



**BERWICKSHIRE HOUSING ASSOCIATION LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

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



CT:

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

ANNUAL REPORT and GROUP FINANCIAL STATEMENTS

For the year ended 31 March 2023

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BERWICKSHIRE HOUSING ASSOCIATION LIMITED**ANNUAL REPORT and GROUP FINANCIAL STATEMENTS****For the year ended 31 March 2023****BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS****Board of Management**

Jim McDevitt	Chair
Vivienne Cockburn	Vice-Chair
John Campbell	
Hugh Carr	
Brian Devlin	(Appointed Feb-23)
Gavin Edmonds	
Karen Featherstone	(Appointed Jan-23)
Lynn Gray	
Sam Hart	(Resigned Nov-22)
Gareth James	(Resigned Jan-23)
Graeme MacLeod	(Resigned Sep-22)
Norrie MacPhail	(Resigned Sep-22)
Paul Matthews	
Anne Rutherford	
Stephen Scott	(Resigned Jun-22)
Carolyn Wood	(Appointed Jan-23)

Executive Officers

Michelle Meldrum	Chief Executive
Angela Taylor	Executive Director Assets & Sustainability (Resigned Nov-22)
Eleanor Rooke	Executive Director Business Support
Daniel Blake	Executive Director Customer Experience

Registered Office and Principal Address

55 Newtown Street, Duns, Berwickshire, TD11 3AU

Funders

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

Bankers

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

External Auditor

CT
Chartered Accountants and Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

Internal Auditor

TIAA Ltd
Artillery House
Newgate Lane
Fareham
PO14 1AH

Solicitors

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

ANNUAL REPORT and GROUP FINANCIAL STATEMENTS

For the year ended 31 March 2023

GROUP OPERATING REVIEW

The Board present their annual report and audited group financial statements for the year ended 31 March 2023.

Principal Activities

The BHA Group comprises Berwickshire Housing Association (“BHA” or “the Association”), BHA Enterprise Ltd (“Enterprise”) and Berwickshire Community Renewables LLP (“BCR”). The principal activities of the Association are the provision and management of affordable rented accommodation through 1,951 homes. Enterprise manages 12 mid-market rent properties and holds the majority membership in Berwickshire Community Renewables Limited Liability Partnership (“BCR”). BCR operates a three-turbine wind farm, named ‘The Fishermen Three’.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS: BERWICKSHIRE HOUSING ASSOCIATION LIMITED

In January 2023, BHA’s Board approved the strategic framework which includes the organisation’s vision, values, strategic aims, and cross-cutting priorities. BHA’s vision, “To realise the power of home”, places our focus very much on the importance of home which goes beyond bricks and mortar. We believe everyone has the right to a high quality, safe and affordable home, and a good quality of life. BHA have a role to play in enabling both outcomes for our customers. Our strategic aims set the ambition for four key areas of the business:

- Customer – to deliver an outstanding experience to our customers.
- Asset – to provide safe, affordable and energy efficient homes in places people want to live.
- People – to create an enabling, high-performance culture where people can thrive.
- Strength – to ensure organisational strength, value for money and good governance.

New homes

BHA aims to build as many new homes as it can afford to meet local need. We completed 28 homes in Duns in 2022/23 with a further 21 homes due to be completed in 2023/24. Due to the current cost of development and the recognised need to invest in our existing homes, we are reviewing our capacity to develop over the coming years.

Delivery of services

Our new operating model has been in place since April 2022, and has been embedded during the year. The model places the customer at the heart of what we do. Our seven Neighbourhood Managers provide most housing services to patch sizes of approximately 250 homes, being visible in our communities and providing one consistent point of contact to their customers. Our Repairs Team ensure emergency and responsive repairs are delivered efficiently, effectively and to high a standard. Meanwhile our Tenancy Sustainability Managers work to support customers with more complex needs to successfully maintain their tenancy. Finally, a new Customer Experience Team ensures that all inbound communications from customers are triaged by one team, in a joined-up way. The new model has a reduced head count of 53 (a reduction from head count of 61 in April 2021 of 13%).

We continued to monitor customer satisfaction through monthly independent calls covering 40% of our customer base across the year. Most of our core satisfaction measures have held steady across the year with slight improvements in how satisfied customers are with; the quality of their homes (70.6% up to 73.7%), the overall service provided by BHA (78.8% up to 79.5%) and that their rent represents value for money (72.1% up to 74.6%). We have seen a dip in satisfaction around our repairs service, but as reported later, this is a key area of focus for improvement. We are introducing a new, digital method of obtaining customer feedback in 2023/24 with the aim of deepening our understanding of customer satisfaction through real-time customer feedback.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**ANNUAL REPORT and GROUP FINANCIAL STATEMENTS****For the year ended 31 March 2023****REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS: BERWICKSHIRE HOUSING ASSOCIATION LIMITED (continued)**

Our Neighbourhood Managers and Tenancy Sustainability Managers have actively supported our customers throughout the year to keep their rent arrears to a minimum and to help customers get access to any benefits to which they are entitled. At 31 March 2023, our gross rent arrears as a percentage of rent due stood at 4.15% (split 3.10% current tenants and 1.05% former tenants), a slight increase from the prior year position of 3.66%, which was expected under the current economic circumstances. Total benefit gains generated for our customers across the year totalled £675k and 373 customers were assisted by the Tenancy Sustainment team.

As a newly established service within BHA, the Customer Experience Team has made a remarkable impact in terms of coming together to deliver collective benefit for customers and colleagues. Over the year the team have received 15,620 calls of which 95.8% were answered. This is a significant improvement from our previous operating model where there were multiple points of contact into the business, and our abandoned call rates were in the region of 50%. A new out of hours contract commenced on 1 April, with several service improvements introduced over the year to ensure customers can always contact someone in the event of an emergency.

We undertook a full repairs service baseline review during the first part of the year and have since had a focus on the implementation of key improvements covering; cost and quality control, contractor performance monitoring, damp and mould detection, treatment and prevention, process review and digital enabling software. The impact of Storm Arwen continued into the early part of the year, with many back log repairs to be worked through after resources were diverted to repairing properties damaged by the storm. This, alongside contractual inflationary increases, increased customer demand, and the recognised need for strengthened cost controls, has resulted in significantly higher repairs and voids expenditure than prior years, £1,990k (2022: £1,377k). There is a continued focus on our repairs service, with additional resource being brought into enhance the work on cost and quality control.

At present, 57.97% of BHA's homes meet Scottish Housing Quality Standard (SHQS) requirements. Our reported SHQS compliance has reduced from the previous year primarily due to a change in definition which now includes the requirement to have in place in date Electrical Inspection Safety Reports (EICR) for all properties. We reached 93% EICR compliance by June 2023.

A large proportion of the planned investment works completed in 2022/23 related to meeting the Energy Efficiency Standard for Social Housing (ESSH) alongside one off projects addressing known issues in the stock. The ESSH works were made up of a window replacement programme (£426k), and the installation of air source heat pumps (£954k) partly funded by Scottish Government Net Zero Homes grant. Alongside this several heating upgrades were completed (solid fuel to gas, gas to gas, etc.) (£442k), and a number of bathroom (£168k) and kitchen (£119k) replacements were progressed. There were also works required on two properties damaged by fires, which have been claimed through insurance.

Over the year, the asset team have finalised the stock condition survey work being undertaken, encompassing external surveys of 100% of our stock and internal surveys of 71%. Our focus is now on validating and rationalising the data, to inform our Asset Management Strategy which will be developed over 2023/24. This will include BHA's approach for ensuring we maintain up to date condition data on our assets.

Support for our customers and communities

Taking into account the cost-of-living crisis and the rapid increase in wholesale energy costs, mitigating fuel poverty has been at the forefront of our tenancy sustainment efforts this year. Since April 2021 BHA has received two tranches of funding (£32k and £48k) from a joint bid between the four Borders Registered Social Landlords (RSL) to the Scottish Government's Fuel Poverty Fund. These amounts have been used for immediate payment to energy suppliers on behalf of our customers for large scale fuel arrears. The funding also included a ring-fenced amount held by the Fuel Bank Foundation who can issue vouchers to our tenants on an on-going basis. The Borders RSLs were again successful in securing a third round of Fuel Poverty funding, with BHA receiving £80k in December 2022. This round will target ChangeWorks support for 200 customers with air source heat pumps and those who need intensive support with fuel costs.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**ANNUAL REPORT and GROUP FINANCIAL STATEMENTS****For the year ended 31 March 2023****REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS: BERWICKSHIRE HOUSING ASSOCIATION LIMITED (continued)**

Separate to this, BHA customers will also have access to a new Warm and Well Advisor. Over the last year BHA has helped 82 customers and directly mitigated £41k of fuel debt as well as issuing 615 Fuel Bank vouchers helping 779 adults and 386 children.

From May 2021 we started our new three-year tranche of National Lottery Community Fund funding for our Befriend service. Befriend provides one to one befriending and group activities for people who are 65 and over, living in Berwickshire and Kelso. Our trained and vetted volunteers visit or call people who feel lonely and isolated, offering companionship, a chat, a chance to go out for coffee, or even a walk around the park. The people we visit really feel the benefit to their physical and mental wellbeing. An external evaluation is being commissioned, to help inform an options appraisal into the future of the service.

Our tenancy support service, BeWell, which started in October 2020, has been successful in securing funding from the Community Mental Health and Wellbeing fund, meaning the service is fully funded until June 2024. The service also receives funding from The Lintel Trust. The project is aimed at supporting BHA tenants who have additional mental health and wellbeing support needs that impact on their ability to positively manage their home. The service is operated by Penumbra, a national mental health support organisation.

Working in partnership with The Wise Group and the Borders RSLs, we were able to secure funding from the UK Government's Community Renewal Fund. The Borders Employment Advice and Mentoring ('BEAM') project started in January 2022 and was originally meant to run until June 2022, however the project was extended until October 2022. The project aim is to help out-of-work customers or members of their household identify and overcome barriers to employment. The individuals the project team worked with reported; increased happiness, improved health and wellbeing, improved confidence, self-esteem, motivation, and aspirations, improved digital and employability skills, and increased independence. Although not a specific aim of the programme, 23 people secured employment because of BEAM's interventions.

Supporting our people

Our people continue to embrace The BHA Way, working flexibly both in terms of their working patterns and working location (using BHA offices, their homes, or other local hubs). We continue to have in place an "anchor day" where all teams are required to attend the office in person to ensure directorate, team, and one to one meetings take place face to face. BHA's new People Strategy was consulted on and introduced over 2022/23, with four key strands covering; reward and recognition, proactive health and wellbeing, learning and development, and careers and succession. Over the year the main area of focus has been around reward and recognition; introducing a new framework for one to ones and performance management, implementing our new salary structure on 1 April, and consulting on and making changes to our wider benefits offer. Towards the end of the year a new, digital, engagement tool was introduced to better gather feedback from all colleagues and inform where things can be improved. The other strands of the people strategy will be focussed on from 2023/24 onwards, with clear delivery plans in place.

Ensuring financial wellbeing

The 2022/23 financial year has been characterised by high inflation and high interest rates. Annual RPI has remained above 11% across the year and CPI has also been above 10% for much of the year. The Bank of England Base rate rose 8 times, from 0.75% in April 2022 to 4.25%, and has since moved up again to 5.0% in June 2023. Exacerbating these external factors, was the previously noted increase in expenditure on repairs and voids maintenance. Against this backdrop of significant financial volatility close monitoring of our cash flows was critical, as was careful in-year forecasting to ensure delivery against approved financial plans, adherence to internal financial targets and lender covenants. Despite this we maintained significant investment levels in our properties, spending £2,568k (2022: £2,543k which included an element of Covid-19 carry over) on component replacements and capitalised improvements. Gift aid income from the wind farm, via BHA Enterprise, of £720k (£320k in relation to 2021/22 profits and £400k in relation to 2022/23 profits) helped ensure we could preserve our planned investment spend.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**ANNUAL REPORT and GROUP FINANCIAL STATEMENTS****For the year ended 31 March 2023****REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS: BERWICKSHIRE HOUSING ASSOCIATION LIMITED (continued)****Future Developments**

BHA's refreshed strategic framework was approved in January 2023 and following this our five-year business plan (2023 to 2028) was approved by the Board in March 2023. Our business plan sets out the key objectives under each of our strategic aims, and detailed delivery plans are in place for 2023/24. Our focus remains on ensuring we get the fundamentals right in the core business, and we continue to work on several foundational pieces of work over the coming year including (but not limited to); customer voice, BHA service catalogue, repairs delivery model, asset management strategy, procurement and contract management, cyber security, data and data management, Board development and succession. A critical piece of work is the development of "toolkits" (policy, procedure, working instructions, etc.) to ensure how we deliver our services is efficient, consistent and to a high quality. BHA's Board will also explore its strategic options to identify whether we can strengthen the organisation and do more for customers by working in partnership with other organisations.

Managing Risk

BHA's approach to risk management focuses on the key controls we have in place to manage risk and documenting and strengthening our assurance framework which helps us ensure those key controls are operating effectively. Set out below are the key risks facing the association and the controls and mitigations in place:

Key Risks	Mitigation/Controls
<ul style="list-style-type: none"> • Increased development, construction, investment, and repairs costs • Materials and labour / contractor shortages • Non-compliance with asset management regulations • Inability to meet current and future housing quality requirements 	<ul style="list-style-type: none"> • Budget and business/financial planning • Business plan stress testing • Fixed price contracts • Increased lead in times on programmes • Contractor monitoring and reporting procedures • KPI's and Regulatory reporting • Stock condition survey data • Contingency for cost increases
<ul style="list-style-type: none"> • IT infrastructure does not support the strategic direction / needs of the business • Successful cyber-attack or significant data breach 	<ul style="list-style-type: none"> • Approved ICT and Digital transformation strategy • Appropriately qualified IT personnel in place • External IT support provider • Detailed three-year delivery plan, monitored by Operations Committee • Supplier performance management • Insurance cover
<ul style="list-style-type: none"> • Fail to manage finances effectively • Non-compliance with funders requirements 	<ul style="list-style-type: none"> • Agreed thresholds and principals ("Golden Rules") • Financial Policies and Procedures • Financial KPI's • Weekly cash flow monitoring • Monthly management accounts and covenant review • Quarterly Financial Performance reporting to Board • Quarterly forecasting • Stress testing
<ul style="list-style-type: none"> • Serious health and safety incident 	<ul style="list-style-type: none"> • Policies and procedures • Externally appointed competent person • Health and safety advisory group • Action plan and KPI monitoring • Board appointed health and safety representative • Training of key personnel

BHA Enterprise Ltd

Enterprise continues to support BCR in the management of the wind farm at Hoprighshiels known as the 'Fisherman Three'. It also manages 12 mid-market rent homes in Duns. Enterprise made a small operating loss of £28k (2022: £17k) in the year which was in line with expected trading activities. After accounting for interest receivable and profit distributions from BCR, the reported profit for the financial year was £372k (2022: £303k). Enterprise gift aided £720k (2022: £Nil) to BHA during the year.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**ANNUAL REPORT and GROUP FINANCIAL STATEMENTS****For the year ended 31 March 2023****FINANCIAL REVIEW****Income**

The Association's turnover for the year ended 31 March 2023 totalled £11,491k (2022: £10,043k). Rental and service charge income (net of void losses) accounted for 82% or £9,410k of this with the remainder including:

- £188k of Housing Association Grant released from deferred income.
- £133k grant received for adaptations.
- £178k grant received in relation to the Net Zero Fund, recorded in other revenue grants.
- £306k received for wider role activities including; £69k Lottery funding for Befriending services, £10k funding for our BeWell services, £67k Fuel Poverty Fund, and £160k funding for Borders Employability and Mentoring project.
- £22k received for recharges to subsidiaries for support services provided by BHA.
- £45k for commercial rents.
- £238k of renewable income from installed solar PV panels and Renewable Heat Incentive from eligible heating systems installed in our homes.
- £234k of insurance income accrued in relation to costs incurred for damage to our properties caused by Storm Arwen and two fires.
- £720k gift aid from Enterprise, being 2021/22 and 2022/23 profit distributions from the wind farm.

The consolidated turnover for the group is £13,189k (2022: £12,089k).

Expenses

Total revenue expenditure in the year for the Association was £9,831k (2022: £9,108k), comprising the following main items:

- Letting activity management and maintenance administration costs £3,201k (2022: £3,695k)
- Depreciation of social housing properties £2,442k (2022: £2,240k)
- Reactive maintenance to social housing stock £1,991k (2022: £1,377k)
- Planned and cyclical maintenance of social housing stock £1,158k (2022: £1,051k)
- Wider role activities of £332k (2022: £199k)
- £14k on Development activities (2022: £52k).

The operating surplus generated by the Association in the year was £1,660k against an operating surplus of £936k for 2022. After net interest charges of £827k (2022: £634k) and loss on the sale and disposal of certain housing stock, the surplus for the year was £725k (2022: £272k). A pension scheme re-measurement debit of £493k (2022: credit £1,067k) takes total comprehensive income for the year to £232k. The Group had a net deficit for the year of £48k (2022: £1,617k surplus).

The Association had a net asset position at the year-end of £41,498k compared with a net asset position of £41,266k for 2022. The consolidated net asset position was £42,410k (2022: £42,424k).

Pension

Berwickshire Housing Association participates in the Scottish Housing Association Pension Scheme and has reported a past service pension deficit relating to the defined benefit service already earned by staff members whilst the scheme was still open to those staff members. The deficit has increased from £nil to £334k due to significant financial markets volatility in autumn 2022. This volatility caused a reduction in both scheme assets and liabilities, with a greater reduction in scheme assets due to the nature of the hedging in place.

Cash Flows

The cash flow statement of the Association is shown on page 18. BHA generated £3,235k (2022: £3,112k) from operating activities. Cash and cash equivalents decreased by £506k (2022: £546k increase) including the continued investment in new builds with this expenditure covered by a mixture of grants and private finance.

Liquidity

The Association has a net current liability position of £623k as at 31 March 2023, an improvement of £853k in the year due to cash flow and liquidity management and ensuring available funds on loan facilities are only drawn as required. BHA has a £5,500k loan facility with Nationwide of which £1,500k has been drawn as at 31 March 2023.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

ANNUAL REPORT and GROUP FINANCIAL STATEMENTS

For the year ended 31 March 2023

FINANCIAL REVIEW (continued)

Capital Structure and Treasury

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

Reserves

The Association has in place general revenue reserves of £18,428k which ensure we can meet future expenditure related to our core activities. Future surpluses or deficits made by the Association will impact the level of revenue reserves. The revaluation reserve of £23,070k recognises a historic revaluation increase of the housing stock. Should housing properties be revalued on the balance sheet at a future date, any revaluation gains or losses will be recognised through the revaluation reserve. The designated reserve of £227k was transferred into general reserves during the year as it was considered by the Board that the purpose of the designation aligns with the Association's general charitable aims.

BOARD OF MANAGEMENT AND EXECUTIVE OFFICERS

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

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

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

BOARD OF MANAGEMENT'S RESPONSIBILITIES STATEMENT

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

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

- select suitable accounting policies and then apply them consistently.
- make judgments and estimates that are reasonable and prudent.
- state whether applicable accounting standards and the Statement of Recommended Practice 2018 (SORP) have been followed, subject to any material departures disclosed and explained in the Financial Statements.
- prepare the Group Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in operation.
- prepare a statement on Internal Financial Control.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements (February 2019). The Board of Management is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

ANNUAL REPORT and GROUP FINANCIAL STATEMENTS

For the year ended 31 March 2023

BOARD OF MANAGEMENT'S RESPONSIBILITIES STATEMENT (continued)

In so far as the Board of Management are aware:

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

STATEMENT ON INTERNAL FINANCIAL CONTROL

The Board of Management acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

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

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

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets.
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance.
- forecasts and budgets are prepared which allow the management team and the Board of Management to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term.
- quarterly financial management reports are prepared promptly, providing relevant, reliable, and up to date financial and other information, with significant variances from budget being investigated as appropriate.
- Regulatory returns are prepared, authorised, and submitted promptly to the relevant regulatory bodies.
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board of Management.
- the Board of Management receive reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken.
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Board of Management has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2023. 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.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

ANNUAL REPORT and GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

Donations

During the year the Association made charitable donations amounting to £Nil (2022: £Nil)

Auditor

A resolution to re-appoint CT will be proposed at the Annual General Meeting.

Board

This year we saw four valued Board members step down from the Board; Sam Hart, Stephen Scott, Graeme McLeod, Norrie MacPhail, and Gareth James. We were, however, delighted to welcome three highly experienced new Board members in January and February 2023; Carolyn Wood, Karen Featherstone, and Brian Devlin. Anyone interested in becoming a Board member should contact secretary@Berwickshirehousing.org.uk for further details.

BY ORDER OF THE BOARD OF MANAGEMENT



Jim McDevitt
Chair
55 Newtown Street
Duns, TD11 3AU

Date: 09 August 2023

INDEPENDENT AUDITOR'S REPORT to the MEMBERS OF**BERWICKSHIRE HOUSING ASSOCIATION LIMITED****Opinion**

We have audited the Group financial statements of Berwickshire Housing Association Limited (the 'Association') for the year ended 31 March 2023 which comprise the Consolidated and Association Statement of Comprehensive Income, the Consolidated and Association Statement of Financial Position, the Consolidated and Association Statement of Cash Flows, the Consolidated and Association Statement of Changes in Reserves and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Association's affairs as at 31 March 2023 and of the Association's and the Group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010, and the Determination of Accounting Requirements – 2019.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Board is responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Matters on which we are required to report by exception

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

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

Responsibilities of the Board of Management

As explained more fully in the Board of Management's Responsibilities Statement set out on page 7, the Board members (who are also the Trustees of the Association for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Group's and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

CT:

Use of our report

This report is made solely to the Association's members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body for our audit work, for this report, or for the opinions we have formed.



CT
Chartered Accountants and Statutory Auditor
61 Dublin Street
Edinburgh EH3 6NL

Date: 10 August 2023

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

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

Basis of Opinion

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 8 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

Through enquiry of certain members of the Board of Management and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Board of Management's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



CT
Chartered Accountants and Statutory Auditor
61 Dublin Street
Edinburgh EH3 6NL

Date: 10 August 2023

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**CONSOLIDATED STATEMENT of COMPREHENSIVE INCOME****For the year ended 31 March 2023**

	Notes	2023 £000	2022 £000
Revenue	2	13,189	12,089
Operating costs	2	11,130	10,290
		<hr/>	<hr/>
Operating Surplus	2	2,059	1,799
Minority member's share of (gain)/loss in LLP		(234)	(147)
(Loss) on sale of housing stock	7	(108)	(30)
Interest receivable and similar income		7	-
Interest payable and similar charges	8	(1,279)	(1,072)
		<hr/>	<hr/>
Surplus before tax		445	550
Taxation	10	-	-
		<hr/>	<hr/>
Surplus for year		445	550
Other comprehensive income			
Re-measurement of pension deficit	11	(493)	1,067
		<hr/>	<hr/>
Total comprehensive income		<u>(48)</u>	<u>1,617</u>

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

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**ASSOCIATION STATEMENT of COMPREHENSIVE INCOME****For the year ended 31 March 2023**

	Notes	2023 £000	2022 £000
Revenue	2	11,491	10,044
Operating costs	2	9,831	9,108
		<hr/>	<hr/>
Operating Surplus	2	1,660	936
(Loss) on sale of housing stock	7	(108)	(30)
Interest receivable and similar income		6	-
Interest payable and similar charges	8	(833)	(634)
		<hr/>	<hr/>
Surplus for year		725	272
Other comprehensive income			
Re-measurement of pension deficit	11	(493)	1,067
		<hr/>	<hr/>
Total comprehensive income		<u>232</u>	<u>1,339</u>

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

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**CONSOLIDATED STATEMENT of FINANCIAL POSITION****As at 31 March 2023**

	Notes	2023 £000	2022 £000
Tangible fixed assets			
Housing properties	12	91,893	89,236
Other tangible fixed assets	13	10,092	10,601
		<u>101,985</u>	<u>99,837</u>
Investments	14	-	-
Current assets			
Stock	15	-	8
Debtors	16	1,254	1,133
Cash at bank and in hand		1,801	2,725
		<u>3,055</u>	<u>3,866</u>
Creditors: amounts falling due within one year	17	<u>(3,682)</u>	<u>(4,186)</u>
Net current (liabilities)		(627)	(320)
Total assets less current liabilities		101,358	99,517
Creditors: amounts falling due after more than one year	18	(38,225)	(38,192)
Deferred income	19	(20,389)	(18,901)
Pension deficit	26	(334)	-
Net assets		<u>42,410</u>	<u>42,424</u>
Capital and reserves			
Share capital	20	-	-
Minority interest		197	163
Revenue reserves		19,143	18,964
Revaluation reserve		23,070	23,070
Designated reserve		-	227
		<u>42,410</u>	<u>42,424</u>
Total reserves		<u>42,410</u>	<u>42,424</u>

The financial statements were approved and authorised for issue by the Board of Management on 09 August 2023 and signed on their behalf.



Jim McDevitt
Chair



Hugh Carr
Risk and Assurance Committee Chair



Eleanor Rooke
Secretary

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**ASSOCIATION STATEMENT of FINANCIAL POSITION****As at 31 March 2023**

	Notes	2023 £000	2022 £000
Tangible fixed assets			
Housing properties	12	91,893	89,236
Other tangible fixed assets	13	209	197
		<hr/> 92,102	<hr/> 89,433
Investments	14	-	-
Current assets			
Stock	15	-	8
Debtors	16	768	611
Cash at bank and in hand		1,211	1,717
		<hr/> 1,979	<hr/> 2,336
Creditors: amounts falling due within one year	17	(2,602)	(3,188)
		<hr/> (623)	<hr/> (852)
Total assets less current liabilities		91,479	88,581
Creditors: amounts falling due after more than one year	18	(29,258)	(28,414)
Deferred income	19	(20,389)	(18,901)
Pension deficit	26	(334)	-
		<hr/> 41,498	<hr/> 41,266
Capital and reserves			
Share capital	20	-	-
Revenue reserves		18,428	17,969
Revaluation reserve		23,070	23,070
Designated reserve		-	227
		<hr/> 41,498	<hr/> 41,266
Total reserves		<hr/> <hr/> 41,498	<hr/> <hr/> 41,266

The Financial Statements were approved by the Board of Management and authorised for issue and signed on their behalf on 09 August 2023.....



Jim McDevitt
Chair



Hugh Carr
Risk and Assurance Committee Chair



Eleanor Rooke
Secretary

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**CONSOLIDATED STATEMENT of CASH FLOWS****For the year ended 31 March 2023**

	Notes	2023 £000	2022 £000
Net cash generated by operating activities	21	4,230	4,454
Investing activities			
Acquisition and construction of properties		(5,333)	(7,791)
Purchase of other fixed assets		(128)	(218)
Social housing grant received		1,698	1,973
Net cash (outflow) from investing activities		<u>(3,763)</u>	<u>(6,036)</u>
Financing activities			
Interest received on cash and cash equivalents		7	-
Interest paid on loans		(1,170)	(939)
Loan principal repayments (including revolving credit)		(1,528)	(1,260)
Loan drawdown		1,500	4,536
Profit distribution to minority interest		(200)	(160)
Share capital issued		-	-
Net cash inflow from financing		<u>(1,391)</u>	<u>2,177</u>
Increase/(Decrease) in cash and cash equivalents		(924)	595
Opening cash and cash equivalents		2,725	2,130
Closing cash and cash equivalents		<u>1,801</u>	<u>2,725</u>
Cash and cash equivalents			
Current asset investment		-	-
Cash at bank and in hand		1,801	2,725
		<u>1,801</u>	<u>2,725</u>

CONSOLIDATED ANALYSIS OF CHANGES IN NET DEBT**For the year ended 31 March 2023**

	2022 £000	Cash Flows £000	Non-Cash Finance Leases £000	Other Changes £000	2023 £000
Long-term borrowings	38,192	(77)	-	110	38,225
Short-term borrowings	1,528	61	-	-	1,589
Total liabilities	<u>39,720</u>	<u>(16)</u>	<u>-</u>	<u>110</u>	<u>39,814</u>
Cash and cash equivalents	-	-	-	-	-
Total net debt	<u>39,720</u>	<u>(16)</u>	<u>-</u>	<u>110</u>	<u>39,814</u>

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**ASSOCIATION STATEMENT of CASH FLOWS****For the year ended 31 March 2023**

	Notes	2023 £000	2022 £000
Net cash generated by operating activities	21	3,235	3,112
Investing activities			
Acquisition and construction of properties		(5,333)	(7,791)
Purchase of other fixed assets		(128)	(96)
Social housing grant received		1,698	1,973
Net cash (outflow) from investing activities		<u>(3,763)</u>	<u>(5,914)</u>
Financing activities			
Interest received on cash and cash equivalents		6	-
Interest paid on loans		(723)	(501)
Loan principal repayments (including revolving credit)		(761)	(565)
Loan drawdown		1,500	4,414
Share capital issued		-	-
Net cash inflow from financing		<u>22</u>	<u>3,348</u>
(Decrease)/increase in cash and cash equivalents		<u>(506)</u>	<u>546</u>
Opening cash and cash equivalents		1,717	1,171
Closing cash and cash equivalents		<u>1,211</u>	<u>1,717</u>
Cash and cash equivalents			
Current asset investment		-	-
Cash at bank and in hand		1,211	1,717
		<u>1,211</u>	<u>1,717</u>

ASSOCIATION ANALYSIS OF CHANGES IN NET DEBT**For the year ended 31 March 2023**

	2022 £000	Cash Flows £000	Non-Cash Finance Leases £000	Other Changes £000	2023 £000
Long-term borrowings	28,414	734	-	110	29,258
Short-term borrowings	760	18	-	-	778
Total liabilities	<u>29,174</u>	<u>752</u>	<u>-</u>	<u>110</u>	<u>30,036</u>
Cash and cash equivalents	-	-	-	-	-
Total net debt	<u>29,174</u>	<u>752</u>	<u>-</u>	<u>110</u>	<u>30,036</u>

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**CONSOLIDATED STATEMENT of CHANGES in RESERVES****For the year ended 31 March 2023**

	Share Capital £000	Revenue Reserves £000	Revaluation Reserve £000	Minority Interest £000	Designated Reserve £000	Total £000
Balance as at 1 April 2022	-	18,964	23,070	163	227	42,424
Issue of shares	-	-	-	-	-	-
Transfer of reserves	-	227	-	-	(227)	-
Minority interest for the year	-	-	-	34	-	34
(Loss)/surplus for the year	-	(48)	-	-	-	(48)
Balance as at 31 March 2023	-	19,143	23,070	197	-	42,410

ASSOCIATION STATEMENT of CHANGES in RESERVES**For the year ended 31 March 2023**

	Share Capital £000	Revenue Reserves £000	Revaluation Reserve £000	Designated Reserve £000	Total £000
Balance as at 1 April 2022	-	17,969	23,070	227	41,266
Issue of shares	-	-	-	-	-
Transfer of reserves	-	227	-	(227)	-
Surplus for the year	-	232	-	-	232
Balance as at 31 March 2023	-	18,428	23,070	-	41,498

The designated reserve relates to amounts transferred to the Association on the winding up of subsidiary company limited by guarantee, Seton Care Ltd. The Board reviewed the designation of these funds in the year and agreed to release them to revenue reserves as the purpose for the designation aligns with the Association's overall purpose.

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS****For the year ended 31 March 2023****LEGAL STATUS**

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

1. Accounting policies

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

Basis of accounting

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

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

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

Functional and Presentational Currency

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

Basis of consolidation

The Group financial statements consolidate the financial statements of Berwickshire Housing Association Limited and its subsidiary undertakings as at 31 March 2022 on a ‘line by line’ basis. BHA Enterprise Ltd is a wholly owned subsidiary of BHA and is the majority member of Berwickshire Community Renewables LLP (BCR) which operates a windfarm. The share of non-controlling interest in BCR in the Group’s Consolidated Statement of Financial Position and in Group’s Consolidated Statement of Changes in Equity is disclosed as Minority Interests. The share of the profit or loss for the year is presented under the heading “Minority Member’s Share of Gain in LLP.”

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2023****1. Accounting policies (continued)****Turnover/Revenue**

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

Land

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

Social housing grant and other grants in advance / arrears

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

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

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

Going concern

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

Fixed assets – housing properties

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

Valuation of housing properties

Housing properties are stated at cost less accumulated depreciation.

Depreciation of housing properties

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

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

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

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2023****1. Accounting policies (continued)****New build**

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

Mid-Market Rent

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

Sales of housing properties

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

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

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

Life cycle of components

The Association estimates the useful lives of major components of its housing property with reference to professional advice, the Group's asset management strategy and the requirements of the Scottish Housing Quality Standard.

Leases/leased assets

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

Works to existing properties

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

Other tangible assets

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

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

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

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2023****1. Accounting policies (continued)****Impairment of assets**

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

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

Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Deposits and liquid resources

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

Debtors

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

Creditors

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

Finance costs

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

Estimation uncertainty

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

Bad and doubtful debts

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

Retirement benefits

The Association participates in the Scottish Housing Associations Pension Scheme (SHAPS). The defined benefit section of SHAPS has been closed to new members and future new service accrual and a defined contribution scheme is now offered to eligible employees. The overall SHAPS defined benefit scheme is in deficit and the Association accounts for its share of the deficit in accordance with FRS 102 using a specially commissioned actuarial valuation. Based on the current year valuation the Association has no deficit to report. The Association makes past service pension deficit payments in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

1. Accounting policies (continued)

Financial instruments

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

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2023****2. (a) Consolidated particulars of revenue, operating costs and operating surplus**

	Notes	Revenue £000	Operating Costs £000	2023 Operating Surplus £000	Revenue £000	Operating Costs £000	2022 Operating Surplus £000
Affordable lettings activities	3(a)	9,915	9,268	647	9,375	8,588	787
Other activities	4(a)	3,274	1,862	1,412	2,714	1,702	1,012
Total		13,189	11,130	2,059	12,089	10,290	1,799

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

	Notes	Revenue £000	Operating Costs £000	2023 Operating Surplus £000	Revenue £000	Operating Costs £000	2022 Operating Surplus £000
Affordable lettings activities	3(b)	9,909	9,221	688	9,368	8,574	794
Other activities	4(b)	1,582	610	972	676	534	142
Total		11,491	9,831	1,660	10,044	9,108	936

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2023****3. (a) Particulars of income and expenditure from affordable lettings – Group**

	General needs housing £000	Supported housing £000	Shared ownership £000	Garages £000	2023 Total £000	2022 Total £000
Revenue from lettings						
Rent receivable net of service charges	8,760	328	6	262	9,356	8,957
Service charges	10	240	-	-	250	252
Gross income from rents and service charges	8,770	568	6	262	9,606	9,209
Less: voids	(72)	(11)	-	(107)	(190)	(162)
Net income from rents and service charges	8,698	557	6	155	9,416	9,047
Grants released from deferred income	188	-	-	-	188	164
Revenue grants from Scottish Ministers	133	-	-	-	133	61
Other revenue grants	178	-	-	-	178	103
Total revenue from affordable letting activities	9,197	557	6	155	9,915	9,375
Expenditure on affordable letting activities						
Service costs	142	109	-	-	251	165
Management and maintenance administration costs	2,875	216	-	144	3,235	3,706
Reactive maintenance	1,893	103	-	8	2,004	1,380
Bad debts – rents and service charges	52	-	-	-	52	46
Planned and cyclical maintenance inc. major repairs	1,111	47	-	-	1,158	1,051
Depreciation of social housing	2,360	82	-	-	2,442	2,240
Impairment of housing	126	-	-	-	126	-
Operating costs for affordable letting activities	8,559	557	-	152	9,268	8,588
Operating surplus for affordable letting activities	638	-	6	3	647	787
2022	755	51	6	(25)	787	

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2023****3. (b) Particulars of income and expenditure from affordable lettings – Association**

	General needs housing £000	Supported housing £000	Shared ownership £000	Garages £000	2023 Total £000	2022 Total £000
Revenue from lettings						
Rent receivable net of service charges	8,754	328	6	262	9,350	8,949
Service charges	10	240	-	-	250	252
Gross income from rents and service charges	8,764	568	6	262	9,600	9,201
Less: voids	(72)	(11)	-	(107)	(190)	(161)
Net income from rents and service charges	8,692	557	6	155	9,410	9,040
Grants released from deferred income	188	-	-	-	188	164
Revenue grants from Scottish Ministers	133	-	-	-	133	61
Other revenue grants	178	-	-	-	178	103
Total turnover from affordable letting activities	9,191	557	6	155	9,909	9,368
Expenditure on affordable letting activities						
Service costs	142	109	-	-	251	165
Management and maintenance administration costs	2,842	216	-	144	3,202	3,695
Reactive maintenance	1,879	103	-	8	1,990	1,377
Bad debts – rents and service charges	52	-	-	-	52	46
Planned and cyclical maintenance inc. major repairs	1,111	47	-	-	1,158	1,051
Depreciation of social housing	2,360	82	-	-	2,442	2,240
Impairment of housing	126	-	-	-	126	-
Operating costs for affordable letting activities	8,512	557	-	152	9,221	8,574
Operating surplus for affordable letting activities	679	-	6	3	688	794
2022	762	51	5	(25)	794	

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

4. (a) Consolidated particulars of revenue, operating cost and operating surplus or deficit from other activities

	Grants from Scottish Ministers £000	Other revenue grants £000	Supporting people income £000	Other income £000	Total turnover £000	Bad debts £000	Operating costs		Operating surplus/ (deficit) 2022 £000
							Other	Other	
Wider role activities	-	306	-	-	306	-	332	(26)	(29)
Factoring – agency services	-	-	-	11	11	-	8	3	4
Construction of property activities	-	-	-	-	-	-	15	(15)	(52)
Sale of land and houses (non-RTB)	-	-	-	8	8	-	-	8	11
Other activities	-	-	-	-	-	-	-	-	-
<i>Electricity generation</i>	-	-	-	2,434	2,434	-	1,274	1,160	892
<i>Commercial rental</i>	-	-	-	45	45	-	14	31	34
<i>Renewable income</i>	-	-	-	238	238	-	-	238	155
<i>Other income/expenditure</i>	-	-	-	232	232	-	219	13	19
<i>Project management</i>	-	-	-	-	-	-	-	-	(22)
Total from other activities	-	306	-	2,969	3,274	-	1,862	1,412	1,012
2022	-	170	-	2,544	2,714	-	1,702	1,012	

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2023

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

	Grants from Scottish Ministers £000	Other revenue grants £000	Supporting people income £000	Other income £000	Total turnover £000	Operating costs			Operating surplus/ (deficit) 2022 £000
						Bad debts £000	Other £000	Operating surplus/ (deficit) 2023 £000	
Wider role activities	-	306	-	-	306	-	332	(26)	(29)
Factoring – agency services	-	-	-	11	11	-	8	3	4
Construction of property activities	-	-	-	-	-	-	15	(15)	(52)
Sale of land and houses (non-RTB)	-	-	-	8	8	-	-	8	11
Other activities	-	-	-	-	-	-	-	-	-
<i>Commercial rental</i>	-	-	-	45	45	-	14	31	34
<i>Business support to sub companies</i>	-	-	-	22	22	-	22	-	-
<i>Gift aid from subsidiary company</i>	-	-	-	720	720	-	-	720	-
<i>Renewable income</i>	-	-	-	238	238	-	-	238	155
<i>Other income/expenditure</i>	-	-	-	232	232	-	219	13	19
Total from other activities	-	306	-	1,277	1,582	-	610	972	142
2022	-	170	-	505	675	-	533	142	

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2023****5. Officers emoluments – Group and Association**

	2023	2022
The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Board of Management, and managers of the Association. These officers also constitute the Association's Key Management Personnel		
Number of officers of the Association who received emoluments greater than £60,000	4	5
	£000	£000
Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding pension contributions)	342	419
Pension contributions made on behalf on officers with emoluments greater than £60,000	29	33
Compensation payable to officers for loss of office	-	65
Emoluments payable to Chief Executive (excluding pension contributions)	108	104
Pension contributions made on behalf of Chief Executive	9	5
Total emoluments payable to Chief Executive	<u>117</u>	<u>109</u>

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

£60,001 to £70,000	1	1
£70,001 to £80,000	-	-
£80,001 to £90,000	2	3
£90,001 to £100,000	-	-
£100,001 to £110,000	<u>1</u>	<u>1</u>

The Executive Director Assets and Sustainability left the Association in December 2022 and only received emoluments for part of the year. The role was not replaced like for like, with a new role of Head of Assets and Sustainability being created and recruited to in December 2022.

6. Employee information – Group and Association

	2023	2022
	No.	No.
The monthly number of full-time equivalent persons employed during the year was	46	52
The total number of employees employed during the year was	<u>52</u>	<u>58</u>
	£000	£000
Staff costs		
Salaries	1,679	1,987
Social security costs	183	194
Pension costs	129	138
Total	<u>1,991</u>	<u>2,319</u>

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2023****7. (Loss) on sale of housing fixed assets – Group and Association**

	2023	2022
	£000	£000
Sales proceeds	-	-
Cost of sales	(108)	(30)
(Loss) on sale of housing fixed assets	(108)	(30)

8. Interest payable and similar charges

	Group		Association	
	2023	2022	2023	2022
	£000	£000	£000	£000
On bank loans and overdrafts	1,279	1,047	833	609
Net interest on net defined benefit pension obligations	-	25	-	25
	1,279	1,072	833	634

9. Surplus for year

The surplus for the year is stated after charging:

	Group		Association	
	2023	2022	2023	2022
	£000	£000	£000	£000
Depreciation:				
Housing properties	2,442	2,240	2,442	2,240
Other fixed assets	637	626	117	106
Auditors' remuneration:				
Audit services – current year	26	23	21	18
Other services – current year	3	3	-	-
Operating lease rentals:				
Land and buildings	117	106	-	-
Other	11	15	11	15

10. Tax on surplus on ordinary activities

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

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

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2023**

11. Pension deficit adjustment – Group and Association	2023	2022
	£000	£000
Re-measurement of pension deficit (note 26)	(493)	1,067

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

	Housing properties held for letting	Assets under cons- truction	Land for develop- ment	Land for sale	Total
	£000	£000	£000	£000	£000
Cost					
As at 1 April 2022	96,247	4,807	1,681	483	103,218
Additions	-	2,765	-	-	2,765
Capitalised improvements	2,568	-	-	-	2,568
Disposals	(341)	-	-	-	(341)
Impairment losses	(126)	-	-	-	(126)
Transfers	4,718	(4,358)	(360)	-	-
As at 31 March 2023	103,066	3,214	1,321	483	108,084
Depreciation					
As at 1 April 2022	13,982	-	-	-	13,982
Charge for the year	2,442	-	-	-	2,442
Disposals	(233)	-	-	-	(234)
As at 31 March 2023	16,191	-	-	-	16,190
Net book value					
As at 31 March 2023	86,875	3,214	1,321	483	91,893
As at 31 March 2022	82,265	4,807	1,681	483	89,236

Additions to housing properties include capitalised major repair costs to existing properties of £2,568k (2022: £2,543k). Over the year, £3,162k (Group) and £3,148k (Association) was charged to responsive and planned and cyclical maintenance in the Statement of Comprehensive Income (2022: £2,431k – Group; £2,428k – Association).

All land and housing properties are heritable.

The Association's lenders have standard securities over housing property with a carrying value of £27,115k (2022: £27,412k).

Impairment charges

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

There is £126k impairment charge in this financial year (2022: no impairment) representing specific properties which it is deemed uneconomical to bring up to required standard and therefore have been approved for demolition by the Board.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2023****13. Other tangible fixed assets – Group and Association**

	Heritable office property £000	Leasehold improvements £000	Equipment £000	Motor vehicles £000	Association Subtotal £000	Wind Farm & Grid Upgrade £000	Group Total £000
Cost							
As at 1 April 2022	660	126	873	37	1,696	12,852	14,548
Additions	-	87	17	25	129	-	129
Disposals	-	-	-	(28)	(28)	-	(28)
As at 31 March 2023	660	213	890	34	1,797	12,852	14,649
Depreciation							
As at 1 April 2022	660	117	685	37	1,499	2,449	3,948
Charge for the year	-	21	91	5	117	520	637
Disposals	-	-	-	(28)	(28)	-	(28)
As at 31 March 2023	660	138	776	14	1,588	2,969	4,557
Net book value							
As at 31 March 2023	-	75	114	20	209	9,883	10,092
As at 31 March 2022	-	9	188	-	197	10,403	10,600

Borrowing costs capitalised during the year amount to £nil (2022: £nil) for the Group and £nil (2022: £nil) for the Association.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2023****14. Investments**

	Group		Association	
	2023	2022	2023	2022
	£	£	£	£
Unlisted – shares in subsidiary companies	-	-	1	1

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

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

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

	2023	2022
	£000	£000
BHA Enterprise Ltd (100%)		
Aggregate capital and reserves	422	769
Profit/(loss) for the year	372	303
Berwickshire Community Renewables LLP (2/3rd)		
Aggregate capital and reserves	590	489
Profit/(loss) for the year	701	442

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

15. Stock – Group and Association

	2023	2022
	£000	£000
Consumables	-	8

16. Debtors

	Group		Association	
	2023	2022	2023	2022
	£000	£000	£000	£000
Arrears of rent and service charge	309	232	304	227
Less: provision for doubtful rental debts	(186)	(159)	(186)	(159)
Net rent arrears	123	73	118	68
Other debtors	1,159	1,230	574	608
Less: Provision for doubtful other debts	(99)	(180)	(99)	(180)
	1,060	1,050	475	428
Trade debtors	71	11	70	10
Inter-entity debtors	-	-	105	105
	1,254	1,133	768	611

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2023****17. Creditors:** amounts falling due within one year

	Group		Association	
	2023	2022	2023	2022
	£000	£000	£000	£000
Housing Loans	778	761	778	761
Other bank loans and overdrafts	811	767	-	-
Trade payables	140	122	135	114
Rent in advance	212	165	212	165
Other taxation and social security	200	191	65	66
Other payables	-	12	-	12
Provision for holiday pay	11	15	11	15
Accruals and deferred income (Note 19)	1,530	2,153	1,401	2,055
	<u>3,682</u>	<u>4,186</u>	<u>2,602</u>	<u>3,188</u>

18. Creditors: amounts falling due after one year

	Group		Association	
	2023	2022	2023	2022
	£000	£000	£000	£000
Housing Loans	29,258	28,414	29,258	28,414
Project finance – bank and other loans	8,967	9,778	-	-
	<u>38,225</u>	<u>38,192</u>	<u>29,258</u>	<u>28,414</u>

Housing loans are secured by specific charges on the Association's properties. Loans are repayable at current rates of interest ranging from floating rates of SONIA + 0.3% to 1.62%, and fixes of between 1.79% to 4.40%.

Housing loans repayable by instalments - Group and Association:

	2023	2022
	£000	£000
Repayable within one year	778	761
Repayable within two to five years	12,716	11,136
Repayable after five years	16,542	17,278
	<u>30,036</u>	<u>29,175</u>

Project Finance is secured by specific charges on the Windfarm. Loans are repayable at current rates of interest ranging from floating rates of Base Rate+2.5%, and fixes of between 3.59% to 4.66%.

Project finance loans repayable by instalments – Group:

	2023	2022
	£000	£000
Repayable within one year	811	767
Repayable within two to five years	3,321	3,388
Repayable after five years	5,646	6,390
	<u>9,778</u>	<u>10,545</u>

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2023****19. Deferred income - Group and Association**

	2023	2022
	£000	£000
Social Housing Grants		
Balance as at 1 April	18,666	16,853
Additions in year	1,698	1,973
Amortisation in year	(184)	(160)
Balance as at 31 March	<u>20,180</u>	<u>18,666</u>
Other Grants		
Balance as at 1 April	577	519
Additions in year	229	189
Released in the year	(169)	(127)
Amortisation in year	(4)	(4)
Balance as at 31 March	<u>633</u>	<u>577</u>
Total	<u><u>20,813</u></u>	<u><u>19,243</u></u>
Deferred income – analysed by age		
Released in less than one year (note 17)	424	342
Released in more than one year	20,389	18,901
Balance as at 31 March	<u><u>20,813</u></u>	<u><u>19,243</u></u>

Grant is amortised over the life of the asset, once the development is complete. The amount expected to be released to income in 2023/24 is £210k.

20. Share capital – Association only

	2023	2022
	No.	No.
Shares of £1 each at 1 April	116	114
Shares of £1 issued during the year	-	2
Cancellation of shares	(33)	-
Balance as at 31 March	<u><u>83</u></u>	<u><u>116</u></u>

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2023****21. Statement of cash flows**

	Group		Association	
	2023	2022	2023	2022
Reconciliation of operating surplus to net cash flow from operating activities	£000	£000	£000	£000
Operating surplus	2,059	1,799	1,660	936
Depreciation	3,079	2,865	2,559	2,346
Amortisation of capital grants	(188)	(164)	(188)	(164)
Impairment of housing assets	126	-	126	-
Decrease in stock	8	101	8	101
(Increase) in debtors	(121)	(430)	(157)	(319)
(Decrease)/increase in creditors	(585)	587	(625)	516
Pension deficit payments net of non-cash items	(160)	(311)	(160)	(311)
Release of loan arrangement fees	12	7	12	7
Share capital cancelled	-	-	-	-
	<u>4,230</u>	<u>4,454</u>	<u>3,235</u>	<u>3,112</u>

22. Housing Stock – Group and Association

	2023	2022
	No.	No.
The number of units of accommodation in management at the year-end was:		
General needs – new builds	1,866	1,838
General needs – not owned by BHA	6	14
Shared ownership	2	2
Supported Housing	83	83
Balance as at 31 March	<u>1,957</u>	<u>1,937</u>
The number of units of accommodation managed by others at the year-end was:		
General needs – mid-market rent	<u>12</u>	<u>12</u>
Balance as at 31 March	<u>12</u>	<u>12</u>

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2023****23. (a) Commitments under Operating Leases**

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

	Group		Association	
	2023	2022	2023	2022
	£000	£000	£000	£000
Not later than one year	121	117	4	11
Later than one year and not later than five years	478	434	10	11
Later than five years	1,787	1,945	-	-

23. (b) Capital commitments

	Group		Association	
	2023	2022	2023	2022
As at 31 March 2023	£000	£000	£000	£000
Expenditure authorised by the Board and contracted, less certified	1,259	4,007	1,259	4,007

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

24. Related Parties

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

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

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

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

Transactions with Board of Management members were as follows: £5.9k (2022: £5.6k) was received as rent during the year. There were no rent arrears at year end.

BHA Enterprise Ltd

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

Berwickshire Housing Association levied fees for the following amounts to BHA Enterprise Ltd during the period 1 April 2022 to 31 March 2023.

£8.4k staff costs for shared services (2022: £8.4k)

£1.0k for a share of facilities management costs (2022: £1.0k)

£61.2k for the rental of residential properties let by BHA Enterprise as mid-market rental properties (2022: £59.7k)

The balance outstanding due from BHA Enterprise Ltd as at 31 March 2023 to Berwickshire Housing Association Limited was £Nil (2022: £Nil).

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2023****24. Related Parties (continued)****Berwickshire Community Renewables LLP**

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

Berwickshire Housing Association Limited charged Berwickshire Community Renewables LLP £12.6k (2022: £12.4k) for staff time provided on the operation of the windfarm. The balance outstanding from Berwickshire Community Renewables LLP to Berwickshire Housing Association as at 31 March 2023 was £104.6k (2022: £104.6k).

BHA Enterprise Ltd has contributed £100.0k as its membership contribution of this limited liability partnership. BHA Enterprise's share (and therefore the Group's share) of Berwickshire Community Renewables LLP revenue reserves to date is £293.3k (2022: £225.7k).

25. Details of Association

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

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

26. Retirement benefit obligations

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

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 last formal valuation of the Scheme was performed as at 30 September 2021 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £998m. The valuation revealed a shortfall of assets compared with the value of liabilities of £27m (equivalent to a past service funding level of 98%). This is an improvement on the September 2018 valuation position, where a deficit of £121m and funding level of 89% were reported.

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

For financial years ending on or before 28 February 2019, it was not possible to identify the share of underlying assets and liabilities belonging to individual participating employers as the scheme is a multi-employer arrangement. As such an exemption was available under FRS 102 to account for the Scheme as a defined contribution scheme. From the financial year ending 31 March 2019 onwards, enough information was available for an employer in the Scheme to account for its obligations on a defined benefit basis. The Association did not take the available exemption but instead adopted the full defined benefit accounting method for the pension liability from the year ended March 2017, commissioning actuaries to provide a reasonable valuation of the Association's share of the scheme deficit. The Association continues to commission independent actuaries to review the assumptions utilised by the Scheme's actuaries to ensure the valuation of the Association's share of the scheme deficit is on a consistent basis.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2023****26. Retirement benefit obligations (continued)**

For accounting purposes, a valuation of the scheme is carried out with an effective date of 30 September each year. The liability figures from this valuation are rolled forward for accounting year-ends from the following 31 March to 28 February inclusive.

The latest accounting valuation was carried out with an effective date of 30 September 2022. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2023 to 29 February 2024 inclusive. The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus.

The disclosures below explain how the net pension liability for 2023 (2022: asset) is arrived at and the impact on the results for the year.

Disclosures in relation to estimated share of scheme deficit

Under UK pensions legislation, the Association is responsible for funding the Scheme's benefits and for paying contributions to make up any shortfall between the assets and the liabilities of the Schemes. The Scheme's liabilities are assessed at least every three years by the Scheme's actuary. It is the Association's funding policy to annually contribute an amount agreed between the Association and the Trustees of the scheme in accordance with UK legislative requirements if a funding deficit exists. The amount of contributions required depends on the assumptions used by the actuary and can therefore be volatile between actuarial valuations. This volatility of contribution amounts can be to the detriment of the Association's cashflows and impacts on the income statement. The volatility of the Scheme's liabilities against the assets held impacts on the Company's balance sheet. A Recovery Plan had been put in place to eliminate the previously reported deficit; this ran to 30 September 2022 then ceased based on the result of the September 2021 valuation.

The Scheme is a funded defined benefit arrangement.

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

Principal Actuarial Assumptions	2023	2022
Discount rate	4.87%	2.79%
Salary increases	3.19%	3.57%
Inflation (CPI)	2.75%	3.19%
Inflation (RPI)	3.19%	3.57%
Male life expectancy at age 65	21.7 years	21.6 years
Female life expectancy at age 65	24.4 years	23.9 years
Amounts recognised in Statement of Financial Position	2023	2022
	£000	£000
Fair Value of Scheme Assets	7,429	11,357
Present value of benefit obligations	7,763	11,270
Net pension (liability)/asset	(334)	87

As the scheme is a multi-employer scheme, the Board do not consider that they have significant control over the refunds of contributions or reduction in future contributions where a surplus exists. Accordingly, the prior year asset was not been recognised in the financial statements.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2023****26. Retirement benefit obligations (continued)**

Changes in defined benefit obligation	2023	2022
	£000	£000
Opening defined benefit obligation	11,270	12,321
Employer service cost	-	-
Interest expense	310	251
Employee contributions	-	-
Actuarial (gains)	(3,444)	(1,066)
Benefits paid	(373)	(236)
Closing defined benefit obligation	7,763	11,270
Changes in fair value of scheme assets	2023	2022
	£000	£000
Opening fair value of scheme assets	11,357	10,968
Actual return on scheme assets less interest income	(4,030)	88
Interest income	315	226
Employer contributions – past service contributions	170	321
Benefits paid	(373)	(236)
Administration costs	(10)	(10)
Closing fair value of scheme assets	7,429	11,357
Amounts recognised in in Statement of Comprehensive Income	2023	2022
	£000	£000
Administration costs	10	10
Net interest on net defined benefit obligation	-	25
Total pension cost recognised in Statement of Comprehensive Income	10	35
Amounts recognised in Other Comprehensive Income	2023	2022
	£000	£000
Actual return on plan assets less interest income on plan assets	(4,025)	88
Actuarial gains	3,532	978
Re-measurement (losses)/gains recognised in other comprehensive income	(493)	1,066

In May 2021 the Scheme Trustee (TPT Retirement Solutions) notified employers of a review of historic scheme benefit changes, and this review has raised legal questions regarding whether and when some historic benefit changes should take effect, the outcome of which could give rise to an increase in liabilities for some employers. The Scheme Trustee has determined that it is prudent to seek clarification from the Court on these items. This process is ongoing and the matter is unlikely to be resolved before late 2024 at the earliest.

On 4 May 2022 the Scheme Trustee issued an update to employers which included an estimate of the potential total additional liabilities at total scheme level, on a Technical Provisions basis. However, until Court directions are received, it is not possible to calculate the impact of this issue on an individual employer basis with any accuracy. As a result of this no allowance will be made for this within the accounting disclosures included in this note.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2023****27. Contingent liabilities**

	2023 £000	2022 £000
Social Housing Grant	100	100

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

Contractual Dispute

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

Claims against the Association

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