliance by 2020. Internal elements of homes will continue to be replaced as part of the life cycle programme, and the commissioning of an external stock condition survey will also provide the basis for future investment programmes.

SBHA continues to deliver a high quality, responsive repairs service. Features include, freephone access to repairs reporting, real-time monitoring of performance, and an appointments system for non-emergency repairs delivered by SBHA's maintenance staff. Examples of this are the continued improvement of days to repair a void which has decreased by 5 working days and repairs completed first time increased by 2% from the previous year. SHQS has achieved 100% compliance including exemptions and abeyances, an increase of 16% to meet the Scottish Government requirements. Improving first time fix is a priority and services are being reviewed to ensure continuous improvement. Efficiencies gained in recent years enabled the maintenance workforce to fulfil its strategic commitment to take on greater volumes of SBHA's Planned Maintenance Programme. In 2014-15 half of the programme was continued to be carried out by the maintenance division, with resultant savings in VAT on labour costs, as well as a high level of tenant satisfaction.

5.0 STATEMENT OF BOARD'S RESPONSIBILITIES UNDER CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETIES (CCBS) ACT 2014 FOR A REGISTERED SOCIAL LANDLORD

The Co-Operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the RSL and of the surplus or deficit for that period. In preparing these financial statements, the Board is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements 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; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the RSL will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the RSL 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 April 2012. It has general responsibility for taking reasonable steps to safeguard the assets of the RSL and to prevent and detect fraud and other irregularities.

As far as each of the Board Members are aware, there is no relevant audit information of which the auditors are unaware and they have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of this information.

SBHA's Board has delegated specific elements of its authority to the Association's Chief Executive, and also to three standing Sub-Committees. These are:

- **Audit and Compliance Sub-Committee** - which is responsible for ensuring the Association's financial and business operations are carried out accurately, fairly, legally and with due regard to the management of risk. This Sub-Committee is also responsible for ensuring that appropriate arrangements are in place to promote economy, efficiency and effectiveness in order to enable the Board of Management to give an annual statement of assurance in respect of financial control systems.
- **Technical Services Sub-Committee** - which is the specialist Sub-Committee with responsibility for delivery of the Association's property maintenance, regeneration, development, adaptations, and technical compliance services to required standards, and for overseeing all technical operational matters.
- **Housing Services Sub-Committee** - which is the specialist Sub-Committee with responsibility for delivery of the Association's housing and estates management, allocations, rents, housing support, factoring and cleaning, and other related Housing Services, all to required standards.

6.0 REVIEW OF BUSINESS PLAN AND FUTURE STRATEGY

The Strategic Business Plan was updated in May 2013 to ensure that the Objectives and detailed projects are still relevant. During the process the values of the Association were also developed and agreed. This process was undertaken by key stakeholders, including the Board of Management, Locally Elected Members, SBTO and the Management team.

Eleven projects in total were prioritised through the Strategic Plan review process in 2013 with the overall focus being termed under one project umbrella as "Borders without Barriers", an organisational review to include the establishment of community teams, neighbourhood model and the IT systems to support improvements to service delivery – customer relations management, mobile working and self service. The other major priorities included the "Wrap Up Warm" initiative, to reflect the need to address fuel poverty and the impending EESH legislation.

The annual review of the budget and 30 year Business Plan was undertaken and concluded in February 2015, which maintained the assumption of increasing bad debts in light of the Welfare Reform implications. Further detail on demolition, regeneration and new build was gained in order to realign provisions and allow for the potential of two further small developments to be planned. The impact of lower RPI was modelled and contingencies for the effects of longer term low RPI will be set aside going forward.

The IT Strategy (2014-16) was reviewed to ensure that it remained relevant and fit for purpose. It was realigned with projects defined within 3 sections: Borders Without Barriers, Operational Excellence and Infrastructure and are underpinned by best practice in delivery, project management and good governance. The Asset Management Strategy was updated

(2015–20) and sets out a framework within which SBHA can make effective investment decisions for its assets. The strategy correlates with SBHA's 5 Strategic Objectives and utilises the Scottish Housing Regulator's (SHR) ten strands for asset management. An Action Plan will be developed to support implementation.

A fundamental Strategic Plan review involving a wide range of stakeholders is being undertaken in 2015 which will reflect on progress made and the changing environment within which SBHA operates, to develop the long term vision for SBHA, set strategic priorities and the programme of projects required to move towards those objectives. Other key documents that underpin the Strategic Plan will also be updated such as Tenant Participation, People and Financial Inclusion Strategies.

The Scottish Housing Regulator's April 2015 Regulation Plan continued to identify SBHA as medium risk. The main requirements being to closely monitor the business change project and Maintenance Division review, Rent Arrears performance and the production of the annual 30 year Business Plan, including cash flows and covenant compliance.

7.0 SBHA'S RENTS

SBHA's objectives are for rents to be affordable, fair, and sufficient to enable the Association to meet its statutory obligations, strategic objectives and Tenants' service expectations. SBHA continued to provide the lowest average rent in 2014-15 for Registered Social Landlords in the Scottish Borders area and annual rent increases reflect the need to continue services and invest in homes.

SBHA's Rent setting is derived from undertakings given to Tenants prior to the stock transfer to SBHA in 2003, when clear links to RPI were embedded. SBHA's base rent levels have only varied from these principles when specific new statutory requirements have been introduced, most notably additional investment to meet the Scottish Housing Quality Standard.

Options for rent increases were presented to Tenants in 2010, at the peak of the credit crunch, who preferred the option of a rent freeze for 2010-11, followed by the recouping of lost increases over a 6 year period. As part of the 2015-16 Rent Increase Consultation, a telephone survey was carried out in the year, which provided positive feedback to SBHA's proposed increase and rent levels.

8.0 KEY PERFORMANCE INDICATORS 2014-15

SBHA records and monitors at Board level, 10 key areas of performance covering rental income (Arrears) and levels of void houses, repairs completed within target timescales, the percentage of SBHA-owned properties achieving Scottish Housing Quality Standard, the volume of Right to Buy Sales, loan facility covenants, and staffing performance. The out-turn performance across these categories is noted in the table overleaf.

PERFORMANCE	TARGET	ACTUAL 2014-15	VARIANCE	ACTUAL 2013-14
Current Arrears (as at rent year end)	<£772,000	£814,974	+£42,974	£739,691
Lettable Stock Void Loss %	1%	1.47%	+ 0.47%	1.45%
Non Lettable Voids	101	111	+10	124
Emergency Repairs Completed within Target	99%	97%	-2%	98.6%
SBHA properties achieving Scottish Housing Quality Standard	100%	100%	+0%	80%
First Time Fix (Repairs)	87%	86%	-1%	84%
Number of Right to Buy Sales	15	9	-6	18
Net Debt per Unit	£5,570	£3,556	- £2,014	£3,340
Loan to Value Ratio	105%	253%	+148%	218%
Staff Attendance	>97%	94.94%	- 2.06%	>94.67%

- Arrears have increased in the year, which has resulted in the performance framework being revised to enable a more focused approach on this area. During 2014-15 the demands for welfare benefits and debt advice services has increased, with referrals to the Welfare Benefits Officer and Financial Support Worker increasing and resulted in additional income of £289,482 for our Tenants. Enforcement action in the year significantly increased, with the number of decrees granted for repossession increasing to allow for early intervention going forward. Last year it was recognised that extra resource is required to meet the challenge of managing rent arrears in the current environment, with two additional housing officers recruited for a two year period, in order to create smaller management areas. This was also supplemented by a financial capability officer, as detailed in paragraph 3 above, being built into mainstream budgets.
- Lettable Stock Void Loss during the year increased by 0.02%, which is both an impact of increasing number of empty houses and the average days lost per void. There are a number of factors, including a rise in low demand properties, impact of welfare reform as well as internal processes. A number of letting initiatives were implemented to increase demand and let specific low demand properties in some areas. A comprehensive review has been undertaken which adopts the 'lean process thinking' aimed at streamlining the current processes, consideration of the impact of tenancy turnover on the letting process and improving the condition of empty properties.
- The programme of regeneration at Stonefield continued during 2014/15, which saw a gradual reduction of non-lettable voids in the year. Reconfiguration of Rutherford Square continued in this year and will complete in the first few months of 2015-16 and the demolition of 24 units at Rose Court, Galashiels will have an impact on the non lettable stock in 2015-16.
- The number of properties achieving Scottish Housing Quality Standard this year has made great progress with the target of 100% (including exemptions and abeyances) being met by the year end. This standard will be maintained going forward.

8.0 KEY PERFORMANCE INDICATORS 2014-15 (...continued)

- First time fix for repairs has been a priority in recent years and great improvements have been made. The Tenant satisfaction survey highlights this as being one of the Tenants' main priorities and various projects are underway to ensure continuous improvement.
- The number of Right to Buy sales halved this year when compared to the prior year. During 2014 it was announced by the Scottish Government that Right to Buy would be abolished by July 2016. This change in policy has been aligned in SBHA's business plan, so that the cash flows can be adjusted in the longer term. In the prior year, an agreement with Scottish Government was reached which allows SBHA to retain the receipt previously clawed back to them, in order to be used in place of grant funding for a new build development of 8 units in Hawick, as highlighted in note 20.
- The reported Net Debt per Unit and Loan to value ratio as at 31st March 2015, were comfortably within levels agreed with our Funder. A desktop valuation of housing properties was undertaken by Jones Lang LaSalle as at 31st March 2015, with a value of £69,832,000.
- Staff attendance is still below target however it has increased slightly from last year. SBHA has addressed sickness absence issues by ensuring a strong HR framework of robust policies and procedures, an increase in staff awareness, training for managers and improved support services for staff. Both long term and short term sickness absences have dramatically decreased in recent years and the framework in place will ensure that absence management can be sustained.

9.0 EMPLOYEES

The ability of the Association to meet its objectives and commitments towards Tenants is dependent on both the contribution and quality of all its employees. The Association shares information on its objectives, progress and activities through regular training, departmental meetings, and through the staff newsletter and specific written communications to all staff on decisions taken at Board of Management and Sub-Committee level.

The People Strategy sets out plans for both staff and governing members. Policies and procedures have been delivered as set out in the People Strategy, which also underpin the performance framework. In 2014 the revised Learning and Development Policy was approved by Board, which outlines the Associations continuing objective to support and develop its staff.

SBHA is committed to apprenticeships and in the year 4 apprentices were in place and 1 qualified and gained full time employment within SBHA, whilst work placements were put in place for 20 college and school students. SBHA are working closely with other agencies such as Scottish Enterprise, Scottish Borders Council and Borders College to ensure this aspiration is shaped for future years.

An Employee Strategy group was formed in 2014, to improve on areas highlighted in the 2013 staff survey. This group have overseen the implementation of a Staff charter, improvements to the staff induction policy and process and been instrumental to changing key communication documents and embedding the delivery of consistent communications throughout the Association. In April 2015, Investors In People (IIP) accreditation was achieved.

10.0 HEALTH AND SAFETY

The Board of Management is aware of its responsibilities on all matters relating to health and safety. The Association has prepared a Health and Safety Matrix and Training Plan along with a Health and Safety Compliance Register. Extensive staff training and education on health and safety matters is ongoing using Toolbox talks, e-learning and external accredited training. A working group, comprising of senior management, frontline staff including operatives and representation from the Unions is in place, which reports to the Health and Safety Committee on a quarterly basis.

SECTION 3 - OPERATING AND FINANCIAL REVIEW 2014-15: PART 2 (FINANCIAL)

1.0 FUNDING

SBHA is totally debt funded and the funding required to expedite the transfer referred to in Section 2, Para. 2.1 of these Financial Statements are provided by Lloyds TSB Bank plc ('The Funder') in the form of a loan facility of £40m. The facility is split between £33m at fixed rates and £7m at variable rates based on LIBOR ('London Inter Bank Offered Rate') and no amounts were drawn in the year. In 2015, an additional revolving loan facility for £3m was agreed, to fund New Build Development Business Plan commitments and is incorporated as a new tranche to the amended loan agreement.

In November 2012, Lloyds TSB Bank plc transferred a part of its rights to SBHA's Loan Facility to Scottish Widows, a subsidiary of the Lloyds Banking Group. This transfer was part of a Lloyds Banking Group strategy to align long term liabilities and assets, to allow Lloyds TSB Bank plc to free up short term liquidity.

At 31st March 2015, SBHA complied fully with all its Loan Covenants.

2.0 INCOME AND EXPENDITURE ACCOUNT 2014-15

Annual Turnover increased from £18.98m to £19.93m during the year, an increase of 5.0%. The principal source of turnover for the Association is rental income and related service charges. Weekly rents were increased by an average of 4.1% from previous year levels. The loss of 21 properties through Right to Buy and reconfiguration during the year and a small increase in lettable void loss partially offset the rent increase levels. An increase in grant funding of £246,000 included funding for SBHA's Wrap up Warm and Employability projects.

Operating Costs increased from £13.54m to £15.24m during the year, an increase of 12.6%. The most significant increase above inflation was expenditure in relation to Planned and Cyclical maintenance costs. The cash cost of this expenditure was comparable, but the value capitalised was £1.2m less than the previous year due to expenditure falling outwith SBHA's capitalisation policy such as small, partial element SHQS replacements and external insulation. Note 12 details the total cost of planned maintenance contracts, broken into capitalised and expensed amounts. Management costs in note 3 increased in line with inflation, but show a decrease in the year, due to costs of £241,000 for providing services to the internal Maintenance Division being re-allocated to reactive and planned maintenance costs.

Bad Debt expense has increased which reflects the increase in arrears and the reduction in rent collected. The write off policy is intended to take prudent steps in the context of welfare reform, and will continue to do so when universal credit is rolled out.

Gain on sale of housing properties and land decreased from £96,570 to a £4,808 loss during the year. 9 Right to Buy sales were achieved this year as opposed to 18 in the previous year, with the proceeds being lower due to the property mix having a lower

valuation, with higher tenant discounts and costs being higher due to capitalised components in the properties sold. Per Note 6, a loss on disposal of components previously capitalised amounted to £1,357,730.

The average rate of loan interest payable decreased slightly to 6.05% from 6.06%. This year included the full year charge of the £9m loan which was renegotiated to a fixed rate at the end of 2014, which accounted for interest payable increasing from 2013-14 levels.

The net impact was a surplus for the year of £1.97m (for 2013-14, there was a surplus of £4.1m).

3.0 BALANCE SHEET AT 31st MARCH 2015

At 31st March 2015, the Association showed a positive Balance Sheet where assets, including the Local Government Pension Scheme liability, exceeded liabilities. This is a continuing trend from 2010-11 where increasing revenue reserves have maintained a positive balance sheet. The high revenue reserves are due to the continued full implementation of component accounting, in accordance with which expenditure on properties owned, (as per accounting policy 1 (i) on page 21, where it is deemed to extend the useful life of the property or provides an enhancement of economic benefits or the component is replaced), is capitalised and added to the original cost of that property rather than being treated as an expense.

The Association showed net current assets at 31st March 2015 where those assets are generally able to be realised within one year, exceeded liabilities generally payable in the same period. The liquidity ratio for 2015 was 2.99 (2014 – 3.18).

At 31st March 2015, the Association owned 5,666 properties against 5,689 at 31st March 2014, the movements are explained in note 5. SBHA's current Accounting Policy is to show Properties at original cost plus capitalised amounts on the Balance Sheet. An alternative policy, used by certain other Associations, is to revalue properties on an annual basis and to show the revalued amount on the Balance Sheet. This would increase our balance sheet by £10,756,000.

The net Pension asset/liability of the LGPS (under FRS17 reporting) decreased from an asset of £563,000 to a liability of £1,602,000 in the year. The report is based on a triennial valuation at 31st March 2014 rolled forward and whilst the fund is performing well with an asset cover of 110%, the main impact on the scheme was the falling corporate bond rate which determines the discount rate used for determining liabilities.

By virtue of being a stock transfer Association, SBHA is not committed to accumulating reserves in order to meet future long term commitments, but has agreed at the outset a loan facility with a specific loan repayment programme. A positive Balance Sheet, as stated at para 3.1 above, is still anticipated to continue throughout the Association's 30-year Business Plan (which is itself reviewed annually). It should be noted however that the accumulated 'reserves' are counter balanced by an increase in the cost of the Association's properties and not in cash or other type of asset.

Cash in Bank or hand is £7.7 million and is at levels greater than anticipated, due to the delayed expenditure in the planned maintenance programme and the Regeneration (including New Build) of Stonefield Estate. These programmes commenced in 2013-14 and are being funded from a mixture of the cash balance and the loan facility highlighted in para 1.0.

4.0 TREASURY MANAGEMENT

SBHA's Treasury Management Policy was renewed and approved by the Board of Management on 13th December 2010. It sets out the policy of the Association with regard to treasury matters including borrowing and investing. SBHA has adopted the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the "Code") as described in Section 4 of that Code and as modified in CIPFA's Treasury Management in the Public Services: Guidance Notes for Registered Social Landlords (the "Guidance Notes").

The Treasury Management Policy sets out the Association's policy concerning all of its funding or borrowing from external sources, and lending and investment of surplus funds. Authorisations for banking and transfer of funds are also covered. The use of financial instruments by the Association which are not linked to a loan agreement is currently forbidden, as is any exposure to currencies other than sterling.

5.0 PENSIONS

The Association participates as a closed member in the Scottish Borders Council Pension Fund (SBCPF), a statutory multi-employer defined benefit scheme. It is administered by the Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended.

The actuarial method used to value the Pension Fund is known as the Projected Unit Method. The last valuation was as at 31st March 2014 and, following this valuation, SBHA's employer's contributions have been continued at 18% of pensionable pay. The Association continued to adopt Financial Reporting Standard (FRS) 17 in full in 2014-15 and recognised a Net Pension liability of £1,602,000 at 31st March 2015.

During the year changes to the Local Government Pension Schemes, of which the SBCPF is a member, were confirmed and communicated to all affected employees. The main change to the scheme, which came in to force on 1st April 2015, was the move to a Career Average Revalued Earnings (CARE) calculation method which replaced the Final Salary valuation method.

A Defined Contribution pension scheme from Scottish Widows has been available to employees who are not members of the SBCPF since June 2013 and is the scheme to which employees were auto-enrolled into from 1st April 2014, SBHA's staging date. It is a joint contributory scheme with total contribution from the Association and employees being up to 12%, depending on length of service.

SECTION 4 - CONTROLS

1.0 BOARD OF MANAGEMENT AND EXECUTIVE OFFICERS

The Board of Management and Executive Officers are listed on pages 1 and 2.

Each Board Member, except for the Co-opted Member, holds one fully paid, non refundable share of £1 in the Association. The Board of Management have no beneficial interest in the Association's share capital. The Chief Executive and the Directors of the Association also have no beneficial interest in the Association's share capital and they act within the authority delegated by the Board of Management.

2.0 BOARD OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROLS

The Board of Management acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate to the various business

environments in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Association or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets against unauthorised use or disposition.

It is the 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. The Board has delegated some authority to its Sub-Committees, all as described on page 6 above.

In particular, the Audit and Compliance Sub-Committee is responsible for advising the Board as to whether an adequate system of accounting and internal control exists, and for making recommendations for its improvement. In this, it will be advised by External and Internal Auditors and the Director of Finance and Corporate Services.

The key elements of the system may be described as the control environment, and this is represented by the following:

- The Association's Strategic and Business Plan, which sets out its corporate priorities, the format of which follows Scottish Housing Regulator guidelines. The Plan covers a period of 5 years and is normally reviewed and approved by the Board annually in conjunction with the annual Budget mentioned below and the updated 30-year Business Plan. The Strategic and Business Plan for 2014-18 was reviewed and approved on 9th September 2013 with the financial part of the Business Plan being approved on 11th February 2015;
- Experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- The Association's Financial Regulations were replaced by a suite of Financial Policies which were updated and approved on 20th November 2009 and have been subsequently reviewed and amended as required;
- The Association's Financial Policies set out exactly how the Association's financial controls are to operate;
- A wide range of SBHA Policies deal with, amongst other things, control issues for the Corporate, Finance, Housing, Human Resources and Technical Services areas. These are approved at Sub-Committee level and homologated at Board level as and when required;
- The Association's Policy on the procurement of goods and services sets out limits of authority for post holders;
- A detailed Budget is set annually and approved by the Board;
- The overall Budget is divided by service area. Detailed management accounts are prepared monthly, both on an overall basis and by service area. Actual v Budget reports for service areas are discussed with individual Budget Holders, with a view to identifying areas where corrective action is required to prevent avoidable overspends;
- The Association's Executive Team, comprised of the Chief Executive and 3 Directors, receives and monitors the management accounts on a monthly basis;
- The Board is presented with a Financial Monitoring report for the Association on a quarterly basis. This report compares Actual financial results against Budget and comments on any significant variances and on whether the forecast out-turn for the year is likely to be materially different from Budget;

- 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 governing body;
- The Association uses the services of an independent Internal Auditor who works to an Audit Needs Assessment programme agreed in advance by the Audit and Compliance Sub-Committee;
- The Internal Auditor carries out regular reviews of control activities and reports their findings to the relevant Manager, the Executive Team and to the Audit and Compliance Sub-Committee; and
- Formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports; and
- Risk is actively managed through the Association’s Risk Management Strategy. An SBHA Corporate Risk Panel meets on a regular basis to assess Corporate Risks and reports findings to the Audit and Compliance Sub-Committee.

These arrangements are considered appropriate to the scale and range of the Association’s activities and comply with the requirements contained in the Scottish Housing Regulator’s Advice Note: Internal Financial Controls and the Regulatory Standards.

The Association has identified an extensive range of Key Performance Indicators which were reported at Sub-Committee and Board of Management level throughout the year.

The Key Performance Indicators comparing target with actual results reported at the Board of Management cover financial matters such as loan covenants, progress towards improving housing stock to Scottish Housing Quality Standard, and staff attendance levels. Actual performance is set out at page 8.

SBHA monitors via a Risk Management Strategy the principal risks which are deemed to pose the most acute threat to the Association in the short term and the actions required to mitigate the effect of such risks. A full exercise is undertaken to review and score the Top 20 corporate risks. The Top 3 risk areas currently identified are:

Corporate Risk	Detail	Actions to Mitigate
Failure to achieve Rental Income particularly due to the Impact of Welfare Reform.	Welfare Reform increases the risk of bad debts exceeding assumptions and increasing operating costs.	Carry out tenant profiling; Set targets for arrears and voids to achieve top quartile by 2016; Realign Business Plan to allow for a higher bad debt expense and cash collection costs; Voids action plan and promotion of hard to let properties; Additional 2 Housing Officers approved.
Suitable levels of Competition and capacity in the framework contracts, leading to increased costs & risk of supplier failure	SBHA has a significant planned maintenance, regeneration and new build programme in place as well as a number of key suppliers performing such services as Cash collection, IT Support and Material Supplies. The failure of a major construction contractor, sub contractor or supplier would cause significant disruption to the business.	Obtain and review financial information including bank statements during tendering process and thereafter on at least a quarterly basis; Procurement of Suppliers via PCS in 2015/16 following Framework disbandment; Establishment of SBHA Framework.

Costs to the Association in respect of Construction and Maintenance rise faster than RPI.	Negotiation of cost increases have been carried out for all long term contracts and consultancy costs. Schedule of Rates is being developed. Role of internal suppliers maximises VAT benefits/ control cost increases.	Monthly Finance Monitoring; Internal costs review taking place as part of the MD review
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The Board of Management has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31st March 2015 and until the date noted below. No weaknesses were found in internal financial controls that resulted in material losses, contingencies, or uncertainties that require disclosure in the financial statements. Where weaknesses in internal financial controls are identified, appropriate remedial action is taken.

3.0 EXTERNAL AUDITORS

Baker Tilly UK Audit LLP were appointed as auditors as of 14th October 2009, and have indicated their willingness to continue in office. A resolution regarding their reappointment will be proposed at the next Annual General Meeting.

By order of the Board of Management



Julia Mulloy

Secretary

Date 30/5/15

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF SCOTTISH BORDERS HOUSING ASSOCIATION ON INTERNAL FINANCIAL CONTROLS

In addition to our audit of the Financial Statements, we have reviewed your statement on Pages 12 to 15 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council through enquiry of certain members of the Management Committee and Officers of the Association and examination of relevant documents. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on pages 12 to 15 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP
Statutory Auditor
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date *3 July 2015*

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH BORDERS HOUSING ASSOCIATION

We have audited the financial statements of Scottish Borders Housing Association for the year ended 31st March 2015 on pages 18 to 41. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members as a body, in accordance with part 7 of 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.

Respective responsibilities of the Board and auditor

As explained more fully in the Board's Responsibilities Statement set out on page 5 to 6 the Board are responsible for the preparation of the financial statements and for being satisfied that they 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 of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on 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 2015 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – April 2012.

Matters on which we are required to report by exception

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

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

..... Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP
Statutory Auditor
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date: 3 July2015

INCOME AND EXPENDITURE ACCOUNT for the year ended 31st MARCH 2015

	Note	2015	2014
		£	£
Turnover	2	19,932,139	18,983,341
Operating Costs	2	(15,244,912)	(13,543,455)
Operating Surplus	2,7	4,687,227	5,439,886
(Loss)/Gain on sale of housing properties/land	6	(1,362,538)	96,570
Interest receivable	8	364,894	292,933
Interest payable and similar charges	9	(1,718,946)	(1,713,489)
Surplus for the Year		1,970,637	4,115,900

The results for the year relate wholly to continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Note	2015	2014
		£	£
Surplus for the Year prior to Pension Scheme Surplus	20a	1,633,637	3,780,900
Increase in Pension Scheme Surplus	20b	337,000	335,000
Surplus for the Year		1,970,637	4,115,900
Pension Scheme Actuarial (Loss)	20b	(2,520,000)	(967,000)
Total Recognised (Loss)/Gains since last Annual Report		(549,363)	3,148,900

The notes on pages 21 to 41 form part of these Financial Statements

BALANCE SHEET as at 31st MARCH 2015

	Note	2015 £	2014 £
Fixed Assets			
Housing Properties – Depreciated Costs	12	54,403,993	52,039,162
Capital Grants	12	(1,250,819)	(1,250,819)
		<u>53,153,174</u>	<u>50,788,343</u>
Other Fixed Assets	13	2,248,698	2,241,205
		<u>55,401,872</u>	<u>53,029,548</u>
Investment in Subsidiary Company	14	<u>1</u>	<u>1</u>
Current Assets			
Stock	15	101,486	47,221
Debtors	16	1,679,041	1,405,728
Cash at Bank and in Hand		7,675,243	8,820,230
		<u>9,455,770</u>	<u>10,273,179</u>
Creditors: Amounts falling due within one year	17	(3,806,046)	(3,254,542)
Net Current Assets		<u>5,649,724</u>	<u>7,018,637</u>
Total Assets less Current Liabilities		<u>61,051,597</u>	<u>60,048,186</u>
Creditors:			
Amounts falling due after more than one year	18	(27,000,000)	(27,643,200)
Net Assets excluding Pension Liability		<u>34,051,597</u>	<u>32,404,986</u>
Net Pension (Liability) / Asset	22	(1,602,000)	563,000
Net Assets including Pension Liability		<u>32,449,597</u>	<u>32,967,986</u>
Capital and Reserves			
Share Capital	19	245	251
Revenue Reserve	20a	33,638,112	31,899,476
Designated Reserve	20c	413,240	505,259
Pension Reserve	20b	(1,602,000)	563,000
Total Capital and Reserves		<u>32,449,597</u>	<u>32,967,986</u>

The Board of Management approved these Financial Statements and authorised them for issue on 22nd June 2015 and they were signed on their behalf by:

Ray Licence

Chair..... 

David Pye

Board Member..... 

Julia Mulloy

Secretary..... 

The notes on pages 21 to 41 form part of these Financial Statements

CASH FLOW STATEMENT for the year ended 31st MARCH 2015

	Note	2015 £	2014 £
Net Cash Inflow from operating activities	21	7,176,220	8,617,350
Returns on Investment and Servicing of Finance			
Interest Received		46,894	31,933
Interest Paid		(1,718,946)	(1,713,489)
Net Cash Outflow from returns on investments and servicing of finance		(1,672,052)	(1,681,556)
Capital Expenditure			
Capitalisation of Improvement Costs		(6,501,579)	(6,189,930)
Purchase of Housing Properties		-	(140,764)
Other Capital Grants		-	206,621
Purchase of other fixed assets		(189,052)	(31,438)
Sale of Properties/Land		127,883	259,317
Net Cash Outflow from Capital Expenditure		(6,562,748)	(5,896,194)
Net Cash (Outflow)/Inflow before Financing		(1,058,582)	1,039,600
Financing			
Loan principal (repayments)		(86,400)	(86,400)
Shares issued		13	8
Shares Cancelled		(19)	(15)
Net Cash Outflow from Financing		(86,406)	(86,407)
(Decrease)/Increase in Cash during year		(1,144,987)	953,193

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered by The Financial Conduct Authority (formerly the FSA).

The Financial Statements have been prepared in compliance with the Determination of Accounting Requirements – April 2012 and the Statement of Recommended Practice ('SORP') 'Accounting by Registered Social Landlords – Update 2010.

A summary of the principal accounting policies of the Association is set out below:-

- (a) **Accounting Basis:** These Financial Statements are prepared under the historical cost convention.
- (b) **Going Concern:** The Board of Management consider on an annual basis the appropriateness of preparing the Association's Financial Statements on a going concern basis. Matters which are taken into account in this process include:
- The prevailing economic climate, both internationally and locally and its impact, if any, on the Association's viability.
 - The financial position of the Association and the impact if any of perceived weaknesses on the Association's viability.
 - The short, medium and long term financial prospects resulting from the modelling exercise carried out annually in updating the Association's 30 year Business Plan including sensitivity analyses and independent verification of key underlying assumptions.

In the absence of any fundamental shortcomings raised as a result of the above exercise the Board of Management consider the going concern assumption underlying the preparation of the Association's Financial Statements to be appropriate.

- (c) **Turnover:** Turnover represents:
- Rental and Service Charge income (net of voids); and
 - Fees and other types of income as shown in Note 4.
- (d) **Consolidation:** The Association has two wholly owned subsidiaries, as follows:-
- Scottish Borders Building Services Limited ("SBBS"); and
 - SBHA Plus Limited.

Consolidated Financial Statements are not prepared on the grounds of materiality and the fact that the Association has exemptions granted by the Financial Conduct Authority from the preparation of Group accounts required to be prepared under Section 13 of the Co-operative and Community Benefit Societies Act 2014. The grounds on which exemptions have been granted are:-

- For SBBS, consolidation would be impractical and of no real value to the Members of the Society. SBBS is currently a dormant company.
 - For SBHA Plus Limited, consolidation is not necessary in view of the insignificant amounts involved and would not be beneficial to the users of the Financial Statements.
- (e) **Finance:** The Financial Statements have been prepared on the basis that the capital expenditure will be grant aided, funded by loans, met out of reserves, or met from proceeds of sales.

- (f) **Investments:** Long term investments are classified as fixed assets. Subsidiary undertakings are stated at cost in the Balance Sheet.
- (g) **Loans:** Loans and overdrafts are advanced by private lenders under the terms of the individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those schemes which have been given approval by The Scottish Housing Regulator.
- (h) **Revenue Grants:** Where revenue grants have been received in respect of revenue expenditure, they are credited to the Income and Expenditure Account in the same period as the expenditure to which they relate.
- (i) **Fixed Assets – Housing Land and Buildings:** Housing properties are stated at cost less any social housing and other public grants less accumulated depreciation. The cost of such properties includes where applicable the following:
- Cost of Acquiring Land and Buildings;
 - Improvement/Development Expenditure;
 - Premium paid over valuation at date of purchase;

For expenditure on works to existing Housing Properties, SBHA capitalises expenditure under the following circumstances:

- Where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored; or
- Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property.

Work to existing properties which fail to meet the above criteria is charged to the Income and Expenditure account in the year in which it is incurred. Only assets over £1,000 are capitalised.

Prior to the adoption of component accounting in 2012 the major components of the Association's housing properties were deemed to be land and buildings, central heating, windows and doors. The major components are now deemed to also include kitchens, bathrooms and rewiring. Useful economic lives of all components have also been reviewed in line with the Association's asset management strategy. Each component has a substantially different economic life and is depreciated over this individual life as set out in the table below.

- (j) **Stock of Materials:** Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less further costs to completion and disposal.

(k) **Depreciation – Housing Properties:**

Depreciation is charged on a straight line basis over the expected economic lives of each major component that makes up the housing property as follows:

Component	Useful Economic Life (Yrs)
Structure (including roofs)	50
Wiring	40
Central Heating	15
Kitchens	20
Bathrooms	20
Windows	30
Doors	30

Depreciation – Other Fixed Assets: The Association's assets are written off evenly over their expected useful lives as follows:

Asset Type	Useful Economic Life (Yrs)
Head Office	50
Area Offices	10
Tenant Improvements	over the initial term of the lease
Furniture and fittings	5
Office Equipment and Info Systems	4
Plant	4 (vehicle fixtures over 3 year lease)
Motor Vehicles	4
Land is not Depreciated	

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

- (l) **Impairment of Fixed Assets:** Impairment is calculated as the difference between the carrying value of income generating units and the estimated value in use at the date an impairment loss is recognised. Value in use represents the net present value of expected future cash flows from these units. The Association recognises its full stock as an income generating unit with hard to let properties reviewed separately.

Impairment of assets would be recognised in the Income and Expenditure Account.

- (m) **Cyclical Repairs and Maintenance:** Due to the number of properties held, the Association has a regular programme of repairs and maintenance and charges actual costs incurred to the Income and Expenditure account.
- (n) **Major Repairs:** On the basis of being debt funded, the Association does not make provision for future Major Repairs but completes such works in line with an agreed Programme within a 30 year plan.
- (o) **Lease Obligations:** Rentals paid under operating leases are charged to the Income and Expenditure account on a straight line basis. An operating lease is one which does not transfer the substantial risks and rewards of ownership of an asset.
- (p) **Value Added Tax:** The Association is VAT registered. However, a large proportion of its income, namely rents, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. Expenditure is as a result shown inclusive of VAT.

- (q) **Pensions:** The Association contributes to a Defined Benefit Pension Scheme and retirement benefits to employees of the Association are funded by contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the Association taken as a whole.

The Association has adopted FRS 17 "Retirement Benefits" in full since 2006.

- (r) **Service Charge Equalisation:** Any surplus or deficit made in charging for the provision of services to tenants and factored properties is written off to the Income and Expenditure account in line with the practice previously adopted by Scottish Borders Council.
- (s) **Sales of Properties:** Sales of properties are reflected at historic cost net of accumulated depreciation and selling costs. Any grants received which cannot be repaid from the proceeds of sale, are abated and the grants removed from the Financial Statements.
- (t) **Taxation:** The Association is a registered charity and is generally not subject to Corporation Tax, either on its income or on any capital gains.
- (u) **Designated Reserve:** The Association creates a designated reserve where there are monies earmarked for a specific line item of expenditure which have not been spent. Such reserves are released when the shortfall of expenditure has been caught up.
- (v) **Financial Investments:** The Association's Treasury Management policy prescribes the credit scoring levels institutions must meet before investments can be undertaken and the maximum amount that can be placed with any one institution.

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Note	Turnover £	Operating Costs £	Operating Surplus £	2014 £
Social Lettings	3	19,641,889	(15,066,906)	4,574,983	5,326,830
Other Activities	4	290,250	(178,006)	112,244	113,056
Total for 2015		19,932,139	(15,244,912)	4,687,227	5,439,886
Total for 2014		18,983,341	(13,543,455)	5,439,886	

3(a) PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM SOCIAL LETTING ACTIVITIES

	2015 £	2014 £
Rent Receivable net of Service Charges	19,344,498	18,664,419
Service Charges	227,694	213,171
Gross Income from Rents and Service Charges	19,572,192	18,877,590
Less Operational Voids	(359,203)	(342,762)
Net Income from Rents and Service Charges	19,212,989	18,534,828
Grants from Scottish Ministers	390,022	174,500
Other Revenue Grants	38,878	8,100
Total Turnover from Social Letting activities	19,641,889	18,717,428
Management and Maintenance Administration costs	4,538,790	4,637,128
Service Costs	217,512	224,598
Planned and Cyclical Maintenance including major repairs costs	4,279,537	2,798,341
Reactive Maintenance costs	2,990,942	2,888,660
Bad Debts, Rents and Service Charges	406,910	369,373
Depreciation of Social Housing Properties	2,633,215	2,472,498
Operating Costs for Social Letting activities	15,066,906	13,390,598
Operating Surplus for Social Lettings for 2015	4,574,983	5,326,830
Operating Surplus for Social Lettings for 2014	5,326,830	

(SBHA owns no other accommodation except for General Housing Accommodation).

3(b) AVERAGE RENTS

	2015	2014
	£	£
The average weekly rent (48 week basis) per property available to let at the period end was:	71.43	68.63

4. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR (DEFICIT) FROM OTHER ACTIVITIES

	Total Turnover	Other Operating Costs	Operating (Deficit)/ Surplus	Operating (Deficit)/ Surplus 2014
	£	£	£	£
Other Agency/Management Services	23,014	(32,969)	(9,955)	(16,925)
Factoring	17,093	(10,516)	6,577	8,216
Other Activities	250,143	(134,521)	115,622	121,765
Total from other activities 2015	290,250	(178,006)	112,244	113,056
Total from other activities 2014	265,913	(152,857)	113,056	

Other Activities include commercial lets of £212,000 less related costs of £143,601.

In line with paragraph 12.2 of the Determination of Accounting Requirements – April 2012, there was no income falling under Grants from Scottish Ministers and Other Revenue Grants in relation to Other Activities for 2014-15, with nil in the previous accounting period of 2013-14, which require disclosure.

5. HOUSING STOCK

The number of units of accommodation in management at the period end was:

	2015	2014
General Needs Housing	5,609	5,633
Homeless Lets	54	53
Mid Market Lets – leased to SBHA Plus	3	3
	5,666	5,689

Stock movements during the year: Disposals include 9 Right to Buy sales, 12 houses removed by scheme reconfiguration and 2 Solum Swap properties at Stonefield Place in Hawick.

6. SALES OF HOUSING PROPERTIES AND LAND

	Housing 2015 £	Components 2015 £	Total 2015 £	Total 2014 £
Gross Proceeds	372,340	-	372,340	659,588
Income Share due to Scottish Borders Council	(236,951)	-	(236,951)	(385,159)
Legal Costs of Sales	(7,506)	-	(7,506)	(15,112)
Net Proceeds	127,883	-	127,883	259,317
Less Asset Cost, less Depreciation	(132,691)	(1,357,730)	(1,490,421)	(162,747)
(Loss)/Gain on Sale	(4,808)	(1,357,730)	(1,362,538)	96,570

The gross proceeds include the sale of 9 properties under Right to Buy (RTB) and 2 properties sold at a nil proceed as part of the final phase of Solum Swaps to Waverley Housing with a cost of £54,924.

No amount was due to Scottish Borders Council at 31st March 2015. The Scottish Government has given consent for the Association to retain a maximum of £398,240 of RTB receipts as a contribution to the development of eight new affordable homes, of which £13,081 was received in 2015. Future income foregone relating to the current year's sales is £124,464.

The Asset Cost less Depreciation includes the loss on disposal of obsolete housing property component assets £1,357,730 (nil 2014).

7. OPERATING SURPLUS

Operating surplus is stated after charging:

	2015 £	2014 £
Depreciation	2,841,310	2,633,328
External auditors remuneration:		
Audit Service	27,160	24,000
Non Audit Services for entities related to Auditor	2,184	2,371
	29,344	26,371
Internal Auditors Remuneration	12,900	15,738

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2015 £	2014 £
Interest Receivable	46,894	31,933
Other Interest on Pension Scheme	318,000	261,000
	364,894	292,933

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2015	2014
	£	£
Loan Interest	1,642,331	1,648,427
Non-utilisation Fees	69,415	55,738
Arrangement Fees	7,200	9,324
	<u>1,718,946</u>	<u>1,713,489</u>

10. DIRECTORS' EMOLUMENTS

The Directors are defined as the members of the Board of Management, the Chief Executive and any other person reporting directly to the Chief Executive or directly to the Board and whose total emoluments exceed £60,000 per year. No emoluments were paid to any member of the Board of Management during the year.

	2015	2014
	£	£
Aggregate emoluments payable to Directors (including Pension Contributions)	<u>339,500</u>	<u>330,945</u>
Emoluments payable to highest paid Director (excluding pension contributions)	<u>85,839</u>	<u>81,997</u>
Pension contributions payable to Directors whose total emoluments (excluding pension contributions) were £60,000 or more	<u>44,396</u>	<u>26,665</u>

The number of Directors (including the highest paid Director) who received emoluments (excluding pension contributions) were:

	2015	2014
£60,000 - £70,000	2	2
£70,001 - £80,000	1	-
£80,001 -£90,000	1	2

During the year, 3 Directors (2013-14, 2 Directors) participated in the Association's defined benefit pension scheme. The Chief Executive Officer is an ordinary member of the Association's pension scheme. No enhancements or special terms apply to membership and they had no other pension arrangements to which the Association contributes.

	2015	2014
	£	£
Total expenses reimbursed to Directors and Board Members as not chargeable to UK income tax	<u>2,591</u>	<u>2,862</u>

11. EMPLOYEES

Staff costs (including Directors) and numbers during the year were as follows:

	2015	2014
	£	£
Wages and Salaries	4,745,640	4,722,271
Social Security Costs	368,249	352,483
Pension costs	627,504	602,325
	<u>5,741,393</u>	<u>5,677,079</u>
Average number employed during the year (full time equivalents)		
Directorate and Senior Management	11	11
Supervisory and Administrative	88	82
Tradesmen and other weekly paid	93	96
	<u>192</u>	<u>189</u>

12. TANGIBLE FIXED ASSETS: HOUSING PROPERTY

	Housing for Let 2014-15	Under Construction Components 2014-15	Under Construction Housing 2014-15	Total 2015 £
Cost				
At 1 st April 2014	61,841,953	3,768,147	468,859	66,078,959
Transfer from stock	8,324	-	-	8,324
Construction Works Completed	1,653,009	(967,973)	(685,036)	-
Additions	4,488,197	-	1,963,556	6,451,753
Disposals	(1,996,572)	-	-	(1,996,572)
At 31 st March 2015	65,994,911	2,800,174	1,747,379	70,542,464
Accumulated Depreciation				
At 1 st April 2014	(14,039,797)	-	-	(14,039,797)
Transfer from stock	(1,257)	-	-	(1,257)
Charge for Year	(2,518,836)	(139,657)	-	(2,658,493)
On Disposals	561,076	-	-	561,076
At 31 st March 2015	(15,998,814)	(139,657)	-	(16,138,471)
Depreciated Costs	49,996,097	2,660,517	1,747,379	54,403,993
Capital Grants				
At 1 st April 2014	(1,190,819)	-	(60,000)	(1,250,819)
Construction works completed	(60,000)	-	60,000	-
Awarded during Year	-	-	-	-
At 31 st March 2015	(1,250,819)	-	-	(1,250,819)
Net Book Value				
At 1 st April 2014	46,611,337	3,768,147	408,859	50,788,343
At 31 st March 2015	48,745,278	2,660,517	1,747,379	53,153,174

Total expenditure on major works to existing properties was £8,460,945. £3,972,748 was charged to the Income and Expenditure Account and £4,488,197 was capitalised. All amounts capitalised related to replacements of components.

The Association's Housing property was independently valued as at 31st March 2015 at £69,832,000 (sixty nine million and eight hundred and thirty two thousand pounds) by Jones Lang LaSalle. Jones Lang LaSalle are a financial and professional services firm which specialise in commercial real estate services and investment management, providing surveying and valuation services around the World. The valuer is independent and their valuation is at 31st March 2015 on the Existing Use Value for Social Housing basis.

The value reported has been made in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Standards. It should be noted that future growth in both capital and rental values may not occur and values can fall as well as rise.

This valuation provides a loan collateral cover of 253% compared to the 105% required by the lender. There were authorised capital commitments in relation to housing properties at the year end of £6,874,867 (2014: £1,558,677).

13. TANGIBLE FIXED ASSETS: OTHER FIXED ASSETS

	<u>Office Premises</u> £	<u>Tenant Improvements</u> £	<u>Furniture & Fittings</u> £	<u>Office Equip & Information Systems</u> £	<u>Plant</u> £	<u>Motor Vehicles</u> £	<u>Total</u> £
Cost							
At 1 st April 2014	2,777,865	35,425	147,129	1,315,373	20,514	1,537	4,297,843
Additions	-	-	-	92,797	96,256	-	189,053
At 31 st March 2015	2,777,865	35,425	147,129	1,408,170	116,770	1,537	4,486,896
Depreciation							
At 1 st April 2014	(616,262)	(35,425)	(147,129)	(1,235,771)	(20,514)	(1,537)	(2,056,638)
Charge for the year	(86,322)	-	-	(63,153)	(32,085)	-	(181,560)
At 31 st March 2015	(702,584)	(35,425)	(147,129)	(1,298,924)	(52,599)	(1,537)	(2,238,198)
Net Book Value							
At 31 st March 2014	2,161,603	-	-	79,602	-	-	2,241,205
At 31 st March 2015	2,075,281	-	-	109,246	64,171	-	2,248,698

There were £207,418 capital commitments in relation to other fixed assets at the year end 2015 (2014: £nil)

14. INVESTMENT IN SUBSIDIARY

	2015	2014
	£	£
Cost	<u>1</u>	<u>1</u>

This relates to SBHA Plus Limited, a wholly owned subsidiary of the Association incorporated in July 2009. The Association holds 1 ordinary £1 share in its subsidiary.

The objectives of SBHA Plus Ltd include the carrying on of business as a general commercial company with an emphasis on housing related activities.

The income of the company in 2014-15 was £92,283 (2013-14 £76,946) with costs of £87,142 (2013-14 £73,137) resulting in a surplus for the year of £5,142 (2013-14: £3,809). The net assets of the company as at 31 March 2015 were £10,071 (2014 £5,958).

The Association also owns 100% of Scottish Borders Building Services Ltd, a company which is currently dormant.

15. STOCK

	2015	2014
	£	£
Stock of Materials	101,486	39,229
Properties held for sale	-	7,992
	<u>101,486</u>	<u>47,221</u>

16. DEBTORS

	2015	2014
	£	£
Gross Arrears of Rent and Service Charges	1,264,417	1,097,987
Provision for Doubtful Debts	(639,983)	(583,043)
	624,434	514,944
Other Debtors	26,216	108,372
Prepayments and Accrued Income	1,018,084	758,745
Amount due from Subsidiary Company	10,307	23,667
	<u>1,679,041</u>	<u>1,405,728</u>

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015	2014
	£	£
Accruals	1,145,086	1,078,481
Rent in Advance	625,828	639,028
Trade Creditors	1,244,320	1,271,509
Other Creditors	32,141	29,941
Other Taxes and Social Security	115,471	149,183
Bank Loans (Note 18)	643,200	86,400
	<u>3,806,046</u>	<u>3,254,542</u>

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2015	2014
	£	£
Bank Loans	<u>27,000,000</u>	<u>27,643,200</u>
Analysis of duration of loan tranches:		
Repayable within one year	643,200	86,400
Repayable between one and two years	-	643,200
Repayable between two and five years	6,000,000	6,000,000
Repayable in five years or more	<u>21,000,000</u>	<u>21,000,000</u>
	27,643,200	27,729,600
Less due within one year (Note 17)	<u>(643,200)</u>	<u>(86,400)</u>
	<u><u>27,000,000</u></u>	<u><u>27,643,200</u></u>

In agreement with SBHA's funders, Lloyds TSB plc, the Loan Facility is advanced and repaid in line with the Association's Business Plan. The loan is tranching to allow borrowing to be spread across a variety of interest rates and facilities. The loan is secured by way of standard securities or other charges on the Association's housing land and buildings and a first legal charge over 0.75 hectares at South Bridge Street, Selkirk.

As at 31st March 2015, £27,000,000 (100%) of the loan was at fixed rates for a period of one year or more. The average rate of interest on all borrowings for the year ended 31st March 2015 was 6.10% (2014 6.14%).

19. SHARE CAPITAL

	2015	2014
	£	£
Shares of £1 issued and fully paid:		
Active Shares at 31 st March 2014	251	258
Relinquished during the period	(19)	(15)
Issued during the period	<u>13</u>	<u>8</u>
Active Shares at 31 st March 2015	<u><u>245</u></u>	<u><u>251</u></u>

Each Member of the Association holds one share of £1 in the Association. These shares carry no rights to dividends or distributions on winding up. When a Shareholder ceases to be a Member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each Member has a right to vote at a Members' meeting.

20. RESERVES	2015	2014
a) Revenue Reserve	£	£
At 1 st April 2014	31,899,475	27,998,575
Surplus for the Year	1,633,637	3,780,900
Transfers from Designated Reserve:		
- for roads and footpaths maintenance	105,000	80,000
- for new build,2015 (reconfiguration,2014)	-	40,000
At 31 st March 2015	<u>33,638,112</u>	<u>31,899,475</u>

The total surplus for the year amounts to £1,633,737 (2014, £4,115,900) of which £337,000 (2014, £335,000) relating to a surplus on the pension reserve, is disclosed in Note 20(b). Transfers to and from the Designated Reserve are further explained at Note 20(c) below.

b) Pension Reserve	2015	2014
	£	£
At 1 st April 2014	563,000	1,195,000
Surplus in Year	337,000	335,000
Actuarial (Loss) in Year	(2,520,000)	(967,000)
At 31 st March 2015	<u>(1,602,000)</u>	<u>563,000</u>

The Pension Reserve represents the Association's share of the deficit that exists within the pension scheme of which it is a member, in accordance with FRS 17 calculations. Assets are now valued on a bid value rather than mid market value basis (Note 22).

(c) Designated Reserve	2015	2014
	£	£
At 1 st April 2014	505,259	240,000
Transfers to Revenue Reserve:		
- for roads and footpaths maintenance	(105,000)	(80,000)
- for new build (reconfiguration, 2014)		(40,000)
Release of Excess Gains from RTB	12,981	385,259
At 31 st March 2015	<u>413,240</u>	<u>505,259</u>

The designated reserve comprises the receipt of £250,000 from Scottish Borders Council in settlement of a legal claim and is earmarked for further property repairs and maintenance. £80,000 was utilised in 2013-14 with a further £105,000 utilised in 2014-15 for spend on maintaining roads and footpaths as part of an ongoing programme. Both amounts have now been transferred back to general reserve.

The Scottish Government has given consent for the Association to retain Right to Buy Receipts, which would have fallen as due to them, to a maximum of £398,240 as a contribution to the development of eight new affordable homes. Receipts retained to 31 March 2014 totalled £385,259 and a further £12,981 in 2014-15 have been included in Designated Reserve.

21. CASH FLOW

(i) Reconciliation of Operating Surplus to Operating Cash Flows

	2015	2014
	£	£
Operating Surplus	4,687,227	5,439,886
Increase/(Decrease) in Bad Debt provision	56,939	102,185
Depreciation for Year	2,842,077	2,633,328
Non Cash Adjustments on Additions/Disposals	(332)	400
Pension Adjustment – Management	(19,000)	(74,000)
(Increase)/Decrease in Stock	(54,265)	(21,887)
(Increase)/Decrease in Debtors	(330,253)	(46,226)
Increase in Creditors	(6,173)	198,405
T/f to Reserves (Right to Buy receipts retained)	-	385,259
	<u>7,176,220</u>	<u>8,617,350</u>

(ii) Reconciliation of Net Cash Flow to Decrease in Net Debt

	2015	2014
	£	£
Increase in Cash in the Year	(1,144,987)	953,193
Loan Repaid during the year	86,400	86,400
Movement in Net Debt	<u>(1,058,587)</u>	<u>1,039,593</u>
Net Debt at 1 st April 2014	(18,909,370)	(19,948,963)
Movement in Debt in the year	<u>(1,058,587)</u>	<u>1,039,593</u>
Net debt at 31 st March 2015	<u>(19,967,957)</u>	<u>(18,909,370)</u>

(iii) Analysis of Changes in Net Debt

	2015	Movement	2014
	£	£	£
Cash and Short Term Deposits	7,675,243	(1,144,987)	8,820,230
Debt due within one year	(643,200)	(556,800)	(86,400)
Debt due after one year	<u>(27,000,000)</u>	643,200	<u>(27,643,200)</u>
Total	<u>(19,967,957)</u>	<u>(1,058,587)</u>	<u>(18,909,370)</u>

22. PENSION COMMITMENT

The pension cost charge for the year amounted to £660,156 (2014 - £602,325). At 31st March 2015, the Association had no pension contributions outstanding (2014 – nil). SBHA participates in the Scottish Borders Council Pension Fund which is a statutory multi-employer defined benefit scheme. It is administered by the Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended. The Association is an admitted body of the Scottish Borders Council Pension Fund. The Pension Fund is a defined benefit scheme into which employees' and employers' contributions, and interest and dividends from investments are paid and from which pensions, lump sums and superannuation benefits are paid out.

Employees' contributions are fixed by statute for SBHA employees. According to the following scale for the year ended 31st March 2015:

Pensionable Salary	% Payable
£0 - £20,335	5.50
£20,335 - £24,853	7.25
£24,854 - £34,096	8.50
£34,097 - £45,393	9.50
Above £45,394	12.00

Employer's contributions currently stand at 18% based on the pensionable salary of the previous year. This percentage has been increased to 19% from 1st April 2015.

Employer's basic contributions are assessed each three years by an actuary and are fixed to ensure the fund remains solvent and in a position to meet its future liabilities. The actuarial method used is known as the Projected Unit Method.

In accordance with Financial Reporting Standard 17 on retirement benefits, the Fund's actuaries undertook a pension expense calculation as at 31st March 2015. This calculation was based on rolling forward valuation data as of 31st March 2014 to 31st March 2015 on the basis of a number of financial assumptions. The projected unit method of valuation was used to calculate the service cost. The main financial assumptions used included:

Assumptions as at 31st March	2015
	%
RPI increases	3.0
CPI increases	2.0
Salary increases	3.0
Pension increases	2.0
Discount rate	3.5

The expected return on assets is based on the long-term future expected investment for each asset class as at 31st March 2015.

22. PENSION COMMITMENT (Cont.)

Assumed life expectancies from age 65 are:-

		Years
Retiring today	Males	22.7
	Females	23.6
Retiring in 20 years	Males	24.9
	Females	25.9
Assets (Employer)	31.03.15	31.03.14
Equities	66%	65%
Gilts	2%	3%
Other Bonds	9%	8%
Property	5%	4%
Cash	1%	3%
Multi Asset Fund	17%	17%
Total	100%	100%

Net Pension (Liability)/Asset as at	31st March 2015 £'000	31st March 2014 £'000	31st March 2013 £'000	31st March 2012 £'000	31st March 2011 £'000
Fair Value of Scheme assets	25,416	22,417	20,766	18,063	17,541
Present value of Funded obligation	(27,018)	(21,854)	(19,571)	(16,843)	(18,317)
Net Pension (Liability) /Asset	(1,602)	563	1,195	1,220	(776)

22.8 Assets are valued on a bid value basis.

Amount recognised in Income & Expenditure Account	31st March 2015 £'000	31st March 2014 £'000
Current Service Cost	552	544
Expected return on scheme assets	(1,327)	(1,187)
Interest on obligation	1,009	926
Total	234	283
Actual return on scheme assets	2,947	1,297

22. PENSION COMMITMENT (Cont.)

Reconciliation of opening and closing balances of the present value of the defined benefit obligation	31st March 2015 £'000	31st March 2014 £'000
Opening Defined Benefit Obligation	21,854	19,571
Service Cost	552	544
Interest Cost	1,009	926
Actuarial Loss	3,998	1,077
Estimated Benefits paid (net of transfers in)	(597)	(471)
Contributions by Scheme participants	202	207
Closing Defined Benefit Obligation	<u>27,018</u>	<u>21,854</u>

Reconciliation of opening and closing balances of the fair value of Scheme assets	31st March 2015 £'000	31st March 2014 £'000
Opening fair value of Scheme assets	22,417	20,766
Expected return on Scheme assets	1,327	1,187
Actuarial gains	1,478	110
Contributions by employer (including unfunded)	589	618
Contributions by Scheme participants	202	207
Estimated benefits paid (net of transfers in and including unfunded)	(597)	(471)
Fair value of Scheme assets at end of period	<u>25,416</u>	<u>22,417</u>

Projected pension expense for year to 31st March 2016	Year to 31st March 2016 £000's
Service cost	814
Net Interest on the defined liability / (asset)	45
Administration expenses	19
Total	<u>878</u>
Employer Contributions	<u>631</u>

Note that these figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31st March 2015.

These projections are based on the assumptions as at 31st March 2015, as described in paragraphs 22.5 and 22.7.

23. OPERATING LEASE COMMITMENTS

At 31st March 2015, the Association had aggregate annual commitments and had made payments under non cancellable operating leases as set out below:-

	2015 Plant & Equipment £	2014 Plant & Equipment £
Expiring within 1 year	40,445	23,078
Expiring within 2 – 5 years	221,065	28,535
Annual commitment at 31 st March	<u>261,510</u>	<u>51,613</u>
Payments in current year	<u>189,296</u>	<u>196,931</u>

24. CONTINGENCIES

In 2012-13, the Board of Management investigated options in relation to the Scottish Borders Council Pension Fund and in that process obtained an estimate of the potential liability at that time, if the pension scheme was closed to all employees. The value at that time was around £7 million and this will continue to vary with time. A decision was taken to close the scheme to new entrants from 1st April 2014, so that the potential liability could be capped and future increases in pension contribution for new liabilities be reduced. The above liability will not crystallise unless there were no members still in the scheme and by that time it is anticipated the assumptions and value will have changed considerably. The Board are reviewing plans to ensure funds are available over the next 10 -20 years to meet any liability that crystallises on cessation of the scheme.

25. RELATED PARTIES

Board members Vicky Davidson, Simon Mountford and Bill Herd are/have been Councillors during the year. Any transactions with Scottish Borders Council are at arms length, on normal commercial terms and the Councillor members cannot use their position to an advantage.

SBHA Plus Ltd, a company incorporated in Scotland in July 2009, is a related party by virtue of being a wholly owned subsidiary of SBHA. SBHA Plus Ltd is controlled by a Board of Directors which is appointed by the Board of Management of SBHA and which contains four members of the Board of SBHA including Stuart Lobb who is the Chair in addition to Michael Grieve and Simon Mountford plus one vacancy. David Pye stood down from the Board of SBHA Plus during the year.

Carly Stewart, the Director of Finance and Corporate Services of SBHA, is also the secretary of SBHA Plus Ltd.

A Service Level Agreement between SBHA and SBHA Plus Ltd took effect on 1st April 2010.

During the year ended 31st March 2015 SBHA recharged SBHA Plus Ltd the sum of £71,933 (2014: £73,503) representing costs incurred in connection with Wider Role activities, Mid Market rental and Post Office activities. The amount due by SBHA Plus to SBHA at 31st March 2015 was £10,307 (2014: £23,667).

Scottish Borders Building Services Limited (SBBS Ltd), a company incorporated in Scotland, is a related party by virtue of being a wholly owned subsidiary of SBHA. SBBS Ltd is controlled by its own Board of Directors which is appointed by the Board of Management of SBHA. SBBS Ltd was dormant during the year to 31st March 2015.

Julia Mulloy, the Secretary and Chief Executive Officer of SBHA, is also the Secretary of SBBS Ltd.

Ray Licence, the Chair of the Board of Management of SBHA is also a Director of SBBS Ltd but holds no shares in the company.

There was no trading between SBHA and SBBS Ltd during the years ended 31st March 2014 or 2015.

SBHA promotes and supports the active participation of its Tenants and their local communities in the Association's activities, and in influencing decision-making. This is achieved by means of a grant to the Scottish Borders Tenants Organisation (SBTO) which in 2014-15 amounted to £81,360, as well as SBHA's direct employment of a Senior Tenant Participation Officer and a dedicated budget for SBHA-led Tenant Participation projects. In 2014-15, the Association's total expenditure on Tenant Participation was £50,932.

The Board Members listed as Tenants on page 1 held tenancies of SBHA properties during the year. The tenancies are subject to normal commercial terms and conditions and do not allow the Board Members concerned to use their position to any advantage.

26. LEGISLATIVE PROVISIONS

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014.

