Keniston

KENISTON HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2020

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 2020

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OFFICERS AND PROFESSIONAL ADVISERS

BOARD	Simone Bailey Shehla Husain (Co-Vice Chair) Seema Jassi Emma Keegan (Chair: appointed 30 October 2019) Barry Luhmann (Chair: Audit & Risk Committee) Sally Rice (Chair: Development Committee) Sheila Sackey Lucy Worrall Peter Voisey (Co-Vice Chair)
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

REPORT OF THE BOARD OF KENISTON HOUSING ASSOCIATION
FOR THE YEAR ENDED 31 MARCH 2020

The Board is pleased to present its report together with the audited Financial Statements for the year ended 31 March 2020.

Principal Activities

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

The Association's vision is to deliver:

- **Better Homes**: Keeping its homes safe and well-maintained, now and into the future;
- **Better Services**: Delivering good quality, cost-effective services and putting residents at the heart of what it does; and
- **Better Neighbourhoods**: Remaining a responsible, caring and personal landlord that creates sustainable neighbourhoods and supports communities.

Review of the Business

The financial results for the year ended 31 March 2020 show a satisfactory position.

The Association made a surplus for the year of £560,893 (2019: £1,368,473), on a turnover of £5,836,268 (2019: £5,183,452). Total capital and reserves are £18,148,819 (2019: £16,887,935).

After taking account of investments in housing properties, the Association's assets before deducting long-term loans and other long-term creditors total £48,098,697 (2019: £42,823,117).

In May 2019, the Association completed the acquisition of 120 units and 10 garages from another housing association, together with the freehold of the site, for £9,442,694 plus £69,816 of associated expenses. The properties are a mixture of general needs, housing for older persons and supported housing.

The supported housing scheme, known as Robert Whyte House, consists of 35 units with most accommodation comprising single rooms with shared kitchenette and bathroom facilities. As part of the acquisition, it was always the Association's intention to carry out an option appraisal of this scheme within 2-3 years following the acquisition, with a view to remodelling, extending or redeveloping the site. This option appraisal has now been brought forward, since, following the acquisition, an in-depth Fire Risk Assessment of the scheme found that it did not adequately meet required regulatory standards. This has led to a significant fire hazard rating, requiring immediate actions regarding how the Association operates the building in the short term. The Association is currently decanting all residents from the scheme with the intention of closing the site by the end of March 2021, after which the scheme will be remodelled or redeveloped to a standard which will help maximise the occupancy levels and will allow nominations to resume from Bromley Council.

In December 2019, the Association completed the purchase of a leasehold property at its Dromore scheme, for £283,438 including component re-investment costs. The Association already owns the freehold for this site and, following this purchase, 10 of the 18 units within the scheme are now under its management. The Greater London Authority provided £70,000 of grant funding for this purchase.

Review of the Business (continued)

During the year, the Association has continued to consider the recommendations and good practice guidance, together with any changes in regulations, emerging as a result of the ongoing Grenfell fire enquiry. Although compliant with all current requirements, the Association has enhanced and will continue to look for ways to enhance its fire safety working practices across all of its schemes.

Contracts started during the year include:

- Stock re-investment works to 119 properties, totalling £446,953.
- External redecoration works covering 60 properties totalling £154,879.
- Adaptations to 30 properties for people with disabilities.
- Various other improvement works to 10 scheme sites totalling £104,584.

Composition of the Board

The Board currently comprises nine non-executive members and normally meets with the Management Team five times a year. The Finance & Resources Director is elected as Company Secretary.

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

Simone Bailey	
Shehla Husain	
Seema Jassi	
Emma Keegan	(appointed 30 October 2019)
Barry Luhmann	
Julian Miles	(resigned 30 October 2019)
Sally Rice	
Sheila Sackey	
Lucy Worrall	
Peter Voisey	

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 occasion;
- Welcome new members to the Board;
- Declare any relevant interest;
- Respect confidentiality of information; and
- Uphold the Association's adopted Code of Governance and Code of Conduct.

Once an appointment has been approved by the Board, 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.

Composition of the Board (continued)

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 & Risk Committee meets twice a year in order to discuss matters relating to risk, internal controls and internal and external audits.

The Development Committee meets as and when there is a requirement to do so based on the need to discuss matters relating to the property assets and the growth of the Association. The Development Committee has met three times during the year.

The Complaints Panel also only meets when there is a requirement to do so. The Complaints Panel has not been required to meet during the year.

The Management Team

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

Vivienne Astall	Operations Director (resigned 26th May 2020)
Jonathan Card	Chief Executive
Tony Coward	Property Services Director
Sue McDonnell	Operations Director (appointed 11th May 2020)
Andrew Shiatis	Finance & Resources Director and Company Secretary

The Management Team 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 normally carried out in a number of ways, including formal and informal briefings, team meetings and access to Management Team meeting minutes. During the Covid-19 pandemic, the Association has assessed and has taken appropriate measures in order to protect the well-being of its employees, including conducting a staff 'pulse' survey the results of which were reported to the Board, and to keep employees fully up to date with any changes to working practices through a mixture of arrangements including health and safety updates, advice regarding its employee assistance scheme, online team meetings and weekly briefings from the Chief Executive.

It is the policy of the Association that training, career development and promotion opportunities should be available to all employees. Approximately 118 training sessions were provided for 41 staff during the year at a total cost of approximately £11,663 (2019: £7,029). Appropriate training is also made available to all members of the Board.

Employees (continued)

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 all reasonable adjustments in order to retain their employment within the organisation.

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 area where it considers that the Association has not been in full compliance throughout the period under review is as follows:

- The Code requires the maximum tenure for a member of the Board to be nine years. Under the Association Rules section D10.2, the Board approved the Chair to remain in office for a further two-month period following their nine years of service, to allow the finalisation of the recruitment of a new Chair which was completed in October 2019.

In addition, as a point of note, 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. Whilst the Finance & Resources Director acts as Company Secretary for most matters, the Chief Executive currently fulfils the role of providing advice to the Board on compliance.

The Association's compliance with the Regulator for Social Housing'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 & Risk 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.

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.

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 continues to review 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, with 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 within the Association, 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, pandemics, 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. An annual 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 & Risk Committee and summarised 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 & Resources Director provides the Board with a quarterly risk update and financial information, and the Management Team include key performance and risk indicators within their quarterly reports to the Board. Performance measures on key areas of activity are also reported to the Board quarterly.

Value for Money

Approach to Value for Money

Value for Money is about achieving an optimal balance of economy, efficiency and effectiveness, in order to achieve the optimal benefit from available resources, while managing risks and ensuring long term viability. We are not aiming to achieve the lowest costs for our operations, but rather to deliver quality services and homes, that meet our residents' needs and deliver satisfaction, while protecting affordability to our residents and viability for the Association.

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 where appropriate and identified as an area of focus.

The Association's governance structure supports how it ensures the achievement of value for money across the organisation. The Board approves the Association's value for money report as set out in these Financial Statements. Every board report considers the value for money implications of its topic and the Audit & Risk 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.

Performance against our own targets and the Regulator for Social Housing's metrics

The Association analyses its cost and performance across a range of activities, both those determined by the Regulator for Social Housing, complemented by additional metrics which we and our peers believe to be relevant to our operations. We compare trends over time and with two peer groups, regionally with our chosen benchmarking group (BM320) which comprises 16 comparable small London based associations and nationally with the National Small Housing Associations data (SPBM) comprising approximately 140 organisations. A summary of the results of this exercise are set out 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.

Value for Money (continued)

Measure	Keniston	Keniston	Peer Group median	Peer Group Quartile (note 1)	National smalls median	National Smalls Quartile (note 1)	Keniston TARGET	
	2018-19	2019-20	2018-19		2018-19		2019-20	2020-21
REGULATORY METRICS								
Business Health								
Operating margin (overall)	26.0%	15.9%	22.8%	3	22.0%	3	-	-
Operating margin (social housing)	25.5%	18.2%	23.0%	3	22.7%	3	-	-
Return on capital employed (ROCE)	3.8%	1.8%	3.0%	4	2.7%	3		
EBITDA MRI Interest Cover	870%	336%	400%	3	227%	2	-	-
Headline social housing cost/ unit	4,218	4,967	4,456	3	4,488	3	-	-
Growth and capacity								
New supply % social housing units	<1%	14.3%	-	-	-	-	-	-
New supply % non-social housing units	0.0%	0.0%	-	-	-	-	-	-
Reinvestment in supply of properties	4.1%	3.0%	3.2%	3	2.7%	2	-	-
Gearing % (net debt calculation)	(10.3)%	11.3%	11.2%	-	16.4%	-	-	-
ADDITIONAL METRICS								
Business Process								
Occupancy GN	99.8%	99.8%	99.6%	2	99.7%	2	99.8%	99.8%
% rent collected (all tenants)	98.9%	101.3%	100.2%	1	100.0%	1	100.0%	100.0%
Current arrears as % of rent due (all tenants)	3.9%	3.5%	3.7%	2	2.9%	3	3.5%	3.5%
Repairs fixed on first visit	97%	96%	95%	2	92%	2	90%	95%
Repairs completed in target time	97%	97%	97%	2	97%	2	97%	97%
Average days to complete all responsive repairs	6.4	7.6	8.2	2	8	2	6.2	6.5
Cost per property p.a - Housing Management/ £	383	299	466	1	430	1		
Cost per property p.a - Responsive repairs & voids/ £	754	814	729	4	664	4		
Cost per property p.a - Major & Cyclical works / £	1,171	1,391	993	4	883	4		
Homes								
Average relet time - GN (days)	19	25	26	2	18.7	3	20	20
Average relet time - HfOP (days)	16	27	22	3	20	3	20	20
Services								
Satisfaction with overall services - GN	94%	94%	93%	2	92%	2		
Satisfaction with overall services - HfOP	97%	97%						
Satisfaction with responsive repairs	94%	91%	86%	2	86%	1	95%	95%
Satisfaction with planned repairs	93%	93%					95%	95%
Satisfaction with estate services	85%	85%	80%	2	80%	2	95%	85%
People								
Staff Turnover	13.0%	8.5%	24.5	-	36	-	-	-
Average days lost to short term sickness	5.2	5.9	4.6	-	3.4	-	4.8	4.8

Key

GN - General Needs

HfOP - Housing for Older People

1 Quartile data compares the most recent data for Keniston with the most recent peer group data. Datasets may therefore not be the same year.

1	Keniston's performance is within the first / top quartile compared to the benchmark data available
2	Keniston's performance is within the second quartile compared to the benchmark data available
3	Keniston's performance is within the third quartile compared to the benchmark data available
4	Keniston's performance is within the fourth / bottom quartile compared to the benchmark data available

Value for Money (continued)

Bickley acquisition: The acquisition during the year of the Bickley estate significantly increased the size of Keniston's asset base and turnover, and by keeping central overhead costs at a similar level, will in time achieve greater value for money in central costs.

Costs of delivering landlord services present a mixed picture. The Headline Social Housing cost per unit has increased from the previous year and is 11% above the peer group average. This is attributable to a range of factors primarily related to the Bickley acquisition: higher average service charges reflecting the type of accommodation, provision of a fire warden service and costs associated with decanting Robert Whyte House. In addition, our stock investment programme was larger than the previous year and we spent more on void costs.

Housing Management costs are below average and have reduced during the year, while repair costs and stock investment expenditure are both above average. The Association continues to prioritise expenditure on stock investment, seeking to maintain the quality of the stock, high resident satisfaction and deliver long term value for money. This indicator typically fluctuates year on year with variations in the stock investment cycle, driven by the timing of component renewals.

Income management: This operational area has been a significant success. The Association exceeded its target of 100% with 101.29% collection and only missed the arrears target of 3.5% by a small margin. The Association is reaping the benefits of a settled income management team and having sufficient resources in place.

Reactive repairs: Although a mixed picture, generally performance should be seen as positive given the impact of the 120 unit Bickley site acquisition: 96.7% completion on time is close to the challenging target of 97%. Average job completion in 7.6 days is above the target of 6.2 days but compares well to Keniston's peer group. The Association has exceeded its target at completing repairs in a single visit (96.4%). The volume of repairs and average job cost have both reduced for a further year. Keniston continued to achieve 100% gas safety compliance throughout the year. Satisfaction with repairs at 91% is below the 95% target but remains above average and this does not raise significant concerns.

Complaints: The volume of complaints received by the Association continues to be low.

Key areas to focus on:

- **Lettings & void management:** Turnover of the Association's stock at 3.8% has increased in the last year. Rent loss from voids has increased to 1.36% stemming largely from the Association's newly acquired supported housing scheme at Bickley, Robert Whyte House decant programme. The speed of re-letting empty properties at an average of 26 days is outside the target of 20 days and an increase on the previous year, but this is close to the Association's peer group average (25.5 days). Sheltered housing lettings (average 27 days turnaround) have not performed as well as previously, partly attributable to Robert Whyte House.

- **Staff sickness levels:** These remain high and at 5.9 days average are above the target of 4.8 days for short-term sickness, although this variance is directly attributable to Covid-19. There has been a further increase in long-term sickness at close to 26 days per staff member. This is attributable to four staff members, all of whom have longstanding chronic health conditions, and for whom there is no ongoing salary cost to Keniston.

Value for Money (continued)

Strategy for delivering homes which meet a range of needs

In May 2019, the Association took advantage of a significant growth opportunity and acquired an estate of 120 tenanted properties and 10 garages in Bromley from another housing association. This acquisition comprises three separate schemes including general needs, housing for older persons and supported housing and will enable local service delivery and, in time, economies of scale to the Association's operations.

Following the acquisition, the Association has modified its development priorities with its primary focus now on its newly acquired Robert Whyte House scheme representing approximately a third of the above acquired scheme. The Association is currently in the process of decanting all the residents from the scheme with the intention of closing it by the end of March 2021, after which the scheme will be remodelled or redeveloped to a standard which will help maximise the occupancy levels and will allow nominations to resume from Bromley Council.

In addition, the Association progressed the delivery of its development strategy, conducting further work around the planning for a significant infill development at Darrick Wood, its largest estate.

Conclusion

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

Post Balance Sheet Events

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

Going Concern

Given the uncertainties around Covid-19, the Association has assessed and has taken appropriate measures in order to protect the organisation against the impact of the pandemic on its business operations and finances. The Association's long-term plan has been tested in order to determine its durability to anticipated changes in its key assumptions as a result of the pandemic, including increases in arrears and void periods, an increase in works costs and capital cost and a potential increase in its pension deficit liability as a result of the next pension valuation due later this year. This has shown that the Association currently has sufficient capacity to endure the current situation and will be in compliance with all current loan covenants.

In addition, as at 31 March 2020, the Association has a cash balance of £2,007,481 and also as at 31 March 2020, there is £4,500,000 of available loan facility funds to draw down upon as required. No further amounts have been drawn on this facility since the year end. There are also no significant payments or commitments due over the next year.

As such, the Board has a reasonable expectation that the Association has adequate resources to continue in operation for the foreseeable future, being a period of no less than one year from the date of approval of these financial statements. The Association therefore continues to adopt the going concern basis in preparing the Financial Statements.

REPORT OF THE BOARD OF KENISTON HOUSING ASSOCIATION
FOR THE YEAR ENDED 31 MARCH 2020 (continued)

Auditor

A resolution to reappoint the auditor, Nexia Smith and Williamson will be proposed at the next Board Meeting.

Disclosure of Information to the Auditor

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 auditor was 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 auditor was aware of that information.

By order of the Board

EKeegan
Emma Keegan (Jul 27, 2020 16:30 GMT+1)

Emma Keegan
Chair

Date: 22 July 2020

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 2019. 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

Opinion

We have audited the financial statements of Keniston Housing Association Limited (the 'Association') for the year ended 31 March 2020 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 notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been 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 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Emphasis of matter – impact of COVID-19

We draw attention to the Going Concern disclosure under note 1 of the financial statements, which describes the impact of COVID-19 on the Association. Our opinion is not modified in respect of this matter.

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

Other information

The other information comprises the information included in the Financial Statements, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

Responsibilities of the Board

As explained more fully in the Statement of the Board's Responsibilities set out on page 12, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal controls as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Use of our report

This report is made solely to the Association's members, as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nexia Smith & Williamson

25 Moorgate
London
EC2R 6AY

Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

Date: 30 July 2020

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	2019 £
Turnover	2,3	5,836,268	5,183,452
Operating expenditure	3	(4,948,880)	(3,963,809)
Surplus on disposal of social housing properties	3,8	-	316,140
Operating surplus	3	887,388	1,535,783
Interest receivable and finance income		14,632	27,428
Interest payable and other finance costs	6	(341,127)	(194,738)
Surplus for the year	7	560,893	1,368,473
Other comprehensive income			
Actuarial gain/(loss) on defined benefit pension plan for the year	16	700,000	(235,000)
Loss on defined benefit pension plan arising on change in accounting treatment	16	-	(312,000)
Total comprehensive income for the year		1,260,893	821,473

The Association’s activities are all classified as continuing.

KENISTON HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Notes	2020 £	2019 £
Fixed assets			
Housing properties	9	46,998,157	37,693,965
Other fixed assets	10	398,861	359,188
		47,397,018	38,053,153
Current assets			
Debtors	11	226,062	268,131
Cash and cash equivalents		2,007,481	5,928,112
		2,233,543	6,196,243
Creditors: amounts falling due within one year	12	(1,531,864)	(1,426,279)
Net current assets		701,679	4,769,964
Total assets less current liabilities		48,098,697	42,823,117
Creditors: amounts falling due after more than one year	13	29,526,869	24,696,182
Provisions for liabilities	16	423,000	1,239,000
Capital and Reserves			
Non-equity share capital	17,18	9	9
Revenue reserves	18	18,148,819	16,887,926
		18,148,828	16,887,935
		48,098,697	42,823,117

The Financial Statements were approved by the Board on 22 July 2020 and signed on their behalf by:

Emma Keegan (Jul 27, 2020 16:30 GMT+1) ……………………….. **Emma Keegan** **Chair**

Barry Luhmann (Jul 28, 2020 09:19 GMT+1) ……………………….. **Barry Luhmann** **Board Member**

Andrew Shiatis (Jul 23, 2020 12:15 GMT+1) ……………………….. **Andrew Shiatis** **Company Secretary**

KENISTON HOUSING ASSOCIATION LIMITED

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

	Non-equity share capital £	Revenue reserves £	Total capital and reserves £
At 1 April 2019	9	16,887,926	16,887,935
Total comprehensive income for the year	-	1,260,893	1,260,893
Shares issued	1	-	1
Shares surrendered	(1)	-	(1)
At 31 March 2020	9	18,148,819	18,148,828

	Non-equity share capital £	Revenue reserves £	Total capital and reserves £
At 1 April 2018	8	16,066,453	16,066,461
Total comprehensive income for the year	-	821,473	821,473
Shares issued	1	-	1
At 31 March 2019	9	16,887,926	16,887,935

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	2019 £
Net cash inflow from operating activities	A	1,722,737	1,891,472
Cash flow from investing activities			
Interest received		14,849	31,346
Purchase of housing properties		(9,873,140)	(1,145,349)
Additions to housing property components		(752,284)	(233,072)
Purchase of other fixed assets		(73,071)	(38,662)
Proceeds from sale of social housing properties		-	344,238
Net cash flow from investing activities		(10,683,646)	(1,041,499)
Cash flow from financing activities			
Interest paid		(276,602)	(169,738)
Repayment of housing loans		(1,218,409)	(196,486)
Loan arrangement fees		(25,813)	-
New secured housing loans		6,500,000	(196,486)
Grant received in the year		70,000	174,000
Repayment of finance leases		(8,898)	(2,028)
Net cash flow from financing activities		5,040,278	(194,252)
Net change in cash and cash equivalents	B	(3,920,631)	655,721
Cash and cash equivalents:			
At beginning of the financial year		5,928,112	5,272,391
At the end of the financial year	B	2,007,481	5,928,112

NOTES TO THE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

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

	2020 £	2019 £
Surplus for the year	560,893	1,368,473
Adjustments to reconcile surplus for the year to net cash flow from operating activities:		
Loss on replacement of housing property components	39,636	59,186
Surplus on disposal of social housing properties	-	(316,140)
Loss on sale of other tangible fixed assets	146	-
Interest receivable and finance income	(14,632)	(27,428)
Interest payable	292,507	169,738
Other finance costs	48,620	25,000
Depreciation charges on tangible fixed assets	1,395,455	1,178,298
Government grant amortised during the year	(481,899)	(480,838)
Increase in debtors	(45,436)	(53,611)
Increase in creditors	69,447	22,794
Net defined benefit pension costs	(142,000)	(54,000)
Net cash inflow from operating activities	1,722,737	1,891,472

B Cash and cash equivalents

Cash and cash equivalents are comprised entirely of cash at bank or in hand.

C Reconciliation of net debt

	At 1 April 2019 £	Cashflows £	Other non-cash changes £	At March 2020 £
Cash at hand and in bank	5,928,112	(3,920,631)	-	2,007,481
Total cash and cash equivalents	**5,928,112**	**(3,920,631)**	**-**	**2,007,481**
Bank borrowings due within one year	(218,410)	218,410	(220,171)	(220,171)
Bank borrowings due in more than one year	(1,818,788)	(5,500,000)	310,651	(7,008,137)
	3,890,914	(9,202,221)	90,480	(5,220,827)

1 Accounting policies

The Association is incorporated as a registered society in England and Wales 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 2018 Update "Statement of Recommended Practice for Registered Social Housing Providers" ("the SORP") and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

The financial statements have been updated to account for the changes required as a result of adopting the triennial review amendments to FRS 102 and the 2019 Accounting Direction including restatement of prior year comparatives where needed. The key change is the inclusion of a net debt reconciliation within the financial statements.

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.

There have not been any changes or adjustments to prior year numbers.

Going Concern

Given the uncertainties around Covid-19, the Association has assessed and has taken appropriate measures in order to protect the organisation against the impact of the pandemic on its business operations and finances. The Association's long-term plan has been tested in order to determine its durability to anticipated changes in its key assumptions as a result of the pandemic, including increases in arrears and void periods, an increase in works costs and capital cost and a potential increase in its pension deficit liability as a result of the next pension valuation due later this year. This has shown that the Association currently has sufficient capacity to endure the current situation and will be in compliance with all current loan covenants.

In addition, as at 31 March 2020, the Association has a cash balance of £2,007,481 and also as at 31 March 2020, there is £4,500,000 of available loan facility funds to draw down upon as required. No further amounts have been drawn on this facility since the year end. There are also no significant payments or commitments due over the next year.

As such, the Board has a reasonable expectation that the Association has adequate resources to continue in operation for the foreseeable future, being a period of no less than one year from the date of approval of these financial statements. The Association therefore continues to adopt the going concern basis in preparing the Financial Statements.

1 Accounting policies (continued)

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. 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.

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 the way that they 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. Although the Association has some limited history of acquiring or selling properties from or to other registered providers, the Board considers that there is no active market for this.

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 2020, the cost of housing properties is £71,600,611 (2019: £61,458,978).

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 estimating the useful life of the assets which are regularly reviewed to reflect changes in the environment. At 31 March 2020, the accumulated depreciation of housing properties is £24,602,454 (2019: £23,765,013) and the accumulated depreciation of other tangible fixed assets is £876,782 (2019: £915,716).

1 Accounting policies (continued)

Contract Works: For contract works completed but not yet invoiced, estimates are used of the value of work completed. At 31 March 2020, a liability of £207,365 (2019: £260,786) is recorded in the Statement of Financial Position.

Defined benefit pension liability: Various estimates are used in the calculation of the defined pension liability, such as discount rate, inflation and mortality rates. 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. Inflation is set by considering market expectations, for example taking the difference between yields available on long-dated fixed-interest and index-linked gilts. Mortality rates are set in line with SAPS tables S2, adjusted to allow for any expectation of higher or lower life expectancy of scheme members due to geographic, socio-economic or demographic factors. At 31 March 2020, a liability of £423,000 for pensions (2019: £1,239,000) is recorded in the Statement of Financial Position.

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.

Properties acquired are recognised from the date of their acquisition, being the date that the Association obtains control and is able to obtain benefit from the properties.

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 (except *)	15-40 years
Windows and External Doors (except *)	30 years
Bathrooms (except *)	25-30 years
Kitchens (except *)	15 years
Heating System (except*)	15-25 years
Biomass Boiler	2 years
Freehold office premises	50 years

Note: (*) Robert Whyte House components 2 years

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

1 Accounting policies (continued)

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.

Depreciation is provided on a straight-line basis on the cost over the useful economic lives of the property components.

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.

Depreciation 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 (comprising 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 is based on either the net present value of the future cash flows before interest generated from the scheme or for those 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.

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 (comprising 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.

1 Accounting policies (continued)

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.

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 HCA'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.

Where units are acquired from a third party who received grant funding for the development, the grant is not disclosed in the Association's Statement of Financial Position. Instead, it is classified in the notes to the financial statements as the obligation will only crystallise on the disposal of these units.

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 HCA 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.

1 Accounting policies (continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Association. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Association recognises annual rent expense equal to amounts owed to the lessor.

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.

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. Sufficient information is available for the Association to account for its obligations on a defined benefit basis. As such, the Association recognises in its Statement of Financial Position the present value of its defined benefit obligations less the fair value of plan assets. The current service cost is charged against operating profit. Interest on the scheme liabilities net of the expected return on scheme assets is included in the finance costs.

The defined benefit obligation is calculated at each period end by independent actuaries using the projected unit credit method. The present value of the obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and which have terms to maturity approximating to the terms of the related pension liabilities. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are reflected in the Statement of Comprehensive Income in the period in which they arise.

In the prior year, the accounting treatment changed from defined contribution scheme to defined benefit scheme with the change in accounting recognised in the Statement of Comprehensive Income.

1 Accounting policies (continued)

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 of void losses), fees receivable, revenue grants and amortised grants from local authorities and the HCA.

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 Turnover, operating costs and operating surplus

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

	2020 Turnover £	2020 Operating costs £	2020 Operating surplus £	2019 Turnover £	2019 Operating costs £	2019 Operating surplus £
Social housing lettings (Note B)	5,680,413	(4,687,062)	993,351	5,149,860	(3,859,587)	1,290,273
Charges for support services	155,855	(261,818)	(105,963)	33,592	(104,222)	(70,630)
Total	5,836,268	(4,948,880)	887,388	5,183,452	(3,963,809)	1,219,643
Surplus on disposal of social housing properties			-			316,140
Operating Surplus			887,388			1,535,783

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

Note B - Particulars of income and expenditure from Social Housing lettings

	2020 £	2019 £
Income from lettings		
Rent receivable net of identifiable service charges	4,656,260	4,198,285
Service charge income	522,885	436,089
Net rents receivable	5,179,145	4,634,374
Amortised government grants	481,899	480,839
Other income	19,369	34,674
Total income from social housing lettings	5,680,413	5,149,860
Expenditure on letting activities		
Management costs	590,833	606,233
Service charge costs	761,219	384,518
Routine maintenance	1,377,525	1,113,460
Planned maintenance	398,235	352,099
Bad debts	6,527	10,389
Replacement of housing property components - accelerated depreciation	39,636	59,186
Depreciation of housing properties	1,338,948	1,121,726
Loss on disposal of other fixed assets	146	-
Other costs	(12,013)	28,312
Development costs	186,006	183,664
Operating costs on social housing lettings	4,687,062	3,859,587
Operating surplus on social housing lettings	993,351	1,290,273
Void losses - being rental income lost as a result of property not being let, included in rents receivable above	71,473	7,305

4 Emoluments of the Management Team

	2020 £	2019 £
Aggregate emoluments of the Management Team (including pension contributions and benefits in kind)	294,855	287,427
The emoluments of the highest paid Management Team member, the Chief Executive were:		
Gross salary (excluding pension contributions and benefits in kind)	84,379	83,819
The emoluments of the Chair of the Board were:		
Gross salary	5,000	-
Full time equivalent staff with remuneration between:		
£60,000 and £70,000	1	1
£80,000 and £90,000	1	1

Jonathan Card as Chief Executive of the Association was the highest paid Management Team member during the year.

During the year the Chief Executive was a member of the Association's defined benefit pension scheme, on standard terms. On 1st July 2019, the Association closed this defined benefit scheme to future accrual and transferred the participating members, including the Chief Executive, into a defined contribution scheme.

Other than the Chair, 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:

	2020 No.	2019 No.
Office staff	20	19
Wardens, caretakers and cleaners	11	8
Maintenance	1	1
Full time equivalents	32	28

	£	£
Staff costs (including the Chief Executive)		
Wages and salaries	1,045,091	964,378
Social security	94,390	88,157
Pension costs	97,407	129,553
	1,236,889	1,182,088

6 Interest payable and other finance costs

	2020 £	2019 £
On housing loans repayable wholly or partly in more than five years	292,507	169,738
Amortised arrangement fee on bank loan facility	22,620	-
Net interest costs on pensions	26,000	25,000
	341,127	194,738

7 Surplus for the year

	2020 £	2019 £
The surplus is stated after charging / (crediting):		
Depreciation of tangible fixed assets		
- housing properties	1,338,948	1,121,726
- other fixed assets	56,507	56,572
Amortised government grant	(481,899)	(480,839)
Auditor's remuneration		
- as auditor	27,444	23,952
Surplus on disposal of social housing properties (note 8)	-	(316,140)

8 Surplus on disposal of social housing properties

	2020 £	2019 £
Proceeds from sale	-	344,238
Net book value at disposal	-	(28,098)
	-	316,140

9 Housing properties

	Freehold housing properties held for letting £	Properties in the course of construction £	Long leasehold housing properties £	Total £
Cost				
At 1 April 2019	60,756,878	199,024	503,076	61,458,978
Additions	312,649	98,915	-	411,564
Component replacement	807,395	-	2,241	809,636
Stock transfers in	9,461,576	-	-	9,461,576
Transfer to completed	50,934	(50,934)	-	-
Disposals of components	(541,143)	-	-	(541,143)
At 31 March 2020	70,848,289	247,005	505,317	71,600,611
Accumulated depreciation				
At 1 April 2019	23,545,257	-	219,756	23,765,013
Charge for the year	1,324,053	-	14,895	1,338,948
Disposals of components	(501,507)	-	-	(501,507)
At 31 March 2020	24,367,803	-	234,651	24,602,454
Net book value				
At 31 March 2020	46,463,403	264,088	270,666	46,998,157
At 31 March 2019	37,211,621	199,024	283,320	37,693,965

During the year, no events have occurred which the Association considers as being an indication of a potential impairment in the carrying value of its social housing properties.

Where there is an indication of impairment, the Association estimates the recoverable amount for these properties on an individual property by property basis and compares this to the carrying amount of each property in order to determine if an impairment loss has been incurred. The Association calculates 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.

During the year no interest was capitalised (2019: nil) as part of housing properties in the course of construction.

10 Other fixed assets

	Freehold office premises £	Office equipment £	Scheme equipment £	Motor Vehicles £	Computer equipment £	Total £
Cost						
At 1 April 2019	223,436	276,660	607,871	34,996	131,941	1,274,904
Additions	-	5,604	31,520	-	59,202	96,326
Disposals	(8,526)	(6,779)	(43,431)	-	(36,851)	(95,587)
At 31 March 2020	214,910	275,485	595,960	34,996	154,292	1,275,643
Depreciation						
At 1 April 2019	126,779	265,812	376,956	32,514	113,655	915,716
Charge for year	3,915	4,182	28,525	2,482	17,403	56,507
Disposals	(8,526)	(6,779)	(43,432)	-	(36,704)	(95,441)
At 31 March 2020	122,168	263,215	362,049	34,996	94,354	876,782
Net book value						
At 31 March 2020	92,742	12,270	233,911	-	59,938	398,861
At 31 March 2019	96,657	10,848	230,915	2,482	18,286	359,188

11 Debtors

	2020 £	2019 £
Gross rental debtors	123,754	131,844
Less provision for bad and doubtful debts	(88,580)	(68,058)
	35,174	63,786
Other debtors	91,624	46,447
Prepayments and accrued income	99,264	157,898
	226,062	268,131

12 Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	323,447	246,714
Rents paid in advance	175,195	139,111
Housing loans (note 14)	220,171	218,410
Obligations under finance leases and hire purchase contracts (note 15)	13,678	4,056
Other creditors and accruals	276,580	314,449
Interest payable	15,905	-
Taxation and social security	24,989	22,700
Deferred government grant (note 21)	481,899	480,839
	1,531,864	1,426,279

13 Creditors: amounts falling due after more than one year

	2020 £	2019 £
Sinking funds	97,159	53,478
Housing loans (note 14)	7,008,137	1,818,788
Obligations under finance leases and hire purchase contracts (note 15)	16,700	6,084
Other creditors and accruals	5,500	5,500
Deferred government grant (note 21)	22,399,373	22,812,332
	29,526,869	24,696,182

14 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 £505,078 had been repaid by 31 March 2020 (2019: £436,156). 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. £1,279,492 has been repaid by 31 March 2020 (2019: £1,130,005). 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%.

In February 2019, the Association entered into a £10,000,000 revolving loan facility with Clydesdale Bank for a period of 5 years. As at 31 March 2020, £5,500,000 (2019: £nil) has been borrowed against this facility on a rolling 3-month basis, in order to help fund the Association's development aspirations including a 120-unit stock transfer from another registered provider which completed in May 2019. 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 LIBOR plus 1.3% for each 3-month term of the loan.

Instalments on both loans are as follows:

	2020	**2019**
	£	**£**
Within one year	220,171	218,410
Between one and two years	269,909	242,791
Between two and five years	6,256,160	903,594
In five years or more	482,068	672,403
	7,228,308	2,037,198

Housing Loans include £90,481 (2019: £ nil) of unamortised arrangement fees.

15 Obligations under finance leases and hire purchase contracts

Finance leases and hire purchase contracts relate to office equipment used by the Association and are repayable by equal instalments in less than five years as follows:

	2020	**2019**
	£	**£**
Within one year	13,678	4,056
In one year or more	16,700	6,084
	30,378	10,140

Obligations under Finance Leases are repayable by equal instalment within five years. Finance Leases relate to computer and photocopying equipment.

16 Provision for liabilities

	2020	2019
	£	£
Pension scheme obligations recognised as Defined Benefit schemes	423,000	1,239,000

Pension schemes

The Association's employees and past employees are deferred members or pensioners of the Social Housing Pension Scheme ("SHPS"). The Association also participates in the Growth Plan. Further information on these defined benefit schemes are given below.

At the balance sheet date there were 17 active members (2019: 19) of SHPS employed by the Association and there were no active members (2019: nil) of the Growth Plan.

The Association currently contributes to a defined contribution pension scheme for most of its employees which is also operated by SHPS.

The Association did not owe any contribution amounts in relation to the defined contribution pension scheme as at 31st March 2020 (2019: £nil).

As of 1st July 2019, the Association closed the SHPS Defined Benefit scheme to future accrual and transferred the participating members into the SHPS Defined Contribution scheme.

SHPS

The Association participated in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. 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 last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

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.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2020 and 31 March 2019. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the Association's fair share of the Scheme's total assets to calculate the Association's net deficit or surplus at the accounting period start and end dates.

16 Pension scheme (continued)

Key assumptions	**2020**	**2019**
	%	**%**
Discount rate	2.41	2.26
Inflation (RPI)	2.68	3.30
Inflation (CPI)	1.68	2.30
Salary growth	2.68	3.30
Allowance for commutation of pension for cash at retirement (% of maximum allowance)	75.0	75.0

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2020	21.5
Female retiring in 2020	23.3
Male retiring in 2040	22.9
Female retiring in 2040	24.5

Defined benefit costs recognised in statement of comprehensive income	**2020**	**2019**
	£'000	**£'000**
Current service cost	25	88
Expenses	6	5
Net interest expense	26	25
	57	118

Defined benefit costs recognised in Other Comprehensive Income	**2020**	**2019**
	£'000	**£'000**
Experience on plan assets (excluding amounts included in interest income) – (loss) / gain	(38)	157
Experience gains and losses arising on the plan liabilities – gain / (loss)	147	(98)
Effects of changes in demographic assumptions underlying the present value of the defined benefit obligation – gain / (loss)	52	(17)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain / (loss)	539	(277)
	700	(235)
Adjustment arising on change in accounting treatment	-	(312)
Actuarial loss recognised	700	(547)

16 Pension scheme (continued)

Present values of defined obligation, fair value of assets and defined benefit assets / (liabilities)	2020	2019
	£'000	£'000
Fair value of plan assets	4,418	4,384
Present value of funded retirement benefit obligation	(4,841)	(5,623)
Net liability	(423)	(1,239)

Reconciliation of movements on the defined benefit obligation	2020 £'000	2019 £'000
Defined benefit obligation at the start of the period	5,623	5,113
Current service cost	25	88
Expenses	6	5
Interest expense	125	128
Contributions by plan participants	16	44
Actuarial (gains) / losses due to scheme experience	(147)	98
Actuarial (gains) / losses due to changes in demographic assumptions	(52)	17
Actuarial (gains) / losses due to changes in financial assumptions	(539)	277
Benefits paid and expenses	(216)	(147)
Defined benefit obligation at the end of the period	4,841	5,623

Reconciliation of movements in the fair value of plan assets	2020 £'000	2019 £'000
Fair value of plan assets at the start of the period	4,384	4,080
Interest income	99	103
Experience on plan assets (excluding amounts included in interest income) (loss) / gain	(38)	157
Contributions by the Association	173	147
Contributions by plan members	16	44
Benefits paid and expenses	(216)	(147)
Fair value of plan assets at the end of the period	4,418	4,384

16 Pension scheme (continued)

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £61,000 (2019: £260,000).

The fair values of each main class of assets held by the Fund and the expected rates of return for the ensuing year are set out in the following table.

Categories of plan assets are as follows:	2020 £'000	2019 £'000
Absolute return	230	379
Alternative risk premia	309	253
Corporate bond fund	252	205
Credit relative value	121	80
Distressed opportunities	85	80
Emerging markets debt	134	151
Fund of hedge funds	3	20
Global equity	646	738
Infrastructure	329	230
Insurance-linked securities	136	126
Liability driven investment	1,466	1,603
Liquid credit	2	-
Long lease property	76	64
Net current assets	19	8
Private debt	89	59
Property	97	99
Opportunistic illiquid credit	107	-
Risk sharing	149	132
Secure income	168	157
Total assets	4,418	4,384

The overall pension shortfall is funded by additional contribution payments from each participating employer. The additional contributions for the year ended 31 March 2021 will be £150,285.

The Growth Plan

The Association participates in the scheme, a multi-employer defined benefit scheme which provides benefits to some 950 non-associated participating employers. At the year ended 31 March 2020 the liability in respect of this scheme was £5,971 (2019: £7,244) and as immaterial this has not been recognised in the financial statements. The additional contributions for the Association for the year ended 31 March 2020 will be £1,238.

17 Non-equity share capital

	2020 £	2019 £
9 (2019: 9) non-equity share of £1 each	9	9

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.

18 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.

19 Analysis of accommodation

	Units under management	
	2020 No.	2019 No.
Social housing accommodation:		
General needs	610	570
Affordable housing	19	18
Housing for older people	184	139
Supported housing	35	-
	848	727

In addition, the Association has 33 (2019: 34) freehold properties which are held on long leases.

20 Financial commitments

At 31 March 2020, the Association has not contracted for expenditure so far as not provided for (2019: £194,592).

At 31 March 2020 the Association has £1,200,000 (2019: £1,298,000) of capital expenditure approved by the Board but not yet contracted. This primarily relates to the Association’s housing property stock reinvestment and cyclical decorations expenditure for the forthcoming year.

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

21 Grant

	Total £
At 1 April 2019	41,062,705
Grant received during the year	70,000
Grant released on replacement of property component	(372,237)
At 31 March 2020	40,760,468
Grant Amortisation	
At 1 April 2019	17,769,534
Grant amortised in the year	481,899
Grant released on replacement of property component	(372,237)
At 31 March 2020	17,879,196
Deferred Capital Grant at 31 March	22,881,272

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.

The Association has a total obligation of £231,010 attributable to the acquisition of 120 units in the current year from one registered provider of social housing. The obligation will only crystallise on the disposal of these units. This liability is not recognised in grants in line with the related accounting policy.

Total revenue grant received by the Association is £12,869,594 (2019: £12,619,639).

At the end of the financial year and the previous financial year all Social Housing Grant had been received.

22 Related party transactions

The Board and the Management Team have the authority and the responsibility for planning, directing and controlling the activities of the Association. The Chair of the Board became a paid position during the year and receives an annual remuneration of £5,000. None of the other members of the Board received any remuneration for their services to the Association. The aggregate remuneration received by the Management Team was £327,306 including employers' national insurance (2019: £319,537).

23 Events since the end of the financial year

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

Accounts 2020 - v final for SIGNING

Final Audit Report 2020-07-30

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