

Annual Return (AR30) form

Society Name: Barony Housing Association Limited

Society Num: 1684 RS

An Annual Return must be completed by all societies registered under the Co-operative and Community Benefit Societies Act 2014 ('the Act') (including any societies previously registered under the Industrial and Provident Societies Act 1965). The Annual Return must include:

- this form;
- a set of the society's accounts; and
- where required, an audit report or report on the accounts.

A society must submit the Annual Return within 7 months of the end of the society's financial year. Failure to submit on time is a prosecutable offence.

Please note that this form, including any details provided on the form, will be made available to the public through the Mutuels Public Register.

For guidance on our registration function for societies, which includes guidance on the requirement to submit an Annual Return, please see [here](#)

2.1 What date did the financial year covered by these accounts end?

31/03/2019

3.1 Please provide the names of the people who were directors of the society during the financial year this return covers.

Some societies use the term 'committee member' or 'trustee' instead of 'director'. For ease of reference, we use 'director' throughout this form.

Name of Director	Month of Birth	Year of Birth
Martin Kelso	Dec	1959
Lindsey McNeill	Oct	1979
George Hotchkiss	Feb	1959
Helen Howden	Oct	1968
Alistair Murray	Feb	1973
Lesley Watt	Aug	1964
Jennifer Wallace	Feb	1979
Jess Wade	Dec	1981

3.2 All directors must be 16 or older. Please confirm this is this case:

☒ All directors are aged 16 or over

3.3 Societies are within the scope of the Company Director Disqualification Act 1986 (CDDA). Please confirm that no director is disqualified under that Act:

☒ No director is disqualified

3.4 Please state any close links which any of the directors has with any society, company or authority.

'Close links' includes any directorships or senior positions held by directors of the society in other organisations.

Martin Kelso- Director: Wheatley Solutions Limited, Wheatley Housing Group Limited, Club Management Services Limited, Main Event Marquees Limited, Peebles and District Citizens Advice Bureau, Peebles Golf Club Limited, The Borders Citizens Advice Consortium
Helen Howden- Governance Manager: Crown Estate
Lesley Watt- Director: Glenerne Management Services Limited, Scottish Baroque Ensemble Limited
Jennifer Wallace- Head of Policy: Carnegie UK Trust
Jess Wade- Manager: Self Directed Support Scotland, Director: Scottish Charity Regulator (OSCR)
Ruth Kynoch- Director: Corporate Finance PriceWaterhouseCoopers

3.5 Please provide the name of the person who was secretary at the end of the financial year this return covers.

Societies must have a secretary

Name of Secretary

Month of Birth

Year of Birth

4.1 Please confirm that:

☒ accounts are being submitted with this form

☒ the accounts comply with relevant statutory and accounting requirements

☒ the accounts are signed by two members and the secretary (3 signatures in total)

4.2 Based on the accounts, please provide the information requested below for the financial year covered by this return.

Number of members

Turnover

6,906,000

Assets

16,561,000

Number of Employees

216

Share Capital

57

**Highest rate of interest paid
on shares**

0

4.3 What Standard Industrial Classification code best describes the society's main business?

Where more than one code applies, please select the code that you feel best describes the society's main business activity. You will find a full list of codes [here](#)

SIC Code

**Renting and operating of Housing Association real
estate (68201)**

*

Societies are required to appoint an auditor to audited unless they are small or have disapplied this requirement. For further guidance see chapter 7 of our guidance:

<https://www.fca.org.uk/publication/finalised-guidance/fg15-12.pdf>

5.1 Please select the audit option the society has complied with:

- ☒ Full Professional Audit
- ☐ Auditor's report on the accounts
- ☐ Lay Audit
- ☐ No audit

5.2 Please confirm the audit option used by the society is compliant with the society's own rules and the Act

- ☒ We have complied with the audit requirements

5.3 Please confirm any audit report (where required) is being submitted with this Annual Return

- ☒ Yes
- ☐ Not applicable

5.4 Is this society accepted by HM Revenue and Customs (HMRC) as a charity for tax purposes?

- ☒ Yes
☐ No

5.5 If the society is registered with the Office of the Scottish Charity Regulator (OSCR) please provide your OSCR registration number.

- ☒ Registered
☐ Not applicable

OSCR Number

SC016030

5.6 Is the society a housing association?

- ☐ No
☒ Yes

5.7 Please confirm which housing regulator you are registered with, and provide the registration number they have given you:

- ☐ Homes and Communities Agency
☒ Scottish Housing Regulator
☐ The Welsh Ministers

Scottish Housing Registration
Number

HEP69

6.1 Is the society a subsidiary of another society?

- ☐ Yes
☒ No

6.2 Does the society have one or more subsidiaries?

(As defined in sections 100 and 101 of the Act)

- ☐ Yes
☒ No

All societies are registered meeting one of two conditions for registration. These are that the society is either:

- a bona fide co-operative society ('co-operative society'); or
- are conducting business for the benefit of the community ('community benefit society').

You must answer the questions set out in the next section of this form, depending on which condition for registration you meet.

If you are not sure which condition for registration applies to the society please see chapters 4 and 5 of our guidance [here](#).

7.1 Condition for Registration

- ☐ Co-operative society
- ☒ Community Benefits society

Community benefit societies must answer the following questions in relation to the financial year covered by this return.

7B.1 What is the business of the society?

For example, did you provide social housing, run an amateur sports club etc.

Barony provides social housing, as well as care and support services.

7B.2 Please describe the benefits to the community the society delivered?

Here we are looking to see what the benefits to the community were. Community can be said to be the community at large. For example, did you relieve poverty or homelessness through the provision of social housing.

Barony benefits the community by relieving poverty and homelessness through the provision of social housing. The care services and support provided by Barony enables people to live independently in their own homes, as well as allowing active community involvement.

7B.3 Please describe how the society's business delivered these benefits?

The business of the society must be conducted for the benefit of the community. Please describe how the society's business (as described in answer to question 7B.1) provided benefit to the community.

Barony delivers these benefits through the provision of social housing, and the provision of care and support services. These services include shared accommodation based services with a permanent on-site staff presence, visiting support to people living in their own homes, and day services to people accessing one of our contact point drop-in centres.

7B.4 Did the society work with a specific community, and if so, please describe it here?

For instance, were the society's activities confined to a specific location; or to a specific group of people? Please note that in serving the needs of any defined community, the society should not inhibit the benefit to the community at large.

Barony provides social housing and care across West Lothian, Edinburgh, Fife, Falkirk, Stirling and Clackmannanshire.

7B.5 What did the society do with any surplus or profit?

For instance, did you pay a dividend to members (and if so, on what basis); did money get reinvested in the business; put into reserves; used for some other purpose?

Barony reinvests any surplus generated into improvements to our properties and services to the benefit of barony tenants and service users.

7B.6 Please state any significant commercial arrangements that the society has, or had, with any other organisation that could create, or be perceived as creating, a conflict of interest.

Please tell us how you ensured that any such conflict of interest did not prevent the society from acting for the benefit of the community.

Barony does not have, or has had, any significant commercial arrangements with any other organisation that could create, or be perceived as creating, a conflict of interest.



ANNUAL REPORT AND FINANCIAL STATEMENTS

For the Year Ended

31 March 2019

Barony Housing Association Limited

(Co-operative and Community Benefit Society No. 1684RS)
(Scottish Housing Regulator Registration No. HEP69)
(Scottish Charity No. SCO16030)

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 March 2019.

Principal Activities

The principal activities of Barony Housing Association Limited ("Barony", or "the Association") are the provision and management of affordable rented accommodation and care services. Barony Housing Association Limited is incorporated under the Co-operative and Community Benefit Societies Act 2014 (formally the Industrial and Provident Societies Acts) and was founded in 1971. Barony is a Scottish Charity and a Registered Social Landlord.

OPERATING REVIEW

There is much to be proud of as we look back over the year and all we have achieved in 2018/19 at Barony.

We continued to invest in our homes, making them modern and energy-efficient with dozens of our tenants benefiting from over £800,000 of improvements.

We renewed our focus on engaging, involving and listening carefully to tenants. We're delighted that more tenants feel better informed and involved in decision-making as a result. In fact, in our annual survey, 99% of tenants said Barony was good at keeping them informed and that they were happy with the opportunities they had to participate in decisions.

Our housing officers began working with new tablet computers, making it easier for them to give personalised help to tenants during home visits and, together with our partners in Wheatley, we launched a new online housing advice and letting service *MyHousing*. The new service makes it easier for people to get help with housing and to apply and note an interest in available homes.

Our customer satisfaction continued its upward trend with 96% of our tenants saying they were happy overall with the services they received from Barony.

In care, our services went from strength to strength as we modernised some of our services, achieved strong results in inspections carried out by the Care Inspectorate and supported the people we work for to achieve positive outcomes in their lives.

Barony's care teams continued to work ever more closely with Loretto Care, our sister organisation, sharing experience, expertise and resources. In 2019, we began exploring how we could work together more formally so that we can continue to be resilient and respond to external challenges.

Barony's highlights for 2018/19 also included:

DIRECTORS' REPORT (continued)

Homes and communities

Barony invested £826,000 improving its homes and communities.

This improvement work included:

- modern, new kitchens for 59 tenants
- highly energy-efficient gas boilers for 17 tenants in Castle Place, Bathgate and Chestnut Grove, Bo'Ness
- new double glazed windows for 24 homes in Belvedere Place, Bathgate.

We delivered common area improvements at Mill Court and Castle Place, Bathgate, including new external entrance screens and door entry systems.

Improving our neighbourhoods

Creating clean, green and safe neighbourhoods where people are proud to live remained one of our priorities.

Through our pioneering partnership with Keep Scotland Beautiful, we developed, with our partners in Wheatley, a way of assessing our environments which involves both staff and customers. We were delighted that Barony's neighbourhoods achieved a 5-star award.

Wheatley's Community Improvement Partnership ("CIP") – made up of seconded police and fire officers and our own staff – continued to work with Barony's communities to tackle anti-social behaviour, crime and fire safety.

Our Stay Safe campaign encourages our tenants to get a home safety visit. The visits are carried out by an officer from the Scottish Fire and Rescue Service and are key to helping prevent fires in our homes. Across Wheatley there was an 81% increase in the uptake of home safety visits – up from 1550 in 2017-18 to 2812 in 2018/19 – with the total number of fires in our homes falling by 11%. A total of 17 Barony customers benefited from home fire safety visits in 2018/19.

For the second year in a row we resolved 100% of all anti-social cases reported to us within the timescales agreed locally.

Overall tenants were happier with the management of their neighbourhood with satisfaction rising from 92% to 97%.

Our repairs service

We continued our mission to improve our repairs and maintenance service because customers have told us that this is a priority for them. We were pleased that tenant satisfaction with the service remained high at 92%.

The average time taken from emergency repairs remained at 2.3 working days for the second year in a row and up from an average of just over three working days in 2014/15.

We cut the time taken for non-emergency repairs slightly to an average of 5.4 working days, down from six days in the previous year.

We kept 100% of repairs appointments and 95% of repairs were completed right first time.

OPERATING REVIEW (continued)

Our repairs and maintenance service is delivered by the Property Team at Dunedin Canmore, our sister organisation in the Wheatley Group. We continue to work with them on introducing further improvements to the service to make the overall customer experience even better in the next year.

Our care services

In 2018/19 Barony's care services supported 869 people. Seven Barony Care Inspectorate reports were finalised in 2018/19 with all the services inspected graded as good, very good or excellent.

We continued to work closely with a number of local authorities over the past year to improve and modernise services for the people we work for. In recognising people's changing needs, we re-provisioned three of our Shared Living resources in Edinburgh and Falkirk. People we work for were able to benefit from new homes through our Wheatley Group housing partners and moved into energy efficient one and two bedroom flats with full care and support packages.

This included:

- 10 people successfully moving to Dunedin Canmore's new development in Craigmillar, Edinburgh, with continued on-site Barony staff support; and
- Three people successfully moving into Loretto Housing homes in Falkirk and Grangemouth while continuing to receive individualised support packages.

In addition, Barony continued to develop more individualised, person-centred support services. Through 2018/19 we:

- introduced a new Community Engagement and Activities Coordinator role in Falkirk;
- improved the overall quality of life for people by shifting services to an outcome-based approach, using a tool called Outcome Star;
- put the focus on what people 'can do' rather than what they can't; and
- continues to play a key role in a number of partnership arrangements across Scotland including Housing First and PSP (Public Social Partnerships).

Only five internal complaints were received in 2018/19, a very low number given the number of people supported. No complaints were made directly to the Care Inspectorate.

Rents and value for money

In 2018/19 the percentage of tenants who felt the rent for their home represented good value for money was 84%, down slightly on 85% the previous year but significantly improved from 2013/14 when only 73% thought their rent was good value. We will continue to work with customers over the next year to ensure they get as much value from their home and our services as they can.

Moving on to Universal Credit caused unprecedented challenges for many of our customers and we worked hard to help them access support available and to pay their rent and other household bills. Despite this, our gross rent arrears fell to 2.4% from 3% in the previous year while rent collection – at better than 100% due to rent collection exceeding the rent charge in the year - remained steady despite the economic difficulties facing our communities.

Supporting tenants through the difficulties of welfare reform will remain our focus in the year ahead.

Engaging with customers

Engaging more effectively with our communities was high on our agenda as Wheatley commissioned international research into how organisations can best involve their customers and communities.

DIRECTORS' REPORT (continued)

The study – carried out by The Democratic Society and published in January 2019 – drew on best practice from around the world – from Antwerp to Oldham; Oslo to Estonia; and Rio de Janeiro to Vienna.

The resulting report outlined fresh approaches, tools and techniques for how organisations across the UK, particularly the housing sector, can better engage with people in the communities they serve.

We now have a renewed focus on engaging with our communities in new and innovative ways following the research.

Housing Officers met customers in their streets at our 'Bite & Blether' events during the summer months. These events gave customers the opportunity to come and have a chat and let us know what they think of our services. We also helped customers get registered with *MyBarony* self-service accounts.

Our customer forums, including the scrutiny panel, Africa Forum, Polish Forum and our new Welfare Reform Forum continue to meet and shape what we do.

In April 2018 our housing officers began working with new tablet computers which gives them much more scope to be out and about in their communities, engaging directly with customers in their homes, helping them access services and supporting them to get online.

We also reached out to more tenants through online channels, with nearly 140 followers on Twitter and our website audience growing steadily with around 1200 visitors a month. We added new sections to our website, including *Stay Safe* with home safety advice, and expert help and support for people affected by Universal Credit. Nearly 130 tenants were registered for online self-service at the end of the financial year, paying over £39,600 through their *MyBarony* online account.

The percentage of tenants who felt Barony was good at keeping them informed about their services and decisions increased from 93% to 99%, while the percentages of tenants satisfied with opportunities to participate in decision-making rose from 90% to 99%.

Supporting our customers

As Universal Credit was rolled out in our communities, affecting thousands of households, it became more important than ever to support tenants and their families.

We brought the delivery of all our support and wraparound services together in a new division – *Wheatley 360*. This makes it easier for people to access the right package of services for them at any time, including benefits, money and fuel advice, help with furniture or support to put food on the table.

In November we launched *MyHousing*, our new online advice, information and letting service, which gives people tailored help with their housing and an improved website for people to apply for housing, view available homes and note interest.

Through our *Wheatley Works* service, run by our charitable trust the Wheatley Foundation, we supported some of our customers into work and training.

Working with Wheatley Foundation and *Wheatley 360*, we:

- helped two people from our homes get into work or training
- supported 10 new tenants with household budgeting, running a home and settling into their community through My Great Start
- gave seven tenants up-cycled furniture through our Home Comforts service
- awarded one young person a bursary to go to university or college

DIRECTORS' REPORT (continued)

- provided free books every month for five children under five in our homes through Dolly Parton Imagination Library

Promoting healthier lifestyles

Barony's shared living service in Kirkcaldy held a health promotion event in August which was a huge success. The *Passport to Health* day, jointly organised by Barony staff and colleagues from NHS Fife, was set up to highlight health inequalities frequently experienced by people with poor mental health.

The day was supported by a number of local organisations to help promote smoking cessation, keeping active and improving diet. Scottish Premiership footballer Blair Alston popped along to participate in a healthy living workshop.

The service continues to maintain its focus on promoting healthy lifestyles. This includes:

- *Health Passport* training for the staff team
- one staff member undertaking 'walk leader' training
- promoting gentle exercise and walking via the use of pedometers
- fun and interactive events including 'Hula-Hula' day and virtual Lands' End to John o'Groats cycle journey.

Improving lives

Our Contact Point services – drop-in centres in Edinburgh and Fife which support people with their mental health – have benefited from new computers for the people we work with. A total of 12 computers have enabled people to access the internet and learn new skills.

Contact Point staff continue to explore innovative ways of promoting and encouraging their use and have set up joint working partnerships focusing on:

- education and learning
- structured 1-1 sessions with specialist support
- online safety and internet security
- welfare benefit advice
- social media
- local community resources.

DIRECTORS' REPORT (continued)

Income

The Association's turnover for the year ended 31 March 2019 totalled £6.9m (2018: £6.9m). The main source of income for the Association includes the provision of care services of £4.5m (2018: £4.5m). The remainder of the Association's income is primarily derived from the social rental of housing property, with net rental income of £2.4m (2018: £2.5m).

Expenditure

Operating costs of the Association in the year totalled £6.9m (2018: £7.1m), largely comprising of the following:

- Care activity costs of £5.2m (2018: £4.9m), which are primarily employee costs.
- Management and maintenance administration costs associated with affordable letting activities totalling £0.5m (2018: £0.9m).
- Service costs of £0.2m (2018: £0.3m).
- £0.3m of reactive maintenance costs to our social letting properties (2018: £0.3m).
- £0.1m of planned and cyclical maintenance costs including major repair costs to improve our social housing properties (2018: £0.2m).
- Depreciation expenditure for social and non-social housing assets of £0.5m (2018: £0.5m).

At 31 March 2019, the Association reported a break even position at an operating level (2018: deficit £0.1m).

Other expenditure in the year includes £0.2m of interest due on loan funding (2018: £0.2m).

Total comprehensive income for the year of £2.1m (2018: expenditure of £1.1m) includes an increase in valuation of social housing properties of £1.8m (2018: increase of £0.4m) and a gain of £0.5m (2018: loss of £1.3m) in respect of the Lothian Pension Fund.

Cash flows

The cash flow statement of the Association is shown on page 17. Barony generated £1.1m from operating activities (2018: £0.5m). Savings realised through integration with Wheatley Housing Group systems continue to enable Barony to award a pay increase to the lowest paid Care staff, meeting Real Living Wage rates from October 2016 onwards. Cash and cash equivalents in the year decreased by £0.2m (2018: decreased by £0.5m).

Rental debtors

At the statement of financial position date, the Association has rent arrears of £0.1m offset by bad debt provisions of £32k (2018: £0.1m and £28k respectively).

Liquidity

The Association's net current liabilities at 31 March 2019 totalled £0.7m, an increase of £0.6m in the year. This is due to an increase in amounts due to group companies. The Association has access to funding through a Group facility which ensures the Group does not default on liabilities as they fall due.

Capital structure and treasury

The Group's activities are funded on the basis of a Business Plan which is updated annually. Barony Housing Association's long-term funding is provided through the Group financing subsidiary Wheatley Funding No. 1 Limited (WFL1), as detailed in note 17. The Association has access to an intra-group facility of £2.3m. Interest rate risk is managed at a group level by WFL1.

DIRECTORS' REPORT (continued)

Investment in tenants' homes

During the year we invested £0.8m in improving tenant's homes. At the year-end our housing stock was valued at £16.1m (2018: £14.0m)

Reserves Policy

Under the Statement of Recommended (Accounting) Practice ("SORP") 2014 and Financial Reporting Standard ("FRS") 102, the Association may operate with up to three principal reserves; a revenue reserve, a revaluation reserve and a pension reserve.

Revenue reserve

Revenue reserves include any historic grant received in respect of the following:

- new build housing properties
- specific projects for which subsidy has been received, such as investment in the energy efficiency of our homes

These grants have been invested for the specific purposes prescribed in the related grant conditions, with this activity typically resulting in an increase in the value of housing properties in the Association's Statement of Financial Position. The Association has no ability to realise new cash from this element of reserves, since selling the related assets which were constructed or improved with the grant funds would trigger claw back conditions and require repayment of grant to the Scottish Government or other grant providers. Furthermore, it is not the Association's policy to sell social housing assets; on the contrary, continuing to own and support these while providing excellent services to customers is core to the Association's charitable purpose.

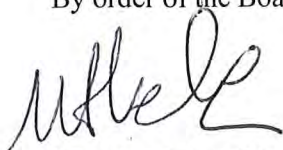
The revenue reserve may include revaluation gains on investment properties, such as any mid-market rent homes which are owned by the Association. Under FRS 102, gains or losses on investment properties must be taken to profit and loss, and therefore form part of the general revenue reserve. These gains are not available to be realised in cash, since selling the Association's interest in any mid-market rent properties would trigger grant claw back and would run counter to the Association's core charitable objective of supporting the provision of a range of affordable housing solutions to be provided for its customers.

The residual amount of revenue reserves, not represented by grant or gains on investment properties, may be invested by the Association in line with its 30-year business plan financial projections. Such investment is subject to the Association maintaining a viable financial profile over the life of its business plan, as well as approval by the Wheatley Group Board. In approving the Association's business plan annually, the Wheatley Group Board will take into account projected compliance with the loan covenants which apply to the Wheatley RSL Borrower Group, as well as the impact of sensitivity analysis and other risk factors which may apply.

Principal risks facing the Association

The Board is responsible for assessing the risks facing The Barony Housing Association. As a subsidiary of Wheatley Housing Group, the principal risks are broadly similar to those facing the Group and can be seen in the consolidated financial statements of the Group.

By order of the Board



Martin Kelso, Chair
8 August 2019

8 New Mart Road
Edinburgh
EH14 1RL

DIRECTORS' REPORT (continued)

Because of the complexity and range of its business activities in providing both housing and community care services Barony, at all times, seeks to recruit and retain Board of Management membership drawn from the various areas of expertise in care, housing, finance, legal administration and from a tenant perspective necessary for the responsible oversight of its activities.

Board of Management members are elected for a three year period with one third of the membership standing down annually. Recruitment is by public advertisement with selection made with a view to maintaining the knowledge level available to the association in its Board of Management.

Each member of the Board of Management holds one fully paid share of £1 in the Association. The Executive Officers of the Association 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 Board of Management meets at least six times a year to receive reports on all of the Association's activities. At 31 March 2019 there were 8 members (2018: 7 members) of the Barony Housing Association Board:

The members of the Board during the year and up to the date of signing the financial statements are listed below:

Name	First Joined Board	Re-elected/ re-appointed	Left Board	Group Directorships
Martin Kelso (Chair)	27 September 2012	20 September 2018	-	Wheatley Housing Group Limited Wheatley Solutions
Lindsey McNeill	27 September 2012	20 September 2018	-	-
George Hotchkiss	27 September 2012	20 September 2018	-	-
Helen Howden	24 September 2015	20 September 2018	-	-
Ruth Kynoch	27 October 2016	-	20 September 2018	Dunedin Canmore
Alastair Murray	14 September 2017	-	-	-
Lesley Watt	14 September 2017	-	-	-
Simon Higgins	12 April 2018	-	20 September 2018	-
Jennifer Wallace	31 May 2018	-	-	-
Jess Wade	7 February 2019	-	-	-

Creditor payment policy

Barony agrees payment terms with its suppliers when it enters into contracts. The average creditor payment period for the year was within 30 days.

Disclosure of information to auditor

The Board members who held office at the date of approval of these statements confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditor is unaware; and each Board member has taken all the steps that he/she ought to have taken as a Board member to make himself/herself aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

DIRECTORS' REPORT (continued)

DIRECTORS' STATEMENT ON INTERNAL FINANCIAL CONTROL

The Directors acknowledge their responsibility for ensuring that the company has in place systems of control that are appropriate to its business environment. These controls are designed to give reasonable assurance with respect to:

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

The systems of internal financial control, which are under regular review, are designed to manage rather than to eliminate risk. They can only provide reasonable and not absolute assurance against material misstatement or loss.

The key procedures which have been established are as follows:

- Detailed standing orders covering Board structure, election, membership and meetings;
- Financial regulations and procedures with clear authorisation limits;
- Regular Board meetings, focusing on areas of concern, reviewing management reports;
- Audit and Compliance reporting focussing on areas of concern and reviewing management reports;
- Regular review of cash flow and loan portfolio performance;
- Regular review of tendering process, rent accounting, arrears control and treasury management;
- Segregation of duties of those involved in finance;
- Identification and monitoring of key risks by the management committee; and
- Monitoring the operation of the internal financial control system by considering regular reports from management, internal and external auditors and ensuring appropriate corrective action is taken to address any weaknesses.

The Directors confirm that they have reviewed the effectiveness of the systems of internal control. No weaknesses have been found which would have resulted in material losses, contingencies or uncertainties which require to be disclosed in the financial statements.

DIRECTORS' REPORT (continued)

STATEMENT OF BOARD'S RESPONSIBILITIES FOR A REGISTERED SOCIAL LANDLORD THAT IS A CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETY

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standard FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the association and of its income and expenditure for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

By order of the Board



Martin Kelso, Chair
8 August 2019

8 New Mart Road
Edinburgh
EH14 1RL

INDEPENDENT AUDITORS' REPORT TO BARONY HOUSING ASSOCIATION LIMITED

Opinion

We have audited the financial statements of Barony Housing Association Limited ("the association") for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position, Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the association as at 31 March 2019 and of its income and expenditure for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The association's Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the association or to cease its operations, and as they have concluded that the association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board's conclusions, we considered the inherent risks to the association's business model, including the impact of Brexit, and analysed how those risks might affect the association's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the association will continue in operation.

Other information

The association's Board is responsible for the other information, which comprises the Directors' Report and the Directors' Statement on Internal Financial Control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

We are required to report to you if:

- based solely on that work, we have identified material misstatements in the other information; or
- in our opinion, the Directors' Statement on Internal Financial Control on page 10 does not provide 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; or

INDEPENDENT AUDITOR'S REPORT TO BARONY HOUSING ASSOCIATION LIMITED (continued)

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the association has not kept proper books of account; or
- the association has not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with the association's books of account; or
- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

Board's responsibilities

As more fully explained in their statement set out on page 11, the association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 69 of the Housing (Scotland) Act 2010. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it 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 as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Shaw

for and on behalf of KPMG LLP, Statutory Auditor

KPMG LLP is eligible to act as auditor in terms of section 1212 of the Companies Act 2006.

Chartered Accountants

319 St Vincent Street

Glasgow, G2 5AS

17 September 2019

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED
31 MARCH 2019**

	<i>Notes</i>	2019 £'000	2018 £'000
Turnover	3	6,906	6,931
Operating expenditure	3	(6,918)	(7,052)
Operating deficit		(12)	(121)
Finance income	9	21	61
Finance charges	10	(162)	(152)
Reversal of previous decrease in valuation of housing properties		1,810	406
Surplus for the financial year		1,657	194
Actuarial gain/(loss) in respect of pension schemes		492	(1,286)
Total comprehensive income/(expenditure) for the year		2,149	(1,092)

All amounts relate to continuing operations.

The notes on pages 19 to 35 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2019

	Revenue Reserve £'000
Balance at 1 April 2017	13,970
Surplus for the year	194
Actuarial loss in respect of pension schemes	(1,286)
Balance at 31 March 2018	<u>12,878</u>
Surplus for the year	1,657
Actuarial gain in respect of pension schemes	<u>492</u>
Balance at 31 March 2019	<u>15,027</u>

All amounts relate to continuing operations.

The notes on pages 19 to 35 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	<i>Notes</i>	2019 £'000	2018 £'000
Fixed assets			
Social housing properties	13	16,080	13,970
Other tangible fixed assets	13	481	531
		<u>16,561</u>	<u>14,501</u>
 Pension asset	 19	 1,063	 865
Current assets			
Trade and other debtors	14	466	489
Cash and cash equivalents		546	779
		<u>1,012</u>	<u>1,268</u>
 Creditors: amounts falling due within one year	 16	 (1,719)	 (1,360)
 Net current liabilities		 <u>(707)</u>	 <u>(92)</u>
 Total assets less current liabilities		 16,917	 15,274
 Creditors: amounts falling due after more than one year	 17	 (1,890)	 (2,396)
 Total net assets		 <u><u>15,027</u></u>	 <u><u>12,878</u></u>
 Reserves			
Share capital	18	-	-
Revenue reserve		15,027	12,878
Total reserves		<u><u>15,027</u></u>	<u><u>12,878</u></u>

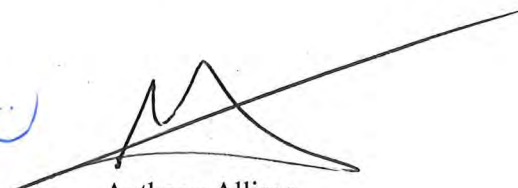
These financial statements were approved by the Board on 8 August 2019 and were signed on its behalf on 8 August 2019 by:



Martin Kelso
Chair



Helen Howden
Board Member



Anthony Allison
Secretary

The notes on pages 19 to 35 form part of these financial statements.

Charity registration number SC016030.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	<i>Notes</i>	2019 £'000	2018 £'000
Net cash generated from operating activities	21	<u>1,125</u>	<u>529</u>
Cash flow from investing activities			
Improvement of properties – housing stock		(699)	(482)
Purchase of other fixed assets		(4)	(3)
Receipts from sale of fixed assets		11	-
Finance income	9	<u>2</u>	<u>1</u>
		(690)	(484)
Cash flow from financing activities			
Finance charges	10	(162)	(152)
Repayments of borrowings		<u>(506)</u>	<u>(387)</u>
		(668)	(539)
Net change in cash and cash equivalents		<u>(233)</u>	<u>(494)</u>
Cash and cash equivalents at beginning of the year		779	1,273
Cash and cash equivalents at end of the year		546	779
Cash and cash equivalents at 31 March			
Cash		<u>546</u>	<u>779</u>
		<u>546</u>	<u>779</u>

The notes on pages 19 to 35 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1. Legal status

Barony Housing Association ("Barony" or "the Association") is a wholly owned subsidiary of The Wheatley Housing Group ("WHG"). The Association is registered under the Co-operative and Community Benefit Societies Act 2014 No.1684RS and is a registered Scottish charity No. SC016030. Barony is registered as a housing association with the Scottish Housing Regulator under the Housing (Scotland) Act 2014. The principle activities of the Association are the provision of social housing with the associated services for general needs and supported accommodation, and community care services.

The registered office is Wheatley House, 25 Cochrane Street, Glasgow G1 1HL.

Barony Housing Association Limited is a public benefit entity.

2. 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 within the Determination of Accounting Requirements 2014, and under the historic cost accounting rules, modified to include the revaluation of properties held for letting. The financial statements have also been prepared in accordance with the Statement of Recommended Practice for registered social housing providers 2014 ("SORP 2014"), issued by the National Housing Federation and under FRS 102 (FRS 102). The presentational currency of these financial statements is Sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The financial statements have been prepared on a going concern basis after consideration of the future prospects for the Association and the preparation of long term financial forecasts and plans which include an assessment of the availability of funding, the certainty of cash flow from the rental of social housing stock and provision of care services. Whilst the Statement of Financial Position shows net current liabilities, a loan facility is in place which allows the Association to borrow sufficient funds to meet its current liabilities as they fall due.

Discount rates have been used in the valuation of housing properties and in the assessment of the fair value of financial instruments. The rates used are subject to change and are influenced by wider economic factors over time.

Accounting judgements and estimations

Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts where required or appropriate and other factors.

Judgements have been made in:

- Determining the appropriate discount rates used in the valuation of housing and investment properties;
- Component accounting and the assessment of useful lives;
- Determining the value of the Association's share of defined benefit pension scheme assets and obligations, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds;

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

2. Accounting policies (continued)

- Allocation of share of assets and liabilities for multi-employer pension schemes. Judgments in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi-employer pension schemes and estimations performed by the Group's actuarial advisers.

Related party disclosures

The Association is a wholly-owned subsidiary of Wheatley Housing Group Limited and is included within the consolidated financial statements of Wheatley Housing Group Limited which are publicly available. Consequently, the Association has taken advantage of the exemption, under the terms of FRS 102, from disclosing related-party transactions with wholly owned entities that are part of the Wheatley Housing Group.

Turnover

Turnover, which is stated net of value added tax, represents income receivable from lettings and service charges, contractual income receivable from Local Authorities and Health Boards, fees receivable, revenue grants and other income.

Grant income

Where a grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where grant is received from government and other bodies as a contribution towards the capital cost of housing schemes, it is recognised as income using the performance model in accordance with the Statement of Recommended Practice for social housing providers 2014 ("SORP 2014"). Prior to satisfying the performance conditions, capital grant is held as deferred income on the statement of financial position.

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.

Supported housing

Expenditure on housing accommodation and supported housing is allocated on the basis of the number of units for each type of accommodation.

Financial instruments

Loans provided by Wheatley Funding Number 1 Limited ("WFL1") are classed as basic financial instruments under the requirements of FRS 102, and are measured at amortised cost. In the case of payment arrangements that exist with customers, these are deemed to constitute financing transactions and are measured at the present value of the future payments discounted at a market rate of interest applicable to similar debt instruments.

Deposits and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts 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 values.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

2. Accounting policies (continued)

Pensions

The Association participates in both a defined benefit pension scheme arrangement with the Lothian Pension Fund ("LPF"), and a Social Housing Pension Scheme ("SHPS") defined contribution scheme administered by the Pensions Trust.

The LPF is administered in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998 as amended. The LPF provides benefits based on final pensionable pay. Assets and liabilities of LPF are held separately from those of the Association.

The Association accounts for its participation in LPF in accordance with FRS 102 which requires disclosures presented for both the current and comparative period. FRS 102 also requires that quoted securities are valued at their current bid-price rather than their mid-market value.

The LPF liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The Association's share of the LPF surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the Fund surplus / deficit is split between operating charges, finance items and, in the statement of comprehensive income under actuarial gain or loss on pension schemes.

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 Social Housing Stock**

Housing properties are valued annually on an Existing Use Value for Social Housing ("EUVS-SH") basis by an independent professional adviser qualified by the Royal Institution of Chartered Surveyors to undertake valuation.

The cost of properties is their purchase price together with the cost of capitalised improvement works and repairs that result in an enhancement of the economic benefits of the asset. Included in the cost of capitalised improvement works are the direct costs of staff engaged in the investment programme.

- **Depreciation and Impairment**

Housing properties are split between land, structure and major components which require periodic replacement. Replacement or refurbishment of such major components is capitalised and depreciated over the estimated useful life which has been set taking into account professional advice, the Group's asset management strategy and the requirement of the Scottish Housing Quality Standard. In determining the remaining useful lives for the housing stock, the Association has taken account of views provided by both internal and external professional sources. Freehold land is not subject to depreciation.

Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the structure to which they relate, if shorter, at the following annual rates:

	Economic Life
Bathrooms	25 yrs
External environment	20 yrs
External wall finishes	35 yrs
Heating system boiler	12 yrs

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

2. Accounting policies (continued)

	Economic Life
Internal works & common areas	20 yrs
Kitchens	20 yrs
Mechanical, Electrical & Plumbing	25 yrs
Structure & roofs	50 yrs
Windows and doors	30 yrs

Housing assets are depreciated in the month of acquisition, or in the case of a larger project, from the month of completion.

Where there is evidence of impairment, the fixed assets are written down to the recoverable amount and any write down would be charged to 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 ready for letting or sale.

The Association's policy is to capitalise the following:

- Cost of acquiring land and buildings;
- Interest costs directly attributable;
- Development expenditure including staff costs attributable to the delivery of the capital investment programme;
- The cost of packages of work completed on void properties; and
- Other directly attributable internal and external costs.

Expenditure on schemes which are subsequently aborted will be written off in the year in which it is recognised that the schemes will not be developed to completion.

Housing Association Grant and other capital grants

Housing Association Grant ("HAG") is received from central government agencies and local authorities and is utilised to reduce the capital costs of housing properties.

HAG is recognised as income in the statement of comprehensive income when new build properties are completed or the capital work carried out under the performance model. HAG due or received is held as deferred income until the performance conditions are satisfied, at which point it is recognised as income in the statement of comprehensive income within turnover. Grant received in respect of revenue expenditure is recognised as income in the same period to which it relates.

Properties are disposed of under the appropriate legislation and guidance. Any grant that is repayable is accounted for as a liability on disposal of the property. Grant which is repayable but cannot be repaid from the proceeds of sale is abated and the grant removed from the financial statements. Where a disposal is deemed to have taken place for accounting purposes, but the repayment conditions have not been met in relation to the grant funding, the potential future obligation to repay disclosed as a contingent liability.

Other tangible fixed assets

For other tangible fixed assets with the exception of office premises, depreciation is charged on a straight-line basis over the expected useful economic lives of fixed assets to write off the cost, less estimated residual values over the following expected lives. Assets are depreciated in the month of acquisition, or in the case of a larger project, from the month of completion, at the following rates:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

2. Accounting policies (continued)

	Economic Life
Office equipment (cost)	5 yrs
Computer equipment (cost)	3 – 7 yrs
Office Improvements (cost)	10 yrs

Office premises are held at valuation, and are depreciated, on a straight line basis, over a useful life of 40 years. Valuations are made on a regular basis to ensure the carrying amount does not differ materially from the fair value at the end of the reporting period. Valuations are carried out at each reporting date.

Leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Provisions

The Association only provides for liabilities at the date of the Statement of Financial Position where there is a legal or constructive obligation incurred which will probably result in an outflow of resources.

Taxation

The Association is considered to pass the tests as set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly the Association is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part II Corporation Tax Act 1992 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Value Added Tax

The Association is registered for VAT. A large portion of its income, including rental receipts, is exempt for VAT purposes, giving rise to a partial exemption calculation. Expenditure with recoverable VAT is shown net of VAT and expenditure with irrecoverable VAT is shown inclusive of VAT.

3. Particulars of turnover, operating costs and operating surplus/(deficit)

			2019	2018
	Turnover	Operating costs	Operating surplus/ (deficit)	Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000
Affordable letting activities (note 4)	2,418	(1,686)	732	292
Other activities (note 5)	4,488	(5,232)	(744)	(413)
Total	6,906	(6,918)	(12)	(121)
Total for previous reporting period	6,931	(7,052)	(121)	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

4. Particulars of turnover, operating costs and operating surplus from social letting activities

	General Needs £'000	Supported Housing £'000	Other – Registered Care Homes £'000	2019 Total £'000	2018 Total £'000
Rent receivable net of service charges	1,241	581	53	1,875	1,886
Service charges	7	566	20	593	590
Gross income from rents and service charges	1,248	1,147	73	2,468	2,476
Less rent loss from voids	(2)	(45)	(14)	(61)	(15)
Net income from rents and service charges	1,246	1,102	59	2,407	2,461
Other revenue grants	11	-	-	11	13
Total turnover from affordable letting activities	1,257	1,102	59	2,418	2,474
Management and maintenance administration costs	376	139	12	527	908
Service costs	151	72	1	224	306
Planned and cyclical maintenance including major repairs costs	69	43	-	112	159
Reactive maintenance costs	172	121	12	305	303
Bad debts – rents and service charges	19	-	-	19	19
Depreciation of affordable let properties	364	125	10	499	487
Operating costs for affordable letting activities	1,151	500	35	1,686	2,182
Operating surplus for affordable letting activities	106	602	24	732	292
Operating activities for affordable letting activities for the previous reporting period	(87)	354	25	292	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

5. Particulars of turnover, operating costs and operating surplus from other activities

	Other Revenue Grants £'000	Other Income £'000	Total Turnover £'000	Operating Costs £'000	2019 Operating Surplus / (Deficit) £'000	2018 Operating Surplus / (Deficit) £'000
Registered Care	-	224	224	(270)	(46)	(27)
Housing Support	2,244	1,578	3,822	(4,466)	(644)	(7)
Day Care	428	14	442	(411)	31	(1)
Organisation Restructuring	-	-	-	(42)	(42)	(333)
Depreciation – non social housing	-	-	-	(43)	(43)	(45)
Total from other activities	2,672	1,816	4,488	(5,232)	(744)	(413)
Total from other activities for the previous reporting year	2,740	237	4,457	(4,870)	(413)	

6. Board members' emoluments

Board members received £nil (2018: £nil) by way of reimbursement of expenses. No remuneration is paid to board members in respect of their duties in the Association.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

7. Key management emoluments

	2019 £'000	2018 £'000
Aggregate emoluments payable to key management (including employers pension contributions and benefits in kind)	-	106
Emoluments payable to highest paid key management	-	49
Employer pension contributions	-	2
Total emoluments payable to the highest paid key management	-	51

The senior officers are defined for this purpose as the Chief Executive and any person reporting directly to the Chief Executive earning at the rate of over £60,000 per annum. Emoluments include relocation expenses where appropriate.

There were no senior officers in post in the year earning at the rate of over £60,000 per annum. Barony's key management are employed by another Group subsidiary and the Company is recharged an appropriate share of salary costs. Under this arrangement no emoluments recharged for any individual were greater than £60,000.

8. Employees

	2019 No.	2018 No.
The average monthly number of full time equivalent persons employed during the year was	162	155
The average total number of employees employed during the year was	216	221
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	3,813	3,631
Social security costs	284	292
Employer's pension costs	288	296
FRS102 pension adjustment	313	136
	<u>4,698</u>	<u>4,355</u>

In addition to the above staff costs the Association incurred agency staff costs of £143k during the year (2018: £245k).

The FRS 102 pension adjustment includes an estimate by the pension scheme actuary of the potential impact of the McCloud ruling and GBP equalisation (note 19).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

9. Finance income

	2019 £'000	2018 £'000
Bank interest receivable on deposits in the year	2	1
Interest on pension scheme asset (note 19)	19	60
	<u>21</u>	<u>61</u>

10. Finance charges

	2019 £'000	2018 £'000
Interest on intra group loans	162	152
	<u>162</u>	<u>152</u>

11. Auditor's remuneration

	2019 £'000	2018 £'000
The remuneration of the auditor is as follows:		
External audit services	8	8

12. Financial commitments

All capital commitments of the Association were as follows:

	2019 £'000	2018 £'000
Expenditure authorised by the Board, but not contracted	653	1,149
	<u>653</u>	<u>1,149</u>

Operating leases

At 31 March 2019 the Association had annual commitments under non-cancellable operating leases as follows:

	2019 Land and Buildings £'000	2019 Other £'000	2018 Land and Buildings £'000	2018 Other £'000
Operating leases that expire:				
Within one year	153	7	155	7
In the second to fifth years inclusive	76	6	194	14
Over five years	-	-	-	-
	<u>229</u>	<u>13</u>	<u>349</u>	<u>21</u>

Lease commitments under FRS 102 include the timing of the full payment due under contract.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

13. Tangible fixed assets

Social housing properties

	2019 Social Housing Properties £'000
Valuation	
At 1 April 2018	13,970
Additions	826
Disposals	(127)
Revaluation	1,411
At 31 March 2019	<u>16,080</u>
Accumulated Depreciation	
At 1 April 2018	-
Charge for year	(499)
Disposals	100
Revaluation	399
At 31 March 2019	<u>-</u>
Net Book Value – Valuation	
At 31 March 2019	<u>16,080</u>
At 31 March 2018	<u>13,970</u>
Net Book Value – Cost	
At 31 March 2019	<u>19,364</u>
At 31 March 2018	<u>19,064</u>

Total expenditure on repairs and capital improvements in the year on existing properties was £1,229k (2018: £894k). Of this, repair costs of £403k (2018: £412k) were charged to the Statement of Comprehensive Income (note 4) with capital improvements of £826k (2018: £482k) shown as additions to core stock on the Statement of Financial Position. Additions to core stock in the year include:

- £129k for the improvement of components including:
 - £4k in relation to medical adaptations;
 - £125k for strategic projects.
- £697k on the replacement of components including capitalised void costs; and

Social housing properties have been valued by Jones Lang LaSalle Limited, an independent professional adviser qualified by the royal Institution of Chartered Surveyors (“RICS”) to undertake valuations. This valuation was prepared in accordance with the appraisal and valuation manual of the RICS at 31 March 2018 on an Existing Use Valuation for Social Housing (“EUV-SH”). Discount rates between 5.75-7.50% have been used depending on the property archetype (2018: 5.75-6.50%). The valuation assumes a rental income increase of inflation + 0.5% for the next 3 years, in line with the Association’s 30 year Business Plan (2018/19). The capital investment made in housing properties each year may not translate directly into an increase in the value of the assets by virtue of the nature of the EUV-SH valuation methodology.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

13. Tangible fixed assets (continued)

The number of units of accommodation (excluding unlettable voids) held by the Association at 31 March is shown below:

	2019	2018
Social Housing		
General needs	258	258
Supported housing	95	95
Registered	8	8
Leased	17	17
Total Units	378	378

Leased units above are properties owned by Barony Housing Association which are leased to and managed by third parties. 17 non-Barony owned properties are included within Supported Housing (2018: 17).

The housing valuation has been based on the number of houses held for social letting.

Other tangible fixed assets

	Leasehold Improvements £'000	Land & Buildings £'000	Office Equipment £'000	Total £'000
Cost				
At 1 April 2018	178	637	319	1,134
Additions	-	-	4	4
Disposals	(55)	-	-	(55)
At 31 March 2019	123	637	323	1,083
Accumulated Depreciation				
At 1 April 2018	121	188	294	603
Charge for year	9	12	22	43
Disposals	(44)	-	-	(44)
At 31 March 2019	86	200	316	602
Net Book Value				
At 31 March 2019	37	437	7	481
At 31 March 2018	57	449	25	531

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

14. Debtors

	2019 £'000	2018 £'000
Arrears of rent & service charges	104	112
Less: Provision for bad and doubtful debts	(32)	(28)
	<u>72</u>	<u>84</u>
 Prepayments and accrued income	 74	 21
Other debtors	293	371
Due from other group companies	27	13
	<u>466</u>	<u>489</u>

Amounts owed by group undertakings and due within one year are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

15. Funds held as intramitter of funds

During the year, the Association held funds on behalf of a small number of tenants as an intramitter of funds under the Adults with Incapacity (Scotland) Act 2000. At the year end, custodian funds held amounted to £17,053 (2018: £21,505) for 5 tenants (2018: 5). These funds are not included in the financial statements.

16. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	37	4
Accruals	140	111
Deferred income	203	218
Rent and service charges received in advance	85	76
Salaries, wages, other taxation and social security	73	107
Other creditors	520	656
Due to other group companies	661	188
	<u>1,719</u>	<u>1,360</u>

Deferred income relates solely to contract income received in advance from Local Authorities for the provision of care services and is due to be released to the Statement of Comprehensive Income within one year. Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

17. Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Deferred income	83	83
Amount due to other group companies	1,807	2,313
	<u>1,890</u>	<u>2,396</u>

Bank lending facility

Borrowing arrangements are in place via a Group facility consisting of bank and capital markets debt, secured on charged properties belonging to each of the RSLs within the Wheatley Housing Group. This facility is made up of a committed facility of £658.14m from a syndicate of commercial banks, a committed facility of £106.25m from the European Investment Bank, £300m raised through the issue of a public bond, £100m private placement loan notes with Blackrock Real Assets and £100m facility with HSBC. This provides total facilities of £1,264.4m for RSLs within the Wheatley Group to develop new housing. This facility is provided through Wheatley Funding No1 Ltd, a wholly-owned subsidiary of the Wheatley Housing Group Limited, with Barony Housing Association having access to an intra-group facility of £2.3m secured on its housing stock. Interest in the year has been charged at 4.68% (2018: 5.50%).

Barony Housing Association Limited has secured a major portion of its housing stock (£9.95m) against this facility.

Borrowings are repayable as follows

	2019 £'000	2018 £'000
In less than one year	7	4
In more than one year but less than two years	-	3
In more than two years but less than five years	-	5
In more than five years	1,793	2,305
	<u>1,800</u>	<u>2,317</u>

Deferred Income

The Association receives contributions towards future furniture replacements within service charge income. Income is received in advance and is deferred until the goods/services have been provided in accordance with the Statement of Recommended Practice for registered social housing providers 2014.

Due to the nature of the future spend, the timing is unpredictable, and therefore the full deferred amount has been included within long term liabilities without further maturity analysis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

18. Share Capital

	2019	2018
	£	£
Shares of £1 each issued and fully paid		
At 1 April	61	60
Issued during year	3	2
Surrendered during year	(7)	(1)
At 31 March	<u>57</u>	<u>61</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividends or distributions on a winding up. Where 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.

19. Pensions

Lothian Pension Fund

Barony Housing Association participates in the Lothian Pension Fund which is administered by Edinburgh City Council and is a defined benefit scheme. Lothian Pension Fund is part of the wider Local Government Pension Scheme ("LGPS") in Scotland. The assets of the scheme are held separately from those of the Association with investments under the overall supervision of the Fund Trustees. The latest full actuarial valuation was carried out as at 31 March 2017. The next full actuarial valuation is due as at 31 March 2020.

GMP

Guaranteed minimum pension ("GMP") was accrued by members of the LGPS between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However, overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the on-going indexation of GMPs, which could lead to inequalities between men's and women's benefits.

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility leads to increased costs for schemes (including the LGPS) and hence scheme employers.

The Fund's actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the pension fund liabilities. The estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards.

The estimated impact of GMP indexation is to increase the total liabilities by approximately £42,000 for Barony Housing Association.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

19. Pensions (continued)

McCloud/Sargeant Ruling

The benefit structure of the LGPS in Scotland was reformed in 2015 and transitional protections were applied to certain older members close to normal retirement age.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination.

The actuary has assessed the likely impact of the ruling on the liability of the Lothian Pension Fund in conjunction with the principal actuarial assumptions used for the valuation, and has concluded that the ruling has no impact on the scheme.

The liabilities disclosed for Lothian Pension Fund at 31 March 2019 include the estimated impact on liabilities of the GMP indexation.

Pension Trust Social Housing Pension Scheme – Defined Contribution

Barony also operates a defined contribution scheme through the Pensions Trust. This scheme is open to all employees of Barony who are not members of the Lothian Pension Fund.

Defined Benefit assets and obligations

The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increases in salaries and pensions. The principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	31 March 2019	31 March 2018
Discount rate	2.6%	2.7%
Future salary increases	2.0%*	2.0%**
Inflation	2.35%	2.2%

* Salary increases are assumed to be 2.20% p.a. for 2019/20 and 2.0% p.a. thereafter

** Salary increases are assumed to be 2.10% p.a. for 2018/19 and 2.0% p.a. thereafter

In valuing the liabilities of the pension fund at 31 March 2019, mortality assumptions have been made as indicated below. The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 21.7 years (male) (2018 21.4 years), 24.3 years (female) (2018 23.7 years).
- Future retiree upon reaching 65: 24.7 years (male) (2018 23.4 years), 27.5 years (female) (2018 25.8 years).

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

19. Pensions (continued)

The information disclosed below is in respect of the whole of the plans for which Barony has been allocated a share of cost under an agreed policy throughout the periods shown.

Movements in present value of defined benefit obligation

	2019 £'000	2018 £'000
Opening defined benefit obligation	20,351	19,591
Current service cost	525	509
Interest cost	553	551
Loss on curtailment	42	30
Actuarial losses	940	32
Contributions by members	85	88
Estimated benefits paid	(367)	(450)
Closing defined benefit obligation	<u>22,129</u>	<u>20,351</u>

Movements in fair value of plan assets

	2019 £'000	2018 £'000
Opening fair value of plan assets	21,216	21,818
Expected return on plan assets	572	611
Actuarial gains/(losses)	1,432	(1,254)
Contributions by the employer	254	403
Contributions by the members	85	88
Estimated benefits paid	(367)	(450)
Closing fair value of plan assets	<u>23,192</u>	<u>21,216</u>

	2019 £'000	2018 £'000
Present value of funded defined benefit obligations	(22,129)	(20,351)
Fair value of plan assets	23,192	21,216
Net asset	<u>1,063</u>	<u>865</u>

Expense recognised in the statement of comprehensive income

	2019 £'000	2018 £'000
Current service cost	525	509
Losses on settlements or curtailments	42	30
Net interest on net defined benefit obligation	(19)	(60)
	<u>548</u>	<u>479</u>

The total amount recognised in the statement of comprehensive income in respect of actuarial gains and losses is £491k gain (2018: £1,286k loss).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

19. Pensions (continued)

The fair value of the plan assets and the return on those assets were as follows:

	2019 £'000	2018 £'000
Equities	17,163	15,912
Corporate bonds	2,783	2,334
Property	1,623	1,485
Cash	1,623	1,485
	<u>23,192</u>	<u>21,216</u>
Actual return on plan assets	2,004	(643)

20. Related party transactions

There are no related party transactions to be disclosed within the financial statements. There were no tenant Board Members during the year.

21. Cash flow analysis

Cash flow from operating activities

	2019 £'000	2018 £'000
Surplus for the year	1,657	194
<u>Adjustments for non-cash items:</u>		
Depreciation of tangible fixed assets	441	531
Increase in trade and other debtors	26	46
Increase/(decrease) in trade and other creditors	357	(62)
Pension costs less contributions payable	313	136
<u>Adjustments for investing or financing activities:</u>		
Interest payable	162	152
Interest received	(21)	(62)
Reversal of previous decrease in valuation of housing properties	(1,810)	(406)
Net cash inflow from operating activities	<u>1,125</u>	<u>529</u>

22. Ultimate parent organisation

The Association is a wholly owned subsidiary undertaking of Wheatley Housing Group Limited, a company limited by guarantee and registered in Scotland.

The only group into which the results of the association are consolidated is Wheatley Housing Group Limited. The consolidated financial statements of Wheatley Housing Group Limited may be obtained from the registered office at Wheatley House, 25 Cochrane Street, Glasgow, G1 1HL.

SUPPLEMENTARY INFORMATION

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