ABILITY HOUSING ASSOCIATION

Report and Financial Statements

For the year ended 30th September 2020

Registered Company No 01261380

Company registration number	01261380
Regulator for Social Housing registration number:	LH2174
Charity number:	271547
Registered office and principal address:	The Coach House Gresham Road Staines Middlesex TW18 2AE
Board:	Jane Harrison (Chair) Nicola Philp Sally Reay Gina Small Dominic Wallace James Macintyre (resigned 23rd December 2019) Maureen Osborne (resigned 1st January 2021) Jai Dosanjh (appointed 11th March 2020)
Chief Executive	Jeffrey Skipp
Director of Resources & Deputy Chief Executive	Peter Gardiner
Company Secretary	Peter Gardiner
Director of Assets & Housing	Jackie Davis (up to 3rd August 2020)
Director of Operations (Housing)	Lucy Sivasundram (joined 8th September 2020)
Director of Care & Support	Rita Asamoah (up to 6th December 2019)
Bankers:	Barclays 1 Churchill Place London E14 5HP
Solicitors:	Devonshires 30 Finsbury Circus London EC2M 7DT
Auditors:	Beever and Struthers Statutory Auditor 15 Bunhill Row London EC1Y 8LP

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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 2020.

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 of 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 £436k (2019: £32k), at the year-end reserves amounted to £17,281k (2019: £16,845k).

Employees
The Association is accredited as an Investor in People. Salary levels are set in relation to the market and meet or exceed the requirements of the National Minimum Wage.

We are committed to equality of opportunity for all employees, and we monitor our recruitment processes to ensure that a diverse workforce is recruited and nurtured.

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 to six months.

Pensions
The Association contributes to the Social Housing Pension Scheme defined contribution pension for all staff not enrolled in a defined benefit scheme or opted out. This is Ability's auto-enrolment pension scheme. A small number of staff are members of Local Government Pension Scheme, a defined benefit final salary pension scheme. A number of former staff members are enrolled in the defined benefit final salary element of the Social Housing Pension Scheme.

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. The NHF Code of Governance 2020 will be reviewed and considered by the Board in April 2021 with a view to adoption.

At last year's Annual General Meeting held on 21 March 2020, Jai Dosanjh was appointed to 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. The Operating and Financial Review and Strategic Report goes into considerable detail regarding current and future tenant participation initiatives.

Complaints
Our clear and simple complaints policy is issued to all customers. During the year we received one (2019: none) complaint that reached level 3 (Board formal resolution).

Fraud

There were no material frauds in the year.

Report of the Board (continued)

Board and Committee member attendance

	Attendance statistics percentage of members attending
BOARD ATTENDANCE	
Attended meetings / Possible meetings	75%
COMMITTEE ATTENDANCE	
Human Resources	100%
Customer Service	75%
Audit, Finance and Risk	100%
Attended meetings / Possible meetings	93%
Number of meetings	
Board	7
Audit, Finance and Risk	3
Customer Service Committee	2
Human Resources Committee	1

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 2019 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;

Report of the Board (continued)

- 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 and housing services. The Committee has received reports from the internal auditor and has reported its findings to the Board. The Board receives regular reviews from the Chief Executive of the effectiveness of the system of internal control for the Association and in turn conducts its own reviews through the year of the effectiveness of the system of internal control.

A fraud register is maintained and is reviewed by the Finance, Audit and Risk Committee at least twice a year.

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

Statement of compliance
The Board confirms that the Strategic Report has been prepared in accordance with the principles set out in paragraph 4.7 of the 2018 SORP for Registered Social Housing Providers.

Post balance sheet events

As far as the Board is aware, there have been no material post balance sheet events.

The Report of the Board was approved by the Board on 10 March 2021 and signed on its behalf by:

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

Operating and Financial Review and Strategic Report

Overview of the Financial Year

During 2020, the pandemic significantly impacted on Ability Housing Association, including the people we serve, our colleagues and partners. Since the beginning of the calendar year our focus has been to operate in a way which is safe for our residents and customers, but at the same time minimises loneliness and isolation, promotes physical and mental wellbeing and provides additional support for people instructed to shield in areas such as shopping and collecting prescriptions during periods of lockdown and other ongoing social restrictions.

To do this while maintaining our operational and financial viability, we implemented the following measures:

At the end of February 2020, we revised working arrangements for all our staff, and directed anyone in a non-customer facing role to work from home. Our significant investment in ICT hardware and software over the previous two years meant that within a week, we were able to move from a predominantly office-based environment to agile working models.

Through the provision of regular communication and enhanced support to all staff on a corporate, divisional, team and individual basis, we have continued to deliver all our core operational and central services throughout the pandemic. We have also promoted virtual events for colleagues, to minimise isolation, including coffee mornings and other social activities. We have looked to minimise the mental health impact of prolonged remote working through such personal interaction and the promotion of wellbeing events and support.

Within our front-line housing and Care & Support services we identified those residents and customers who were at high risk should they contract Covid-19; and those more vulnerable to the negative impacts of lockdown and prolonged restrictions in relation to their social interactions. We discussed with individuals the support that would be useful to them, ranging from social, emotional and practical help. Those housing residents not in receipt of care and support services were offered a weekly virtual call or telephone call to check in on their wellbeing, and offer practical support required, including help to resolve any housing or other challenges they were experiencing. This support was well received by residents, with particularly high take up rates during the period of full lockdown.

We have continued with estate inspections throughout the pandemic, ensuring fire risk assessments and other vital health and safety checks have continued to take place. This was a particularly high priority because most of our tenants were at home for the duration of lockdown. Whilst we have stopped inviting residents to accompany housing and support officers (HSOs) undertaking estate inspections, feedback from residents is that seeing and knowing these are taking place, and having regular physical visits, has provided a feeling of security and comfort. We have also continued to let properties during the pandemic - although re-let times have increased, partly due to an elongated assessment and nomination process and the additional Covid-19 secure property viewing protocols.

We implemented an emergency and essential repairs and maintenance service only for the duration of the lockdown. This was to minimise the risk of transmission, protecting and reducing the risk to our residents and contractors. Essential repairs were defined by Ability as those repairs which were not considered emergency on the basis of the property itself, but rather due to the nature of the individual's impairment; such repairs were deemed to be essential for them to maintain their independence.

To manage this process, we implemented a "triage" system, working with the resident to understand the need for the repair, agreeing the essential nature of the works and understanding the timescales and the safety protocols involved, to ensure the safety of the resident and contractor. We implemented the same safety protocols for all emergency repairs and landlord health and safety inspections. This meant residents could feel safe, significantly reduced the numbers of no access visits and has ensured we met our compliance targets.

Within our Care & Support services, our primary objective has been to maintain the safety of our residents and staff teams in relation to infection control, while ensuring we can maintain safe staffing levels in every service, especially during periods of higher staff absence when higher numbers of colleagues have been self-isolating. Our starting point has been to minimise risk through rigorous infection control processes (ICP) which included every member of staff across the organisation undertaking ICP training virtually, reviewing and updating the infection control policy and procedure and ensuring rigorous compliance with all relevant government guidance.

Operating and Financial Review and Strategic Report (continued)

At the outset of the pandemic, like most social care providers, we were unable to procure the necessary Personal Protective Equipment (PPE) via government supply chains. We seconded staff to an internal PPE team, which worked to ensure all services had adequate PPE and over time ensured each of our services had 13 weeks' supply based on requirements if residents were displaying Covid-19 symptoms. We also now maintain a significant central supply of PPE to mitigate against any future risk.

Regarding safe staffing levels in our services, we worked with each resident and customer to carry out risk assessments to ascertain what support was required to maintain the safety and wellbeing of each person in the event of significant staff shortages. This allowed us to update business continuity plans (BCPs) considering the pandemic. It also enabled discussions and agreements with our local authority partners regarding BCPs and the operational contingencies that would be implemented in the event of a significant number of staff being absent from the service. We undertook a similar exercise with individuals who were Clinically Extremely Vulnerable, agreeing changes to their normal support that enabled them to shield, but also supported their mental and physical wellbeing.

We conducted a recruitment drive during the pandemic that sought to increase the staffing complement in each service of more than 100 per cent participating in the Department of Health and Social Care recruitment drive – Care for Others, Make a Difference. This has positively impacted on our staffing complement overall, attracting people new to social care to apply for roles, and supported Ability HA to achieve high staff-to-resident ratios during the pandemic. We have also put in place formal arrangements with agencies for staff to be provided when necessary, with stipulations that these staff are only to be deployed in specified Ability services, to limit opportunities for cross infection of the virus between services from agency workers also employed by other care providers.

The impact of the lockdown and continued social restrictions has been challenging for many of our residents, who, as with the rest of society, have struggled in different ways. For some of our residents, the fear of contracting Covid-19 has led to a reluctance to leave their home to socialise, exercise or undertake even the most essential outings such as shopping for food. For others, social isolation and the inability to see loved ones, alongside the closure of social and community facilities, has been a larger problem, and for some has made complying with the government's Covid-19 guidance difficult to adhere to, and impacted negatively on some individuals' mental wellbeing.

Our staff teams have worked tirelessly with all the individuals we support to minimise the physical and mental health impact of the restrictions. We have provided information and education about staying safe, developed wellbeing sessions and groups, supported the creation of "bubbles" between residents, set up mutual interest groups such walking, cooking, movie nights and others, to minimise the impact of the pandemic whilst promoting safety and wellbeing for everyone. Before the pandemic we knew and valued the difference our staff made, but their response, commitment and dedication during the pandemic has been nothing less than fantastic. Without our staff's willingness to work selflessly and put the needs of others before themselves, Ability would have been unable to maintain safe services during this crisis.

The year was extremely challenging across the housing and social care sector and for Ability HA it has been no different. It has been a period of significant stress and anxiety and we have had residents and staff who have lost their lives to Covid-19. Social freedoms we have taken for granted have been necessarily curtailed, which have affected all our residents and colleagues to a greater or lesser extent; and it has affected and delayed the implementation of our strategy and plans for the year.

However, Ability HA have learnt many things during this awful period that we can build on and which will make us better and stronger in the future. We have learnt that we truly are a value-based organisation, who puts the people we serve at the centre of everything we do. We are now more agile in the way we work, meeting the needs of the business, while giving colleagues flexibility. Meanwhile, we have markedly improved our engagement with residents and responded in a timely fashion to their needs and requirements. Communication within the organisation has improved through greater contact and a focus on what really matters, while virtual meetings have made the inclusion of key people straightforward and less constrained by geography and availability. Our challenge is to harness this learning and use it to inform our future strategies and plans.

Operating and Financial Review and Strategic Report (continued)

Care & Support

Ability Care & Support delivers services in seven local authority areas in England, supporting our customers to live independently in the community. Our services include step-down mental health, supported living, community support in peoples own homes, and residential care. We primarily support people with learning disabilities and mental health issues.

We implemented a new management structure within Care & Support during the year. This development will help us manage the number of services provided by Ability HA, which has increased over recent years. To deliver our current strategy of working with people whose needs are more complex, increasing our business development function and speed of growth, while assuring high quality of service delivery, we needed to review the existing structure in the context of our plans for the future. Accordingly, we have implemented a structure which brings greater management expertise in our core areas of mental health and learning disabilities with the recruitment of two Area Managers, responsible for the day-to-day operational management of two operating areas – London and South East and South. Alongside the Area Manager posts we have recruited a Service Development Manager, responsible for business development and our quality management system.

The restructure was completed in March 2020 and, while the timing of bedding in a new structure was not ideal during the pandemic and national lockdown, the outcomes during the first six months have been very positive. During the year we have reviewed several key policy and procedures, and rolled out training in these to managers and staff. We have re-launched enhanced quarterly quality monitoring audits for each service to assure the quality delivered, share best practice and identify areas for improvement. In addition, with one Area Manager being a specialist in mental health and the other in learning disability, we have been able to develop practitioner forums outside of the formal line management structure. This has provided an opportunity for service managers to share best practice, give peer support and move forward planning and implementation of service developments, to improve the service provided to residents and customers.

Our strategy is to provide services for people with greater complexity of needs. We have re-shaped two services, one in Hampshire and the other in Surrey, to do this. The service in Hampshire will support people with learning disabilities, having previously had no on-site staff support. In partnership with the local authority, we have designated the service for people who either live in residential care but require additional assistance to transition to supported living, or those who have struggled to sustain their tenancies within existing supported housing and require additional support to keep living independently. The service now provides on-site support 24/7, working with individuals to maximise their independence and reduce the levels of support required over time.

The service in Surrey previously provided low levels of support to people with mental health needs, looking to move them into general needs accommodation within a period of two years. The local authority approached Ability, having identified a shortage of supported living for people with mental health issues who were leaving hospital and required higher levels of support. Working in partnership, we are in the process of transitioning this service, while supporting the previous tenants to move into more appropriate housing. We are developing the new service in a phased way, with the intention that it will be fully allocated by April 2021. This is to ensure the service can successfully manage the transition of people from hospital in a sustainable and personalised way - rather than allocating individuals in a shorter timescale with the risk placements of failing due to insufficient planning and support.

Having successfully retained the Hillingdon mental health service in a competitive tender, we have delivered supported housing and floating support within the London Borough of Hillingdon. As a part of this, we have implemented new initiatives such as telephone support and out-of-hours service for people in Hillingdon requiring support.

Due to the Covid-19 pandemic there have been only a limited number of competitive tenders issued for learning disability or mental health services within Ability HA’s core areas. However, we have applied to several local authorities via their Dynamic Purchasing Service to become an accredited provider. We will be seeking to increase our reach and impact in areas in which we currently operate, identifying areas where our Care & Support service does not operate, but where we have a housing presence. In these areas we will consider tendering for contracts for viable new business opportunities, where growth could be managed well within our existing structures.

Operating and Financial Review and Strategic Report (continued)

Ensuring fees for our services maintain full cost recovery levels remains a challenge. With a 6.2% increase in the National Living Wage effective from April 2020, and staff costs representing around 70% of our direct care and support expenditure, this is a significant cost for Ability to bear, without a commensurate increase to our income. The annual fee increases offered by local authorities have ranged from between 2.5–4.3%. No provider can absorb such large increases in expenditure, without a corresponding increase to the price they are able to charge. Should future fee increases from local authorities not match actual increases to expenditure, and in particular staff costs, then the future viability of our social care services would be at risk.

Housing, Property and Asset Management

Ability Housing owns and manages 693 properties (plus some office accommodation) across 31 local authority areas in London and the South East, from Hastings to Bournemouth and Essex to Oxfordshire. We provide accessible housing for people who want to live more independently and focus our service improvement plans on achieving this.

We said last year that we would focus on developing our intensive housing management service on delivering high-quality services to tenants, giving particular emphasis to tenancy sustainment, and minimising the need for any formal action. During the year we have identified those residents requiring additional support with managing their tenancy and are at a higher risk of formal action as a result. Housing Support Officers (HSOs) have regularly met and liaised with these residents, agreeing action plans and supporting tenants in a number of ways, whether related to assistance with budgeting, community participation, or getting along with their neighbours, alongside working with local authorities and other voluntary organisations to ensure the necessary support is available. We reduced the need for formal actions overall throughout the year and only one set of formal proceedings were instigated.

Within our planned maintenance programme, we replaced all the windows and doors of the 10 bungalows and six houses at Balfour Close, Hampshire. Residents were involved in the selection of the windows and doors and were consulted and kept informed throughout the replacement programme by our property team; residents reported high levels of satisfaction with the completed works. We also undertook significant planned works at Yew Tree Lodge, a supported housing scheme in London. All communal areas, hallways and doors were redecorated, a significant number of windows were replaced, and new flooring laid. We also installed three new boilers in residents’ flats at Yew Tree Lodge during the year.

We have continued to improve the model of service delivery for our property management and repairs service. We have procured additional contractors, including electrical contractors, for our out-of-hours service. This will further improve coverage and deliver an improved out-of-hours service, meeting our KPIs and customer service commitments. We also brought forward our Fire Risk Assessment (FRA) inspections, which had been scheduled to be carried out in following financial year. This was because residents were spending greater amounts of time at home, with the added concern that FRA surveyors would be in high demand once restrictions eased. These inspections and completion of the identified remedial works have provided Ability and our residents with assurance about the fire safety of our properties.

Last year, we reported that we would work with residents to increase the reach and impact of our Customer Engagement Committee, recruiting at least one member to the committee from each of our six housing areas and co-producing revised terms of reference based on the priorities and interests of the committee. We have recruited these committee members but have had to temporarily pause meetings due to the Covid-19 pandemic and are in the process of exploring virtual options that would enable meetings to take place and be accessible to all.

During the year, we have implemented further opportunities for residents to engage with Ability, including HSOs inviting residents to participate in estate inspections, and the piloting of local tenant forums to discuss issues at the local and organisational level, with the aim of improving the service provided.

We have contacted residents frequently during the pandemic, having conversations which, whilst primarily focusing on wellbeing, have expanded to include discussion of housing management and repairs. This has improved communication with residents and allowed Ability HA to identify and resolve issues at an early stage.

Operating and Financial Review and Strategic Report (continued)

We have continued with the roll out the Pyramid housing management system, which has allowed better management of data and information. We are planning to implement the property and repairs and complaints modules during the year. This will provide access to more accurate and timely management information, improve workflows and lead to further service improvements.

Customer Satisfaction Survey Outcome

We undertook a STAR customer satisfaction survey using towards the end of our 2019/20 financial year. We sent surveys to 749 tenants of which 250 responded, giving a response rate of 33.38%. We also undertook a customer satisfaction survey with our care and support customer's. We sent out 377 surveys, of which 112 responded, giving a response rate of 29.7%.

Housing Survey results

Our residents via the survey have informed Ability that our housing services are not where they should be and that we need to improve in many areas. The headline figures from the Housing survey are as follows:

73.3% are satisfied with the overall service they receive from Ability

75.5% are satisfied with the quality of their home

79.4% are satisfied with their neighbourhood

70.4% are satisfied their rent provides Value for Money

61.4% are satisfied their service charge provides value for Money

55.3% are satisfied with the repairs service they receive.

56.1% are satisfied we listen to their concerns

We were aware that there were issues with the way that Ability HA has delivered its repair services in recent years and a significant amount of change that has taken place. We have moved from a single contractor providing repairs to all our stock over a dispersed geography, to a model of area-based contractors delivering services locally, overseen and managed by an enhanced property services team within Ability. We were aware prior to the survey that had been issues in the transition to the new delivery model. Clearly, we need to review our current workflows, communication and contractor management to ensure the repairs service delivered to residents improves in the immediate future.

Another key issue for Ability is the number of tenants who are satisfied that we listen and act on their concerns. We re-structured our Housing Management service six months prior to the survey, increasing resource and ensuring tenants were in receipt of intensive housing management service with a staff to resident ratio of no greater than 1:120, we expect the satisfaction of residents to improve as this enhanced service fully beds in and the benefits of this investment become apparent. We are aware that a particular issue for our residents relating to be listened to is our repairs line. We need to review how we deliver this service, ensuring that customers are communicated with well and updated if there are changes to repair timescales.

Ability will be implementing a new customer strategy over the next financial year and a key indicator of its success will be to resolve some of the current issues highlighted by residents and to improve the overall level of resident satisfaction with the service they receive.

Care and Support Survey Results

Overall, we are pleased with the outcome of our care and support customer survey, the results of which are as follows:

92% are happy with the support they receive from Ability

82% would recommend Ability to others

87% responded that Ability services made them feel safe

87% felt staff treated them with respect

84% felt supported to be more independent

Whilst satisfied with the outcome and pleased that 92% of customers are happy with the support they receive. over the coming year we will be looking at how we can improve on the number of residents who feel safe and equally increasing the number of customers who feel staff treat them with respect. We are aware that a number of the people who reported feeling less safe, predominantly do not live in our

Operating and Financial Review and Strategic Report (continued)

supported living services, but receive a community based service from Ability. It is important we understand what measures we can take to improve the security and safety people experience. Equally, we will be seeking to improve the number of residents who feel they are treated with respect by staff through understanding via engagement with customers areas where we can improve and looking at increased staff training in this area.

Impairment and asset review

As mentioned in prior years financial statements, a potential impairment regarding one unit at Masons Close and one unit at Sundial was identified as a contingent liability, but at the time the potential cost of this was still to be established. The impairment was quantified last year at £250k, which represented an impairment charge against the assets of £176k, and a provision for additional costs associated with the anticipated works of £74k. A review of the assets this year has identified no further material impairment.

Risk

We consider and review the main risks that may prevent the Association achieving its objectives every three months. The risks are recorded and assessed in terms of impact and actions to mitigate and manage these risks. Significant risks are reported to the Board quarterly together with key controls and actions taken to mitigate risk.

Plans for the Future

Having embedded our housing management structure, we will be developing a customer strategy focused on our housing services. The strategy will be co-produced with residents, defining Ability HA's resident offer; we will regularly report on this to the customer engagement committee and to all our residents. Within the strategy we will identify performance in relation to:

- Housing Management, including areas such as estate management, neighbourhood, managing anti-social behaviour, intensive housing management support and tenancy sustainment;
- Repairs and Maintenance, including areas such as day-to-day repairs, planned, cyclical and landlord health and safety;
- Customer engagement and how we engage at an individual, estate and community, and organisational level, while involving residents in our strategy development and planning;
- Customer communication, and in particular the role and function of our repairs call centre and the opportunity to widen its role to become a customer services function, improving communication and providing a single contact point for tenants;
- Digitalisation and the opportunities to improve communication with our residents and offer a wider range of information and advice through greater use of technology.

The strategy will be developed within the next twelve months and timescales for implementation will be phased, with priorities and timescales agreed with the Customer Engagement Committee.

Our Care and 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. We will continue with our focus on recruitment and attracting people who may not previously have considered a career in care and support. To deliver great services we require great staff and, most importantly, people with the right attitudes and behaviours.

We can train new recruits in Care & Support and consider how Ability delivers value-based services. By recruiting from a wider base, we will improve our permanent staffing ratios, reduce the use of agency and bank staff and therefore increase the consistency and quality of support we deliver. We will also focus on ensuring our services are financially viable and that we receive full cost recovery (FCR) for the services we provide. Without achieving FCR, we not only place at risk the viability of those services inadequately funded, but all care and support services delivered by Ability HA. With this in mind, if in the coming 12 months we are not able to agree a fair fee level for individual services, we will have no option but to consider handing these contracts back to the local authority.

Operating and Financial Review and Strategic Report (continued)

As an organisation, we plan to continue to invest in both ICT hardware and software over the coming year, rolling out additional modules for the new Pyramid system to enhance the details of the properties and tenancies that we sustain, monitoring and managing complaints as well as implementing a repairs and maintenance module. This ensures that we have a robust platform, with transparent and real-time management information supporting management oversight, enabling timely decision-making. Once fully implemented and embedded, we believe our investment in ICT will allow Ability to redefine several of its workflows, leading to greater efficiencies and cost savings moving forward.

We have also been planning for further waves of the Covid-19 pandemic. Whilst infection rates have decreased significantly during the summer, autumn and winter saw an increase in the transmission rates across England. Our plans, depending on the increase in the reproduction (‘r’) rate, involve either full or partial implementation of previous protocols, including lockdown measures. We will continue to maintain sufficient supplies of PPE within each of our operational services, as well as our central supply to mitigate against any future supply issues, or if one of more of our services were to develop significant transmission rates.

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 (now closed to new members), the others money purchase. The Association has contributed to the schemes in accordance with levels, set by the actuaries, of between 3% and 35.1%. 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 £7.33m of which £0.37m falls due to be paid within the next year as shown below.

	2020	**2019**
	£’000	**£’000**
Within one year or on demand	369	357
One year or more but less than two years	369	357
Two years or more but less than five years	1,107	1,070
Five years or more	5,490	5,878
	7,335	7,662

The Association borrows, principally from banks, at both fixed and floating rates of interest. At the year-end, 48% of the Association’s borrowings were at fixed rates (2019: 46%).

The rates of interest range from 1.172% 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 on one borrowing stream are small, but on another represent a significant additional cost. However, at present the breakage costs significantly exceed the likely benefits. The situation is reviewed regularly with lenders and with the Board. The Association borrows and lends only in Sterling and so is not exposed to currency risk.

Cash flows
Cash inflows and outflows during the year are shown in the statement of cash flow (page 29). The cash inflow from operating activities increased this year to £1,948k (2019: £1,525k), largely driven by improved operating cash flows. Overall cash balances increased to £5,179k (2019 £4,182k) reflecting

Operating and Financial Review and Strategic Report (continued)

cash used in treasury management offset by slower than anticipated outflows, in particular the demand from the GLA for repayable RCGF.

Future developments
Development plans remain on hold pending resolution of uncertainty over future care and support revenue streams, greater stability and less uncertainty in the property market, and funding availability. At the year end the Association had undrawn facilities of £6.5 million (2019: £6.5 million).

Statement of compliance
In preparing this Operating and Financial Review, the Board has followed the principles set out in the Housing SORP 2018: 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.

Value for Money

The Association has a Value for Money strategy which seeks to ensure that we make best use of the various forms of capital that we have at our disposal (people, property and reputation and financial resources).

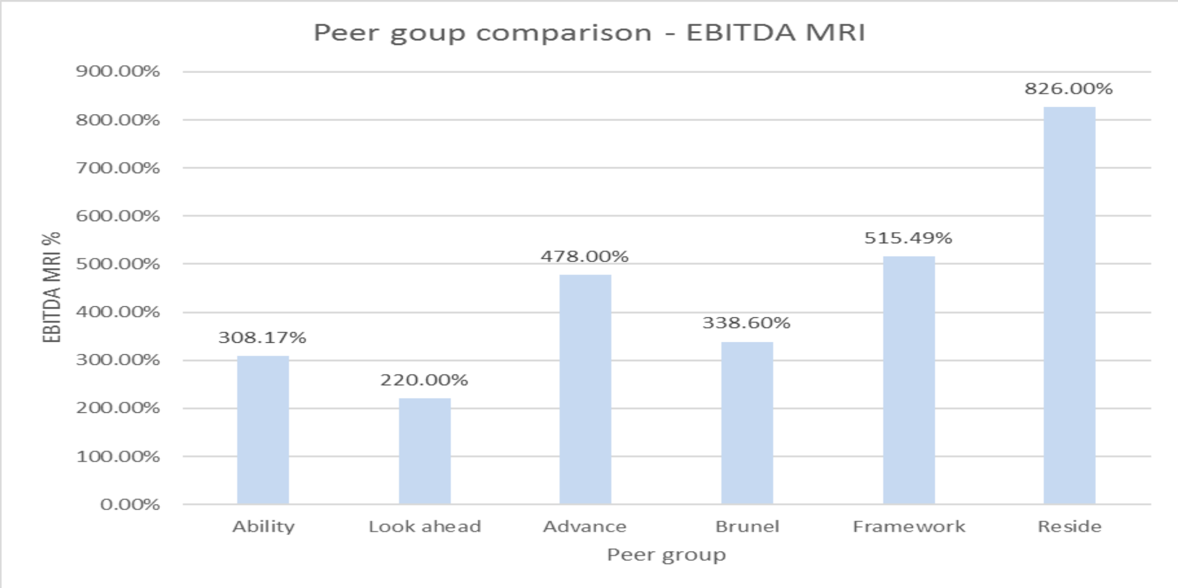
The specialist nature of the services delivered by Ability mean that benchmarking our VFM metrics against the majority of social housing providers fails to reflect a true comparison of performance. One impact of the Covid 19 crisis is that the 'Global Accounts for Social Housing 2020' will not be available until late March 2021. Therefore, in order to provide a peer group analysis we have used the VFM metrics calculated in accordance with the Regulator of Social Housing 'Value for Money Metrics Technical Guidance Note June 2020' extracted from the published accounts of five social housing providers operating in the same 'market' and of a similar nature to Ability.

Ability Housing Association
2019-20 VFM table

	Ability	Look ahead	Advance	Brunel	Framework	Reside
Metric	Units £'000 2019-20	Units £'000 2019-20	Units £'000 2019-20	Units £'000 2019-20	Units £'000 2019-20	Units £'000 2019-20
1 Reinvestment	0.24%	1.50%	4.20%	11.20%	2.35%	15.65%
2a New Supply Delivered Social Housing Stock	-	0.0%	2.1%	0.0%	0.0%	0.0%
2b New Supply Delivered Non-Social Housing Stock	-	0.0%	0.0%	0.0%	0.0%	0.0%
3 Gearing	6.68%	8.20%	1.40%	19.60%	-0.78%	8.50%
4 Earnings before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA-MRI) Interest Cover	308.17%	220.00%	478.00%	338.60%	515.49%	826.00%
5 Headline Social Housing cost per Unit	5,641	22,900	12,486	6,336	22,700	10,008
6a Operating Margin on Social Housing Lettings	8.73%	6.90%	10.10%	14.00%	4.21%	5.12%
6b Operating Margin overall	6.93%	2.30%	4.10%	6.10%	2.67%	5.11%
7 Return on Capital Employed	1.31%	0.90%	1.80%	3.30%	1.76%	4.75%

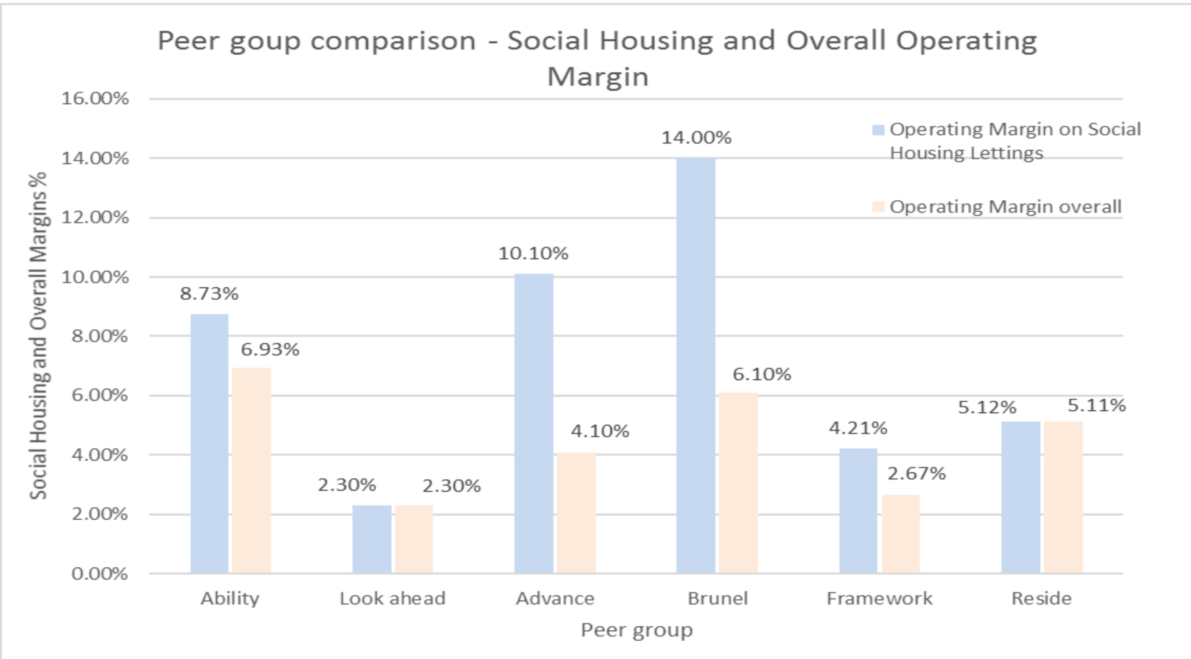
Ability Metrics calculated per the RSH 'Value for Money Metrics Technical Guidance Note June 2020' . Peer group metrics extracted from published 2019-20 financial statements

Operating and Financial Review and Strategic Report (continued)



- Taking a representative sample of similar housing and care providers, the analysis of the metric Earnings before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA-MRI) Interest Cover shows that for this group, where the mean value at 448% is distorted by the performance of 'Reside', Ability placed in the lower half of the group, but is still achieving a significantly better performance than the tightest covenant on its portfolio of borrowings.

- This slightly stronger than anticipated performance reflects the depressed investment in major repairs and component replacement driven largely by the impact of the Covid 19 crisis in the second half of the financial year. At this time, in order to respect the 'lockdown' and due to the understandable nervousness amongst customers at admitting tradespeople to their homes, the programme of component replacements set in the 2019-20 budget declined sharply, with the maintenance team focus being on providing critical repairs and any health and safety related maintenance in order to minimise the need to enter customers' homes.



Operating and Financial Review and Strategic Report (continued)

- Operating margin at 8.7% is slightly above the peer group average of 8.2% for Social Housing activity, and reflects the reduced expenditure in responsive and planned maintenance noted above in response to the Covid 19 crisis, along with the impact last year of the impairment required on two Ability schemes. If the impairment effect is removed, Ability has still improved operating margin by 2.45% largely as a result of the Covid driven maintenance spend reduction.
- These two factors have also reflected in the reduced 'Headline Social Housing' cost per unit at £5,641, a figure significantly below the peer group average of £13,345, and a performance that Ability will seek to maintain through more efficient procurement and management of void repairs management and, with the Landlord Health and Safety works now running in the 'normal' cycle, a reduced compliance and consequent repairs spend.
- The Ability approach to provide intensive tenancy sustainment support through the Housing Support Officers, with significant investment and focus on supporting our customers to manage and retain their tenancy, represents a better outcome for the customer, and a value for money saving for Ability when compared to the cost of tenancy change. This investment supports the target of reducing arrears and bad debt by 0.5% per annum, and enabling our customers to benefit from a stable home environment in the longer term.

Value for money metrics – Ability four year trend

Ability Housing Association
2019-20 VFM table

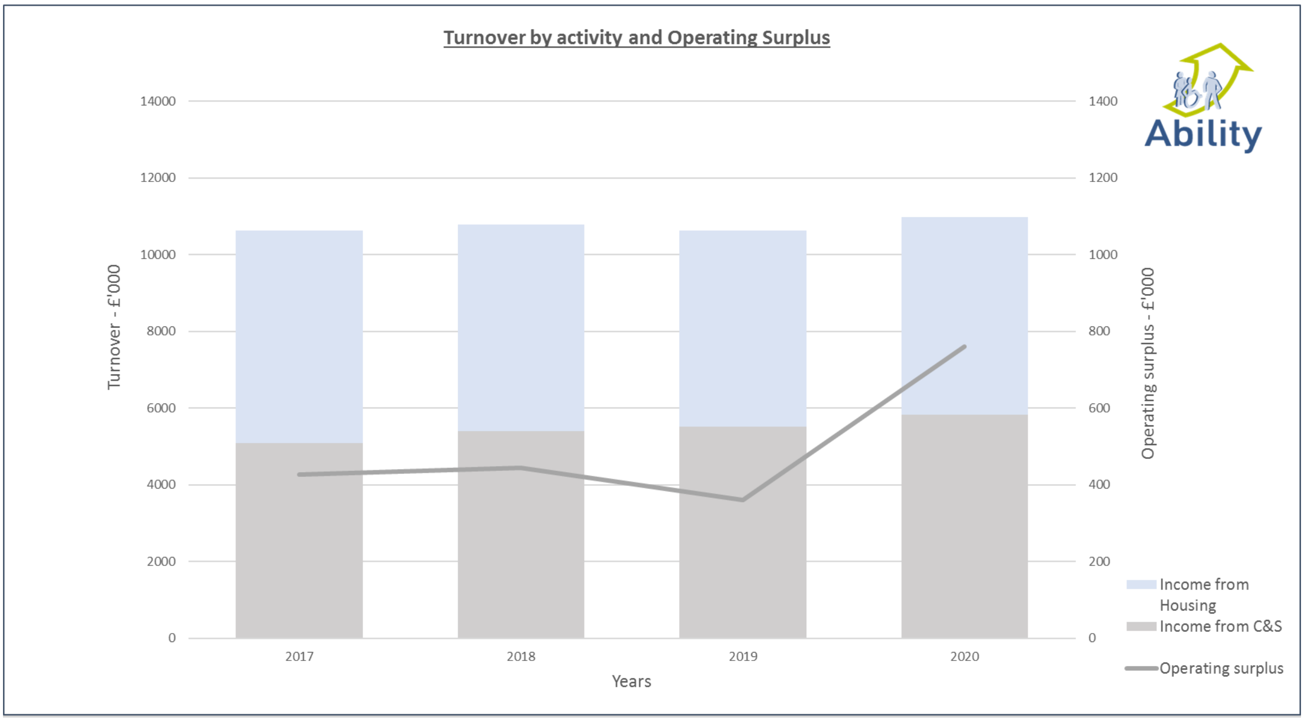
Metric	Units	£'000	Units	£'000	Units	£'000	Units	£'000
	2019-20		2018-19		2017-18		2016-17	
1 Reinvestment		0.24%		0.05%		0.24%		0.01%
2a New Supply Delivered Social Housing Stock	-		-		-		-	
2b New Supply Delivered Non-Social Housing Stock	-		-		-		-	
3 Gearing		6.68%		9.12%		10.45%		11.29%
4 Earnings before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA-MRI) Interest Cover		308.17%		258.09%		256.04%		174.70%
5 Headline Social Housing cost per Unit		5,641		5,795		7,201		5,862
6a Operating Margin on Social Housing Lettings		8.73%		1.78%		6.78%		13.63%
6b Operating Margin overall		6.93%		3.40%		4.13%		4.02%
7 Return on Capital Employed		1.31%		0.78%		0.68%		0.72%

Metrics calculated per the RSH 'Value for Money Metrics Technical Guidance Note June 2020'

Four-year trading summary

- The application of the rent cutting regime implemented through the Welfare Reform and Work Act 2016 has kept housing revenue (rent plus service charges) flat or slightly reducing over the last four years, but marginally above inflation increases in Care and Support revenues have meant that overall revenue levels had remained largely static. However, with the re-application of the 'up to CPI + 1%' rent settlement from 2020, rental revenues have started to climb again, with increases applied to all April increase units during this financial year.

Operating and Financial Review and Strategic Report (continued)

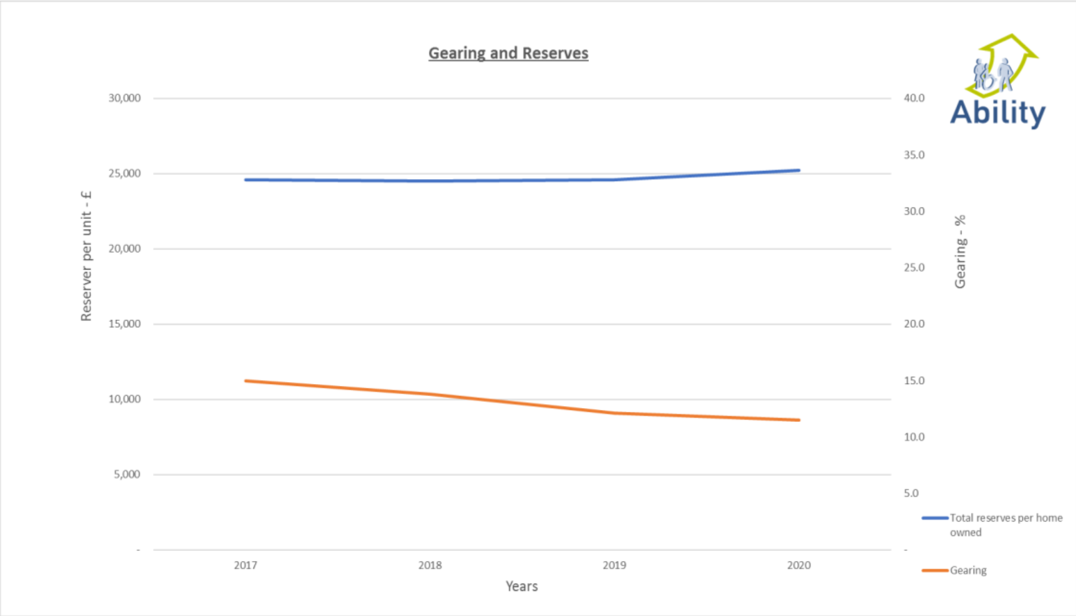


- Significant investment in landlord health and safety works in our property stock and the addressing of a slippage in the maintenance schedule has impacted significantly on the operating margins since 2017. As mentioned last year, these expenditures have now largely completed their current cycle, and operating margins have recovered their upward trajectory.
- The maintenance programme both in cyclical and responsive repairs saw a dip in activity during March to June this year due to the impact of Covid-19 and the imposition of the first lockdown. However, as we approached the end of the financial year, activity levels quickly climbed back to approaching normal as our tenants became more comfortable with the precautions taken by our maintenance staff, and with the idea of letting someone into their homes again.

Four-year financial stability summary

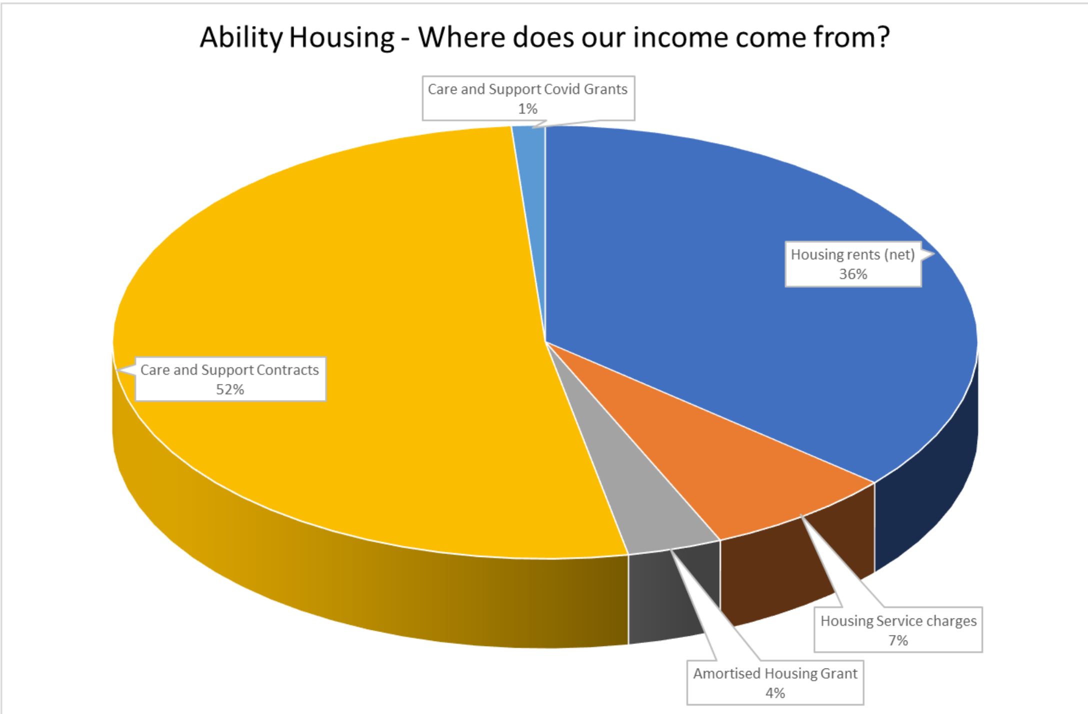
- Growth in reserves per unit reflect the reduced revenue growth and simultaneous non-capital investment in the stock condition. However, close management of indirect costs and the restructuring of both care & support and housing delivery have enabled the trajectory of reserves per unit to remain positive, albeit at a reduced rate.
- Gearing continues to fall as a function of repayment of the loans over time, the winding down of property leasing commitments and the continued strong cash generating performance of the business.

Operating and Financial Review and Strategic Report (continued)



Ability performance in 2019-20

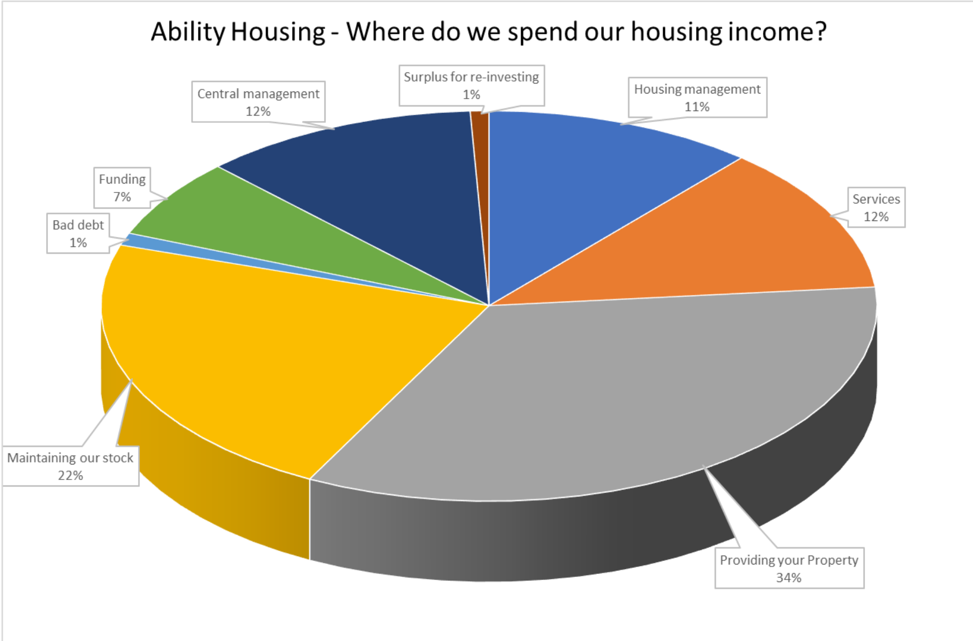
- Ability Housing Association comprises two distinct operating streams, generating £5,155 k of revenue from social housing and associated activities (2019 £5,152) and £5,834k from Care and Support activities (2019 £5,475k).



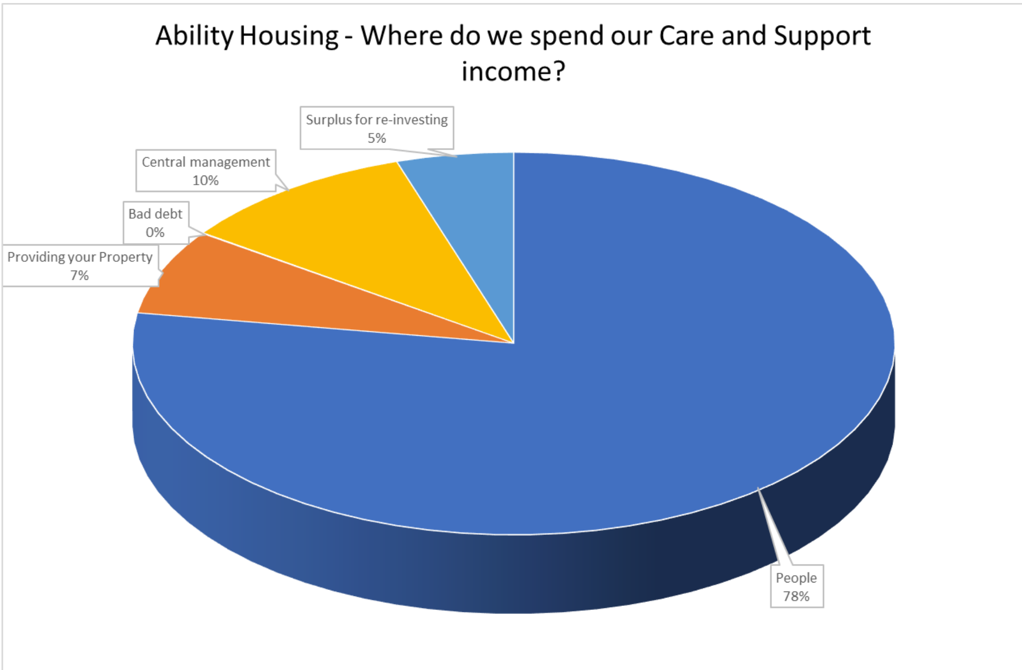
- The majority of the social housing and associated activities revenue is deployed in the cost of providing our housing stock, with 34% deployed between depreciation of the homes that we provide, and the interest payments on the loans used to deliver those homes.

Operating and Financial Review and Strategic Report (continued)

- Keeping our stock in a safe and secure condition for our residents takes another 22% of our revenue, with the cost of providing services to our residents accounting for another 12%
- The full analysis of the cost of the social housing operating stream is illustrated below.

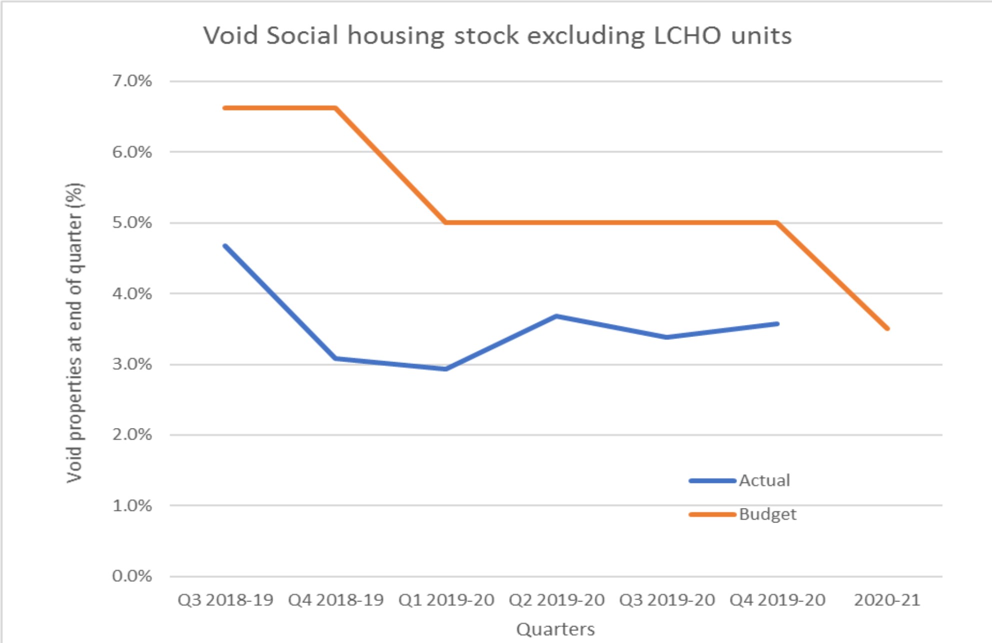


- Where the costs associated with social housing activities are predominantly related to the provision and maintenance of the housing stock, Care and Support is a primarily service based cost structure, being the delivery of Care and Support to people in their home environment.
- As such, the main cost of the Care and Support revenue stream is the people that deliver that service, and their costs make up 78% of the total deployed through that revenue stream, as illustrated below



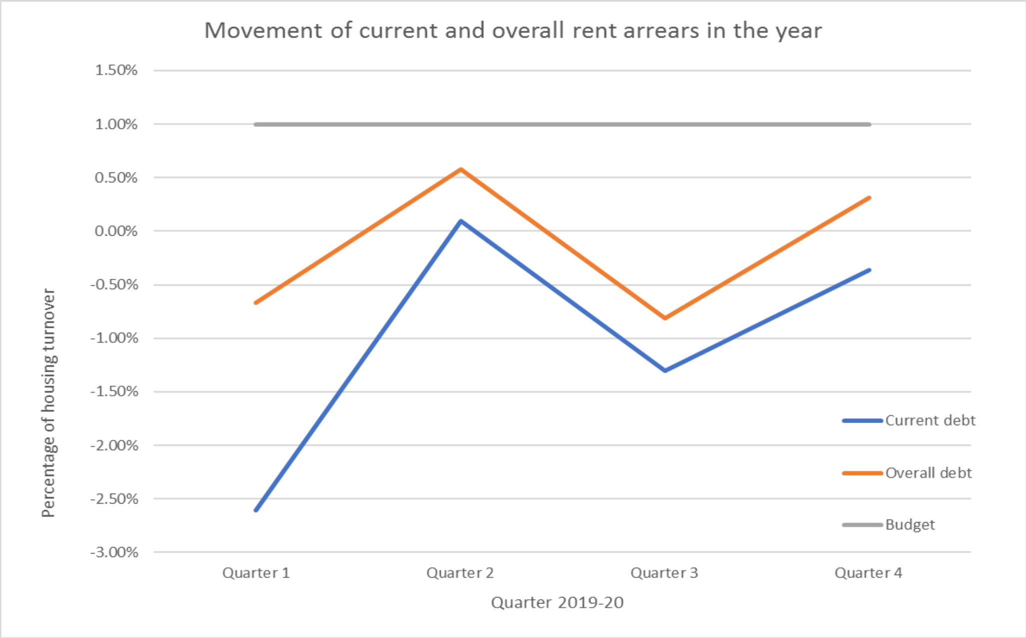
Operating and Financial Review and Strategic Report (continued)

- Voids are a critical area of property management, and as the graph below shows, Ability has performed consistently better than budget over recent quarters. However, as part of the drive to improve performance and enhance margins in the Housing revenue stream, the budget for void costs and properties has been reduced for the third year running to 3.5% for 2020-21.
- This is a challenging target given the nominations issues being caused by Covid, as the response from local authority nomination panels is delayed due to the pandemic restrictions, and the complexities of the nominations process for housing and social care.



- The number of properties void is only part of the void cost equation, with the average duration and the cost of refurbishing the void property forming the cost elements of the measurement, with the complexity of the void works required often having a heavy influence on the period the property is void.
- From 2020-21 Ability is implementing a standardised ‘Void Works Standard’ which will be applied to all properties coming void in the estate, and which is designed to facilitate more rapid turnaround times and ensure a consistent high standard of properties being offered to new tenants.

Operating and Financial Review and Strategic Report (continued)



Ability performance in 2019-20 (cont)

- A key measure in the effective management of the housing stock is the collection of rent and service charge due, which at Ability is measured as a percentage of housing turnover including service charges.
- During 2019-20 the movement on the overall amount of rent owed to Ability as a % of our housing turnover increased by 0.31% against a budget of 1%.

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 2018, 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 2019). 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 10 March 2021 by video conference.

External auditors

A proposal will be made at the AGM to re-appoint Beever and Struthers as auditors for the financial year 2020-21.

The Operating and Financial Review and Strategic Report were approved by the Board on 10 March 2021 and signed on its behalf by:

Jane Harrison
Chair

Independent Auditor's Report to the Members of Ability Housing Association

Opinion

We have audited the financial statements of Ability Housing Association (the 'association') for the year ended 30 September 2020 which comprise the statement of comprehensive income, statement of changes in reserves, statement of financial position, statement of cash flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 association's affairs as at 30 September 2020. and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing in England 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Independent Auditor's Report to the Members of Ability Housing Association (continued)

Other information

The other information comprises the information included in the annual report and strategic report, other than the financial statements and our auditor's report thereon. The board are responsible for the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Board and the 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 Strategic Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the association and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Board and the Strategic Report.

We have nothing to report in respect of the following matters in relation to which 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.

In addition, we have nothing to report in respect of the following matter where the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained.

Independent Auditor's Report to the Members of Ability Housing Association (continued)

Responsibilities of the board

As explained more fully in the board's responsibilities statement set out on page 22, the board members (who are also the directors of the association for the purposes of company law) are 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 association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intends to liquidate the association or to cease operations, or has 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.

Use of our report

This report is made solely to the association's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers

Elizabeth Hatchman
For and on behalf of
BEEVER AND STRUTHERS, Statutory Auditor
15 Bunhill Row
London
EC1Y 8LP

Date: 19 March 2021

Statement of Comprehensive Income

	Note	2020 £'000	2019 £'000
Turnover	2	10,989	10,627
Operating costs	2	(10,228)	(10,266)
Gain/(Loss) on disposal of property, plant & equipment	6	(10)	88
Operating surplus	5	751	449
Interest receivable	7	14	20
Interest payable and similar charges	8	(355)	(377)
Surplus on ordinary activities before taxation		410	92
Tax on surplus for the year		-	-
Surplus/(deficit) for the year after tax		410	92
Other Comprehensive Income			
Initial recognition of multi-employer defined benefit Scheme		-	(27)
Actuarial gains/(losses) in respect of pension scheme		26	(33)
Total comprehensive income for the year		436	32

The notes on pages 30 to 57 form part of these financial statements.

The results relate to continuing activities.

The financial statements were authorised and approved by the Directors on 10 March 2021

J M Harrison

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

STATEMENT OF CHANGES IN EQUITY (RESERVES)

	Income and Expenditure Reserve
	£'000
Balance at 1 October 2018	16,813
Surplus/(Deficit) for the year	92
Initial recognition of multi employer defined benefit scheme	(27)
Actuarial gains/(losses) in respect of pension scheme	(33)
Balance at 30th September 2019	16,845
Surplus/(Deficit) for the year	410
Actuarial gains/(losses) in respect of pension scheme	26
Balance at 30th September 2020	17,281

The notes on pages 30 to 57 form part of these financial statements.

Statement of Financial Position at 30 September 2020

	Note	2020 £'000	2019 £'000
Tangible fixed assets			
Housing properties	11	53,847	54,642
Other tangible fixed assets	12	543	456
		54,390	55,098
Current assets			
Trade and other debtors	13	857	868
Cash and cash equivalents		5,179	4,182
		6,036	5,050
Creditors: amounts falling due within one year	14	(3,172)	(2,504)
Net current assets		2,864	2,546
Total assets less current liabilities		57,254	57,644
Creditors: amounts falling due after more than one year	15	(39,695)	(40,424)
Pension provision	19	(278)	(375)
Total Net Assets		17,281	16,845
Capital and reserves			
Income and Expenditure reserve		17,281	16,845
Total Reserves		17,281	16,845

The notes on pages 30 to 57 form part of these financial statements

Company registration number: 01261380

The financial statements were authorised and approved by the Directors on 10 March 2021

Jane Harrison
Chair

Sally Reay
Board Member

Peter Gardiner
Secretary

Statement of Cash Flows

	Note	2020 £'000	2019 £'000
Net cash generated from operating activities	i	1,944	1,525
Cash flow from investing activities			
Interest received		14	20
Purchase and construction of housing properties		-	-
Proceeds from sale of tangible fixed assets		-	721
Purchase of other tangible fixed assets		(279)	(163)
		(265)	578
Cash flow from financing activities			
Repayment of borrowings		(327)	(178)
Interest paid		(355)	(377)
		(682)	(555)
Net change in cash and cash equivalents		997	1,548
Cash and cash equivalents at the beginning of the year		4,182	2,634
Cash and cash equivalents at end of the year		5,179	4,182

Note i

	2020 £'000	2019 £'000
Cash flow from operating activities		
Surplus/(Deficit) for the year	751	449
Adjustments for non-cash items		
Depreciation and impairment of tangible fixed assets	977	1,183
Grant amortisation	(389)	(388)
Decrease/(Increase) in trade and other debtors	11	(295)
Increase/(Decrease) in trade and other creditors	659	721
Defined benefit pension payments	22	3
Pension movements	(97)	(60)
Adjustments for investing or financing activities		
(Gain)/loss on disposal of Tangible Fixed Asset	10	(88)
Net cash generated from operating activities	1,944	1,525

The notes on pages 30 to 57 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Legal Status

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 Regulator of Social Housing in England and Wales as a Registered Provider. The principal activity of the Association is disclosed in the Report of the Board. The registered address is The Coach House, Gresham Road, Staines, Middlesex TW18 2AE

1. 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 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. The financial statements are prepared on the historical cost basis of accounting. As a public benefit entity, the Association has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102.

The financial statements are presented in Sterling (£), the functional and presentational currency of the Association. The figures are presented in £'000 (thousands).

Going concern
The Association's business activities, its current financial position and factors likely to affect its future development including the impact of Covid 19, 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.

Turnover
Turnover comprises rental and service charge 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. Service charge income is calculated on a variable charge basis.
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 Care and Support 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Interest payable

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

Financial instruments

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

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

Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.

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

Financial instruments held by the Association are classified as follows:

Cash is held at cost; and

Financial assets such as receivables are classified as loans and receivables and held at amortised cost using the effective interest method; and

Financial liabilities such as loans are held at amortised cost using the effective interest method.

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 amortised cost, 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.

Retirement benefits

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

Consistent with the guidance in FRED 71 paragraph 4 (FRS 102 paragraph 28.11B), the difference between the deficit funding liability and the net defined benefit deficit for the Social Housing Pension Scheme was recognised in Other Comprehensive Income for the year ending 30 September 2019.

The detailed pensions policy can be seen at the beginning of note 19.

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 impairment.

Government Grants

Government grants include grants receivable from Homes England, 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 Regulator of Social Housing in England and Wales. 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

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%
Company CRM/Financial system	10%

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.

Holiday pay accrual

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

Significant judgements and estimates:

Preparation of the financial statements requires management to make significant judgements and estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements. The items in the financial statements where these judgements and estimates have been made include:

NOTES TO THE FINANCIAL STATEMENTS (continued)

- **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. £5,834k (2019: £5,475k) of social care income was recognised in the year. See note 2 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 2020 was £ 11,212k (2019: £10,268k). See notes 11 and 12 for further details.

Impairment

The Association considers whether indicators of impairment exist in relation to tangible assets. Indicators considered include external sources of information such as market value, market interest rates and returns on investment, actual or proposed changes to the technological, economic or legal environment, obsolescence or damage to the asset, operational changes or internal reporting which indicates that the asset is performing worse than expected. The Association also considers expected future performance of the asset. Any impairment loss is charged to the Statement of Comprehensive Income.

Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value less costs to sell or its value in use. A cash generating unit is normally an Association of properties at scheme level whose cash income can be separately identified.

Following a trigger for impairment, the Association performs impairment tests based on a value in use calculation. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the business plan for the next 5 years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes. The Association has identified no additional cash generating units for impairment assessment purposes at a property scheme level during this financial year.

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 2020 was £278k (2019: £375k). See note 19 for further details.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	2020		
	Turnover	Operating costs	Operating surplus
	£	£	£
Social housing lettings	5,083	(4,639)	444
Other social housing activities			
Management services	46	(46)	-
Management services - lettings	26	-	26
	5,155	(4,685)	470
Non - social housing activities			
Charges for support services	5,696	(5,415)	281
HMRC CJRS grant	91	(91)	0
Covid 19 Local Authority Grants	47	(37)	10
	5,834	(5,543)	291
	10,989	(10,228)	761

	2019		
	Turnover	Operating costs	Operating surplus
	£	£	£
Social housing lettings	5,066	(4,975)	91
Other social housing activities			
Management services	45	(45)	-
Management services - lettings	41	(1)	40
	5,152	5,021	131
Non - social housing activities			
Charges for support services	5,475	(5,245)	230
	10,627	(10,266)	361

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 3. Particulars of income and expenditure from social housing lettings

	2020			2019
	General Needs Housing £	Supported Housing £	Total £	Total £
Rent receivable net of identifiable service charges	564	3,348	**3,912**	3,877
Service income	118	664	**782**	801
Amortised government grants	59	330	**389**	388
Turnover from social housing lettings	**741**	**4,342**	**5,083**	**5,066**
Management	(160)	(1,111)	**(1,271)**	(1,235)
Services	(95)	(533)	**(628)**	(688)
Routine maintenance	(87)	(486)	**(573)**	(939)
Planned maintenance and major repairs	(88)	(494)	**(582)**	(369)
Bad debt provision	(8)	(45)	**(53)**	-
Property lease charges	(93)	(523)	**(616)**	(603)
Depreciation of housing properties	(139)	(777)	**(916)**	(916)
Impairment of housing properties	0	0	**0**	(250)
Other costs	0	0	**0**	25
Operating costs on social housing lettings	**(670)**	**(3,969)**	**(4,639)**	**(4,975)**
Operating (deficit)/surplus on social housing lettings	**71**	**373**	**444**	**91**
Voids	**32**	**180**	**212**	**193**

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Accommodation in management and development

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

	2020 No	2019* No
Social housing		
General housing	42	42
Supported housing	552	552
Low cost home ownership	2	2
Residential care homes	7	7
Total owned	603	603
Accommodation managed for others	71	71
Total managed	674	674
Non-social housing		
Respite Unit	8	8
Owned but managed by others		
General needs	11	11
Total owned and managed	693	693

*Restated following data cleansing for new system

5. Operating surplus

The operating surplus is arrived at after charging:

	2020 £'000	2019 £'000
Depreciation of freehold housing properties	670	670
Depreciation of leasehold housing properties	246	246
Depreciation of other tangible fixed assets	61	91
Operating lease rentals		
- office equipment	-	4
- land and buildings	616	604
Auditors' remuneration		
- for audit services	14	11
- for other services - covenant compliance	1	1
- for other services – tax compliance	1	1

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Loss on disposal of fixed assets

	2020 £'000 Housing Properties (components)	2020 £'000 Other Property Plant and Equipment	2020 £'000 Total	2019 £'000
Proceeds of sale	-	-	-	722
Cost of sale	10	-	10	(634)
Surplus/ (Loss) on disposal	(10)	-	(10)	88

7. Interest receivable and similar income

	2020 £'000	2019 £'000
Interest receivable and similar income	14	20

8. Interest payable and similar charges

	2020 £'000	2019 £'000
Loans and bank overdrafts	350	370
Defined Benefit pension operating cost	5	7
	355	377

9. Employees

Average monthly number of employees (FTE):

	2020 No	2019 No
Administration	12	9
Housing, support and care	156	132
	168	141
Average monthly number of employees :	189	190

9. Employees (continued)

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

	2020	2019
	No.	No.
£50,001-£60,000	1	0
£60,001-£70,000	0	1
£70,001-£80,000	1	2
£80,001-£90,000	0	0
£90,001-£100,000	1	1

Employee costs:	2020	2019
	£'000	£'000
Wages and salaries	4,380	4,397
Social security costs	386	370
Other pension costs	147	125
	4,913	4,892

10. Directors, members and executive directors

	2020 £'000	2019 £'000
Aggregate emoluments of directors (including pension contributions)	248	312
Emoluments of the highest paid director (excluding pension contributions and including benefits in kind)	92	90
Total expenses reimbursed to directors not chargeable to UK income tax – Board members	0	0
– Executives	1	3

The Chief Executive is a member of the Social Housing Pension Defined Contribution Scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply. Pension contributions totalled £5k (2019: £5k) 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 (2019: £Nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. 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	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 October 2019	47,776	15,512	63,288	188	63,476
Works to existing properties	123	8	131	-	131
Schemes completed	-	-	-	-	-
Disposals	(34)	(7)	(41)	-	(41)
At 30 September 2020	47,865	15,513	63,378	188	63,566
Depreciation and impairment					
At 1 October 2019	6,442	2,392	8,834	-	8,834
Charged in year	670	246	916	-	916
Released on disposal	(29)	(2)	(31)	-	(31)
Impairment	-	-	-	-	-
At 30 September 2020	7,083	2,636	9,719	-	9,719
Net book value					
At 30 September 2020	40,782	12,877	53,659	188	53,847
At 30 September 2019	41,334	13,121	54,455	188	54,643

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Tangible fixed assets – properties (continued)

Expenditure on works to existing properties

	2020	2019
	£'000	£'000
Components capitalised	131	27
Amounts charged to statement of comprehensive income	1,155	1,308
	1,286	1,335

Social housing assistance

	2020	2019
	£'000	£'000
Total accumulated social housing grant received or receivable at 30 September:		
Recognised in the statement of comprehensive income	389	388
Held as deferred income	33,118	33,507

Housing properties book value, net of depreciation

	2020	2019
	£'000	£'000
Freehold land and buildings	40,970	41,522
Long leasehold land and buildings	12,877	13,121
	53,847	54,643

Annually housing properties (cash generating units) 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. An impairment charge has been taken in 2018/19 in respect of a property at the Sundial scheme and Masons Close of £74k and £176k respectively. A review of housing properties at the end of 2019/20 concluded that the prior year impairment remained appropriate and no further impairment provisions were needed at this time.

Amounts do not include capitalised interest; all interest charges are written off to expenditure as incurred. At the year end a total of 187 (2019: 187) properties were subject to charges securing loan funding. Of these 119 properties with a Net Book Value of £12,953k (2019:119 properties with a Net Book Value of £12,952k) secured the total Barclays facility, 58 properties with a Net Book Value of £2,097k (2019: 58 properties with a Net Book Value of £2,138k) secured the Dexia loan and 10 properties with a Net Book Value of £667k (2019: 10 properties with a Net Book Value of £681k) secured the Crown Mortgage loans (Orchardbrook/Fresh PLC).

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Tangible fixed assets - other

	Freehold offices £'000	Vehicles & office equipment £'000	Furniture, fixtures and fittings £'000	Long-Life systems and Computer Equipment £'000	Service charge recoverable assets and WIP £'000	Total £'000
Cost						
At 1 October 2019	501	1,011	369	135	50	2,066
Additions	-	-	-	108	40	148
Disposals	-	-	-	-	-	-
At 30 September 2020	501	1011	369	243	90	2,214
Depreciation						
At 1 October 2019	217	1,011	369	13	-	1,610
Charged in the year	10	-	-	38	13	61
Released on Disposal	-	-	-	-	-	-
At 30 September 2020	227	1,011	369	51	13	1,671
Net book value						
At 30 September 2020	274	-	-	192	77	543
At 30 September 2019	284	-	-	122	50	456

13. Debtors

	2020 £'000	2019 £'000
Due within one year		
Rent and service charges receivable	602	578
Less: provision for bad and doubtful debts	(342)	(303)
	260	275
Other debtors	506	223
Prepayments and accrued income	91	370
	857	868

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Debt (note 18)	369	358
Trade creditors	478	461
Rent and service charge accounts in credit	214	132
Rent and service charges received in advance	52	237
Taxation and social security	32	20
Recycled Capital Grant Fund (note 16)	357	357
Accruals and deferred income	1,174	459
Holiday pay accrual	107	93
Deferred grant income	389	388
	3,172	2,505

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

	2020	2019
	£'000	£'000
Debt (note 18)	6,966	7,305
Recycled capital grant fund (note 16)	-	-
Deferred grant income (note 17)	32,729	33,119
	39,695	40,424

16. Recycled capital grant fund

	2020	2019
	£'000	£'000
At 1 October	357	357
Grants recycled	-	-
Grant utilised	-	-
At 30 September	357	357

As the RCGF was generated three years ago and no suitable schemes have been identified to re-deploy the grant, repayment is now due. The GLA invoiced for £322k of grant in September 2020, with payment in October 2020.

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Deferred Grant Income

	2020 £'000	2019 £'000
At 1 October	33,507	33,895
Disposals	-	-
Grant Received	-	-
Released to income	(389)	(388)
At 30 September	33,118	33,507
Due in one year	389	388
Due after one year	32,729	33,119

The gross amount of grant received prior to amortisation was £39,188k (2019: 39,188k)

18. Debt analysis

Borrowings

	2020 £'000	2019 £'000
Due within one year		
Housing loans	369	357
Due after more than one year		
Housing loans	6,966	7,305
Total loans	7,335	7,662

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. 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 1.16% to 10.688%.

At 30 September the Association had undrawn loan facilities of £6.5m (2019: £6.5m).

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

	2020 £'000	2019 £'000
Within one year or on demand	369	357
One year or more but less than two years	369	357
Two years or more but less than five years	1,107	1,070
Five years or more	5,490	5,878
	7,335	7,662

19. Pension

Pension Provision

The SHPS Defined Benefit obligation is accounted for in accordance with the provisions of FRS102 as adopted by SHPS. The SHPS Growth Plan provision continues to be accounted for as 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)

19. 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.

Social Housing Pension Scheme
Ability Housing Association participates in the Social Housing Pension Scheme (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.

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

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

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

For financial years ending on or before 28 February 2019, it has not been possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the company’s fair share of the Scheme’s total assets to calculate the company’s net deficit or surplus at the accounting period start and end dates.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The scheme values provided by The Pensions Trust as at 30th September 2020 are as follows:

FAIR VALUE OF PLAN ASSETS, PRESENT VALUE OF DEFINED BENEFIT OBLIGATION, AND DEFINED BENEFIT ASSET (LIABILITY)

	30 September 2020 (£000s)	**30 September 2019 (£000s)**
Fair value of plan assets	2,081	1,987
Present value of defined benefit obligation	2,290	2,280
Surplus (deficit) in plan	(209)	(293)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(209)	(293)
Deferred tax	*	*
Net defined benefit asset (liability) to be recognised	*	*

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period from 30 September 2019 to 30 September 2020 (£000s)
Defined benefit obligation at start of period	2,280
Current service cost	-
Expenses	2
Interest expense	39
Member contributions	-
Actuarial losses (gains) due to scheme experience	73
Actuarial losses (gains) due to changes in demographic assumptions	(24)
Actuarial losses (gains) due to changes in financial assumptions	(4)
Benefits paid and expenses	(76)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	2,290

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS

	Period from 30 September 2019 to 30 September 2020 (£000s)
Fair value of plan assets at start of period	1,987
Interest income	34
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	71
Employer contributions	65
Member contributions	-
Benefits paid and expenses	(76)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	2,081

The actual return on plan assets (including any changes in share of assets) over the period from 30 September 2019 to 30 September 2020 was £105,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME (SOCI)

	Period from 30 September 2019 to 30 September 2020 (£000s)
Current service cost	-
Expenses	2
Net interest expense	5
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in Statement of Comprehensive Income (SoCI)	7

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME (OCI)

	Period from 30 September 2019 to 30 September 2020 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	71
Experience gains and losses arising on the plan liabilities - gain (loss)	(73)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	24
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	4
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	26
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in Other Comprehensive Income - gain (loss)	26

NOTES TO THE FINANCIAL STATEMENTS (continued)

ASSETS

	30 September 2020 (£000s)	30 September 2019 (£000s)
Global Equity	308	244
Absolute Return	104	125
Distressed Opportunities	52	35
Credit Relative Value	56	46
Alternative Risk Premia	77	109
Fund of Hedge Funds	-	2
Emerging Markets Debt	93	64
Risk Sharing	61	59
Insurance-Linked Securities	55	55
Property	42	40
Infrastructure	134	101
Private Debt	50	27
Opportunistic Illiquid Credit	51	34
High Yield	70	-
Opportunistic Credit	52	-
Cash	1	-
Corporate Bond Fund	107	87
Liquid Credit	29	-
Long Lease Property	33	35
Secured Income	71	58
Over 15 Year Gilts	-	-
Index Linked All Stock Gilts	-	-
Liability Driven Investment	629	815
Net Current Assets	6	51
Total assets	2,081	1,987

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

KEY ASSUMPTIONS

	30 September 2020 % per annum	30 September 2019 % per annum
Discount Rate	1.61%	1.73%
Inflation (RPI)	3.01%	3.18%
Inflation (CPI)	2.01%	2.18%
Salary Growth	3.01%	3.18%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 30 September 2020 imply the following life expectancies:

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

FOR THE PERIOD ENDING 30 September 2020
SCHEME: TPT Retirement Solutions – The Growth Plan

The company participates in the scheme, a multi-employer scheme which provides benefits to some 950 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

A full actuarial valuation for the scheme was carried out at 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. 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 2019 to 31 January 2025:	£11,243,000 per annum (payable monthly and increasing by 3% each on 1st April)

Unless a concession has been agreed with the Trustee the term to 31 January 2025 applies.

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2014. This valuation showed assets of £793.4m, liabilities of £969.9m and a deficit of £176.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2016 to 30 September 2025:	£12,945,440 per annum (payable monthly and increasing by 3% each on 1st April)
From 1 April 2016 to 30 September 2028:	£54,560 per annum (payable monthly and increasing by 3% each on 1st April)

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

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

The provision currently held is £69k (2019: £82k)

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 2020 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 £18k (2019: £18k). At 30 September 2020 the Association had 3 (2019: 3) active members in the fund. Expected payments in the next financial year amount to approximately £20k.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	Error! Reference source not found. £'000	Error! Reference source not found.9 £'000
Increase/(Decrease) in cash	997	1,548
Cash inflow/(outflow) from change in debt	327	185
Change in net debt resulting from cash flows	1,324	1,733
Movement in net debt for the period	1,324	1,733
Net debt at 1 October	(3,480)	(5,213)
Net debt at 30 September	(2,156)	(3,480)

21. Analysis of changes in net debt

	1 Oct 2019 £'000	Cashflow £'000	30 Sept 2020 £'000
Cash at bank and in hand	4,182	997	5,179
Changes in cash	4,182	997	5,179
Loans	(7,662)	327	(7,335)
Changes in debt	(7,662)	327	(7,335)
Changes in net debt	(3,480)	1,324	(2,156)

22. 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 16 for further details).

The Association had no other contingent assets or contingent liabilities at 30 September 2020 (2019: £nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. Leasing commitments

Operating lease payments amounting to £428k (2019: £423k) are due within one year. The leases to which these amounts relate expire as follows:

	2020	2019*
	£'000	£'000
Office equipment		
Expiring in one year or less	2	4
Between 1-2 years	1	-
Between 2-3 years	2	-
Between 3-4 years	1	-
Over 4 years	2	-
	8	4
Land and buildings		
Expiring in one year or less	428	423
Between one and two years	78	72
Between two and five years	216	216
Over five years	720	792
Total	1,442	1,503

*Land and buildings future lease commitments re-stated

24. Related parties

There are currently no beneficiary members of the directors (2019: nil).
There have been no related party transactions in the year (2019: none)

25. 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:

	2020	2019
	£'000	£'000
Floating rate	3,835	4,162
Fixed rate	3,500	3,500
Total (note 18)	7,335	7,662

The fixed rate financial liabilities have a weighted average interest rate of 6.69% (2019: 6.69%) and the weighted average period for which it is fixed is 1 year to 20 years (2019: 1 year to 21 years).

The floating rate financial liabilities comprise loans that bear interest at rates based on the monthly LIBOR, and are stated at amortised cost.

The debt maturity profile is shown in note 18.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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:

	2020 £'000	2019* £'000
Expiring in less than one year	6,500	-
Expiring in 1-2 years	-	6,500
Greater than 5 years	-	-
	6,500	6,500

*Restated to amend incorrect banding disclosure

Financial assets

Other than short term debtors, financial assets held are cash deposits in notice and current accounts, all of which is measured at historic cost. They are sterling denominated and the interest rate profile at 30 September was:

	2020 £	2019 £
Floating rate on cash deposits	2,450	2,450
Financial assets on which no interest is earned	2,729	1,732
Total	5,179	4,182

26. 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.

	2020 No.	2019 No.
At 1 October	39	38
Joining during the year	1	1
Leaving during the year	(7)	-
At 30 September	33	39

27. Capital commitments

At the year end the Association had capital commitments of £Nil (2019: £Nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. Financial instruments

	2020	2019
	£000	£000
Financial assets		
Measured at cost		
Cash and cash equivalents	5,179	4,182
Measured at amortised cost		
Rent and service charges receivable	602	578
Other debtors	506	223
Accrued income	28	-
Total financial assets	**6,315**	**4,983**
Financial liabilities		
Measured at amortised cost		
Loans	7,335	7,662
Trade creditors	692	593
Total financial liabilities	**8,027**	**8,255**

29. Transition to Housing SORP: 2018 Update

There has been no effect on reserves following the adoption of the Housing SORP: 2018 from the Housing SORP: 2014 for the comparative year to 30 September 2019.