

BARRHEAD HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2020



BARRHEAD HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2020

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BARRHEAD HOUSING ASSOCIATION LIMITED

GOVERNING BOARD, EXECUTIVES AND ADVISERS

For the year ended 31 March 2020

Governing Board

David McCready (Chairperson)
John Hamilton (Vice Chairperson)
Chris Baird (resigned 28 May 2020)
Clare Boyd (resigned 30 July 2020)
Brian Connelly MBE
Dianne Greig (filled casual vacancy 29 August 2019)
Cllr Annette Ireland (resigned 29 August 2019)
Drew McKinney
Rena McGuire BEM
Michael Mukhtar
Tommy Reilly
Beth Welsh
Tony Buchanan (appointed 26 September 2019)

Executive Officers

Shirley Robison	Chief Executive
Lorraine Dallas	Director of Customer Services
James Ward	Director of Asset Management
Helen Sutherland	Director of Corporate Services

Registered Office

60-70 Main Street
Barrhead
Glasgow
G78 1SB

External Auditors

Chiene + Tait LLP
Chartered Accountants
61 Dublin Street
EDINBURGH
EH3 6NL

Bankers

Bank of Scotland
112 Main Street
Barrhead
GLASGOW
G78 1RD

Solicitors

TC Young
7 West George Street
GLASGOW
G2 1BA

Internal Auditors

Wylie + Bisset
168 Bath Street
GLASGOW
G2 4TP

Registration particulars:

Financial Conduct Authority	Registered Society under the Co-operative and Community Benefit Societies Act 2014 Registered Number 2229R(S)
Scottish Housing Regulator	Housing Scotland Act 2010 Registered Housing Association Number HCB 70
Scottish Charity Regulator	Charities and Trustee Investment (Scotland) Act 2005 Scottish Charity Number SC036265

BARRHEAD HOUSING ASSOCIATION LIMITED

REPORT OF GOVERNING BOARD

For the year ended 31 March 2020

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

Legal Status

Barrhead Housing Association Limited (“Barrhead” or “Association”) is registered with the Financial Conduct Authority as a Registered Society under the Co-operative and Community Benefit Societies Act 2014, the Office of the Scottish Charities Regulator (OSCR) as a charity, and with the Scottish Housing Regulator as a Registered Social Landlord.

Principal activity

The principal activity of Barrhead is the provision of housing for let at rents affordable to the client groups for whom it intends to provide. This includes general needs, supported accommodation, amenity/disabled accommodation and sheltered housing.

Our Key Strategic Objectives

Barrhead’s strategic aims are set out in its 5-year Business Plan, 2019-2024, and these were re-prioritised in November 2019 and these are as follows:

- 1. We will deliver our 5-year proposed investment as defined in our asset management strategy by March 2024
- 2. We will continue to develop our self-assessment governance framework to ensure high standards of leadership, updating two Regulatory Standards each year to complete a full review by March 2022
- 3. We will support financial advice and service improvements to minimise the impact of Universal Credit
- 4. We will deliver 100 new social rented homes by March 2023 to exceed our ‘1000 homes’ target
- 5. We will continue to invest, support and reward our people to maximise staff empowerment and support personal development
- 6. We will continue to deliver efficiencies by understanding and reviewing our costs, our performance, our benchmarks against the housing sector and demands on our resources
- 7. We will continually review the opportunities to maximise growth through our subsidiary for the wider community, to grow our in-house repairs service over the next 5 years, for employment and training, and to maintain collaboration and partnership working
- 8. We will maintain our engagement and participation with our customers in delivery of our services including maximising the opportunities to improve the health and well-being of our customers’ lives (community regeneration strategy review due 2019)
- 9. We will continue to develop enhanced digital services to meet the demands of all our customers

Our Overall Aims:

What we want to do:

- Create communities that fit the needs and aspirations of our customers and allow customers to engage with us
- Provide quality homes that are affordable to our customers now and in the future
- Create communities that fit the needs and aspirations of our customers
- Create desirable neighbourhoods by investing in our homes
- Be responsive by developing and improving all areas of our work
- Strive for excellence across the organisation
- Grow our business, our communities and our people

How we want to do it:

- Empower our people to lead the changes we need to make
- Deliver value for money and sound finances
- Deliver personal services to our customers in a ‘can do’ way
- Be accountable, open and transparent
- Prepare for change, growth and new opportunities

We see these as challenging objectives, which will change the way we deliver our core services of housing, housing support, advice, and consultancy. In particular, we seek to challenge what we currently do and look to improve, rather than simply carry on with existing patterns of work.

BARRHEAD HOUSING ASSOCIATION LIMITED

REPORT OF GOVERNING BOARD (continued)

For the year ended 31 March 2020

Members of the Governing Board

The Members of the Governing Board of the Association during the year to 31 March 2020 and to the date of this report are shown on page 1. During the year, we co-opted the Councillor leader to the Board, and filled a casual vacancy. Unfortunately one Board member resigned at the end of May 2020, bringing Board membership to 11. Efforts to recruit a tenant member have been unsuccessful. Our last remaining tenant member resigned in July 2018 and joined our Tenant Scrutiny Panel to continue to support the organisation's activities. BHA will continue to advertise locally and use the FLAIR Academy to seek Board membership. As of end of May 2020, we now have one vacancy on the Governing Board.

Following an extensive governance review including work to consider our Board recruitment, retention and succession plans, new Office Bearers were elected after the AGM in August 2018 and the new Chair and Vice Chair are listed above. Our Director of Corporate Services was elected Secretary in August 2018 also. As part of our succession planning policy the Governing Board agreed that these positions will continue for at least three years and are confirmed through election after each AGM.

Each full member of the Governing Board holds one fully paid share of £1 in Barrhead. The executive officers of Barrhead hold no interest in Barrhead's share capital and although not having the legal status of "director" they act as executives within the authority delegated by the Governing Board.

Corporate Governance

Barrhead has a Governing Board which is elected by the members of the Association. It is the responsibility of the Board to undertake the strategy and policy setting and overall direction for the Association. The Board also monitors the operational activities of the Association. The members of the Governing Board are unpaid.

The Executive Team of Barrhead is responsible for achieving the strategy set and undertaking the operational activities in line with the policies set.

Our governing body is our Governing Board, which is responsible to the wider membership. The Governing Board members serve in a voluntary capacity, and we recognise that this puts even more onus on us to ensure that we set and achieve high standards of professionalism in our work. We take governance very seriously, and over the last two years, we continue to build on work from previous years which strengthened our governance arrangements, particularly around recruitment, retention and succession planning for Board membership. This has led to a number of changes to Office Bearer positions including fixed term appointments for Chair and Vice Chair.

Three Board members, John Hamilton, Chris Baird and Beth Welsh have undertaken governance and leadership courses with Napier University and EVH respectively during the year. Both Claire Boyd and Brian Connelly MBE hold the SVQ Governance qualification. All Board members receive an annual appraisal which includes, where applicable, assessment against the requirement to meet the 9-year membership Rule. We have an annual Board member's development budget and programme for continuous learning and offer a variety of networking opportunities including with our FLAIR local housing association partners and the wider housing sector.

In recognition of the Chief Executive's intention to retire later in the year the Governing Board have begun the recruitment process for a new Chief Executive.

Operational Review

The following paragraphs describe the key matters which have affected the main activities undertaken by Barrhead.

Corporate Issues

Tenant involvement and participation is a major part of Barrhead's Aims and Objectives, and we continue to review how Barrhead involves tenants and residents in all its activities. Given the absence of tenants on our governing Board, it is essential that the Board listen to the views and opinions from our Tenant Scrutiny Panel and wider feedback from surveys, open days, etc. The Tenant Scrutiny Panel's recruitment continues to be monitored and has been expanded to 6 during 2019/20.

Barrhead is committed to involving staff in decision making and policy making. Staff were fully involved in the production of the current 5-year business planning process which included a review of our future strategic

BARRHEAD HOUSING ASSOCIATION LIMITED

REPORT OF GOVERNING BOARD (continued)

For the year ended 31 March 2020

Corporate Issues (continued)

options which concluded that the governing Board wished to remain an independent organisation. Having considered our location as the only community based housing association in East Renfrewshire, our performance and financial position, lender and stakeholder engagement, and our satisfaction levels, the governing Board could see no reason to seek or consider partnership options. Regular staff meetings keep

staff informed of our activities. Our part-time Corporate Services Manager continues to assist the senior management team and the Governing Board for overseeing governance arrangements, our HR activities, and was appointed as our Data Protection Officer to ensure compliance with GDPR and FOI.

Performance Management

Service delivery is underpinned by staff performance. This continues to be a high priority for us as we continue to offer professional development. During the year we have continued with our staff appraisal system and this produces a staff development needs assessment in line with the budget provision. During the year three staff members completed relevant housing related qualifications including the Diploma in Housing. The Governing Board approved a health and well-being strategy following a period of staff consultation and training to include mental health, age inclusion, and menopause awareness. This Vision will be developed further over the next year with further staff consultation and review. We also continue to review our performance management framework, which influences our reporting performance framework and have recently become members of the Scottish Housing Network benchmarking group. We continue to review our performance with our FLAIR local partners and completed a peer review of specific performance areas during the year to learn from each other. Investors in People status was first awarded in May 2009. At re-assessment in January 2015 the Association achieved Silver accreditation and also the Investors in Young People Good Practice Award in recognition for our development and training of young people into further education, training and employment. We retained our Silver Accreditation in January 2018 and will look at further assessment in 2021.

Best use of Resources

We regularly conduct risk assessments, and take any action necessary to reduce or limit risk. We have continued with a programme of major investment in our housing stock, which is by far our most costly asset. This includes both carrying out improvements, and also considering the requirements for future demand as highlighted in our on-going Asset Management Strategy review. We have been focused on up-dating this asset management strategy, having completed a revised externally commissioned stock condition survey which assessed 100% of our external properties and a 30% sample of internal properties in 2017. During the year we have updated our house waiting list information to ensure demand assessment against future investment decisions. Having also moved our financial modelling to Brixx, work will continue to re-align the future investment plans with the long term financial planning document to ensure business viability and delivery of our investment plans in line with our business objectives. During the year we have further developed our Information and Technology system to improve performance throughout the organisation. Internal audit continues and we reviewed our first Annual Assurance Statement, our compliance with GDPR/FOI and a review of internal financial controls. Recommendations from this review are now being implemented.

Self -Assessment on Governance and Financial Management and Annual Assurance Statements

The Governing Board has been responsible for overseeing progress against reports on the Scottish Housing Regulator's Regulatory Framework. Following the release of new guidance in February 2019, the Governing Board has worked through a comprehensive review of the new framework to allow completion of our first Annual Assurance Statement in October 2019. The comprehensive review was assessed by our internal auditors and the Governing Board re-assured that there were no material non-compliance areas. Any areas identified for improvement have been worked through including a review of our business continuity strategy and updating of our Asset Management Strategy, which is a working document. We met with our representatives from the Scottish Housing Regulator during the year and feedback on our Assurance Statement has been positive.

While we continue to focus our performance against the Social Housing Charter, compliance for the Energy Efficiency Standard and Fire Safety Standard continue to be prioritised as we work towards deadlines of December 2020 and February 2021 respectively. By 31st March 2020, good progress has been made against EESSH at over 98.2% compliance based on data captured from individual energy performance certificates. Our

BARRHEAD HOUSING ASSOCIATION LIMITED

REPORT OF GOVERNING BOARD (continued)

For the year ended 31 March 2020

Operational Review (continued)

Fire Safety contract was awarded in late 2019 and almost a third of stock completed by 23rd March 2020 when COVID lockdown resulted in suspension of the contract.

The first submission of the Assurance statement was made in October 2019 and was reported to Association members at the 2019 AGM and tenants thereafter. The Governing Board continues to review its engagement status with the Scottish Housing Regulator and our annual engagement plan for March 2020 is available on the Association's website.

Services

We aim to deliver high quality services, and we set ourselves the goal of achieving continuous improvement in what we do. We continue to monitor and encourage feedback and complaints, which assist us in monitoring the views and expectations of our tenants to help drive our continuous service improvement. We report annually on our complaints report from the social housing charter and have implemented further improvements to lessons learned and improvements which are reported in our Newsletters to tenants.

Wider Community Benefit

As a charitable not for profit housing association, we aim to provide for the relief of those in need for reason of age, ill-health, disability, financial hardship or other disadvantage through the provision, construction, improvement and management of land and accommodation and the provision of care. We therefore extend the provision of our services beyond the provision of affordable housing and services. Our Vision statement says 'we believe that everyone deserves to live in a secure, good quality, well-maintained home within communities that are safe, supportive and inclusive'. We aim through wider community regeneration activities to support initiatives to promote health and improvement to the quality of people's lives. Aspects of our wider community regeneration contribute to the local economy and support our local community. We have therefore accessed appropriate funding to further these aims and in doing so, the Association employs a Community Regeneration Officer to fulfil these aims and work with our community and wider partners. We understand that such work supplements our activities and is therefore provided at a cost not always covered by grant. We believe that such costs add much needed assistance to our residents and wider communities. In the past year, we have supported the following projects with access to grant funding and match funding from the Association – Creative Pathways, Aspiring Communities – DIY Dunterlie, digital inclusion, provision of bicycle storage, and Community Choices.

Development Issues

In the year just completed, the Association has spent £1,837,946 (2019 - £677,903) on component replacements, medical adaptations and development of housing, of which £1,141,737 (2019 – £284,319) was funded by grants received from the Scottish Government (Housing Association Grant) for medical adaptation improvements and the development on site at Neilston Road. The Neilston Road development accounted for £1,420,014 of this cost and £975,456 of the grant. The balance of funding was from a new loan facility arranged in the year.

Housing Issues

Barrhead continues to work on minimising the period of time taken to re-let or let new properties, to ensure that we maximise our effectiveness in housing people in need, and reduce our costs. Tenancy turnover, last year remains at acceptable low levels. The rent loss due to empty properties was £17,694 (2019 - £13,125). We are always striving to reduce this loss further although improvement may be difficult as we monitor the effect of the roll out of full Universal Credit in our area. We have reviewed our long term assumptions for bad debts, void loss and rent arrears for future financial planning.

General Data Protection Regulations (GDPR)

The Association implemented and updated all policy requirements for the revised GDPR requirements in May 2018. During the year, we completed an internal audit review for GDPR and FOI and have a number of low risk recommendations to update. The Association highlighted to the Governing Board, and to the Scottish Housing Regulator four 'non reportable' data breaches during the year which related to human error. These were non-reportable breaches following the guidance from the Information Commissioner.

Freedom of Information (FOI)

The Association updated all policies and procedures to prepare for the implementation of the Freedom of Information requirements from November 2019. This included the updating of data on the Association's

BARRHEAD HOUSING ASSOCIATION LIMITED

REPORT OF GOVERNING BOARD (continued)

For the year ended 31 March 2020

Operational Review (continued)

website including a specific FOI page. During the year we've had one request for general information from FOI and a further Subject Access Request for specific information relating to a tenant.

Social Housing Charter

The Association continues to work with our tenants and service users to feedback on our performance against the indicators contained with the Social Housing Charter. We issue a Performance Report to tenants in October each year. Areas for improvement are identified with the governing Board and monitored quarterly.

Risks and Uncertainties

Risk Management Policy

The Governing Board has a formal risk management process, which is linked to our Business Plan. This will assess business risks and the implementation of our risk management strategies. Our risk management policy was updated in February 2020 and our top risks updated as part of the business plan review in March 2020. Producing a statement on our 'risk universe' highlight our top risks for reporting. This assessment of our risk universe identifies the type of risks the Association faces and is likely to face, assessing them in terms of whether they pose a low, medium or high risk and identifying means of mitigating the risks. As part of this process the Governing Board have reviewed the adequacy of the Association's current internal controls. We now report annually on the risk universe, update the top risks as part of the annual business plan review and report quarterly on the top risks to the Board. Our senior staff update our risk activities at every senior team meeting.

COVID-19 Risk Update

When reviewing our Business Plan and top risks to the Board over the period November 2019-March 2020, the Association could not have foreseen the emerging difficulties and uncertainties created by the global coronavirus pandemic. For the UK, COVID-19 culminated in a UK lockdown on 23rd March 2020. Our office closed to the public on 19th March 2020 and we moved to remote working overnight. This situation continues and we have faced a significant reduction in services to tenants and customers from that point. Emerging from this COVID-19 crisis will take some time, and recovery measures will need to be determined for the business plan to be updated. Meanwhile, the Governing Board has been provided with an updated Risk Control log focusing solely on the COVID-19 events and risks facing the organisation and wider stakeholders. The mitigation and elimination of these risks will take many months to recover from and the Governing Board will commence recovery discussions over the summer 2020.

COVID-19 virus has resulted in many of our tenants and contractors having to self-isolate. This has inevitably caused a range of problems for delivery of our services, particularly, a reduction in our repairs service to emergency only (and with a backlog of non-emergency work to complete); an inability to complete some of our gas servicing within the required 12 months; and cyclical/planned maintenance works including our bathroom, and internal painter-work. In addition our ability to complete the fire safety contract by February 2021 may also require an extension to the Scottish Government deadline. As we are 98% compliant against the energy efficiency standard, any delays will have a minimal effect.

During 2019/20, one of our key improvement areas was the updating of our Business Continuity Strategy. While we worked with an external consultant and reviewed our Strategy for Governing Board approval in February 2020, it did not fully prepare the organisation for COVID-19 lockdown. However, it did equip the senior staff with the knowledge to fully implement the key critical areas for consideration before going into complete lockdown. We completed early weekly control logs to keep track of the emerging issues. This will allow us to update the Business Continuity Strategy over 2020 to fully learn from the COVID-19 crisis.

The Governing Board has also had to move to video conferencing and this has worked well. Board reporting over the period April – June 2020 has focused on operational activity rather than strategic action. This will continue to be the priority until the resumption of full service delivery and return to full recovery with our office re-opening to the public. This can only be achieved by following all relevant Guidance, staff consultation, and full risk assessment. A separate health and safety working group has been established to oversee this work and one of our Governing Board members is a trained health and safety consultant with extensive experience which is invaluable during these difficult times. The Association will continue to be prepared for further lockdowns and reduction in services should this re-occur.

BARRHEAD HOUSING ASSOCIATION LIMITED

REPORT OF GOVERNING BOARD (continued)

For the year ended 31 March 2020

Risks and Uncertainties (continued)

COVID-19 risks identified in May 2020 included the following areas:

- The welfare of our staff, our Board and our customers in terms of the COVID-19 virus and our ability to minimise risk
- The suspension of repairs and maintenance services until safe to return following full risk assessment and meeting all relevant guidance
- Good communication with staff, tenants and customers.
- An increase in rent arrears due to changes in tenants' financial position requiring control of costs until recovery plans can be assessed. Starting from a strong financial position.
- Working with our partners, our lenders, the Regulator, and our key stakeholders
- Following available guidance to ensure the safety of customers and staff to allow full service recovery
- Full assessment of the COVID-19 impact on our customers and our business before making decisions on recovery based on our financial capacity and viability in the longer term

Generally, our policies on internal controls continue to cover the following:

- consideration of the type of risks the Association faces;
- the level of risks which they regard as acceptable;
- the likelihood of the risks concerned materialising;
- the Association's ability to reduce the incidence and impact on the business of risks that do materialise and the costs of operating particular controls relative to the benefit obtained;
- clarified the responsibility of management to implement the Governing Board's policies and to identify and evaluate risks for their consideration;
- communicated that employees have responsibility for internal control as part of their accountability for achieving objectives;
- embedded the control system in the Association's operations so that it is part of the culture of the Association;
- developed systems to respond quickly to evolving risks arising from factors within the Association and to changes in the external environment; and
- include procedures for reporting failings immediately to appropriate levels of management and the Governing Board together with details of corrective action being undertaken.

Internal Financial Control

The Governing Board is responsible for establishing and maintaining the Association's system of internal control. Internal control systems are designed to meet the particular needs of the Association and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which the Governing Board has established with a view to providing effective internal financial control are listed on page 11.

Management Structure

The Governing Board has overall responsibility for the Association and there is a formal schedule of matters specifically reserved for decision by the Governing Board. The Chief Executive has delegated authority for certain items and this policy is reviewed and approved by the Board on a regular basis.

Budgetary Process

Each year the Governing Board approves the annual budget and rolling 3-5-year strategic business plan. Key top risk areas are identified. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Governing Board of variances from the budget, updated forecasts for the year together with information on the key risk areas. Approval procedures are in place in respect of major areas of risk such as major contract tenders and procurement, expenditure and treasury management.

Credit Payment

The Association's approach concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is thirty days.

BARRHEAD HOUSING ASSOCIATION LIMITED

REPORT OF GOVERNING BOARD (continued)

For the year ended 31 March 2020

Financial review

Results for the year

The results for the year are shown in the Statement of Comprehensive Income. Barrhead made a surplus of £1,014,420 (2019 - £557,348) during the year before an actuarial gain of £847,000 (2019 – £115,000 loss) arising on the accounting for the defined benefit pension scheme which has been recognised through other comprehensive income to give total comprehensive income for the year of £1,861,420 (2019 - £462,348).

The Association has continued in 2019/20 to review its systems, controls and procedures

The Association has a clearly defined programme of improvement works which it is in the process of carrying out. The Association is 98.4% compliant with the Scottish Housing Quality Standards and will continue to meet these standards. Our inability to reach 100% is due to improvements at mixed tenure properties where residents fail to participate in planned upgrades. The Association is 98.2% compliant with the Energy Efficiency target for social housing and we are required to meet the 2020 target by December 2020 – we anticipate applying for a small number of exemptions due to excessive costs. Additional deadlines for fire safety and electrical certificates are also now underway through the Association's fire safety contract. Our ability to meet the February 2021 deadline however will be reviewed following the lifting of suspended contracts due to COVID-19. If required the

Association will apply for an extension to the February 2021 deadline recognising that this must be completed by 1st May 2021. This will include compliance with electrical safety certificates.

General Reserves

The Governing Board members have reviewed the reserves of Barrhead. This review encompassed the nature of the income and expenditure streams, the need to match variable income with fixed commitments and the nature of the reserves. During the year the Association's general reserve increased from £10,307,229 to £12,168,649. These funds are held for future investment in our properties including major repairs and to provide against the risk of loss of revenue in the future.

Investment Appraisal

Capital expenditure is regulated by budgetary process and authorisation levels. For expenditure beyond specified levels, detailed written proposals have to be submitted to the Governing Board. Reviews are carried out during the development period, to monitor expenditure and performance.

Rental Income

Barrhead's Rent Setting Policy is a points system based on the size, type and facilities of the accommodation. The policy ensures that the rent structure is easy to administer and covers the wide variations within the Association's properties. This policy follows the generally accepted practice/principles of the housing sector. We have completed an extensive review of our rent setting policy with a rent harmonisation programme commencing from April 2015. The harmonisation will now undergo a 5- year review, as it was anticipated the majority of rents would be harmonized in the first five year period.

Maintenance policies

Barrhead seeks to maintain its properties to the highest standard. To this end, programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs would be charged to the Statement of Comprehensive Income.

In addition, the Association has a long-term programme of major improvements to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. The cost of these repairs would be charged to the Statement of Comprehensive Income, unless it was agreed they could be capitalised within the terms outlined in the SORP. The Association is a member of a consortium of locally based housing associations, I-FLAIR, delivering a procurement framework agreement for our planned and cyclical programmes. We are also members of the Scottish Procurement Alliance, a further consortium providing access to procurement frameworks across a range of planned maintenance programmes. These frameworks allow us to ensure compliance with Procurement regulations, minimising both risk and the time required to administer procurement contracts and ultimately cost efficiencies to our tenants.

BARRHEAD HOUSING ASSOCIATION LIMITED

REPORT OF GOVERNING BOARD (continued)

For the year ended 31 March 2020

Financial review (continued)

Treasury Management

Barrhead has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Governing Board. In this way the Association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held. The Association, as a matter of policy, does not enter into transactions of a speculative nature.

Staff matters

Key Management

Our key management has responsibility for planning, directing and controlling the activities of the Association. This consists of the Governing Board, the Chief Executive and 3 senior Directors. The Governing Board is not remunerated for their services. The Chief Executive and Directors' salaries are set, as all staff salaries are, based on the Employers in Voluntary Housing (EVH) salary scales. The Governing Board receives a review of the Chief Executive's remuneration package annually. In addition, the salary scales and responsibilities for the Chief Executive and the senior Directors were reviewed in February 2016 by EVH to ensure continued relevance to the set scales. The governing Board accepted the recommendations of EVH's report and these were implemented immediately, with a commitment to review these every three years. This will ensure an independent review which will recognise the growth and complexities of our business and ensure that the Association can continue to recruit senior staff with the right skills and qualifications. A review of the Chief

Executive's salary will be completed ahead of recruitment and Director's salaries will be reviewed once the organisation has considered the correct structure for future management of services.

Employee Involvement and Health & Safety

Barrhead achieved Investors in People accreditation in May 2009. Bronze status was accredited in January 2012 and Silver status achieved in January 2015 along with an Investors in Young People good practice award. Silver accreditation was maintained when re-assessed in January 2018. Barrhead is also involved in the Healthy Working Lives accreditation to improve the health and wellbeing of staff. We are re-assessed every year to ensure we continue to meet the Gold Standard. Given the need to develop our own Health and Well-being Strategy, the Healthy Working Lives initiative has been stopped during 2019 and the Association has focused on a new Health and Well-being Strategy which will continue to be developed...

The Association encourages employee involvement in all major initiatives and maintaining Health & Safety standards in all areas. When appropriate, staff are encouraged to participate in the development and revision of policies and procedures, etc. Online training for health and safety is available and reviewed annually.

Quality and Integrity of Personnel

The integrity and competence of personnel are ensured through high recruitment standards and subsequent staff development. High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the Chief Executive.

Disabled Employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Association may continue. It is the policy of the Association that training, career development and promotion opportunities should be available to all employees. We hold a Disability Confident employer accreditation which is renewed every 2 years.

BARRHEAD HOUSING ASSOCIATION LIMITED

REPORT OF GOVERNING BOARD (continued)

For the year ended 31 March 2020

Future developments

The Association intends to continue with its policy of improving the quality of housing within its area of operation. In consultation with the local authority and to meet the Scottish Government's 50,000 new homes target by 2021 and any subsequent target, we are on-site with 12 new homes at Neilston Road in partnership with Taylor Wimpey and these will be delivered over the summer 2020. A second development opportunity is also now underway in partnership with Belway Homes to delivery 10 new affordable homes by Spring 2021. A range of other potential partnership developments are also under discussions with the possibility of a further 35 new homes being delivered over the next couple of years. A new loan facility was secured with Triodos during 2019/20 to facilitate such growth.

Auditor

Chiene + Tait LLP have indicated their willingness to continue to act as external auditor to the Association.

ON BEHALF OF THE GOVERNING BOARD

David McCready
CHAIRPERSON

_____ 2020

BARRHEAD HOUSING ASSOCIATION LIMITED

GOVERNING BOARD RESPONSIBILITIES STATEMENT

For the year ended 31 March 2020

The Governing Board is responsible for preparing the report and financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 require the Governing Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association for the year ended on that date. In preparing these financial statements, the Governing Board is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and the Statement of Recommended Practice 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 Governing Board 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 Governing Board is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Governing Board is responsible for the maintenance and integrity of the corporate and financial information included on the Association's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Information for the Auditor

In so far as the Governing Board is aware:

- there is no relevant audit information of which the Association's auditor is unaware; and
- the Governing Board has taken all steps that it ought to have taken to make its members aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

BY ORDER OF THE GOVERNING BOARD

David McCready
CHAIRPERSON

2020

BARRHEAD HOUSING ASSOCIATION LIMITED

GOVERNING BOARD'S STATEMENT ON INTERNAL FINANCIAL CONTROLS

For the year ended 31 March 2020

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

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

It is the Governing Board's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements include ensuring that:

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of the 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 regularly which allow the Governing Board and staff to monitor the key business risks, financial objectives, and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information, with significant variances from budget investigated as appropriate;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Governing Board;
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- the Governing Board review reports from management, from directors, from staff and from the internal and external auditors to provide reasonable assurance that control procedures are in place and are being followed, and that a general review of the major risks facing the Association is undertaken; and
- formal procedures have been established for implementing appropriate action to correct any weaknesses identified through internal or external audit reports.

The Governing Board have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2020 and until the below date. No weaknesses were found in 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.

The Governing Board approved a three year programme of internal audit in April 2018 and during the year completed audit reviews for IT security and our in-house repairs service. An annual updated plan is approved each year by the Audit and Risk Sub-Group who are also responsible for ensuring recommendations are progressed.

Scottish Housing Regulator – Notifiable Events

The Association is required, along with all other registered social landlords, to notify the Scottish Housing Regulator of unusual events. These could be, for example, around significant performance failures, of major health and safety events, or members being removed from the Governing Board or senior staff leaving the organisation. The list is quite lengthy. During the year, we have had seven events that resulted in a Notifiable Event being confirmed to the Scottish Housing Regulator – these included our new Triodos loan facility, 4 low risk GDPR breaches; our office closure due to COVID-19 and the decision of our Chief Executive to retire during 2020. All actions were undertaken to satisfy the Scottish Housing Regulator.

BY ORDER OF THE GOVERNING BOARD

David McCready
CHAIRPERSON

2020

Opinion

We have audited the financial statements of Barrhead Housing Association Limited for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position, Statement of Cash Flows and related notes, 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 (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland.

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been 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 Scottish Housing Regulator Determination of Accounting Requirements (December 2014).

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 FRC'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 Report of the Governing Board, 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 received all the information and explanations necessary for the purposes of our audit.

Responsibilities of the Board

As explained more fully in the Statement of the Board's Responsibilities set out on page 9, 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 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

_____ 2020

In addition to our audit of the financial Statements, we have reviewed your statement on page 9 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication 'Our Regulatory Framework' and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

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

Opinion

In our opinion the Statement on Internal Financial Control on page 9 has provided the disclosures required by the relevant Regulatory Standards within the publication 'Our Regulatory Framework' and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

Through enquiry of certain members of the Governing Board and Officers of the Association and examination of relevant documents, we have satisfied ourselves that the Governing Board'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 Advisory 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

2020

BARRHEAD HOUSING ASSOCIATION LIMITED

STATEMENT of COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	2020 £	2019 £
Turnover	2	5,418,208	5,270,636
Operating expenditure	2	(4,065,018)	(3,898,193)
Operating surplus	2	1,353,190	1,372,443
(Loss)/gain on disposal of property, plant and equipment		(8,614)	(23,599)
Interest receivable		39,261	27,586
Interest and financing costs	4	(369,417)	(360,215)
Recognition of Multi-Employer Defined Benefit Scheme		-	(438,867)
Surplus before tax		1,014,420	577,348
Taxation	5	-	-
Surplus for the year		1,014,420	577,348
Other comprehensive income	13	847,000	(115,000)
Total Comprehensive Income for the Year		1,861,420	462,348

The results for the year relate wholly to continuing activities.

STATEMENT of CHANGES in RESERVES

For the year ended 31 March 2020

	Share Capital £	Income and Expen- diture Reserve £	Total Reserves £	Total Un- restricted Fund £
Balance at 1 April 2019	50	10,307,229	10,307,229	10,307,229
Issue of Shares	5	-	-	-
Cancellation of shares	(4)	-	-	-
Surplus/(deficit) from statement of comprehensive income	-	1,014,420	1,014,420	1,014,420
Surplus/(deficit) from other comprehensive income	-	847,000	847,000	847,000
Balance at 31 March 2020	51	12,168,649	12,168,649	12,168,649

The notes on pages 18 to 33 form part of these financial statements.

BARRHEAD HOUSING ASSOCIATION LIMITED

STATEMENT of FINANCIAL POSITION

As at 31 March 2020

	Notes	£	2020 £	2019 £
Fixed assets				
Tangible fixed assets	7		46,214,519	45,819,533
Investments	8		1	1
			-----	-----
			46,214,520	45,819,534
Current assets				
Debtors		321,976		381,770
Cash and cash equivalents		4,848,332		3,866,554
		-----		-----
		5,170,308		4,248,324
Creditors: amounts falling due within one year	10	(1,618,760)		(1,392,509)
		-----		-----
Net current assets			3,551,548	2,855,815
			-----	-----
Total assets less current liabilities			49,766,068	48,675,349
Creditors: amounts falling due after more than one year				
Pension – defined benefit liability	11 13		37,597,368 -	37,460,059 908,001
			-----	-----
Total net assets			12,168,700	10,307,279
			=====	=====
Reserves				
Share capital	15		51	50
Income and expenditure reserve	16		12,168,649	10,307,229
			-----	-----
			12,168,700	10,307,279
			=====	=====

These financial statements were approved and authorised for issue by the Governing Board on _____ 2020 and signed on their behalf by:

<p><i>David McCready</i> David McCready</p>	Chair, Governing Board Member
<p>..... John Hamilton</p>	Vice Chair, Governing Board Member
<p>..... Helen Sutherland</p>	Secretary

The notes on pages 18 to 33 form part of these financial statements.

BARRHEAD HOUSING ASSOCIATION LIMITED

STATEMENT of CASH FLOWS

For the year ended 31 March 2020

	Notes	£	2020 £	2019 £
Net cash generated from operating activities	18		2,125,317	1,936,041
Cash flow from investing activities				
Purchase of tangible fixed assets			(1,869,459)	(692,540)
Proceeds from sale of tangible fixed assets			-	-
Housing association grant received (net)			1,141,736	283,626
Interest received			39,261	27,586
			-----	-----
			(688,462)	(381,328)
			-----	-----
Cash flow from financing activities				
Interest paid		(348,417)		(339,016)
Loans Received		500,000		-
Repayment of borrowings		(600,665)		(603,837)
Shares issued		5		5
		-----		-----
			(455,077)	(942,848)
			-----	-----
Net change in cash and cash equivalents			981,778	611,865
Cash and cash equivalents at beginning of the year			3,866,554	3,254,689
			-----	-----
Cash and cash equivalents at end of the year			4,848,332	3,866,554
			=====	=====

Analysis of Changes in Net Debt

	2019	Cash flows	Non-cash changes		2020
	£	£	Finance leases	Other changes	£
Long-term borrowings	(9,508,623)	-	-	123,626	(9,384,997)
Short-term borrowings	(599,822)	106,665	-	(123,626)	(616,783)
Total liabilities	(10,108,445)	106,665	-	-	(10,001,780)
Cash and cash equivalents	3,866,554	981,778	-	-	4,848,332
Total net debt	(6,241,891)	1,088,443	-	-	(5,153,448)

The notes on pages 18 to 33 form part of these financial statements.

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. Accounting Policies

Introduction and accounting basis

The financial statements have been prepared in accordance with Financial Reporting Standard 102 (FRS 102), the statement of Recommended Practice for social housing providers "Housing SORP 2014" (SORP 2014) and the Determination of Accounting Requirements (February 2019). The financial statements are prepared under the historical cost basis of accounting.

Barrhead Housing Association is a Public Benefit Entity. The financial statements have been presented in Pounds Sterling as this is the functional and presentational currency of the Association. The principal accounting policies of the Association are set out below.

Going concern

The financial statements have been prepared on a going concern basis. The Governing Board have assessed the Association's ability to continue as a going concern and have reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing these financial statements.

Housing Association Grants

Housing Association Grants (HAG) are awarded to reduce the amount of mortgage loan (or other funding) in respect of an approved scheme to the amount which it is estimated can be serviced by the net annual income of the scheme. The amount of HAG is calculated on the qualifying cost of the scheme in accordance with instructions issued from time to time by the grant awarding body. HAG and other grants are repayable under certain circumstances. These include the disposal of the properties to which the grants relate. HAG is recognized using the accrual model and is recognized in income on a systematic basis over the useful life of the related housing asset. The Association uses the useful life of the housing property structure as the basis for amortisation.

Tangible fixed assets - Housing properties (note 7)

Housing properties are initially stated at cost. The cost of such properties includes the following:

- (i) cost of acquiring land and buildings
- (ii) development expenditure including applicable overheads
- (iii) interest charged on the loans raised to finance the scheme

These costs are either termed "qualifying costs" by the grant awarding bodies for approved HAG schemes and are considered for mortgage loans by the relevant lending authorities or they are met out of the Association's reserves.

All invoices and architects' certificates relating to capital expenditure incurred in the year at gross value including retentions are included in the financial statements for the year, provided that the dates of issue or valuations are prior to the year end.

Development costs are capitalised to the extent that they are attributable to specific schemes, where such costs are not felt to be excessive.

If expenditure does not qualify for HAG, it may nevertheless be capitalised. Expenditure on schemes, which are subsequently aborted, is written off in the year in which it is recognised that the scheme will not be developed to completion.

Interest on the loan financing the development is capitalised up to the relevant date of completion.

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. Accounting Policies (continued)

Depreciation

Housing Properties

Housing properties are stated at cost, less accumulated depreciation. The Association depreciates housing properties by major component on a straight line basis over the expected economic useful lives of each identified component. All components are categorised as Housing Properties in note 7. No depreciation is charged on the cost of land.

Component	Useful Economic Life
Kitchen	15 years
Central Heating System	30 years
Boilers	15 years
Bathrooms	20 years
Windows	25 years
Lifts	40 years
Structure	50 years
Roofs	40 years
Sheltered Housing Improvements	20 years

Other fixed assets

The Association's assets cost, less any residual value, is written off evenly over the expected useful life as follows:

Office premises	over 5 to 30 years
Furniture & equipment	over 5 years

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

Apportionment of management expenses

Direct employee administration and operating costs have been apportioned to the activities reported in the Statement of Comprehensive Income on the basis of costs of the staff to the extent that they are directly engaged in each of the operations dealt with in these financial statements.

Lease obligations

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on the accruals basis.

Sale of Housing Properties

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale and, except for first tranche sales, any gain or loss is recognised. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements. Proceeds of first tranche sales are recognised as turnover and associated costs as operating costs.

Impairment of fixed assets

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income-generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units.

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

1. Accounting Policies (continued)

Improvements

Improvements are capitalised where these represent the replacement of separately depreciated components or where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:

- an increase in rental income or
- a material reduction in future maintenance costs or
- a significant extension of the life of the property.

Works to existing properties, which fail to meet the above criteria, are charged to the Statement of Comprehensive Income.

Financial instruments

Debtors and creditors receivable/payable within one year

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at the transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income in other administrative expenses.

Loans and borrowings

Bank loans provided by Private Lenders are also classed as basic under the requirements of FRS 102 and are therefore also measured at amortised cost.

Payment arrangements with tenants

In the case of payment arrangements that exist with tenants, these are deemed to constitute financing transactions and, where material, are measured at the present value of future payments discounted at a market rate of interest applicable to similar debt instruments.

Pensions

The Association participates in the centralised Scottish Housing Associations' Defined Benefit and Defined Contribution Pension Schemes and retirement benefits to employees of the Association are funded by contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole. Accordingly, in respect of current service cost the accounting charge represents the employer contributions payable.

Previously where the scheme is in deficit and the Association has agreed to a deficit funding arrangement with the scheme trustees, the Association recognised a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement. The unwinding of the discount rate is recognised as a finance cost.

Turnover

Turnover represents rental income and service charges receivable from tenants, grants and management fees for services, and is measured at the fair value of the consideration received or receivable.

Value added tax

The Association registered for VAT from 1st February 2020. There is a VAT group with the subsidiary, Levern Property Services Ltd.

BARRHEAD HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2020****1. Accounting Policies (continued)****Judgements in applying policies and key sources of estimation uncertainty**

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The members of the Governing Board are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied in apportioning the cost of housing properties between constituent components and in determining the depreciation rates which have been deemed to be appropriate for the class of asset or assets component and in determining the appropriate level of bad debt provision for rental arrears.

2. Particulars of turnover, operating costs and operating surplus or deficit

	Turnover £	Operating costs £	Operating Surplus/ (Deficit) 2020 £	Operating Surplus/ (Deficit) 2019 £
Affordable letting activities (note 3a)	5,206,793	3,825,378	1,381,415	1,424,728
Other activities (note 3c)	211,415	239,640	(28,225)	(52,285)
Total	5,418,208	4,065,018	1,353,190	1,372,443
2019	5,270,636	3,898,193	1,372,443	

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

3(a). Particulars of turnover operating costs and operating surplus or deficit from affordable letting activities

	General Needs Social Housing £	Supported Social Housing Accom- modation £	Shared Ownership Housing £	Other Social Housing £	2020 Total £	2019 Total £
Income from lettings						
Rent receivable net of service charges	4,099,968	133,915	1,925	49,803	4,285,611	4,135,874
Service charges	42,605	13,629	226	-	56,460	42,768
	-----	-----	-----	-----	-----	-----
Gross income from rents and service charges	4,142,573	147,544	2,151	49,803	4,342,071	4,178,642
<u>Less: Voids</u>	(17,148)	(546)	-	-	(17,694)	(13,125)
	-----	-----	-----	-----	-----	-----
Net income from rents and service charges	4,125,425	146,998	2,151	49,803	4,324,377	4,165,517
Grants released from deferred income	825,164	37,260	523	17,864	880,811	870,756
Revenue grants from Scottish Ministers	-	1,605	-	-	1,605	1,740
Other revenue grants	-	-	-	-	-	1,558
	-----	-----	-----	-----	-----	-----
Total turnover from affordable letting activities	4,950,589	185,863	2,674	67,667	5,206,793	5,039,571
Management and maintenance administration costs	1,180,019	48,625	-	15,839	1,244,483	1,202,910
Service costs	42,605	13,629	226	-	56,460	42,768
Planned and cyclical maintenance including major repairs costs	632,116	8,413	-	-	640,529	523,692
Reactive maintenance costs	404,422	10,282	-	-	414,704	404,173
Bad debts – rents and service charges	33,994	-	-	-	33,994	30,528
Depreciation of affordable letting properties	1,342,826	51,701	730	26,270	1,421,527	1,403,286
Tenant Participation	13,681	-	-	-	13,681	7,485
	-----	-----	-----	-----	-----	-----
Operating costs for affordable letting activities	3,649,663	132,650	956	42,109	3,825,378	3,614,843
	-----	-----	-----	-----	-----	-----
Operating surplus for affordable letting activities	1,300,926	53,213	1,718	25,558	1,381,415	1,424,728
	=====	=====	=====	=====	=====	=====
2019	1,302,635	42,540	3,739	75,814	1,424,728	
	=====	=====	=====	=====	=====	

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

3(b). Expenditure on works to existing properties

	2020	2019
	£	£
Capitalised:		
Improvements	39,453	223,785
Component replacements	374,259	430,277
	-----	-----
	413,732	654,062
Charged to revenue	414,704	271,250
	-----	-----
	828,436	925,312
	=====	=====

3(c). Particulars of turnover, operating costs and operating surplus or deficit from other activities

	Grants from Scottish Ministers £	Other revenue grants £	Other income £	Total Turnover £	Operating costs - bad debts £	Other operating costs £	Operating surplus or (deficit) 2020 £	Operating surplus or (deficit) 2019 £
Wider role activities:								
Creative Pathways	32,000	-	-	32,000	-	34,500	(2,500)	(7,000)
Craft Café	-	-	-	-	-	-	-	(2,500)
Community Regeneration Officer	-	-	21,268	21,268	-	43,572	(22,304)	(18,475)
Aspiring Communities	115,323	-	400	115,723	-	115,723	-	(14,748)
Digital Fund	-	1,200	-	1,200	-	1,200	-	-
Community Choices	-	-	-	-	-	-	-	(14,416)
Cycling	-	10,504	-	10,504	-	10,459	45	-
Community Chest	-	-	-	-	-	875	(875)	-
Development administration costs	15,214	-	-	15,214	-	23,305	(8,091)	1,844
Other Agency/ Management services	-	-	10,006	10,006	-	10,006	-	-
Other Income	-	-	5,500	-	-	-	5,500	3,010
	-----	-----	-----	-----	-----	-----	-----	-----
Total from other activities	162,537	11,704	37,174	211,415	-	239,640	(28,225)	(52,285)
	=====	=====	=====	=====	=====	=====	=====	=====
2019	201,436	3,793	25,836	231,065	-	283,350	(52,285)	
	=====	=====	=====	=====	=====	=====	=====	

Note: Other activity headings as noted in the Determination of Accounting Requirements (February 2019) do not apply.

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

4. Interest and financing costs	2020	2019
	£	£
Interest paid on loans in period	348,417	339,016
Finance costs in respect of pension provision	21,000	21,199
	-----	-----
	369,417	360,215
	=====	=====

5. Taxation

The Association has charitable status and therefore is not liable to corporation tax on any income or gains to the extent that these are applied to the charitable objects.

6. Employees	2020	2019
	£	£
(a) Staff costs during year		
Wages and salaries	742,714	750,171
Social security costs	79,324	75,583
Pension costs:		
Current service contributions	72,612	63,071
	-----	-----
	894,650	888,825
	=====	=====

The past service deficit has been separately disclosed on the face of the Statement of Comprehensive Income.

The average full time equivalent number of persons employed by the Association during the year was as follows:

	2020	2019
	No	No
Housing management	20	20
	=====	=====

(b) Key management

Key management includes members of the Governing Board, the Chief Executive and 3 senior Directors.

	2020	2019
	£	£
Compensation (including pension contributions) paid to key management personnel	279,212	269,632
	=====	=====

The emoluments of the key managers whose emoluments, excluding pension contributions, were over £60,000 were as follows:

	2020	2019
	No	No
£60,001 to £70,000	2	1
	=====	=====

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

6. Employees (continued)	2020	2019
	£	£
(b) Key management (continued)		
Aggregate emoluments payable to key management who's total emoluments (excluding pension contributions but including benefits in kind) are £60,000 or more	134,242	71,606
	=====	=====
Emoluments payable to the Chief Executive	73,408	71,606
Employer's pension contribution	8,506	8,315
	-----	-----
	81,914	79,921
	=====	=====

The Chief Executive is an ordinary member of the Association's pension scheme described in note 13. No enhanced or special terms apply to membership and she has no other pension arrangements to which the Association contributes.

No member of the Governing Board received any emoluments in respect of their services to the Association.

	2020	2019
	£	£
Governing Board Expenses	181	214
	=====	=====

7. Tangible fixed assets

Cost	Housing Properties Held for Letting £	Housing Properties in course of Construction £	Completed Shared Ownership Properties £	Office Premises £	Furniture Fittings & Equipment £	Total £
At 1 April 2019	64,287,439	28,355	48,684	775,634	268,327	65,408,439
Additions	413,732	1,430,410	-	2,070	23,247	1,869,459
Transfers	12,852	(12,852)	-	-	-	-
Disposals	(22,409)	-	-	-	(7,275)	(29,684)
	-----	-----	-----	-----	-----	-----
At 31 March 2020	64,691,614	1,445,913	48,684	777,704	284,299	67,248,214
	-----	-----	-----	-----	-----	-----
Depreciation						
At 1 April 2019	19,047,751	-	18,810	290,097	232,248	19,588,906
Provided	1,420,797	-	730	26,434	17,903	1,465,864
Transfer	-	-	-	-	-	-
Disposals	(13,799)	-	-	-	(7,275)	(21,074)
	-----	-----	-----	-----	-----	-----
At 31 March 2020	20,454,749	-	19,540	316,531	242,875	21,033,696
	-----	-----	-----	-----	-----	-----
Net book value						
As at 31 March 2020	44,236,865	1,445,913	29,144	461,173	41,424	46,214,519
	=====	=====	=====	=====	=====	=====
As at 31 March 2019	45,239,688	28,355	29,874	485,537	36,079	45,819,533
	=====	=====	=====	=====	=====	=====

All housing property and office premises are heritable property.

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

8. Investments	2020	2019
	£	£
Levern Property Services Limited	1	1
	=====	=====

Barrhead's wholly owned trading subsidiary, Levern Property Services Limited, was incorporated in Scotland on 24 November 2011 and commenced trading on 1 April 2012. The company made a distribution to the Association of £5,500 in the current year (2019 - £3,010), generated a post-tax profit of £1,174 and had net assets of £5,225 at 31 March 2020.

9. Debtors	2020	2019
	£	£
Amounts falling due within one year:		
Gross rents in arrears	159,813	130,663
<u>Less:</u> Bad debt provision	(137,421)	(110,695)
	-----	-----
	22,392	19,968
Prepayments and accrued income	109,923	24,696
Other debtors	189,667	337,106
	-----	-----
	321,976	381,770
	=====	=====

10. Creditors: amounts falling due within one year	2020	2019
	£	£
Loans (note 12)	616,783	599,822
Trade creditors	270,531	78,452
Other creditors	301,175	194,420
Accruals and Deferred Income	400,579	394,459
Other taxes and Social Security	17,801	19,196
Rents in advance	119,919	106,160
	-----	-----
	1,618,758	1,392,509
	=====	=====

11. Creditors: amounts falling due after more than one year	2020	2019
	£	£
Loans (note 12)	9,384,997	9,508,623
Deferred Grants (note 14)	28,212,372	27,951,447
	-----	-----
	37,597,369	37,460,070
	-----	-----
Pension – defined benefit liability	-	908,000
	-----	-----
	37,597,370	38,368,070
	=====	=====

BARRHEAD HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2020****12. Loans**

Loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest on instalments due as follows:

	2020	2019
	£	£
In one year or less	616,783	599,822
Between two and five years	3,170,348	3,114,467
In five years or more	6,214,649	6,394,156
	-----	-----
	10,001,780	10,108,445
	=====	=====

13. Pension Scheme**Present value of defined benefit obligation, fair value of assets and defined benefit liability**

	2020	2019
	£	£
Fair value of plan assets	4,128,000	3,539,000
Present value of defined benefit obligation	4,111,000	4,447,000
	-----	-----
Defined benefit liability to be recognised	-	(908,000)
Unrecognised Surplus	17,000	-
	=====	=====

Reconciliation of opening and closing balances of the defined benefit obligation

	2020
	£
Defined benefit obligation at start of period	4,447,000
Current service cost	45,000
Expenses	3,000
Interest expense	106,000
Contributions by plan participants	23,000
Actuarial losses (gains) due to scheme experience	93,000
Actuarial losses (gains) due to changes in demographic assumptions	(25,000)
Actuarial losses (gains) due to changes in financial assumptions	(502,000)
Benefits paid and expenses	(78,000)

Defined benefit obligation at end of period	4,111,000
	=====

BARRHEAD HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2020****13. Pension Scheme (continued)**

Reconciliation of opening and closing balances of the fair value of plan assets	2020
	£
Fair value of plan assets at the start of the period	3,539,000
Interest income	84,000
Experience on plan assets (excluding amounts included in interest income)	430,000
Contributions by the employer	130,000
Contributions by plan participants	23,000
Benefits paid and expenses	(78,000)

Defined benefit liability to be recognised	4,128,000
	=====

Defined benefit costs recognised in statement of comprehensive income (SOCl)	2020
	£
Current service cost	45,000
Expenses	3,000
Net interest expense	21,000

Defined benefit costs recognised in statement of comprehensive income	69,000
	=====

Defined benefit costs recognised in other comprehensive income	2020
	£
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	430,000
Experience gains and losses arising on the plan liabilities - gain (loss)	(93,000)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	25,000
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	502,000
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	864,000
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) –gain (loss)	(17,000)

Total amount recognised in other comprehensive income - gain (loss)	847,000
	=====

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

13. Pension Scheme (continued)

Assets	2020	2019
	£'000	£'000
Global Equity	568	569
Absolute Return	253	300
Distressed Opportunities	75	60
Credit Relative Value	99	61
Alternative Risk Premia	331	198
Fund of Hedge Funds	-	10
Emerging Markets Debt	147	113
Risk Sharing	131	103
Insurance-Linked Securities	111	92
Property	77	70
Infrastructure	243	148
Private Debt	82	46
Opportunistic Illiquid Credit	101	-
Corporate Bond Fund	302	248
Liquid Credit	108	-
Long Lease Property	101	43
Secured Income	229	123
Over 15 Year Gilts	52	91
Index Linked All Stock Gilts	-	-
Liability Driven Investment	1,087	1,260
Net Current Assets	31	4
	-----	-----
Total assets	4,128	3,539
	=====	=====
	31 March	31 March
	2020	2019
	%	%
Key Assumptions	per annum	per annum
Discount Rate	2.36	2.35
Inflation (RPI)	2.58	3.25
Inflation (CPI)	1.58	2.25
Salary Growth	2.58	3.25
Allowance for commutation of pension for cash at retirement	75% of max. allowance	75% of max. allowance

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2020	21.5
Female retiring in 2020	23.2
Male retiring in 2040	22.8
Female retiring in 2040	24.5
	=====

The Association participates in the Scottish Housing Associations' Pension Scheme (SHAPS), a multi-employer scheme, which provides benefits to some 155 non-associated employers. The scheme is a defined benefit scheme in the UK.

13. Pension Scheme (continued)

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2018. This actuarial valuation showed assets of £877m, liabilities of £998m and a deficit of £121m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

Total deficit contributions (whole scheme)

From 1 April 2020 to September 2022: £31.1m per annum
(payable monthly and increasing by 3% each 1 April).

During the year from 1 April Barrhead Housing Association contributed deficit payments of £101,145.

Under the new recovery plan Barrhead housing Association’s share from 1 April 2020 will be £119,859.

In addition to the Recovery Plan contributions, a contingent funding Agreement (CFA) has been agreed between the Scheme Committee and the Employer’s Committee. The CFA is designed to ensure that deficit contributions continue to 31 March 2023 if, based on a funding assessment at 30 September 2021, it appears that these deficit contributions will be required.

The assessment of the funding position at 30 September 2021 will take into account the deficit contributions payable to 30 September 2022:

If the results show no deficit is identified the deficit contributions will cease from 30 September 2022.

If the results show the deficit has not cleared then the deficit contributions will continue until 31 March 2023 as follows:

If the deficit is more than £5m, deficit contributions equal to those payable from 1 April 2022 will be payable from 1 October 2022 until 31 March 2023; or

If the deficit is between £0m and £5m, deficit contributions equal to 50% of the deficit contributions from 1 April 2022 will be payable from 1 October 2022 until 31 March 2023.

BARRHEAD HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2020**

14. Deferred Income	2020	2019
	£	£
Social Housing Grants		
Balance as at 1 April 2019	27,951,447	28,538,576
Additions in Year	1,141,736	284,320
Released/Repaid as the result of property disposals	-	(693)
Amortisation in Year	(880,811)	(870,756)
	-----	-----
	28,212,372	27,951,447
	=====	=====
Due for release:		
Within one year	880,811	870,757
After more than one year	27,331,561	27,080,690
	-----	-----
	28,212,372	27,951,447
	=====	=====

15. Share Capital

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

16. Income and expenditure reserve	2020	2019
	£	£
Opening balance at 1 April 2019	10,313,002	9,844,881
Surplus for the year	1,849,719	462,348
	-----	-----
Closing balance at 31 March 2020	12,156,948	10,307,229
	=====	=====

BARRHEAD HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2020**

17. Reconciliation of surplus for the year to net cash inflow from operating activities	2020	2019
	£	£
Surplus for year	1,861,420	462,348
<i>Adjustments for non-cash items:</i>		
Depreciation of tangible fixed assets	1,465,864	1,450,901
Amortisation of Capital Grants	(880,811)	(870,756)
Decrease/(Increase) in debtors	59,794	(70,707)
Increase in creditors	209,284	108,375
Pension cost less contributions payable including remeasurement	(908,000)	517,867
Shares cancelled	(4)	(9)
<i>Adjustment for investing and financing activities:</i>		
Carrying value of tangible fixed asset disposals	8,610	26,592
Proceeds from the sale of tangible fixed assets	-	-
Interest receivable	(39,261)	(27,586)
Interest payable	348,417	339,016
	-----	-----
	2,125,317	1,936,041
	=====	=====
18. Capital Commitments	2020	2019
	£	£
Expenditure authorised by the Governing Board contracted less certified	1,333,784	-
	-----	-----
	1,333,784	-
	=====	=====

Expenditure will be funded from Housing Association Grant and the Association's cash reserves.

19. Contingent liabilities**Pensions**

Barrhead 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 2015. The Association has no current plans to withdraw from the scheme.

As at 31 March 2020 the Association had no other contingent liabilities (2019 - £Nil).

BARRHEAD HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS (continued)****For the year ended 31 March 2020**

20. Housing Stock	2020	2019
	£	£
The number of units in Management at 31 March was as follows:		
General Needs – Rehabilitation	300	300
General Needs - New Build	622	621
	-----	-----
	922	921
Supported Accommodation	12	12
Shared Ownership	1	1
	-----	-----
	935	934
	=====	=====
21. Auditor’s Remuneration	2020	2019
	£	£
External Audit	7,000	6,600
	=====	=====

22. Related Parties

Councillor Annette Ireland served on the Governing Board during the year. She resigned on 29th August 2019. Councillor Tony Buchanan was co-opted onto the Board from September 2019. Any transactions with East Renfrewshire Council are made at arm’s length, on normal commercial terms and Councillors cannot use their position to their advantage.

During the year the Association ran the DIY Dunterlie project supported by an Aspiring Communities Grant from the Scottish Government. Board member Rena McGuire is the Dunterlie Tenants’ Action Group secretary.

Levern Property Services Limited (“Levern”) is charged for a proportion of office overheads. The charge in the year was £3,706 (2019: £3,066.) Levern also charges Barrhead for staff services provided. The cost in the year was £23,414 (2019: £14,368). At the year-end an amount of £38,800 (2019: £13,948) was due from Levern Property Services. Regular payments are made to Barrhead Housing Association throughout the year to reduce the balance due. Due to the lockdown just before the year end, the balance could not be transferred at the year end.

23. Commitments under Operating Leases	2020	2019
	£	£
At the year end, the total future minimum lease payments under non- cancellable operating leases were as follows:		
Not later than one year	1,764	-
Later than one year and not later than five years	24,324	5,998
	=====	=====

24. Post Balance Sheet Event

The UK wide lockdown began before Barrhead Housing Association’s year end, however the economic consequence and financial impact is ongoing. The Association were in a strong financial position at the year end and therefore able to withstand any delays or reductions in cash in flow as a result of tenants’ inability to pay their rent as a result of their changing economic circumstances. The cash position and rent arrears is being regularly monitored and although we are experiencing an increase in rent arrears the majority of the increase is from delays with universal credit payments. These payments will ultimately be received.

The budget for the current year is being revised to take account of the impact of unplanned expenditure and the increase in arrears as a result of the pandemic. If considered prudent some of the planned expenditure for the year may also be delayed into next year due to time or budgetary constraints. A new two year budget will be produced after the financial impact in the first quarter is clear from the management accounts being produced to 30th June.

BARRHEAD HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

24. Post Balance Sheet Event continued)

Given the strong financial position, the revision of the budget and the Association's main revenue income source the Governing Board are satisfied that the Association continues to be a going concern.