

ABILITY HOUSING ASSOCIATION

Report and Financial Statements

For the year ended 30 September 2017

Registered Company No 01261380

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2017

Company registration number	01261380
Homes & Communities Agency registration number:	LH2174
Charity number:	271547
Registered office and principal address:	The Coach House Gresham Road Staines TW18 2AE
Board:	Jane Harrison (Chair) Wendy Crichlow (resigned 15 March 2017) Karen Hillhouse Ian Lines Vince Mewett Jane Minter (resigned 15 March 2017) Nicola Philp Adrian Polisano Sally Reay Gina Small (appointed 14 June 2017)
Chief Executive	Jeff Skipp
Director of Resources & Deputy Chief Executive	Peter Gardiner (appointed 3 January 2018)
Finance Director	Donna Marshall (resigned 30 June 2017)
Secretary	Peter Gardiner (appointed 3 January 18) Jeff Skipp (appointed 30 June 17, resigned 3 January 18) Donna Marshall (resigned (30 June 17)
Operations Director	Tim Hall (resigned 1 March 2017)
Bankers:	Barclays 1 Churchill Place London E14 8HP
Solicitors:	Devonshires Salisbury House London EC2M 5QY
Auditors:	Grant Thornton UK LLP Registered Auditors Chartered Accountants Victoria House 199 Avebury Boulevard Milton Keynes MK9 1AU

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ABILITY HOUSING ASSOCIATION

Report and Financial Statements

For the year ended 30 September 2017

Report of the Board

The board presents its report and audited financial statements of Ability Housing Association ('The Association') for the year ended 30 September 2017.

These have been drawn up under United Kingdom Generally Accepted Accounting Practice, including FRS 102 ('the financial reporting standard applicable in the UK and Republic of Ireland'). The Association is registered under the Companies Act 2006 as a company limited by guarantee. It is registered with both the Charity Commission and the Homes and Communities Agency as a Registered Provider.

Principal activities and public benefit

The Association's principal activities are the provision, by construction or conversion, and the management of housing for people with disabilities and others in housing need and the provision of care and support to those individuals.

The Association is classified as a public benefit entity. The board confirms that it has referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Association's aims and objectives and in formulating future plans.

Business review and future development

Details of the Association's performance for the year and future plans are set out in the Operating and Financial Review that follows this Report.

Reserves

After transfer of the surplus for the year of £185,843 (2016: £4,357,346), at the year-end reserves amounted to £16,961,960 (2016: £16,776,117).

Employees

The Association is accredited as an Investor in People and has established an Information & Consultation Committee of elected staff representatives, who meet periodically with executive directors to discuss issues relevant to employment. Salary levels are set in relation to the market and meet the requirements of the National Minimum Wage.

We are committed to equality of opportunity for all employees. We have a diverse workforce and have in place systems for monitoring the effectiveness of our diversity & inclusion policies.

The Association shares information on its objectives, progress and activities through the staff intranet, regular office and departmental meetings.

Health and safety

The board is aware of its responsibilities on all matters relating to health and safety. The Association has employed an external advisor to prepare detailed health and safety policies, ongoing support and provides staff training and education on health and safety matters.

Board members and executive directors

The present board members and the executive directors of the Association are set out on page 1. The board members are drawn from a wide background bringing together professional, commercial and local experience.

The executive directors are the chief executive and the other members of the Association's senior management team. They hold no interest in the Association's shares and act as executives within the authority delegated by the board.

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Report of the Board (continued)

Board members and executive directors (continued)

Insurance policies indemnify board members and officers against liability when acting for the Association.

Service contracts

The executive directors are employed on the same terms as other staff, their notice periods being three months.

Pensions

The Association contributes to the Social Housing Pension Scheme (SHPS) Defined Contribution Scheme and the SHPS Growth Plan series 3 and 4 on behalf of its eligible employees. The Association also makes contributions in respect of deficit recovery to a number of SHPS defined benefit schemes.

As a result of TUPE undertakings a small number of staff are members of the Surrey Local Government Pension Scheme, a defined benefit final salary pension scheme, to which the Association makes the relevant contributions

NHF Code of Governance

We are pleased to report that the Association complies with the principal recommendations of the NHF Code of Governance (revised 2015) with the exception that terms of office may be extended by consent of the Board.

At last year's Annual General Meeting held on 15 March 2017, Jane Harrison was re-elected as Chair. Wendy Crichlow and Jane Minter stood down from the Board.

Tenant involvement

We actively encourage tenants' involvement in decision-making by promoting tenant participation; up to one-third of ordinary members may be tenants or service users. A customer panel and customer services committee have been established to report to the Board and a customer engagement co-ordinator appointed.

Complaints

Our clear and simple complaints policy is issued to all customers. During the year we received two complaints that reached level 2 (formal resolution) both of which have been resolved.

Internal controls assurance

The board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the Association is continuing, and has been in place throughout the period commencing 1 October 2016 up to the date of approval of the annual report and financial statements. The board receives and considers reports from management on these risk management and control arrangements at each meeting during the year.

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Report of the Board (continued)

Internal controls assurance

Key elements of the control framework include:

- board approved terms of reference and delegated authorities for finance, audit and risk, human resources and customer services committees;
- clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- robust strategic and business planning processes;
- regular review of the risk map by the board;
- detailed financial budgets and forecasts for subsequent years;
- formal recruitment, retention, training and development policies;
- established authorisation and appraisal procedures for all significant new initiatives and commitments;
- regular reporting by senior management to the appropriate committee of key business objectives, targets and outcomes;
- board approved whistleblowing and anti-theft and corruption policies; and
- detailed policies and procedures in each area of the Association's work.

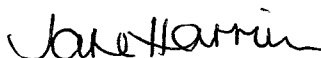
The board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Finance, Audit & Risk committee to review the effectiveness of the system of internal control on a regular basis. The board receives reports from the committee together with minutes of meetings.

The means by which the Finance Audit & Risk committee reviews the effectiveness of the system of internal control include considering risk reports, internal audit reports, management assurances, the external audit key issues memorandum and specialist reviews on areas such as support service contracts, health and safety, housing services and property development. The committee has received reports from the internal auditor, and has reported its findings to the board. The Board has received the chief executive's annual review of the effectiveness of the system of internal control for the Association and in turn conducted its own annual review of the effectiveness of the system of internal control.

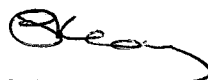
A fraud register is maintained and is reviewed by the finance, audit and risk committee annually

The board is therefore satisfied that the systems of internal control are sufficiently robust and have been operating throughout the year.

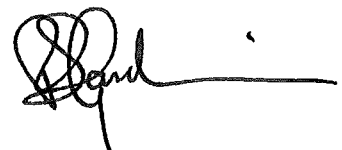
The report of the board was approved by the board on 21st March 2018 and signed on its behalf by:



Jane Harrison
Chairman



Sally Reay
Board Member



Peter Gardiner
Secretary

Operating and Financial Review and Strategic Report

Activities

Ability Housing Association is a Registered Provider (RP) and a registered charity that specialises in providing people with housing and support services tailored to their individual needs to enable them to live more independent lives. These services include the provision of affordable, high quality accommodation for rent and shared ownership, including supported housing, floating support services, disability housing registers and adaptations services.

Ability aims to work strategically with local authorities and other Registered Providers in the South of England to help meet the local needs of disabled people, where Ability's expertise can assist with promoting independent living. Our pursuit of this aim is underpinned by the following values:

We focus on ability not disability

- we focus on what each person can do rather than what they cannot do. We work together with our customers to help them overcome barriers to their own personal independent living goals.

We engage actively for feedback

– we engage actively with our customers, colleagues and partners to seek feedback that helps us to understand how we can improve what we do and how we do it.

We value differences

– we respect and value the individuality of each person; we believe that differences are strengths and that diversity enriches our lives and communities.

We demonstrate integrity

– we encourage a culture of openness, honesty and personal accountability; we respond to a challenge by asking ourselves what we can do to help and always delivering on our promises.

We commit ourselves to:

- listening in order to gain the best possible understanding
- focussing on what is possible and thinking about what we can do
- working to agree a positive outcome without excuse or blame and
- taking full responsibility to ensure the agreed outcome is achieved.

The registered office is based in Staines and our properties are primarily located in the south-east of England.

External influences

Local Authority funding for social care remains constrained due to significant reductions in central government grant, as a result of their austerity policy. These constraints are likely to increase over the coming years with local authorities having to further reduce overall spend, this will lead to a greater prioritisation of social care services and a focus on those with the greatest need. This will lead to many of the people supported by Ability Housing Association having their care packages reduced or even withdrawn. In addition, the impact of the National Living Wage will increase the cost of delivering care, circa 70% of costs associated with Care are staff related. As an organisation we are closely monitoring the financial performance of our care and support services; and renegotiating contracts and fee levels where services are or are likely to become unsustainable. On occasions this has resulted in Ability HA handing contracts back to local authorities where they were unable to fund the full cost of the care and support delivered.

ABILITY HOUSING ASSOCIATION Report and Financial Statements

For the year ended 30 September 2017

Operating and Financial Review and Strategic Report (continued)

External influences (continued)

The government's policy of a 1% annual rent cut for Associations up to April 2020 has inhibited Ability Housing Association although we have ensured that services to tenants will not be affected. The Government's announcement that Local Housing Allowance (LHA) will not apply to long term supported housing, is welcome, but we remain concerned about the government's proposal for short term and temporary supported housing and the impact this may have on homelessness and other services. We will continue to lobby and participate with umbrella bodies to seek change to these proposals. We believe that short term and temporary supported housing should be funded in the same way as long term supported housing and that this would protect the viability of these essential services.

Housing Associations are also expected to contribute to improved efficiency and value for money within the sector, and we are therefore faced with the challenging objectives of improving efficiency and quality of services within increasingly constrained resources.

We have been monitoring the effects of welfare reform, and whilst we are seeing significant effects on some of the customers falling within the scheme, many of our customers live in exempt accommodation or are in receipt of discretionary housing payments. We will continue to keep the position under review.

Strategic Report

Objectives and strategy

The Association's objectives and strategy are set out in a five year business plan that is updated, reviewed and approved by the board each year. The key objectives underpinning the 2015-2020 plan are summarised as follows:

- To invest in increasing the supply of supported living in our core areas
- To review our existing housing assets to ensure these are applied wherever possible for a supported living purpose
- To invest in our homes to ensure these meet our *Ability Home Standard*, are sustainable for the long term and offer value for money
- To optimise housing revenue to provide a more localised and responsive *Intensive Housing Management* service
- To establish a sustainable model of *supported living* that matches the aspirations of our customers and is affordable to commissioners and purchasers of services

By 2020 our targets are to have:

- 750 homes in management, of which at least:
- 90% will be owned by Ability Housing Association (up from 84%)
- 90% will be in *core areas*, where Ability Care & Support operates
- 75% will provide *Supported Living*

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Operating and Financial Review and Strategic Report (continued)

Performance and development

The key indicators used by senior management and the board to monitor achievement of the Association's objectives are set out below. The board agrees targets each year that are designed to manage development and deliver continuous service improvement.

	Objective	Indicator
Finance	<ul style="list-style-type: none"> achieve planned operating surplus meet lenders' covenants 	<ul style="list-style-type: none"> results compared to budget performance against loan covenants
Development	<ul style="list-style-type: none"> achieve 750 decent, self contained homes by 2020 	<ul style="list-style-type: none"> new units into management
Environment	<ul style="list-style-type: none"> achieve average SAP ratings of at least 82 	<ul style="list-style-type: none"> results compared to target
Asset management	<ul style="list-style-type: none"> reduction in the proportion of shared housing 	<ul style="list-style-type: none"> number of shared units

Performance and development (continued)

	Objective	Indicator
Customer service	<ul style="list-style-type: none"> continuous improvement in standards of customer service 	<ul style="list-style-type: none"> rent losses from voids/bad debts rent arrears repair response times tenant satisfaction
Value for money (VFM)	<ul style="list-style-type: none"> achieve reductions in overhead costs identify the true costs of services provided assess the social impact of services delivered 	<ul style="list-style-type: none"> revised and updated VFM strategy benchmarked performance indicators identify service improvements customer consultation

Performance against the key indicators for the financial year ended 30 September 2017 is set out below.

Finance

Turnover from rents and service charges has increased by £316,571. The increase arises from the full year effect of properties completed in 2015/16.

The operating surplus for the year was £594,424 (2016: £1,244,439). This was below expectations due to below budgeted performance in care and support and an increased provision for bad debts as a result of higher rent arrears.

Other income and expenditure activities resulted in a net income of £39,471 (2016: £41,549 deficit). The reduction in costs arose as a result of there being no development activity in the year.

Cash balances have decreased during the year from £5,599,973 to £3,705,580. This arose from the repayment of £2,500,000 in respect of loans from Barclays. Performance monitoring against our loan covenants has been undertaken with all requirements met.

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Operating and Financial Review and Strategic Report (continued)

Our development position at the year end is summarised as:

- The capital development programme is temporarily on hold in the light of uncertainty over future rents and funding.
- The number of owned self-contained and decent homes in management has remained at 585 exceeding the annual target of 82%.
- The total number of homes in management has fallen to 698.

Environment

- The average SAP (energy efficiency) rating of our housing stock has remained at 85 (2016: 85), exceeding an original target of 82.

Asset management

- All homes met the decent homes standard by 31 March 2010; a programme of further investment is underway to ensure all homes meet the enhanced *Ability* standard.
- The number of shared housing units in management has remained at 2. Further remodelling or disposal of owned units is planned under the asset management strategy.
- In September 2017 the Association changed its provider of maintenance services.

Customer service

Our performance is summarised below.

Rent losses from voids and bad debts

- Rent loss due to voids has increased from 3.8% to 5.9%, compared with a target of 2% due to delays in maintenance. A major contributing factor in the void level increase was a shortage of operatives supplied under the previous maintenance contract to facilitate void turnarounds.
- A comprehensive review of the bad debt provision was undertaken. A further bad debt provision of £164,011 has been made to allow for a higher level of rent arrears partly attributable to the introduction of Universal Credit.

Rent arrears

- Rent arrears have increased to 8.0% from 4.6% in 2016 against a target of 3.5%. The recruitment of a dedicated rent arrears officer is expected to reduce the level of arrears in the next financial year.

Operating and Financial Review and Strategic Report (continued)

Value for Money (VFM)

Following the development of our VFM strategy we continue to work towards delivery of our priority business objectives of:

- Investing in increasing the supply of supported living accommodation and services in our core areas
- Reviewing our existing housing assets to ensure these are applied wherever possible to a supported living purpose
- Investing in our existing housing assets to ensure that these meet our Ability Home Standard, are sustainable in the long term and offer efficiency and value for money
- Optimising housing revenue to provide a more responsive, localised and intensive Housing Management Service
- Establishing a sustainable model of Supported Living that matches the aspirations of our customers and is affordable to commissioners and purchasers of our services

In the last months of the 2016-17 financial year, a consultation document on a revised approach to Value for Money was issued by the housing regulator.

This document proposes building on the current value for money standard in order to continue to drive value for money in the sector, to ensure that a strategic approach to delivering value for money is embedded in the business, to encourage investment in new homes and new housing supply, and to enhance to consistency, comparability and transparency.

In order to achieve these objectives, and to improve on the consistency and comparability of reporting, the revised standard proposes to shift the emphasis from a narrative basis of VFM reporting to a series of objective metrics based on standard definitions driven by the audited financial statements as reported to the regulator through the annual FVA (regulatory submission of financial statements) submission.

The tables on the following pages reflect the performance of Ability against the proposed metrics for the financial year 2016-17, with the metrics based on the 2015-16 financial statements as a comparator.

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Operating and Financial Review and Strategic Report (continued)

Value for Money (VFM) (continued)

Ability Housing Association

Metrics calculated per the 2017 VFM consultation

Metric and basis				
	Units	£'000	Units	£'000
	2016-17		2015-16	
1 Reinvestment				
This metric looks at the investment in properties both new and existing as a percentage of the value of total properties held				
New properties delivered		-		2,166
Works to existing properties		1,066		837
Total		1,066		3,003
divided by				
Housing properties at cost		63,421		63,419
Reinvestment		1.68%		4.74%
2 New Supply Delivered	Units	£'000	Units	£'000
	2016-17		2015-16	
This metric looks at the number of new units delivered in the year				
New units delivered	-		15	
divided by				
Total social housing units managed	690		716	
New Supply Delivered			2.09%	
3 Gearing	Units	£'000	Units	£'000
	2016-17		2015-16	
This metric assesses how much of the assets are made up of debt and the degree of dependence on debt finance.				
Short term loans		1,663		2,635
Long term loans		7,846		9,515
Lease obligations		584		613
		10,093		12,763
divided by				
Housing properties at cost		63,421		63,419
Gearing		15.91%		20.12%
4 Earnings before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA-MRI)				
Interest Cover	Units	£'000	Units	£'000
	2016-17		2015-16	
This is a key indicator for liquidity and investment capacity				
Operating Surplus / (Deficit)		594		1,244
deduct				
Amortised Government Grant		388		388
Grant taken to income		94		190
Capitalised major repairs in period		5		253
add back				
Depreciation charge		647		645
Interest receivable and other income		12		18
		766		1,076
divided by				
Interest Payable and Financing Costs		419		459
EBITDA-MRI (as defined by regulator not lender)		182.82%		234.42%

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Operating and Financial Review and Strategic Report (continued)
Value for Money (VFM) (continued)
Ability Housing Association

Metrics calculated per the 2017 VFM consultation

Metric and basis				
5 Headline Social Housing cost per Unit	Units	£'000	Units	£'000
	2016-17		2015-16	
The unit cost metric is unchanged from the regulator's 2016 definition				
Social Housing Management Costs		1,433		907
plus				
Service charge costs		691		583
Routine Maintenance Costs		650		524
Planned Maintenance Costs		466		584
Major Repairs Expenditure				
Capitalised Major Repairs for the period		5		253
Other Social Housing Letting Costs		567		584
Development Services				56
Community/Neighbourhood Services				
Other Social Housing Activities (Operating Expenditure)		31		46
		3,843		3,537
divided by				
Total Social Housing Units Managed		690		716
Social Housing cost per unit in £		5,570		4,940
6 Operating Margin on Social Housing Lettings	Units	£'000	Units	£'000
	2016-17		2015-16	
This metric measures profitability , and is a way of measuring the financial efficiency of a business				
Operating margin (social housing lettings)		554		1,285
divided by				
Turnover from Social Housing Lettings		10,554		10,038
		5.25%		12.80%
Operating margin		594		1,244
divided by				
Total turnover		10,625		10,099
Operating Margin on Social Housing Lettings		5.59%		12.32%
7 Return on Capital Employed	Units	£'000	Units	£'000
	2016-17		2015-16	
This metric measures the efficiency of investment of capital resources.				
Operating surplus / (deficit)		594		1,244
divided by				
Total assets less current liabilities		59,481		61,404
Return on Capital Employed		1.00%		2.03%

Operating and Financial Review and Strategic Report (continued)
Value for Money (VFM) (continued)

Whilst the movement on profitability metrics reflect the challenging environment economic environment, especially in the delivery of the Care and Support side of the business, there have been some significant Value For Money successes during 2016-17, most notably:

- Closure of Your Ability Services Reading and Bournemouth as delivery of these services could not be sustained in an economically viable way, which also led to a reduction of Service Manager posts saving circa £40K on an annualised basis
- Fee Increase agreed with Reading Borough Council and Your Ability Havant which facilitated the continued delivery of these services
- Implementation of e-learning across care and support, (launched 1st October 2017), providing enhanced levels of training, easier to access for staff at reduced cost and savings to travel budget. Saving circa £5K per annum
- Cessation of staff claiming meals when escorting customers and correctly recovering travel expenses when escorting customers Saving circa £7K per annum
- Cessation of meeting lunches for staff saving circa £5K per annum
- Re-negotiation of Barclays loan facilities reducing the interest rate by up to 0.6% (depending on the element of the loan), along with adjusting the nature of the facilities to increase the 'revolving credit' element and thereby enhance flexibility
- More effective deployment of cash resources in the reduction of loan balances to yield interest savings of £44k in 2016-17.
- Ability have and are investing and strengthening Strategic and Operational management capacity and expertise across our operational and central service functions. This investment will deliver tangible improvements in the quality and enhanced customer services to our tenants, whilst also delivering efficiencies and increased financial performance over the next two financial years. The full benefit of this investment will realised by the end of financial year 2019/2020.
- Ability are investing strongly in the quality of it's offering, in the physical environment of the accommodation particularly through Landlord Health and Safety expenditure, and in both the location based and floating care and support services provided.
- Investment in people continues to be challenging given the pricing pressures on services commissioned from Ability, but this continued investment provides enhanced VFM through improved staff retention and a larger talent pool for recruitment.
- Recent highly effective procurement of on-line training services and continuation of the policy of ensuring that starting salaries exceed the National Living Wage ensure access to that talent pool.
- We have procured locally based maintenance and repairs service to maintain our housing stock. This will provide a better more personalised service to tenants and provide a more efficient service, better designed to maintain properties over a dispersed geography.

Looking forward, the setting of demanding margin improvement targets for 2017/18 along with a stronger balance sheet position by year-end, mean that VFM improvement remains a core element of Ability's delivery strategy, with these financial measures supporting qualitative improvements within tightly controlled cost boundaries.

A more detailed review of VFM performance against the current Ability strategy can be found in the Value For Money self-assessment on our website at www.ability-housing.co.uk.

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Operating and Financial Review and Strategic Report (continued)

Risks and uncertainties

The main risks that may prevent the Association achieving its objectives are considered and reviewed six monthly by the senior management team and board as part of the corporate planning processes. The risks are recorded and assessed in terms of their impact and probability. Major risks, presenting the greatest threats to the Association, are reported to the board six monthly together with action taken to manage the risks and the outcome of the action. These risk reports include assessments of key controls used to manage the risks. The Association has identified the major risks to achievement of its objectives and these are considered below.

Key risk area	How Managed	Impact on strategic objectives
Dependency on social care & revenue contracts	Identification of other funding sources, social care funding and other business opportunities. Maximise efficiency of delivery. Increase housing stock to reduce proportion of turnover that is dependent upon short-term contracts. Marketing of housing+ support as single entity.	Development, Finance
Change in government / regulatory policy	Accept the risk and monitor policy trends. Build flexibility into plans. Assessment of financial impact. Stress testing of business plans.	Development Customer services
Compliance Risk	Proactive evaluation of all compliance requirements and progress in improving, maintaining compliance in all areas	Asset Management Care and Support
Corporate Operations	Proactive relationship and communications strategy. Evaluation of investment & business options. Contract management.	Asset management Development
Operating surplus deterioration	Reduce the risk by maintaining financial plan minimum. Seek out new business opportunities meeting strategic criteria.	Development Finance
Loan Funding	Implementation of interest rate & treasury strategy. Monitoring of covenants.	Finance Development
Property Development	Evaluation of development opportunities for sustainability. Assessment of opportunities to maximise capacity in light of declining grant and rental income rates.	Development Finance

Financial position

The Association's statement of comprehensive income and financial position are summarised in Table 1 (page 16) and the following paragraphs highlight key features at 30 September 2017.

Accounting policies

The Association's principal accounting policies are set out on pages 25 to 29 of the financial statements.

Housing properties

At 30 September 2017 the Association owned 602 housing properties (2016: 602). The properties were carried in the statement of financial position at cost (after depreciation) of £56,590,343 (2016: £57,232,557).

ABILITY HOUSING ASSOCIATION Report and Financial Statements

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Operating and Financial Review and Strategic Report (continued)

Pension costs

The Association participates in four pension schemes, the Social Housing Pension Scheme (SHPS), the Surrey County scheme (LGPS), the Social Housing growth plan and the Social Housing direct contribution plan which was used as the auto enrolment vehicle from May 2014. The former two are final salary schemes, the others money purchase. The group has contributed to the schemes in accordance with levels, set by the actuaries, of between 1% and 21%.

The last actuarial valuation of the SHPS was at 30 September 2014. The past service funding level has been assessed at 70%. We anticipate that our contributions to the scheme will increase beyond 16% of pensionable salaries in accordance with the pension trustees' recovery plan. We will continue to contribute to the scheme in line with the advice of independent actuaries. The next full SHPS valuation is scheduled for 30 September 2017. The results are expected in March 2018.

Capital structure and treasury policy

By the year end borrowings amounted to £9.5m of which £1.66m falls due to be paid within the next year as shown below. Negotiations are in progress for the refinancing or repayment of this debt.

Maturity	2017 £	2016 £
Within one year	1,662,425	2,634,767
Between one and two years	162,425	122,353
Between two and five years	968,524	367,059
After five years	6,715,374	9,025,724
	<u>9,508,748</u>	<u>12,149,903</u>

The Association borrows, principally from banks, at both fixed and floating rates of interest. At the year-end, 61% of the Association's borrowings were at fixed rates (2016: 48%).

The fixed rates of interest range from 1.765% to 10.68% and in the current market, where long term fixed rates have fallen to around 4%, this means that the Association is paying interest on part of its borrowing at rates substantially in excess of market levels. The amounts are small however and at present the breakage costs exceed the likely benefits. The situation is reviewed regularly. The Association borrows and lends only in sterling and so is not exposed to currency risk.

The trend information in Table 1 (page 16) shows that gearing has decreased this year from 20.1% to 15.9%.

Cash flows

Cash inflows and outflows during the year are shown in the statement of cash flow (page 24). The cash inflow from operating activities decreased this year to £895,376 (2016: £941,852), reflecting changes to working capital. Overall cash balances decreased to £3,705,580 (2016 £5,599,973) reflecting proceeds of asset sales, cash used in treasury management and operating surplus.

Future developments

A key influence on the timing of borrowings is the rate at which development activity takes place. The board has approved plans to spend approximately £4 million during the next two years to develop housing accommodation; plans have been temporarily halted pending the continued uncertainty over revenue streams and funding. We have undrawn facilities of £5million (2016: £2.5million).

Statement of compliance

In preparing this Operating and Financial Review, the board has followed the principles set out in the SORP 2014.

The Board also confirms compliance with The Regulator of Social Housing's Governance and Financial Viability standard.

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2017

Operating and Financial Review and Strategic Report (continued)

Table 1 –highlights, five-year summary

For the year ended 30 September	2017	2016	2015*	2014	2013
Statement of Comprehensive income (£'000)					
Total turnover	10,625	10,099	9,252	8,754	8,732
Income from lettings	10,554	10,038	9,180	8,690	8,679
Operating surplus	594	1,244	1,209	851	1,332
Surplus for the year transferred to reserves	186	4,357	736	412	894
Statement of financial position (£'000)					
Housing properties net of depreciation (and grants up to 2014)	56,590	57,232	57,748	21,876	19,790
Other fixed assets	1,047	1,111	1,098	1,135	1,150
Fixed assets	57,637	58,343	58,846	23,011	20,940
Net current assets	1,844	3,060	170	903	686
Total assets less current liabilities	59,481	61,404	59,016	23,914	21,626
Loans (due over one year)	7,846	9,515	12,163	11,792	9,916
Other long term liabilities	34,673	35,113	34,434	34	34
Total net assets	16,962	16,776	12,419	12,088	11,676
Reserves	16,962	16,776	12,419	12,088	11,676
	16,962	16,776	12,419	12,088	11,676
Accommodation figures					
Total housing stock owned at year end (<i>number of dwellings</i>):	610	610	595	566	556
Social housing	602	602	587	558	548
Non-social housing	8	8	8	8	8
Statistics					
Surplus for the year as % of turnover	5.6	12.3	13	4.7	10.2
Surplus for the year as % of income from lettings	5.6	12.3	13	4.8	10.3
Rent losses (<i>voids and bad debts as % of rent and service charges receivable</i>)	9.1	5.8	3.8	2.47	1.67
Rent arrears (<i>gross arrears as % of rent and service charges receivable</i>)	8.0	4.5	5.05	4.03	3.5
Interest cover (<i>surplus before interest payable divided by interest payable</i>)	1.42	2.71	2.55	1.96	3.07
Liquidity (<i>current assets divided by current liabilities</i>)	3.24	1.74	1.12	1.77	1.67
Gearing	15.9	21.5	23.8	23.9	21.0
Total reserves per home owned	£27,806	£27,502	£20,871	£21,741	£21,306

*The 2015 numbers have been updated to reflect the changes as a result of the transition to FRS 102.

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2017

Operating and Financial Review and Strategic Report (continued)

Statement of the responsibilities of the board for the report and financial statements

The board is responsible for preparing the report of the Board, operating and financial Review, strategic report and financial statements in accordance with applicable law and regulations.

Company law requires the board to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The financial reporting standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable United Kingdom Accounting Standards and the Statement of Recommended Practice (SORP): Accounting by registered housing providers, have been followed, subject to any material departures disclosed and explained in the financial statements.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

The board members confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

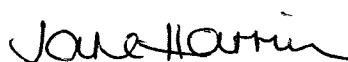
Annual general meeting

The annual general meeting will be held on 21st March 2018 at The Hythe Centre, Staines.

External auditors

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed appointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

The report of the board was approved by the board on 21st March 2018 and signed on its behalf by:



Jane Harrison
Chairman

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2017

Independent auditor's report to the members of Ability Housing Association

We have audited the financial statements of Ability Housing Association for the year ended 30 September 2017 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves the Statement of Financial Position, the Statement of Cash Flows and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basic for opinion

We have been appointed as auditor under the Companies Act 2006 and report in accordance with regulations made under that Act. 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 charitable company 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.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company'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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 charitable company'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.

Respective responsibilities of the board

As explained more fully in the Statement of Board's Responsibilities set out on page 17, 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 control as the board 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 is responsible for assessing the charitable company'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 charitable company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Ability Housing Association (continued)

Respective responsibilities of the board

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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 30 September 2017 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Other information

The board responsible for the other information. The other information comprises the information included in the Annual Report, set out on pages 3 to 15 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Board and the Strategic Report and for the financial year for which the financial statements are prepared is consistent with the financial statements.

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2017

Independent auditor's report to the members of Ability Housing Association (continued)

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Grant Thornton UK LLP

Laura Brierley
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Milton Keynes
27 March 2018

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

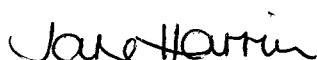
For the year ended 30 September 2017

Statement of Comprehensive Income	Note	2017	2016
		£	£
Turnover: continuing activities	3	10,625,143	10,099,082
Operating costs	3	(10,030,719)	(8,854,643)
Operating surplus: continuing activities	6	594,424	1,244,439
(Loss)/profit on disposal of property, plant & equipment	7	(744)	3,554,064
Interest Receivable	8	11,645	18,206
Interest payable and similar charges	9	(419,482)	(459,363)
Surplus on ordinary activities before taxation		185,843	4,357,346
Tax on surplus for the year		-	-
Surplus and total comprehensive income for the financial year		185,843	4,357,346
Total comprehensive income for the year		<u>185,843</u>	<u>4,357,346</u>

The notes on pages 25 to 49 form part of these financial statements.

The results relate to continuing activities.

The financial statements were approved by the Board on 21st March 2018



Jane Harrison
Chairman



Sally Reay
Board Member



Peter Gardiner
Secretary

March 2018

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2017

STATEMENT OF CHANGES IN RESERVES

Income and Expenditure Reserve	2017 £	2016 £
Balance at 1 October	16,776,117	12,418,771
Total comprehensive income for the year	185,843	4,357,346
Balance at 30 September	<u>16,961,960</u>	<u>16,776,117</u>

The notes on pages 25 to 49 form part of these financial statements

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

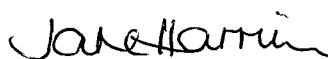
For the year ended 30 September 2017

Company number 1261380

Statement of Financial Position at 30 September 2017	Note	2017	2016
		£	£
Tangible fixed assets			
Housing properties	12	56,590,343	57,232,557
Other tangible fixed assets	13	1,046,886	1,111,490
		<u>57,637,229</u>	<u>58,344,047</u>
Current assets			
Trade and other debtors	14	1,240,619	1,594,225
Cash and cash equivalents		3,705,580	5,599,973
		<u>4,946,199</u>	<u>7,194,198</u>
Creditors: amounts falling due within one year	15	<u>(3,102,449)</u>	<u>(4,134,108)</u>
Net current assets		<u>1,843,750</u>	<u>3,060,090</u>
Total assets less current liabilities		59,480,979	61,404,137
Creditors: amounts falling due after more than one year	16	42,096,019	44,152,020
Pension provision		423,000	476,000
Total Net Assets		<u>16,961,960</u>	<u>16,776,117</u>
Capital and reserves			
Income and Expenditure reserve		16,961,960	16,776,117
Total Reserves		<u>16,961,960</u>	<u>16,776,117</u>

The notes on pages 25 to 49 form part of these financial statements

The financial statements were authorised and approved by the Directors on 21st March 2018



Jane Harrison
Chairman



Sally Reay
Board Member



Peter Gardiner
Secretary

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2017

Statement of Cash Flows	Note	2017 £	2016 £
Net cash generated from operating activities	21	895,376	941,852
Cash flow from investing activities			
Interest received		11,645	18,206
Purchase and construction of housing properties		(4,859)	(1,100,527)
Social housing grant – received		-	925,000
Proceeds from sale of tangible fixed assets		-	4,842,559
Purchase of other fixed assets		(69,170)	(146,517)
		<u>832,992</u>	<u>4,538,721</u>
Cash flow from financing activities			
Loans received		-	-
Repayment of borrowings		(2,275,020)	(134,766)
Interest paid		(452,365)	(452,363)
		<u>(2,727,385)</u>	<u>(587,129)</u>
Net change in cash and cash equivalents		(1,894,393)	4,893,444
Cash and cash equivalents at the beginning of the year		5,599,973	706,529
Cash and cash equivalents at end of the year		<u><u>3,705,580</u></u>	<u><u>5,599,973</u></u>

The notes on pages 25 to 49 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The Association is registered under the Companies Act 2006 as a company limited by guarantee. It is registered with both the Charity Commission and the Homes and Communities Agency as a Registered Provider.

The Association's principal activities are the provision, by construction or conversion, and the management of housing for people with disabilities and others in housing need and the provision of care and support to those individuals.

2. Accounting policies

Basis of accounting

The financial statements of the Association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 ('FRS 102') and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

The financial statements are presented in Sterling (£), the functional and presentational currency of the Association.

Going concern

The Association's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The Association is able to meet its commitments in respect of long-term debt facilities used to finance reinvestment and development programmes, along with the Association's day to day operations. The Association also has a business plan, which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants. On this basis, the board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Supporting people and social care contracts

Management judgement is applied in determining the extent to which the risks and benefits are transferred to the Association when considering the income to be recognised. £5,077,887 (2016: £4,878,640) of supporting people and social care income was recognised in the year. See note 4 for further details.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to Decent Homes Standards which may require more frequent replacement of key components. Accumulated depreciation at 30 September 2017 was £8,295,220 (2016: £7,516,761). See notes 12 and 13 for further details.

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Defined benefit obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses. The liability at 30 September 2017 was £423,000 (2016: £476,000). See note 20 for further details.

Turnover

Turnover comprises rental income receivable in the year, and other services included at the invoiced value of goods and services supplied in the year and grants receivable in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Value added tax

The Association is not registered for VAT, and therefore all amounts are inclusive of VAT.

Corporation tax

The Association is recognised by HMRC as a charity. During the current year the Association is claiming exemptions from corporation tax on its income and gains. All of the Association's income and gains will be applied to its charitable purposes.

Interest payable

Interest payable is charged to the statement of comprehensive income in the year. No interest is capitalised.

Financial instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model.

Debtors

Short term debtors are measured at transaction price, less any impairment. Where deferral of payment terms have been agreed at below market rate, and where material, the balance is shown at the present value, discounted at a market rate

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured at fair value, net of transaction costs.

Employee Benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Housing properties

Housing properties are principally properties held for the provision of social housing or otherwise to provide social benefit and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, and expenditure incurred in respect of improvements.

Works to existing properties are works which replace a component that has been treated separately for depreciation purposes along with those works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business are capitalised as improvements.

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover; and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

Donated land

Land donated by local authorities and others is added to cost at the fair value of the land at the time of the donation. Where the land is not related to a specific development and is donated by a public body an amount equivalent to the increase in value between fair value and consideration paid is treated as a non-monetary government grant and recognised as deferred income within liabilities. Where the donation is from a non-public source, the value of the donation is included as income. The Association does not currently own any donated land.

Government Grants

Government grants include grants receivable from the Homes and Communities Agency (the 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 (excluding land) under the accruals model.

Grants relating to revenue are recognised in the statement of comprehensive income over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received. Grants due from government organisations or received in advance are included as current assets or liabilities.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the HCA. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in income and expenditure.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to the statement of comprehensive income. Upon disposal of the associated property, the Association is required to recycle these proceeds and recognise them as a liability.

Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified 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 recognised as a liability.

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Depreciation of housing properties

Freehold land is not depreciated. Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

The Association separately identifies the major components which comprise its housing properties and charges depreciation so as to write down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.

The Association depreciates the major components of its housing properties over the following timescales:

Structure	100 years
Roof	60 years
Kitchen	20 years
Bathroom	25 years
Boiler	15 years
Heating System	30 years
Windows & Doors	20 years
Electrics	30 years

Impairment

Annually housing properties are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the scheme's carrying amount to its recoverable amount. Where the carrying amount of a scheme is deemed to exceed its recoverable amount, the scheme is written down to its recoverable amount. The resulting impairment loss is recognised as operating expenditure. Where a scheme is currently deemed not to be providing service potential to the Association, its recoverable amount is its fair value less costs to sell.

Other tangible fixed assets

Other tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land.

The principal annual rates used for other assets are:

Freehold offices	1%-2%
Long leasehold property	Over life of lease
Furniture, fixtures and fittings	25%
Computers	33.3%
Motor vehicles	25%

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus/deficit for the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Leased assets

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 the surplus or deficit. 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 the statement of comprehensive income 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. The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

Properties for sale

Shared ownership first tranche sales, completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Provisions for liabilities

Provisions are recognised when the Association has a present obligation (legal or constructive) as a result of a past event, it is probable that the Association will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as finance cost in profit or loss in the period it arises.

The Association recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

For the year ended 30 September 2017

3. Particulars of turnover, cost of sales, operating costs and operating surplus

30

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2017

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Particulars of income and expenditure from social housing lettings

	2017			2016
	General needs housing £	Supported housing £	Care homes £	Total £
Rent receivable net of identifiable service charges	1,110,648	3,113,705	29,026	3,960,946
Service income	136,144	698,458		810,503
Charges for support services	50,795	4,566,087	366,910	4,688,392
Amortised government grants	52,152	329,911		387,821
Other revenue grants	-	94,096	5,758	190,248
Turnover from social housing lettings	<u>1,349,739</u>	<u>8,802,257</u>	<u>401,694</u>	<u>10,037,910</u>
Management	(343,029)	(1,084,212)	(5,827)	(907,159)
Services	(99,130)	(565,165)	(26,597)	(582,659)
Routine maintenance	(264,344)	(385,699)	(377)	(524,370)
Planned maintenance & major repairs	(134,705)	(331,397)	-	(583,516)
Care & Support costs	(115,617)	(5,003,305)	(261,996)	(4,835,428)
Bad debt provision	(121,917)	(42,094)	-	(90,406)
Property lease charges	(205,149)	(361,983)	-	(583,847)
Depreciation of housing properties	<u>(130,607)</u>	<u>(510,051)</u>	<u>(6,302)</u>	<u>(645,430)</u>
Operating costs on social housing lettings	<u>(1,414,498)</u>	<u>(8,283,906)</u>	<u>(301,099)</u>	<u>(8,752,815)</u>
Operating surplus on social housing lettings	<u>(64,759)</u>	<u>518,350</u>	<u>100,595</u>	<u>1,285,095</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Accommodation in management and development

At the end of the year accommodation in management for each class of accommodation was as follows:

	2017	2016
	No	No
Social housing		
General housing	210	210
Supported housing	383	383
Low cost home ownership	2	2
Residential care homes	7	7
	<hr/>	<hr/>
Total owned	602	602
Accommodation managed for others	88	114
	<hr/>	<hr/>
Total managed	690	716
	<hr/>	<hr/>
Non-social housing		
Respite Unit	8	8
	<hr/>	<hr/>
Total owned and managed	698	724
	<hr/>	<hr/>

6. Operating surplus

The operating surplus is arrived at after charging:

	2017	2016
	£	£
Depreciation of freehold housing properties	498,848	497,949
Depreciation of leasehold housing properties	147,481	147,481
Depreciation of other tangible fixed assets	133,774	132,773
Operating lease rentals		
- office equipment	1,685	1,805
- land and buildings	578,800	609,594
Auditors' remuneration		
- for audit services	15,645	17,900
- for other services - covenant compliance	820	770
- for other services - accounts production	3,650	-

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NOTES TO THE FINANCIAL STATEMENTS (continued)

7. (Loss)/profit on Disposal of fixed assets – housing properties

	2017	2016
	£	£
Disposal proceeds - housing properties	-	4,842,559
Carrying value- components	(744)	(13,937)
Carrying value- housing properties	-	(889,494)
Capital grant recycled note 17	-	(385,064)
(Loss)/profit on disposal	<u>(744)</u>	<u>3,554,064</u>

8. Interest receivable and similar income

	2017	2016
	£	£
Interest receivable and similar income	<u>11,645</u>	<u>18,206</u>

9. Interest payable and similar charges

	2017	2016
	£	£
Loans and bank overdrafts	425,482	452,363
Unwinding of discount on pension provision	(6,000)	7,000
	<u>419,482</u>	<u>459,363</u>

10. Employees

Average monthly number of employees:

	2017	2016
	No	No
Administration	10	9
Development	-	-
Housing, support and care	148	112
	<u>158</u>	<u>121</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Employees (continued)

The full time equivalent number of staff who received remuneration (including directors):

	2017	2016
	No	No
£60,001-£70,000	1	1
£70,001-£80,000	-	-
£80,001-£90,000	1	1

Employee costs:	2017	2016
	£	£
Wages and salaries	4,004,821	3,607,005
Social security costs	352,505	306,136
Other pension costs	88,109	89,140
Change in pension provision	<u>47,000</u>	<u>151,000</u>
	<u>4,492,435</u>	<u>4,153,281</u>

11. Directors, members and executive directors

	2017	2016
	£	£
Aggregate emoluments of directors (including pension contributions and termination payments)	254,872	208,985
Emoluments of the highest paid director (excluding pension contributions and including benefits in kind)	87,900	65,000
Total expenses reimbursed to directors not chargeable to UK income tax – Board members	1,468	414
– Executives	738	5,074
Executive salary bands	2017	2016
£50,000 - £60,000	1	1
£60,000 - £70,000	1	1
£70,000-£80,000	-	-
£80,000-£90,000	1	1

The Chief Executive is a member of the Social Housing Pension Scheme Growth Plan series 4. He is an ordinary member of the pension scheme and no enhanced or special terms apply. Pension contributions totalled £4,397 (2016: £803) in respect of Mr Skipp. In the prior year pension contributions of £8,405 were made in respect of Mr Williams, who resigned during the prior year. The Association does not make any further contribution to an individual pension arrangement for the Chief Executive.

Board members

None of the board members received emoluments.

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For the year ended 30 September 2017

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Tangible fixed assets - properties

Housing properties	Freehold Social housing properties held for letting	Leasehold housing properties held for letting	Total housing properties held for letting	Completed shared ownership housing properties	Total housing properties
Cost	£	£	£	£	£
At 1 October 2016	47,717,534	15,513,572	63,231,106	187,844	63,418,950
Additions	-	-	-	-	-
Works to existing properties	4,859	-	4,859	-	4,859
Schemes completed	-	-	-	-	-
Disposals	(2,388)	-	(2,388)	-	(2,388)
At 30 September 2017	<u>47,720,005</u>	<u>15,513,572</u>	<u>63,233,577</u>	<u>187,844</u>	<u>63,421,421</u>
Depreciation and impairment					
At 1 October 2016	4,432,432	1,753,961	6,186,393	-	6,186,393
Charged in year	498,848	147,481	646,329	-	646,329
Released on disposal	(1,644)	-	(1,644)	-	(1,644)
At 30 September 2017	<u>4,929,636</u>	<u>1,901,442</u>	<u>6,831,078</u>	<u>-</u>	<u>6,831,078</u>
Net book value					
At 30 September 2017	<u>42,790,369</u>	<u>13,612,130</u>	<u>56,402,499</u>	<u>187,844</u>	<u>56,590,343</u>
At 30 September 2016	<u>43,284,933</u>	<u>13,759,611</u>	<u>57,044,544</u>	<u>187,844</u>	<u>57,232,557</u>

Expenditure on works to existing properties

	2017	2016
	£	£
Components capitalised	4,859	253,255
Amounts charged to statement of comprehensive income	1,060,597	583,516
	<u>1,065,456</u>	<u>836,771</u>

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For the year ended 30 September 2017

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Tangible fixed assets – properties (continued)

Social housing assistance

	2017	2016
	£	£
Total accumulated social housing grant received or receivable at 30 September:		
Recognised in the statement of comprehensive income	386,251	387,821
Held as deferred income	34,281,607	34,667,858

Housing properties book value, net of depreciation

	2017	2016
	£	£
Freehold land and buildings	42,978,213	43,472,946
Long leasehold land and buildings	13,612,130	13,759,611
	<u>56,590,343</u>	<u>57,232,557</u>

Annually housing properties are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the scheme's carrying amount to its recoverable amount. No impairment charges were required for the financial year (2016: £nil). Amounts do not include capitalised interest, all interest charges are written off to expenditure as incurred. At the year end a total of 212 (2016: 212) properties were subject to charges securing loan funding. Of these 137 (2016: 137) secured the total Barclays facility 59 (2016: 59) the Dexia loan and 16 (2016: 16) the Crown Mortgage loans.

13. Tangible fixed assets - other

	Freehold offices £	Vehicles & office equipment £	Furniture, fixtures and fittings £	Total £
Cost				
At 1 October 2016	1,150,894	951,400	339,564	2,441,858
Additions	-	53,954	15,216	69,170
At 30 September 2017	<u>1,150,894</u>	<u>1,005,354</u>	<u>354,780</u>	<u>2,511,028</u>
Depreciation				
At 1 October 2016	206,950	847,137	276,281	1,330,368
Charged in the year	18,704	89,240	25,830	133,774
At 30 September 2017	<u>225,654</u>	<u>936,377</u>	<u>302,111</u>	<u>1,464,142</u>
Net book value				
At 30 September 2017	<u>925,240</u>	<u>68,977</u>	<u>52,669</u>	<u>1,046,886</u>
At 30 September 2016	<u>943,944</u>	<u>104,263</u>	<u>63,283</u>	<u>1,111,490</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Debtors

	2017	2016
	£	£
Due within one year		
Rent and service charges receivable	375,814	308,652
Less: provision for bad and doubtful debts	(221,551)	(99,633)
	<u>154,263</u>	<u>209,019</u>
Other debtors	655,845	715,874
Prepayments and accrued income	430,511	669,332
	<u><u>1,240,619</u></u>	<u><u>1,594,225</u></u>

15. Creditors: amounts falling due within one year

	2017	2016
	£	£
Debt (note 19)	1,662,425	2,634,767
Trade creditors	419,667	402,933
Rent and service charges received in advance	112,200	144,894
Other taxation and social security	-	89,239
Other creditors	-	940
Accruals and deferred income	473,986	456,294
Holiday pay accrual	45,410	17,219
Deferred grant income	388,761	387,821
	<u><u>3,102,449</u></u>	<u><u>4,134,108</u></u>

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

	2017	2016
	£	£
Debt (note 19)	7,846,323	9,515,133
Recycled capital grant fund (note 17)	356,850	356,850
Deferred grant income (note 18)	33,892,846	34,280,037
	<u><u>42,096,019</u></u>	<u><u>44,152,020</u></u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Recycled capital grant fund

	2017	2016
	£	£
At 1 October	356,850	35,000
Grants recycled	-	385,064
Grant utilised	-	(63,214)
	<hr/>	<hr/>
At 30 September	356,850	356,850
	<hr/>	<hr/>

18. Deferred Grant Income

	2017	2016
	£	£
At 1 October	34,667,858	34,469,536
Disposals	-	338,857
Grant Received	-	925,000
Released to income	(386,251)	(387,821)
	<hr/>	<hr/>
At 30 September	34,281,607	34,667,858
	<hr/>	<hr/>
Due in one year	388,761	387,821
Due after one year	33,892,846	34,280,037

19. Debt analysis

Borrowings	2017	2016
	£	£
Due within one year		
Housing loans	1,662,425	2,634,767
Due after more than one year		
Housing loans	7,846,323	9,515,136
	<hr/>	<hr/>
Total loans	9,508,748	12,149,903
	<hr/>	<hr/>

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For the year ended 30 September 2017

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Debt analysis (continued)

Security

Housing loans are secured by fixed charges on individual properties.

Terms of repayment and interest rates

The loans are repaid in monthly, quarterly or half yearly instalments over the agreed period of the loan. The final instalments fall to be repaid in the period 2017 to 2037. Interest rates on borrowings range from 0.91% to 10.688%.

At 30 September the Association had undrawn loan facilities of £5m (2016: £2.5m).

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	2017	2016
	£	£
Within one year or on demand	1,662,425	2,634,767
One year or more but less than two years	162,425	122,353
Two years or more but less than five years	968,524	367,059
Five years or more	6,715,374	9,025,724
	<u>9,508,748</u>	<u>12,149,903</u>

20. Pension

	2017	2016
	£	£
At 1 October	476,000	318,000
Remeasurement	(53,000)	158,000
At 30 September	<u>423,000</u>	<u>476,000</u>

The SHPS obligation is a provision based on the net present value of payments agreed at the year end. The provision will be adjusted following the triennial valuations in the pension scheme, either increasing or decreasing the provision with the opposite entry being shown as operating costs within income and expenditure. The unwinding of the discount is shown as a finance cost.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pension (continued)

The Association participates in two funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS) and the Local Government pension scheme under a TUPE transfer agreement and one multi employer defined contribution scheme.

For each of the schemes, it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The statement of comprehensive income charge represents the employer contribution payable to the scheme for the accounting period.

Contributions payable from the Association to the SHPS under the terms of its funding agreement for past deficits are recognised as a liability within other provisions in the Association's financial statements.

Social Housing Pension Scheme

Ability Housing Association participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

PRESENT VALUES OF PROVISION

	30 September 2017 (£000s)	30 September 2016 (£000s)	30 September 2015 (£000s)
Provision at start of period	315	355	231

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	Period Ending 30 September 2017 (£000s)	Period Ending 30 September 2016 (£000s)
Provision at start of period	355	231
Unwinding of the discount factor (interest expense)	4	5
Deficit contribution paid	(39)	(32)
Remeasurements - impact of any change in assumptions	(5)	19
Remeasurements - amendments to the contribution schedule	-	132
Provision at end of period	315	355

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NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pension (continued)

INCOME AND EXPENDITURE IMPACT

	Period Ending 30 September 2017 (£000s)	Period Ending 30 September 2016 (£000s)
Interest expense	4	5
Remeasurements – impact of any change in assumptions	(5)	19
Remeasurements – amendments to the contribution schedule	-	132
Costs recognised in income and expenditure account	(39)	(32)

ASSUMPTIONS

	30 September 2017 % per annum	30 September 2016 % per annum	30 September 2015 % per annum
Rate of discount	1.54	1.16	2.38

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

DEFICIT CONTRIBUTIONS SCHEDULE

Year ending	30 September 2017 (£000s)	30 September 2016 (£000s)	30 September 2015 (£000s)
Year 1	41	39	26
Year 2	42	41	27
Year 3	43	42	28
Year 4	36	43	29
Year 5	37	36	30
Year 6	38	37	22
Year 7	32	38	23
Year 8	33	32	23
Year 9	34	33	17
Year 10	-	34	17
Year 11	-	-	18
Year 12	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pension (continued)

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.

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

Deficit contributions

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

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

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

The Scheme is closed to new members and at the balance sheet date there was one active member of the Scheme. Contributions of £6,477 (2016: £15,405) were made in the year, we expect to make contributions of approximately £nil during the next financial year.

For the year ended 30 September 2017

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pension (continued)

Pensions Trust's Growth Plan

The company participates in the scheme, a multi-employer scheme which provides benefits to some 1,300 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

The scheme is classified as a 'last-man standing arrangement'. Therefore the 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.

A full actuarial valuation for the scheme was carried out at 30 September 2011. This valuation showed assets of £780m, liabilities of £928m and a deficit of £148m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2013 to 31 March 2023:	£13.9m per annum (payable monthly and increasing by 3% each on 1st April)
-------------------------------------	--

A full actuarial valuation for the scheme was carried out at 30 September 2014. This valuation showed assets of £793m, liabilities of £970m and a deficit of £177m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2016 to 30 September 2025:	£12,945,440 per annum (payable monthly and increasing by 3% each on 1st April)
---	---

From 1 April 2016 to 30 September 2028:	£54,560 per annum (payable monthly and increasing by 3% each on 1st April)
---	---

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pension (continued)

PRESENT VALUES OF PROVISION

	30 September 2017 (£000s)	30 September 2016 (£000s)	30 September 2015 (£000s)
Provision at start of period	108	121	87

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	Period Ending 30 September 2017 (£000s)	Period Ending 30 September 2016 (£000s)
Provision at start of period	121	87
Unwinding of the discount factor (interest expense)	2	2
Deficit contribution paid	(13)	(12)
Remeasurements - impact of any change in assumptions	(2)	5
Remeasurements - amendments to the contribution schedule	-	39
Provision at end of period	108	121

INCOME AND EXPENDITURE IMPACT

	Period Ending 30 September 2017 (£000s)	Period Ending 30 September 2016 (£000s)
Interest expense	2	2
Remeasurements – impact of any change in assumptions	(2)	5
Remeasurements – amendments to the contribution schedule	-	39
Costs recognised in income and expenditure account	(11)	(12)

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NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pension (continued)

ASSUMPTIONS

	30 September 2017 % per annum	30 September 2016 % per annum	30 September 2015 % per annum
Rate of discount	1.52	1.15	2.18

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

DEFICIT CONTRIBUTIONS SCHEDULE

Year ending	30 September 2017 (£000s)	30 September 2016 (£000s)	30 September 2015 (£000s)
Year 1	13	13	11
Year 2	13	13	12
Year 3	14	13	12
Year 4	14	14	12
Year 5	15	14	13
Year 6	15	15	13
Year 7	15	15	14
Year 8	16	15	7
Year 9	-	16	-

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NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pension (continued)

Surrey County Council Pension scheme

The Association makes payments as an Admitted Body to the Surrey County Council Pension Fund for employees who were members of that scheme on 1st April 2008 under the terms of a TUPE transfer. This is a funded defined benefit scheme that covers Surrey County Council employees and Scheduled and Admitted Bodies under the Local Government Pension Scheme Regulations 1997.

The Association has been notified by the Scheme Administrator that they are unable to satisfactorily identify the Association's share of the underlying Scheme assets and liabilities as at 30 September 2015 and accordingly the pension costs are accounted for as defined contribution. The scheme administrator has confirmed that the Association has no liability for past service deficit contributions.

The total employer contribution payable in the year was £18,194 (2016: £15,664). At 30 September 2017 the Association had 3 (2016: 3) active members in the fund. Expected payments in the next financial year amount to approximately £20,000.

21. Net cash inflow from operating activities

	30 September 2017 £	30 September 2016 £
Operating surplus	594,424	1,244,439
Depreciation of tangible fixed assets	780,103	778,203
Grants released to income	(387,251)	(387,821)
	<u>988,276</u>	<u>1,634,821</u>
Working capital movements		
Debtors	353,606	(658,254)
Creditors	(446,506)	(34,715)
	<u>895,376</u>	<u>941,852</u>
Net cash inflow from operating activities	<u><u>895,376</u></u>	<u><u>941,852</u></u>

22. Reconciliation of net cash flow to movement in net debt

	30 September 2017 £	30 September 2016 £
(Decrease)/Increase in cash	(1,894,393)	4,893,444
Cash outflow from decrease in debt	2,641,155	134,766
	<u>746,762</u>	<u>5,028,210</u>
Change in net debt resulting from cash flows	<u>746,762</u>	<u>5,028,210</u>
Movement in net debt for the period	746,762	5,028,210
Net debt at 1 October	(6,549,930)	(11,578,140)
	<u>(5,803,168)</u>	<u>(6,549,930)</u>
Net debt at 30 September	<u><u>(5,803,168)</u></u>	<u><u>(6,549,930)</u></u>

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For the year ended 30 September 2017

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. Analysis of changes in net debt

	1 October 2016	Cashflow	30 Sept 2017
	£	£	£
Cash at bank and in hand	5,599,973	(1,894,393)	3,705,580
Changes in cash	5,599,973	(1,894,393)	3,705,580
Loans	(12,149,903)	2,641,155	(9,508,748)
Changes in debt	(12,149,903)	2,641,155	(9,508,748)
Changes in net debt	(6,549,930)	746,762	(5,803,168)

24. Contingent assets/liabilities

The Association receives capital grant from the Homes and Communities Agency, which is used to fund the acquisition and development of housing properties and their components. In certain circumstances upon disposal of grant funded properties the group is required to recycle this grant by crediting the Recycled Capital Grant Fund.

The Association had no other contingent assets or contingent liabilities at 30 September 2017 (2016: £nil).

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NOTES TO THE FINANCIAL STATEMENTS (continued)

25. Leasing commitments

Operating lease payments amounting to £582,173 (2016: £613,282) are due within one year. The leases to which these amounts relate expire as follows:

	2017 £	2016 £
Office equipment		
Expiring in one year or less	1,450	1,805
Between 1-2 years	1,923	1,128
Between 2-3 years	1,246	756
Between 3-4 years	179	-
Over 4 years	-	-
	<u>4,798</u>	<u>3,689</u>
Land and buildings		
Expiring in one year or less	-	-
Between one and five years	358,418	387,074
Over five years	220,382	222,519
	<u>583,598</u>	<u>613,282</u>
Total		

26. Related parties

There are currently no beneficiary members of the directors.

27. Financial liabilities excluding trade creditors – interest rate risk profile

The Association's financial liabilities are sterling denominated. The interest rate profile of the Association's financial liabilities at 30 September was:

	2017 £	2016 £
Floating rate	5,406,769	6,283,411
Fixed rate	4,101,979	5,866,492
	<u>9,508,748</u>	<u>12,149,903</u>
Total (note 19)		

The fixed rate financial liabilities have a weighted average interest rate of 4.79% (2016: 3.71%) and the period for which it is fixed is from 1 year to 23 years (2016: 1 year to 24 years).

The floating rate financial liabilities comprise loans that bear interest at rates based on the monthly LIBOR.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

27. Financial liabilities excluding trade creditors – interest rate risk profile (continued)

The debt maturity profile is shown in note 19.

Borrowing facilities

The Association has undrawn committed borrowing facilities. The facilities available at 30 September in respect of which all conditions precedent had been met were as follows:

	2017	2016
	£	£
Expiring in less than one year	-	2,500,000
Expiring in 1-2 years	-	-
Greater than 5 years	5,000,000	-
	<u>5,000,000</u>	<u>2,500,000</u>

Financial assets

Other than short term debtors, financial assets held are cash deposits in notice and current accounts. They are sterling denominated and the interest rate profile at 30th September was:

	2017	2016
	£	£
Floating rate on cash deposits	2,133,441	4,518,206
Financial assets on which no interest is earned	1,572,139	1,081,767
	<u>3,705,580</u>	<u>5,599,973</u>

28. Share Capital

The Association is a company limited by guarantee and therefore has no share capital. Each member (see numbers below) agrees to contribute £1 in the event of the company winding up.

	2017	2016
	No.	No.
At 1 October	41	41
Joining during the year	1	-
Leaving during the year	(1)	-
	<u>41</u>	<u>41</u>