Keniston

KENISTON HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2017

Registered Society under the Co-operative and Community Benefits Societies Act 2014 No. 19475R
Registered Social Landlord No. L1965

KENISTON HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

CONTENTS	**Pages**

KENISTON HOUSING ASSOCIATION LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

BOARD	Simone Bailey Shehla Husain Seema Jassi Barry Luhmann (Treasurer) Julian Miles (Chair) Anthony Mills Sheila Sackey Peter Voisey Lucy Worrall
CHIEF EXECUTIVE	Jonathan Card
COMPANY SECRETARY	Andrew Shiatis
BANKERS	National Westminster Bank Plc 235 High Street Orpington Kent BR6 0NS
AUDITORS	Nexia Smith & Williamson 25 Moorgate London EC2R 6AY
REGISTERED OFFICE	13 Artington Close Farnborough Orpington Kent BR6 7UL
STATUTORY REGISTRATIONS	Registered Society under the Co-operative and Community Benefit Societies Act No. 19475R Registered Social Landlord No. L1965

KENISTON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF KENISTON HOUSING ASSOCIATION FOR THE YEAR ENDED 31 MARCH 2017

The Board is pleased to present its report together with the audited Financial Statements for the year ended 31 March 2017.

Principal activities

The principal activity of the Association is the provision and management of affordable rented accommodation for people in housing need.

Review of the business

The financial results for the year ended 31 March 2017 show a satisfactory position and are broadly in line with budget.

The Association made a surplus of £1,070,439 (2016: £746,895) for the year, on a turnover of £5,266,852 (2016: £5,240,622). Total capital and reserves are £14,313,683 (2016: £13,243,252).

After taking account of investments in housing properties, the Association's assets before deducting long term loans and other long term creditors total £40,961,669 (2016: £40,614,556).

Contracts started during the year include:

- Stock re-investment works to 218 properties internally and to 4 properties externally, totalling £774,118.
- External redecoration works covering 80 properties totalling £278,893.
- Adaptations to 13 properties for people with disabilities together with 1 communal area.
- Front entrance refurbishment and staircase enclosure at 1 scheme site.
- Replacement of roofs for 12 leaseholders at 1 scheme site.

Composition of the Board

The Board currently comprises 9 non-executive members and normally meets with the Management Team 8 times a year.

Additionally, the Finance Director is elected as Company Secretary and is a non-voting member of the Board.

The Board has a formal schedule of matters reserved for its decision, which includes overall strategy and future development, allocation of financial resources, risk management, acquisitions and disposals, approval of major financial transactions, annual budgets, annual results, appointment of the Chief Executive and various policies including treasury management.

Responsibility for the Association's day to day operations is delegated to the Management Team who report through the Chief Executive.

The Audit Committee meets twice a year in order to discuss matters relating to internal controls and internal and external audits.

The complaints subcommittee only meets when there is a requirement to do so. The subcommittee met twice during the year.

REPORT OF THE BOARD OF KENISTON HOUSING ASSOCIATION FOR THE YEAR ENDED 31 MARCH 2017 (continued)

The members of the Board of the Association, who have served during the year, are as follows:

Simone Bailey	
Sudhin Chatterji	(resigned 12 May 2016)
Jane Clark	(resigned 15 September 2016)
Shehla Husain	
Seema Jassi	
Barry Luhmann	
Julian Miles	
Anthony Mills	
Sheila Sackey	(co-opted 8 December 2016)
Peter Voisey	
Lucy Worrall	(co-opted 8 December 2016)

The members of the Board are expected to:

- Uphold the values and objectives of the Association;
- Uphold the Association's core policies (including those for equal opportunities);
- Prepare for and attend meetings of the Board;
- Participate in meetings, contributing expertise where applicable;
- Contribute to and share responsibility for the Board's decisions;
- Attend training sessions, conferences or other events to enhance their skills and their contribution to the Board;
- Represent the Association on occasions;
- Welcome new members to the Board;
- Declare any relevant interest;
- Respect confidentiality of information; and
- Uphold the Association's Code of Governance.

Once an appointment has been approved at the Annual General Meeting, each member of the Board holds one fully paid share of £1 in the Association. As with all registered societies under the Co-operative and Community Benefit Societies Act 2014, profits are not distributable to Shareholders.

The Management Team

The senior staff of the Association, who have served during the year, are as follows:

Vivienne Astall	Housing Services Director
Jonathan Card	Chief Executive (appointed 25 August 2016)
Tony Coward	Property Services Director
Nevil Osborne	Chief Executive (resigned 19 August 2016)
Andrew Shiatis	Finance Director

The senior staff hold no interest in the Association's share capital. They act as executives within the authority delegated by the Board. The detailed scrutiny and performance, the development of policy and procedures and expenditure approvals within budget are carried out by the Management Team in conjunction with other staff and advisers. The Management Team normally meets once every two weeks.

Employees

The Association has continued its practice of keeping employees informed on matters affecting them and on the progress of the Association. This is carried out in a number of ways, including formal and informal briefings and team meetings.

It is the policy of the Association that training, career development and promotion opportunities should be available to all employees. Approximately 97 training sessions were provided for 41 staff during the year at a total cost of approximately £12,560 (2016: £22,876). Appropriate training is also made available to all members of the Board.

Applications for employment by disabled persons are given full and fair consideration for all vacancies, having regard to their particular aptitude and abilities. In the event of employees becoming disabled, the policy is to make every effort to retain them in order that their employment within the organisation may continue.

The Association holds the Silver Award for Investors in People.

Equality and Diversity

The Association operates an Equality and Diversity Policy in all areas of its work, including the recruitment, training and development of staff and also in the delivery of its services in a way which is seen to be fair.

Donations

The Association made small charitable donations of money to other organisations supporting local communities in which the Association works or for the homeless.

Insurance

Insurance policies are maintained by the Association for all buildings, certain areas of risk and for members of the Board and for all staff against liabilities in relation to the Association.

Corporate Governance and Regulatory Code

The Board has adopted the principles of the National Housing Federation's (NHF) Excellence in Governance (2015) and Code of Conduct 2012; good practice codes for board members of Housing Associations. The Board is committed to integrity and accountability in the stewardship of the Association's affairs and considers that the Association has largely complied throughout the period under review with the provisions of the NHF's Code of Governance ("the Code"). The areas where it considers that the Association is not in full compliance are as follows:

- The Code requires an annual appraisal of individual board members. The move from self-evaluation to appraisals by the Chair is currently being implemented although not all board members have been appraised in this way as of yet. This is due to be completed by March 2018.
- The Code requires that the Board must appoint a Company Secretary (or a person with that function) with a clear accountability to the Board, to advise it on compliance with the organisation's constitution, this code and other statutory or regulatory requirements. The Chief Executive currently fulfils the role of providing advice to the Board on compliance.
- During the year, the Association has set up a separate Audit Committee as required by the Code. The Code also requires that the voting members of the committee responsible for audit must not include the Chair of the Board. This requirement was overlooked within the initial terms of reference of the audit committee but has now been rectified as of June 2017. It should be noted that this voting right was never exercised by the Chair of the Board.

The Association's compliance with the Homes & Communities Agency's Governance and Financial Viability Standard is reviewed each July with the Board. Other than as noted above, the Association has complied with this standard.

Internal Controls

The Board is ultimately responsible for the Association's system of internal control and for reviewing its effectiveness, with the Audit Committee, a sub-committee of the Board, taking the role of overseeing internal control assurance activities. However, it is recognised that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Even though there is no longer a regulatory requirement to follow the Housing Corporation Circular 07/07, the Board continues to comply with it. The Board confirms there is an on-going process for identifying, evaluating and managing the significant risks faced by the Association that has been in place for the year under review and up to the date of approval of the Financial Statements, and that this process is regularly reviewed by the Board and in accordance with the Circular.

The Board has reviewed the effectiveness of the system of internal control by reviewing the evidence of controls, the Risk Management policy and the procedures in place over the year. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed.

The Risk Management policy includes:

- the need for managing on-going viability, especially to fund stock reinvestment works and development of new homes;
- the avoidance of high impact risks;
- balancing growth and existing service provision;
- insurance; and
- the use of internal and external auditors.

The Management Team are responsible for the identification and evaluation of significant risks applicable to their areas of business, together with the design and operation of suitable internal controls. These risks are assessed on an on-going basis and may be associated with a variety of internal or external sources, including control breakdowns, disruption in information systems, competition, natural catastrophe, regulatory requirements and failure to achieve business critical objectives.

A thirty year financial plan is prepared to ensure that the Association's finances remain viable and this is stress tested using various significant risk scenarios.

Independent internal auditors also provide a degree of assurance as to the operation and validity of the systems of internal control. A two year programme of internal audit derived from an audit needs assessment includes reviewing the risk identification procedures and control processes implemented by the Management Team. Internal auditors have continued the programme of reviews during the year and the internal audit reports with management responses have been presented to the Audit Committee and reported to the Board. Planned corrective actions are monitored for timely completion.

The Chief Executive also reports to the Board on behalf of the Management Team on significant changes in the business and the external environment which affect significant risks. The Finance Director provides the Board with quarterly financial information which includes key performance and risk indicators. Performance measures on key areas of activity are also reported to the Board quarterly.

Value for Money

One of the most important considerations for the Association is the provision of value for money homes and services to its tenants, whilst also considering the needs of the local authorities and the local communities within which it operates.

The Association's purpose is to meet housing need, provide good quality well managed affordable homes and to deliver the services that tenants want through exceptional customer service and by listening to feedback from residents and acting on what is said.

In response to the Homes and Communities Agency's regulatory standard, the Association has defined Value for Money as:

- Using its finite resources to create the most impact, getting the best outcomes for customers and stakeholders and by paying the right price for the right goods, services and properties;
- Providing good quality, appropriate and locally focused services to the right people at the right time;
- Balancing cost, quality and added value; and
- Getting the most out of its assets and staff, by operating efficiently and effectively.

Approach to Value for Money

The Association's approach is to have policies and procedures which provide an accountable, day to day framework for the economic, effective and efficient delivery of its services and which also enable the achievement of future on-going value for money improvements.

The Association's governance structure supports how it ensures the achievement of value for money across the organisation. The Board approves both the value for money summary in these Financial Statements and the full value for money report which can be found on the Association's website on the link provided below. Every board report considers the value for money implications of its topic and the Audit Committee acts on behalf of the Board to ensure that the Association obtains appropriate assurance through the internal and external audit functions.

To help achieve value for money, the Association is focused on having the right people to provide the right level of service at the right cost. Staff need to be properly trained to do their work and have the right resources to enable them to carry out their roles effectively.

IT software is used by the Association, which provides a cost effective way of providing many of its essential functions, including systems for rent, accounting and repairs. These systems allow the Association to report and monitor its performance.

The Association's programme of investment in its housing stock is based on a thirty year forward projection of the need to replace building components. Cost projections are tested in the long term financial plan to ensure future financial viability and different scenarios that may impact on the Association's ability to resource the required investment are "stress tested" within the plan. The Association also makes an annual budget available for estate improvements in the belief that residents are more likely to be proud of and respect where they live and that this will result in more cohesive communities and better neighbourhoods. Together these programmes help to maintain the overall condition and value of the Association's housing stock.

The following is a summary of the key aspects from the Association's Value for Money report. The full version of the report can be found on the Association's website using the following link:

http://www.kenistonha.co.uk/wp-content/uploads/2017/06/VFM-Report-FINAL.pdf

Performance during the year

The Association analyses its cost and performance across a range of activities, comparing trends over time and with two peer groups, the London Smaller Housing Association's benchmarking group (BM320) which comprises 15 comparable small London based associations and nationally with the National Small Housing Associations data (SPBM). A summary of the results of this exercise are set out in the table below. This shows areas where, to achieve the optimum combination of cost and quality, the Association is performing well and areas that the Association may need to focus on.

Performance & cost indicator trends & comparison

					2015-16		2015-16	
Topic area	Measure	Keniston 14-15	Keniston 15-16	Keniston 16-17	Peer Group median	Peer Group Quartile	National smalls median	National smalls quartile
Satisfaction	Overall services – Gen Need	93%	94%	94%	89%	1	91%	2
	Overall services – Older People	96%	97%	97%	92%	1	95%	2
	Overall services – BME		93%	93%			88%	1
	Quality of home - Gen Need	89%	91%	91%	85%	1	89%	2
	Quality of home - Older People		98%	98%	93%	1	96%	1
	Neighbourhood - Gen Need	88%	89%	89%	86%	2	89%	2
	VFM of rent - Gen Need	87%	87%	87%	80%	2	86%	2
	VFM of service charges – GN	80%	82%	82%	77%	1	76%	2
	Repairs & maintenance - Gen Need	91%	91%	91%	83%	1	87%	1
	Listening to views & acting on them - Gen Need	85%	86%	86%	69%	1	78%	1
Voids & lettings	Average relet time - GN (days)	29	21	17	23	2	22	2
	Average relet time - Older People (days)	12	21	12	38	1	26.5	1
	Lettings to BME households	24%	39%	24%	40%	3	14%	2
People	Average days lost to sickness	18.1	17.4	12.8	6.0	4	7.1	4
Income	% rent collected	99.91	99.25	99.63	100.1	4	99.94%	3
	Current arrears as % of rent due - all tenants	2.7	2.7	3.23	3.3	2	3.02%	3
Maintenance	Repairs fixed on first visit	84%	89%	91%	98%	4	90%	2
	Repairs completed in target time	97%	96%	95%	96%	2	97%	3
Maintenance (cont.)	Average days to complete all responsive repairs	6.6	6.8	6.6	7.0	2	6.6	2
	Satisfaction with repair	94.8%	95.3%	93.8%	95%	2	97%	4
	Properties with a valid gas safety certificate	100%	100%	100%	100%	1	100%	1
	Reactive maintenance spend/ property p.w./ £	N/A	9.91	9.9	10.81	2	8.80	3
	Cyclical maintenance spend/ property p.w./ £	N/A	2.87	3.08	8.66	1	4.83	1
	Major works maintenance spend/ property p.w./ £	N/A	33.86	27.39	14.34	4	10.72	4
	Void works spend/ property p.w.	N/A	3.50	2.14	1.92	3	2.11	3
Estate Services	Satisfaction with estate services	N/A	85%	93%	87.5%	1	87.5%	2
Costs	Weekly operating cost per unit/ £	87	104	103	92	3	88	3
	Weekly management cost per unit/£	17	21	14	29	1	21	1
	Cost per property p.a. - Housing Management/ £	N/A	N/A	348	447	2	402	2
	Cost per property p.a. - Responsive repairs & voids/ £	N/A	N/A	745	835	2	683	3
	Cost per property p.a. - Major & cyclical works/ £	N/A	N/A	1776	1404	3	869	4
Sector Scorecard	Operating margin (overall)			24.9%				
	Return on capital employed (ROCE)			3.2%				
	Gearing			6.36%				

Notes:

- Peer Group Quartile: Quartile data compares the most recent data for the Association with the most recent peer group data. Datasets may therefore not be the same year.
- Costs: Cost data derives from both the Association's Financial Statements and using HouseMark 'Cost per Property' definitions. The latter is only available from 2016/17.
- Sector Scorecard: The NHF in conjunction with Home Housing Group have developed a common set of metrics with which to compare performance, costs and efficiency. This is currently being piloted using data from the year to 31 March 2017. The Association has volunteered to be one of the pilot associations. At the time of writing no meaningful comparison data is available. Included in the table above are three selected measures of financial performance drawn from the scorecard – operating margin, return on capital employed and gearing. It is expected that the sector scorecard will become a key comparison tool in future years.

Areas where the Association is performing well include the following:

- Residents score the Association highly for overall services, the repairs service, the quality of their home and neighbourhood, estate services and that the Association listens to their views and acts on what it hears.
- Satisfaction with value for money of rents and service charges is also high with scores which are above average compared to both the peer group and nationally.
- Performance on re-letting void properties is good and has improved further this year. The Association has significantly reduced the time it takes to relet properties and void days are better than average compared to both the peer group and nationally. As well as helping to maximise income, this also contributes to promptness of meeting housing needs and maximising the social value of the Association's assets.
- Reactive repairs are generally performing well. The Association is better than average in completing repair work within target times and in the average time it takes to complete repairs. Direct spend on repair works is also better than average. Satisfaction with the repairs at 94% is better than average compared to the peer group, albeit below average nationally. The Association does however recognise that it is below average for completing repairs in a single visit compared to the peer group but better than average nationally.
- Cost per property per annum at £348 for housing management is better than average compared to both the peer group and nationally. Cost per property per annum at £745 for responsive repairs and voids compares well to the peer group, they are however higher than the average nationally. This measure includes both direct works costs and costs of managing the service.
- Gas safety compliance remains at 100%.

Areas the Association has identified as areas where improvements could be made are as follows:

- Although staff sickness levels have reduced from the previous year, they still remain high compared the peer group and the national average. This stems mainly from a small number of staff on long term absence. Absence management is a key focus for managers and is being monitored closely.
- Spend per property on major and cyclical works is high at £1,776 per annum when compared to the peer group average of £1,404. This is primarily driven by higher spend on major works costs rather than the internal cost of managing the service. Cyclical works costs are below average. The Association will look at its major works spend in more detail over the next year.
- Overall weekly operating costs at £103 per property are higher than average although have remained static compared to the previous year.
- Rent collection has marginally improved, but remains just below 100% and below the average for the peer group and nationally. Arrears measured in relation to the total rent debit have increased from previous years but remain better than the average for the peer group. A key driver for this has been an increase in the arrears of those tenants owing amounts of over £500 which is partly attributable to changes in welfare benefits, rather than in the actual number of tenants in arrears. The Association continues to focus on income management with an emphasis on prevention.
- Void spend per property at £2.14 per week is slightly higher than the benchmarked averages. This figure can fluctuate depending on the volume of voids and their condition and so needs to be interpreted with caution. The Association will be keeping this under review.

During the year the Management Team carried out specific Value for Money reviews in the areas of their responsibilities. These included the following:

- Investment has been made in hardware and software to support more effective mobile working practices for staff that spend a significant amount of time out of the office. This is expected to help create savings in terms of travel costs and time and will also allow more site visits to be undertaken.

- An exercise to re-procure the Association's internal audit services was started during the year. This is expected to be concluded by July 2017.
- Spending on responsive repairs has been reduced through a combination of a lower volume of repairs and a lower average job cost. This stems from attention to managing the performance of contractors, clarity over repairing obligations and benefits from investment in planned works. The average works cost of responsive repairs per property was £9.90 per week, which compares to the benchmark of £10.81 per week. Quality has been maintained with 94% satisfaction levels and an average time of 6.6 days to complete all repairs.
- Staff and board members attended 99 training sessions during the year at a cost of £17,546. The cost was less than the previous year largely through the use of more cost effective methods of training such as webinars and shared procurement with other local associations.
- The services of Adam Integra were retained during the year at a cost of £15,500 to help with the Association's development plans. There was no increase in the cost from the previous year. The Association's external development support needs are currently under review to help ensure maximisation of its potential for developing and acquiring more homes.
- The overall cost of insurance was held flat compared to last year despite an increase in Insurance Premium Tax from 6% to 9.5%. A large part of this was due to a £1,500 rebate which was due to the Association's low claims history. In addition, a windfall saving of £2,500 was made on Directors' and Officers' cover.
- The Association works closely with the London Fire Bridge through an agreed partnership scheme in order to improve fire safety within the organisation and its buildings. Due to its excellent fire safety management record, the Association was able to negotiate a reduction in the standard hours of the contract and achieve a saving of £2,040 per annum
- The increase in the cost of the gas servicing and maintenance contract for the year was 2% compared to a contracted increase of RPI plus 1% (i.e. 3.5%).
- The Association procures its stock reinvestment work through a mixture of tendered and partnered agreements. Tenders received were broadly in line with proposed budgeted costs giving a good indication that the Association's forecast are in line with current market. The Association is able to constantly produce high levels of resident satisfaction with its stock reinvestment work, with good quality products and an excellent standard of work.
- The proven practice of asking for basic repairs to be carried out at the same time as electrical testing was continued during the year thus gaining value by reducing the number of times a contractor needs to visit a particular property.
- The Association, were able to maintain contract cost for wet conversions for one of its sheltered schemes, central heating upgrades and electrical testing during a period where the industry has experienced increases in excess of 5% per annum.
- An interactive texting service was implemented during the year in partnership with the Association's IT provider Omniledger and this will be developed further over the course of the next few years. This is expected to reduce costs while offering a quicker and more customer focused service. Investment in the service amounted to £9,137 including implementation and training. The Association estimates savings of £21,000 annually, together with service improvements.

In addition, a number of savings had been estimated in last year's Value for Money report. These included the following:

- A franking machine was purchased 3 years ago saving a further £2,200 in the current year compared to the costs of standard second class postage and some £9,000 since implemented 3 years ago.
- The Association was achieving a saving of £7,100 per annum for lift servicing and breakdown cover. Due to various service shortfalls with the provider this contract was retendered during the year. Although the agreed cost is higher than that of the previous contract, this continues to achieve a saving of £1,346 when compared to the original costs from 2012/13.

- As part of the Association's commitment to improve energy efficiency within its stock reinvestment programmes, working in partnership with the Help to Heat Funding and Energy Savings Trust schemes, it achieved a total grant of £55,365 towards its cavity wall insulation to 48 flats and the installation of gas central heating to 42 flats.
- Arrangements with contractors for carrying out repairs to void properties through a schedule of rates, has been continued during the year. This supports swift turnaround as evidenced by the Association's low average relet period of just 15 days.
- Included in insurance premiums are several additional benefits which would otherwise come at an additional cost to the Association. The benefits include a bereavement counselling service, a probate helpline, a second medical opinion service, and an employee counselling service. If the Association had purchased these services separately, it would have cost in the region of £3,000 a year.
- Despite external pressures on prices, there was once again no increase in the price of the maintenance contract with the Association's key IT software provider compared to the previous year.

Return on Assets

Part of the Association's approach to delivering value is to assess what returns it receives from its investment across each of its assets.

The Association's staff are, in many ways, its most important asset. If staff do not get service delivery right then one of the Association's main aims for high levels of resident satisfaction, would not be achievable. Upper quartile pay is awarded to staff so as to compete for good quality and experienced personnel who are attracted by central London salaries. Staff turnover is low within the Associated compared to its peers and nationally and, as a result the Association benefits from lower than average recruitment costs. The use of site based staff act as the Association's eyes and ears on the ground, helping it to respond swiftly to incidents such as dumped rubbish, and helps minimises and deter vandalism and graffiti. Staff sickness levels, however, are higher than average, driven primarily by a small number of long term absentees. The average per staff member excluding long term sickness for the year to 31 March 2017 was 4.8 days. Although the average has reduced from the previous year, this remains a key area of focus for the Association.

The Association's policy is that on-going and timely investment in the condition and quality of its housing is fundamental in maintaining the physical asset and the public investment in its social housing stock. There is an annual programme of stock reinvestment for the replacement of building components such as windows, roofs, bathrooms and kitchens. The stock investment programme is based on the expected life of key building components and the Association's long term thirty year financial plan is based on the required average spend projected forward. The current level of investment is higher than the average for the peer group and as noted previously is an area that the Association will be looking at in more detail.

The Association is aware that a strategic approach to asset management includes an assessment of variations across its property portfolio in the level of return on assets. The Association's overall return on assets employed is 3.2%. At a basic level, after testing, none of the Association's properties required the recognition of an impairment provision in its Financial Statements. As part of this assessment, the Association carries out a review of the Net Present Value (NPV) on a scheme by scheme basis. This showed that each scheme taken as a whole delivers a positive NPV score which means that the anticipated return from these properties is more than the investment made. At a more detailed level, there are a small number of individual properties which have negative NPVs – primarily the Association's street properties within the Hayles Street and Elliott's Row area, where significant investment has been made into refurbishment of unimproved properties. This, in part, has prompted a development of the Association's approach to option appraisal of the remaining unimproved stock in this area with the Board decision to look at the disposal of one of these properties. Other variations in the NPV between schemes have been as expected.

The Association's housing properties are used to support the development of new affordable homes in order to help meet government objectives, without compromising its programme of investment in existing properties. As such the Association is actively exploring ways in which it can increase the number of homes for people in need. A key element of this has been to investigate the potential for more intensive and effective use of its existing sites through infill development and as such creating a forward development programme. In addition to this, the Association is working in partnership with Orbit Homes to acquire and develop small new housing sites and are also pursuing acquisition of existing social housing in its core areas where other providers may be looking to rationalise their stock. The Association has capacity to increase its stock without any immediate need to employ additional staff, offering the opportunity to enhance the value efficiency of its services.

With a gearing ratio at slightly over 6%, a net interest cover of approximately 5.4 and more than half of its properties currently unsecured, the Association is well placed to borrow more to help finance a modest development programme in the short to medium term. During the year, the Association commissioned an external review of its treasury, including both an assessment of its existing loan portfolio and future borrowing capacity. This will feed into the Association's development strategy planned for 2017/18.

Keniston also sees the delivery of social value from its assets as an important part of its operations. It achieves this in a number of different ways such as providing tenants with security of tenure; supporting community based activities such as addressing specific training needs and providing help with employment; adopting a more personal approach to housing management; supporting tenants with their finances and improving their wellbeing, including the provision of affordable warmth initiatives; delivering clean and tidy estates together with safe areas to play and providing onsite scheme managers for older people enabling them to live independently for an extended period of time.

Future Value for Money Reviews

The Association will continue to identify efficiencies and cost savings, setting targets across a number of areas and monitoring and reporting performance on a regular basis, in order to further improve the return on its assets and to add additional economic and social value both to the organisation and within the communities it serves.

Conclusion

In the light of all the above, having considered the Association's performance and the independently collected results of high levels of resident satisfaction, the conclusion drawn is that the Association can demonstrate its compliance with the regulatory standard on Value for Money.

Going Concern

After reviewing the Association's budget for the next financial year and its long term projections, the Board has a reasonable expectation that the Association has adequate resources to continue in operation for the foreseeable future. The Association therefore continues to adopt the going concern basis in preparing the Financial Statements.

Auditors

A resolution to reappoint the auditors, Nexia Smith and Williamson will be proposed at the next Annual General Meeting.

Disclosure of Information to the Auditors

In the case of each person who was a member of the Board at the time this report was approved:

- so far as that member was aware, there was no relevant available information of which the Association's auditors were unaware; and

- that member had taken all steps that he or she ought to have taken as a member of the Board to make himself or herself aware of any relevant audit information and to establish that the Association's auditors were aware of that information.

By order of the Board

Julian P. Miles

Julian Miles
Chair

Date: 20 July 2017

STATEMENT OF BOARD RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for preparing the Financial Statements in accordance with applicable law and regulations.

The Board has elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

The Co-operative and Community Benefit Societies Act 2014 and Housing and Regeneration Act require the Board to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association 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; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and its assets and liabilities and to enable them to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. It has general responsibility for taking reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

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

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KENISTON HOUSING ASSOCIATION LIMITED

We have audited the Financial Statements of Keniston Housing Association Limited for the year ended 31 March 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Capital and Reserves, the Statement of Cash Flows and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable to the UK and Ireland".

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

Respective responsibilities of the Board and the Auditor
As explained more fully in the Statement of Board's Responsibilities set out on page 14, the Board is responsible for the preparation of Financial Statements which give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the Financial Statements
A description of the scope of an audit of Financial Statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the Financial Statements
In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the Financial Statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Nexia Smith & Williamson

25 Moorgate
London
EC2R 6AY

Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

Date: 28 July 2017

KENISTON HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017 (INCOME AND EXPENDITURE ACCOUNT)

	Notes	2017 £	2016 £
Turnover	2,3	5,266,852	5,240,622
Operating costs	3	(3,997,297)	(4,285,801)
Operating surplus	3	1,269,555	954,821
Other interest receivable and similar income		17,939	18,705
Interest payable and similar charges	6	(200,055)	(214,631)
Other finance costs	7	(17,000)	(12,000)
Surplus for the year	8	1,070,439	746,895
Other comprehensive income		-	-
Total comprehensive income for the year		1,070,439	746,895

The Association's activities are all classified as continuing.

KENISTON HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017 (BALANCE SHEET)

	Notes	2017 £	2016 £
Fixed assets			
Housing properties: cost less depreciation	10	37,894,338	38,155,240
Other tangible fixed assets	11	408,239	468,410
		38,302,577	38,623,650
Current assets			
Debtors	12	326,361	232,958
Cash and cash equivalents		4,095,829	3,391,359
		4,422,190	3,624,317
Creditors: Amounts falling due within one year	13	(1,763,098)	(1,633,411)
Net current assets		2,659,092	1,990,906
Total assets less current liabilities		40,961,669	40,614,556
Creditors: Amounts falling due after more than one year	14	26,647,986	27,371,304
Capital and Reserves			
Non-equity share capital	16, 17	12	20
Revenue reserves	17	14,313,671	13,243,232
		14,313,683	13,243,252
		40,961,669	40,614,556

The Financial Statements were approved by the Board on 20 July 2017 and signed on their behalf by:

Julian P. Miles
....
Julian Miles
Chair

....
Barry Luhmann
Board Member

....
Andrew Shiatis
Company Secretary

STATEMENT OF CHANGES IN CAPITAL AND RESERVES FOR THE YEAR ENDED 31 MARCH 2017

	Non-equity Share Capital £	Revenue Reserves £	Total Capital and Reserves £
At 1 April 2016	20	13,243,232	13,243,252
Surplus from Statement of Comprehensive Income	-	1,070,439	1,070,439
Shares surrendered	(8)	-	(8)
At 31 March 2017	12	14,313,671	14,313,683

	Non-equity Share Capital £	Revenue Reserves £	Total Capital and Reserves £
At 1 April 2015	18	12,496,337	12,496,355
Surplus from Statement of Comprehensive Income	-	746,895	746,895
Shares issued	3	-	3
Shares surrendered	(1)	-	(1)
At 31 March 2016	20	13,243,232	13,243,252

KENISTON HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £	2016 £
Net cash inflow from operating activities	A	1,702,368	1,790,728
Cash flow from investing activities			
Interest received		18,307	17,821
Additions to housing properties		(496,950)	(1,227,765)
Grant received / (repaid) in the year		50,000	(13,926)
Purchase of other tangible fixed assets		(218,078)	(151,375)
Proceeds from disposal of other tangible fixed assets		7,923	5,921
Net cash flow from investing activities		(638,798)	(1,369,324)
Cash flow from financing activities			
Interest paid		(200,055)	(214,631)
Repayment of Housing loans		(159,045)	(143,102)
Net cash flow from financing activities		(359,100)	(357,733)
Net change in cash and cash equivalents	B	704,470	63,671
Cash and cash equivalents:			
At beginning of the financial year		3,391,359	3,327,688
At the end of the financial year	B	4,095,829	3,391,359

NOTES TO THE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

A Reconciliation of surplus for the year to net cash inflow from operating activities

	2017 £	2016 £
Surplus for the year	1,070,439	746,895
Adjustments to reconcile surplus for the year to net cash flow from operating activities:		
Loss on replacement of housing property components	23,457	37,224
Profit on sale of other tangible fixed assets	(7,923)	(5,921)
Other interest receivable and similar income	(17,939)	(18,705)
Interest payable	200,055	214,631
Other finance costs	17,000	12,000
Depreciation charges on tangible fixed assets	1,109,013	1,089,937
Government grant amortised during the year	(480,478)	(480,478)
(Increase) / Decrease in debtors	(143,771)	38,496
(Decrease) / Increase in creditors	(67,485)	156,649
Net cash inflow from operating activities	1,702,368	1,790,728

B Cash and cash equivalents

	31 March 2016 £	Cash flows £	31 March 2017 £
Cash at bank and in hand	1,609,593	(12,103)	1,597,490
Short term deposits	1,781,766	716,573	2,498,339
Total	3,391,359	704,470	4,095,829

1 Accounting policies

The Association is incorporated as a registered society under the Co-operative and Community Benefit Societies Act 2014 and is a Registered Provider of Social Housing registered with the Homes and Communities Agency.

A description of the nature of the Association's operations and its principal activity is disclosed in the Report of the Board on page 3.

The Association's registered office is 13 Artington Close, Farnborough, Kent, BR6 7UL.

Basis of preparation

These accounts are prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and the Housing SORP 2014 "Statement of Recommended Practice for registered social housing providers 2014" ("the SORP") and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

The accounts have been prepared under the historical cost convention.

The functional currency of the Association is pounds sterling, this being the currency of the economic environment in which the Association operates.

On transition to FRS 102 in the prior year, the Association elected to determine whether an arrangement existing at the date of transition to FRS 102 contained a lease on the basis of facts and circumstances existing at that date rather than when the arrangement was entered into.

A reclassification adjustment has been made between creditors falling due after more than one year and within one year in the comparative figures to reflect the current portion of the pension deficit. This adjustment has no impact on the surplus for the year or the revenue reserves.

Going Concern

The Board has a reasonable expectation that the Association has adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

Judgements and estimates

The preparation of the Financial Statements requires the use of estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for income and expenses for the year. Although these estimates and associated assumptions are based on historical experience and the management's best knowledge of current events and actions, the actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an on-going basis.

Significant judgements in applying the Association's accounting policies

The following are the significant judgements, apart from those involving estimations (which are dealt with separately below), that the Board has made in the process of applying the Association's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

1 Accounting policies (continued)

Basic versus other for financial instruments: The classification of financial instruments as "basic" or "other" requires judgement as to whether all applicable conditions as basic are met. This includes consideration of the form of the instrument and its financial return.

Impairment of housing property: Where there are indications of impairment on housing property assets, the Association performs impairments tests on these assets. As explained in the accounting policies, housing properties are grouped into schemes reflecting how the properties are managed.

Recoverable amounts are based on either future cash flows or depreciated replacement cost. Depreciated replacement cost is only considered where assets are held for their service potential. The assessment of whether an asset is held for its service potential is a matter of judgement and in making that judgement the Board considers the current use of the asset and the expected future use of the asset. If the asset is unable to be let in its current condition or is not being used for a social purpose, either now or in the foreseeable future, it is assessed as not being held for its service potential.

Recoverable amounts for assets held for their service potential is assessed as the depreciated replacement cost which is the lower of the cost of purchasing an equivalent property on the open market; and the land cost plus the rebuilding cost of the structure and components. The Association has no history of acquiring or selling properties from or to other registered providers and the Board considers that there is no active market.

Key sources of estimation uncertainty

The estimates and assumptions which have the most significant effect on amounts recognised in the Financial Statements are set out below:

Housing property costs: The Association accounts for its expenditure on housing properties using component accounting. Under component accounting, the housing property is divided into those major components which are considered to have substantially different useful economic lives. Judgement is used in estimating the allocation of property costs between components and in determining the useful economic lives of each component. At 31 March 2017, the cost of housing properties is £60,197,229 (2016: £59,936,940).

Depreciation: The depreciation expense is the recognition of the decline in the value of the asset and allocation of the cost of the asset over the periods in which the asset will be used. Judgements are made on the estimated useful life of the assets which are regularly reviewed to reflect changes in the environment. At 31 March 2017, the accumulated depreciation of housing properties is £22,302,891 (2016: £21,781,700) and the accumulated depreciation of other tangible fixed assets is £835,228 (2016: £814,315).

Defined benefit pension liability: Discount rates are used in determining the defined pension liability. In determining the appropriate discount rate, consideration is made to the interest rates of corporate bonds with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. At 31 March 2017, a liability of £824,000 (2016: £881,000) is recorded in the Statement of Financial Position.

Contract Works: For contract works completed but not yet invoiced, estimates are used of the value of work completed. At 31 March 2017, a liability of £471,450 (2016: £360,724) is recorded in the Statement of Financial Position.

1 Accounting policies (continued)

Tangible fixed assets and depreciation

Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit and are stated at cost less depreciation and less provision for any impairment in value.

The cost of properties is the initial purchase price together with those costs that are directly attributable to acquisition and construction.

Interest on a fair proportion of total borrowings on housing properties in development is capitalised during the period of development.

Development overheads are capitalised to the extent that they are directly attributable to bringing schemes into working condition for their intended use. Such expenditure consists of a proportion of the cost of staff who work on development activities. Marketing or administration costs in relation to developments are not capitalised.

The Association accounts for its expenditure on housing properties using component accounting. Under component accounting, the housing property is divided into those major components which are considered to have substantially different useful lives. The particular components and useful economic lives are as follows:

Land	Infinite
House Structure	100 years
Roof Structure and Covering	15-40 years
Windows and External Doors	30 years
Bathrooms	25-30 years
Kitchens	15 years
Heating System	15-25 years

Land is stated at cost and is not depreciated. Properties in the course of construction are not depreciated.

Subsequent expenditure which relates to either the replacement of previously capitalised components or the enhancement of such components which results in incremental future benefit is capitalised and the carrying amount of any replaced component or part component is derecognised. All other major repair expenditure and the cost of responsive repairs, cyclical maintenance and internal decorations is charged to the Statement of Comprehensive Income when work is performed.

All depreciation is provided on a straight line basis.

1 Accounting policies (continued)

Tangible fixed assets and depreciation (continued)

Other fixed assets

Other fixed assets are included at cost to the Association, less provision for any impairment in value and depreciation, which is provided on a straight line basis, on the cost over the useful lives of the assets, at the following annual rates:

Office Furniture and Equipment	10-25%
Motor Vehicles	25%
Computer Equipment	25-33%
Scheme Equipment	5-20%

Impairment

Non-financial assets - comprise housing properties and other fixed assets

Non-financial assets, other than those measured at fair value, are assessed for indications of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income as described below.

A non-financial asset is impaired where there is objective evidence that, as a result of one or more events after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of a non-financial asset is the higher of its fair value less costs to sell and its value in use.

Value in use for housing properties which are able to be let in their current condition and which are fulfilling the social purpose for which they were acquired is based on the depreciated replacement cost of the asset. For other schemes, value in use is defined as the net present value of the future cash flows before interest generated from the scheme.

Where indicators exist for a reduction in an impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not exceed the original carrying value.

Financial assets - comprise rents receivable, other debtors and cash and cash equivalents

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

1 Accounting policies (continued)

Grants

Government grant

The Association applies the accrual model for government grant relating to assets.

Government grants include grants receivable from the Homes & Communities Agency (HCA), local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and its individual components (excluding land), on a pro rata basis under the accrual model.

The unamortised element of the government grant is recognised as deferred income in creditors due within one year or due after more than one year as appropriate in the Statement of Financial Position. Government grant which is received in advance of total development costs is shown as a current liability.

Where a component is replaced the amount of any unamortised government grant associated with this component is taken to income.

Government grant is repayable indefinitely unless formally abated or waived. On the occurrence of certain relevant events, primarily following the sale of property, the government grant repayable or to be recycled will be restricted to the net proceeds of sale where appropriate. In recognition of this, external lenders seek the subordination of the Home and Communities Agency's right to recover government grant to their own loans.

Government grant received in respect of revenue expenditure is recognised within income in the same period as the related expenditure, provided that the conditions for its receipt have been satisfied and there is reasonable assurance that the grant will be received using the performance model of grant accounting.

Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose a specific future performance condition is recognised as revenue when the grant proceeds are receivable. A grant that imposes specific future performance related conditions on the Association, is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is shown as a liability in the Statement of Financial Position.

Recycled capital grant fund

Following certain relevant events, primarily the sale of dwellings, the Homes and Communities Agency can direct the Association to recycle capital grant or to repay the recoverable capital grant back to the Authority. Where the grant is recycled the recoverable capital grant is credited to a Recycled Capital Grant Fund which is included as a creditor due within one year or due after more than one year as appropriate.

1 Accounting policies (continued)

Financial Instruments

Financial assets and financial liabilities are recognised when the Association becomes party to the contractual provisions of the financial instrument.

All financial assets and financial liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through the Statement of Comprehensive Income, which are initially measured at fair value (normally the transaction price less transaction costs), unless the arrangement constitutes a financial transaction. If an arrangement constitutes a financial transaction, the financial asset or financial liability is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the Statement of Financial Position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Association intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the conditions of Section 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method.

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Financial assets are only derecognised when and only when:

- the contractual rights to the cash flows from the financial asset expire or are settled,
- the Association transfers to another party substantially all the risk and rewards of ownership of the financial asset, or,
- the Association, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

The Association does not use stand-alone derivative financial instruments to reduce exposure to interest rate movements.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and at bank and short term deposits. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash without significant risk of change in value.

Provisions

Provisions for liabilities and charges are recognised when the Association has a present obligation (whether legal or construction) as a result of a past event that can be reliably estimated and it is probable that a transfer of economic benefit will be required to settle the obligation.

1 Accounting policies (continued)

Pension costs

The Association is part of the Social Housing Pension Scheme, a multi-employer defined benefit (final salary) contributory pension scheme administered independently by The Pensions Trust. The expected liability for the contributions payable that arise from the deficit funding agreement, discounted using market yield at the reporting date on high quality corporate bonds, with a currency and period consistent with the future payments, is recognised as a creditor in the Statement of Financial Position. The charge to the Statement of Comprehensive Income represents the net movement in the liability.

Holiday pay and unpaid overtime accrual

A liability is recognised to the extent of any unused holiday pay entitlement and unpaid overtime entitlement which has accrued at the balance sheet date, has been carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Turnover

Turnover comprises rental income and service charges receivable net or voids, fees, revenue grants and amortised grants from local authorities and the Homes and Communities Agency.

Rental income is recognised on the basis of the amount receivable for the year. Rental income received in advance is disclosed within creditors in the Statement of Financial Position.

Service charge and other income is accounted for on the basis of the value of goods or services supplied during the period. Any over or under recovery of service charge amounts due is reflected as a creditor or debtor, respectively.

Through its service charge, the Association collects sinking funds for significant items of future expenditure. Such funds have been recognised as a creditor in the Statement of Financial Position.

Grant income is recognised as set out in the grant accounting policy.

Taxation

The Association has charitable status and is therefore not subject to Corporation Tax on surpluses derived from charitable activities.

The Association is not registered for VAT purposes and expenditure is shown gross of any value added tax.

Restricted funds

Where funds are received or generated, which are held for use limited by restrictions determined by third parties, these are shown as restricted reserves.

2 Turnover and surplus analysis

All turnover and operating costs arose from social housing activities as shown in note 3.

3 Particulars of turnover, operating costs and operating surplus

Note A - Particulars of turnover, operating costs and operating surplus

	2017 Turnover	2017 Operating costs	2017 Operating surplus / (deficit)	2016 Turnover	2016 Operating costs	2016 Operating surplus / (deficit)
	£	£	£	£	£	£
Social Housing lettings (note B)	5,242,984	(3,905,053)	1,337,931	5,213,621	(4,197,878)	1,015,743
Other social housing activities: Charges for support services	23,868	(92,244)	(68,376)	27,001	(87,923)	(60,922)
Total	5,266,852	(3,997,297)	1,269,555	5,240,622	(4,285,801)	954,821

3 Particulars of turnover operating costs and operating surplus (continued)

Note B - Particulars of income and expenditure from Social Housing lettings are shown below:

	2017 £	2016 £
Income from lettings		
Rent receivable net of identifiable service charges	4,276,542	4,260,175
Service charge income	427,371	414,469
Net rents receivable	4,703,913	4,674,644
Amortised government grants	480,478	480,478
Other income	58,593	58,499
Total income from social housing lettings	5,242,984	5,213,621
Expenditure on letting activities		
Management	528,081	622,885
Service charge costs	383,770	362,625
Routine maintenance	1,090,800	1,052,435
Planned maintenance	591,381	649,084
Bad debts	67,595	15,717
Replacement of housing property components		
- accelerated depreciation	23,457	133,637
- release of grant	-	(96,413)
Depreciation of housing properties	1,048,668	1,027,772
Profit on disposal of other fixed assets	(7,923)	(5,921)
Other costs	39,620	33,352
Development	114,604	113,705
Re-measurement of pension deficit contribution (note 19)	25,000	289,000
Operating costs on social housing lettings	3,905,053	4,197,878
Operating surplus on social housing lettings	1,337,931	1,015,743
Void losses - being rental income lost as a result of property not being let, included in rents receivable above	8,671	10,103

4 Emoluments of the Management Team

	2017 £	2016 £
Aggregate emoluments of the Management Team (including pension contributions and benefits in kind)	267,169	267,145

	2017	2016
The emoluments of the highest paid Management Team member, the Finance Director (2016: the Chief Executive) were: Gross salary (excluding pension contributions and benefits in kind)	63,050	78,270

	2017	2016
Full time equivalent staff with remuneration between:		
£60,000 and £70,000	1	1
£70,000 and £80,000	-	1

Jonathan Card replaced Nevil Osborne as Chief Executive of the Association in August 2016 and therefore as neither of these employees served for the full year, the Chief Executive was not the highest paid Management Team member during the year. The annual salary of the new Chief Executive, excluding pension contributions and benefits in kind, was £80,000.

The Chief Executive is a member of the Association's defined benefit pension scheme, on standard terms.

No member of the Board receives any emoluments.

5 Employee information

The average monthly number of persons (excluding board members) employed during the year expressed in full time equivalents based on a 35 hour week was:

	2017 No.	2016 No.
Office staff	20	19
Wardens, caretakers and cleaners	8	8
Maintenance	1	1
Full time equivalents	29	28

	£	£
Staff costs (including the Chief Executive)		
Wages and salaries	912,821	921,989
Social security	83,448	73,606
Pension costs	165,836	122,291
	1,162,105	1,117,886

6 Interest payable and similar charges

	2017	2016
	£	£
On housing loans repayable wholly or partly in more than five years	200,055	214,631

7 Other finance costs

	2017	2016
	£	£
Unwinding of discount factor on defined benefit pension liability (note 19)	17,000	12,000

8 Surplus for the year

	2017	2016
	£	£
The surplus is stated after charging / (crediting):		
Depreciation of tangible fixed assets		
- housing properties	1,048,668	1,027,772
- other fixed assets	60,345	62,165
Amortised government grant	(480,478)	(480,478)
Pension re-measurements (note 19)	25,000	289,000
Auditor's remuneration (excluding VAT)		
- as auditors	14,840	13,250
- for other services	-	5,400
Profit on disposal of fixed assets (note 9)	(7,923)	(5,921)

9 Profit on disposal of other fixed assets

	2017	2016
	£	£
Proceeds from sale (gross)	7,923	5,921
Net book value at disposal	-	-
	7,923	5,921

10 Housing properties

	Freehold housing properties held for letting £	Properties in the course of construction £	Long leasehold housing properties £	Total £
Cost				
At 1 April 2016	59,564,209	-	372,731	59,936,940
Component replacement	811,223	-	-	811,223
Disposals	(550,934)	-	-	(550,934)
At 31 March 2017	59,824,498	-	372,731	60,197,229
Accumulated depreciation				
At 1 April 2016	21,753,896	-	27,804	21,781,700
Charge for the year	1,048,668	-	-	1,048,668
Disposals	(527,477)	-	-	(527,477)
At 31 March 2017	22,275,087	-	27,804	22,302,891
Net book value				
At 31 March 2017	37,549,411	-	344,927	37,894,338
At 31 March 2016	37,810,313	-	344,927	38,155,240

From 1 April 2017, following a one year exemption from applying the rent reduction, the Association has reduced social housing rents for its Housing for Older People tenants by 1% per annum and will continue to do so in each year until 2019/20 in accordance with the Welfare Reform and Work Act 2016. Despite cost efficiency savings and other changes to the Association's business, this will result in a loss of net rental income for these social housing properties. This rent reduction is an indication of a potential impairment in the carrying value of these social housing properties.

The Association has estimated the recoverable amount for these properties on an individual property by property basis and has compared this to the carrying amount of each property in order to determine if an impairment loss has been incurred. The Association has calculated the recoverable amount for each property using either the:

- Net Present Value, based on an assessment of future cash flows from the property in their present condition discounted by the expected rate of borrowing as at the year end, or,
- Depreciated Replacement Cost, based on appropriate construction costs and land prices and an estimate of the Open Market Value based on similar properties sold in the same area.

Comparing the recoverable amount to the carrying amount of each property, there was no impairment of the Association's Housing for Older People social housing properties.

During the year no interest was capitalised (2016: nil) as part of housing properties in the course of construction.

11 Other fixed assets

	Freehold office premises £	Office equipment £	Scheme equipment £	Motor Vehicles £	Computer equipment £	Total £
Cost						
At 1 April 2016	206,910	269,414	620,556	56,076	129,769	1,282,725
Additions	-	-	69,554	-	14,373	83,927
Disposals	-	-	(83,753)	(21,080)	(18,292)	(123,125)
At 31 March 2017	206,910	269,414	606,357	34,996	125,850	1,243,527
Depreciation						
At 1 April 2016	115,749	251,457	295,762	38,706	112,641	814,315
Charge for year	3,585	5,382	35,195	4,963	11,220	60,345
Disposals	-	-	-	(21,080)	(18,292)	(39,372)
At 31 March 2017	119,334	256,839	330,957	22,589	105,569	835,288
Net book value						
At 31 March 2017	87,576	12,575	275,400	12,407	20,281	408,239
At 31 March 2016	91,161	17,957	324,794	17,370	17,128	468,410

12 Debtors

	2017 £	2016 £
Gross rental debtors	130,837	136,952
Less provision for bad and doubtful debts	(60,815)	(36,810)
	70,022	100,142
Other debtors	199,775	29,523
Prepayments and accrued income	56,564	53,293
Grant receivable	-	50,000
	326,361	232,958

13 Creditors: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	346,497	246,167
Rents paid in advance	118,683	145,252
Sinking funds	5,169	6,100
Housing loans (note 15)	176,772	159,045
Other creditors and accruals	511,755	478,089
Taxation and social security	21,080	19,279
Deferred government grant (note 22)	480,478	480,478
Pension deficit (note 19)	102,664	99,001
	1,763,098	1,633,411

14 Creditors: Amounts falling due after more than one year

	2017 £	2016 £
Housing loans (note 15)	2,233,685	2,410,457
Sinking funds	63,652	69,057
Other creditors and accruals	5,500	5,500
Deferred government grant (note 22)	23,623,813	24,104,291
Pension deficit (note 19)	721,336	781,999
	26,647,986	27,371,304

15 Housing loans

In November 2008 the Association drew down a loan of £1,450,000 from Dexia Public Service Bank which is repayable in instalments by 2028 of which £316,540 had been repaid by 31 March 2017 (2016: £264,785). Interest is charged linked to Libor and was fixed for the five year period from March 2009 to March 2014 and subsequently fixed over the remaining term of the loan from March 2014 at 3.91%. This loan is secured by a first legal charge over certain of the Association's housing properties. This loan will be used for the general needs of the Association including development.

Housing loans totalling £2,153,359 were consolidated as a single loan from Orchardbrook Limited in March 2000 and are repayable in instalments by 2024. £876,362 has been repaid by 31 March 2017 (2016: £769,099). The loan is secured by a first legal charge over certain of the Association's housing properties and is repayable at a fixed rate of interest of 11.376%.

Instalments on both loans are as follows:

	2017 £	2016 £
Within one year	176,772	159,045
Between one and two years	196,486	176,773
Between two and five years	731,109	657,687
In five years or more	1,306,090	1,575,997
	2,410,457	2,569,502

16 Non-equity share capital

	2017 £	2016 £
12 (2016: 20) non-equity share of £1 each	12	20

The shares have limited rights. They carry no entitlement to dividend, they are not repayable and do not participate in a winding up. They carry the following voting rights: to approve the Financial Statements, to appoint members of the Board, to appoint the auditors and to pass resolutions.

17 Capital and Reserves

Non-equity share capital represents the nominal value of shares which have been issued.

Revenue reserves include all current and prior period retained surpluses and deficits.

18 Financial instruments

	2017	2016
	£	£
Financial assets measured at amortised cost:		
Rent receivable	70,022	100,142
Other debtors	199,775	29,523
Cash and cash equivalents	4,095,829	3,391,359
	4,365,626	3,521,024
Financial liabilities measured at amortised cost:		
Trade creditors	346,497	246,167
Housing loans	2,410,457	2,569,502
Other creditors and accruals less than one year	511,755	478,089
Other creditors and accruals greater than one year	5,500	5,500
	3,274,209	3,299,258

None of the financial assets have been pledged as collateral.

19 Pension scheme

The Association participates in the Social Housing Pension Scheme, SHPS ("the Scheme") under a defined benefit section and a defined contribution section. The Scheme is a UK multi-employer scheme which provides benefits to some 500 non-associated employers. At the balance sheet date there were 31 (2016: 30) active members of the Scheme employed by the Association.

It is not possible for the Association to obtain sufficient information to enable it to account for the defined benefit section of the Scheme as a defined benefit scheme and as such it accounts for this section as a defined contribution scheme.

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

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

19 Pension scheme (continued)

A full actuarial valuation of the Scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the Scheme as follows:

Tier 1: From 1 April 2016 to 30 September 2020	£40.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 2: From 1 April 2016 to 30 September 2023	£28.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 3: From 1 April 2016 to 30 September 2026	£32.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)
Tier 4: From 1 April 2016 to 30 September 2026	£31.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)

The shortfall is funded by each participating employer through the payment of additional contributions. The additional contributions for the Association of the year ended 31 March 2018 will be £102,663.72.

Note that the Scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Where the Scheme is in deficit and where the Association has agreed to a deficit funding agreement, the Association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Present value of provision	**2017** **£**	**2016** **£**
As at 31 March	824,000	881,000

19 Pension scheme (continued)

Reconciliation of opening and closing provisions	**2017 £**	**2016 £**
Provision as at 1 April	881,000	649,000
Unwinding of the discount factor (interest expense)	17,000	12,000
Deficit contribution paid	(99,000)	(69,000)
Re-measurements:		
- impact of changes in assumptions	25,000	(6,000)
- amendments to the contribution schedule	-	295,000
As at 31 March	824,000	881,000

Impact on Statement of Comprehensive Income	**2017 £**	**2016 £**
Unwinding of discount factor	17,000	12,000
Re-measurements:		
- impact of changes in assumptions	25,000	(6,000)
- amendments to the contribution schedule	-	295,000
Contributions paid in respect of future service (excluding deficit reduction payments)	60,334	51,888

Assumptions	**2017 % per annum**	**2016 % per annum**
Rate of discount	1.33%	2.06 %

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results using a full AA corporate bond yield curve to discount the same recovery plan contributions.

20 Analysis of accommodation

	Units under management	
	2017 No.	**2016 No.**
Housing accommodation:		
General needs social housing	572	572
Affordable social housing	15	15
Housing for older people	139	139

21 Financial commitments

At 31 March 2017 and 31 March 2016, the Association has not contracted for housing property stock reinvestment expenditure so far as not provided for.

At 31 March 2017 and 31 March 2016, the Association has not contracted for development expenditure so far as not provided for.

At 31 March 2017 the Association has £630,000 (2016: £883,000) of capital expenditure approved by the Board but not yet contracted. This primarily relates to the Association's housing property stock reinvestment expenditure for the forthcoming year.

The above commitments are proposed to be financed by cash reserves.

22 Grant

	Total 2017 £	Total 2016 £
At 1 April	41,906,124	42,468,843
Grant receivable in the year	-	50,000
Grant released on replacement of property component	(489,924)	(612,719)
At 31 March	41,416,200	41,906,124
Grant Amortisation		
At 1 April	17,321,355	17,357,183
Grant amortised in the year	480,478	480,478
Grant released on replacement of property component	(489,924)	(516,306)
At 31 March	17,311,909	17,321,355
Deferred Capital Grant at 31 March	24,104,291	24,584,769

The Association has received Housing Association Grant and Social Housing Grant from the government and local authorities to be applied towards the cost of acquiring, refurbishing and developing housing for rent or sale. Following certain relevant events, primarily the sale of dwellings, the Homes & Communities Agency can direct the Association to recycle capital grant or to repay the recoverable capital grant back to the appropriate authority.

At 31 March 2017 total capital grant received is £51,828,237 (2016: £51,828,237) of which £27,723,945 has previously been amortised to income. Total revenue grant received is £12,619,639 (2016: £12,619,639).

At the end of the financial year all Social Housing Grant has been received (2016: £50,000 of Social Housing Grant was treated as receivable and was included in debtors).

23 Related party transactions

£6,628 (2016: £6,570) is included within turnover representing the annual rent and service charge income from tenants who were also board members of the Association. All such tenancy agreements and transactions were conducted on an arm's length basis and on normal terms. At 31 March 2017, £151 (2016: £151) was owed by the Association back to these board members.

The Board and the Management Team have the authority and the responsibility for planning, directing and controlling the activities of the Association. None of the Board received any remuneration for their services to the Association. The aggregate remuneration received by the Management Team was £296,927 including employers' national insurance (2016: £295,076).

24 Events since the end of the financial year

There have been no significant events since the end of the financial year.