WALTHAM FOREST HOUSING ASSOCIATION LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2020

REGISTERED RSH NO.L0461

WALTHAM FOREST HOUSING ASSOCIATION LIMITED

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WALTHAM FOREST HOUSING ASSOCIATION LIMITED

BOARD MEMBERSHIP AND ADVISORS

Board	Duncan Howard (Chair) Joe Mensah-Dankwah (Vice Chair to 26 Sept 2019) Marina Robertson (Vice - Chair) Emma Brett (Treasurer) Julia Andrews Nevil Osborne Ben Hutton Richard F Sanders Dale Walker
Chief Executive	Shahron Shah
Secretary	Michael Jarrett
Registered Office	Energy Centre 31 Church Hill London E17 3RU
Bankers	Lloyds Bank plc 39 Threadneedle Street, London, EC2R 8AU
Auditors	Nexia Smith & Williamson Chartered Accountants 25 Moorgate London EC2R 6AY
Regulator of Social Housing Registered Number	L0461
Co-operative and Community Benefit Society Number	21186R

WALTHAM FOREST HOUSING ASSOCIATION LIMITED
BOARD REPORT

FOR THE YEAR ENDED 31 MARCH 2020

1. Principal activity

The Association's principal activity is to provide housing and services to the community. Currently we operate within the boundary of the London Borough of Waltham Forest. We own 331 homes, 6 of which are leased to other providers as supported accommodation. Approximately half of our homes are sheltered housing flats for those aged 55 plus. We provide a small number of homes for people with learning disabilities and autism in partnership with specialist support providers Outward Housing and Outlook Care.

2. Performance

In 2019/20 the Association achieved a surplus of £71,484 (2018/19 - £203,882).
The reduction on last year is primarily due to variances in write off/surplus on disposal of fixed assets, increased spend on routine maintenance, management and service charge costs, offset by lower planned maintenance and major repairs spend and bad debt write offs.

3. Board effectiveness

During the year, Board effectiveness was reviewed, and Board member appraisals were undertaken. The results provided assurance that the Board is well placed to govern the Association and a development plan is in place.

4. Coronavirus pandemic

The health and safety of tenants and staff is paramount to the Association, and in early 2020 we invoked our Business Continuity Plan in response to the coronavirus pandemic. We were able to continue to deliver essential services, ensure the welfare needs of tenants were met and maintain 100% compliance with landlord health and safety requirements, including fire, gas and electrical safety.

5. Tenant involvement

During 2019/20 the Association's Tenant Scrutiny Panel met on four occasions. Their planned work included oversight of our STAR Tenant Survey Action Plan. In early 2020, the Panel also reviewed our planned response to the coronavirus pandemic and assisted in preparing communications to tenants.

6. Value for Money

6.1 Our Value for Money Strategy

Our Value for Money Strategy, which commits us to delivering economy, efficiency, effectiveness and equity, is mapped to our Business Plan for 2018/20.

Our improvement approach is two-fold; deliver our Development Strategy, which commits us to increasing our homes by 23% over the next 4 years, therefore producing economies of scale, and find efficiency savings.

In terms of development, we are making some progress. During the year we continued our partnership with LB Waltham Forest in bringing one ex-local authority home back into social housing. During the year we also developed our partnership with London & Quadrant (L&Q) under the Build London Partnership programme. During the coming year, we expect to seek planning permission for development of new homes on our land.

In terms of efficiency savings, our key target for 2019/20 was to reduce out headline cost per unit - see 6.3 (Metric 5).

Benchmark data is based on the Regulator's Value for Money Summary Report (January 2020).

6.2 The Value for Money Standard

Our compliance with the Regulator of Social Housing (RSH) Value for Money Standard is shown below:

	We are required to	**Compliance achieved by**
1	Clearly articulate our strategic objectives	Business Plan 2018/20
2	Have an approach, agreed by our Board, to achieving value for money in meeting these objectives and demonstrate their delivery and value for money to stakeholders	Value for Money Strategy 2018/20, Value for Money Action Plan 2018/19
3	Through our strategic objectives, articulate our strategy for delivering homes that meet a range of needs	Business Plan 2018/20 and Asset Management Strategy 2018/22
4	Ensure that optimal benefit is derived from resources and assets, and optimise economy, efficiency and effectiveness in the delivery of our strategic objectives	Business Plan 2018/20, Asset Management Strategy 2018/22 and assessment against RSH metrics and benchmarks

6.3 Assessment against the RSH suite of seven Value for Money metrics

Metric 1 - Reinvestment %

This metric looks at investment in properties (existing stock as well as new supply) as a percentage of the value of the total of properties held:

	Achieved 2018/19	Achieved 2019/20	Target 2019/20	Benchmark 2019/20	Target 2020/21
Reinvestment %	3.90%	5.90%	4.00%	4.90%	5.00%

We are pleased to have exceeded our reinvestment target which was achieved in part through our purchase from cash of one additional social housing unit. Following some delays, caused in part by the coronavirus pandemic, our development finance becomes available to us at the end of 2020. We therefore expect to be able to purchase two additional homes in the last quarter of 2020/21, which supports our reinvestment target of 5% for the coming year.

Metric 2 - New supply delivered %

This metric looks at the number of units delivered in the year:

	Achieved 2018/19	Achieved 2019/20	Target 2019/20	Benchmark 2019/20	Target 2020/21
New supply delivered %	0%	0.30%	0.70%	0%	0.70%

Performance here is disappointing, please refer to the commentary provided for Metric 1.

Metric 3 - Gearing %
This metric assesses how much of the adjusted assets are made up of debt and the degree of dependence on finance debt:

	Achieved 2018/19	Achieved 2019/20	Target 2019/20	Benchmark 2019/20	Target 2020/21
Gearing %	(6.10%)	(2.03%)	12.00%	33.90%	5.00%

The Association has low levels of historic debt finance and significant balance sheet capacity in order to leverage finance to deliver future development plans. The Association used available cash to purchase one new unit in 2019/20, hence the decrease in gearing compared with 2018/19. Our target for the coming year is based on draw down of secured development finance in 2020/21 to fund the purchase of new homes.

Metric 4 - Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) interest cover %
This metric is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus that a provider generates compared to interest payable:

	Achieved 2018/19	Achieved 2019/20	Target 2019/20	Benchmark 2019/20	Target 2020/21
EBITDA MRI interest cover %	774%	264%	600%	172%	172%

The reduction compared to 2018/19 reflects significant investment and maintenance spend made in 2019/20.

Metric 5 - Headline social housing cost per unit
This metric assesses the costs of managing each property:

Headline social housing cost per unit	Achieved 2018/19	Achieved 2019/20	Target 2019/20	Benchmark 2019/20	Target 2020/21
	£5,707	£5,869	£5,600	£6,150	£5,800

Our VfM benchmarks and targets are informed by the Regulator's Value for Money Summary Report (January 2020).

Approximately half of our stock is Housing for Older People (HOP). This, together with our location, significantly influences our headline cost per unit. RSH Value for Money Metric data, shows that HOP provision incurs an additional £1,400 per unit, and, a London location incurs an additional £1,900 per unit.

As described in 6.1, delivery of our Development Strategy and increasing our units in ownership / management is key to further improving our headline cost per unit.

Although our headline cost per unit is lower than the sector benchmark, additional maintenance costs in the year contributed to the Association not meeting our target.

Metric 6 - Operating margin %

The operating margin demonstrates the profitability of operating assets, before exceptional expenses are taken into account:

	Achieved 2018/19	Achieved 2019/20	Target 2019/20	Benchmark 2019/20	Target 2020/21
Operating margin % (social housing lettings)	8.30%	4.19%	12.00%	20.60%	12.00%
Operating margin % (overall)	7.66%	6.76%	10.00%	19.20%	10.00%

RSH benchmarking data shows that associations with large proportions of Supported Housing or Housing for Older People (such as WFHA) tended to record lower operating margins (by around 10 percentage points), compared to those with smaller proportions of HOP or none at all - our targets for 2019/20 were set accordingly.

We are disappointed with our results but acknowledge that additional expenditure incurred this year largely concerned demand-led spend on maintenance and by write off / surplus on disposal year on year. There is further work for us to do in improving the profitability of our social housing assets and key to this will be the results of a new Stock Condition survey being undertaken in early 2021, immediately followed by a review of our Asset Management Strategy.

Metric 7 - Return On Capital Employed (ROCE) %

This metric compares operating surplus to total assets less current liabilities and is a common measure on the commercial sector to assess the efficient investment of capital resources. The ROCE metric supports providers with a wide range of capital investment programmes.

	Achieved 2018/19	Achieved 2019/20	Target 2019/20	Benchmark 2019/20	Target 2020/21
Return On Capital Employed (ROCE) %	1.60%	0.89%	2.00%	3.40%	2.50%

Please see the commentary provided against Metric 6.

7. Compliance with the Regulatory Framework and Code of Governance

The Association is compliant with the Governance and Financial Viability Standard as set out by the Regulator of Social Housing.

The Association has adopted the National Housing Federation's model Code of Governance (2015) and is compliant with it.

8. Statement of Board responsibilities in respect of the accounts

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 (the Financial Reporting Standard applicable in the UK and Republic of Ireland).

The Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period.

In preparing these financial statements, the Board is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent; 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 is responsible for keeping proper books of account that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy, at any time, the Association's financial position and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

The Board is responsible for taking reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

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

9. Internal controls

The Board is responsible for the Association's system of internal control, and recognises that such a system can provide reasonable, but not absolute, assurance against material misstatement or loss.

The main features of the internal financial control system are:

- written standing orders and financial regulations which delineate responsibilities and levels of authorities
- annual budgets, set in the context of a longer term business plan with clear accountability for control of each part of the budget
- formal budgetary control arrangements with a quarterly reporting cycle
- Board approval of the parameters under which new investments in properties are entered into
- an independent internal audit function working to a risk based audit plan

The Board has reviewed the effectiveness of the system of internal control over the past year and satisfied that internal controls are effective.

10. Going concern

Given the uncertainties around Covid-19, the Association has assessed and has taken appropriate measures in order to protect the organisation against the impact of the pandemic on its operations and finances. The Association's long-term plan has been tested in order to determine its durability to anticipated changes in its key assumptions as a result of the pandemic, including increases in arrears and void periods. This has shown that the Association currently has sufficient capacity to endure the current situation and will be in compliance with all current loan covenants throughout this period, and beyond.

Additionally, since the year end, the Association has agreed a further £5m loan facility with Handelsbanken to support future anticipated developments. At the date of approving these financial statements, the Association has no significant development commitments and has not drawn on this facility, which can be drawn upon as required.

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

11. Disclosure of information to the auditor

In the case of each person who was a Board member at the time this report was approved, so far as each member is aware:

- There was no relevant audit information of which the Association's auditor was aware; and
- Each member had taken all steps that the member ought to have taken as a member to make herself or himself aware of any relevant audit information and to establish that the Association's auditor was aware of that information.

By order of the Board

EBrett

Emma Brett
Board member and Treasurer
12 January 2021

Nexia
Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WALTHAM FOREST HOUSING ASSOCIATION

Opinion

We have audited the financial statements of Waltham Forest Housing Association (the 'Association') for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2020 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WALTHAM FOREST HOUSING ASSOCIATION (CONTINUED)

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

Responsibilities of the Board
As explained more fully in the Statement of the Board's Responsibilities set out on page 7, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal controls as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Nexia Smith & Williamson

Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

Date: 15/1/2021

WALTHAM FOREST HOUSING ASSOCIATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	2019 £
Turnover	3	2,653,781	2,620,528
Operating costs	3	(2,521,555)	(2,351,751)
Operating surplus	3	**132,226**	**268,777**
Interest receivable	8	10,064	6,131
Interest payable	9	(70,806)	(71,026)
Surplus for the year	7	**71,484**	**203,882**
Actuarial gain/(loss) on defined benefit pension plan for the year	19	354,000	(144,000)
Actuarial loss on defined benefit pension for change in accounting treatment	19	-	(56,000)
Total comprehensive income for the year		**425,484**	**3,882**

All amounts relate to continuing activities.

WALTHAM FOREST HOUSING ASSOCIATION LIMITED
BALANCE SHEET

AS AT 31 MARCH 2020

	Notes	2020 £	2019 £
Fixed assets			
Housing properties	10	13,394,643	13,070,300
Other fixed assets	12	216,219	285,214
		13,610,862	13,355,514
Current assets			
Debtors	13	420,417	264,347
Cash and cash equivalents		1,191,066	1,779,494
		1,611,483	2,043,841
Creditors			
Amounts falling due within one year	14	(408,510)	(532,338)
Net current assets		1,202,973	1,511,503
Total assets less current liabilities		14,813,835	14,867,017
Creditors: amounts falling due after more than one year	14	7,225,014	7,293,495
Provisions for liabilities	16, 19	70,000	480,185
		7,295,014	7,773,680
Capital and reserves			
Called-up share capital	17	19	19
Revenue reserves	18	7,518,802	7,093,318
		14,813,835	14,867,017

The financial statements were approved by the Board of Management on 12 January 2021 and were signed on its behalf by:

Duncan Howard
Board Member

E Brett

Emma Brett
Treasurer

WALTHAM FOREST HOUSING ASSOCIATION LIMITED
STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Share Capital £	Revenue Reserves £	Total £
At 1 April 2019	19	7,093,318	7,093,337
Total comprehensive income for the year	-	425,484	425,484
At 31 March 2020	19	7,518,802	7,518,821

	Share Capital £	Revenue Reserves £	Total £
At 1 April 2018	20	7,089,436	7,089,456
Cancelled during the year	(1)	-	(1)
Total comprehensive income for the year	-	3,882	3,882
At 31 March 2019	19	7,093,318	7,093,337

WALTHAM FOREST HOUSING ASSOCIATION LIMITED
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	2019 £
Net cash generated from operating activities	A	362,342	149,324
Cash flow from investing activities			
Interest received		10,064	6,131
Sale of tangible fixed assets		-	34,052
Purchase of tangible fixed assets		(900,846)	(499,770)
Net cash used in investing activities		(890,782)	(459,587)
Cash flow from financing activities			
Interest paid		(83,934)	(62,026)
Repayment of borrowings		(63,134)	(57,702)
Grant received in the year		87,080	-
Net cash used in financing activities		(59,988)	(119,728)
Net decrease in cash and cash equivalents		(588,428)	(429,991)
Cash and cash equivalents at beginning of year		1,779,494	2,209,485
Cash and cash equivalents at end of year	B	1,191,066	1,779,494

WALTHAM FOREST HOUSING ASSOCIATION LIMITED
NOTES TO THE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

A. Reconciliation of operating surplus to cash generated by operations

	2020 £	2019 £
Surplus for the year	71,484	203,882
Loss on write-off of assets no longer in use	47,370	-
Profit on disposal of assets	-	(34,052)
Interest receivable	(10,064)	(6,131)
Interest payable	70,806	71,026
Depreciation charge on tangible fixed assets	445,690	387,812
(Increase) / decrease in debtors	(156,070)	995
Increase / (decrease) in creditors	45,258	(336,907)
Net employer contribution after administration costs	(66,185)	(51,354)
Amortisation of government grant	(85,947)	(85,947)
Net cash generated from operating activities	362,342	149,324

B. Reconciliation of net debt

	At 1 April 2019 £	Cashflows £	Other non-cash changes £	At 31 March 2020 £
Cash at bank and in hand	1,779,494	(588,428)	-	1,191,066
Borrowings due within 1 year	(63,582)	63,134	(69,613)	(70,061)
Borrowings due in more than 1 year	(918,596)	-	69,613	(848,983)
	797,316	(525,294)	-	272,022

1. PRINCIPAL ACCOUNTING POLICIES

1.1 General Information

The Association is a Registered Provider of Social Housing registered with the Homes and Communities Agency and is incorporated under the Co-operative and Community Benefit Societies Act 2014.

A description of the nature of the Associations operations and its principal activity is disclosed in the Board Report on page 3.

The Association's registered office is Energy Centre, 31 Church Hill, London, E17 3RU.

1.2 Basis of Accounting

The accounts are prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and the Housing SORP 2018 "Statement of Recommended Practice for registered social housing providers 2018" ("the SORP") and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

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

In accordance with FRS 102 (3.3A), the Association is a public benefit entity that has applied the "PBE" prefixed paragraphs.

1.3 Going concern

Given the uncertainties around Covid-19, the Association has assessed and has taken appropriate measures in order to protect the organisation against the impact of the pandemic on its operations and finances. The Association's long-term plan has been tested in order to determine its durability to anticipated changes in its key assumptions as a result of the pandemic, including increases in arrears and void periods. This has shown that the Association currently has sufficient capacity to endure the current situation and will be in compliance with all current loan covenants throughout this period, and beyond.

Additionally, since the year end, the Association has agreed a further £5m loan facility with Handelsbanken to support future anticipated developments. At the date of approving these financial statements, the Association has no significant development commitments and has not drawn on this facility, which can be drawn upon as required.

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

1.4 Turnover

Turnover represents rental and service charge income, certain revenue grants, management fees and other income. Rental income is recognised on the basis of the amount receivable for the year. Rental income received in advance is disclosed within creditors in the balance sheet.

Revenue grants are accounted for once the Association is legally entitled to the grant and there is reasonable assurance that the grant will be received. The grant is recognised within income in line with the expenditure which it funds.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Other income is accounted for on the basis of the value of goods or services supplied during the period.

The Association operates a fixed service charge arrangement on all its properties in full consultation with residents. Service charge and other income are accounted for on the basis of the value of goods or services supplied during the period.

1.5 Property managed by agents

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

1.6 Operating Leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease, including where payments are not required to be made on a straight-line basis. Lease incentives are similarly spread on a straight-line basis over the relevant lease terms.

On transition to FRS 102, the Association applied the exemption in Section 35.10(p) to continue to recognise any residual benefit or cost associated with lease incentives on the same basis as that applied at the date of transition to FRS 102.

1.7 Taxation

The Association has charitable status and is therefore not subject to Corporation tax on surplus arising from charitable activities. The Association is not registered for VAT and is not able to recover any part of the VAT it incurs. Unrecoverable VAT is included with the costs on which it is charged.

1.8 Property, plant and equipment

Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit.

Freehold and long leasehold housing properties are stated at cost less any provision for any diminution in value and depreciation. The cost of land is not depreciated.

The cost of properties is the initial purchase price together with those costs that are directly attributable to acquisition and construction.

Where the Association receives a donation of a loan and/or other asset or acquires land and/or other asset at below its market value from a government source this is considered to be in substance a non-monetary government grant. The difference between the fair value of the asset donated or acquired and the consideration paid for the asset is recognised as a government grant and included in the Statement of Financial Position as a Liability. The terms of the donation or acquisition are considered to be performance related conditions.

Where an asset comprises components with materially different useful economic lives, those assets are separately identified and depreciated over those individual lives.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Subsequent expenditure which relates to either the replacement of previously capitalised components or the enhancement of such components which results in incremental future benefit is capitalised and the carrying amount of any replaced component or part component is derecognised.

Depreciation

Depreciation is provided on a straight-line basis over the periods shown below:

Freehold Land	Infinite
Freehold structure	50-120 years
Leasehold land and structure	Period of lease
Roofs	15-30 years
Lifts	30 years
Doors and windows	30 years
Wiring	25 years
Bathrooms	25 years
Central heating and boilers	20 years
Kitchens	15 years

Capitalisation of Staff costs

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

Capitalisation of interest

Interest on loans financing development is capitalised up to the date of the completion of the scheme and only when development activity is in progress.

Other tangible fixed assets

Depreciation of tangible assets, except freehold land, is charged by equal annual instalments from the date of acquisition at rates estimated to write off their cost or valuation, less any residual value, over the expected useful lives, as follows:

Improvements to offices	40 years or remaining lease period, if less than 40 years
Office and Information Technology equipment	3 years
Furniture, fixtures and equipment	6 years
Housing furniture and equipment	3 to 7 years
Housing Support equipment	5 years

1.9 Impairment

Non-financial assets

Non-financial assets comprise Property, plant and equipment.

Non-financial assets, other than those measured at fair value, are assessed for indications of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income as described below.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

A non-financial asset is impaired where there is objective evidence that, as a result of one or more events after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of a non-financial asset is the higher of its fair value less costs to sell and its value in use.

Value in use for housing properties which are able to be let in their current condition and which are fulfilling the social purpose for which they were acquired is based on the depreciated replacement cost of the asset. For other schemes, value in use is defined as the net present value of the future cash flows before interest generated from the scheme.

Financial assets

Financial assets comprise trade and other debtors, cash and cash equivalents, trade and other payables, accruals and loans and overdrafts.

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

1.10 Grant

Government grants

Government grants include grants receivable from the Homes & Communities Agency (HCA), local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure (excluding land), on a pro rata basis under the accrual model of accounting.

The unamortised element of the government grant is recognised as deferred income in creditors due within one year or due after more than one year as appropriate in the Statement of Financial Position.

Where a component is replaced the amount of any unamortised government grant associated with this component is taken to income.

Government grant is repayable indefinitely unless formally abated or waived. On the occurrence of certain relevant events, primarily following the sale of property, the Government Grant repayable or to be recycled will be restricted to the net proceeds of sale where appropriate. In recognition of this, external lenders seek the subordination of the Home and Communities Agency's right to recover Government Grant to their own loans.

Government grant received in respect of revenue expenditure is recognised within income in the same period as the related expenditure, provided that the conditions for its receipt have been satisfied and there is reasonable assurance that the grant will be received using the performance model of grant accounting.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Recycled capital grant fund

Following certain relevant events, primarily the sale of dwellings, the Homes and Communities Agency can direct the Association to recycle capital grant or to repay the recoverable capital grant back to the Authority. Where the grant is recycled the recoverable capital grant is credited to a Recycled Capital Grant Fund which is included as a creditor due within one year or due after more than one year as appropriate.

Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose a specific future performance condition is recognised as revenue when the grant proceeds are receivable. A grant that imposes a specific future performance related conditions on the Association, is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is shown as a liability in the Statement of Financial Position.

1.11 Financial Instruments

Financial assets and liabilities comprise trade and other debtors, cash and cash equivalents and trade and other payables.

Financial assets and financial liabilities are recognised when the Association becomes party to the contractual provisions of the financial instrument.

All financial assets and financial liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through the Statement of Comprehensive Income, which are initially measured at fair value (normally the transaction price less transaction costs), unless the arrangement constitutes a financial transaction. If an arrangement constitutes a financial transaction, the financial asset or financial liability is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the Statement of Financial Position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Association intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the conditions of Section 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method.

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.
Financial assets are only derecognised when and only when:

- the contractual rights to the cash flows from the financial asset expire or are settled,
- the Association transfers to another party substantially all the risk and rewards of ownership of the financial asset, or,
- the Association, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

The Association does not use standalone derivative financial instruments to reduce exposure to interest rate movements.

Cash and cash equivalents

Cash and Cash Equivalents comprise cash in hand and at bank and short-term deposits. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash without significant risk of change in value.

1.12 Employee benefits

Multi-employer defined benefit pension scheme

The Association is party to a multi-employer defined benefit (final salary) contributory pension scheme administered independently by The Pensions Trust. Sufficient information is available for the Association to account for its obligations on a defined benefit basis. The Association recognises in its Statement of Financial Position the present value of its defined benefit obligations less the fair value of plan assets. The current service cost is charged against operating profit. Interest on the scheme liabilities net of the expected return on scheme assets is included in the finance costs.

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

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

Short term employee benefits

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

Employee termination benefits

Where the Association has committed to pay employee termination benefits before the year end, those benefits are accrued in the current year.

1.13 Provisions

Provisions for liabilities and charges are recognised when the Association has a present obligation (whether legal or constructive) as a result of a past event that can be reliably estimated and it is probable that a transfer of economic benefit will be required to settle the obligation.

2. KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The preparation of financial statements requires the use of estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for income and expenses for the year. Although these estimates and associated assumptions are based on historical experience and the management's best knowledge of current events and actions, the actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an on-going basis.

Critical judgements in applying the Associations accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Board has made in the process of applying the Association's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Financial instruments classification

The classification of financial instruments as "basic" or "other" requires judgement as to whether all applicable conditions as basic are met. This includes consideration of the form of the instrument and its return.

Identification of cash generating units for impairment testing

For impairment purposes, as explained in the accounting policies, housing properties are grouped into schemes which reflects how the properties are managed.

Recoverable amounts are based on either future cash flows or, for assets held for their service potential, depreciated replacement cost. The assessment of whether an asset is held for its service potential is a matter of judgement and in making that judgement the Board considers the current use of the asset and the expected future use of the asset. If the asset is unable to be let in its current condition or is not being used for a social purpose, either now or in the foreseeable future, it is assessed as not being held for its service potential.

Recoverable amounts for assets held for their service potential is assessed as the depreciated replacement cost which is the lower of (a) the cost of purchasing an equivalent property on the open market; and (b) the land cost plus the rebuilding cost of the structure and components.

The Association has no history of acquiring or selling properties from or to other registered providers and the Board considers that there is no active market. The accumulated impairment provision at 31 March 2020 was £Nil. (2019: £Nil)

Identification of housing property components

The Association accounts for its expenditure on housing properties using component accounting. Under component accounting, the housing property is divided into those major components which are considered to have substantially different useful economic lives. Judgement is used in allocating property costs between components (land, structure, kitchens, bathrooms etc.) and in determining the useful economic lives of each component.

Housing property depreciation is calculated on a component by component basis. The identification of such components is a matter of judgement and may have a material impact on the depreciation charge. The components selected are those which reflect how the major repairs to the property are managed.

2. KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS (continued)

Key sources of estimation uncertainty

The estimates and assumptions which have the most significant effect on amounts recognised in the financial statements are discussed below:

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' with regard to IT equipment/software and any changes to decent homes standard requiring frequent replacement of components. The accumulated depreciation at 31 March 2020 was £461,357 for other fixed assets and £3,493,815 for Housing properties.

Impairments of social housing properties held for their service potential

The cost of purchasing an equivalent property on the open market is estimated based on the sale prices for similar properties in or near the same location. The rebuilding cost of structures and components is based on the current build costs, based on either current building contracts or market data (being primarily construction indices) applied to the relevant building size and type. The Association has not recognised any impairment to date.

Amortisation of government grants

Government grants received for housing properties are recognised in income over the useful life (as identified for the depreciation charge) of the housing property (excluding land), on a pro rata basis under the accrual model. See note 15 for carrying amounts.

Bad debt provision

The rent arrears balance comprises a number of small balances. The financial statements have been predicated on the assumption that the overall bad debt provision is insufficient to cover the outstanding debts which, ultimately may prove to be uncollectible. There is a possibility that the provision maybe inadequate. See note 13 for carrying amounts.

Multi-employer pension obligation

Various estimates are used in the calculation of the defined pension liability, such as discount rate, inflation and mortality rates. In determining the appropriate discount rate, consideration is made to the interest rates of corporate bonds with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Inflation is set by considering market expectations, for example taking the difference between yields available on long-dated fixed-interest and index-linked gilts. Mortality rates are set in line with SAPS tables S2, adjusted to allow for any expectation of higher or lower life expectancy of scheme members due to geographic, socio-economic or demographic factors. At 31 March 2020, a liability of £70,000 (2019: £480,185) for pensions is recorded in the Statement of Financial Position.

3. TURNOVER, OPERATING EXPENDITURE AND OPERATING SURPLUS

	Note	2020 Turnover	2020 Operating Costs	2020 Operating surplus	2019 Turnover	2019 Operating Costs	2019 Operating Surplus
		£	£	£	£	£	£
Social housing lettings	4	2,471,125	(2,367,682)	103,443	2,438,621	(2,202,974)	235,647
Other Social Housing Activities							
Community support		152,400	(153,873)	(1,473)	152,400	(148,777)	3,623
		2,623,525	(2,521,555)	101,970	2,591,021	(2,351,751)	239,270
Activities other than Social Housing Activities							
Other Income		30,256	-	30,256	29,507	-	29,507
TOTAL		2,653,781	(2,521,555)	132,226	2,620,528	(2,351,751)	268,777

4. PARTICULARS OF TURNOVER AND OPERATING EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	2020 £	2019 £
Income		
Rent receivable net of identifiable service charges	1,799,552	1,754,708
Service charge income	585,626	597,235
Amortisation of government grant	85,947	85,947
Other income	-	731
Turnover from Social Housing Lettings	2,471,125	2,438,621
Operating expenditure		
Service charge costs	492,129	452,647
Management	1,128,288	1,093,741
Routine maintenance	241,500	182,478
Planned maintenance	70,827	109,243
Major repairs expenditure	11,940	51,039
Bad debts	(2,034)	25,360
Housing depreciation	377,907	322,518
Loss on write-off of assets/(surplus) on disposal of assets	47,125	(34,052)
Operating expenditure on Social Housing Lettings	2,367,682	2,202,974
OPERATING SURPLUS ON SOCIAL HOUSING LETTINGS	103,443	235,647
Rent losses from voids	(27,955)	(48,101)

5. EMPLOYEE INFORMATION

	2020 Number	2019 Number
The average monthly number of persons (including the Chief Executive) employed during the year was: (full time equivalents calculated on a 35 hour week).	18	18

Staff costs (for the above persons)

	£	£
Wages and salaries	609,061	617,937
National Insurance contributions	63,767	69,076
Pension costs	61,377	66,106
Staff Redundancies	-	28,000
	734,205	781,119

Directors are defined as the members of the Board, the Chief Executive and members of the senior management team. Non-executive members of the Board are not remunerated. The full time equivalent number of staff whose remuneration is payable in relation to the period of account fell within each band of £10,000 from £50,000 upwards is as follows:

	2020 Number	2019 Number
£50,000 - £59,999	2	2
£60,000 - £69,999	-	1
£70,000 - £79,999	1	-

6. DIRECTORS' EMOLUMENTS

	2020 £	2019 £
The aggregate emoluments paid to or receivable by Directors, including pension contributions	242,807	224,379
The emoluments paid to the highest paid Director of the Association excluding pension contributions:	77,175	66,562

The Chief Executive is an ordinary member of the pension scheme. No enhanced or special terms apply. There are no additional pension arrangements.

7. SURPLUS FOR THE YEAR

	2020 £	2019 £
Is stated after charging:-		
Auditors remuneration (including VAT)		
In their capacity as auditors	31,316	22,563
Depreciation-owned assets		
- housing properties	377,907	322,518
- office building	3,566	3,978
- other fixed assets	64,217	61,316
Operating lease rentals - plant and machinery	2,382	13,015
Loss on write-off of assets/(surplus) on disposal of assets	47,125	(34,052)

8. INTEREST RECEIVABLE

	2020 £	2019 £
Bank interest	10,064	6,131

9. INTEREST PAYABLE

	2020 £	2019 £
Interest payable	60,806	62,026
Net interest costs on pension	10,000	9,000
	70,806	71,026

10. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES

	Housing Properties Completed £	Housing Components £	Remodelled Flats £	Total £
COST				
At 1 April 2019	11,379,679	4,765,958	354,075	16,499,712
Additions	379,723	-	-	379,723
Component replacement	-	359,765	-	359,765
Write down of assets no longer in use	(175,402)	(191,820)	-	(367,222)
Transfers (to))/from other tangible fixed assets	16,480		-	16,480
Transfer between categories	(44,648)	44,648	-	-
At 31 March 2020	**11,555,832**	**4,978,551**	**354,075**	**16,888,458**
DEPRECIATION				
At 1 April 2019	1,678,960	1,650,529	99,923	3,429,412
Charge for year	162,529	208,296	7,082	377,907
Write down of assets no longer in use	(165,089)	(155,008)	-	(320,097)
Transfers from other tangible fixed assets	6,593	-	-	6,593
At 31 March 2020	**1,682,993**	**1,703,817**	**107,005**	**3,493,815**
NET BOOK VALUE				
At 31 March 2020	**9,872,839**	**3,274,734**	**247,070**	**13,394,643**
At 31 March 2019	9,700,719	3,115,429	254,152	13,070,300

	2020 £	2019 £
Housing properties comprise		
Freeholds	8,441,661	8,187,595
Long Leaseholds	3,114,170	3,169,220
Remodelled Units & Components	5,332,627	5,142,897
	16,888,458	16,499,712

11. UNITS AT END OF YEAR – SOCIAL HOUSING

	2020 Units	2019 Units (restated)
Owned & Managed Housing:		
Social rent, general needs housing	154	156
Supported housing and housing for older people	170	170
	324	326
Managed by others: Supported	6	6
	330	332

The units for social rent, general needs housing have been restated by 6 units due to an error in the prior year calculation.

12. TANGIBLE FIXED ASSETS - OTHER

	Furniture and Equipment £	Leasehold Offices £	Total £
COST			
At 1 April 2019	597,773	159,132	756,905
Additions	8,920	-	8,920
Write down of assets no longer in use	(71,769)	-	(71,769)
Transfers to housing properties	-	(16,480)	(16,480)
At 31 March 2020	534,924	142,652	677,576
DEPRECIATION			
At 1 April 2019	443,002	28,689	471,691
Charge for year	64,217	3,566	67,783
Write down of assets no longer in use	(71,524)	-	(71,524)
Transfers to housing properties	-	(6,593)	(6,593)
At 31 March 2020	435,695	25,662	461,357
NET BOOK VALUE			
At 31 March 2020	99,229	116,990	216,219
At 31 March 2019	154,771	130,443	285,214

13. DEBTORS

	2020 £	2019 £
Amounts falling due within one year		
Rent arrears	263,793	253,595
Less: Provision	(67,600)	(77,775)
	196,193	175,820
Prepayments and accrued income	92,297	41,540
Staff loans	12,805	20,633
Other debtors	119,122	26,354
	420,417	264,347

14. CREDITORS

	2020 £	2019 £
Amounts falling due within one year		
Rents received in advance	58,955	29,609
Housing loans	70,061	63,582
Trade creditors	43,798	31,794
Other creditors and accruals	132,567	306,079
Other taxation and social security	17,181	15,327
Government grant (note 15)	85,948	85,947
	408,510	532,338

	2020	2019
Amounts falling due after more than one year		
Loans repayable by instalments: -		
- Between one and two years	77,210	70,061
- Between two and five years	282,220	256,077
- In five years or more	489,553	592,458
Government grant (note 15)	6,376,031	6,374,899
	7,225,014	7,293,495

The housing loans are secured by specific charges on the Association's housing properties and are repayable at interest rates varying from 1.0825% to 12.42%.

15. GOVERNMENT GRANT

	Held as deferred income £	Recognised in profit or loss £	Total 2020 £	Total 2019 £
At 1 April	6,460,846	-	6,460,846	6,546,793
Additions	87,080	-	87,080	-
Grant amortised in the year	-	(85,947)	(85,947)	(85,947)
At 31 March	6,547,926	(85,947)	6,461,979	6,460,846
Capital grant previously amortised to profit or loss	-	1,767,161	1,767,161	1,681,214
Total grant received as at 31 March	6,547,926	1,681,214	8,229,140	8,142,060

Social Housing Grants have been provided by the Regulator of Social Housing to fund the development of Social Housing for rent. As at 31 March 2020 the total government grant is £6,461,979 split into amortised over more than one year £6,376,031 and amortised within one year £85,948.

16. PROVISIONS FOR LIABILITIES

	2020 £	2019 £
Pension scheme obligations (see note 19)	70,000	480,185

17. CALLED UP SHARE CAPITAL

	2020 £	2019 £
Allotted issued and fully paid shares of £1 each		
At start of the year	19	20
Cancelled during the year	-	(1)
	19	19

The shares do not have a right to any dividend or distribution in a winding-up and are not redeemable. Each share has full voting rights.

18. RESERVES

The revenue reserve represents the accumulated surpluses and deficits.

Although under its rules the Association does not trade for profit, its financial affairs are planned so that each year income exceeds expenditure. The annual surplus is vital to enable the Association to meet its commitments to providers of private finance, continue to raise further private finance and have reserves to provide for unexpected situations.

In relation to its reserves, the Board of Waltham Forest Housing Association has set out its financial risk appetite to ensure its cash reserves do not fall below a minimum of 6 months' operating costs; this would cover salary, maintenance and all other operating commitments in the worst scenario.

19. PENSION OBLIGATIONS

The Association's employees and past employees are deferred members or pensioners of the Social Housing Pension Scheme.

The Association currently contributes to one defined contribution pension scheme for certain employees. During the year, the Association recognised £61,377 (2019: £66,106) of pension costs in relation to the defined contribution scheme.

Social Housing Pension Scheme

The 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 Association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

For accounting purposes, two actuarial valuations for the schemes were carried out with effective dates of 30 September 2019 and 30 September 2018. The liability figures from each valuation are rolled forward for accounting year-ends from 31 March 2019 to 29 February 2020 inclusive. The liabilities are compared, at the relevant accounting date, if applicable, and are used in conjunction with the Association's fair share of the Scheme's total assets to calculate the Association's net deficit or surplus.

The overall pension shortfall is funded by additional contribution payments from each participating employer. The additional contributions for the year ended 31 March 2021 will be £71,000.

19. PENSION OBLIGATIONS (continued)

Pension scheme liabilities recognised in the Statement of Financial Position

	2020 £	2019 £
Pension obligations recognised as Defined Benefit schemes	70,000	480,185
Total pension scheme liabilities	70,000	480,185

Principal actuarial assumptions at the financial position date:

	2020 %	2019 %
Discount rate	2.37	2.33
Inflation (RPI)	2.6	3.28
Inflation (CPI)	1.6	3.28
Salary growth	2.6	3.28
Allowance of commutation of pension for cash at retirement (% of maximum allowance)	75.0	75.0

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

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

Amounts recognised in the Income Statement

	2020 £	2019 £
Net interest expense	10,000	9,000
Current service costs	6,000	5,000
Expenses paid	4,000	3,000
Total expenses	20,000	17,000

19. PENSION OBLIGATIONS (continued)

Amounts recognised in Other Comprehensive Income

	2020 £	2019 £
Experience on plan assets (excluding amounts included in net interest cost) - gain/(loss)	114,000	(38,000)
Experience gains and losses arising on the plan liabilities - gain interest cost) - gain	103,000	12,000
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain/(loss)	9,000	(5,000)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain/(loss)	128,000	(113,000)
Total actuarial gains and losses - gain/(loss)	354,000	(144,000)
Adjustment arising on change in accounting treatment	-	(56,000)
Actuarial gain/(loss) recognised	354,000	(200,000)

Present values of defined obligation, fair values of assets and defined benefit assets / (liabilities)

	2020 £	2019 £
Fair value of plan assets	848,000	1,234,815
Present value of funded retirement benefit obligation	(918,000)	(1,715,000)
Net liability	(70,000)	(480,185)

19. PENSION OBLIGATIONS (continued)

Reconciliation of movements on the defined benefit obligation

	2020 £	2019 £
Defined benefit obligation at the start of the year	1,715,000	1,584,000
Current service cost	6,000	5,000
Interest cost	33,000	41,000
Contribution by members	3,000	3,000
Actuarial gains due to scheme experience	(103,000)	(12,000)
Actuarial (gains)/losses due to changes in demographic assumptions	(9,000)	5,000
Actuarial (gains)/(losses) due to changes in financial assumptions	(128,000)	113,000
Expenses	4,000	3,000
Benefits paid	(603,000)	(27,000)
Defined benefit obligation at the end of the year	918,000	1,715,000

Reconciliation of movements on the fair value of plan assets

	2020 £	2019 £
Fair value of the plan assets at the start of the year	1,234,815	1,205,000
Interest income	23,000	32,000
Experience on plan assets (excluding amounts included in net interest cost) - gain/(loss)	114,000	(38,000)
Contributions by the employer	76,185	59,815
Contributions by plan participants	3,000	3,000
Benefits paid	(603,000)	(27,000)
Fair value of the plan assets at the end of the year	848,000	1,234,815

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £137,000 (2019: loss of £6,000).

19. PENSION OBLIGATIONS (continued)

The fair values of each main class of assets held by the Fund are set out in the following table.

Categories of plan assets as a percentage of the total plan assets are as follows:

	2020 £	2019 £
Absolute Return	44,000	107,000
Alternative risk premia	59,000	71,000
Corporate Bond Fund	48,000	58,000
Opportunistic Illiquid Credit	21,000	-
Credit Relative Value	23,000	23,000
Distressed Opportunities	16,000	22,000
Emerging Markets Debt	26,000	43,000
Fund of Hedge Funds	-	6,000
Global Equity	124,000	208,000
Infrastructure	63,000	65,000
Insurance-Linked Securities	26,000	35,000
Liability Driven Investments	282,000	451,000
Long Lease Property	15,000	18,000
Net Current Assets	4,000	1,815
Private Debt	17,000	17,000
Property	19,000	28,000
Risk Sharing	29,000	37,000
Secured Income	32,000	44,000
Total Assets	848,000	1,234,815

20. CAPITAL COMMITMENTS

At the year-end there was no capital expenditure contracted for but not provided for in the financial statements (2019 - £nil); nor was there any capital expenditure authorised by the Board but not yet contracted for (2019 - £nil).

21. OPERATING LEASES

The future minimum lease payments under non-cancellable leases are as follows:

	2020 £	2019 £
Within one year	1,985	11,076
Within two to five years	4,132	1,940
	6,117	13,016

21. OPERATING LEASES (continued)

The Association leases out certain of its properties under operating leases. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2020 £	2019 £
Within one year	20,610	20,346
Within two to five years	42,464	-
	63,074	20,346

22. RELATED PARTY TRANSACTIONS

There were no tenants of the Association, who served as Board members during the year (2019: none).

Key management are the persons having authority and responsibility for planning, controlling and directing the activities of the Association. In the opinion of the Board, the key management are the senior management team.

The total remuneration of key management personnel during the year inclusive of taxes was £268,875 (2019: £248,513).

23. POST BALANCE SHEET EVENTS

In July 2020, the Association entered into a £5m revolving credit facility with Handelsbanken for a period of 5 years.