



**BERWICKSHIRE HOUSING ASSOCIATION LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

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



BERWICKSHIRE HOUSING ASSOCIATION LIMITED

ANNUAL REPORT and GROUP FINANCIAL STATEMENTS

For the year ended 31 March 2022

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BERWICKSHIRE HOUSING ASSOCIATION LIMITED

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BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

Board of Management

Jim McDevitt	Chair
Vivienne Cockburn	Vice-Chair
Graeme MacLeod	Vice-Chair
Gareth James	(appointed 14 September 2021)
Gavin Edmonds	(appointed 14 September 2021)
Hugh Carr	
John Campbell	
Lynn Gray	
Sam Hart	
Scott Holmes	(resigned 28 September 2021)
Norrie MacPhail	
Paul Matthews	
Anne Rutherford	
Stephen Scott	(resigned 21 June 2022)

Executive Officers

Michelle Meldrum	Chief Executive
Angela Taylor	Executive Director Assets and Sustainability
Eleanor Rooke	Executive Director Business Support
Daniel Blake	Executive Director Customer Experience
John Bain	Resources Director (Resigned 15 November 2021)

Registered Office and Principal Address

55 Newtown Street, Duns, Berwickshire, TD11 3AU

Funders

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

Bankers

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

External Auditor

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

Internal Auditor

TIAA Ltd
Artillery House
Newgate Lane
Fareham
PO14 1AH

Solicitors

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**ANNUAL REPORT and GROUP FINANCIAL STATEMENTS****For the year ended 31 March 2022****GROUP OPERATING REVIEW**

The directors present their annual report and audited group financial statements for the year ended 31 March 2022.

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. 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

BHA's core business is providing quality, affordable housing and supporting flourishing communities people are proud to live in. BHA has 1,921 affordable homes to let in Berwickshire. Although first and foremost a landlord, BHA seeks to offer a much wider range of services that will contribute to the well-being of its tenants and of the communities in which they live. With just over 50 staff members, BHA is committed to delivering quality services relevant to its homes and the people who rent them and to contribute to thriving communities.

In the year to 31 March the Association recorded a surplus of £1,339k, compared with the surplus of £63k for the previous year. This increase in surplus was purely in relation to the re-measurement of the pension deficit. The net cash inflow from operating activities was £3,112k (2021: £2,920k). Maintaining a strong level of cash generation is essential in ensuring that BHA can fund future investment needs in its existing stock to meet required standards, and to ensure that appropriate levels of new build development can be maintained. Further detail on the Association's financial performance is set out on pages 5-6.

New homes

BHA aims to build as many new homes as it can afford to meet local need. We completed 31 homes in Ayton in 2021/22 and a further 28 homes are planned to be completed in Duns in 2022/23. We are reviewing our capacity to develop over the coming years alongside the investment required in our existing stock. Over this review period our aim is to deliver at least one new build development each year, or around 30 new homes.

Delivery of services

During the first part of the year the Leadership Team, under the oversight of the BHA Board, undertook a review of BHA's operating model. This was driven by a combination of factors; our operating costs and headcount were high for an organisation of BHA's size, this meant we had relatively low margins and limited financial capacity particularly in the context of the level of future investment required in our homes, in addition our tenant satisfaction levels were low when compared to other similar housing associations. There was an identified need to increase value for money for our customers, redesign and modernise our service offering, improve efficiency and effectiveness, and most importantly put our customers at the heart of the business. Consultation commenced with all staff in September 2021 and a redesigned operating model was presented in November 2021. During this period staff were given the option to take a voluntary package if they wished, 11 individuals took this option and left the organisation between November and March. There were 65 employees in our March 2021 payroll compared to 54 in March 2022. Those deployed to new roles transitioned into them between January and March 2022 and the new operating model officially commenced on 1 April 2022. One of the changes was to reduce the Leadership Team from five to four, renamed as the Executive Team with adjusted roles and remits. The new operating model will remain under review to ensure the changes embed and achieve the desired outcomes.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**ANNUAL REPORT and GROUP FINANCIAL STATEMENTS****For the year ended 31 March 2022****REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS: BERWICKSHIRE HOUSING ASSOCIATION LIMITED (continued)**

We continued the monthly independent customer satisfaction surveys which commenced last year. The outputs of these surveys allow us to target areas of poor performance and create improvement plans. A customer insight project started in April 2021 with two key stages; stage one focussed on customer data and ensuring our customer information was fully up to date, and stage two focussed on broader, anonymised customer insight information to help understand our customers' expectations and ambitions to influence the design of future service models. The output of this work will feed into customer strategy development across the year to March 2023.

Our Housing, Customer Accounts and Financial Inclusion teams have actively supported our customers throughout the year to keep their rent arrears to a minimum and to help customers get access to any benefits to which they are entitled. At 31 March 2022, our gross rent arrears as a percentage of rent due stood at 3.66% which represented a steady position from the previous year end. Total benefit gains generated for our customers across the year totalled £666k and 548 customers were assisted by the Financial Inclusion team. At the year-end 872 tenancies were in receipt of Housing Benefit or Universal Credit, an increase from 820 in March 2021.

At present, 76.4% of BHA's homes meet SHQS and 82% meet the EESSH 1 (Energy Efficiency Standard in Social Housing) requirements. Those that do not meet EESSH 1 are also classed as not meeting SHQS, hence the reduction in our performance on this measure year on year. We will ensure our future investment programmes prioritise those properties that do not meet one or both standards.

A large proportion of the planned investment works completed in 2021/22 related to meeting the EESSH and the Fire and Carbon Monoxide Detector Standard. The EESSH works were made up of a window replacement project, and two energy efficiency contracts (heating replacement and insulation measures), one of which has grant subsidy from Warmworks. The deadline for compliance with the Fire and Carbon Monoxide Standard was delayed until February 2022 in light of the difficulties caused by Covid-19, and all necessary works were completed in this timeframe excluding a small number where there were issues with access.

BHA's properties were badly impacted by Storm Arwen which hit the UK in November 2021. In the four weeks following the storm there were over 650 reported repairs. In a normal week the average number of repairs would be around 60. The main damage was to chimneys and rooves (475 properties were impacted by roof damage), and a number of fences were also damaged. All emergency and urgent roofing repairs have been completed, with some works still on going. An insurance claim has been made in relation to the cost of the damage, with insurance income accrued in to match the repairs spend to the year end. However, as the works are not all finished, the claim is not yet finalised.

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

At the end of 2020/21 a joint bid between the four Borders RSLs was successful in securing funding from Scottish Government's Fuel Poverty Fund. £32k of this was allocated to BHA for immediate payment to energy suppliers on behalf of our customers for large scale fuel arrears, which was utilised between April and December 2021. A further £48k of funding was secured and received in February 2022 which will be used for the same purpose. In addition, there is a ring-fenced pot held by the Fuel Bank Foundation who can issue vouchers to our tenants on an on-going basis.

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. During the last year we had to move all our Befriending activities to phone calls, and outdoor visits where it was safe to do so.

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

The initial 18-month pilot period for our tenancy support service, BeWell, finished in March 2022, but has been extended for a further 12 months. 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 tenancy. This service is funded by BHA with additional funding from the Lintel Trust. The service is being 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 and runs until June 2022. The project aim is to help out-of-work tenants or members of their household identify and overcome barriers to employment.

Supporting our people

During August 2021, as Covid restrictions eased, we introduced The BHA Way, our new way of working. Under this framework colleagues can work flexibly both in terms of their working patterns and working location (using BHA offices, their homes, or other local hubs). All teams are required to attend the office in person on a set day each week to ensure directorate, team, and one to one meetings take place face to face. We continue to monitor the successful implementation of this model and adjust as required, including for changes to Covid restrictions if applicable. We continue to review and improve our mobile technology and digital offering to ensure our teams can work effectively when out in our communities. We are also developing a People Strategy covering such areas as; career conversations, learning and development, proactive health and wellbeing, reward and recognition, and talent and succession.

Ensuring financial wellbeing

The 2021/22 financial year has been more predictable financially, with Covid restrictions having less of an impact on our service delivery. We have, however, continued to monitor our cash flows and delivery against approved financial plans carefully throughout the year. As reported in the 2020/21 financial statements, we had to reprofile the 2021/22 budget to include carry forward spend relating to property works which could not be undertaken during the year to 31 March 2021. As such we spent £2,543k this year on capitalised improvements to our existing homes, compared to £699k in the year to March 2021. We also spent £622k more on responsive and planned and cyclical maintenance in the current year when compared to the year to March 2021. Whilst we had the cash reserves to accommodate this additional expenditure, we worked with our lenders to adjust certain covenant requirements, to ensure we remained within the agreed levels over the year.

Future Developments

We have put in place a one-year business plan (2022/23) whilst we develop a new five-year business plan. To inform this longer term business plan, a number of key pieces of work are progressing, including (but not restricted to); finalisation of our Strategic Framework review, continued review and embedding of our new operating model to ensure customer service is delivered in the most efficient and effective manner, developing our customer experience and engagement strategies based on our customer insight data, creation of a People Strategy including a review of our wider benefits offer, refresh our of strategic asset management strategy and investment plans, implement a new ICT and digital strategy, review and strengthen our Governance arrangements, and explore opportunities for growth in both the housing association and our subsidiary entities.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**ANNUAL REPORT and GROUP FINANCIAL STATEMENTS****For the year ended 31 March 2022****REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS: BERWICKSHIRE HOUSING ASSOCIATION LIMITED (continued)****Managing Risk**

We have continued to embed our new risk management approach throughout the organisation. Our approach has a focus on the key controls we have in place to manage risk and documenting and strengthening our assurance framework which helps us ensure those key controls are operating effectively. 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 costs • Materials and labour / contractor shortages • Non-compliance with asset management regulations (fire, gas, legionella etc.) • Inability to meet current and future housing quality requirements 	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 	Strategic IT review undertaken Action plan in place and monitored IT partner contract monitoring
<ul style="list-style-type: none"> • Non-compliance with funders requirements 	Agreed thresholds and principals ("Golden Rules") Financial Policies and Procedures Financial KPI's Quarterly Financial Performance reporting Forecasting Stress testing

BHA Enterprise Ltd

Enterprise continues to support the Limited Liability Partnership Berwickshire Community Renewables in the management of the wind farm at Hoprigshiels known as the 'Fisherman Three'. It also manages 12 mid-market rent homes in Duns. Enterprise made a small operating loss of £17k (2021: £22k loss) 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 £303k (2021: £21k loss). Enterprise gift aided £Nil (2021: £Nil) to BHA at the year end.

FINANCIAL REVIEW**Income**

The Association's turnover for the year ended 31 March 2022 totalled £10,043k (2021: £9,294k). Rental and service charge income (net of void losses) accounted for 90% or £9,040k of this with the remainder including:

- £164k of Housing Association Grant released from deferred income
- £60k grant received for adaptations
- £103k grant received in relation to the Warm Homes Fund and Eco Liability Fund, recorded in other revenue grants
- £170k received for wider role activities including; £70k Lottery funding for Befriending services, £11k Supporting Communities Fund, £34k Fuel Poverty Fund, and £53k funding for Borders Employability and Mentoring project.
- £22k received for recharges to subsidiaries for support services provided by BHA.
- £44k for commercial rents.
- £155k of renewable income from installed solar PV panels and Renewable Heat Incentive from eligible heating systems installed in our homes.
- £217k of insurance income accrued in relation to costs incurred for damage to our properties caused by Storm Arwen.

The consolidated turnover for the group is £12,089k (2021: £10,826k).

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**ANNUAL REPORT and GROUP FINANCIAL STATEMENTS****For the year ended 31 March 2022****FINANCIAL REVIEW (continued)****Expenses**

Total revenue expenditure in the year for the Association was £9,108k (2021: £7,416k), comprising the following main items:

- Letting activity management and maintenance administration costs £3,695k (2021: £3,149k)
- Depreciation of social housing properties £2,240k (2021: £1,968k)
- Reactive maintenance to social housing stock £1,377k (2021: £1,018k)
- Planned and cyclical maintenance of social housing stock £1,051k (2021: £788k)
- Wider role activities of £199k (2021: £177k)
- £52k on Development activities (2021: £46k).

The operating surplus generated by the Association in the year was £936k against an operating surplus of £1,878k for 2021.

After net interest charges of £633k (2021: £592k) and loss on the sale and disposal of certain housing stock, the surplus for the year was £272k (2021: £1,276k). A pension scheme re-measurement credit of £1,154k (2021: debit £1,213k) takes total comprehensive income for the year to £1,339k. The Group had a net surplus for the year of £1,617k (2021: £19k).

The Association had a net asset position at the year-end of £41,266k compared with a net asset position of £39,927k for 2021. The consolidated net asset position was £42,424k (2021: £40,820k).

Pension

Berwickshire Housing Association participates in the Scottish Housing Association Pension Scheme and has previously 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. In the current year the deficit has been reduced to £nil due to a higher discount rate assumption and positive asset performance.

Cash Flows

The cash flow statement of the Association is shown on page 18. BHA generated £3,112k (2021: £2,920k) from operating activities. Cash and cash equivalents increased by £546k (2021: £138k) 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 £853k as at 31 March 2022, an improvement of £194k 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 which remains undrawn as at 31 March 2022.

Capital Structure and treasury

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

Reserves

The Association has in place general revenue reserves of £17,969k 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 represents revenue reserves which have been designated for a specific purpose. The amount designated represents the revenue reserves of a subsidiary company, Seton Care, when it was wound up. The Board have agreed these reserves will be used by the Association for purposes aligned with those of Seton Care.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

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BOARD OF MANAGEMENT AND EXECUTIVE OFFICERS

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

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

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

BOARD OF MANAGEMENT'S RESPONSIBILITIES STATEMENT

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

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

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

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

In so far as the Board of Management are aware:

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

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STATEMENT ON INTERNAL FINANCIAL CONTROL

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

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

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

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

The Board of Management has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2021. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

Donations

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

Auditor

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

ANNUAL REPORT and GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

Board

The Board said farewell to one of our long serving Trustees this year, Scott Holmes. Scott has been an invaluable member of the Board and Audit and Finance Committee over his 7 years as a Trustee. We welcomed two new Board members at our AGM in September, Gareth James and Gavin Edmonds. 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: 16 August 2022

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 2022 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 2022 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)**



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.

[Redacted signature block]

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

Date: 2022 22 August 2022

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.

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

Date: 22 August 2022

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**CONSOLIDATED STATEMENT of COMPREHENSIVE INCOME****For the year ended 31 March 2022**

	Notes	2022 £	2021 £
Revenue	2	12,088,538	10,825,893
Operating costs	2	10,289,839	8,548,190
Operating Surplus	2	1,798,699	2,277,703
Minority member's share of (gain)/loss in LLP		(147,222)	11,491
(Loss) on sale of housing stock	7	(29,798)	(10,118)
Interest receivable and similar income		288	3,074
Interest payable and similar charges	8	(1,071,787)	(1,050,323)
Surplus before tax		550,180	1,231,827
Taxation	10	-	-
Surplus for year		550,180	1,231,827
Other comprehensive income			
Re-measurement of pension deficit	11	1,066,505	(1,213,000)
Total comprehensive income		1,616,685	18,827

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 2022**

	Notes	2022 £	2021 £
Revenue	2	10,043,645	9,294,155
Operating costs	2	9,108,053	7,416,139
Operating Surplus	2	935,592	1,878,016
(Loss) on sale of housing stock	7	(29,798)	(10,118)
Interest receivable and similar income		199	2,061
Interest payable and similar charges	8	(633,537)	(594,145)
Surplus for year		272,456	1,275,814
Other comprehensive income			
Re-measurement of pension deficit	11	1,066,505	(1,213,000)
Total comprehensive income		<u>1,338,961</u>	<u>62,814</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 2022

	Notes	2022 £	2021 £
Tangible fixed assets			
Housing properties	12	89,236,270	83,714,622
Other tangible fixed assets	13	10,600,279	11,008,069
		<u>99,836,549</u>	<u>94,722,691</u>
Investments	14	-	-
Current assets			
Stock	15	7,560	108,300
Debtors	16	1,133,294	703,215
Cash at bank and in hand		2,724,882	2,129,771
		<u>3,865,736</u>	<u>2,941,286</u>
Creditors: amounts falling due within one year	17	<u>(4,185,520)</u>	<u>(3,478,336)</u>
Net current (liabilities)		(319,784)	(537,050)
Total assets less current liabilities		99,516,765	94,185,641
Creditors: amounts falling due after more than one year	18	(38,191,602)	(34,896,655)
Deferred income	19	(18,900,969)	(17,116,239)
Pension deficit	26	-	(1,352,461)
Net assets		<u>42,424,194</u>	<u>40,820,286</u>
Capital and reserves			
Share capital	20	116	114
Minority interest		162,869	175,648
Revenue reserves		18,964,429	17,347,744
Revaluation reserve		23,069,844	23,069,844
Designated reserve		226,936	226,936
		<u>42,424,194</u>	<u>40,820,286</u>

The financial statements were approved and authorised for issue by the Board of Management on 16 August 2022 and signed on their behalf.



Jim McDevitt
Chair



Hugh Carr
Audit and Finance 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 2022

	Notes	2022 £	2021 £
Tangible fixed assets			
Housing properties	12	89,236,270	83,714,622
Other tangible fixed assets	13	197,225	206,862
		<u>89,433,495</u>	<u>83,921,484</u>
Investments	14	1	1
Current assets			
Stock	15	7,560	108,300
Debtors	16	611,172	293,439
Cash at bank and in hand		1,716,790	1,171,257
		<u>2,335,522</u>	<u>1,572,996</u>
Creditors: amounts falling due within one year	17	(3,188,387)	(2,619,752)
		<u>(852,865)</u>	<u>(1,046,756)</u>
Net current (liabilities)			
Total assets less current liabilities		88,580,631	82,874,729
Creditors: amounts falling due after more than one year	18	(28,413,497)	(24,478,827)
Deferred income	19	(18,900,969)	(17,116,239)
Pension deficit	26	-	(1,352,461)
		<u>41,266,165</u>	<u>39,927,202</u>
Net assets			
Capital and reserves			
Share capital	20	116	114
Revenue reserves		17,969,269	16,630,308
Revaluation reserve		23,069,844	23,069,844
Designated reserve		226,936	226,936
		<u>41,266,165</u>	<u>39,927,202</u>
Total reserves			

The Financial Statements were approved by the Board of Management and authorised for issue and signed on their behalf on 16 August 2022.



Jim McDevitt
Chair



Hugh Carr
Audit and Finance 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 2022**

	Notes	2022 £	2021 £
Net cash generated by operating activities	21	4,454,358	3,867,038
Investing activities			
Acquisition and construction of properties		(7,791,578)	(5,614,853)
Purchase of other fixed assets		(217,875)	(1,020,026)
Social housing grant received		1,973,059	2,136,312
Net cash (outflow) from investing activities		(6,036,394)	(4,498,567)
Financing activities			
Interest received on cash and cash equivalents		288	3,074
Interest paid on loans		(939,059)	(937,826)
Loan principal repayments (including revolving credit)		(1,260,334)	(4,419,813)
Loan drawdown		4,536,250	5,945,535
Profit distribution to minority interest		(160,000)	-
Share capital issued		2	3
Net cash inflow from financing		2,177,147	590,973
Increase/(Decrease) in cash and cash equivalents		595,111	(40,556)
Opening cash and cash equivalents		2,129,771	2,170,327
Closing cash and cash equivalents		2,724,882	2,129,771
Cash and cash equivalents			
Current asset investment		-	-
Cash at bank and in hand		2,724,882	2,129,771
		2,724,882	2,129,771

CONSOLIDATED ANALYSIS OF CHANGES IN NET DEBT**For the year ended 31 March 2022**

	2021 £	Cash Flows £	Non-Cash Changes Finance Leases £	Other Changes £	2022 £
Long-term borrowings	34,896,655	3,187,220	-	107,727	38,191,602
Short-term borrowings	1,431,546	96,205	-	-	1,527,751
Total liabilities	36,328,201	3,283,425	-	107,727	39,719,353
Cash and cash equivalents	-	-	-	-	-
Total net debt	36,328,201	3,283,425	-	107,727	39,719,353

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 2022**

	Notes	2022 £	2021 £
Net cash generated by operating activities	21	3,111,566	2,919,932
Investing activities			
Acquisition and construction of properties		(7,791,578)	(5,614,853)
Purchase of other fixed assets		(95,875)	(74,514)
Social housing grant received		1,973,059	2,136,312
Net cash (outflow)/inflow from investing activities		(5,914,394)	(3,553,055)
Financing activities			
Interest received on cash and cash equivalents		199	2,061
Interest paid on loans		(500,810)	(481,648)
Loan principal repayments (including revolving credit)		(565,280)	(3,748,999)
Loan drawdown		4,414,250	5,000,023
Share capital issued		2	3
Net cash inflow from financing		3,348,361	771,440
Increase/(decrease) in cash and cash equivalents		545,533	138,317
Opening cash and cash equivalents		1,171,257	1,032,940
Closing cash and cash equivalents		1,716,790	1,171,257
Cash and cash equivalents			
Current asset investment		-	-
Cash at bank and in hand		1,716,790	1,171,257
		1,716,790	1,171,257

ASSOCIATION ANALYSIS OF CHANGES IN NET DEBT**For the year ended 31 March 2022**

	2021 £	Cash Flows £	Non-Cash Changes Finance Leases £	Other Changes £	2022 £
Long-term borrowings	24,478,827	3,826,943	-	107,727	28,413,497
Short-term borrowings	731,403	29,536	-	-	760,939
Total liabilities	25,210,230	3,856,479	-	107,727	29,174,436
Cash and cash equivalents	-	-	-	-	-
Total net debt	25,210,230	3,856,479	-	107,727	29,174,436

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 2022**

	Share Capital £	Revenue Reserves £	Revaluation Reserve £	Minority Interest £	Designated Reserve £	Total £
Balance as at 1 April 2021	114	17,347,744	23,069,844	175,648	226,936	40,820,286
Issue of shares	2	-	-	-	-	2
Minority interest for the year	-	-	-	(12,779)	-	(12,779)
Surplus for the year	-	1,616,685	-	-	-	1,616,685
Balance as at 31 March 2022	116	18,964,429	23,069,844	162,869	226,936	42,424,194

ASSOCIATION STATEMENT of CHANGES in RESERVES**For the year ended 31 March 2022**

	Share Capital £	Revenue Reserves £	Revaluation Reserve £	Designated Reserve £	Total £
Balance as at 1 April 2021	114	16,630,308	23,069,844	226,936	39,927,202
Issue of shares	2	-	-	-	2
Surplus for the year	-	1,338,961	-	-	1,338,961
Balance as at 31 March 2022	116	17,969,269	23,069,844	226,936	41,266,165

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

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS****For the year ended 31 March 2022****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.

Foreign currency translationFunctional 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 2022****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 2022****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 2022****1. Accounting policies (continued)****Impairment of assets**

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

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

Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Deposits and liquid resources

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

Debtors

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

Creditors

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

Finance costs

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

Estimation uncertainty

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

Bad and doubtful debts

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

Retirement benefits

The Association participates in the Scottish Housing Associations Pension Scheme (SHAPS). The defined benefit section of SHAPS has been closed to new members and future new service accrual and a defined contribution scheme is now offered to eligible employees. The 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 2022

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 2022****2. (a) Consolidated particulars of revenue, operating costs and operating surplus**

	Notes	Revenue £	Operating Costs £	2022 Operating Surplus £	Revenue £	Operating Costs £	2021 Operating Surplus £
Affordable lettings activities	3(a)	9,374,772	8,588,282	786,490	8,840,673	7,105,568	1,735,105
Other activities	4(a)	2,713,766	1,701,557	1,012,209	1,985,220	1,442,622	542,598
Total		12,088,538	10,289,839	1,798,699	10,825,893	8,548,190	2,277,703

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

	Notes	Revenue £	Operating Costs £	2022 Operating Surplus £	Revenue £	Operating Costs £	2021 Operating Surplus £
Affordable lettings activities	3(b)	9,368,185	8,574,334	793,851	8,834,662	7,090,449	1,744,213
Other activities	4(b)	675,460	533,719	141,741	459,493	325,690	133,803
Total		10,043,645	9,108,053	935,592	9,294,155	7,416,139	1,878,016

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2022****3. (a) Particulars of income and expenditure from affordable lettings – Group**

	General needs housing £	Supported housing £	Shared ownership £	Garages £	2022 Total £	2021 Total £
Revenue from lettings						
Rent receivable net of service charges	8,349,301	339,771	5,836	262,196	8,957,104	8,513,877
Service charges	17,871	234,254	-	-	252,125	250,586
Gross income from rents and service charges	8,367,172	574,025	5,836	262,196	9,209,229	8,764,463
Less: voids	(50,713)	(10,523)	-	(100,987)	(162,223)	(191,548)
Net income from rents and service charges	8,316,459	563,502	5,836	161,209	9,047,006	8,572,915
Grants released from deferred income	164,212	-	-	-	164,212	135,690
Revenue grants from Scottish Ministers	60,492	-	-	-	60,492	61,370
Other revenue grants	103,062	-	-	-	103,062	70,698
Total revenue from affordable letting activities	8,644,225	563,502	5,836	161,209	9,374,772	8,840,673
Expenditure on affordable letting activities						
Service costs	152,381	12,276	-	328	164,985	174,622
Management and maintenance administration costs	3,234,865	292,528	-	178,748	3,706,141	3,160,175
Reactive maintenance	1,289,338	83,661	-	7,130	1,380,129	1,021,868
Bad debts – rents and service charges	45,548	709	-	(127)	46,130	(7,569)
Planned and cyclical maintenance inc. major repairs	1,008,289	42,475	-	-	1,050,764	788,483
Depreciation of social housing	2,159,279	80,854	-	-	2,240,133	1,967,989
Operating costs for affordable letting activities	7,889,700	512,503	-	186,079	8,588,282	7,105,568
Operating surplus for affordable letting activities	754,525	50,999	5,836	(24,870)	786,490	1,735,105
2021	1,378,885	71,189	5,701	(18,583)	1,735,105	

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2022****3. (b) Particulars of income and expenditure from affordable lettings – Association**

	General needs housing £	Supported housing £	Shared ownership £	Garages £	2022 Total £	2021 Total £
Revenue from lettings						
Rent receivable net of service charges	8,341,729	339,771	5,836	262,196	8,949,532	8,506,704
Service charges	17,871	234,254	-	-	252,125	250,586
Gross income from rents and service charges	8,359,600	574,025	5,836	262,196	9,201,657	8,757,290
Less: voids	(49,728)	(10,523)	-	(100,987)	(161,238)	(190,386)
Net income from rents and service charges	8,309,872	563,502	5,836	161,209	9,040,419	8,566,904
Grants released from deferred income	164,212	-	-	-	164,212	135,690
Revenue grants from Scottish Ministers	60,492	-	-	-	60,492	61,370
Other revenue grants	103,062	-	-	-	103,062	70,698
Total turnover from affordable letting activities	8,637,638	563,502	5,836	161,209	9,368,185	8,834,662
Expenditure on affordable letting activities						
Service costs	152,381	12,276	-	328	164,985	174,622
Management and maintenance administration costs	3,223,984	292,528	-	178,748	3,695,260	3,149,116
Reactive maintenance	1,286,271	83,661	-	7,130	1,377,062	1,017,808
Bad debts – rents and service charges	45,548	709	-	(127)	46,130	(7,569)
Planned and cyclical maintenance inc. major repairs	1,008,289	42,475	-	-	1,050,764	788,483
Depreciation of social housing	2,159,279	80,854	-	-	2,240,133	1,967,989
Operating costs for affordable letting activities	7,875,752	512,503	-	186,079	8,574,334	7,090,449
Operating surplus for affordable letting activities	761,886	50,999	5,836	(24,870)	793,851	1,744,213
2021	1,387,993	71,189	5,701	(18,583)	1,744,213	

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

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

	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total turnover £	Bad debts £	Operating costs		Operating surplus/ (deficit) 2021 £
							Other £	Other £	
Wider role activities	-	169,915	-	-	169,915	-	198,692	(28,777)	(3,360)
Factoring – agency services	-	-	-	15,759	15,759	-	12,215	3,544	12,700
Construction of property activities	-	-	-	-	-	-	51,543	(51,543)	(46,026)
Sale of land and houses (non-RTB)	-	-	-	15,070	15,070	-	3,761	11,309	1,100
Other activities	-	-	-	-	-	-	-	-	-
<i>Electricity generation</i>	-	-	-	2,060,066	2,060,066	-	1,167,838	892,228	433,879
<i>Commercial rental</i>	-	-	-	43,716	43,716	-	10,019	33,697	17,788
<i>Renewable income</i>	-	-	-	154,965	154,965	-	-	154,965	132,090
<i>Other income/expenditure</i>	-	-	-	254,275	254,275	-	235,729	18,546	19,511
<i>Project management</i>	-	-	-	-	-	-	21,760	(21,760)	(25,084)
Total from other activities	-	169,915	-	2,543,851	2,713,766	-	1,701,557	1,012,209	542,598
2021	-	173,448	-	1,811,772	1,985,220	-	1,442,622	542,598	

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

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

	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total turnover £	Bad debts £	Operating costs		Operating surplus/ (deficit) 2021 £
							Other	Other	
Wider role activities	-	169,915	-	-	169,915	-	198,692	(28,777)	(3,360)
Factoring – agency services	-	-	-	15,759	15,759	-	12,215	3,544	12,700
Construction of property activities	-	-	-	-	-	-	51,543	(51,543)	(46,026)
Sale of land and houses (non-RTB)	-	-	-	15,070	15,070	-	3,761	11,309	1,100
Other activities	-	-	-	-	-	-	-	-	-
<i>Commercial rental</i>	-	-	-	43,716	43,716	-	10,019	33,697	17,788
<i>Business support to sub companies</i>	-	-	-	21,760	21,760	-	21,760	-	-
<i>Gift aid from subsidiary company</i>	-	-	-	-	-	-	-	-	-
<i>Renewable income</i>	-	-	-	154,965	154,965	-	-	154,965	132,090
<i>Other income/expenditure</i>	-	-	-	254,275	254,275	-	235,729	18,546	19,511
Total from other activities	-	169,915	-	505,545	675,460	-	533,719	141,741	133,803
2021	-	173,448	-	286,045	459,493	-	325,690	133,803	

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2022****5. Officers emoluments – Group and Association**

	2022	2021
The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Board of Management, and managers of the Association. These officers also constitute the Association's Key Management Personnel		
Number of officers of the Association who received emoluments greater than £60,000	5	5
Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding pension contributions)	£419,314	£404,034
Pension contributions made on behalf on officers with emoluments greater than £60,000	£32,807	£31,197
Compensation payable to officers for loss of office	£64,777	-
Emoluments payable to Chief Executive (excluding pension contributions)	£104,488	£107,837
Pension contributions made on behalf of Chief Executive	<u>£5,388</u>	<u>£7,829</u>
Total emoluments payable to Chief Executive	<u>£109,876</u>	<u>£115,666</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	3	4
£90,001 to £100,000	-	-
£100,001 to £110,000	<u>1</u>	<u>-</u>

Due to a change in Executive Team structure, the Resources Director took a severance package and left the Association in November 2021. The previous Chief Executive retired in November 2020 and therefore received emoluments between £60,000 and £70,000 for the 2020/21 reporting period. The new Chief Executive joined in November 2020 and therefore did not received emoluments above £60,000 during 2020/21. The emoluments payable to Chief Executive disclosed above for 2020/21 combines amounts paid both to the previous and new Chief Executive.

6. Employee information – Group and Association

	2022	2021
	No.	No.
The monthly number of full time equivalent persons employed during the year was	52	56
The total number of employees employed during the year was	<u>58</u>	<u>63</u>
	£	£
Staff costs were		
Salaries	1,986,845	1,892,515
Social security costs	193,816	186,353
Other pension costs	<u>138,075</u>	<u>139,644</u>
Total	<u>2,318,736</u>	<u>2,218,512</u>

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2022****7. (Loss) on sale of fixed assets – Group and Association**

	2022	2021
	£	£
Sales proceeds	-	-
Cost of sales	(29,798)	(10,118)
(Loss)/gain on sale of housing stock	(29,798)	(10,118)

8. Interest payable and similar charges

	Group		Association	
	2022	2021	2022	2021
	£	£	£	£
On bank loans and overdrafts	1,046,787	1,043,323	608,537	587,145
Net interest on net defined benefit pension obligations	25,000	7,000	25,000	7,000
	1,071,787	1,050,323	633,537	594,145

9. Surplus for year

The surplus for the year is stated after charging:

	Group		Association	
	2022	2021	2022	2021
	£	£	£	£
Depreciation:				
Housing properties	2,240,132	1,967,989	2,240,132	1,967,989
Other fixed assets	625,665	585,847	105,512	71,504
Auditors' remuneration:				
Audit services – current year	22,980	24,463	18,000	19,158
Other services – current year	2,575	2,500	-	-
Audit services – prior year	300	(540)	-	(540)
Operating lease rentals:				
Land and buildings	105,892	102,412	-	-
Other	15,297	31,026	15,297	31,026

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 2022**

11. Pension deficit adjustment – Group and Association	2022	2021
	£	£
Re-measurement of pension deficit (note 26)	<u>1,066,505</u>	<u>(1,213,000)</u>

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
	£	£	£	£	£
Cost					
As at 1 April 2021	87,983,503	5,367,371	1,681,371	483,053	95,515,298
Additions	-	5,248,271	-	-	5,248,271
Capitalised improvements	2,543,309	-	-	-	2,543,309
Disposals	(88,541)	-	-	-	(88,541)
Transfers	5,808,719	(5,808,719)	-	-	-
As at 31 March 2022	<u>96,246,990</u>	<u>4,806,923</u>	<u>1,681,371</u>	<u>483,053</u>	<u>103,218,337</u>
Depreciation					
As at 1 April 2021	11,800,677	-	-	-	11,800,677
Charge for the year	2,240,133	-	-	-	2,240,133
Disposals	(58,743)	-	-	-	(58,743)
As at 31 March 2022	<u>13,982,067</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,982,067</u>
Net book value					
As at 31 March 2022	<u>82,264,923</u>	<u>4,806,923</u>	<u>1,681,371</u>	<u>483,053</u>	<u>89,236,270</u>
As at 31 March 2021	<u>76,182,826</u>	<u>5,367,371</u>	<u>1,681,371</u>	<u>483,053</u>	<u>83,714,621</u>

Additions to housing properties include capitalised major repair costs to existing properties of £2,543,309 (2021: £698,508). Over the year, £2,430,893 (Group) and £2,427,826 (Association) was charged to responsive and planned and cyclical maintenance in the Statement of Comprehensive Income (2021: £1,810,351 – Group; £1,806,291 – Association).

All land and housing properties are heritable.

The Association's lenders have standard securities over housing property with a carrying value of £27.4m (2021: £44.0m).

Impairment charges

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

There is no impairment charge in this financial year (2021: no impairment).

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

13. Other tangible fixed assets – Group and Association

	Heritable office property £	Leasehold improvements £	Equipment £	Motor vehicles	Association Subtotal	Wind Farm & Grid Upgrade	Group Total £
Cost							
As at 1 April 2021	659,799	107,495	796,201	36,985	1,600,480	12,729,646	14,330,126
Additions	-	18,760	76,615	500	95,875	122,000	217,875
Disposals	-	-	-	-	-	-	-
As at 31 March 2022	659,799	126,255	872,816	37,485	1,696,355	12,851,646	14,548,001
Depreciation							
As at 1 April 2021	659,799	106,774	590,060	36,985	1,393,618	1,928,439	3,322,057
Charge for the year	-	10,668	94,748	96	105,512	520,153	625,665
Disposals	-	-	-	-	-	-	-
As at 31 March 2022	659,799	117,442	684,808	37,081	1,499,130	2,448,592	3,947,722
Net book value							
As at 31 March 2022	-	8,813	188,008	404	197,225	10,403,054	10,600,279
As at 31 March 2021	-	721	206,141	-	206,862	10,801,207	11,008,069

Borrowing costs capitalised during the year amount to £nil (2021: £nil) for the Group and £nil (2021: £nil) for the Association.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2022****14. Investments**

	Group		Association	
	2022	2021	2022	2021
	£	£	£	£
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.

	2022	2021
	£	£
BHA Enterprise Ltd (100%)		
Aggregate capital and reserves	769,424	466,220
Profit/(loss) for the year	<u>303,279</u>	<u>(20,928)</u>
Berwickshire Community Renewables LLP (2/3rd)		
Aggregate capital and reserves	488,606	526,940
Profit/(loss) for the year	<u>441,666</u>	<u>(34,474)</u>

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

15. Stock – Group and Association

	2022	2021
	£	£
Consumables	<u>7,560</u>	<u>108,300</u>

Consumables relate to windows purchased in advance of being fitted in the next financial year.

16. Debtors

	Group		Association	
	2022	2021	2022	2021
	£	£	£	£
Arrears of rent and service charge	232,175	198,807	227,100	193,104
Less: provision for doubtful rental debts	(159,335)	(153,056)	(159,335)	(153,056)
Net rent arrears	<u>72,840</u>	<u>45,751</u>	<u>67,765</u>	<u>40,048</u>
Other debtors	1,229,758	833,967	608,165	325,199
Less: Provision for doubtful other debts	(180,218)	(201,778)	(180,218)	(201,778)
	<u>1,049,540</u>	<u>632,189</u>	<u>427,947</u>	<u>123,421</u>
Trade debtors	10,914	25,275	10,840	25,275
Inter-entity debtors	-	-	104,620	104,695
	<u>1,133,294</u>	<u>703,215</u>	<u>611,172</u>	<u>293,439</u>

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 2022****17. Creditors:** amounts falling due within one year

	Group		Association	
	2022	2021	2022	2021
	£	£	£	£
Housing Loans	760,939	731,403	760,939	731,403
Other bank loans and overdrafts	766,812	700,143	-	-
Trade payables	121,976	108,427	113,939	102,966
Rent in advance	165,139	144,978	165,139	144,978
Other taxation and social security	190,577	137,003	65,662	60,490
Other payables	11,761	41	11,761	41
Provision for holiday pay	15,347	30,071	15,347	30,071
Accruals and deferred income (Note 19)	2,152,969	1,626,270	2,055,600	1,549,803
	<u>4,185,520</u>	<u>3,478,336</u>	<u>3,188,387</u>	<u>2,619,752</u>

18. Creditors: amounts falling due after one year

	Group		Association	
	2022	2021	2022	2021
	£	£	£	£
Housing Loans	28,413,497	24,478,827	28,413,497	24,478,827
Project finance – bank and other loans	9,778,105	10,417,828	-	-
	<u>38,191,602</u>	<u>34,896,655</u>	<u>28,413,497</u>	<u>24,478,827</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:

	2022	2021
	£	£
Repayable within one year	760,939	731,403
Repayable within two to five years	11,135,722	3,102,685
Repayable after five years	17,277,775	21,376,142
	<u>29,174,436</u>	<u>25,210,230</u>

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

Project finance loans repayable by instalments – Group:

	2022	2021
	£	£
Repayable within one year	766,812	700,143
Repayable within two to five years	3,388,021	2,957,812
Repayable after five years	6,390,084	7,460,016
	<u>10,544,917</u>	<u>11,117,971</u>

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2022****19. Deferred income - Group and Association**

	2022	2021
	£	£
Social Housing Grants		
Balance as at 1 April	16,852,750	14,847,579
Additions in year	1,973,059	2,136,312
Amortisation in year	(159,661)	(131,141)
Balance as at 31 March	<u>18,666,148</u>	<u>16,852,750</u>
Other Grants		
Balance as at 1 April	518,761	544,743
Additions in year	189,483	186,495
Released in the year	(126,751)	(207,927)
Amortisation in year	(4,550)	(4,550)
Balance as at 31 March	<u>576,943</u>	<u>518,761</u>
Total	<u><u>19,243,091</u></u>	<u><u>17,371,511</u></u>
Deferred income – analysed by age		
Released in less than one year (note 17)	342,122	255,272
Released in more than one year	18,900,969	17,116,239
Balance as at 31 March	<u><u>19,243,091</u></u>	<u><u>17,371,511</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 2022/23 is £188,239.

20. Share capital – Association only

	2022	2021
	£	£
Shares of £1 each at 1 April	114	127
Shares of £1 issued during the year	-	4
Cancellation of shares	2	(17)
Balance as at 31 March	<u><u>116</u></u>	<u><u>114</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 2022****21. Statement of cash flows**

Reconciliation of operating surplus to net cash flow from operating activities	Group		Association	
	2022	2021	2022	2021
	£	£	£	£
Operating surplus	1,798,699	2,277,703	935,592	1,878,016
Depreciation	2,865,797	2,553,836	2,345,644	2,039,492
Amortisation of capital grants	(164,212)	(135,690)	(164,212)	(135,690)
Decrease in stock	100,740	25,772	100,740	25,772
(Increase)/decrease in debtors	(430,079)	175,854	(318,969)	85,122
Increase/(decrease) in creditors	586,860	(728,526)	516,218	(670,869)
Pension deficit payments net of non-cash items	(310,955)	(301,898)	(310,955)	(301,898)
Release of loan arrangement fees	7,508	-	7,508	-
Share capital cancelled	-	(13)	-	(13)
	<u>4,454,358</u>	<u>3,867,038</u>	<u>3,111,566</u>	<u>2,919,932</u>

22. Housing Stock – Group and Association

	2022	2021
	No.	No.
The number of units of accommodation in management at the year-end was:		
General needs – new builds	1,838	1,807
General needs – not owned by BHA	14	14
Shared ownership	2	2
Supported Housing	83	83
Balance as at 31 March	<u>1,937</u>	<u>1,906</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 2022****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	
	2022	2021	2022	2021
	£	£	£	£
Not later than one year	116,548	123,951	10,656	21,539
Later than one year and not later than five years	434,172	424,283	10,606	14,636
Later than five years	1,945,463	1,921,287	-	-

23. (b) Capital commitments

As at 31 March 2022	Group		Association	
	2022	2021	2022	2021
	£	£	£	£
Expenditure authorised by the Board and contracted, less certified	4,007,494	5,439,419	4,007,494	5,301,419

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; £5,622 (2021: £5,065) 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 2021 to 31 March 2022.

£8,400 staff costs for shared services (2021: £11,796)

£1,000 for a share of facilities management costs (2021: £1,000)

£59,751 for the rental of residential properties let by BHA Enterprise as mid-market rental properties (2021: £58,294)

The balance outstanding due from BHA Enterprise Ltd as at 31 March 2022 to Berwickshire Housing Association Limited was £Nil (2021: £Nil).

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2022

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 £12,360 (2021: £12,228) for staff time provided on the operation of the windfarm. The balance outstanding from Berwickshire Community Renewables LLP to Berwickshire Housing Association as at 31 March 2021 was £104,620 (2021: £104,620).

BHA Enterprise Ltd has contributed £100,000 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 £225,737 (2021: £251,293).

25. Details of Association

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

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2022****26. Retirement benefit obligations**

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

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

The disclosures below explain how the net pension asset for 2022 (2021: liability) is arrived at and the impact on the results for the year.

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

Disclosures in relation to estimated share of scheme deficit

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

The Scheme is a funded defined benefit arrangement.

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2022****26. Retirement benefit obligations (continued)****Principal Actuarial Assumptions**

	2022	2021
Discount rate	2.79%	2.05%
Salary increases	3.57%	3.45%
Inflation (CPI)	3.19%	2.75%
Inflation (RPI)	3.57%	3.45%
Male life expectancy at age 65	21.6 years	21.5 years
Female life expectancy at age 65	23.9 years	23.4 years

Amounts recognised in Statement of Financial Position

	2022	2021
	£	£
Fair Value of Scheme Assets	11,357,495	10,968,539
Present value of benefit obligations	11,270,000	12,321,000
Net pension asset/(liability)	87,495	(1,352,461)

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 asset has not been recognised in the financial statements.

Changes in defined benefit obligation

	2022	2021
	£	£
Opening defined benefit obligation	12,321,000	10,397,000
Employer service cost	-	-
Interest expense	251,000	246,000
Employee contributions	-	-
Actuarial (gains)/losses	(1,066,000)	2,012,000
Benefits paid	(236,000)	(334,000)
Closing defined benefit obligation	11,270,000	12,321,000

Changes in fair value of scheme assets

	2022	2021
	£	£
Opening fair value of scheme assets	10,968,539	9,962,641
Actual return on scheme assets less interest income	88,000	799,000
Interest income	226,000	239,000
Employer contributions – past service contributions	321,007	311,950
Benefits paid	(236,000)	(334,000)
Administration costs	(10,051)	(10,052)
Closing fair value of scheme assets	11,357,495	10,968,539

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2022****26. Retirement benefit obligations (continued)**

Amounts recognised in in Statement of Comprehensive Income	2022	2021
	£	£
Administration costs	10,051	10,052
Net interest on net defined benefit obligation	25,000	7,000
Total pension cost recognised in Statement of Comprehensive Income	35,051	17,052
Amounts recognised in Other Comprehensive Income	2022	2021
	£	£
Actual return on plan assets less interest income on plan assets	88,000	799,000
Actuarial gains/(losses)	978,505	(2,012,000)
Re-measurement gains and (losses) recognised in other comprehensive income	1,066,505	(1,213,000)

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.

27. Contingent liabilities

	2022	2021
	£	£
Social Housing Grant	100,027	100,027

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

Contractual Dispute

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

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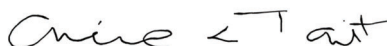
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Senior Audit Manager

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