ABILITY HOUSING ASSOCIATION

Report and Financial Statements

For the year ended 30 September 2018

Registered Company No 01261380

Company registration number	01261380
Homes & Communities Agency registration number:	LH2174
Charity number:	271547
Registered office and principal address:	The Coach House Gresham Road Staines Middlesex TW18 2AE
Board:	Jane Harrison (Chair) Karen Hillhouse Ian Lines Vince Mewett Nicola Philp Sally Reay Gina Small Dominic Wallace (appointed 13 June 2018) Maureen Osborne (appointed 13 June 2018) James Macintyre (appointed 12 September 2018) Adrian Polisano (resigned 21 March 2018)
Chief Executive	Jeffrey Skipp
Director of Resources & Deputy Chief Executive	Peter Gardiner (appointed 3 January 2018)
Secretary	Peter Gardiner (appointed 3 January 2018) Jeffrey Skipp (resigned 3 January 2018)
Director of Assets & Housing	Jackie Davis (appointed 2 January 2018)
Director of Care & Support	Rita Asamoah
Bankers:	Barclays 1 Churchill Place London E14 5HP
Solicitors:	Devonshires 30 Finsbury Circus London EC2M 7DT

Auditors:	Grant Thornton UK LLP Registered Auditors Chartered Accountants Victoria House 199 Avebury Boulevard Milton Keynes MK9 1AU

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Report of the Board

The Board presents its report and audited financial statements for Ability Housing Association ('The Association') for the year ended 30 September 2018.

The financial statements 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 incorporated in England. It is registered with both the Charity Commission and the Regulator for Social Housing in England and Wales (formerly 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 £19,242 (2017 (restated): £18,224), at the year-end reserves amounted to £16,813,583 (2017 (restated): £16,794,341).

Employees

The Association is accredited as an Investor in People. 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.

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
A small number of staff are members of the Social Housing Pension Scheme and of the Local Government Pension Scheme, defined benefit final salary pension schemes. The Association contributes to the schemes on behalf of its eligible employees and offers a defined contribution scheme to all other staff.

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 21 March 2018. Adrian Polisano 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 (2017: two) complaints that reached level 2 (formal resolution), both of which have been resolved.

Fraud
The Association has been informed of an allegation that a tenant has been subject to someone illegally obtaining their funds. The Association is liaising closely with the Police, as a criminal investigation takes place, and is also working with and alongside the Local Authority to ensure all tenants are safeguarded.

The investigation is still ongoing and the extent of any probable liabilities the Association may face cannot yet be reliably estimated. However, an amount of £95k has been accrued to cover known costs incurred to date associated with this matter.

Report of the Board (continued)

Board and Committee member attendance

	Attendance statistics percentage of members attending
BOARD ATTENDANCE	
6th December	87.50%
21st March + AGM	50.00%
13th June	66.70%
12th September	80.00%
25th April Strategy Day	85.70%
COMMITTEE ATTENDANCE	
HRC 6th December	100.00%
CSC 8th November	100.00%
AFR 12th February	66.60%
CSC 18th May	100.00%
AFR 25th July	100.00%
AFR 12th September	100.00%
CSC 17th October	100.00%

Number of meetings	
Board / strategy day	4+1
Audit, Finance and Risk	3
Customer Service Committee	3
Human Resources Committee	1

Report of the Board (continued)

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 2017 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.

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;
- bi-annual 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 ('The 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 findings report 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, other than the exceptional circumstances which appear to have come about in one scheme leading to an alleged fraud, the systems of internal control are sufficiently robust and have been operating throughout the year. The aspects of internal control relating to the alleged fraud have been reviewed and reinforced.

Report of the Board (continued)

Post balance sheet events

In December 2018 the Association sold Southern Court, an office building in Reading, which a review of property assets and locations had identified as being surplus to requirements.

The building sale was carried out at a satisfactory surplus and provided a substantial boost to cash-flow. The disposal will be accounted for in the 2018/19 accounts.

The Report of the Board was approved by the Board on 13 March 2019 and signed on its behalf by:

Jane Harrison	**Sally Reay**	**Peter Gardiner**
Chairman	Board Member	Secretary

Operating and Financial Review and Strategic Report

Overview of Financial Year

The Association has improved its underlying financial performance over the past twelve months (excluding a £95K provision for a potential future liability). The improvement in underlying performance is the result of both careful oversight of expenditure and seeking to maximise available income. We continue to operate within a challenging environment, with rent cuts of 1% applying until April 2020 alongside ongoing pressures on social care funding.

Over the past year we have enhanced our services and developed the breadth of our offering. Through strong external and internal partnerships, we have been able to offer supported living opportunities to people who have been living in institutional settings or where current living arrangements have broken down. This has been achieved by innovation in the use of our housing stock and flexibility in the housing adaptations we make alongside co-produced support packages which reflect the aspirations and wants of customers, maximising opportunities for successful outcomes.

We have invested significantly in our property maintenance service, seeking to improve the service received by tenants. Our new structure has involved investing in an in-house property team, providing greater central oversight and control of contractors. We have also increased the number of contractors operating in the local areas and regions within which we operate, improving responsiveness and reducing dependency on one or two large contractors. Initial signs are this change is proving to be successful. Complaints regarding maintenance have reduced across the organisation and feedback from the customer panel has been positive.

Within Care & Support we have focussed significantly on the quality and experience of our customers. We recognise that great services require great staff. We have commissioned an external organisation to quality audit our services every six months, showing areas of strength and identifying areas for development. We have enhanced our staff training, ensuring our teams are equipped to deliver excellent support. We have invested in management training, providing first line managers with training in areas of people and business management. This is an area of continuous improvement for the organisation and we will be looking to build on these strong foundations as we grow and develop.

We have worked with the Local Authorities in the areas within which we provide care and support, negotiating increased fee income to ensure the future viability of the services we deliver. We fully understand the pressures our colleagues in Health and Local Authorities face in these austere times, however, with rising costs and increase to the National Living Wage in April we will continue to focus on ensuring our services are funded on a full cost recovery basis.

The single biggest concern within our Care & Support services is the ability to recruit and retain staff with the right attitudes and behaviours to deliver quality care and support. This is an issue affecting the whole Care & Support sector. Without appropriate funding, organisations such as Ability are unable to reward staff and pay appropriate remuneration for their dedication and commitment. Without attracting new people into the sector, it is difficult to see how the sector can expand to meet the demand for future services as a result of the growing demographic pressures in the UK. We eagerly await the publication of the delayed social care green paper and believe that staffing and attracting new people into the sector needs to be a key theme in future government policy.

Operating and Financial Review and Strategic Report (continued)

Care and Support

Care & Support delivers services in seven Local Authority areas in England and our focus is to provide high quality services that deliver positive outcomes to all customers, enabling them to achieve their goals and take control of their lives.

Currently, the Association has five services registered with the Care Quality Commission (CQC), all of which have been rated as 'Good' in all areas by the CQC.

As well as our own internal quality monitoring we have contracted the services of Care 4 Quality Limited to audit our services against CQC standards twice a year.

We have maintained sustainable growth to enhance our financial viability and sustainability through growth and full cost recovery in our services by negotiating fees with the Local Authorities we work with.

A lot of effort has been undertaken to recruit, develop and retain a high performing workforce led by strong local leaders and embedded Ability Positive values in all that we do. However, recruitment remains one of our biggest challenges and we are rigorous in our effort to control the use of agency staff to enable us to maintain consistency and quality in our services.

The introduction of on-line Care Certificate and eLearning modules has significantly enhanced the amount of training available, ensuring staff are adequately trained and skilled to meet the needs of customers.

Introducing the Bradford Factor has had a positive impact of managing absence effectively and supporting our staff by providing local managers and their teams with a system to monitor sickness effectively.

Demand from commissioners to provide a greater number of services for customers with complex needs has increased over the year and we continue to co-produce, develop and deliver innovative services in line with our customers' needs as an essential part of our overall delivery.

Housing, Property and Asset Management

The Association owns and manages 697 (2017: 698) properties dispersed across London and the South East, from Hastings to Bournemouth and Essex to Oxfordshire. This presents challenges and this year we have changed the model of delivery in our property management and repairs services in order to address both the geographical spread and diversity of our housing stock. We have moved from a single provider to a range of locally-based contractors supported by a centrally-based external call centre and increased in-house technical expertise. As well as improving performance and efficiency in the areas of void works, cyclical and responsive repairs, our new in-house Property Services team has brought an improved focus to property compliance.

We have reviewed our policies and procedures for Landlord Health & Safety, carried out water safety risk assessments and a comprehensive lift condition survey. We have moved our electrical installation inspections to a five-year programme and continue to carry out fire safety work, asbestos condition surveys and ensure 100% compliance with gas servicing.

Operating and Financial Review and Strategic Report (continued)

Housing, Property and Asset Management (continued)

We commissioned a stock condition survey and invested in software to better control our asset management and property compliance data and works programmes.

Whilst prioritising property management this year, we identified a need for more effective integration between our Housing Management and Property Services departments. Toward the end of the year we began the process of restructuring the Housing Management team to better support the geographical spread of our properties and the changing needs of our customers. The new Housing Services team structure will be in place next year.

In the meantime, our existing Housing Management team have reviewed a number of tenancy management services and introduced new models for carrying out tenancy audits, estate inspections and reviewing service charges.

Risk Register

The main risks that may prevent the Association achieving its objectives are considered and reviewed every three months by the senior management team and the Board. The risks are recorded and assessed in terms of impact and probability alongside actions taken to mitigate and manage these risks. Significant risks are reported to the Board quarterly together with key controls and actions taken to mitigate risk. The most significant risks identified by the association are listed below:

ISSUE	RISK	CONTROLS & MITIGATION
Safeguarding of our customers and tenants	That tenant(s)/customer(s)are victim(s) of abuse and such abuse goes unreported.	• Safeguarding policy and procedure • Staff training • Notification and reporting system
Local Authority social care fee income	We receive insufficient income for our Care & Support services to maintain viability, placing the wider organisation's viability at risk.	• Monthly management account reporting • Board/Senior Management Team oversight of care & support finances • Costing model and Local Authority negotiation process in place • Reputation of Ability care & support services
Recruitment and retention of sufficient, competent, able staff	Our services fail to deliver the quantity and quality of services efficiently, as required by funders and/or regulators due to inability to recruit and retain adequate numbers of competent staff.	• Benchmarking against comparable organisations' pay levels and terms & conditions • Staff training and development programme • Targeted recruitment based on needs of department/service • Use of recruitment agency/consultants if required
Regulatory compliance	We fail to achieve regulatory compliance with one or more of our three regulators (Regulator of Social Housing, CQC, Charity Commission) and are subject to enforcement action.	• Regular management reporting to Board on key compliance issues • Policy and procedures in place relating to areas of regulatory compliance • Internal audit and Care 4 Quality Limited CQC audits

Operating and Financial Review and Strategic Report (continued)

Risk Register (continued)

ISSUE	RISK	CONTROLS & MITIGATION
Sleep-in backdated payments 2012	Requirement to pay backdated payment crystallises. Liability circa £95k.	• Provision made in 2018/19 budget for staff back-payments to 2015 • Amount outstanding from 2012 to end of 2014 being identified • Court of Appeal ruled National Living Wage did not apply to sleep-ins. Await decision on whether permission to appeal to Supreme Court is granted
Landlord Health and Safety	We fail to comply with regulatory and statutory requirements and fail to protect our tenants. As a result, people suffer serious injury or death.	• Monthly compliance monitoring and Board reports • Policy and procedures for every area of Landlord Health & Safety in place • Contracts and service agreements in place with providers for inspection, testing and remedial action
Securing sufficient & competent maintenance contractors across geographical spread of stock	Failure to adequately maintain our stock and achieve regulatory requirements; falling customer satisfaction.	• Regular contract management meetings with current providers • Ongoing programme of identifying additional alternative responsive maintenance contractors, both general building maintenance and specialist trades • Regular review of our schedule of rates ensuring we deliver value for money whilst maintaining a fair and competitive contract rate
Data – asset register/stock components' details are incomplete/incorrect	Insufficient and inaccurate stock data leads to inaccurate untargeted planned maintenance programme and asset management strategy, risk of regulatory non-compliance and breach of Landlord Health & Safety.	• Cleanse and update current data • Gather and collate a comprehensive and accurate set of property data • Upgrade of existing Information & Communication Technology ('ICT') software
Collusion between Ability staff responsible for procurement and oversight of property maintenance with contractor(s)	Reduced value for money, reduction in the quality of repairs and fraud.	• Procurement policy and procedures including financial checks and references • Property maintenance Customer satisfaction calls
Failure to manage rents and service charge arrears, voids and re-let times in an effective way	Reduction and loss of organisational income, inefficient use of housing stock and reputational damage.	• Senior management scrutiny and Board oversight of rent and service charge arrears, with timely action being taken • Regular performance indicators and management reports • Voids - oversight of works by Property team • Rent arrears – housing management focussed on early intervention and tenancy sustainment

Operating and Financial Review and Strategic Report (continued)

Risk Register (continued)

ISSUE	RISK	CONTROLS & MITIGATION
Uncertain political and economic operating environment	• Brexit – uncertainty about financial impact and the free movement of people. • Rent settlement – New settlement agreed, ability of Government to change policy, based on changing economic indices and political direction. • Universal Credit ('UC') – delays in payments to tenants increasing gross rent arrears.	• Scrutiny and analysis of environmental landscape via conferences, trade data and journals • To monitor and change business plan accordingly. To maintain gearing at prudent levels considering environmental uncertainties • UC- ensure tenants have support to make timely comprehensive applications, tight controls on rent arrears and early housing management intervention as required.

Plans for the Future

Over the coming twelve months, we will implement a new housing management structure which will provide additional support to our tenants. It will focus on tenancy sustainment and prevention, minimise the need for formal action and support individuals. We will further increase our engagement with tenants, ensuring greater input into the management of their home and the estates where they live. We will ensure housing officer areas are maintained at a ratio of no greater than 1:150 units per housing officer. This will ensure capacity and time to develop and maintain strong relationships with tenants enabling early interventions and, again, reduce the need for formal action. The outcome of this initiative will be to offer tailored support to our tenants, increasing tenant satisfaction, reducing the number of voids and decreasing rent arrears and improving our repairs service by greater oversight of works and resolving issues at an early stage.

Having worked with our Tenant Engagement Committee over the past year, the Association will co-produce and develop further the work and impact of the Tenant Engagement Committee over the next 12 months. To achieve this, we will ensure that there is at least one and potentially two representatives from each housing area represented at Tenant Engagement Committee Meetings. The agenda will focus on issues as directed by the Tenant Engagement Committee and officers of the Association will provide the necessary data and information to ensure tenants have all the relevant information to fulfil their role. Equally, outside of formal Tenant Engagement Committee meetings tenant representatives will meet regularly with their local housing officer to ensure open communication and provide an understanding of emerging local issues and to agree local priorities.

Our care & support services will continue to focus on delivering quality services to people with higher or more complex needs, who are currently the furthest away from community living; often residing in more institutional forms of care and support. Ability have also been able to reduce the amount of support hours some customers require over time, delivering cost savings for commissioners whilst supporting individuals to have greater control and autonomy over their lives. To deliver great services we require great staff and to ensure we have staff that are trained and able to support our customers well, we intend to expand training in Positive Behaviour Support and Active Support, providing our teams with the training and skills to deliver high-quality services to our customers.

As an organisation, we plan to invest in both ICT hardware and software over the coming year. This will ensure we have a robust platform, transparent and real-time management information supporting management oversight, enabling timely decision-making. Once implemented and embedded, we believe our investment in ICT will allow the Association to redefine a number of its workflows, leading to greater efficiencies and cost savings moving forward.

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 Association has contributed to the schemes in accordance with levels, set by the actuaries, of between 1% and 21%. We will continue to contribute to the schemes in line with the advice of independent actuaries and the legislative increases required for all auto enrolment pensions.

Capital structure and treasury policy

By the year end borrowings amounted to £7.8m of which £0.16m falls due to be paid within the next year as shown below.

Maturity	2018	2017
	£	£
Within one year	161,785	1,662,425
Between one and two years	161,785	162,425
Between two and five years	647,140	968,524
After five years	6,876,257	6,715,374
	7,846,967	9,508,748

The Association borrows, principally from banks, at both fixed and floating rates of interest. At the year-end, 45% of the Association's borrowings were at fixed rates (2017: 61%).

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 18) shows that gearing has decreased again this year from 15.0% to 12.4% following repayment of revolving credit facilities as this was considered to be the best use of cash surplus to reduce future interest payments.

Cash flows

Cash inflows and outflows during the year are shown in the statement of cash flow (page 27). The cash inflow from operating activities increased this year to £1,176,560 (2017: £895,376), reflecting changes to working capital. Overall cash balances decreased to £2,633,645 (2017 £3,705,580) reflecting cash used in treasury management to reduce debt and therefore interest costs.

Operating and Financial Review and Strategic Report (continued)

Future developments
Development plans remain on hold pending resolution of uncertainty over future care and support revenue streams and funding. At the year end the Association had undrawn facilities of £7.88 million (2017: £6.23 million).

Statement of compliance
In preparing this Operating and Financial Review, the Board has followed the principles set out in the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers.

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

Operating and Financial Review and Strategic Report (continued)

Value for Money

Metric and basis	Units	£'000	Units	£'000	Units	£'000
1 Reinvestment	2017-18		2016-17		2015-16	
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		-		-		2,165
Works to existing properties		135		1,066		837
Total		135		1,066		3,003
divided by						
Housing properties at cost		63,478		63,421		63,419
Reinvestment		0.21%		1.68%		4.74%

	Units	£'000	Units	£'000	Units	£'000
2 New Supply Delivered	2017-18		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	689		690		716	
New Supply Delivered	-		-		2.09%	

	Units	£'000	Units	£'000	Units	£'000
3 Gearing	2017-18		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		162		1,663		2,635
Long term loans		7,685		7,846		9,515
Lease obligations		609		584		613
		8,456		10,093		12,763
divided by						
Housing properties at cost		63,478		63,421		63,419
Gearing		13.32%		15.91%		20.12%

	Units	£'000	Units	£'000	Units	£'000
4 Earnings before Interest, Tax, Depreciation, Amortisation, Major Repairs included (EBITDA-MRI) Interest Cover	2017-18		2016-17 (re-stated)		2015-16	
This is a key indicator for liquidity and investment capacity						
Operating Surplus / (Deficit)		445		427		1,241
deduct						
Amortised Government Grant		367		388		358
Grant taken to income		-		94		190
Capitalised major repairs in period		135		5		253
add back						
Depreciation charge		924		647		645
Interest receivable and other income		12		12		18
		858		599		1,076
divided by						
Interest Payable and Financing Costs		389		419		459
EBITDA-MRI (as defined by regulator not lender)		220.57%		142.96%		234.42%

Operating and Financial Review and Strategic Report (continued)

Value for Money (continued)

Metric and basis	Units	£'000 2017-18	Units	£'000 2016-17 (re-stated)	Units	£'000 2015-16
5 Headline Social Housing cost per Unit						
The unit cost metric is unchanged from the regulator's 2016 definition						
Social Housing Management Costs		1,948		1,433		907
plus						
Service charge costs		629		691		583
Routine Maintenance Costs		755		650		524
Planned Maintenance Costs		688		466		584
Major Repairs Expenditure						
Capitalised Major Repairs for the period		137		5		253
Other Social Housing Letting Costs		690		735		584
Development Services						56
Community/Neighbourhood Services						
Other Social Housing Activities (Operating Expenditure)		14		31		46
		4,861		4,011		3,537
divided by						
Total Social Housing Units Managed		689		690		716
Social Housing cost per unit in £		7,055		5,813		4,940
6 Operating Margin on Social Housing Lettings	Units	£'000 2017-18	Units	£'000 2016-17 (re-stated)	Units	£'000 2015-16
This metric measures profitability, and is a way of measuring the financial efficiency of a business						
Operating margin (social housing lettings)		413		387		1,285
divided by						
Turnover from Social Housing Lettings		10,735		10,554		10,038
		3.85%		3.67%		12.80%
Operating margin		445		427		1,244
divided by						
Total turnover		10,781		10,625		10,099
Operating Margin on Social Housing Lettings		4.13%		4.02%		12.32%
7 Return on Capital Employed	Units	£'000 2017-18	Units	£'000 2016-17	Units	£'000 2015-16
This metric measures the efficiency of investment of capital resources.						
Operating surplus / (deficit)		445		427		1,244
divided by						
Total assets less current liabilities		58,376		59,313		61,404
Return on Capital Employed		0.76%		0.72%		2.03%

Operating and Financial Review and Strategic Report (continued)

Value for Money (continued)

The Value for Money ('VfM') metrics continue to show that the Association is operating in an exceedingly challenging environment. Rents were cut by 1% in accordance with government policy, although this regime is now due to come to an end in 2020, when the current settlement of CPI+1% is anticipated to be reinstated. Care and Support revenues, whilst renegotiated during the year, are not rising at a rate which keeps pace with many elements of cost inflation. Both factors emphasise the need for the identification and delivery of savings through Value for Money initiatives.

- Reinvestment and New Supply – the Association has invested very heavily in a revised and strengthened management structure during 2017-18. Those teams have focussed primarily on Landlord Health & Safety projects resulting in higher expenditure and reducing reinvestment in properties to 0.21% against 1.68% in 2016/17. This follows the trend of the 'Sector Scorecard'* where reinvestment fell over the same period to 3.15%, but is anticipated to reverse in 2018/19 with significant investment in component replacement included in the Association's budget. This focus will ensure that maintenance expenditure in future years on Landlord Health & Safety will be reduced following the extensive review, revisit and repair programme carried out this year, capturing both compliance and the reliability of our properties in one go to increase value for money. There has been no significant movement in unit numbers in the year.
- Gearing – In order to make best use of cash over and above working capital requirements, the decision was made to reduce debt during the year. The restructuring of facilities during 2016-17 provided the avenue to deliver this, and the revolving loan facility from Barclays was reduced in the year. Beyond the immediate gearing reduction from 15.91% in 2016/17 to 13.32% in 2017/18, a more favourable gearing position than the Sector Scorecard* 'Best Quartile' of 23%, this will result in reduced interest costs going forward improving the Association's financial position and making best VfM use of available cash (although that advantage is slightly reduced through non-utilisation fees).
- EBITDA-MRI – A restatement of prior year results required a recalculation of the 2016-17 percentage, which reduced from 259% to 143%. However, the 2017-18 performance recovered to 221% following significant care and support savings through careful use of rotas in the services, greater deployment of flexible working hours leading to significant agency staff savings, thereby delivering the same standard and quantity of care for significantly less.
- Social Housing cost per unit – The rise in costs per unit is essentially driven by the management element which, during a year of restructure, is not unexpected. The nature of Ability's business is such that housing management is more intensive than general needs associations leading to a higher cost per unit (housing officers at Ability have moved to patches of 150 units allowing high-input tenancy sustainment), When the cost per unit is compared to the average for the sector overall of £3,970 per unit (source: Social Housing magazine analysis of Global Accounts) the cost seems high, but against the level for supported housing of in excess of £10,000 per unit (source: Social Housing magazine analysis of Global Accounts) in some instances, the performance is less of an outlier. It is anticipated that with the housing team restructure activity almost complete, a more cost-effective performance can be achieved in 2018-19 within the constraints of an intensive housing management service.
- Operating margin on social housing lettings – has been maintained during 2017-18 despite the expenditure levels on planned and responsive maintenance primarily in Landlord Health & Safety.
- ROCE – remains in line with 2017-18.

* Source: Global Accounts compiled from 329 UK Housing Association's for the year ended 31 March 2018

Operating and Financial Review and Strategic Report (continued)

Table 1 – Highlights, five-year summary

For the year ended 30 September	2018	2017 (Restated)*	2016	2015 (Restated)*	2014
Statement of Comprehensive income (£'000)					
Total turnover	10,781	10,625	10,099	9,252	8,754
Income from lettings	10,735	10,554	10,038	9,180	8,690
Operating surplus	445	427	1,244	1,209	851
Surplus for the year transferred to reserves	19	18	4,357	736	412
Balance Sheet (£'000)					
Housing properties net of depreciation (and grants up to 2014)	55,722	56,590	57,232	57,748	21,876
Other fixed assets	1,030	1,047	1,111	1,098	1,135
Fixed assets	56,752	57,637	58,343	58,846	23,011
Net current assets	1,624	1,676	3,060	170	903
Total assets less current liabilities	58,376	59,313	61,404	59,016	23,914
Loans (due > one year)	7,685	7,846	9,515	12,163	11,792
Other long term liabilities	33,878	34,673	35,113	34,434	34
Total net assets	16,813	16,794	16,776	12,419	12,088
Reserves	16,813	16,794	16,776	12,419	12,088
Accommodation figures					
Total housing stock owned at year end *(number of dwellings):*	609	610	610	595	566
Social housing	601	602	602	587	558
Non-social housing	8	8	8	8	8
Statistics					
Surplus for the year as % of turnover	4.1	4.0	12.3	13.0	4.7
Surplus for the year as % of income from lettings	4.1	4.0	12.3	13.0	4.8
Rent losses *(voids and bad debts as % of rent and service charges receivable)*	6.6	9.1	5.8	3.8	2.5
Rent arrears *(gross arrears as % of rent and service charges receivable)*	6.2	7.4	4.5	5.1	4.0
Interest cover *(surplus before interest payable divided by interest payable)*	1.1	1.0	2.7	2.6	2.0
Liquidity *(current assets divided by current liabilities)*	2.0	1.5	1.7	1.1	1.8
Gearing	12.4	15.0	21.5	23.8	23.9
Total reserves per home owned	£27,608	£27,532	£27,502	£20,871	£21,741

* The 2015 numbers have been updated to reflect the changes as a result of the transition to FRS 102. The 2017 numbers have been restated following the identification of two liabilities which have an impact on the current as well as previous years. The amounts relating to the previous years have been processed as a prior year adjustment due to their significance. See further details in note 15.

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 surplus or deficit of the Association for that period. 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 2014, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing (April 2015). It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Annual general meeting

The annual general meeting will be held on 13 March 2019 at The Hythe Centre, Staines.

Operating and Financial Review and Strategic Report (continued)

External auditors

In order to ensure that Ability complies with best practice and carries out a periodic rotation of its external auditors, Grant Thornton UK LLP, having served as auditors to Ability for the last eleven years, will not be appointed for the next financial year. The Board, on behalf of Ability, would like to thank them for a professional service.

Following a tender exercise, the Board appointed Beever and Struthers as auditors going forward.

The Operating and Financial Review and Strategic Report were approved by the Board on 13 March 2019 and signed on its behalf by:

Jane Harrison

Jane Harrison
Chairman

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

We have audited the financial statements of Ability Housing Association ('the charitable company') for the year ended 30 September 2018 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).

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 2018 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.

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.

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.

Other information
The Board responsible for the other information. The other information comprises the information included in the Report of the Board and the Operating and Financial Review and Strategic Report, set out on pages 3 to 20 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.

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaking during the course of the audit:

- the information given in the Report of the Board and the Operating and Financial Review and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Board and the Operating and Financial Review and Strategic Report have been prepared in accordance with applicable legal requirements.

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 Report of the Board and the Operating and Financial Review and Strategic 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.

Responsibilities of the Board for the financial statements

As explained more fully in the Statement of Responsibilities of the Board set out on page 19, 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Use of our report

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.

Grant Thornton UK LLP

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

1 April 2019

Statement of Comprehensive Income

	Note	2018	2017 (Restated)*
		£	£
Turnover: continuing activities	3	10,780,641	10,625,143
Operating costs	3	(10,335,344)	(10,198,338)
Operating surplus: continuing activities	6	445,297	426,805
Loss on disposal of property, plant & equipment	7	(49,086)	(744)
Interest receivable	8	11,875	11,645
Interest payable and similar charges	9	(388,844)	(419,482)
Surplus on ordinary activities before taxation		19,242	18,224
Tax on surplus for the year		-	-
Surplus and total comprehensive income for the financial year		19,242	18,224
Total comprehensive income for the year		19,242	18,224

The notes on pages 28 to 53 form part of these financial statements.

The results relate to continuing activities.

*Please refer to note 15 for further information in respect of the restatement.

The financial statements were approved by the Board on 13 March 2019

Jane Harrison
Chairman

Sally Reay
Board Member

Peter Gardiner
Secretary

STATEMENT OF CHANGES IN RESERVES

Income and Expenditure Reserve

	2018	2017 (Restated)*
	£	£
Balance at 1 October	16,794,341	16,776,117
Total comprehensive income for the year	19,242	18,224
Balance at 30 September	16,813,583	16,794,341

The notes on pages 28 to 53 form part of these financial statements.

*Please refer to note 15 for further information in respect of the restatement.

Company number 1261380

Statement of Financial Position at 30 September 2018

	Note	2018 £	2017 (Restated)* £
Tangible fixed assets			
Housing properties	12	55,722,235	56,590,343
Other tangible fixed assets	13	1,029,892	1,046,886
		56,752,127	57,637,229
Current assets			
Trade and other debtors	14	573,212	1,240,619
Cash and cash equivalents		2,633,645	3,705,580
		3,206,857	4,946,199
Creditors: amounts falling due within one year	15	(1,582,632)	(3,270,068)
Net current assets		1,624,225	1,676,131
Total assets less current liabilities		58,376,352	59,313,360
Creditors: amounts falling due after more than one year	16	(41,190,846)	(42,096,019)
Pension provision SHPS	20	(371,923)	(423,000)
Total Net Assets		16,813,583	16,794,341
Capital and reserves			
Income and Expenditure reserve		16,813,583	16,794,341
Total Reserves		16,813,583	16,794,341

*Please refer to note 15 for further information in respect of the restatement.

The notes on pages 28 to 53 form part of these financial statements

The financial statements were authorised and approved by the Directors on 13 March 2019

Jane Harrison	**Sally Reay**	**Peter Gardiner**
Chairman	**Board Member**	**Secretary**

Statement of Cash Flows

	Note	2018 £	2017 £
Net cash generated from operating activities	21	1,176,560	895,376
Cash flow from investing activities			
Interest received		11,875	11,645
Purchase and construction of housing properties		(136,760)	(4,859)
Proceeds from sale of tangible fixed assets		2,468	-
Purchase of other tangible fixed assets		(68,294)	(69,170)
		(190,711)	(62,384)
Cash flow from financing activities			
Repayment of borrowings		(1,668,940)	(2,275,020)
Interest paid		(388,844)	(452,365)
		(2,057,784)	(2,727,385)
Net change in cash and cash equivalents		(1,071,935)	(1,894,393)
Cash and cash equivalents at the beginning of the year		3,705,580	5,599,973
Cash and cash equivalents at end of the year		2,633,645	3,705,580

The notes on pages 28 to 53 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 principal activity of the Association is disclosed in the Report of the Board.

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 Operating and Financial Review and 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. £5,320,629 (2017 restated: £4,983,792) 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 2018 was £ 9,305,499 (2017: £8,295,220). See notes 12 and 13 for further details.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Significant judgements and estimates (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 2018 was £371,923 (2017: £423,000). 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 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.

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%
Computer equipment	33.3%
Vehicles	25%
Office equipment	25%-33.3%

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	Turnover	2018 Operating costs	Operating surplus
	£	£	£
Social housing lettings	10,734,582	(10,321,559)	413,023
Other social housing activities			
Management services	45,925	(13,785)	32,140
Donations	134	-	134
	46,059	(13,785)	32,274
	10,780,641	(10,335,344)	445,297

	Turnover	2017 (Restated*) Operating costs	Operating surplus
	£	£	£
Social housing lettings	10,553,690	(10,167,122)	386,568
Other social housing activities			
Management services	70,687	(31,216)	39,471
Donations	766	-	766
	71,453	(31,216)	40,237
	10,625,143	(10,198,338)	426,805

*Please refer to note 15 for further information in respect of the restatement.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Particulars of income and expenditure from social housing lettings

	2018				2017 (Restated)*
	General needs housing	Supported housing	Care homes	Total	Total
	£	£	£	£	£
Rent receivable net of identifiable service charges	1,253,978	2,866,237	29,026	4,149,241	4,253,379
Service income	267,072	610,451	-	877,523	834,602
Charger for support services	-	4,962,224	358,405	5,320,629	4,983,792
Amortised government grants	117,840	269,349	-	387,189	387,821
Other revenue grants	-	-	-	-	94,096
Turnover from social housing lettings	**1,638,890**	**8,708,261**	**387,431**	**10,734,582**	10,553,690
Management	(592,960)	(1,355,334)	-	(1,948,294)	(1,433,068)
Services	(191,444)	(437,587)	-	(629,031)	(690,892)
Routine maintenance	(229,700)	(525,029)	-	(754,729)	(650,420)
Planned maintenance & major repairs	(209,498)	(478,852)	-	(688,350)	(466,102)
Care & Support costs	-	(4,374,850)	(293,140)	(4,667,990)	(5,380,918)
Bad debt provision	(24,719)	(56,500)	-	(81,219)	(164,011)
Property lease charges	(210,082)	(480,187)	-	(690,269)	(734,751)
Depreciation of housing properties	(262,250)	(599,427)	-	(861,677)	(646,960)
Operating costs on social housing lettings	(1,720,653)	(8,307,766)	(293,140)	(10,321,559)	(10,167,122)
Operating (deficit)/surplus on social housing lettings	**(81,763)**	**400,495**	**94,291**	**413,023**	386,568
Voids	76,135	174,024	-	250,159	297,442

*Please refer to note 15 for further information in respect of the restatement.

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:

	2018 No	2017 No
Social housing		
General housing	210	210
Supported housing	382	383
Low cost home ownership	2	2
Residential care homes	7	7
Total owned	601	602
Accommodation managed for others	88	88
Total managed	689	690
Non-social housing		
Respite Unit	8	8
Total owned and managed	697	698

6. Operating surplus

The operating surplus is arrived at after charging:

	2018 £	2017 £
Depreciation of freehold housing properties	711,484	498,848
Depreciation of leasehold housing properties	265,061	147,481
Depreciation of other tangible fixed assets	85,288	133,774
Operating lease rentals		
- office equipment	1,920	1,685
- land and buildings	578,800	578,800
Auditors' remuneration		
- for audit services	18,500	15,895
- for other services - covenant compliance	900	820
- for other services - accounts production	3,750	3,650

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Loss on disposal of fixed assets – housing properties

	2018	2017
	£	£
Disposal proceeds – components	-	-
Carrying value- components	(49,086)	(744)
Loss on disposal	(49,086)	(744)

8. Interest receivable and similar income

	2018	2017
	£	£
Interest receivable and similar income	11,875	11,645

9. Interest payable and similar charges

	2018	2017
	£	£
Loans and bank overdrafts	395,844	425,482
Unwinding of discount on pension provision	(7,000)	(6,000)
	388,844	419,482

10. Employees

Average monthly number of employees:

	2018	2017
	No	No
Administration	13	10
Housing, support and care	143	148
	156	158

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Employees (continued)

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

	2018	2017
	No.	No.
£60,001-£70,000	1	1
£70,001-£80,000	1	-
£80,001-£90,000	1	1

Employee costs:	2018	2017
	£	£
Wages and salaries	4,273,066	4,004,821
Social security costs	348,583	352,505
Other pension costs	168,121	88,109
Change in pension provision	51,077	47,000
	4,840,847	4,492,435

11. Directors, members and executive directors

	2018	2017
	£	£
Aggregate emoluments of directors (including pension contributions)	269,818	254,872
Emoluments of the highest paid director (excluding pension contributions and including benefits in kind)	88,817	87,900
Total expenses reimbursed to directors not chargeable to UK income tax – Board members	31	1,468
– Executives	2,392	738

Executive salary bands	2018	2017
£50,000 - £60,000	1	1
£60,000 - £70,000	1	1
£70-000 - £80,000	1	-
£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 £4,441 (2017: £4,397) in respect of Jeffrey Skipp. The Directors and executive directors are considered to be key management personnel.

Board members

None of the Board members received emoluments (2017: £Nil).

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 properties**	**Total housing properties**
Cost	**£**	**£**	**£**	**£**	**£**
At 1 October 2017	47,720,005	15,513,572	63,233,577	187,844	63,421,421
Additions	-	-	-	-	-
Works to existing properties	120,718	16,042	136,760	-	136,760
Schemes completed	-	-	-	-	-
Disposals	(62,149)	(17,728)	(79,877)		(79,877)
At 30 September 2018	47,778,574	15,511,886	63,290,460	187,844	63,478,304
Depreciation and impairment					
At 1 October 2017	4,929,636	1,901,442	6,831,078	-	6,831,078
Charged in year	711,484	265,061	976,545	-	976,545
Released on disposal	(32,312)	(19,242)	(51,554)	-	(51,554)
At 30 September 2018	5,608,808	2,147,261	7,756,069	-	7,756,069
Net book value					
At 30 September 2018	42,169,766	13,364,625	55,534,391	187,844	55,722,235
At 30 September 2017	42,790,369	13,612,130	56,402,499	187,844	56,590,343

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Tangible fixed assets – properties (continued)

Expenditure on works to existing properties

	2018	2017
	£	£
Components capitalised	136,760	4,859
Amounts charged to statement of comprehensive income	1,443,079	1,060,597
	1,579,839	1,065,456

Social housing assistance

	2018	2017
	£	£
Total accumulated social housing grant received or receivable at 30 September:		
Recognised in the statement of comprehensive income	387,186	386,251
Held as deferred income	33,894,421	34,281,607

Housing properties book value, net of depreciation

	2018	2017
	£	£
Freehold land and buildings	42,357,610	42,978,213
Long leasehold land and buildings	13,364,625	13,612,130
	55,722,235	56,590,343

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 (2017: £nil). Please refer to note 24 for further information in respect of impairment of properties.

Amounts do not include capitalised interest; all interest charges are written off to expenditure as incurred. At the year end a total of 212 (2017: 212) properties were subject to charges securing loan funding. Of these 137 (2017:137) secured the total Barclays facility 59 (2017: 59) the Dexia loan and 16 (2017: 16) the Crown Mortgage loans.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Tangible fixed assets - other

	Freehold offices £	Vehicles & office equipment £	Furniture, fixtures and fittings £	Computer Equipment £	Total £
Cost					
At 1 October 2017	1,150,894	1,005,354	354,780	-	2,511,028
Additions	-	6,102	13,808	48,384	68,294
At 30 September 2018	1,150,894	1,011,456	368,588	48,384	2,579,322
Depreciation					
At 1 October 2017	225,654	936,377	302,111	-	1,464,142
Charged in the year	11,509	54,057	19,722	-	85,288
At 30 September 2018	237,163	990,434	321,833	-	1,549,430
Net book value					
At 30 September 2018	913,731	21,022	46,755	48,384	1,029,892
At 30 September 2017	925,240	68,977	52,669	-	1,046,886

14. Debtors

	2018 £	2017 £
Due within one year		
Rent and service charges receivable	310,634	375,814
Less: provision for bad and doubtful debts	(302,770)	(221,551)
	7,864	154,263
Other debtors	432,124	655,845
Prepayments and accrued income	133,224	430,511
	573,212	1,240,619

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Creditors: amounts falling due within one year

	2018	2017 (Restated)
	£	£
Debt (note 19)	161,781	1,662,425
Trade creditors	101,329	419,667
Rent and service charges received in advance	-	112,200
Other taxation and social security	91,394	-
Recycled Capital Grant Fund (note 17)	356,850	-
Accruals and deferred income	460,329	641,605
Holiday pay accrual	22,188	45,410
Deferred grant income	388,761	388,761
	1,582,632	3,270,068

The 2017 numbers have been restated following the identification of two liabilities which have an impact on the current as well as previous years. The amounts relating to the previous years totalling £167,619 have been included within accruals as a prior year adjustment due to their significance.

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

	2018	2017
	£	£
Debt (note 19)	7,685,186	7,846,323
Recycled capital grant fund (note 17)	-	356,850
Deferred grant income (note 18)	33,505,660	33,892,846
	41,190,846	42,096,019

17. Recycled capital grant fund

	2018	2017
	£	£
At 1 October	356,850	356,850
Grants recycled	-	-
Grant utilised	-	-
At 30 September	356,850	356,850

As the RCGF was generated more than two years ago, repayment will be made within 12 months unless the grant is reallocated.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Deferred Grant Income

	2018	2017
	£	£
At 1 October	34,281,607	34,667,858
Disposals	-	-
Grant Received	-	-
Released to income	(387,186)	(386,251)
At 30 September	33,894,421	34,281,607
Due in one year	388,761	388,761
Due after one year	33,505,660	33,892,846

19. Debt analysis

Borrowings

	2018	2017
	£	£
Due within one year		
Housing loans	161,781	1,662,425
Due after more than one year		
Housing loans	7,685,186	7,846,323
Total loans	7,846,967	9,508,748

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 2019 to 2037. Interest rates on borrowings range from 0.91% to 10.688%.

At 30 September the Association had undrawn loan facilities of £7.7m (2017: £5m).

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

	2018	2017
	£	£
Within one year or on demand	161,785	1,662,425
One year or more but less than two years	161,785	162,425
Two years or more but less than five years	647,140	968,524
Five years or more	6,876,257	6,715,374
	7,846,967	9,508,748

20. Pension

Pension Provision

	2018	2017
	£	£
At 1 October	423,000	476,000
Remeasurement	(51,077)	(53,000)
At 30 September	371,923	423,000

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.

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 2018 (£000s)	30 September 2017 (£000s)	30 September 2016 (£000s)
Provision at start of period	276	315	355

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	Period Ending 30 September 2018 (£000s)	**Period Ending** 30 September 2017 (£000s)
Provision at start of period	315	355
Unwinding of the discount factor (interest expense)	5	4
Deficit contribution paid	(41)	(39)
Remeasurements - impact of any change in assumptions	(3)	(5)
Remeasurements - amendments to the contribution schedule	-	-
Provision at end of period	276	315

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pension (continued)

INCOME AND EXPENDITURE IMPACT

	Period Ending 30 September 2018 (£000s)	**Period Ending** 30 September 2017 (£000s)
Interest expense	5	4
Remeasurements – impact of any change in assumptions	(4)	(5)
Remeasurements – amendments to the contribution schedule	-	-
Costs recognised in income and expenditure account	(41)	(39)

ASSUMPTIONS

	30 September 2018 % per annum	30 September 2017 % per annum	30 September 2016 % per annum
Rate of discount	1.84	1.54	1.16

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 2018 (£000s)**	**30 September 2017 (£000s)**	**30 September 2016 (£000s)**
Year 1	42	41	39
Year 2	43	42	41
Year 3	36	43	42
Year 4	37	36	43
Year 5	38	37	36
Year 6	32	38	37
Year 7	33	32	38
Year 8	34	33	32
Year 9		34	33
Year 10		-	34
Year 11		-	-
Year 12		-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pension (continued)

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

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

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 £4,441 (2017: £6,477) were made in the year, we expect to make contributions of approximately £nil during the next financial year.

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.

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)

Unless a concession has been agreed with the Trustee the term to 30 September 2015 applies.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pension (continued)

PRESENT VALUES OF PROVISION

	30 September 2018 (£000s)	30 September 2017 (£000s)	30 September 2016 (£000s)
Provision at start of period	96	108	121

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	Period Ending 30 September 2018 (£000s)	**Period Ending** 30 September 2017 (£000s)
Provision at start of period	108	121
Unwinding of the discount factor (interest expense)	2	2
Deficit contribution paid	(13)	(13)
Remeasurements - impact of any change in assumptions	(1)	(2)
Remeasurements - amendments to the contribution schedule	-	-
Provision at end of period	96	108

INCOME AND EXPENDITURE IMPACT

	Period Ending 30 September 2018 (£000s)	**Period Ending** 30 September 2017 (£000s)
Interest expense	2	2
Remeasurements – impact of any change in assumptions	(1)	(2)
Remeasurements – amendments to the contribution schedule	-	-
Costs recognised in income and expenditure account	(13)	(11)

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pension (continued)

ASSUMPTIONS

	30 September 2018 % per annum	30 September 2017 % per annum	30 September 2016 % per annum
Rate of discount	1.76	1.52	1.15

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 2018 (£000s)**	**30 September 2017 (£000s)**	**30 September 2016 (£000s)**
Year 1	13	13	13
Year 2	14	13	13
Year 3	14	14	13
Year 4	15	14	14
Year 5	15	15	14
Year 6	15	15	15
Year 7	16	15	15
Year 8		16	15
Year 9		-	16

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 £18,712 (2017: £18,194). At 30 September 2018 the Association had 3 (2017: 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 2018 £	30 September 2017 (Restated)* £
Operating surplus	445,297	426,805
Depreciation of tangible fixed assets	1,061,833	780,103
Grants released to income	(387,189)	(387,251)
	1,119,941	819,657
Working capital movements		
Debtors	667,407	353,606
Creditors	(610,788)	(277,887)
Net cash inflow from operating activities	1,176,560	895,376

* Refer to note 15 for further details of the restatement

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

	30 September 2018 £	30 September 2017 £
Decrease in cash	(1,071,935)	(1,894,393)
Cash outflow from decrease in debt	1,661,781	2,641,155
Change in net debt resulting from cash flows	589,846	746,762
Movement in net debt for the period	589,846	746,762
Net debt at 1 October	(5,803,168)	(6,549,930)
Net debt at 30 September	(5,213,322)	(5,803,168)

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. Analysis of changes in net debt

	1 October 2017	Cashflow	30 Sept 2018
	£	£	£
Cash at bank and in hand	3,705,580	(1,071,935)	2,633,645
Changes in cash	3,705,580	(1,071,935)	2,633,645
Loans	(9,508,748)	1,661,781	(7,846,967)
Changes in debt	(9,508,748)	1,661,781	(7,846,967)
Changes in net debt	(5,803,168)	589,846	(5,213,322)

24. Contingent assets/liabilities

Government Grant

The Association receives capital grant from Homes England (formerly 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 Association is required to recycle this grant by crediting the Recycled Capital Grant Fund, which if not reassigned, could be subject to repayment (see note 17 for further details).

Subsistence relating to two properties

As part of the detailed impairment review of the Association's stock, it was identified that a property at Masons Close and a property at Sundial Close have may have issues with 'heave' which have arisen due to the nature of the terrain on which they have been built.

The Association has engaged structural engineers to carry out a full survey of the movement observed in the properties which will take place over time to ascertain what remedial action will be required.

Until this evaluation is complete, the extent of any potential impairment as a result of either remedial works should they prove necessary or through lost income should we need to take the properties out of rent, cannot be determined.

The situation is being kept under review and once the necessary information is available any associated financial impact will be reflected in the financial statements.

Fraud

The Association has been informed of an allegation that a tenant has been subject to someone illegally obtaining their funds. The Association is liaising closely with the Police, as a criminal investigation takes place and is also working with and alongside the Local Authority to ensure all tenants are safeguarded.

The investigation is still ongoing and the extent of any probable liabilities the Association may face cannot yet be reliably estimated. However, an amount of £95k has been accrued to cover known costs incurred to date associated with this matter.

The Association had no other contingent assets or contingent liabilities at 30 September 2018 (2017: £nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

25. Leasing commitments

Operating lease payments amounting to £609,594 (2017: £582,173) are due within one year. The leases to which these amounts relate expire as follows:

	2018 £	2017 £
Office equipment		
Expiring in one year or less	1,920	1,450
Between 1-2 years	754	1,923
Between 2-3 years	-	1,246
Between 3-4 years	-	179
Over 4 years	-	-
	2,674	4,798
Land and buildings		
Expiring in one year or less	-	-
Between one and five years	387,074	358,418
Over five years	222,520	220,382
Total	609,594	583,598

26. Related parties

There are currently no beneficiary members of the directors (2017: nil).

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:

	2018 £	2017 £
Floating rate	4,346,967	5,406,769
Fixed rate	3,500,000	4,101,979
Total (note 19)	7,846,967	9,508,748

The fixed rate financial liabilities have a weighted average interest rate of 6.67% (2017: 4.79%) and the weighted average period for which it is fixed is 1 year to 22 years (2017: 1 year to 23 years).

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

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:

	2018	2017
	£	£
Expiring in less than one year	-	-
Expiring in 1-2 years	-	-
Greater than 5 years	7,880,000	6,231,000
	7,880,000	6,231,000

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 30 September was:

	2018	2017
	£	£
Floating rate on cash deposits	1,753,375	2,133,441
Financial assets on which no interest is earned	880,270	1,572,139
Total	2,633,645	3,705,580

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.

	2018	2017
	No.	No.
At 1 October	38	41
Joining during the year	2	1
Leaving during the year	(2)	(4)
At 30 September	38	38

29. Capital commitments

At the year end the Association had capital commitments of £Nil (2017: £Nil).

30. Post Balance sheet event

In December 2018 the Association sold Southern Court, an office building in Reading which a review of property assets and locations had identified as being surplus to requirements.

The building sale was carried out at a satisfactory surplus and provided a substantial boost to cash-flow. The disposal will be accounted for in the 2018/19 accounts.