

## 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?

31/03/2020

### 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
Alistair Murray	Feb	1973
Martin Kelso	Dec	1959
Lindsey McNeill	Oct	1979
Helen Howden	Oct	1968
George Cunningham	Apr	1957
Paul Spicker	Mar	1954

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.

Helen Howden- Byrne Consultancy Limited- Director; The Wheatley Foundation Limited- Director

Jennifer Wallace- Scotland's Towns Partnership- Director; Evaluation Support Scotland- Convenor; Carnegie UK Trust- Head of Policy and member of Senior Management Team

Paul Spicker- St Andrews Music Club- President; Tayside and Fife Jewish Community- Chair

Jess Wade- Home-Start Edinburgh West and South West- Trustee; The Scottish Charity Regulator (OSCR)- Director; Self Directed Support Scotland- Manager

George Cunningham- Dunedin Canmore Housing Limited- Director; YMCA Glenrothes - Director; Age Concern Glenrothes- Director

**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**

Anthony Allison	Oct	1980
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**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**

20

**Turnover**

6,983,000

**Assets**

20,720,000

**Number of Employees**

202

**Share Capital**

20

**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 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.

The society provided of social housing and care.

#### 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.

The society benefitted the community by relieving poverty and homelessness through the provision of social housing and care.

### **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.

The society delivered the benefits to the community through the provision, construction, improvement and management of land and accommodation, and delivery of care related services.

### **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.

The society provided relief to those in need by reason of age, ill-health, disability, financial hardship or other disadvantage.

### **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?

The society re-invested its surplus into developing its core services for the benefit of the community

### **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.

The society has no, or has not 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 2020

**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 2020.

### **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**

The year 2019/20 was a pivotal one for Barony as we prepared to embark on an exciting new future.

Since joining the Wheatley Group ("Wheatley") in 2016, staff in Barony have worked ever more closely with our partner organisations, sharing experience and expertise for the benefit of our customers and the people we work for. This year we began plans to formalise these links to create a stronger and more stable future for our services and our communities.

In autumn 2019, we consulted with our tenants on a proposal to join formally with two of our sister organisations in the Wheatley Group – West Lothian Housing Partnership and Dunedin Canmore.

A majority of tenants voted in favour of the plans in a ballot held at the end of 2019, paving the way for Barony's homes in West Lothian and Bo'ness to transfer to West Lothian Housing Partnership and for homes elsewhere to transfer to Dunedin Canmore.

Care staff also worked with colleagues in Loretto Care on plans to join forces, transferring Barony's care activities to Loretto Care and from 1 April 2020, to work together under the name of Wheatley Care.

Wheatley Care, will build on the already strong joint working between Barony Care staff and Loretto Care staff to deliver the same excellent care and support services for our customers.

Sadly, 2019/20 ended with the unprecedented events of March, challenging our communities, our tenants, people we work for, staff and Wheatley Group itself as never before. But while the coronavirus crisis overshadowed the year, and will continue to do so for a long time to come, we will always be proud of the way our staff responded.

Together with the other partner organisations in Wheatley, Barony moved quickly to support our customers, many of whom were already vulnerable and for whom these circumstances became exceptionally difficult.

The adaptability and *Think Yes* attitude of our staff not only mitigated some of the worst impacts of the crisis, providing vital help to people who were self-isolating and facing real hardship, they also ensured we held our shape as a business.

Notwithstanding the challenges of the coronavirus crisis, our staff ended 2019/20 looking forward to a new future as we formalised our ties with Loretto Care under the name of Wheatley Care and prepared for our homes to be managed as part of West Lothian Housing Partnership and Dunedin Canmore.

## **DIRECTORS' REPORT (continued)**

As we looked to that future we did so with a determination to honour the legacy of Barony, its history which stretches back to 1971, and all the work achieved in its name over the years of operation. One of the ways we will do this is through the creation of the Barony Response Fund, a trust which will help people facing real hardship and which will be administered by Wheatley Foundation.

Barony's highlights for the year included:

### **Homes and communities**

#### **Investing in our homes.**

In 2019/20, we delivered £430k of planned improvements in our homes and communities. This included:

- £138k on new kitchens and flooring for 45 homes
- £50k on new smoke detectors for 130 homes
- £48k on new doors and windows in 32 of our homes
- £14k on new heating systems for five homes

#### **Improving our neighbourhoods**

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

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

Our refreshed *Stay Safe* campaign saw more than 3,000 home fire safety visits carried out across Wheatley communities in 2019/20, with the total number of accidental fires in Wheatley homes falling under 10%.

#### **Our repairs service**

We continued our mission to improve our repairs and maintenance service, which has been provided by Dunedin Canmore since 2016.

These included:

- Setting up a specialist repairs service within our customer contact centre, with full training delivered to 34 specialist call-handlers
- Introducing 'next day appointments' service and an 'appointment reminder texts' to customers to help us reduce no access levels
- New guidance on medical adaptations, cyclical maintenance, the consent process for owners (including a review of communications with owners) and stair lighting renewals.

#### **Our improving performance**

We continued to improve our performance across key areas, with high levels of satisfaction among our customers.

The percentage of Barony tenants satisfied overall with their landlord remained high at 96%, with 99% of tenants feeling their landlord is good at keeping them informed.

The percentage of Barony tenants satisfied with the quality of their home remained at 91%, while the percentage of tenants who felt their rent represented good value for money stayed at 84%.

## **DIRECTORS' REPORT (continued)**

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.

### **Supporting our customers**

More than a fifth of Wheatley customers are now on Universal Credit ("UC"), an increase of almost 10% from last year.

We continued to support our customers through the challenges they faced, particularly around the five-week delay in getting their first payment.

This year we brought our money advice support staff from across Wheatley together into a new dedicated UC team to provide even more targeted support, while Wheatley also seconded a staff member from the DWP to help improve the delivery of the benefit.

Our advisors helped customers claim over £11m in benefits they were entitled to last year, and over the next twelve months we will continue to do all we can to support customers cope with the difficulties posed by UC.

Working with Wheatley Foundation and Wheatley 360, we:

- Supported 17 new tenants with household budgeting, running a home and settling into their community through *My Great Start*
- Gave 14 tenants up-cycled furniture through our *Home Comforts* service
- Awarded one young person from our homes a bursary to go to university or college, and
- Provided free books every month to 11 children under five in our homes through the Dolly Parton Imagination Library initiative.

### **Highlights from our care services**

Barony's Contact Point service in Buckhaven celebrated its 25-year anniversary in September 2019. The service held a special open day to mark the occasion, which also included a musical workshop, mindfulness sessions, tombola and an exhibition showcasing the range of arts and crafts designed and created by people who attended.

Buckhaven Contact Point first opened its doors in 1994 as a welcoming drop in space for people living with mental illness. Contact Point continues to be a user led service which aims to offer a safe, secure and relaxing space where people can take part in a range of activities or just make new friends and feel part of a community.

More than 60 people joined the celebrations including family and friends of the people we support, as well as members of the local community and colleagues from various partner agencies.

Contact Point was one of the winners at the Kingdom FM Local Heroes Awards event held in August 2019. The local radio station's annual awards event celebrates the achievements of truly remarkable people and organisations which make Fife a better place.

The service won the prestigious Mary Leishman Award for services to Art and Drama for the Roads to Success Art Exhibition. The award recognises Contact Point's long running involvement in the popular 'Roads to Success' art exhibition for the past 21 years. The yearly exhibition, which is run jointly with NHS

## **DIRECTORS' REPORT (continued)**

Fife colleagues as part of the Scottish Mental Health Arts Festival, aims to challenge the negative stereotypes associated with mental ill health.

### **Promoting Healthier Lifestyles**

Following on from a hugely successful Health Promotion event in 2018, Barony's shared supported living service in Kirkcaldy continued to promote and encourage individuals to maintain healthy lifestyles during 2019/20. This included:

- Promoting gentle exercise and walking via the use of pedometers
- Fun and interactive events including – 'Hula-Hula' day and 'virtual' Land's End to John o'Groats (via the use of electronic exercise bikes)

### **Care service complaints**

- A total of six complaints were received in relation to our care services in 2019/20
- All complaints were responded to and resolved to a satisfactory level within agreed timescales
- Two complaints were upheld and four were not upheld
- This continues to be a low number in relation to the number of people supported and range of care services provided within Barony

### **Re-provision for the future**

In recognising the changing needs and lives of the people we support, work continued with our re-provisioning plan for many of our Shared Living resources across Edinburgh, West Lothian, Falkirk and Fife areas.

Being part of the Wheatley Group means we can directly benefit from opportunities with group housing partners, enabling the people we support to have greater access to a range of spacious and energy efficient new homes.

During 2019/20, a further four people successfully moved from a Barony shared living environment to their own brand new Dunedin Canmore home at Greendykes in Edinburgh.

Although the recent impact of Covid-19 will undoubtedly have an effect on how the current re-provision plans progress, early indications estimate a new completion date which extends into 2022.

## **DIRECTORS' REPORT (continued)**

### **Income**

The Association's turnover for the year ended 31 March 2020 totalled £6,983k (2019: £6,906k). The main source of income for the Association includes the provision of care services of £4,468k (2019: £4,488k). The remainder of the Association's income is primarily derived from the social rental of housing property, with net rental income of £2,515k (2019: £2,418k).

### **Expenditure**

Operating costs of the Association in the year totalled £6,957k (2019: £6,918k), largely comprising of the following:

- Care activity costs of £5,186k (2019: £5,232k), which are primarily employee costs.
- Management and maintenance administration costs associated with affordable letting activities totalling £576k (2019: £527k).
- Service costs of £150k (2019: £224k).
- £346k of reactive maintenance costs to our social letting properties (2019: £305k).
- £112k of planned and cyclical maintenance costs including major repair costs to improve our social housing properties (2019: £112k).
- Depreciation expenditure for social and non-social housing assets of £610k (2019: £542k).

Other gains of £2,056k (2019: £nil) are in respect of the transfer of all pension assets and obligations in Lothian Pension Fund to Strathclyde Pension Fund on 31 January 2020 in advance of the transfer of Barony's care activities to Loretto Care in April 2020.

At 31 March 2020, the Association reported an operating surplus of £2,082k (2019: operating deficit of £12k).

Other expenditure in the year includes £100k of interest due on loan funding (2019: £162k).

Total comprehensive income for the year of £2,736k (2019: £2,149k) includes an increase in valuation of social housing properties of £3,371k (2019: £1,810k) and an actuarial loss of £2,868k (2019: gain of £492k) in respect of Lothian Pension Fund.

### **Cash flows**

The cash flow statement of the Association is shown on page 17. Barony generated £482k from operating activities (2019: £1,125k). 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 increased by £379k (2019: decreased by £233k).

### **Rental debtors**

At the statement of financial position date, the Association has rent arrears of £117k offset by bad debt provisions of £40k (2019: £104k and £32k respectively).

### **Net current assets**

The Association's net current assets at 31 March 2020 totalled £304k, an increase of £1,011k in the year. This is due to the release of deferred income received in advance from Health and Social Care Partnerships for the provision of care services and the settlement of amounts due to other 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.



## **DIRECTORS' REPORT (continued)**

### **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 19. The Association has access to an intra-group facility of £2.3m. Interest rate risk is managed at a group level by WFL1.

### **Investment in tenants' homes**

During the year we invested £430k in improving tenant's homes. At the year-end our housing stock was valued at £18,820k (2019: £16,080k)

### **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.

## **DIRECTORS' REPORT (continued)**

### **Going concern**

During 2019/20 a majority of tenants voted in favour of plans to transfer the housing activities of Barony to fellow Wheatley Group subsidiaries, West Lothian Housing Partnership Limited ("WLHP") and Dunedin Canmore Limited ("DC"). As part of these changes, it was agreed by the Board that the care activities of Barony would transfer to the Group's care entity, Loretto Care.

Barony's care operations transferred to Loretto Care on 1 April 2020. Housing activities including 215 housing properties in West Lothian and Bo'ness transferred to WLHP on 17 May 2020.

A transfer of engagements of the remaining housing activities in Barony to Dunedin Canmore will take place on 1 September 2020.

As explained in note 2, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis.

### **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.

## 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 2020 there were 8 members (2019: 8 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
Alastair Murray (Chair)	14 September 2017	-	-	-
Martin Kelso	27 September 2012	20 September 2018	19 September 2019	Wheatley Housing Group Limited Wheatley Solutions
Lindsey McNeill	27 September 2012	20 September 2018	-	-
Helen Howden	24 September 2015	20 September 2018	-	Wheatley Foundation
George Cunningham	8 November 2019	-	-	-
Paul Spicker	7 November 2019	-	-	-
Lesley Watt	14 September 2017	-	-	-
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.

By order of the Board

  
Alastair Murray, Chair  
11 September 2020

8 New Mart Road  
Edinburgh  
EH14 1RL

## **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 that law the Board has elected to prepare the financial statements in accordance with UK Accounting Standards, including 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 associations 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. As explained in note 2, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis.

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 2019, 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



**Alastair Murray, Chair**  
11 September 2020

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 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 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 the association's affairs as at 31 March 2020 and of the income and expenditure of the association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014;
- have been properly prepared in accordance with the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2019, 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.

## **Emphasis of matter – non-going concern basis of preparation**

We draw attention to the disclosure made in note 2 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

## **Other information**

The directors are 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. Based solely on that work, we have not identified material misstatements in the other information.

## **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.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BARONY HOUSING ASSOCIATION LIMITED (continued)**

## **Board's responsibilities**

As more fully explained in the statement set out on page 11, the association's Board is responsible for: the preparation of the 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](http://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.

**Michael Wilkie (Senior Statutory Auditor)**

**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

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED  
31 MARCH 2020**

	<i>Notes</i>	<b>2020 £'000</b>	<b>2019 £'000</b>
Turnover	3	6,983	6,906
Operating expenditure	3	(6,957)	(6,918)
Other gains/(losses)	9	2,056	-
<b>Operating surplus/(deficit)</b>		<b>2,082</b>	<b>(12)</b>
Gain on sale of fixed assets	10	228	-
Finance income	11	23	21
Finance charges	12	(100)	(162)
Reversal of previous decrease in valuation of housing properties		3,371	1,810
<b>Surplus for the financial year</b>		<b>5,604</b>	<b>1,657</b>
Actuarial (loss)/gain in respect of pension schemes		(2,868)	492
<b>Total comprehensive income for the year</b>		<b>2,736</b>	<b>2,149</b>

All amounts relate to continuing operations.

The notes on pages 18 to 36 form part of these financial statements.



**STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2020**

	<b>Revenue Reserve £'000</b>
Balance at 1 April 2018	12,878
Surplus for the year	1,657
Actuarial gain in respect of pension schemes	492
Balance at 31 March 2019	<u>15,027</u>
Surplus for the year	5,604
Actuarial loss on transfer of pension asset	<u>(2,868)</u>
Balance at 31 March 2020	<u>17,763</u>

All amounts relate to continuing operations.

The notes on pages 18 to 36 form part of these financial statements.

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

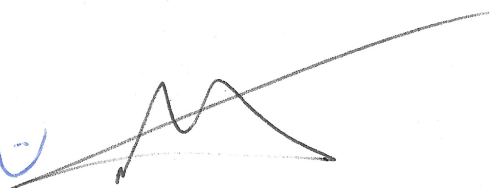
	<i>Notes</i>	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
<b>Current assets</b>			
Social housing properties	15	18,820	16,080
Other tangible fixed assets	15	558	481
Pension asset	21	-	1,063
Trade and other debtors	16	417	466
Cash and cash equivalents		925	546
		<u>20,720</u>	<u>18,636</u>
<b>Creditors: amounts falling due within one year</b>	18	(2,957)	(1,719)
<b>Net current assets/(liabilities)</b>		<u>17,763</u>	<u>16,917</u>
<b>Total assets less current liabilities</b>		-	16,917
<b>Creditors: amounts falling due after more than one year</b>	19	-	(1,890)
<b>Total net assets</b>		<u><u>17,763</u></u>	<u><u>15,027</u></u>
<b>Reserves</b>			
Share capital	20	-	-
Revenue reserve		17,763	15,027
<b>Total reserves</b>		<u><u>17,763</u></u>	<u><u>15,027</u></u>

These financial statements were approved by the Board on 18 August 2020 and were signed on its behalf on 11 September 2020 by:




Alastair Murray  
Chair

Helen Howden  
Board Member



Anthony Allison  
Secretary

The notes on pages 18 to 36 form part of these financial statements.

Charity registration number SC016030.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

	<i>Notes</i>	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
<b>Net cash generated from operating activities</b>	22	<u>482</u>	<u>1,125</u>
<b>Cash flow from investing activities</b>			
Improvement of properties – housing stock		105	(699)
Purchase of other fixed assets		(111)	(4)
Receipts from sale of fixed assets		-	11
Finance income	10	<u>3</u>	<u>2</u>
		(3)	(690)
<b>Cash flow from financing activities</b>			
Finance charges	11	(100)	(162)
Repayments of borrowings		<u>-</u>	<u>(506)</u>
		(100)	(668)
<b>Net change in cash and cash equivalents</b>		<u><u>379</u></u>	<u><u>(233)</u></u>
Cash and cash equivalents at beginning of the year		546	779
Cash and cash equivalents at end of the year		925	546
<b>Cash and cash equivalents at 31 March</b>			
Cash		<u>925</u>	<u>546</u>
		<u>925</u>	<u>546</u>

The notes on pages 18 to 36 form part of these financial statements

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 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 2019, 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.

In previous years, the financial statements have been prepared on a going concern basis. However, in 2019/20 a majority of tenants voted in favour of the directors' proposal to transfer the housing activities of Barony to fellow Wheatley subsidiaries, West Lothian Housing Partnership Limited and Dunedin Canmore Limited. As part of these changes, it was also agreed by the Board that the care activities of Barony would transfer to the Group's care entity, Loretto Care. Accordingly the directors have not prepared the financial statements on a going concern basis.

The effect on the financial statements is for all of the long term assets and liabilities to be shown as current on the balance sheet. There are no valuation changes to be made as all activities are being transferred to group entities as trading activities.

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;

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

### **2. Accounting policies (continued)**

- 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; and
- 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 2020 (continued)

### 2. Accounting policies (continued)

#### Pensions

The Association participated during the year 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.

The obligations of Barony in LPF were transferred on 31 January 2020 to Strathclyde Pension Fund ("SPF") which is another section of the Local Government Pension Scheme. The Glasgow Housing Association Limited, another Wheatley Group subsidiary is a participating employer in SPF. This took place in advance of the planned transfer of the business of Barony to other Wheatley Group subsidiaries.

#### 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 ("EUV-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:

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

### 2. Accounting policies (continued)

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

### 2. Accounting policies (continued)

#### 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:

	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.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

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

		2020			2019
	Turnover	Operating Costs	Other gains	Operating surplus/(deficit)	Operating surplus/(deficit)
	£ 000	£ 000	£ 000	£ 000	£ 000
Affordable letting activities (note 4)	2,515	(1,771)	-	744	732
Other activities (note 5)	4,468	(5,186)	-	(718)	(744)
Gain on transfer of pension scheme obligations (note 9)	-	-	2,056	2,056	-
Total	6,983	(6,957)	2,056	2,082	(12)
Total for previous reporting period	6,906	(6,918)	-	(12)	

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (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	2020 Total £'000	2019 Total £'000
Rent receivable net of service charges	1,286	567	58	1,911	1,875
Service charges	6	582	-	588	593
<b>Gross income from rents and service charges</b>	<b>1,292</b>	<b>1,149</b>	<b>58</b>	<b>2,499</b>	<b>2,468</b>
Less rent loss from voids	(6)	(21)	(8)	(35)	(61)
<b>Net income from rents and service charges</b>	<b>1,286</b>	<b>1,128</b>	<b>50</b>	<b>2,464</b>	<b>2,407</b>
Other revenue grants	51	-	-	51	11
<b>Total turnover from affordable letting activities</b>	<b>1,337</b>	<b>1,128</b>	<b>50</b>	<b>2,515</b>	<b>2,418</b>
Management and maintenance administration costs	412	152	12	576	527
Service costs	126	22	2	150	224
Planned and cyclical maintenance including major repairs costs	69	43	-	112	112
Reactive maintenance costs	214	121	12	346	305
Bad debts – rents and service charges	12	-	-	12	19
Depreciation of affordable let properties	445	120	10	575	499
<b>Operating costs for affordable letting activities</b>	<b>1,278</b>	<b>458</b>	<b>36</b>	<b>1,771</b>	<b>1,686</b>
<b>Operating surplus for affordable letting activities</b>	<b>59</b>	<b>670</b>	<b>14</b>	<b>744</b>	<b>732</b>
Operating activities for affordable letting activities for the previous reporting period	106	602	24	732	

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (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	2020 Operating Deficit £'000	2019 Operating Deficit £'000
Registered Care	-	284	284	(304)	(20)	(46)
Housing Support	2,129	1,603	3,732	(4,449)	(717)	(644)
Day Care	429	23	452	(397)	55	31
Organisation Restructuring	-	-	-	(1)	(1)	(42)
Depreciation – non social housing	-	-	-	(35)	(35)	(43)
<b>Total from other activities</b>	<b>2,558</b>	<b>1,910</b>	<b>4,468</b>	<b>(5,186)</b>	<b>(718)</b>	<b>(744)</b>
Total from other activities for the previous reporting year	2,672	1,816	4,488	(5,232)	(744)	

### 6. Board members' emoluments

Board members received £nil (2019: £nil) by way of reimbursement of expenses. No remuneration is paid to board members in respect of their duties in the Association.

### 7. Key management personnel

Key management personnel are employed by another Wheatley Group subsidiary and perform an executive management role across all subsidiaries in the Group. The emoluments payable to Group key management personnel are disclosed in the Wheatley Group financial statements. The Association pays a share of the costs of these personnel which includes employer pension contributions and benefits in kind. For the year ended 31 March 2020 the share of costs attributable to the Association amounted to £15k (2019: £19k).

Key management personnel in the year were as follows:

Martin Armstrong	Group Chief Executive
Olga Clayton	Group Director of Housing and Care
Elaine Melrose	Group Director of Resources
Graham Isdale	Group Director of Corporate Affairs
Steven Henderson	Group Director of Finance
Tom Barclay	Group Director of Property and Development

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

### 8. Employees

	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
The average monthly number of full time equivalent persons employed during the year was	134	162
The average total number of employees employed during the year was	202	216
	<b>£'000</b>	<b>£'000</b>
Staff costs (for the above persons)		
Wages and salaries	3,487	3,813
Social security costs	253	284
Employer's pension costs	299	288
FRS102 pension adjustment	272	313
	<u>4,311</u>	<u>4,698</u>

In addition to the above staff costs the Association incurred agency staff costs of £194k during the year (2019: £143k).

### 9. Other income and gains

As part of a Group restructure, the employment contracts of Barony staff who were active members of Lothian Pension Fund were transferred to GHA on 31 January 2020 and their pension membership was transferred from Lothian Pension Scheme ("LPF") to Strathclyde Pension Fund ("SPF") with a corresponding transfer of Barony's pension assets and obligations from LPF to SPF. A gain of £2,056k results from the difference between the actuarial valuation at 31 January 2020 of the Barony assets and obligations transferred. Under FRS 102 Section 28 the gain is recognised in reporting operating surplus in the Statement of Comprehensive Income.

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Settlement of pension scheme assets and obligations	2,056	-
	<u>2,056</u>	<u>-</u>

### 10. Gain on disposal of fixed assets

This represents income from the disposal of fixed assets.

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Proceeds from disposal of properties	603	-
Value of properties disposed	(375)	-
Gain on disposal of fixed assets	<u>228</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**11. Finance income**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest receivable on deposits in the year	3	2
Interest on pension scheme asset (note 21)	20	19
	<u>23</u>	<u>21</u>

**12. Finance charges**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Interest on intra group loans	100	162
	<u>100</u>	<u>162</u>

**13. Auditor's remuneration**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
The remuneration of the auditor is as follows:		
External audit services	9	8

**14. Financial commitments**

All capital commitments of the Association were as follows:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Expenditure authorised by the Board, but not contracted	-	653
	<u>-</u>	<u>653</u>

**Operating leases**

At 31 March 2020 the Association had annual commitments under non-cancellable operating leases as follows:

	<b>2020</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>Land and</b>	<b>Other</b>	<b>Land and</b>	<b>Other</b>
	<b>Buildings</b>	<b>£'000</b>	<b>Buildings</b>	<b>£'000</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Operating leases that expire:				
Within one year	84	6	153	7
In the second to fifth years inclusive	16	-	76	6
Over five years	-	-	-	-
	<u>100</u>	<u>6</u>	<u>229</u>	<u>13</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 2020 (continued)

### 15. Tangible fixed assets

#### Social housing properties

	<b>2020</b>
	<b>Social Housing</b>
	<b>Properties</b>
	<b>£'000</b>
<b>Valuation</b>	
At 1 April 2019	16,080
Additions	430
Disposals	(535)
Revaluation	2,845
At 31 March 2020	<u>18,820</u>
<b>Accumulated Depreciation</b>	
At 1 April 2019	-
Charge for year	(575)
Disposals	49
Revaluation	526
At 31 March 2020	<u>-</u>
<b>Net Book Value – Valuation</b>	
At 31 March 2020	<u>18,820</u>
At 31 March 2019	<u>16,080</u>
<b>Net Book Value – Cost</b>	
At 31 March 2020	<u>18,733</u>
At 31 March 2019	<u>19,364</u>

Total expenditure on repairs and capital improvements in the year on existing properties was £888k (2019: £1,243k). Of this, repair costs of £458k (2019: £417k) were charged to the Statement of Comprehensive Income (note 4) with capital improvements of £430k (2019: £826k) shown as additions to core stock on the Statement of Financial Position. Additions to core stock in the year include:

- £286k for component additions including:
  - £27k on bathrooms;
  - £14k on heating system boilers;
  - £138k on kitchens;
  - £59k on mechanical, electrical and plumbing; and
  - £48k on windows and doors.
- The remaining balance of £144k of additions to existing properties not associated with a specific component includes £55k on void improvements and £65k of medical adaptations.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

### 15. Tangible fixed assets (continued)

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 2020 on an Existing Use Valuation for Social Housing (“EUV-SH”). Discount rates between 5.75-6.50% have been used depending on the property archetype (2019: 5.75-7.50%). 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 (2020/21). 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.

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

	2020	2019
<b>Social Housing</b>		
General needs	258	258
Supported housing	89	95
Registered	8	8
Leased	17	17
 Total Units	372	378

Leased units above are properties owned by Barony Housing Association which are leased to and managed by third parties. In addition, 17 non-Barony owned properties are included within Supported Housing (2019: 17).

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

### 15. Tangible fixed assets (continued)

#### Other tangible fixed assets

	Leasehold Improvements £'000	Land & Buildings £'000	Office Equipment £'000	Total £'000
<b>Cost</b>				
At 1 April 2019	123	637	323	1,083
Additions	-	111	1	112
At 31 March 2020	123	748	324	1,195
<b>Accumulated Depreciation</b>				
At 1 April 2019	86	200	316	602
Charge for year	8	26	1	35
At 31 March 2020	94	226	317	637
<b>Net Book Value</b>				
At 31 March 2020	29	522	7	558
At 31 March 2019	37	437	7	481

### 16. Debtors

	2020 £'000	2019 £'000
Arrears of rent & service charges	117	104
Less: Provision for bad and doubtful debts	(40)	(32)
	77	72
Prepayments and accrued income	17	74
Other debtors	323	293
Due from other group companies	-	27
	417	466

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.

### 17. Funds held as intromitter of funds

During the year, the Association held funds on behalf of a small number of tenants as an intromitter of funds under the Adults with Incapacity (Scotland) Act 2000. At the year end, custodian funds held amounted to £17,423 (2019: £17,053) for 5 tenants (2019: 5). These funds are not included in the financial statements.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

### 18. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	4	37
Accruals	61	140
Deferred income	58	203
Rent and service charges received in advance	68	85
Salaries, wages, other taxation and social security	24	73
Other creditors	472	520
Due to other group companies	351	661
	<u>1,038</u>	<u>1,719</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 release 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.

### 19. Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
Deferred income	83	83
Amount due to other group companies - other	36	7
Amount due to other group companies – housing loans	1,800	1,800
	<u>1,919</u>	<u>1,890</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 £657.3m from a syndicate of commercial banks, two committed facilities totalling £282.9m from the European Investment Bank, £300m raised through the issue of a public bond, £150m private placement loan notes with Blackrock Real Assets and £100m facility with HSBC. This provides total facilities of £1,490.2m 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 4.89% (2019: 4.68%).

Barony Housing Association Limited has secured a major portion of its housing stock (£13.64m) against this facility.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

### 19. Creditors: amounts falling due after more than one year (continued)

Borrowings are repayable as follows

	2020	2019
	£'000	£'000
In less than one year	7	7
In more than one year but less than two years	-	-
In more than two years but less than five years	-	-
In more than five years	1,793	1,793
	<u>1,800</u>	<u>1,800</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.

### 20. Share Capital

	2020	2019
	£	£
Shares of £1 each issued and fully paid		
At 1 April	57	61
Issued during year	-	3
Surrendered during year	(3)	(7)
At 31 March	<u>54</u>	<u>57</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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

### 21. Pensions

#### Lothian Pension Fund

Barony Housing Association participated during the year 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 but is not yet available at the date of these financial statements.

In advance of the transfer of Barony’s activities to other Wheatley Group subsidiaries, all Barony’s assets and obligations in Lothian Pension Fund were transferred to The Glasgow Housing Association Limited through its participation in Strathclyde Pension Scheme, which is also a part of the Local Government Pension Scheme. The transfer took place on 31 January 2020 and Barony’s obligations in Lothian Pension Fund have been settled at that date.

The liabilities disclosed for Lothian Pension Fund include the estimated impact on liabilities of the GMP indexation and McCloud/Sargeant ruling.

#### 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 2020	31 March 2019
Discount rate	2.45%	2.6%
Future salary increases	2.20%	2.0%*
Inflation	1.90%	2.35%

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

In valuing the liabilities of the pension fund at 31 March 2020, 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: 20.7 years (male) (2019 21.4 years), 22.9 years (female) (2019 23.4 years).
- Future retiree upon reaching 65: 22.2 years (male) (2019 23.7 years), 24.6 years (female) (2019 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 2020 (continued)

### 21. 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*

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Opening defined benefit obligation	22,129	20,351
Current service cost	492	525
Interest cost	482	553
Loss on curtailment	-	42
Actuarial losses	3,562	940
Contributions by members	74	88
Estimated benefits paid	(344)	(367)
Transfer of obligations to Strathclyde Pension Fund	(26,395)	-
	<hr/>	<hr/>
Closing defined benefit obligation	-	<b>22,129</b>

#### *Movements in fair value of plan assets*

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Opening fair value of plan assets	23,192	21,216
Expected return on plan assets	502	572
Actuarial gains/(losses)	695	1,432
Contributions by the employer	220	254
Contributions by the members	74	85
Estimated benefits paid	(344)	(367)
Transfer of assets to Strathclyde Pension Fund	(24,339)	-
	<hr/>	<hr/>
Closing fair value of plan assets	-	<b>23,192</b>

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Present value of funded defined benefit obligations	-	(22,129)
Fair value of plan assets	-	23,192
Net asset	<hr/>	<hr/>
	-	1,063

#### *Expense recognised in the statement of comprehensive income*

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost	492	525
Losses on settlements or curtailments	-	42
Net interest on net defined benefit obligation	(20)	(19)
	<hr/>	<hr/>
	472	548

The total amount recognised in the statement of comprehensive income in respect of actuarial gains and losses is £2,868k loss (2019: £492k gain).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

### 21. Pensions (continued)

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

	2020 £'000	2019 £'000
Equities	-	17,163
Corporate bonds	-	2,783
Property	-	1,623
Cash	-	1,623
	-	23,192
Actual return on plan assets	1,197	2,004

### 22. Related party transactions

Related party interests and transactions during the year are as follows:

	Invoiced/paid in the year £'000	Year end balance £'000
<b>2020</b>		
Lothian Pension Fund	220	-

All transactions were on commercial terms and at arm's length.

There were no tenant Board Members during the year.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

### 23. Cash flow analysis

#### Cash flow from operating activities

	2020 £'000	2019 £'000
Surplus for the year	5,604	1,657
<u>Adjustments for non-cash items:</u>		
Depreciation of tangible fixed assets	561	441
Increase in trade and other debtors	46	26
(Decrease)/increase in trade and other creditors	(651)	357
Pension costs less contributions payable	272	313
Settlement of pension obligations	(2,056)	-
<u>Adjustments for investing or financing activities:</u>		
Interest payable	100	162
Interest received	(23)	(21)
Reversal of previous decrease in valuation of housing properties	(3,371)	(1,810)
<b>Net cash inflow from operating activities</b>	<u>482</u>	<u>1,125</u>

### 24. 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.

### 25. Post balance sheet event

During 2019/20 a majority of tenants voted in favour of plans to transfer the housing activities of Barony to fellow Wheatley Group subsidiaries, West Lothian Housing Partnership Limited ("WLHP") and Dunedin Canmore Housing Limited ("DC"). As part of these changes, it was agreed by the Board that the care activities of Barony would transfer to the Group's care entity, Loretto Care.

Barony's care operations transferred to Loretto Care on 1 April 2020. Housing activities including 215 housing properties in West Lothian and Bo'ness transferred to WLHP on 17 May 2020.

A transfer of engagements of the remaining housing activities in Barony to Dunedin Canmore will take place on 1 September 2020.

## **SUPPLEMENTARY INFORMATION**

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### **Banker**

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