ARAWAK WALTON
HOUSING ASSOCIATION LIMITED
(A Charitable Co-operative and Community Benefit Society)

Financial Statements

For the Year Ended 31 March 2019

Contents

Board of Management	Ms Evelyn Asante-Mensah (Chair) Mr David Brown (Deputy Chair) Mr Charles Jarvis Ms Anita Patel Ms Hilda Kaponda Dr. Kailash Chand (resigned 12th September 2018) Ms Sally Penni Professor Carol Baxter Mr P Roberts Mr R Wakefield
Secretary	Ms. C. D'Souza, A.C.A.
Executive Officers	Ms. C. D'Souza, A.C.A. (Chief Executive) Mr. C Page, BA (Hons, MSc), MCIH, DipHSM (Operations Director) Mr. P Cooper FCMA CGMA, AMCT, ATT, CIHCM, AssocCIPD (Finance Director)
Bankers	Royal Bank of Scotland Plc. Customer Service Centre Drummond House 1 Redheughs Avenue Edinburgh EH12 9JN
Solicitors	Croftons The Lexicon Mount Street Manchester M2 5FA
Auditors	Beever and Struthers Chartered Accountants St. George's House 215-219 Chester Road Manchester M15 4JE
Registered office	Margaret House 23 Manor Street Ardwick Manchester M12 6HE
Registration Number	L3713 - Regulator of Social Housing 25160R - Co-operative and Community Benefit Societies Act 2014

The Board presents its report and audited financial statements for the year ended 31 March 2019.

Principal activities

The Association's principal activities are the acquisition and management of social housing primarily for the Black and Minority Ethnic communities in the North West.

Legal status

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is a Registered Provider with charitable status.

The Association is a Public Benefit Entity as defined by FRS102.

Review of the year

The financial year 2018/19 saw our stock of homes increasing by an additional 14 units. The Association also manages 75 properties on behalf of the Boaz Trust. Turnover was slightly higher than the 2018 levels at £5.2million. The total comprehensive income for the year of £190,895, has taken total reserves to £11,498,569. These reserves have been re invested and helped to fund the acquisitions of new properties costing £1,719,737 replacing components such as bathrooms, kitchens, windows and boilers in our existing stock costing £484,334.

The Association now has approximately £20.6 million of loan facilities in place at 31st March 2019, of which £16.3 million has been utilised. There were 1,155 units in management by the end of March 2019, of which 1,070 were owned by the Association at 31st March 2019.

The Association was again successful in achieving the Customer Service Excellence Standard in 2019. This award replaces the Charter Mark award which has been held since 2000. It is a mark of excellent customer service and continuous improvement in service provision. It also denotes that services that are provided are effective and represent Value for Money (VfM).

Future developments

The Association intends to continue with its programme of modest growth. Growth will be through partnerships with other Housing Associations, local authorities and by acquisitions from the open market.

Changes in fixed assets

Details of the movements in fixed assets are set out in note 11 to the accounts.

Board of Management and Executive Officers

The Board of Management and Executive Officers of the Association are listed on page 1.

Each member of the Board of Management holds one fully paid share of £1 in the Association. The Executive Officers of the Association hold no interest in the Association's share capital and, although not having legal status of Directors, they act as Executives within the Authority delegated to them by the Board of Management.

Financial risk management objectives and policies

The Association uses conventional forms of working capital to finance its day to day activities and as such the figures appearing in the accounts reflect the absolute value of amounts recoverable and payable. The Board receives regular reports on these figures in order to manage the Association’s requirements.

Employees

The strength of the Association lies in the quality and commitment of its employees. The Association operates an appraisal system and provides training programmes focused on quality and customer service and seeks employees' views on how to improve systems and on matters of concern.

Details of employees are set out in note 9 of the accounts.

Auditors

A resolution to reappoint Beever and Struthers as auditors will be proposed at the Annual General Meeting.

Principal Risks and Uncertainties

The Board has adopted a comprehensive planning, risk and control framework. It has identified the following as the principal risks and sources of uncertainty which may impact on the Association's plans, and has put in place measures to monitor and, where appropriate, to mitigate these:

Government Policy

- A change to government policy results in a new measure which reduces the income which can be generated by the Association, increases the Association's costs, threatens its ability to operate independently, or otherwise has a negative impact on the Association.

Operating Environment

- A change in the operating environment such as an increase in inflation or interest rates increases the costs of the Association's work or otherwise has a negative impact on the Association.

Governance

- A problem of governance results in the Association making poor decisions, either about the Association's future strategy, its finances or the management of risks.

Property Risks

- The Association delivers its work primarily through letting physical property assets. This work is threatened if there are problems in letting or maintaining these assets in a cost effective way.

Compliance Risks

- The Association operates in an environment which requires compliance with both internal and external rules, standards and legislation. The failure to comply with one or more of these could lead to reputational damage, financial loss or harm to people.

Statement of the Board's responsibilities in respect of the accounts

The Co-operative and Community Benefit Societies Act requires the Board to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus of the Association for that period. In preparing these accounts the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on a going concern basis unless it is inappropriate.

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Association and to enable it to ensure that the accounts comply with the Co-operative and Community Benefit Societies Act and the Housing Acts. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities, by establishing and maintaining a satisfactory system of control over the Association's accounting records, cash holdings and all its receipts and remittances.

In so far as the Board of Management is aware:-

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

Statement of the Board of Management on internal controls

The Board is ultimately responsible for the Association's system of internal control and for reviewing its effectiveness. However 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 ongoing 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 annual report and accounts, and that this process is regularly reviewed by the Board.

The Board has reviewed the effectiveness of the system of internal control. 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 Board are responsible for the identification and evaluation of significant risks together with the design and operation of suitable internal controls. These risks are assessed on a continual basis and may be associated with a variety of internal or external sources including control breakdowns, disruption in information systems, competition, natural catastrophe and regulatory requirements.

A control self-assessment and hierarchical reporting has been established which provides for a documented and auditable trail of accountability. These procedures are relevant across all operations and provide for successive assurances to be given at increasingly higher levels of management and finally to the Board. This process is facilitated by internal audit that also provide a degree of assurance as to the operation and validity of the system of internal control. Planned corrective actions are independently monitored for timely completion.

The executive officers report regularly on their review of risk and how they are managed to the Board. Internal audit independently review the risk identification procedures and control process implemented by the executive officers and report to the Audit Committee as part of the internal controls framework at least three times a year. The Audit Committee reviews the assurance procedures, ensuring that an appropriate mix of techniques is used to obtain the level of assurance required by the Board. The Audit Committee presents its findings to the Board on a regular basis.

The Chief Executive also reports to the Board on behalf of the Executive officers on significant changes in the business and the external environment, which affect significant risks. The Finance Director provides the Board with a summary update on changes to key strategic risks and with regular financial information, which includes key performance and risk indicators. Where areas for improvement in the system are identified, the Board considered the recommendations made by the delegated Committee.

Value for Money Report 2018/19

Executive Summary

Arawak Walton Housing Association (AWHA) has used the Regulator of Social Housing's (RSH) VFM metrics and 2018 Global Accounts figures to help understand and compare its performance across a range of value for money metrics and identify priorities for the future. At the time of writing 2019 comparative data is not available.

The Acuity benchmarking report for Community Housing Associations North West has been used where applicable to provide comparisons.

AWHA's headline cost per unit (cpu) of £3,197 in 2018/19 (£3,159 in 2017/18) which is £253 per property lower than the RSH's median of £3,450 in 2017/18 and the Association expects to manage within this level for 2019/20.

AWHA works in vibrant, diverse inner city areas that experience more anti-social behaviour and problems with substance abuse and mental health. In addition the majority of our properties are pre-1919 terraced properties and as such our costs will be higher than many associations.

We recognise that there is work to be done to explore more efficient delivery of our maintenance and major repairs functions, and to that end we work with similar groups in the north west through the Community Housing Associations North West Group to compare prices and best practice to get value for money for the association.

Our operational performance has improved against our relet time and tenant arrears measures. Relet times have reduced to just over 18 days over the course of the last year, whereas tenants' arrears increased to 3.51% (slightly higher than the peer group median of 3.16%).

During the year staff have experienced increasing challenges with the Universal Credit system including many delays in answering calls and tenants being given incorrect information by the Benefits Agency. During the year additional resource was put into this area with staff time being increased. This resource has been increased again by 2 days per week from April 2019.

Section 1. Value for Money Strategy

The Board has overall responsibility for the Association's value for money strategy and each year sets annual targets in line with the approval of the Business Plan and any KPIs. The Board places operational responsibility for ensuring value for money on individual managers. The Finance Director has reporting responsibility for value for money issues in the Association.

The Association regards continuous improvement as a key element of its Value for Money approach. An annual programme of policy and procedure reviews is designed to address current priorities as well as ensure most areas of the Association's activities are reviewed on a periodic basis. These reviews ensure that the needs of the Association's customers are effectively and efficiently met.

Section 2. Value for Money Metrics

The new RSH VFM standard introduced from April 2018 requires that seven key metrics are measured along with other financial and non-financial KPIs selected by the Association. This allows for a rounded view of the activities of the organisation.
The table below compares the sector benchmarks available for 2017/18, since 2018/19 data is unavailable, together with the actuals for the association for the 2018/19 and 2017/18 financial years taken from the statutory accounts, together with the projections for the three years commencing 2019/20 from the Association's business plan.

Section 3. Analysis of Metrics

The Association's intention is to use the RSH's global accounts alongside Housemark and Acuity benchmarking data and our internal Key Performance Indicators agreed by Board in order to drive change in the future. The use of the cost per unit measures will help identify areas of focus for investigation and subsequent cost review. We are cognisant of the impact of working in mainly high deprivation areas. Where the Association's scorecard metrics are significantly different from the sector median these will also be investigated.

The analysis in this section focuses on the seven key metrics plus an analysis of any wider KPI's as chosen by the Board.

VFM METRICS												
		Actual	Budget	Actual	Actual	PEER				Target as per Business Plan		
No	Detail	12 months to	12 months to	AWHA	AWHA	Median	Upper Quartile	Lower Quartile		AWHA	AWHA	AWHA
		31/03/2019	31/03/2019	2017/18	2016/17	2017/18	2017/18	2017/18		2019/20	2020/21	2021/22
1	Operating Margin	28%	26%	30%	37%	28%	33%	20%		21%	24%	25%
2	Operating Margin (social Housing)	27%	26%	30%	37%	30%	36%	22%		21%	24%	25%
3	Interest Cover (EBITDA MRI)	2.94	2.30	3.07	3.50	2.32	3.23	1.62		1.82	1.85	1.95
4	New Supply Delivered (Social Housing) %	0%	0%	0%	0%	1.0%	2.3%	0.1%	*	0%	0%	0%
5	New Supply Delivered (Non-Social Hsg) %	0%	0%	0%	0%	0%	0%	0%		0%	0%	0%
6	Gearing	46%	47%	48%	50%	35%	23%	49%		46%	50%	50%
7	Customer Satisfaction	90%	90%	90%	90%	88%	92%	82%		91%	91%	91%
8	Reinvestment % (new & existing)	1%	2%	2%	1%	5.80%	8.52%	3.15%		1%	1%	1%
9	Invest. In Communities £000	14	13.42	0	0.01	n/a	n/a	n/a		13	13	13
10	Return on Capital Employed	4.41%	3.85%	4.83%	6.5%	3.72%	5.11%	2.79%		2.9%	3.4%	3.6%
11	Cost Per Unit	3,197	3,351	3,159	2,805	3,450	2,982	4,430		3,439	3,533	3,603
	Management	941	1,023	994	740	1,024	813	1,241		1,059	1,085	1,102
	Service charge	447	465	411	397	332	193	559		462	470	478
	Maintenance	994	963	944	999	907	775	1,121		1,073	1,107	1,133
	Major Repairs	738	852	736	640	720	525	983		796	820	838
	Other	77	47	76	29	186	74	412		50	51	51
12	Ratio of responsive repairs to planned maint.	94%	77%	86%	113%	61%	45%	90%		82%	83%	83%
13	Occupancy	99.7%	n/a	99.7%	100.0%	99.4%	99.7%	98.93%		100%	100%	100%
14	Rent collected	100.7%	100.9%	100.7%	100.7%	99.9%	100.4%	99.4%		98.1%	98.0%	97.9%

* During 2018/19 the Association acquired 14 properties and has plans to grow further by 25 properties in 2019/20 and 10 per year thereafter. These acquisitions are not recognised as new supply for RSH metrics purposes.

Equal to / better than peer median
Within 10% of peer median
Below / worse than peer median

Operating Margin (overall)

Our 2018/19 Operating margin at 28% was the same as the sector scorecard median in 2018 but slightly below the 2018 Global accounts figure of 29%. The Association received a rent restructuring grant (RRG) which ended in 2017 which contributed approximately 4% to operating surplus. The operating margin is forecast to reduce in 2019/20 due to the final year of the rent reduction and prudent assumptions have been made on a number of expenditure areas including repairs and maintenance, but thereafter is forecast to increase as rent increases at CPI plus 1%. The latest business plan shows the average operating surplus is just over 30%, slightly above the sector average.

The higher the Association's operating margin, the more cash is available to pay interest costs which allows us to acquire more properties. Currently any additional surpluses above budget are used to fund further property acquisitions.

Operating Margin (Social Housing)

The margin in 2018/2019 of 27% is slightly behind the 33% figure per the RSH's global accounts figure for 2017/18. As mentioned above, the Association received RRG in the prior year which contributed approximately 4% to the operating margin. 2017 was the final year for this grant.

A project was kickstarted during 2019 to carry out inspections on 200 of our properties, with the expectation that this exercise will be repeated for the remaining properties over the next four years. This was done in order to identify any outstanding repairs jobs and to reduce the number of disrepair claims in the period. There were a number of catch up repairs costs in 2019 of £87k, which we forecast could continue for the length of the inspections. This contributed

to a decrease in the legal fees spent of £20,000 on the previous year, in addition to the costs of rectifying the outstanding repairs.

Our key challenges for the future to ensure Value for Money will be:

- minimising cost increases, especially in key areas of expenditure such as repairs and staff costs. The aim being to maintain costs at pre rent cut levels where possible. The Association continues to be part of procurement groups and explores cost savings opportunities.

New Supply (Social)

The projections included in the scorecard are the minimum number of new homes which will be acquired by the association. Although the Association is not currently developing new properties, there are opportunities to acquire properties from different sources which can result in some years seeing significant growth. In 2018/19, the Association acquired 14 properties against an initial target of 10, with 16 acquired in 2017/18. The Association has been particularly successful in acquiring properties from partner associations who were looking to divest these from their portfolio. With the successful receipt of grant for 3 social rent properties and a bid submitted for a further 4 properties on this basis, this builds on the affordable rent grant received in 2018 following the successful application to become an Investment Partner with Homes England. This has allowed these properties to remain in the social housing sector with rent charged at social rent levels, which is a priority for our tenants living in areas of high deprivation. In 2018/19 the Board continued the strategy that the priority purpose for utilising spare financial resource was the acquisition of new properties for letting.

New Supply (Non-Social)

The Association's mission is to provide safe sustainable homes in the areas we operate in. We are keen to avoid charging high rents that would put our tenants into the poverty trap. Having achieved Investment Partner status with Homes England, we are now in a position to attract grant funding, enabling us to ensure rents are affordable for our tenants. The Association is not currently developing new properties as it is unable to generate an internal subsidy in order to fund the purchase of other tenure properties.

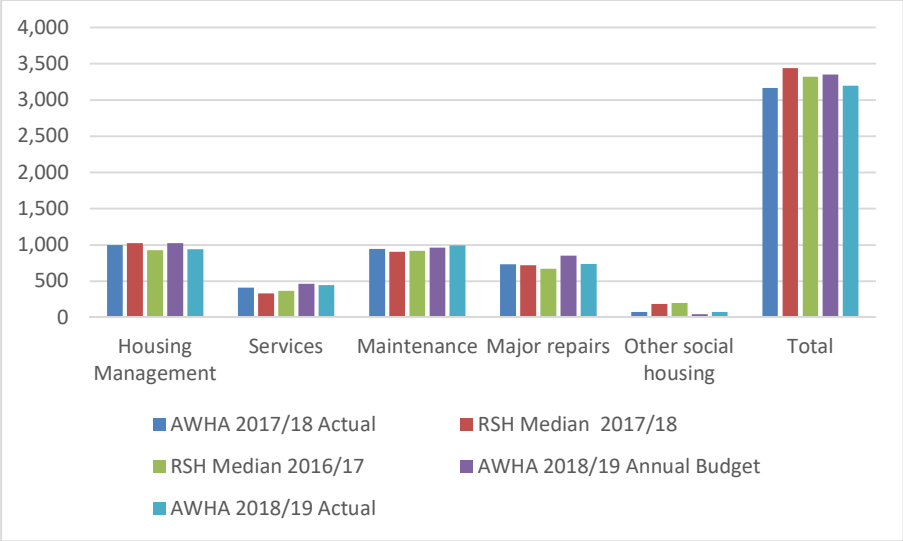
Return on Capital Employed (ROCE)

The Association has a Return on Capital Employed of 4.41% as measured by the sector scorecard. This is above the median 2018 sector scorecard figure of 3.72% and demonstrates a good return on investment for the Association's assets compared to its peers.

Our Manchester homes were largely acquired before those in Trafford and Stockport and therefore have a lower Net Book Value, and whilst the average Manchester rent is lower than in Trafford and Stockport, the low property value results in a higher ROCE. For our submarket rent properties, rents are typically almost 50% higher than general needs rents, but these properties were acquired more recently and therefore have significantly higher net book values, resulting in a modest contribution.

Cost Per Unit (CPU)

The chart below shows our cost per unit (cpu) figures for 2018-19 together with the peer headline CPU for the same year, compared against the figures for 2017-18.



Cost per unit, 2017 to 2019 with RSH Global Median 2018

The Association's headline cost per unit at £3,197 was slightly less than the 2018 median figure of £3,450. Part of this reflected the impact of efficiencies in management costs but the Association has also invested in major component replacements during the year as part of the wider component replacement programme.

Management Costs

The Association's management cpu at £941 per unit in 2019 was lower than the 2018 peer median figure of £1,024.

Our key challenges for the future to ensure Value for Money will be:

- to balance any increases in staff costs with reductions in other items of expenditure. The Board had previously agreed a 4 year pay freeze in line with the rent cut but due to growing inflation had agreed to award 1% pay award in 2017/2018, a further 2% in 2018/2019 and 2% in 2019/20. Due to welfare reform it has also been necessary to increase the hours of staff members working in critical areas in order to maintain the arrears levels. The requirement to tender for services above a certain value will help to ensure that value for money is obtained for these services.

Services

The Association's service costs cpu of £447 were higher than the 2018 peer median of £332 in 2018/19 due to contractors increasing costs for service provision. We continue to review costs and re-tender contracts on an annual programme and will speak to our peers to ascertain why our costs per unit appear high compared to the median.

Maintenance

The Association mainly works in deprived inner-city areas and consequently has a significant percentage of pre-1999 stock which incur higher levels of maintenance. The Association's maintenance costs at £994 per unit were higher than the 2018 sector scorecard median of £907. Our mission to accommodate diversity means that additional costs are incurred such as the provision of wet rooms in some properties plus burglar alarms in each property. These initiatives contribute around £30k to the cost base of the Association each year.

The Association maintains its position of selecting local contractors as part of its social purpose in terms of reinvesting in the local economy and value for money is always obtained for every contract. The Association is part of procurement groups and Community Housing NW Association group and regularly compare prices to ensure we are getting the best prices in the market.

The Association also carried out 200 inspections of its properties during the course of the year which identified a number of catch up repairs. We have identified the need to encourage our tenants who move from the private sector

to report any outstanding repairs. A further provision of £79k has been included in the business plan for the next 5 years to cover any future eventualities although this is being monitored closely.

Our key challenges for the future to ensure Value for Money will be:

- to deliver the responsive repairs service at the sector median. The Association will work towards increasing the level of planned works in the year as this could lead to greater efficiencies and cost savings in day to day repairs. However, we are cognisant of the diverse needs of our tenants and the potential impact on their cultural and religious needs in terms of some of our responsive works.

Major Repairs

The major repairs cpu of £738 in 2018/19 was slightly above the 2018 peer median figure of £720. Given the age profile of the Association, major repairs expenditure can be cyclical as it was in the case of previous years: e.g. expenditure was abnormally low in 2016/17. In 2018/19 a number of components were replaced in line with the planned maintenance programme resulting in a spend of £484k during the year, down from £583k in 2017/2018. The Association has demonstrated efficiency savings as a result of the tender process with savings of £83k from the highest tender to the lowest.

The Association is targeting its older terraced properties where the Damp Proof Course may have failed to reduce potential disrepair claims. Through a well organised programme of work one property was utilised as a decant for 6 different families providing significant savings on hotel and removal costs.

The Association has liaised closely with other smaller local housing associations in the North West over the course of the last few years to identify good procurement practice for major repairs and this has had a significant impact on the cost of some component replacements, including savings on the cost of a boiler installation falling by 15% between 2013 and 2017.

Ratio of Responsive Repairs to Planned Maintenance

This measure looks at the ratio of expenditure on responsive repairs as a percentage of total planned maintenance expenditure (incl major repairs and capital major repairs expenditure). We appear to be higher than our peers and we believe this is due to a number of factors: the additional responsive works that we undertake to meet the diverse needs of our customers together with the age profile of our properties means our responsive repairs are higher than others and our component replacement requirements are driven by our stock condition data and therefore difficult to compare to others due to the cyclical nature.

Our 30 year financial plan shows that planned maintenance requirements increase toward the second half of the plan reducing our ratio significantly with an average ratio of 51%.

Interest cover

The Association's interest cover ratio of 2.94 compares favourably to the 2018 scorecard median of 2.32. Going forward the ratios are expected to fall slightly due to the loss of the RRG and of the projected increased spend on component replacements, although still well within the minimum ratios required by our funders. The capital investment programme was recently smoothed over a number of years in the business plan to reduce the effects of one-off spikes in future years.

Gearing

Arawak Walton has a gearing figure of 46% as per the scorecard metrics. This is above the 2018 median figure of 35%.

Historically, the majority of the Association's gearing calculations were on a traditional 'Net Worth' calculation basis (not the methodology used in the scorecard calculations) so were not directly comparable. However, over recent years, funders have moved to a basis more in line with the scorecard and the association has taken this opportunity during the year to align the RBS gearing covenants to be in line with other funders. This ensures that any changes in pension reserves due to the change in reporting any SHPS pension deficits do not affect our gearing covenant.

However, it might be noted that on first time adoption of FRS102 in March 2016, any grants received by the Association via acquisition were required to be netted off against fixed asset costs with the result that cost of assets reduced by £26m. If these grants were added back in, the calculation would show a gearing calculation of 26% which would put the Association nearer to the upper quartile figure of 23%.
Note that where the 'net worth' basis is used for calculating the gearing covenant, the Association's loan facilities allow for the adding back of this grant figure in terms of covenants and access to further funding facilities.

Discussions are continuing with regard to refinancing historical loan facilities with a long term Bond. This facility permits a number of covenant options which would allow greater future growth for the association. Longer term funding also provides certainty and protects against future interest rate rises.

£ Invested for every £ generated

The Association acquired 14 properties in 2018/19, against a target of 10 and has meant that over the last three years the Association has grown by 57 properties against a target of 30.

For 2019/20 we already have plans to acquire 25 properties from Jigsaw Housing and acquire a further 2 properties under Manchester City Council's Homelessness Initiative. The Association will continue to look for further opportunities to introduce new properties subject to our internal investment criteria and funding constraints. The recent successful grant application from Homes England will potentially allow the Association to acquire more properties.

Customer satisfaction

The Association has continued to receive good feedback in the year regarding our services, with a 98% satisfaction rate for repairs against a target of 96%. We will continue to invite feedback from our customers about our services in order to improve the customers' experience and will be conducting an independent STAR survey in 2019/20 looking at all areas of the Association's work.

Occupancy

Occupancy levels are high at 99.7%. This is as a result of the relatively low turnover of our customer base plus also quick turnarounds from our contractors to complete the works on a property when it becomes vacant. The Association currently has a waiting list for properties which is shows a very high demand for all types of properties in our areas.

Rent Collected

The amount of rent collected in the year has exceeded 100% for the third year in a row, resulting in rent due being collected plus an element of arrears. This has led to a fall in current rent arrears of 2.1% in 3 years from 5.3% in 2016 to 3.2% in 2019. This is due to the continued proactive work by the Association's housing staff who assist our residents with any money concerns and work with them to ensure that they are receiving their full entitlement to any necessary benefits due. 2019 has seen the continuation of the rollout of Universal Credit with 144 tenants in receipt of the benefit at the end of March 2019 (64 in March 2018). Officers are closely monitoring the effect of this with only a slight increase in arrears of £12k across all our UC claimants.

Other Matters

The association has continued to provide support to community groups in the local area working with disadvantaged people, contributing £13,959 in 2018/19.

During the course of the year we have continued to work closely with the Boaz Trust, a local charity with a national profile which provides support to refugees and asylum seekers, to provide tenancy management and repairs services at marginal cost to the Trust. AWHA manages 75 properties on behalf of Boaz.

Our component replacement programme and especially the replacement of boilers have positive benefits for our tenants. Their improved energy efficiency reduces household heating bills and fuel poverty.

Section 4. How will we use Value for Money gains?

Value for money gains which generate a cash saving will be used to reduce the cost of borrowing to contribute to the purchase of additional homes. This will include homes acquired from partner associations plus properties acquired through the Manchester City Council Homelessness initiative.

Section 5. Conclusion

The Association delivered significant value for money during the course of the year. Relet times reduced to 18 days overall and rent collection continues to exceed 100%. We have also increased the number of homes in ownership during the year by over 1%, by acquiring an additional 14 homes for letting to applicants on our waiting list, obtaining grant funding for 7 of these properties.

We have delivered on most of the actions we set out in previous Value for Money self assessments.

We have continued to use the sector scorecard analysis together with the RSH's Global Accounts to measure performance against peers in order to further understand the costs of the Association and drive through efficiencies.

Arawak Walton Housing Association complies with the requirements of the new Value for Money standard.

Statement of Compliance

The board confirms that this Strategic Report has been prepared in accordance with the principles set out in Para 4.7 of the 2014 SORP for Registered Social Housing Providers.

The Board has undertaken a review of the requirements of the Governance and Financial Viability Standard (April 2015) published by the Homes and Communities Agency, together with the Association's performance against these requirements. Based on this review, the Board certifies its compliance with the requirements of this Standard.

The Board adopted the National Housing Federation Code of Governance (2015) in December 2015. The Board complies with the requirements of the code.

By Order of the Board:

Signed: **Date: 17th July 2019**

Independent Auditor's Report to the Members of Arawak Walton Housing Association Limited

Opinion

We have audited the financial statements of Arawak Walton Housing Association Limited "the Association" for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves and the Statement of Cash Flows and 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 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

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 to you in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board of Management's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board of Management 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 in relation to which 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 require for our audit.

Responsibilities of the Board of Management

As explained more fully in the Statement of the Board's responsibilities set out on pages 4-5, the Board of Management 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 control as the Board of Management determine 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 of Management are 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 of Management 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 web-site at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Association, 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 those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers, Statutory Auditor
St George's House
215/219 Chester Road
Manchester,M15 4JE
Date:

	Notes	Year ended 31 Mar 2019	Year ended 31 Mar 2018
		Association £	Association £
Turnover	2	5,159,750	5,071,498
Operating expenditure	2	(3,738,177)	(3,556,924)
Gain on disposal of property, plant and equipment (fixed assets)		65,515	56,518
Operating surplus		1,487,088	1,571,092
Interest receivable		720	744
Interest and financing costs	5	(553,748)	(526,572)
Surplus for the year		934,060	1,045,264
Other Comprehensive income			
Initial recognition of multi -employer defined Benefit scheme	10	(545,165)	-
Actuarial losses in respect of pension scheme	10	(198,000)	-
Total Comprehensive income for the year		190,895	1,045,264

The financial statements on pages 15 to 41 were approved and authorised for issue by the Board on 17th July 2019 and were signed on its behalf by:

Chairperson:	Board Member:	Secretary:
.....	.....	.....

The results relate wholly to continuing activities and the notes on pages 19 to 41 form an integral part of these accounts.

	Notes	Year Ended 31 Mar 2019 £	Year Ended 31 Mar 2018 £
Fixed assets			
Tangible fixed assets	11	34,622,562	33,247,752
		34,622,562	33,247,752
Current assets			
Trade and other debtors	12	357,514	192,245
Cash and cash equivalents	13	518,890	921,211
		876,404	1,113,456
Less: Creditors: amounts falling due within one year	14	1,816,873	1,888,589
Net current (liabilities)	14	(940,469)	(775,133)
Total assets less current liabilities		33,682,093	32,472,619
Creditors: amounts falling due after more than one year	15a	20,989,778	21,164,921
Provisions for liabilities			
Pension - defined benefit liability	10	1,193,724	-
Total net assets		11,498,591	11,307,698
Reserves			
Non-equity share capital	19	22	24
Income and expenditure reserve		11,498,569	11,307,674
Total reserves		11,498,591	11,307,698

The financial statements on pages 15 to 41 were approved and authorised for issue by the Board on 17th July 2019 and were signed on its behalf by:

Board Member: ..... **Board Member:** ..... **Secretary:** .....

The notes on pages 19 to 41 form an integral part of these accounts.

Arawak Walton Housing Association Limited
Statement of Changes in Reserves
For the Year Ended 31 March 2019

	Income and expenditure reserve £
Balance as at 1 April 2017	10,262,410
Surplus from Statement of Comprehensive Income	1,045,264
Balance at 31 March 2018	11,307,674
Surplus for the year	934,060
Other Comprehensive Income	
Initial recognition of multi -employer defined Benefit scheme	(545,165)
Actuarial losses in respect of pension scheme	(198,000)
Balance at 31 March 2019	11,498,569

The notes on pages 19 to 41 form an integral part of these accounts.

	Year ended 31 Mar 2019 £	Year ended 31 Mar 2018 £
Net cash generated from operating activities	**2,079,307**	2,250,830
Cash flow from investing activities		
Purchase of tangible fixed assets	**(2,262,714)**	(2,491,991)
Proceeds from sale of tangible fixed assets	**212,432**	154,477
Interest received	**720**	744
Grant received	**298,853**	-
Cash flow from financing activities		
Interest paid	**(536,443)**	(515,521)
Interest element of finance lease rental payment	**-**	-
Issue of ordinary shares	**(2)**	(1)
New secured loans	**750,000**	1,700,000
Repayment of borrowings	**(944,474)**	(900,078)
Capital element of finance lease rental payments	**-**	-
Net change in cash and cash equivalents	**(402,321)**	198,460
Cash and cash equivalents at beginning of the year	**921,211**	722,751
Cash and cash equivalents at end of the year	**518,890**	921,211

	Year ended 31 Mar 2019 £	Year ended 31 Mar 2018 £
Cash flow from operating activities		
Surplus for the year	**1,487,088**	1,571,092
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	**795,368**	778,542
Decrease in trade and other debtors	**(338)**	17,963
(Increase) / decrease in trade and other creditors	**(17,287)**	76,627
Increase in provisions	**1,725**	-
Pension costs less contributions payable	**-**	(71,165)
Less surplus on sale of assets	**(65,515)**	(56,518)
Adjustments for investing or financing activities:		
Government grants utilised in the year	**(104,429)**	(54,660)
Interest payable	**(17,305)**	(11,051)
Net cash generated from operating activities	**2,079,307**	2,250,830

The notes on pages 19 to 41 form an integral part of these accounts.

Notes to the Financial Statements

Legal Status

Arawak Walton Housing Association Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency as a Private Registered Provider of Social Housing. The registered office is Margaret House, 23 Manor Street, Ardwick, Manchester M12 6HE.

1. Principal Accounting Policies

Basis of Accounting
The financial statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2014.

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. The accounts are prepared on the historical cost basis of accounting and are presented in sterling £.

The financial statements have been prepared in compliance with FRS102.

The Association is a Public Benefit Entity.

Going concern
The financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. The Association undertakes an annual review of its Business Plan and its ability to meet its financial covenants. No significant concerns have been noted and we consider it appropriate to continue to prepare the financial statements on a going concern basis.

Judgements and key sources of estimation uncertainty
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

a. **Development expenditure.** The Association capitalises development expenditure in accordance with the accounting policy described on page 14. Initial capitalisation of costs is based on management's judgement that development scheme is confirmed, usually when Board approval has taken place including access to the appropriate funding. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

b. **Categorisation of housing properties** The Association has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Association has considered if the asset is held for social benefit or to earn commercial rentals.

c. **Impairment.** The Association has identified a cash generating unit for impairment assessment purposes at a property scheme level.

Principal Accounting Policies (continued)

d. **Pension and other post-employment benefits.** The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary increases and pension increases are based on expected future inflation rates for the respective sector. Further details are given in note 10.

Other key sources of estimation and assumptions:

a. **Tangible fixed assets.** Tangible fixed assets are depreciated over their useful lives. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.

b. **Impairment of non-financial assets.** Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified.

   Following the assessment of impairment no impairment losses were identified in the reporting period.

c. **Accounting for the Social Housing Pension Scheme ('SHPS')**. The Board's view, considering the guidance issued in FRED 71 and guidance issued by the National Housing Federation, is that the difference between the deficit funding agreement previously recognised in relation to SHPS, and the net defined benefit deficit, should be recognised in Other Comprehensive Income. The relevant date to apply the adjustment is judged to be 1 April 2018, as TPT Retirement Solutions does not have data to provide sufficient information before the date 31 March 2018.

Turnover and revenue recognition

Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities and the RSH, income from the sale of shared ownership and other income and are recognised in relation to the period when the goods or services have been supplied.

Rental income is recognised when the property is available for let, net of voids. Income from property sales is recognised on legal completion. Supporting People Income is recognised under the contractual arrangements.

Support income and costs including Supporting People income and costs

Supporting People (SP) contract income received from Administering Authorities is accounted for as SP income in the Turnover as per note 2. The related support costs are matched against this income in the same note. Support charges included in the rent are included in the Statement of Comprehensive Income from social housing lettings note 3 and matched against the relevant costs.

Principal Accounting Policies (continued)

Service charges
Service charge income and costs are recognised on an accruals basis. The Association operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge.

Loan interest costs
Loan interest costs are calculated using the effective interest method of the difference between the loan amount at initial recognition and amount of maturity of the related loan.

Loan finance issue costs
These are amortised over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts amortised. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs are recognised in the Statement of Comprehensive Income account in the year in which the redemption took place.

Taxation
The Association is granted charitable exemptions by HM Revenue and Customs, under reference XR48512, effective from the 19th August 1998.

Value Added Tax
The Association is not registered for VAT. All amounts disclosed in the accounts are inclusive of VAT.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, less accumulated depreciation. Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

Freehold land is not depreciated.

Where a housing property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred.

The Association depreciates freehold housing properties by component on a straight-line basis over the estimated UELs of the component categories.

UELs for identified components are as follows:

Housing properties - new build	100 years	Housing properties - rehab	60 years
Kitchens	15 years	Bathrooms	30 years
Boilers	15 years	Rewire	40 years
Windows	30 years	Lifts	25 years

The Association depreciates housing properties held on long term leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

Principal Accounting Policies (continued)

Depreciation is charged on other tangible fixed assets on a straight-line basis over the expected economic useful lives which are as follows:

Fixtures and fittings	15% on cost	Office Equipment	15% on cost
Computer equipment	25% on cost	Office improvements (minor)	33% on cost
Office Building	60 years		

Low cost home ownership properties
The costs of low cost home ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and the sale proceeds shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset and subsequent sales treated as sales of fixed assets.

Capitalisation of interest and administration costs
Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into their intended use.

Property managed by agents
Where the Association carries the majority of the financial risk on property managed by agents, income arising from the property is included in the Statement of Comprehensive Income Account.

Where the agency carries the majority of the financial risk, income includes only that which relates solely to the Association.

In both cases, the assets and associated liabilities are included in the Association's Statement of Financial Position.

Leasing and hire purchase
Where assets are financed by hire purchase contracts and leasing agreements that give rights approximating to ownership (finance leases), they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as obligations to the lessor in creditors. They are depreciated over the shorter of the lease term and their economic useful lives.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit and loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Other leases are treated as operating leases and payments are charged to the Statement of Comprehensive Income on a straight line basis over the term of the lease.

Reverse premiums and similar incentives received on leases to enter into operating lease agreements are released to Statement of Comprehensive Income over the term of the lease.

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

Principal Accounting Policies (continued)

Social Housing and other government grants
Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income and recognised in Turnover over the estimated useful life of the associated asset structure (not land), under the accruals model. SHG received for items of cost written off in the Statement of Comprehensive Income Account is included as part of Turnover.

SHG must be recycled by the Association under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the RSH and Greater London Authority. However, SHG may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as Turnover. In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

Recycling of Capital Grant
Where Social Housing Grant is recycled, as described above, the SHG is credited to a fund which appears as a creditor until used to fund the acquisition of new properties, where recycled grant is known to be repayable it is shown as a creditor within one year.

Disposal Proceeds Fund (DPF)
Receipts from the sale of SHG funded properties less the net book value of the property and the costs of disposal are credited to the DPF (upto April 2017), this creditor is carried forward until it is used to fund the acquisition of new social housing.

Holiday pay accrual
A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and 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.

Retirement benefits
The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services.

The Group participates in the Social Housing Pension Scheme ('SHPS'), a defined benefit multiemployer pension scheme administered by TPT Retirement Solutions ('TPT'). Historically, TPT has not been able to provide sufficient information for each social landlord's share of SHPS to allow defined benefit accounting to be applied. Instead, in accordance with FRS 102 paragraphs 28.11 and 28.11A and Housing SORP paragraphs 15.9 to 15.12, SHPS has been accounted for as a defined contribution scheme and recognised a liability for the present value of the landlord's deficit funding agreement.

Following changes made to systems and processes by TPT, sufficient information is now available for SHPS. In January 2019, the Financial Reporting Council issued FRD71 ('Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Multi-employer defined benefit plans.') which provides proposed changes to FRS 102 on this issue.

Consistent with the guidance in FRED 71 paragraph 4 (FRS 102 paragraph 28.11B), the difference between the deficit funding liability and the net defined benefit deficit for SHPS has been recognised in Other Comprehensive Income. This constitutes a change in accounting policy. Further disclosures in this area are included in note 10.

Principal Accounting Policies (continued)

Financial Instruments
Financial assets and financial liabilities are measured at transaction price initially, plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

Commitments to receive or make a loan to another entity which meet the conditions in para 11.8(c) of FRS 102 are measured at cost less impairment.

- Financial assets such as cash, current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method.
- Financial liabilities such as loans are held at amortised cost using the effective interest method,

Categorisation of debt
The Association's debt has been treated as "basic" in accordance with paragraphs 11.8 and 11.9 of FRS 102. At both 31.3.15 and 31.3.16 the Association had an undrawn loan facility which included provision for a fixed rate loan which had a two-way break clause (i.e. in addition to compensation being payable by a borrower to a lender if a loan is prepaid where the prevailing fixed rate is lower than the existing loan's fixed rate, compensation could be payable by the lender to the borrower in the event that a loan is prepaid and the prevailing fixed rate is higher than the existing loan's fixed rate). The Financial Reporting Council (FRC) issued a statement on 2 June 2016 in respect of such loans with no prescriptive direction as to whether they should be classified as "basic" or "non basic". On the grounds that the Association believes the recognition of each debt liability at cost provides a more transparent and understandable position of the Association's financial position and that each loan still satisfies the requirements of paragraphs 11.8 and 11.9 of FRS 102, the Association has retained its "basic" treatment of its debt following the FRC announcement.

2. Turnover, cost of sales, operating expenditure and operating surplus

	2019		
	Turnover	Operating expenditure	Operating surplus
	£	£	£
Social housing lettings (note 3)	5,056,525	3,655,144	1,401,381
Other social housing activities			
Supporting people	33,844	33,775	69
Other:			
Managed Associations	47,585	39,466	8,119
Activities other than social housing			
Other	21,796	9,792	12,004
Total	5,159,750	3,738,177	1,421,573

	2018		
	£	£	£
Social housing lettings (note 3)	4,972,311	3,475,946	1,496,365
Other social housing activities			
Supporting people	33,844	33,171	673
Other:			
Managed Associations	48,069	39,864	8,205
Activities other than social housing			
Other	17,274	7,943	9,331
Total	5,071,498	3,556,924	1,514,574

3. Turnover and operating expenditure

	General Housing £	Housing for Older People £	Total 2019 £	Total 2018 £
Income				
Rent receivable net of identifiable service charge	3,990,924	530,890	4,521,814	4,454,074
Service charge income	125,669	304,613	430,282	421,011
Amortised government grants	94,363	2,400	96,763	89,560
Other grants	4,226	3,440	7,666	7,666
Turnover from Social Housing Lettings	4,215,182	841,343	5,056,525	4,972,311
Operating expenditure				
Management	889,063	126,787	1,015,850	1,059,139
Service charge costs	130,301	351,877	482,178	437,778
Routine maintenance	805,871	101,072	906,943	825,158
Planned maintenance	144,772	20,786	165,558	180,907
Major repairs expenditure	257,969	53,760	311,729	200,397
Bad debts	1,107	5,494	6,601	11,878
Depreciation of Housing Properties	682,951	83,334	766,285	760,689
Operating expenditure on Social Housing Lettings	2,912,034	743,110	3,655,144	3,475,946
Operating Surplus on Social Housing Lettings	1,303,148	100,389	1,401,381	1,496,365
Void losses	8,018	1,431	9,449	19,352

4. Accommodation owned, managed and in development

	2019		2018	
	No. of properties		No. of properties	
	Owned	Managed	Owned	Managed
Social Housing				
Under management at end of year:				
General needs housing				
Social Rent	878	9	869	9
Supported housing and housing for older people	147	-	147	-
Affordable Rent	8	-	12	-
Low-cost home ownership	16	-	16	-
Submarket Rent	21	-	12	-
	1,070	9	1,056	9
Non-Social Housing				
Under management at end of year:				
Staff Units	1	-	1	-
Rental Housing	-	75	-	66
	1	75	1	66

5. Interest and financing costs

	Association	
	2019	2018
	£	£
Finance leases		-
On loans repayable within five years	**20,714**	25,326
On loans wholly or partly repayable in more than five years	**495,652**	483,171
Costs associated with financing	**12,382**	12,075
	528,748	520,572
On defined benefit pension scheme		
Deferred Benefit pension charge	**-**	6,000
Expected return on plan assets	**(79,000)**	-
Interest on scheme liabilities	**104,000**	-
	553,748	526,572

6. Surplus for the year

	2019	2018
	£	£
The surplus is stated after charging/(crediting):-		
Auditors remuneration (excluding VAT):		
Audit of the financial statements	**6,066**	6,065
In respect to other services	**435**	1,140
Operating lease rentals:		
- Office equipment	**17,810**	13,716
Depreciation of housing properties	**766,285**	760,689
Depreciation of other fixed assets	**29,083**	17,853
Surplus on asset sale	**65,515**	56,518

7. Taxation

The Association has charitable status and hence is exempt from paying Corporation Tax.

8. Directors' remuneration

	2019 £	2018 £
The aggregate emoluments paid to or receivable by non-executive Directors and former non-executive directors	6,617	4,036
The aggregate emoluments paid to or receivable by executive Directors and former executive directors	229,679	228,816
The aggregate compensation paid to or receivable by Directors (key management personnel)	-	-
The emoluments paid to the highest paid Director excluding pension contributions	95,702	93,834
The aggregate amount of Directors or past Directors pensions, excluding amounts payable under a properly funded pension scheme	-	-
The aggregate amount of any consideration payable to or receivable by third parties for making available the services of a Director	-	-
The aggregate amount of any consideration payable to Directors for loss of office	-	-

The Chief Executive is an ordinary member of the pension scheme. The pension scheme is a final salary scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply. There are no additional pension arrangements. A contribution by the Association of £7,014 (2018: £6,876) was paid in addition to the personal contributions of the Chief Executive.

Directors (key management personnel) are defined as members of the Board, the Chief Executive and any other person who is a member of the Senior Management Team or its equivalent.

With the exception of the chair of the Board, non executive directors do not receive remuneration from the Association. Remuneration paid to non executive directors is as follows:

	2019 £	2018 £
Evelyn Asante-Mensah, Chair of the Board	4,117	4,036
D Brown, Acting Chair of the Board	2,000	-

9. Employee information

	Association	
	2019	2018
	No.	No.
The average number of persons employed during the year expressed in full time equivalents (35 hours per week) was:		
Office staff	**26**	26
Wardens, gardeners and cleaners	**3**	4
	29	30

	2019	2018
	£	£
Staff costs		
Wages and salaries	**892,830**	881,722
Social Security costs	**84,324**	85,057
Other pension costs	**116,000**	65,908
Temporary Staff	**55,376**	60,648
	1,148,530	1,093,335

Aggregate number of full time equivalent staff whose remuneration exceeded £60,000 in the period:	**2019**	2018
	No.	No.
£60,000 - £70,000	2	2
£70,000 - £80,000	-	-
£80,000 - £90,000	-	-
£90,000 - £100,000	-	-
£100,000- £110,000	1	1

10. Pension obligations

The company participates in the Social Housing Pension Scheme (the Scheme), a multiemployer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK. 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 company 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 financial years ending on or before 28 February 2019, it has not been possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme. For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme. For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus at the accounting period start and end dates..

The following adjustments have been made in relation to the change in accounting policy:

- Removal of the liability for the funding of the deficit funding agreement (reduction in creditors of £448,834; increase in Other Comprehensive Income £448,834.
- Recognition of the net pension deficit (increase in pension liability £1,194,026; reduction in Other Comprehensive Income £743,165).

Present Values of Defined Benefit Obligation, Fair Value of Assets and Defined Benefit Asset (Liability)

	31 March 2019 (£000s)	31 March 2018 (£000s)
Fair value of plan assets	**3,211**	3,069
Present value of defined benefit obligation	**4,405**	4,063
Surplus (deficit) in plan	**(1,194)**	(994)
Unrecognised surplus	**-**	-
Defined benefit asset (liability) to be recognised	**(1,194)**	(994)
Deferred tax	**-**	-
Net defined benefit asset (liability) to be recognised	**(1,194)**	(994)

Reconciliation of the Impact of the Asset Ceiling

	Period ended 31 March 2019 (£000s)
Impact of asset ceiling at start of period	-
Effect of the asset ceiling included in net interest cost	-
Actuarial losses (gains) on asset ceiling	-
Impact of asset ceiling at end of period	-

10. Pensions Obligations (continued)

Reconciliation of Opening and Closing Balances of the Defined Benefit Obligation

	Period ended 31 March 2019 (£000s)
Defined benefit obligation at start of period	4,063
Current service cost	112
Expenses	4
Interest expense	104
Contributions by plan participants	40
Actuarial losses (gains) due to scheme experience	(32)
Actuarial losses (gains) due to changes in demographic assumptions	11
Actuarial losses (gains) due to changes in financial assumptions	315
Benefits paid and expenses	(212)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	4,405

Reconciliation of Opening and Closing Balances of the Fair Value of Plan Assets

	Period ended 31 March 2019 (£000s)
Fair value of plan assets at start of period	3,069
Interest income	79
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	96
Contributions by the employer	139
Contributions by plan participants	40
Benefits paid and expenses	(212)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	3,211

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £175,000.

10. Pensions Obligations (continued)

Defined Benefit Costs Recognised in Statement of Comprehensive Income (SoCI)

	Period from 31 March 2018 to 31 March 2019 (£000s)
Current service cost	112
Expenses	4
Net interest expense	25
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in statement of comprehensive income (SoCI)	141

Defined Benefit Costs Recognised in Other Comprehensive Income

	Period ended 31 March 2019 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	96
Experience gains and losses arising on the plan liabilities - gain (loss)	32
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(11)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(315)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(198)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in other comprehensive income - gain (loss)	(198)

10. Pensions Obligations (continued)

Assets

	31 March 2019 (£000s)	31 March 2018 (£000s)
Global Equity	541	606
Absolute Return	278	375
Distressed Opportunities	58	30
Credit Relative Value	59	-
Alternative Risk Premia	185	116
Fund of Hedge Funds	14	101
Emerging Markets Debt	111	124
Risk Sharing	97	28
Insurance-Linked Securities	92	81
Property	72	141
Infrastructure	168	79
Private Debt	43	27
Corporate Bond Fund	150	126
Long Lease Property	47	-
Secured Income	115	114
Over 15 Year Gilts	-	-
Liability Driven Investment	1,175	1,118
Net Current Assets	6	3
Total assets	3,211	3,069

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

Key Assumptions

	31 March 2019 % per annum	31 March 2018 % per annum
Discount Rate	2.33	2.59
Inflation (RPI)	3.28	3.16
Inflation (CPI)	2.28	2.16
Salary Growth	3.28	3.16
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

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

	Life expectancy at age 65 (Years)
Male retiring in 2019	21.8
Female retiring in 2019	23.5
Male retiring in 2039	23.2
Female retiring in 2039	24.7

11. Tangible fixed assets

	Housing Properties	Other fixed assets					Total Fixed Assets
	Social Housing Properties for Letting Completed	Office Improvements	Fixtures & Fittings	Office Equipment	Computer Equipment	Office Buildings	Total fixed assets
	£	£	£	£	£	£	£
Cost							
At start of the year	39,185,409	129,092	76,128	34,825	73,270	578,701	40,077,425
Additions to properties acquired	1,719,737	-	25,385	-	32,658	600	1,778,380
Works to existing properties	484,334	-		-			484,334
Disposals	(250,453)	-	(2,277)	-	(34,209)	-	(286,939)
At end of the year	**41,139,027**	**129,092**	**99,236**	**34,825**	**71,719**	**579,301**	**42,053,200**
Depreciation and impairment							
At start of the year	6,470,723	129,092	50,197	34,051	66,722	78,888	6,829,673
Charge for the year	766,285	-	8,461	211	10,756	9,655	795,368
Disposals	(157,917)	-	(2,277)	-	(34,209)	-	(194,403)
At end of the year	**7,079,091**	**129,092**	**56,381**	**34,262**	**43,269**	**88,543**	**7,430,638**
Net book value at 31 March 2019	**34,059,936**	**-**	**42,855**	**563**	**28,450**	**490,758**	**34,622,562**
Net book value at 31 March 2018	**32,714,686**	**-**	**25,931**	**774**	**6,548**	**499,813**	**33,247,752**

Housing Properties comprise:

	2019	2018
	£	£
Freeholds	**19,307,784**	18,190,545
Long leaseholds	**14,752,152**	14,524,141

Cost of properties includes £0 (2018:£25,394) for direct administrative costs capitalised during the year.

	2019	2018
	£	£
Works to existing properties in the year:		
Improvement works capitalised	**-**	-
Components capitalised	**484,334**	583,668
Amounts charged to expenditure	**469,145**	381,304

Nb The cost figure above is net of grant acquired at transfer amounting to £25.8m (see note 22).

12. Trade and other debtors

	2019 £	2018 £
Rent arrears	173,899	208,743
Less: provision for bad debts	(69,134)	(92,373)
Grant receivable	164,930	-
Other debtors	1,684	6,173
Prepayment and accrued income	86,135	69,702
Debtors are all due within one year	357,514	192,245

13. Cash and cash equivalents

	2019 £	2018 £
Cash at bank	518,890	921,211
	518,890	921,211

14. Creditors: amounts falling due within one year

	2019 £	2018 £
Loans and overdrafts (Note 15b)	1,002,636	990,994
Trade creditors	90,186	107,558
Rents and service charges paid in advance	165,642	142,785
Other taxation and social security payable	20,567	22,194
Accruals and deferred income	416,319	422,369
SHPS pension agreement plan (Note 10)	-	69,220
Deferred Capital Grant (Note 16)	96,763	89,560
Other Grant	3,440	7,666
Other creditors	21,320	36,243
	1,816,873	1,888,589

Net current liabilities would be funded by available undrawn loan facilities.

15(a). Creditors: amounts falling due after more than one year

	2019	2018
	£	£
Loans (Note 15b)	15,113,697	15,319,813
Deferred Capital Grant (Note 16)	5,771,590	5,364,425
Other grant	24,079	27,519
SHPS pension agreement plan (Note 10)	-	379,614
Disposal proceeds fund (Note 17)	-	30,835
Recycled Capital Grant Fund (Note 18)	80,412	42,715
	20,989,778	21,164,921

15(b). Debt analysis

	2019	2018
	£	£
Loans repayable by instalments:		
Within one year	1,002,636	990,994
In one year or more but less than two years	1,026,322	1,109,589
In two years or more and less than five years	2,702,519	3,341,098
In five years or more	11,605,179	11,094,147
Less: loan issue costs	(220,323)	(225,021)
Total loans	16,116,333	16,310,807

The loans are repayable monthly/quarterly and half yearly at varying rates of fixed and variable interest rates. The loans are repayable over terms of 15,25,30 and 35 years.

All loans are secured by specific charges on the Association's Housing Properties.

The interest rate profile of the Association at 31 March 2019 was:

	Total	Variable Rate	Fixed rate	Weighted Average rate	Weighted average term
	£	£	£	%	Years
Instalment loans	16,336,656	6,918,746	9,417,910	2.92	15

The amount charged, by charge holder is as follows:

	2019	2018
	£	£
Lloyds Bank	3,320,073	3,429,168
Nationwide Building Society	2,714,362	3,138,148
Newcastle Building Society	3,196,636	3,409,927
Royal Bank of Scotland	3,679,044	3,745,712
Triodos Bank	2,687,463	2,807,268
Orchardbrook	4,776	5,605
Warrington Borough council	734,302	-
Total Loans	16,336,656	16,535,828

16. Deferred capital grant

	2019	2018
	£	£
At start of the year	5,453,985	5,508,645
Released to income in the year	(96,763)	(89,560)
Grant Received in year	511,131	34,900
At the end of the year	5,868,353	5,453,985

	£	£
Amount due to be released < 1 year	96,763	89,560
Amount due to be released > 1 year	5,771,590	5,364,425
	5,868,353	5,453,985

17. Disposal proceeds fund

		2019	2018
		£	£
Opening Balance		30,835	65,585
Inputs to DPF	Funds recycled	-	-
	Net PRTB receipts	-	-
	Certain proceeds of profit making PRPs	-	-
	Interest accrued	13	150
	Transfers from other PRPs	-	-
Use/allocation of funds:	New build	-	-
	Major repairs and works to existing stock	(30,848)	(34,900)
	Transfers to other PRPs	-	-
	Other	-	-
Repayment of funds to the Homes England/GLA		-	-
Closing Balance		-	30,835
Amounts three years old or older where repayment may be required		-	-

18. Recycled capital grant fund

		2019 £	2018 £
Opening balance		42,715	-
Inputs to RCGF:	Grants recycled	54,060	42,615
	Interest accrued	137	100
	Transfers from other PRPs	-	-
Recycling of grant:	New build	-	-
	Major repairs and works to existing stock	(16,500)	-
	Transfers to other PRPs	-	-
	Other	-	-
Repayment of grant to the Homes England/GLA		-	-
Closing Balance		80,412	42,715
Amount three years or older where repayment may be required		-	-

19. Non-equity share capital

	2019 £	2018 £
Allotted Issued and Fully Paid		
At the start of the year	24	25
Issued during the year	1	1
Surrendered during the year	(3)	(2)
At the end of the year	22	24

The par value of each share is £1. The shares do not have a right to any dividend or distribution in a winding-up, and are not redeemable. Each share has full voting rights. All shares are fully paid.

20. Capital commitments

	2019 £	2018 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	22,068	21,900
Capital expenditure that has been authorised by the Board but has not yet been contracted for	1,978,240	187,584
	2,000,308	209,484
The Association expects these commitments to be financed with:		
Social Housing Grant	-	-
Cash	-	209,484
Committed loan facilities	2,000,308	-
	2,000,308	209,484

21. Operating leases

The Association holds office equipment under non-cancellable operating leases. At the end of the year the PRP had commitments of future minimum lease payments as follows:-

	2019 £	2018 £
Within one year	13,453	5,599
In one year or more but less than two years	12,245	1,993
In two years or more and less than five years	21,223	403
In five years or more	-	-

22. Grant and financial assistance

	2019 £	2018 £
Net amortised Capital Grant	1,375,493	1,278,730
Obligation to recycle grant on disposal of stock transfers	25,773,441	25,913,765
Deferred Capital Grant (note 16)	5,868,353	5,453,985
Total Obligation to recycle on event of housing property disposal.	33,017,287	32,646,480

The Association receives grant from Homes England which is used to fund the acquisition and development of housing properties and their components. The Association is responsible for recycling the grant in the event of the housing properties being disposed of. At 31st March 2019 this amounted to £33,017,287 (2018 - £32,646,480).

23. Related parties

The following are related parties:

The Board has no tenant members in the current year, in the prior year one Board member held a tenancy agreement on normal terms and could not use their position to their advantage. Rent charged to the Tenant Board member was £Nil (2018: £890).

Related party balances are not secured.

24. Financial Instruments

	2019 £	2018 £
Financial assets that are debt instruments measured at amortised cost:		
Cash at bank and in hand	**518,890**	921,211
Trade Debtors	**104,765**	116,370
Grant Receivable	**164,930**	-
Other debtors	**1,684**	6,173
Financial liabilities at amortised cost:		
Loans	**16,116,333**	16,310,807
Trade Creditors	**90,186**	107,558
Rents and Service charges in advance	**165,642**	142,785
Accruals and deferred income	**416,319**	422,369
Deferred capital Grant	**5,868,353**	5,453,985
Disposal Proceeds fund	**-**	30,835
Other grant	**27,519**	35,175
Other creditors	**21,320**	36,243
Recycled capital grant fund	**80,412**	42,715
Other taxation and social security payable	**20,567**	22,194