



**BERWICKSHIRE HOUSING ASSOCIATION LIMITED
ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

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 2020

CONTENTS

	Page
Board of Management, Executives and Advisers	1
Group Operating Review	2 - 9
Independent Auditor's Report	10 - 11
Independent Auditors' Report on Corporate Governance Matters	12
Consolidated Statement of Comprehensive Income	13
Association Statement of Comprehensive Income	14
Consolidated Statement of Financial Position	15
Association Statement of Financial Position	16
Consolidated Statement of Cash Flows	17
Association Statement of Cash Flows	18
Consolidated Statement of Changes in Reserves	19
Association Statement of Changes in Reserves	19
Notes to Group Financial Statements	20 - 42

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

ANNUAL REPORT and GROUP FINANCIAL STATEMENTS

For the year ended 31 March 2020

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

Board of Management

Jim McDevitt	Convener
Scott Holmes	Vice-Convener
Vivienne Cockburn	Vice-Convener
Lorraine Tait	(Resigned September 2019)
Andrew Brough	(Resigned September 2019)
James Fullarton	(Resigned September 2019)
Anne Rutherford	
Lynn Gray	
Graeme MacLeod	
Paul Matthews	
Susie McCosh	
Sean Dickson	(Resigned May 2020)
Clive Feeney	(Resigned September 2019)
Norrie MacPhail	(Appointed September 2019)
Sam Hart	(Appointed March 2020*)
Billie Dishington	(Appointed March 2020*)
Stephen Scott	(Appointed March 2020*)

* Whilst the appointment of these Board members was approved by the Board in March, due to the COVID 19 emergency, two members were inducted and attended their first Board meeting in June and one is on a leave of absence and has not yet attended a Board meeting

Executive Officers

Helen Forsyth	Chief Executive
Angela Taylor	Property Director
Eleanor Rooke	Finance Director
Daniel Blake	Operations Director
John Bain	Resources Director & Secretary

Registered Office and Principal Address

55 Newtown Street, Duns, Berwickshire, TD11 3AU

Funders

Nationwide Building Society	The Royal Bank of Scotland plc
Caledonia House	Kirkstane House
Carnegie Avenue	5 th Floor, 139 St. Vincent Street
Dunfermline	Glasgow
KY11 8PJ	G2 5JF

Bankers

The Royal Bank of Scotland plc
12 Market Street
Duns
TD11 3DA

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 2020

GROUP OPERATING REVIEW

The directors present their annual report and audited financial statements for the year ended 31 March 2020.

Principal Activities

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

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS: BERWICKSHIRE HOUSING ASSOCIATION LIMITED

BHA's core business is providing quality, affordable housing and creating flourishing communities people are proud to live in. BHA has 1,875 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 70 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 £904,281, compared with the surplus of £143,625 for the previous year. The net cash inflow from operating activities was £2,859,275 (2019: £2,184,745). Maintaining a strong level of cash generation is essential in ensuring that BHA's programme of new build development can be maintained and that it continues to meet the proposed programme of planned works within the existing stock. Further detail on the Association's financial performance is set out on pages 4-5.

New homes

BHA aims to build as many new homes as it can afford in order to meet local need. We anticipate that distributions made to the members of BCR will assist BHA to achieve this aim. We completed 25 units in Chirnside and 27 units at Todlaw during 2019/20. We plan to complete 29 homes in Duns in 2020 and a further 31 homes in Ayton in 2021.

Maintaining the quality of core services

This year we undertook a customer survey and reached far higher numbers of customers than we have for some years. 77% of our tenants are satisfied with our service but we recognise we need to do more if we are to meet the expectations of more of our tenants. We will be focusing on the delivery of repairs and a planned programme of improvements. We will be seeking to provide a service that is quicker to access and easier to use for our working tenants. We will identify specific communities who were less positive about our service delivery and seek to improve the offer to them. We are continuing to experience a high level of voids as we did last year. There is no one reason for these voids. We have almost completed the sensory and community gardens (delayed by COVID 19). As ever we seek to improve the look of neighbourhoods, tackle key issues raised by our tenants and work with other organisations on improving the whole community. A big issue for us moving forward has been tenancy sustainment; this has been an issue for our more vulnerable tenants, and we are piloting a more sustained support approach with Penumbra over the next 18 months. The issues for our tenants have been exacerbated by the lockdown imposed due to COVID 19 and we are providing over 70 tenants with weekly support through this. This will have implications for how we deliver our services in the future.

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

Maintaining the quality of existing homes

BHA's homes are maintained to Government standards. All our general needs homes continue to be let but we wish to invest in all our properties over the coming years to meet customer expectations and to be prepared for the challenging climate change targets the government are setting. We are seeking alternative solutions to these in the coming years. There is a planned programme to upgrade homes and to meet all legislative requirements around EESSH (Energy Efficiency Standard in Social Housing) and the Fire and Carbon Monoxide Detector Standard by 31st December 2020 and 1st February 2021 respectively. As at 31st March 2020 75% of our properties met the EESSH standard.

At present 90.49% of BHA's homes meet SHQS with the remaining classed as exemptions and abeyances. The SHQS has recently been amended by the requirement to carry out electrical safety checks on all residential properties within a cycle of not less than five years, we are required to comply with this by 31st March 2022.

We continue to look at Value for Money and are documenting both internally and in external documentation our effort to reduce costs and/or improve quality for tenants both in core services and in the added services we offer. This year we will explore working in collaboration with other housing associations to achieve better value for money and to use the most effective procurement agents to deliver not only financial savings but maintain a standard of service expected by our tenants.

We are continuing where possible to install renewable heating systems into homes. That includes air source heat pumps and heat batteries. We successfully bid for Warms Home fund money and this will allow us to spend £650k to meet real need.

The Covid-19 emergency has significantly impacted our ability to deliver a number of services to our customers since lockdown commenced in March. We are actively planning how we restart our services as and when the Scottish Government Route Map allows. Due to the timing of lockdown all our cyclical and planned investment projects for the year to 31st March 2021 are significantly delayed. Whilst we will make best endeavours to meet all our legal responsibilities in relation to maintaining the quality of our existing homes, this may not be possible due to strained resources both from a cash flow and contractor perspective. The delay in our cyclical and planned investment programme works also impacts how quickly we are able to deliver on other improvements to our homes linked to meeting our customers' expectations.

Providing advice and support to tenants

BHA has been providing money advice to tenants for just over five years now. Last year we supported 344 households across our stock, resulting in generating a further £736,476 in additional household benefit income.

Following the economic downturn, we have seen the numbers claiming universal credit rising. At the end of 2018/19 the numbers were 190, by the end of March 2020 they were 379 with a further 40 claiming in April 2020. We expect this to be a challenging time for the team.

BHA has a school-based programme, which runs every year preparing young people for independence and to be able to live in their own home. It has run a variety of programmes for both high schools in our catchment area.

Support for communities and places where BHA tenants live

Skip and Scrap days continue to be BHA's biggest and most successful initiative to improve the local communities in which BHA works. This is where BHA provides a skip throughout the day to people (both tenants and others) in which to dispose of items that they cannot afford to have uplifted by the local authority. We expect the demand for this to be very high once lockdown ends.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

ANNUAL REPORT and GROUP FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

From 1 April 2020 BHA now has three independent living schemes which are funded by the tenants and through housing benefit, rather than through Supporting People money as was the case during the year to 31 March 2020. They are no longer registered with the Care Inspectorate. BHA operates a befriending scheme for older people in Berwickshire which provided social support to 77 older people through the services of 30 volunteers on a one to one basis plus group meetings and events. Their work is now provided online and in social distanced conversations. The team are also supporting housing officers to support 70 tenants a week who asked for specific contact during lockdown.

BHA works in partnership with a wide range of local agencies including the fire service, domestic abuse services, mental health support and local social enterprises. Our Community Initiatives Manager has developed further collaborations with local agencies and is a member of the Community Assistance Hub for Berwickshire. This is a set of joint public and community sector services that work jointly as a result of the COVID 19. The benefits of this collaboration if felt to be worth sustaining into the future. We work closely with local environmental improvement groups, development trusts, youth agencies and associations of voluntary services.

Management of other properties.

We provide some factoring services to other organisations and have been managing 54 properties in Eyemouth and Coldstream for Link Housing. This service is likely to end later in 2020.

Business Transformation

We are now in the early stages of our business transformation focusing on improving our use of our housing management system, developing a customer portal and enabling technical staff to work remotely. We are also mapping our processes to look for opportunities to improve them. We created four business strands: digital, staffing, developing a new office and mapping processes. We have put on hold our staffing strand and the development of a new office. This is because of the departure of our present Chief Executive, planned for late 2020, and the wish to allow the new CEO to influence these areas. It is also because of the effect of COVID 19 and our need to direct our attention to delivering our core services remotely. We recruited a Programme Director who worked with us for six months to set up our project office and to ensure we had the right processes and culture in place. Our Programme Manager is now focused on the delivery of the two strands.

Developing staff

We always ensure that staff have opportunities to attend training and to learn new skills. A certain number of staff are always undertaking qualifications. This year we ran a long-term development programme for our new leadership team and management team to enable them to work together as effectively as possible. The CEO and Human Resources Manager also ran a programme for aspiring leaders for 10 staff at junior level which was very well received.

BHA Enterprise Ltd

BHA Enterprise continues to support the Limited Liability Partnership Berwickshire Community Renewables in the management of the wind farm at Hoprigshiels known as the 'Fisherman Three'. It also manages 12 mid-market rent homes in Duns.

BHA Enterprise made a small operating loss of £28,660 (2019: operating loss of £14,891) in the year which was in line with expected trading activities. After accounting for interest receivable and the profit distribution from Berwickshire Community Renewables, the reported profit for the financial year was £193,780 (2019: £83,935). BHA Enterprise was able to gift aid £200,00 (2019: £68,000) to BHA at the year end.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

ANNUAL REPORT and GROUP FINANCIAL STATEMENTS

For the year ended 31 March 2020

FINANCIAL REVIEW

Income

The Association's turnover for the year ended 31 March 2020 totalled £8.89 million (2019: £8.31 million). Rental and service charge income (net of void losses) accounted for 92% or £8.20 million of this with the remainder including:

- £74,918 received for Supporting People contracts with Scottish Borders Council.
- £108,424 received for wider role funding, including primarily Lottery funding for financial inclusion services provided across the Scottish Borders area and Befriending services provided in Berwickshire.
- £28,000 received for recharges to subsidiaries for support services provided by BHA.
- £92,559 for factoring services (including recharged repairs).
- £35,251 for commercial rents.
- £69,654 of renewable income from installed solar PV panels and Renewable Heat Incentive from eligible heating systems installed in our homes.
- £200,000 gift aid from BHA Enterprise Ltd.
- £89,367 of other income mainly relating to rechargeable repairs and staff secondments to support other housing associations.

The consolidated turnover for the group is £10.81 million (2019: £10.17 million).

Expenses

Total revenue expenditure in the year for the Association was £8.16 million (2019: £7.46 million), comprising the following main items:

- Letting activity management and maintenance administration costs £3.20 million (2019: £2.88 million)
- Depreciation of social housing properties £1.92 million (2019: £1.77 million)
- Reactive maintenance to social housing stock £1.18 million (2019: £1.03 million)
- Planned and cyclical maintenance of social housing stock £1.12 million (2019: £0.95 million)
- £0.04 million on Development activities (2019: £0.05 million).

The operating surplus generated by the Association in the year was £0.73 million against an operating surplus of £0.85 million for 2019.

After net interest charges of £592,116 (2019: £612,621) and loss on the sale and disposal of certain housing stock, the surplus for the year was £67,281 (2019: £222,625). A pension scheme re-measurement credit of £837,1000 (2019: debit £79,000) takes total comprehensive income for the year to £904,281. The Group had a net surplus for the year of £908,486 (2019: £209,155).

The Association had a net asset position at the year-end of £39.86 million compared with a net asset position of £38.96 million for 2019. The consolidated net asset position was £40.81 million (2019: £39.90 million).

Pension deficit

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

Previously the Association accounted for this deficit by discounting future past service pension deficit payments due by it to the Scheme as decided by the Trustees of the Scheme; however, the Association decided to move to the full disclosure method of accounting for its pension deficit with effect from the 2016/17 financial year. The Trustees took advice from an actuarial practice and agreed a set of assumptions used to produce the disclosure.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

ANNUAL REPORT and GROUP FINANCIAL STATEMENTS

For the year ended 31 March 2020

FINANCIAL REVIEW (CONTINUED)

Cash Flows

The cash flow statement of the Association is shown on page 17. BHA generated £2.86 million (2019: £2.18 million) from operating activities. Cash and cash equivalents decreased by £1.15 million (2019: decrease of £2.95 million) including the continued investment in new builds with this expenditure covered by a mixture of grants and private finance.

Liquidity

The Association has a net current liability position of £1.70 million as at 31 March 2020, a decrease of £1.75 million in the year due to cash flow and liquidity management and ensuring available funds on loan facilities are only drawn as required. BHA has a ten year, £8m loan facility with RBS of which £1 million remains undrawn and a £0.5 million revolving credit facility with Nationwide Building Society which is undrawn as at 31 March 2020. At the year end a £5m bond with Allia Social Impact Investments Limited was approved and subsequently drawn in full on 6 April. This bond is in place to fund our two current developments at Duns and Ayton.

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, post year end, Allia. Interest rate risk is managed by the Audit and Finance Committee and treasury management arrangements are reviewed regularly.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

ANNUAL REPORT and GROUP FINANCIAL STATEMENTS

For the year ended 31 March 2020

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 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 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 Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in operation; and
- prepare a statement on Internal Financial Control.

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

In so far as the Board of Management are aware:

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

ANNUAL REPORT and GROUP FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

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 2020. 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 £4,495 (2019: £6,389).

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)

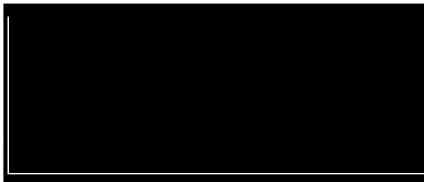
For the year ended 31 March 2020

STATEMENT ON INTERNAL FINANCIAL CONTROL (continued)

Board

The Board said farewell to several Trustees this year. Our Convenor Lorraine Tait moved on due to her heavy workload in her full-time employment and Jim McDevitt stepped up at our AGM to take the role. Cllr Jim Fullarton and Andrew Brough left after many years of service and Clive Feeney stepped down due to work commitments. We recruited in February and we are looking forward to three new members joining us remotely in the coming months. The Board have been, throughout, exceptionally supportive and effective and it has been a pleasure working with them. We are always looking for new Board members, particularly from our tenant base, so if anyone is interested please contact John Bain and/or secretary@Berwickshirehousing.org.uk for further details.

BY ORDER OF THE BOARD OF MANAGEMENT



Jim McDevitt
Convenor
55 Newtown Street
Duns, TD11 3AU

18 August 2020



Opinion

We have audited the Group financial statements of Berwickshire Housing Association Limited (the 'Association') for the year ended 31 March 2020 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 2020 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 – February 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.

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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

Use of our report

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



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

20 August 2020

**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 pages 7 and 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.

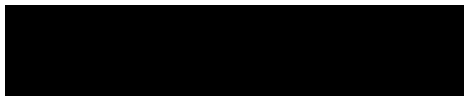
Basis of Opinion

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 pages 7 and 8 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

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



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

20 August 2020

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**CONSOLIDATED STATEMENT of COMPREHENSIVE INCOME****For the year ended 31 March 2020**

	Notes	2020 £	2019 £
Revenue	2	10,812,208	10,167,838
Operating costs	2	9,443,674	8,606,350
Operating Surplus	2	1,368,534	1,561,488
Minority member's share of (gain) in LLP		(105,213)	(58,797)
(Loss) on sale of housing stock	7	(72,206)	(18,399)
Interest receivable and similar income		10,549	17,736
Interest payable and similar charges	8	(1,130,178)	(1,213,873)
Surplus before tax		71,486	288,155
Taxation	10	-	-
Surplus for year		71,486	288,155
Other comprehensive income			
Re-measurement of pension deficit	11	837,000	(79,000)
Total comprehensive income		908,486	209,155

All items in the current year relate to continuing operations

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**ASSOCIATION STATEMENT of COMPREHENSIVE INCOME****For the year ended 31 March 2020**

	Notes	2020 £	2019 £
Revenue	2	8,888,389	8,312,194
Operating costs	2	8,156,786	7,458,549
Operating Surplus	2	731,603	853,645
(Loss) on sale of housing stock	7	(72,206)	(18,399)
Interest receivable and similar income		3,913	13,388
Interest payable and similar charges	8	(596,029)	(626,009)
Surplus for year		67,281	222,625
Other comprehensive income			
Re-measurement of pension deficit	11	837,000	(79,000)
Total comprehensive income		<u>904,281</u>	<u>143,625</u>

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

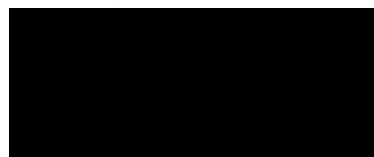
The notes on pages 20 to 42 form part of these financial statements.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED
CONSOLIDATED STATEMENT of FINANCIAL POSITION

As at 31 March 2020

	Notes	2020	2019
		£	£
Tangible fixed assets			
Housing properties	12	80,077,874	72,886,829
Other tangible fixed assets	13	10,573,890	10,953,283
		<hr/>	<hr/>
		90,651,764	83,840,112
Investments	14	-	-
Current assets			
Stock	15	134,072	108,300
Debtors	16	879,069	912,872
Current asset investment		-	674,969
Cash at bank and in hand		2,170,327	2,450,202
		<hr/>	<hr/>
		3,183,468	4,146,343
Creditors: amounts falling due within one year	17	(4,129,559)	(3,791,700)
		<hr/>	<hr/>
Net current (liabilities) / assets		(946,091)	354,643
Total assets less current liabilities		89,705,673	84,194,755
Creditors: amounts falling due after more than one year	18	(33,314,214)	(32,055,397)
Deferred income	19	(15,144,137)	(10,701,904)
Pension deficit	26	(434,359)	(1,538,180)
		<hr/>	<hr/>
Net assets		40,812,963	39,899,274
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Share capital	20	127	137
Minority interest		187,139	181,926
Revenue reserves		17,328,917	16,420,431
Revaluation reserve		23,069,844	23,069,844
Designated reserve		226,936	226,936
		<hr/>	<hr/>
Total reserves		40,812,963	39,899,274
		<hr/> <hr/>	<hr/> <hr/>

The financial statements were approved and authorised for issue by the Board of Management on 18 August 2020 and signed on their behalf.



Jim McDevitt
Convener



Scott Holmes
Vice Convener



John Bain
Secretary

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED
ASSOCIATION STATEMENT of FINANCIAL POSITION

As at 31 March 2020

	Notes	2020	2019
		£	£
Tangible fixed assets			
Housing properties	12	80,077,874	72,886,829
Other tangible fixed assets	13	203,852	111,879
		<hr/>	<hr/>
		80,281,726	72,998,708
		<hr/>	<hr/>
Investments	14	1	1
Current assets			
Stock	15	134,072	108,300
Debtors	16	378,561	627,792
Current asset investment		-	674,969
Cash at bank and in hand		1,032,940	1,504,317
		<hr/>	<hr/>
		1,545,573	2,915,378
		<hr/>	<hr/>
Creditors: amounts falling due within one year	17	(3,241,684)	(2,867,394)
		<hr/>	<hr/>
Net current (liabilities) / assets		(1,696,111)	47,984
		<hr/>	<hr/>
Total assets less current liabilities		78,585,616	73,046,693
Creditors: amounts falling due after more than one year	18	(23,142,719)	(21,846,479)
Deferred income	19	(15,144,137)	(10,701,904)
Pension deficit	26	(434,359)	(1,538,180)
		<hr/>	<hr/>
Net assets		39,864,401	38,960,130
		<hr/>	<hr/>
Capital and reserves			
Share capital	20	127	137
Revenue reserves		16,567,494	15,663,213
Revaluation reserve		23,069,844	23,069,844
Designated reserve		226,936	226,936
		<hr/>	<hr/>
Total reserves		39,864,401	38,960,130
		<hr/>	<hr/>

The Financial Statements were approved by the Board of Management and authorised for issue and signed on their behalf on 18 August 2020.



Jim McDevitt
Convener



Scott Holmes
Vice Convener



John Bain
Secretary

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT of CASH FLOWS

For the year ended 31 March 2020

	Notes	2020 £	2019 £
Net cash generated by operating activities	21	3,715,445	3,478,201
Investing activities			
Acquisition and construction of properties		(9,183,560)	(8,902,314)
Purchase of other fixed assets		(155,020)	(89,274)
Social housing grant received		4,578,549	1,948,604
Proceeds on disposal of properties		-	121,362
Net cash (outflow) from investing activities		<u>(4,760,031)</u>	<u>(6,921,622)</u>
Financing activities			
Interest received on cash and cash equivalents		10,549	17,736
Interest paid on loans		(1,095,178)	(1,170,870)
Loan principal repayments (including revolving credit)		(11,670,632)	(1,384,732)
Loan drawdown		12,945,000	3,062,348
Profit distribution to minority interest		(100,000)	(34,000)
Share capital issued		3	7
Net cash inflow from financing		<u>89,742</u>	<u>490,489</u>
(Decrease) in cash and cash equivalents		<u>(954,844)</u>	<u>(2,952,932)</u>
Opening cash and cash equivalents		3,125,171	6,078,103
Closing cash and cash equivalents		<u>2,170,327</u>	<u>3,125,171</u>
Cash and cash equivalents			
Current asset investment		-	674,969
Cash at bank and in hand		2,170,327	2,450,202
		<u>2,170,327</u>	<u>3,125,171</u>

CONSOLIDATED ANALYSIS OF CHANGES IN NET DEBT

For the year ended 31 March 2020

	2019 £	Cash Flows £	Non-Cash Finance Leases £	Changes Other Changes £	2020 £
Long-term borrowings	32,055,397	1,258,817	-	-	33,314,214
Short-term borrowings	1,367,190	15,572	-	-	1,382,762
Total liabilities	<u>33,422,587</u>	<u>1,274,389</u>	<u>-</u>	<u>-</u>	<u>34,696,976</u>
Cash and cash equivalents	-	-	-	-	-
Total net debt	<u>33,422,587</u>	<u>1,274,389</u>	<u>-</u>	<u>-</u>	<u>34,696,976</u>

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

ASSOCIATION STATEMENT of CASH FLOWS

For the year ended 31 March 2020

	Notes	2020 £	2019 £
Net cash generated by operating activities	21	2,859,275	2,184,745
Investing activities			
Acquisition and construction of properties		(9,183,560)	(8,902,314)
Purchase of other fixed assets		(155,020)	(89,274)
Social housing grant received		4,578,549	1,948,604
Proceeds on disposal of properties		-	121,362
Net cash (outflow)/inflow from investing activities		<u>(4,760,031)</u>	<u>(6,921,622)</u>
Financing activities			
Interest received on cash and cash equivalents		3,913	13,388
Interest paid on loans		(561,029)	(583,009)
Loan principal repayments (including revolving credit)		(688,477)	(646,719)
Loan drawdown		2,000,000	3,000,000
Share capital issued		3	7
Net cash inflow/(outflow) from financing		<u>754,410</u>	<u>1,783,667</u>
(Decrease)/increase in cash and cash equivalents		<u>(1,146,346)</u>	<u>(2,953,210)</u>
Opening cash and cash equivalents		2,179,286	5,132,496
Closing cash and cash equivalents		<u><u>1,032,940</u></u>	<u><u>2,179,286</u></u>
Cash and cash equivalents			
Current asset investment		-	1,504,317
Cash at bank and in hand		1,032,940	674,969
		<u><u>1,032,940</u></u>	<u><u>2,179,286</u></u>

ASSOCIATION ANALYSIS OF CHANGES IN NET DEBT

For the year ended 31 March 2020

	2019 £	Cash Flows £	Non-Cash Finance Leases £	Changes Other Changes £	2020 £
Long-term borrowings	21,846,479	1,296,240	-	-	23,142,719
Short-term borrowings	695,681	15,305	-	-	710,986
Total liabilities	<u>22,542,160</u>	<u>1,311,545</u>	-	-	<u>23,853,705</u>
Cash and cash equivalents	-	-	-	-	-
Total net debt	<u><u>22,542,160</u></u>	<u><u>1,311,545</u></u>	-	-	<u><u>23,853,705</u></u>

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

CONSOLIDATED STATEMENT of CHANGES in RESERVES

For the year ended 31 March 2020

	Share Capital £	Revenue Reserves £	Revaluation Reserve £	Minority Interest £	Designated Reserve £	Total £
Balance as at 1 April 2019	137	16,420,431	23,069,844	181,926	226,936	39,899,274
Issue of shares	3	-	-	-	-	3
Cancellation of shares	(13)	-	-	-	-	(13)
Transfer from revaluation reserve	-	-	-	-	-	-
Minority interest for the year	-	-	-	5,213	-	5,213
Surplus for the year	-	908,486	-	-	-	908,486
Balance as at 31 March 2020	127	17,328,917	23,069,844	187,139	226,936	40,812,963

ASSOCIATION STATEMENT of CHANGES in RESERVES

For the year ended 31 March 2020

	Share Capital £	Revenue Reserves £	Revaluation Reserve £	Designated Reserve £	Total £
Balance as at 1 April 2019	137	15,663,213	23,069,844	226,936	38,960,130
Issue of shares	3	-	-	-	3
Cancellation of shares	(13)	-	-	-	(13)
Transfer from revaluation reserve	-	-	-	-	-
Minority interest for the year	-	-	-	-	-
Surplus for the year	-	904,281	-	-	904,281
Balance as at 31 March 2020	127	16,567,494	23,069,844	226,936	39,864,401

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

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS

For the year ended 31 March 2020

LEGAL STATUS

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

(i) Functional and Presentational Currency

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

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rate applicable to the cash flow hedge and a cash flow hedge reserve account is created.

Basis of consolidation

The Group financial statements consolidate the financial statements of Berwickshire Housing Association Limited and its subsidiary undertakings as at 31 March 2020 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 2020

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

Fixed assets – housing properties

In accordance with SORP 2014, 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		
Structure	100 years	Renewables	20 years		

Housing 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 2020

1. Accounting policies (continued)

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.

New build

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

Mid-Market Rent

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

Sales of housing properties

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

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

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

Life cycle of components

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

Leases/leased assets

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

Works to existing properties

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

Other tangible assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

1. Accounting policies (continued)

Impairment of assets

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

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

Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Deposits and liquid resources

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

Debtors

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

Creditors

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

Finance costs

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

Estimation uncertainty

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

Bad and doubtful debts

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

Retirement benefits

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

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

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 2020

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

	Notes	Revenue £	Operating Costs £	2020 Operating Surplus £	Revenue £	Operating Costs £	2019 Operating Surplus £
Affordable lettings activities	3(a)	8,175,050	7,723,835	451,215	7,600,282	6,920,543	679,739
Other activities	4(a)	2,637,158	1,719,839	917,319	2,567,556	1,685,807	881,749
Total		10,812,208	9,443,674	1,368,534	10,167,838	8,606,350	1,561,488

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

	Notes	Revenue £	Operating Costs £	2020 Operating Surplus £	Revenue £	Operating Costs £	2019 Operating Surplus £
Affordable lettings activities	3(b)	8,169,330	7,709,319	460,011	7,593,085	6,914,453	678,632
Other activities	4(b)	719,059	447,467	271,592	719,109	544,096	175,013
Total		8,888,389	8,156,786	731,603	8,312,194	7,458,549	853,645

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

3. (a) Particulars of income and expenditure from affordable lettings – Group

	General needs housing	Supported housing	Shared ownership	Garages	2020 Total	2019 Total
	£	£	£	£	£	£
Revenue from lettings						
Rent receivable net of service charges	7,409,648	350,956	5,641	275,708	8,041,953	7,509,222
Service charges	34,839	132,296	-	-	167,135	163,761
Gross income from rents and service charges	7,444,487	483,252	5,641	275,708	8,209,088	7,672,983
Less: voids	(117,849)	(32,419)	-	(92,288)	(242,556)	(218,586)
Net income from rents and service charges	7,326,638	450,833	5,641	183,420	7,966,532	7,454,397
Grants released from deferred income	111,462	-	-	-	111,462	69,577
Revenue grants from Scottish Ministers	97,056	-	-	-	97,056	76,308
Other revenue grants from local authorities and other agencies	-	-	-	-	-	-
Total revenue from affordable letting activities	7,535,156	450,833	5,641	183,420	8,175,050	7,600,282
Expenditure on affordable letting activities						
Service costs	100,776	72,024	-	413	173,213	169,030
Management and maintenance administration costs	2,733,355	228,083	-	243,497	3,204,935	2,889,638
Reactive maintenance	1,117,860	57,817	-	12,971	1,188,648	1,029,062
Bad debts – rents and service charges	117,443	857	-	655	118,955	112,876
Planned and cyclical maintenance inc. major repairs	1,070,431	45,978	-	-	1,116,409	952,135
Depreciation of social housing	1,829,252	92,423	-	-	1,921,675	1,767,802
Impairment of housing	-	-	-	-	-	-
Operating costs for affordable letting activities	6,969,117	497,182	-	257,536	7,723,835	6,920,543
Operating surplus for affordable letting activities	566,039	(46,349)	5,641	(74,116)	451,215	679,739
2019	797,921	(64,573)	5,347	(58,956)	679,739	

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

3. (b) Particulars of income and expenditure from affordable lettings – Association

	General needs housing	Supported housing	Shared ownership	Garages	2020 Total	2019 Total
	£	£	£	£	£	£
Revenue from lettings						
Rent receivable net of service charges	7,401,385	350,956	5,641	275,708	8,033,690	7,499,810
Service charges	34,839	132,296	-	-	167,135	163,761
Gross income from rents and service charges	7,436,224	483,252	5,641	275,708	8,200,825	7,663,571
Less: voids	(115,306)	(32,419)	-	(92,288)	(240,013)	(216,371)
Net income from rents and service charges	7,320,918	450,833	5,641	183,420	7,960,812	7,447,200
Grants released from deferred income	111,462	-	-	-	111,462	69,577
Revenue grants from Scottish Ministers	97,056	-	-	-	97,056	76,308
Other revenue grants from local authorities and other agencies	-	-	-	-	-	-
Total revenue from affordable letting activities	7,529,436	450,833	5,641	183,420	8,169,330	7,593,085
Expenditure on affordable letting activities						
Service costs	100,776	72,024	-	413	173,213	169,030
Management and maintenance administration costs	2,723,506	228,083	-	243,497	3,195,086	2,884,685
Reactive maintenance	1,113,193	57,817	-	12,971	1,183,981	1,027,925
Bad debts – rents and service charges	117,443	857	-	655	118,955	112,876
Planned and cyclical maintenance inc. major repairs	1,070,431	45,978	-	-	1,116,409	952,135
Depreciation of social housing	1,829,252	92,423	-	-	1,921,675	1,767,802
Impairment of housing	-	-	-	-	-	-
Operating costs for affordable letting activities	6,954,601	497,182	-	257,536	7,709,319	6,914,453
Operating surplus for affordable letting activities	574,835	(46,349)	5,641	(74,116)	460,011	678,632
2019	796,813	(64,572)	5,347	(58,956)	678,632	

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

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 £	Operating costs		Operating surplus/ (deficit) 2020 £	Operating surplus/ (deficit) 2019 £
						Bad debts £	Other £		
Wider role activities	-	108,424	-	-	108,424	-	108,433	(9)	-
Factoring – agency services	-	-	-	92,559	92,559	-	57,359	35,200	33,891
Construction of property activities	-	-	-	-	-	-	44,421	(44,421)	(45,324)
Care activities	-	-	74,918	20,887	95,805	-	98,248	(2,443)	292
Sale of land and houses (non-RTB)	-	-	-	-	-	-	-	-	67,505
Other activities									
<i>Electricity generation</i>	-	-	-	2,146,099	2,146,099	-	1,272,372	873,727	802,736
<i>Little Reivers nursery</i>	-	-	-	-	-	-	-	-	(23,869)
<i>Commercial rental</i>	-	-	-	35,251	35,251	-	42,645	(7,394)	2,404
<i>Renewable income</i>	-	-	-	69,654	69,654	-	-	69,654	52,775
<i>Other income/expenditure</i>	-	-	-	89,366	89,366	-	68,361	21,005	13,339
<i>Project management</i>	-	-	-	-	-	-	28,000	(28,000)	(22,000)
Total from other activities	-	108,424	74,918	2,453,816	2,637,158	-	1,719,839	917,319	881,749
2019	-	171,887	74,011	2,321,658	2,567,556	-	1,685,807	881,749	

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

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 £	Operating costs		Operating surplus/ (deficit) 2020 £	Operating surplus/ (deficit) 2019 £
						Bad debts £	Other £		
Wider role activities	-	108,424	-	-	108,424	-	108,433	(9)	-
Factoring – agency services	-	-	-	92,559	92,559	-	57,359	35,200	33,891
Construction of property activities	-	-	-	-	-	-	44,421	(44,421)	(45,324)
Care activities	-	-	74,918	20,887	95,805	-	98,248	(2,443)	292
Sale of land and houses (non-RTB)	-	-	-	-	-	-	-	-	67,505
Other activities									
<i>Little Reivers nursery</i>	-	-	-	-	-	-	-	-	(23,869)
<i>Commercial rental</i>	-	-	-	35,251	35,251	-	42,645	(7,394)	2,404
<i>Business support to sub companies</i>	-	-	-	28,000	28,000	-	28,000	-	7,000
<i>Gift aid from subsidiary company</i>	-	-	-	200,000	200,000	-	-	200,000	68,000
<i>Renewable income</i>	-	-	-	69,654	69,654	-	-	69,654	52,775
<i>Other income/expenditure</i>	-	-	-	89,366	89,366	-	68,361	21,005	12,339
Total from other activities	-	108,424	74,918	535,717	719,059	-	447,467	271,592	175,013
2019	-	171,887	74,011	473,211	719,109	-	544,096	175,013	

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 202019

5. Officers emoluments – Group and Association

	2020	2019
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	3
Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding pension contributions)	£426,023	£259,260
Pension contributions made on behalf on officers with emoluments greater than £60,000	£28,481	£21,098
Compensation payable to officers for loss of office	-	-
Emoluments payable to Chief Executive (excluding pension contributions)	£102,228	£99,260
Pension contributions made on behalf of Chief Executive	<u>£8,616</u>	<u>£8,348</u>
Total emoluments payable to Chief Executive	<u>£110,844</u>	<u>£107,608</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	-	-
£70,001 to £80,000	1	2
£80,001 to £90,000	3	-
£90,001 to £100,000	1	1

The Property Director and Finance Director joined the Group in July and October 2018 respectively, therefore did not receive emoluments greater than £60,000 during the year to 31 March 2019. The Property Director was a newly created post in the year and the Finance Director vacancy was covered by two interim Finance Directors until the appointment of the permanent Finance Director in October.

6. Employee information – Group and Association

	2020	2019
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	58	61
The average total number of employees employed during the year was	<u>66</u>	<u>71</u>
	£	£
Staff costs were		
Salaries	1,905,534	1,885,554
Social security costs	190,468	176,516
Other pension costs	<u>132,190</u>	<u>112,612</u>
Total	<u>2,228,192</u>	<u>2,174,682</u>

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

7. (Loss) on sale of fixed assets – Group and Association

	2020	2019
	£	£
Sales proceeds	-	124,800
Cost of sales	<u>(72,206)</u>	<u>(143,199)</u>
(Loss)/gain on sale of housing stock	<u>(72,206)</u>	<u>(18,399)</u>

8. Interest payable and similar charges

	Group		Association	
	2020	2019	2020	2019
	£	£	£	£
On bank loans and overdrafts	1,095,178	1,170,873	561,029	583,009
Net interest on net defined benefit pension obligations	35,000	43,000	35,000	43,000
	<u>1,130,178</u>	<u>1,213,873</u>	<u>596,029</u>	<u>626,009</u>

9. Surplus for year

	Group		Association	
	2020	2019	2020	2019
	£	£	£	£
Depreciation:				
Housing properties	1,920,310	1,767,802	1,920,310	1,767,802
Other fixed assets	534,413	521,985	63,047	50,620
Auditors' remuneration:				
Audit services – current year	24,255	19,400	19,140	14,950
Other services – current year	2,400	1,990	-	-
Audit services – prior year	780	12,068	530	8,238
Operating lease rentals:				
Land and buildings	101,121	97,590	-	-
Other	<u>16,856</u>	<u>13,148</u>	<u>16,856</u>	<u>13,148</u>

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 2020

11. Pension deficit adjustment – Group and Association	2020	2019
	£	£
Re-measurement of pension deficit (note 26)	<u>837,000</u>	<u>(79,000)</u>

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

	Housing properties held for letting £	Assets under con- struction £	Land for develop- ment £	Land for sale £	Total £
Cost					
As at 1 April 2019	73,358,244	5,791,899	1,275,348	483,053	80,908,544
Additions	-	6,997,400	456,131	-	7,453,531
Capitalised improvements	1,730,029	-	-	-	1,730,029
Disposals	(160,535)	-	-	-	(160,535)
Transfers	7,715,493	(7,715,493)	-	-	-
As at 31 March 2020	<u>82,643,231</u>	<u>5,073,806</u>	<u>1,731,479</u>	<u>483,053</u>	<u>89,931,569</u>
Depreciation					
As at 1 April 2019	8,021,715	-	-	-	8,021,715
Charge for the year	1,920,310	-	-	-	1,920,310
Disposals	(88,330)	-	-	-	(88,330)
As at 31 March 2020	<u>9,853,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,853,695</u>
Net book value					
As at 31 March 2020	<u>72,789,536</u>	<u>5,073,806</u>	<u>1,731,479</u>	<u>483,053</u>	<u>80,077,874</u>
As at 31 March 2019	<u>65,336,529</u>	<u>5,791,899</u>	<u>1,275,348</u>	<u>483,053</u>	<u>72,886,829</u>

Additions to housing properties include capitalised major repair costs to existing properties of £1,730,029 (2019: £1,186,531). Over the year, £2,305,057 (Group) and £2,300,390 (Association) was charged to responsive and planned and cyclical maintenance in the Statement of Comprehensive Income (2019: £1,981,196 – Group; £1,980,059 – Association).

All land and housing properties are heritable.

The Association's lenders have standard securities over housing property with a carrying value of £41.5m (2019: £46.7m).

Impairment charges

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

There is no impairment charge in this financial year.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

13. Other tangible fixed assets – Group and Association

	Heritable office property £	Leasehold improvements £	Equipment £	Motor vehicles	Association Subtotal	Wind Farm	Group Total £
Cost							
As at 1 April 2019	659,799	103,238	594,346	36,985	1,394,368	11,784,134	13,178,502
Additions	-	1,676	153,344	-	155,020	-	155,020
Disposals	-	-	-	-	-	-	-
As at 31 March 2020	659,799	104,914	747,690	36,985	1,549,388	11,784,134	13,333,522
Depreciation							
As at 1 April 2019	659,600	102,496	487,357	33,036	1,282,489	942,730	2,225,219
Charge for the year	199	1,884	57,015	3,949	63,047	471,366	534,413
Disposals	-	-	-	-	-	-	-
As at 31 March 2020	659,799	104,380	544,372	36,985	1,345,536	1,414,096	2,759,632
Net book value							
As at 31 March 2020	-	534	203,318	-	203,852	10,370,038	10,573,890
As at 31 March 2019	199	742	106,989	3,949	111,879	10,841,404	10,953,283

Borrowing costs capitalised during the year amount to £nil (2019: £nil) for the Group and £nil (2019: £nil) for the Association.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

14. Investments

	Group		Association	
	2020	2019	2020	2019
	£	£	£	£
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 accounts, 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.

	2020	2019
	£	£
BHA Enterprise Ltd (100%)		
Aggregate capital and reserves	487,148	493,368
(Loss)/profit for the year	(6,220)	15,935
Berwickshire Community Renewables LLP (2/3rd)		
Aggregate capital and reserves	561,414	545,776
Profit for the year	315,638	176,392

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

15. Stock – Group and Association

	2020	2019
	£	£
Consumables	134,072	108,300

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

16. Debtors

	Group		Association	
	2020	2019	2020	2019
	£	£	£	£
Arrears of rent and service charge	258,509	273,629	255,250	269,743
Less: provision for doubtful rental debts	(206,913)	(189,535)	(206,913)	(189,535)
Net rent arrears	51,596	84,094	48,337	80,208
Other debtors	999,895	968,649	398,820	415,075
Less: Provision for doubtful other debts	(187,084)	(148,433)	(187,084)	(148,433)
	812,811	820,216	211,736	266,642
Trade debtors	14,662	8,562	13,868	8,562
Inter-entity debtors	-	-	104,620	272,380
	879,069	912,872	378,561	627,792

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 2020

17. Creditors: amounts falling due within one year

	Group		Association	
	2020	2019	2020	2019
	£	£	£	£
Housing Loans	710,986	695,681	710,986	695,681
Other bank loans and overdrafts	671,776	671,509	-	-
Trade payables	65,113	240,794	64,763	236,013
Rent in advance	108,211	137,158	108,211	137,158
Other taxation and social security	155,867	133,499	50,470	58,317
Other payables	(1,085)	(1,374)	(1,085)	(1,374)
Provision for holiday pay	13,902	11,436	13,902	11,436
Accruals and deferred income (Note 19)	2,404,789	1,902,997	2,294,437	1,730,163
	<u>4,129,559</u>	<u>3,791,700</u>	<u>3,241,684</u>	<u>2,867,394</u>

18. Creditors: amounts falling due after one year

	Group		Association	
	2020	2019	2020	2019
	£	£	£	£
Housing Loans	23,142,719	21,846,479	23,142,719	21,846,479
Project finance – bank and other loans	10,171,495	10,208,918	-	-
	<u>33,314,214</u>	<u>32,055,397</u>	<u>23,142,719</u>	<u>21,849,479</u>

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

Lender	Security	Effective Interest Rate	Maturity	Variable/ Fixed
Nationwide Building Society	Standard security over 1,412 BHA homes in total in regard to its loan facilities to BHA	Libor +0.3%	March 2039	Variable
		4.40%	Nov 2026	Fixed
		1.94%	Dec 2033	Fixed
		1.79%	July 2036	Fixed
RBS	Standard Security over 168 properties	1.91%	April 2037	Fixed
		Libor + 1.5%	Aug 2026	Variable

All of the Association's Nationwide borrowings are repayable on a monthly basis with the principal being amortised over the term of the loans. The RBS borrowing is interest only, payable quarterly, with a capital bullet repayment at the end of the loan term.

Housing loans repayable by instalments - Group and Association:

	2020	2019
	£	£
Repayable within one year	710,986	695,681
Repayable within two to five years	3,012,506	2,917,273
Repayable after five years	20,130,213	18,929,206
	<u>23,853,705</u>	<u>22,542,160</u>

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

18. Creditors: amounts falling due after one year (continued)

Project Finance in respect of the BCR wind farm is as follows:

Lender	Security	Effective Interest Rate	Maturity	Variable/ Fixed
Triodos Bank NV (five term loans)	Windfarm is secured to Triodos Bank	3.592%	December 2024	Fixed
		4.415%	December 2028	Fixed
		4.663%	September 2034	Fixed
		Libor +2.5%	September 2034	Variable
		4.148%	September 2034	Fixed

In December 2019 the LLP refinanced its loans, repaying the Scottish Enterprise loan and the amount owed to group undertakings, purely having bank loans in place with Triodos at the year end. At 31 March 2020 one of the bank loans was repayable by monthly instalments which commenced December 2019. Repayment by instalments of the remaining bank loans commence in stages and the total loan repayment profile is summarised below:

Project finance loans repayable by instalments – Group:

	2020 £	2019 £
Repayable within one year	671,776	671,509
Repayable within two to five years	3,062,395	3,090,053
Repayable after five years	7,109,100	7,118,865
	<u>10,843,271</u>	<u>10,880,427</u>

19. Deferred income - Group and Association

	2020 £	2019 £
Social Housing Grants		
Balance as at 1 April	10,375,942	8,492,365
Additions in year	4,578,549	1,948,604
Amortisation in year	(106,912)	(65,027)
Balance as at 31 March	<u>14,847,579</u>	<u>10,375,942</u>
Other Grants		
Balance as at 1 April	604,090	601,945
Additions in year	90,394	221,846
Released in the year	(145,191)	(215,151)
Amortisation in year	(4,550)	(4,550)
Balance as at 31 March	<u>544,743</u>	<u>604,090</u>
Total	<u>15,392,322</u>	<u>10,980,032</u>
Deferred income – analysed by age		
Released in less than one year (note 17)	248,185	278,128
Released in more than one year	15,144,137	10,701,904
Balance as at 31 March	<u>15,392,322</u>	<u>10,980,032</u>

Grant is amortised over the life of the asset, once the development is complete. The amount expected to be released to income in 2020/21 is £135,691.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

20. Share capital – Association only

	2020	2019
	£	£
Shares of £1 each at 1 April	137	138
Shares of £1 issued during the year	3	7
Cancellation of shares	(13)	(8)
	<hr/>	<hr/>
Balance as at 31 March	<u>127</u>	<u>137</u>

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

21. Statement of cash flows

Reconciliation of operating surplus to net cash flow from operating activities	Group		Association	
	2020	2019	2020	2019
	£	£	£	£
Operating surplus	1,368,534	1,561,488	731,603	853,645
Depreciation	2,454,743	2,289,787	1,983,378	1,818,422
Amortisation of capital grants	(111,462)	(69,577)	(111,462)	(69,577)
(Increase) in stock	(25,772)	(108,300)	(25,772)	(108,300)
Decrease/(increase) in debtors	33,804	(88,429)	249,231	(189,486)
Increase in creditors	297,432	186,272	334,131	173,081
Pension deficit payments net of non-cash items	(301,821)	(293,032)	(301,821)	(293,032)
Share capital cancelled	(13)	(8)	(13)	(8)
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>3,715,445</u>	<u>3,478,201</u>	<u>2,859,275</u>	<u>2,184,745</u>

22. Housing Stock – Group and Association

	2020	2019
	No.	No.
The number of units of accommodation in management at the year-end was:		
General needs – new builds	1,778	1,726
General needs – not owned by BHA	53	53
Shared ownership	2	2
Supported Housing	83	83
	<hr/>	<hr/>
Balance as at 31 March	<u>1,916</u>	<u>1,864</u>

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

General needs – mid-market rent	<hr/>	<hr/>
	12	12
Balance as at 31 March	<hr/>	<hr/>
	<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 2020****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	
	2020	2019	2020	2019
	£	£	£	£
Not later than one year	127,755	110,033	26,634	11,286
Later than one year and not later than five years	430,103	399,396	25,620	4,409
Later than five years	2,013,277	2,097,430	-	-

23. (b) Capital commitments

	Group		Association	
	2020	2019	2020	2019
As at 31 March 2019	£	£	£	£
Expenditure authorised by the Board and contracted, less certified	5.5m	8.1m	4.6m	6.9m

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; £4,570 (2019: £8,108) was received as rent during the year. There were no rent arrears at year end.

The following member of the Board of Management is a councillor of Scottish Borders Council; Councillor James Fullarton.

BERWICKSHIRE HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

24. Related Parties (continued)

BHA Enterprise Ltd

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

Berwickshire Housing Association levied fees for the following amounts to BHA Enterprise Ltd during the period 1 April 2019 to 31 March 2020.

£14,500 costs for personnel working on projects (2019: £14,500)

£500 staff costs for shared services (2019: £500)

£1,000 for a share of facilities management costs (2019: £1,000)

£57,228 for the rental of residential properties let by BHA Enterprise as mid-market rental properties (2019: £53,403)

BHA Enterprise Ltd also made a gift aid donation of £200,000 (£2019: £68,000) to Berwickshire Housing Association during the year.

The balance outstanding due from BHA Enterprise Ltd as at 31 March 2020 to Berwickshire Housing Association Limited was £nil (2019: £119,051).

BHA Enterprise had in prior years made loan advances of £250,000 to BCR where interest was payable at 10% per annum. Interest charges were capitalised within the outstanding balance up until 31 March 2018. The loan entered repayment as of 1 April 2019 triggering an interest rate of 8.5%. The loan capital interest repayments were linked to partner profit distributions from BCR, where 1/4 of any amounts distributed are utilised to repay interest and capital. During the year BCR refinanced its debt portfolio, eliminating all subordinated debt, and repaid the loan balance in full to BHA Enterprise. Interest charged and paid in the year was £22,118 (2019, charged and paid: £30,756) and at the year end the balance was £nil (2019: £359,757). The total amount due to BHA Enterprise Ltd by BCR as at 31 March 2020 was £nil (2019: £378,150).

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 £12,000 (2019: £12,000) for staff time provided on the operation of the windfarm. The balance outstanding from Berwickshire Community Renewables LLP to Berwickshire Housing Association as at 31 March 2020 was £104,620 (2019: £153,330).

The balance outstanding from Berwickshire Community Renewables LLP to BHA Enterprise Ltd as at 31 March 2020 was £nil (2019: £378,150) including a loan of £nil (2019: £359,757) on commercial terms.

BHA Enterprise Ltd has contributed £100,000 as its membership contribution of this limited liability partnership. BHA Enterprise's share (and there the Group's share) of Berwickshire Community Renewables LLP revenue reserves to date is £274,276 (2019: £263,851).

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.

For the year ended 31 March 2020

26. Retirement benefit obligations

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

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

The disclosures below explain how the net pension liability for 2020 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%).

Berwickshire Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2019. As of this date the estimated employer debt for Berwickshire Housing Association Limited was £7,957,929 (30 Sept 2018: £8,706,697).

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 2020

26. Retirement benefit obligations (continued)

Principal Actuarial Assumptions

	2020	2019
Discount rate	2.40%	2.55%
Salary increases	2.85%	3.35%
Inflation (RPI)	1.85%	3.35%
Inflation (CPI)	2.85%	2.35%
Male life expectancy at age 65	21.5 years	21.7 years
Female life expectancy at age 65	23.2 years	23.4 years

Amounts recognised in Statement of Financial Position

	2020	2019
	£	£
Fair Value of Scheme Assets	9,962,641	9,327,820
Present value of benefit obligations	10,397,000	(10,866,000)
Net pension liability	(434,359)	(1,538,180)

Changes in defined benefit obligation

	2020	2019
	£	£
Opening defined benefit obligation	10,866,000	10,599,000
Employer service cost	-	-
Interest expense	275,000	284,000
Employee contributions	-	-
Actuarial (gains)/losses	(539,000)	172,000
Benefits paid	(205,000)	(189,000)
Closing defined benefit obligation	10,397,000	10,866,000

Changes in fair value of scheme assets

	2020	2019
	£	£
Opening fair value of scheme assets	9,327,820	8,889,788
Actual return on scheme assets less interest income	298,000	93,000
Interest income	240,000	241,000
Employer contributions – past service contributions	310,821	302,032
Employee contributions	-	-
Benefits paid	(205,000)	(189,000)
Administration costs	(9,000)	(9,000)
Closing fair value of scheme assets	9,962,641	9,327,820

BERWICKSHIRE HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2020****26. Retirement benefit obligations (continued)**

Amounts recognised in in Statement of Comprehensive Income	2020	2019
	£	£
Current service cost	-	-
Administration costs	9,000	9,000
Net interest on net defined benefit obligation	35,000	43,000
	<hr/>	<hr/>
Total pension cost recognised in Statement of Comprehensive Income	44,000	52,000
	<hr/> <hr/>	<hr/> <hr/>

Amounts recognised in Other Comprehensive Income	2020	2019
	£	£
Actual return on plan assets less interest income on plan assets	298,000	93,000
Change in assets not recognised due to change in surplus limitation	-	-
Actuarial gains/(losses)	539,000	(172,000)
	<hr/>	<hr/>
Re-measurement gains and losses recognised in other comprehensive income	837,000	(79,000)
	<hr/> <hr/>	<hr/> <hr/>

27. Contingent liabilities

	2020	2019
	£	£
Social Housing Grant	100,027	100,027
	<hr/> <hr/>	<hr/> <hr/>

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

Contractual Dispute

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

Claims against the Association

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

28. Post balance sheet event

Management and the Board are keenly aware of the wider economic impact the Covid-19 emergency has had to date and will continue to have. There have been implications for the Association in relation to; increased rental arrears, properties being empty for longer and therefore lost rental income, delays in our cyclical and planned maintenance programmes, and restrictions in the services we are able to offer our customers. There is also the risk of increasing costs of materials as our development and planned maintenance programmes restart. However, Management and the Board are continually developing and implementing mitigating actions and processes to ensure that the Association continues to function and manage future operations and those of its workforce and stakeholders. Based on these ongoing actions and both financial performance for the year to date and prudent cash flow projections, Management and the Board do not consider there to be any risk to the Association's ability to continue as a going concern.