# WALTHAM FOREST HOUSING ASSOCIATION LIMITED

**REPORT AND ACCOUNTS**

# FOR THE YEAR ENDED 31 MARCH 2017

**REGISTERED HCA 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)

Nevil Osborne (Elected 29th of September 2016)

Emma Brett

Greville Norman (Elected 29th of September 2016)

Julia Andrews

Wayne Nembhard

Bobby Supiya (Tenant Member)

Ben Furr (Resigned 29th September 2016)

**Chief Executive** Shahron Shah (from 2nd May 2017)

Linda Milton (to 30th June 2017)

**Secretary** Yusuf Kuti

**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

**Homes and Communities Agency** L0461

**Registered Number**

**Co-operative and Community** 21186R

**Benefit Society Number**

**WALTHAM FOREST HOUSING ASSOCIATION LIMITED**

###### BOARD REPORT

**FOR THE YEAR ENDED 31 MARCH 2017**

The Board presents its report and accounts for the year ended 31 March 2017.

**PrincipAL activity**

The Association’s registered Rules state that it was formed for the benefit of the community and its principle activity remains the provision of social housing, with an emphasis on sheltered housing and support for older people. The Association also provides general needs housing and, in partnership with other agencies, supported housing for adults with a range of support needs.

**DEVELOPMENT AND PERFORMANCE DURING THE YEAR**

Surplus for the year

WFHA produced a surplus of £403,468 on ordinary activities for the year compared to a surplus of £278,609 for the previous year. The increased surplus is mainly a result of the reduction in the charge for the Social Housing Pension Scheme (SHPS) of £134,000 compared to prior year, the prior year being impacted by an increase in the liability arising from the actuarial valuation and resulting increase in contributions payable.

Support Services

WFHA’s Support Services continue to provide needs based floating support. During 2016/17 we delivered support to 204 tenants, of which 160 are WFHA accommodation based, housing related support; sixteen are London & Quadrant sheltered units at Millennium House and a further twenty-eight receive support-only services at Southern Housing Group’s Peach Court and Lewis House.

Health and Well-being events and activities

Over the last five years we have worked in partnership with ‘Coppermill recycle teenagers’ which is a project for older people, providing various activities for the community and our tenants.

WFHA’s annual fete was once again a huge success with over 80 tenants in attendance and colleagues who work and live in the local community. With a larger number of children attending, we provided entertainment with many activities and stalls to entertain everyone. We raised £324 for WFHA’s Sunshine Club (our dementia awareness group).

WFHA continues to celebrate key events with tenants, these have included Black History month (see Dementia section) festive celebrations and many charity initiatives. WFHA continues to work in partnership with Healthwatch to ensure that our tenants have a voice in the healthcare system of the borough, and one staff member continues to volunteer in the ‘Enter and View’ process.

Partnerships

We continue to work with external support providers Outward Housing, Outlook Care and Forest YMCA who provide support services at our various learning disability schemes and single homeless services.

In April 2016 we opened the doors to a brand new Learning Disability Scheme in partnership with LBWF and Outlook Care (Hainault Road). We also have partnerships with L&Q and Southern Housing group.

**WALTHAM FOREST HOUSING ASSOCIATION LIMITED**

###### BOARD REPORT (CONTD.)

**FOR THE YEAR ENDED 31 MARCH 2017**

Accreditations and Funding

WFHA’s Supporting People funding remained in place throughout 2016/17. This was via an extension to the original contract to March 2017. However, we have now been advised that our contracts will terminate at the end of March 2018. We are working with LB Waltham Forest to ensure service delivery beyond this time.

WFHA maintained our three star accreditation with Centre for Housing with Support Code of Practice Service Excellence Standards. We were re-assessed in October 2016 and the quote from our assessor was “the evidence seen today is up and beyond a three star service and that WFHA are delivering a service of excellence to their tenants”. The three star accreditation covered our sheltered and supported schemes.

WFHA maintained the CIH Equality Charter.

Dementia

We are a dementia friendly organisation and during 2016/17 the Association continued its work locally to increase the awareness of the condition. All of our staff, Board and relevant contractors are now trained as Dementia Friends. The cyclical works in communal areas of two of our sheltered schemes have been completed to dementia friendly standards where we worked in conjunction with the Alzheimer’s society, the contractor, K&M and suppliers and Dulux.

Throughout 2016/17, the Sunshine Group delivered specific events and activities, on a monthly basis, which have included:

* Reminiscence – looking at old equipment and items to stimulate memories and conversation
* Arts and Crafts
* Quizzes
* Raffle
* Exercise class
* Black History reminiscence
* Festive celebrations
* Music session

Erosh

WFHA’s Chief Executive (after 20 years of service as an Erosh trustee) stepped down and was thanked in a ceremony for her contribution to her service. The Support Services Manager was elected at the AGM as the new vice chair of the national group and the chair of the London Network and she continues to be the voice of WFHA and other small providers nationally.

The Support Services Manager contributed to the production of A Sensitive Contractors Guide which was published in June 2016.

Safeguarding

As well as providing annual in house training to all staff and two board members, the Support Services Manager was invited to present as a main speaker at Capita’s Safeguarding Adults Conference, delivering a session on the changing role of housing and safeguarding.

**WALTHAM FOREST HOUSING ASSOCIATION LIMITED**

###### BOARD REPORT (CONTD.)

**FOR THE YEAR ENDED 31 MARCH 2017**

Asset Management

Our aim for the year was to achieve a better understanding of our stock in order to prioritise repairs and improvements.

A stock condition survey was undertaken towards the end of 2016 and this will allow us to establish and prioritise spend over the next 30 years. Years 1-3, 3-5 and 5 –10 will contain the major part of Capital investment based on replacements of key elements such as roofs, windows, kitchens, bathrooms, heating, ventilation and electrical re-wires. Further information will be fed into the model to include Maintenance and Planned Revenue and Service Chargeable Works.

WFHA has invested in the BRIXX software model to help incorporate the Stock Condition Survey outputs into the 30 year financial plan.

Capital Works Program

2016/17 saw us start to implement the objectives from our Asset Management Strategy which was approved by the Board the previous year. The main objectives being maintaining our stock to a good standard and ensuring our stock complies with all relevant regulatory and statutory obligations.

Gas Safety and Boiler Replacements

Gas Safety is an important part of our statutory duty and has huge Health and Safety implications if not managed and carried out properly. As well as gas safety tests and repairs we are also gathering condition information on our boilers to enable us to move away from replacing boilers on an ad hoc basis when they break down to a planned boiler replacement programme.

Electrical Checks and Upgrades.

5 year Electrical checks are an important statutory duty and Health and Safety implications if not managed and carried out properly. We have also been able to carry out a significant number of upgrade works based on test reports and move away from full rewires allowing for significant VFM when compared with traditional forms of contract arrangements. All works were completed on time and budget.

Fire Safety

During the course of the year Fire Risk Assessments were completed on time and at all our properties. Again, a statutory duty and an important Health and safety matter. Following the Grenfell Tower block disaster which occurred on the 14th of June 2017, we have carried out a comprehensive review of our Fire Risk Assessments going forward to ensure we learn from this unfortunate tragedy.

Decent Homes Package

Our Decent Homes Package, consisting of replacement kitchens and bathrooms and windows was completed to a selection of our schemes. The benefits for tenants include more modern kitchens, more efficient bathrooms with showering facilities and better insulation and warmth with new high energy double glazing. All works were completed on time and budget.

Electric House Roof & Render

We completed works to Electric House that consisted of specialist render and pointing works and roof repairs to our locally listed building. All works were completed on time and budget.

**WALTHAM FOREST HOUSING ASSOCIATION LIMITED**

###### BOARD REPORT (CONTD.)

**FOR THE YEAR ENDED 31 MARCH 2017 (CONTD.)**

Asset Management (contd.)

Re-Decoration of Communal Areas (Dementia friendly Standard).

Building on our excellent relationship with K&M Decorating Ltd and Dulux to carry out dementia friendly cyclical decorating, we were able to extend their contract to include schemes at Wingrove and Libro at previously tendered rates ensuring continuity of service and VFM.

Despite initial issues with the Dulux paint system (that caused some minor delays in the programme) the schemes were completed on budget and the issues with the product resolved demonstrating the importance of the partnership approach we undertook.

Wingrove House Replacement Lift

Replacement of the lift was brought forward due to the frequency of breakdowns and key component replacement no longer being viable. The Board agreed replacement of the lift and risk assessments were carried out in conjunction with tenants to establish temporary alternative accommodation whilst the works were carried out. All works were completed on time and budget and all tenants have been moved back into their flats.

General

Various other improvements across the remainder of our schemes included ongoing improved ventilation to some of our general needs properties where tenants were reporting condensation problems.

Value for Money (VFM)

Our 2016/17 works program has continued to deliver VFM especially from the contracts that were awarded over a 3 plus 2 year arrangement (based on performance with no annual uplift). These have and will deliver further VFM in a rising market. Other negotiated contracts included the K&M Decorating and Tendered Annual Decency Program which have delivered rates at last year’s levels.

Furthermore, this has been achieved with relatively small contract values further endorsing the original WFHA procurement strategy of procuring locally and to contactors demonstrating contractual presence within the Waltham Forest area.

Information provided by the Stock Condition Survey will help us build on this approach.

Development

Despite a number of possible development opportunities arising during the previous year, we were not able to see any of them materialise. Some of these opportunities remain on-going and we are very hopeful that some will come to fruition during the new financial year. Possibilities include new support service delivery and new build opportunities.

Communication

The new website is now up and running. This provides tenants with the ability to report a repair directly from the website and provides a link to Allpay to pay their rent. Tenants are able to make a complaint or pay a compliment via the website. The website also allows for translation of all our key documents, it also has the facility to enlarge the text size.

We provide PCs (which includes software tailored to improve access) and we have also installed Wi-Fi throughout WFHA’s larger sheltered schemes for tenants’ personal use. The Association continues to circulate the quarterly newsletter, *Reflections*, with information on our activities and a range of useful information for tenants on health, finances and local resources. All copies of the newsletter are on WFHA’s website. We positively encourage input from our tenants.

**WALTHAM FOREST HOUSING ASSOCIATION LIMITED**

###### BOARD REPORT (CONTD.)

**FOR THE YEAR ENDED 31 MARCH 2017**

IT

We have started our enhancement programme of housing management and finance software which will enable us to work towards a more efficient use and to its full potential. This will includes the use of a dashboard system that will allow us to monitor real time performance and KPI’s as well as planned maintenance and voids modules.

External Activities

Another year where we continued our active involvement in local and national groups promoting the interests of our tenants.

Erosh (as above) continues to be an important part of our work for and with older people. It provides a forum where we can join local and national debates and influence decision making. Our commitment and involvement continues with Waltham Forest Dementia Action Alliance (detailed above).

We continue to work closely with local police and staff regularly attend the local forum on Anti-Social Behaviour (ASBRAC).

We continue to attend local forums for Housing Associations, including specialist groups on Development and Housing Management (including Welfare Reform and Housing Association Liaison Group). WFHA have also been invited to join a new group, during the coming year, tackling Violence against Women and Girls.

WFHA continues to have the only housing association representative on the local authority’s Sheltered Housing Panel, which allocates sheltered housing to applicants on the council’s waiting list.

We continue to contribute to discussions and promotion of issues relating to smaller Housing Associations by membership of the National Housing Federation’s G320 group.

Tenant Involvement

Following last year’s review of Governance and Tenant Involvement, a decision was taken to phase out the Focus Group and introduce a Scrutiny Panel.

The new Scrutiny Panel meets six times a year with additional training day as required. Below outlines the objectives, membership and benefits.

**Objectives of the Panel**

* To promote accountability of WFHA to its tenants
* To provide a route for communication between tenants and WFHA and to monitor services and performance including key performance indicators
* To ensure WFHA is a well-run landlord
* To promote good service delivery and procurement
* To ensure transparency of WFHA

Each member of the Tenant’s Scrutiny Panel has an annual appraisal. During 2016 the panel members have attended training with the TPAS (Tenant Participation Advisory Service) tenant involvement and trained by our internal auditors to gain the skills to be able to audit WFHA’s services.

They have reviewed the repairs procedures and identified areas for improvement, they have also attended some of WFHA’s properties and conducted Estate Inspections with WFHA’s staff.

**WALTHAM FOREST HOUSING ASSOCIATION LIMITED**

###### BOARD REPORT (CONTD.)

**FOR THE YEAR ENDED 31 MARCH 2017**

**STAFF AND BOARD**

During the course of the year, we recruited two new members of permanent staff – a Customer Services Officer (maintenance) and a Management Accountant.

Also during this year we saw the resignation of our very long-serving Chief Executive Officer, Linda Milton who retired after a distinguished career and exemplary service to the Association. Shahron Shah has been successfully appointed and took up her position in May 2017 to continue the good work.

The Association maintained its commitment to staff training. There are a number of annual training requirements we incorporated in our Value for Money strategy offer of training to external partners too. This included training on various aspects of new legislation; Data Protection and Safeguarding. We also have some expertise in-house and utilise these where possible to train staff and thus adding VFM to our training budget

The Board and senior officers attended an away-day event that included team building; an update on the recent legislative proposals; the regulatory framework and working in partnership.

**GOVERNANCE**

A major review of Governance took place in the previous year taking into consideration the Regulatory Reforms and the compliance with the Code of Governance. The objectives for the project were:

1. To support the check of the NHF Code of Governance 2015 and ensure that WFHA is fully compliant.
2. To prepare, implement and report on a Board Appraisal process
3. To review the current arrangements for the Tenant Focus Group, compliance with regulatory requirements on tenant scrutiny, co-regulation and consumer standards.
4. To review the arrangements between the Board and Tenant Focus Group, including the nomination route to the Board and the relationship more widely of the Board and the Group.
5. To carry out a full Compliance Check.

COMPLIANCE WITH THE REGULATORY FRAMEWORK AND NHF CODE OF GOVERNANCE

WFHA are fully compliant with all aspects of the Regulatory Framework and the NHF Code of Governance.

BOARD RECRUITMENT AND TRAINING

As part of the Governance Review we completed a board skills audit and found two areas where skills were needed, Finance and Housing Management. A recruitment plan was put into place with a focus on Finance initially. We successfully filled this position with a new member with Finance expertise recruited to the Board and Finance, Audit and Risk Committee. Recruitment continues to be a focus for early 2017/18.

From the skills audit we also highlighted areas of training needs for our current Board Members and a training plan was devised. This training will mainly be completed in house and continues into 2017/18 and covers HR, health & safety, governance, support, housing management, asset management and finance. Board Members have agreed to their individual essential training needs but each session is open to all Members to attend.

All new members will receive Induction Training including Governance and Regulation Training. Induction Training is a day of meeting staff and officers and a tour of properties.

## Post Balance Sheet Events

There are no material events occurring after the balance sheet date.

**WALTHAM FOREST HOUSING ASSOCIATION LIMITED**

###### BOARD REPORT (CONTD.)

**FOR THE YEAR ENDED 31 MARCH 2017**

**Value for Money (VfM) Statement**

WHAT VFM MEANS TO US

**VALUE FOR MONEY (VFM)**

The VfM Statement, which will be approved by the Board in September 17, sets out how we have delivered, monitored and maintained the concept of VfM within all the work that WFHA does.

It outlines the achievements, not just in financial terms but also benefits and improvements to the organisation, its tenants and others in real terms.

Our regulator, the HCA, expects us to have a Value for Money (VfM) strategy and systems to ensure delivery.

We remain committed to providing an efficient and cost effective service to tenants and other stakeholders.

Achieving VfM is essential to how we secure and allocate resources to fulfil that commitment.

Our VfM Strategy aims are:

* To achieve high quality service at the best possible price, recognising that quality is essential
* To secure informed and active commitment from our Board, staff and stakeholders where necessary
* To integrate VfM principles in all we do
* To involve our tenants in pursuing VfM

To achieve VfM we look at:

* COST – obtaining the most comprehensive rates for quality services/ products
* EFFICIENCY - doing things the best way with the least resources
* EFFECTIVENESS - making sure that we get the result that we want

BENCHMARKING

As reported last year, in many instances the data collated by Acuity provides external comparators that are more relevant to the Association than that provided by Housemark.

The former offers comparisons with similar smaller specialist housing associations in Greater London, while Housemark data is, inevitably, drawn from a much wider range of housing associations, including very large providers of general needs and other types of social housing.

External comparisons are drawn from the 2016 year-end summary provided by Acuity (formally Skills and Projects) as March 2017 figures were yet to be published.

**WALTHAM FOREST HOUSING ASSOCIATION LIMITED**

###### BOARD REPORT (CONTD.)

**FOR THE YEAR ENDED 31 MARCH 2017**

**Value for Money (VfM) Statement CONTD.**

HOW ARE WE DOING?

Understanding our stock

We own 329 units and provide housing management and support to 23 other units owned by other Landlords. We currently focus on providing social housing in London Borough of Waltham Forest and our core services are based around social rents, supporting older people, providing supported accommodation in partnership with other agencies and providing support and housing management to older people in sheltered accommodation owned by other providers.

Based on stock condition surveys we plan to spend well over £11 million over the next 30 years investing in our properties.

The Board recognises that getting better VfM from our assets is essential to ensure we can deliver our objectives. This means that there must be a sound business reason for holding any asset. To ensure that property assets make a positive contribution we regularly appraise our schemes to ensure that:

1. They meet our tenants’ current and future needs; and
2. They contribute positively over time to the financial viability of the Association.

Going forward, we will extend the appraisals to include projections of longer term rental streams and maintenance costs: this will assist appraising properties which may no longer fit our objectives and whose sale could help finance the development or acquisition of new stock.

Return on Assets

To assess our Return on Assets, we divided our property assets into two categories: General Needs and Sheltered and Supported Housing. It is sensible to class together Sheltered Housing for older people and Supported Housing for adults with other needs because we have relatively few of the latter units.

This is the fourth year that we have calculated this return and comparative figures for the previous years are shown below. The slight decrease in 2016/17 is partly due to higher rental losses from voids.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Property Type | 2016/17 | 2015/16 | 2014/15 | 2013/14 |
| General Needs | 6.1% | 6.3% | 6.2% | 6.0% |
| Sheltered and Supported Housing | 4.1% | 4.2% | 4.1% | 3.8% |

Improving Rent Collection

During the year we continued to improve our procedures for working with tenants with high arrears despite challenging regulatory welfare reforms; we also engaged in preventive work with tenants with low arrears to minimise debts and prevent individual debt levels rising. WFHA continue to work closely and maintain our excellent relationship with the local Housing Benefit department.

Improvements in collection are being progressed: at March 2017 the average quarterly figure for Rent & Service Charges collected as a % of rent due was 100.2% in comparison to our peer benchmark of 100.7% collected. This is a slight decrease on rent collection last year which stood at 101%.

One of the benefits of increased liaison with Tenants with high arrears level has been the collection of significant amounts of arrears owing after year end. Efforts are continuing to reduce our Tenant Arrears levels which have been higher than expectation.

**WALTHAM FOREST HOUSING ASSOCIATION LIMITED**

###### BOARD REPORT (CONTD.)

**FOR THE YEAR ENDED 31 MARCH 2017**

**Value for Money (VfM) Statement (CONTD.)**

Voids losses

Rent losses through voids increased, to £74,525 from £39,594 at March 2017 (see Note 4), compared to the increase in Rent and Service Charge income by over 2%. This was a challenging year as we had higher than expected void losses in some of our supported schemes.

**Void Losses as % of Income**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **2017** | **2016** |  | **Peer Group** | **Regional** | **Housemark** |
| 2.93% | 1.75% |  | 0.81% | 1.26% | 0.77% |

Planned Works

This year saw significant progress in our Planned Works programme with a total capital spend of £482,838 (2016 £608,280).

The year also saw the Association continue its investment in ensuring decent homes for all WFHA tenants through its commitment to planned, cyclical and capital works. Maintaining the quality and value of our housing properties is a key objective in our VfM strategy

**Maintenance Costs**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017**  **£** | **2016**  **£** | **Difference** |
| Total Maintenance and Cyclical spend | 425,123 | 444,443 | 4.4% |
| Total including Capital costs | 907,961 | 1,052,723 | 13.7% |

As a proportion of total maintenance costs, planned and cyclical spending remained consistent with prior year (Note 4 refers).

The planned works programme is a major factor in the Association’s longer-term planning and we should see the beneficial effects of earlier works as costs move proportionally from responsive to planned works in future years.

Service Delivery

Many qualitative aspects of service delivery are described in the preceding Review of Activities. In every service that we provide, the cost of delivering the service is balanced with the standard and quality of service that tenants need and deserve.

Comparative figures are collated as described above. Housemark data was not available for all categories, and none for Planned / Cyclical Maintenance.

**Average Weekly Service Costs per Dwelling**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017**  **£** | **2016**  **£** | **Peer Group**  **£** |
| Service Costs | 27.24 | 28.66 | n/a |
| Responsive Maintenance | 14.44 | 19.29 | 12.6 |
| Planned / Cyclical Maintenance | 8.78 | 5.19 | n/a |
| Management | 35.09 | 43.69 | 28.33 |

**WALTHAM FOREST HOUSING ASSOCIATION LIMITED**

###### BOARD REPORT (CONTD.)

**FOR THE YEAR ENDED 31 MARCH 2017**

**Value for Money (VfM) Statement (CONTD.)**

As a smaller Housing Association with less than 500 units, benefits produced from economies of scale with regards to procurement decisions are limited and this needs to be factored into any benchmark comparisons. The higher costs per dwelling for the current year reflects the fact that while our maintenance and planned works costs have increased significantly in our drive to maintain the decent Homes standard, housing stock levels, in comparison, have remained unchanged from last year. Average weekly service costs, responsive repairs and management costs show a downward trend in comparison to prior year reflecting more control on procurement costs.

Tenant Involvement

The strategy for involving Tenants in WFHA’s activities has undergone some radical changes with the establishment of the Scrutiny panel last year. Going forward, we will benefit from the wider involvement of Tenants in VfM under this new structure.

Other Achievements

Staff are encouraged to log examples of VfM, ranging from savings achieved to improved services received and provided. Some significant examples follow.

* Utility procurement - using an established Broker, significant savings have been achieved in comparison to the prior year prices following a 2 year forward fix of the Association’s Gas and Electricity prices bringing significant benefits to WFHA tenants via future service charge utility bills. £9,629 was achieved in the year in utility saving procurement costs through the Monarch Partnership.
* Maintenance efficiencies – savings of £15,000 approximately per annum from window replacement contract at our Briscoe and Ridgeway Schemes.
* Competitive tenders - completed in 2016/17 year for the Internal Audit function and planned refurbishment works and major repairs which are expected to secure long term VfM savings and efficiencies.

TAKING VFM FORWARD

Aims and Targets

The VfM Strategy has been reviewed as part of the governance process; Value for Money is now a basic component of all tender exercises. The tender programme for 2017 and 2018 includes: external audit, Insurance and major planned works. All suppliers are asked to evidence “added value” – to the Association and/or its tenants, depending on the nature of the service offered. Other aims of our VfM strategy include:

* Streamline our internal working practices whilst maintaining a strong customer focus, including improved use of IT.
* Secure informed and active commitment from our Board.
* Integrate VFM principles in all we do.
* Involve our tenants in taking forward the strategy

With regards to the prior year VfM aims and objectives, a competitive tender exercise was completed for major repair works, at Electric House and Lift works at Wingrove Scheme. The tender exercise was also completed for cyclical decorations of some of our existing schemes. The re-decoration works have ensured three of our larger schemes have achieved the Dementia friendly standard.

**WALTHAM FOREST HOUSING ASSOCIATION LIMITED**

###### BOARD REPORT (CONTD.)

**FOR THE YEAR ENDED 31 MARCH 2017**

**Value for Money (VfM) Statement (continued)**

Maintenance

Building on the progress reported above, we will look, wherever possible, to combine works and achieve economies in the Planned Major Works Programme.

More Effective Monitoring

The Association regularly reviews its monitoring methods and required reports. A quarterly review of Key Performance Indicators (KPIs) is undertaken by the Board and Finance, Audit & Risk Committee.

The Board also aim to improve VfM reporting, both internally and externally and the internal audit programme for 2017/18 has been amended to include VfM reporting, both to validate existing reporting and to seek enhancements.

Managers also regularly review which KPIs are collected, to ensure the continued relevance and effectiveness of reports and recently instituted regular independent checks of data collected to validate and ensure its accuracy. Managers also evaluate prior year objectives against outcomes.

**Statement of the Board’s responsibilities in respect of the accounts**

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

The Co-operative and Community Benefit Societies Act 2014 and the Housing and Regeneration Act 2008 requires the Board to prepare financial statements for each financial year. Under that law the Board has elected to prepare the Association’s financial statements in accordance with applicable law and 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”. 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 for that period. In preparing these financial statements, the Board is required to:

* select suitable accounting policies and then apply them consistently;
* make judgments and accounting estimates that are reasonable and prudent; and
* prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Association’s transactions and disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014 and the Housing and Regeneration Act 2008. They are 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.

The Board is 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.

**WALTHAM FOREST HOUSING ASSOCIATION LIMITED**

###### BOARD REPORT (CONTD.)

**FOR THE YEAR ENDED 31 MARCH 2017**

**Disclosure of information to the auditors**

In the case of each person who was a member of the Board at the time this report was approved:

* so far as that member was aware there was no relevant audit information of which the Association’s auditor was unaware; and
* that member had taken all steps that the member ought to have taken as a member to make himself or herself aware of any relevant audit information and to establish that the Association’s auditor was aware of that information.

**Statement on the Association’s system of internal control**

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.

## By Order of the Board

Secretary:

Yusuf Kuti

Date: 27th July 2017



## Independent auditor’s report to the members of wALTHAM fOREST Housing Association Limited

We have audited the financial statements of Waltham Forest Housing Association Limited for the year ended 31 March 2017 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, the Statement of Cash Flows and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 “The Financial Reporting Standard applicable to the UK and Ireland”.

This report is made solely to the Association’s members, as a body, in accordance with the requirements of statute. 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.

### Respective responsibilities of the board and the auditor

As explained more fully in the Statement of Board’s Responsibilities set out on page 13, the Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council’s (FRC’s) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the FRC’s website at www.frc.org.uk/auditscopeukprivate.

### Opinion on financial statements

In our opinion the financial statements:

* give a true and fair view of the state of the Association’s affairs as at 31 March 2017 and of its income and expenditure for the year then ended; 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 2015.

**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.

25 Moorgate

London

**Nexia Smith & Williamson** EC2R 6AY

Statutory Auditor

Chartered Accountants Date

**WALTHAM FOREST HOUSING ASSOCIATION LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 MARCH 2017**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Notes** | **2017** |  | **2016** |
|  |  | **£** |  | **£** |
|  |  |  |  |  |
| **Turnover** | 3 | 2,580,351 |  | 2,545,504 |
|  |  |  |  |  |
| Operating costs |  | (2,097,291) |  | (2,042,244) |
|  |  |  |  |  |
| Pension Scheme (SHPS) Liability |  | (11,640) |  | (149,330) |
|  |  |  |  |  |
| Total operating costs | 3 | (2,108,931) |  | (2,191,574) |
|  |  |  |  |  |
| Operating surplus |  | 471,420 |  | 353,930 |
|  |  |  |  |  |
| Interest receivable | 8 | 3,725 |  | 4,608 |
|  |  |  |  |  |
| Interest payable | 9 | (71,677) |  | (79,929) |
|  |  |  |  |  |
|  |  |  |  |  |
| **Surplus for the year** | 7 | **403,468** |  | **278,609** |
|  |  |  |  |  |
| Other comprehensive income |  | - |  | - |
|  |  |  |  |  |
|  |  |  |  |  |
| **Total comprehensive income for the year** |  | **403,468** |  | **278,609** |
|  |  |  |  |  |

All amounts relate to continuing activities.

**WALTHAM FOREST HOUSING ASSOCIATION LIMITED**

**BALANCE SHEET**

**AS AT 31 MARCH 2017**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Notes** | **2017** |  | **2016** |
|  |  | **£** |  | **£** |
| **Fixed assets** |  |  |  |  |
| Housing properties | 10 | 12,477,283 |  | 12,294,862 |
|  |  |  |  |  |
| Other fixed assets | 12 | 357,507 |  | 350,932 |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  | 12,834,790 |  | 12,645,794 |
| **Current assets** |  |  |  |  |
| Debtors | 13 | 196,215 |  | 202,484 |
| Cash and cash equivalents |  | 2,183,675 |  | 2,361,912 |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  | 2,379,890 |  | 2,564,396 |
| **Creditors** |  |  |  |  |
| Amounts falling due within one year | 14 | (456,649) |  | (688,309) |
|  |  |  |  |  |
|  |  |  |  |  |
| **Net current assets** |  | 1,923,241 |  | 1,876,087 |
|  |  |  |  |  |
|  |  |  |  |  |
| **Total assets less current liabilities** |  | 14,758,031 |  | 14,521,881 |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| **Creditors:** amounts falling due after more than one year | 14 | 7,957,673 |  | 8,124,991 |
|  |  |  |  |  |
|  |  |  |  |  |
| **Capital and reserves** |  |  |  |  |
| Called-up share capital | 16 | 19 |  | 19 |
| Revenue reserves |  | 6,800,339 |  | 6,396,871 |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  | 14,758,031 |  | 14,521,881 |
|  |  |  |  |  |

The financial statements were approved by the Board of Management on 27th July 2017 and were signed on its behalf by:

|  |  |  |
| --- | --- | --- |
| Duncan Howard  Board Member | Emma Brett  Board Member | Yusuf Kuti  Secretary |

**WALTHAM FOREST HOUSING ASSOCIATION LIMITED**

# STATEMENT OF CHANGES IN EQUITY

**FOR THE YEAR ENDED 31 MARCH 2017**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Share Capital** |  | **Revenue Reserves** |  | **Total** | | |
|  |  | **£** |  | **£** |  | **£** | | |
|  |  |  |  |  |  |  | | |
| At 1 April 2016 |  | 19 |  | 6,396,871 |  | 6,396,890 | | |
|  |  |  |  |  |  |  | | |
| Surplus from Statement of Comprehensive Income |  | - |  | 403,468 |  | 403,468 | | |
|  |  |  |  |  |  |  | | |
|  |  |  |  |  |  |  | | |
| At 31 March 2017 |  | 19 |  | 6,800,339 |  | 6,800,358 | | |
|  |  |  |  |  |  |  | | |
|  |  |  |  |  |  |  | | |
|  |  |  |  |  |  |  | |
|  |  | **Share Capital** |  | **Revenue Reserves** |  | **Total** | | |
|  |  | **£** |  | **£** |  | **£** | | |
|  |  |  |  |  |  |  | | |
| At 1 April 2015 |  | 19 |  | 6,118,262 |  | 6,118,281 | | |
|  |  |  |  |  |  |  | | |
| Surplus from Statement of Comprehensive Income |  | - |  | 278,609 |  | 278,609 | | |
|  |  |  |  |  |  |  | | |
|  |  |  |  |  |  |  | | |
| At 31 March 2016 |  | 19 |  | 6,396,871 |  | 6,396,890 | | |
|  |  |  |  |  |  |  | | |
|  |  |  |  |  |  |  | | |
|  | | | | | | |

**WALTHAM FOREST HOUSING ASSOCIATION LIMITED**

# STATEMENT OF CASH FLOWS

**FOR THE YEAR ENDED 31 MARCH 2017**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Notes** | **2017** |  | **2016** |
|  |  | **£** |  | **£** |
|  |  |  |  |  |
| **Net cash generated from operating activities** | A | 448,695 |  | 963,567 |
|  |  |  |  |  |
|  |  |  |  |  |
| **Cash flow from investing activities** |  |  |  |  |
| Interest received |  | 3,725 |  | 4,608 |
| Purchase of tangible fixed assets |  | (511,450) |  | (697,096) |
|  |  |  |  |  |
|  |  |  |  |  |
| **Net cash generated from investing activities** |  | (507,725) |  | (692,488) |
|  |  |  |  |  |
|  |  |  |  |  |
| **Cash flow from financing activities** |  |  |  |  |
| Interest paid |  | (71,677) |  | (79,929) |
| Repayment of borrowings |  | (47,530) |  | (43,138) |
|  |  |  |  |  |
|  |  |  |  |  |
| **Net cash used in financing activities** |  | (119,207) |  | (123,067) |
|  |  |  |  |  |
|  |  |  |  |  |
| **Net decrease in cash and cash equivalents** |  | (178,237) |  | 148,012 |
|  |  |  |  |  |
|  |  |  |  |  |
| **Cash and cash equivalents at beginning of year** |  | 2,361,912 |  | 2,213,900 |
|  |  |  |  |  |
|  |  |  |  |  |
| **Cash and cash equivalents at end of year** | B | 2,183,675 |  | 2,361,912 |
|  |  |  |  |  |

**WALTHAM FOREST HOUSING ASSOCIATION LIMITED**

**NOTES TO THE STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 MARCH 2017**

**A Reconciliation of operating surplus to cash generated by operations**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017** |  | **2016** |
|  | **£** |  | **£** |
|  |  |  |  |
| Operating surplus for the year | 471,420 |  | 353,930 |
| Depreciation charge on tangible fixed assets | 345,961 |  | 293,937 |
| (Increase) / decrease in debtors | 6,269 |  | (26,704) |
| Increase/ (decrease) in creditors | (260,008) |  | 303,648 |
| Increase / (decrease) in pension liabilities | (29,000) |  | 124,703 |
| Amortisation of government grant | (85,947) |  | (85,947) |
|  |  |  |  |
|  |  |  |  |
| Net cash inflow from operating activities | 448,695 |  | 963,567 |
|  |  |  |  |
|  |  |  |  |

**B Cash and cash equivalents**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **At 1 April 2016**  **£** |  | **Cash flow**  **£** |  | **At 31 March**  **2017**  **£** |
|  |  |  |  |  |  |
| Money market investments | 2,329,406 |  | (145,731) |  | 2,183,675 |
| Short term deposits | 32,506 |  | (32,506) |  | - |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| Net funds | 2,361,912 |  | (178,237) |  | 2,183,675 |
|  |  |  |  |  |  |

**1. PRINCIPAL ACCOUNTING POLICIES**

* 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 Association’s 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. **Basis of Accounting**

These 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 2014 “Statement of Recommended Practice for registered social housing providers 2014” (“the SORP”) and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

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

The accounts have been prepared under the historical cost convention.

The financial statements are presented in Sterling (£).

* 1. **Going concern**

The Housing Associations remains a going concern and the Board do not envisage the Association will not remain a going concern in the foreseeable future in relation to its finances and liabilities.

* 1. **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.

Supporting People (SP) grant is payable by local authorities. The amount credited to the Statement of Comprehensive Income has been evaluated in accordance with SP grant arrangements with specific local authorities and is accounted for under the performance model for grant accounting.

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

The Association operates both fixed and variable service charges on a scheme by scheme basis 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. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the balance sheet.

**1. PRINCIPAL ACCOUNTING POLICIES (continued)**

* 1. **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. **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 FRS102, 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. **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. **Property, plant and equipment**

*Housing properties*

Housing properties are properties held for the provision of social housing or otherwise to 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 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 Balance Sheet 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.

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.

**1. PRINCIPAL ACCOUNTING POLICIES (continued)**

**1.8 Property, plant and equipment**

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*

Staff 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 6.67 years

Housing furniture and equipment 3 to 7 years

Housing Support equipment 5 years

* 1. **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.

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.

**1. PRINCIPAL ACCOUNTING POLICIES (impairment 1.9 contd.)**

*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. **Grant**

*Government grant*

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.

*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.

**1. PRINCIPAL ACCOUNTING POLICIES (continued)**

*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. **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 Balance Sheet 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.

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. PRINCIPAL ACCOUNTING POLICIES (continued)**

* 1. **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. The Association is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis.

As there is a contractual agreement between the scheme and the Association that determines how the deficit will be funded, the contributions payable that arise from the agreement to the extent that they relate to the deficit are recognised as a liability in the Balance Sheet and the resulting expense in the Statement of Comprehensive Income. When the contributions are not expected to be settled within 12 months after the reporting period, the liability is measured at the present value of the contributions payable by using a discounted rate (discounted present value basis). The rate used is determined by reference to market yields at the reporting date on high quality bonds. Contributions to defined contribution pension scheme are charged to the Statement of Comprehensive income as they become payable.

*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.

* 1. **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 Statement 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.

**1. PRINCIPAL ACCOUNTING POLICIES (continued)**

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

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 2016 was £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.

*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 2017 was £45,444 for IT Equipment and Software and £ 187,998 for Housing Components.

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.

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

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.

Bad debt provision

The rent arrears balance of £187,717 comprises a relatively large number of small balances. A full line by line review of trade debtors is carried out at the end of each month. Whilst every attempt is made to ensure that the bad debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectible.

Multi-employer pension obligation

The Association has entered into a contractual agreement with the Social Housing Pension Scheme (SHPS) to determine how the deficit will be funded. Contributions not expected to be settled within 12 months after the reporting date are measured at the present value of the contributions payable by using a discounted rate (discounted present value basis). The rate used is determined by reference to market yields at the reporting date on high quality bonds. A liability of £371,000 is recorded in the Balance Sheet at 31 March 2017.

|  |
| --- |
| **3. TURNOVER, OPERATING EXPENDITURE AND OPERATING SURPLUS** |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **2017** |  | **2017** |  |  |  | **2016** |  | **2016** |
|  | **2017** |  | **Operating** |  | **Operating** |  | **2016** |  | **Operating** |  | **Operating** |
| **Note** | **Turnover** |  | **Costs** |  | **surplus** |  | **Turnover** |  | **Costs** |  | **surplus** |
|  | **£** |  | **£** |  | **£** |  | **£** |  | **£** |  | **£** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| **Social housing lettings** 4 | 2,408,998 |  | (1,935,477) |  | 473,521 |  | 2,348,017 |  | (2,012,542) |  | 335,475 |
|  |  |  |  |  |  |  |  |  |  |  |  |
| **Other Social Housing Activities** |  |  |  |  |  |  |  |  |  |  |  |
| Charges for support services | 144,837 |  | (173,454) |  | (28,617) |  | 144,571 |  | (179,032) |  | (34,461) |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | 2,553,835 |  | (2,108,931) |  | 444,904 |  | 2,492,588 |  | (2,191,574) |  | 301,014 |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| **Activities other than Social Housing Activities** |  |  |  |  |  |  |  |  |  |  |  |
| Other Income | 26,516 |  | - |  | 26,515 |  | 52,916 |  | - |  | 52,916 |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| **TOTAL** | 2,580,351 |  | (2,108,931) |  | 471,419 |  | 2,545,504 |  | (2,191,574) |  | 353,930 |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **4** | **PARTICULARS OF TURNOVER AND OPERATING EXPENDITURE FROM SOCIAL HOUSING LETTINGS** | **2017** |  | **2016** |
|  |  | **£** |  | **£** |
|  | **Income** |  |  |  |
|  |  |  |  |  |
|  | Rent receivable net of identifiable service charges | 1,796,953 |  | 1,799,831 |
|  | Service charge income | 526,098 |  | 462,239 |
|  | Amortisation of government grant | 85,947 |  | 85,947 |
|  |  |  |  |  |
|  |  |  |  |  |
|  | **Turnover from Social Housing Lettings** | 2,408,998 |  | 2,348,017 |
|  |  |  |  |  |
|  |  |  |  |  |
|  | **Operating expenditure** |  |  |  |
|  |  |  |  |  |
|  | Service charge costs | 498,635 |  | 370,863 |
|  | Management | 642,463 |  | 779,163 |
|  | Routine maintenance | 264,461 |  | 350,139 |
|  | Planned maintenance | 84,444 |  | 90,492 |
|  | Major repairs expenditure | 76,218 |  | 3,812 |
|  | Bad debts | 57,199 |  | 17,035 |
|  | Housing property depreciation | 300,417 |  | 251,708 |
|  | Pension re-measurement | 11,640 |  | 149,330 |
|  |  |  |  |  |
|  |  |  |  |  |
|  | **Operating expenditure on Social Housing Lettings**  **FROM LETTINGS** | 1,935,477 |  | 2,012,542 |
|  |  |  |  |  |
|  |  |  |  |  |
|  | **OPERATING SURPLUS ON SOCIAL HOUSING LETTINGS** | 473,521 |  | 335,475 |
|  |  |  |  |  |
|  | MEMORANDUM |  |  |  |
|  |  |  |  |  |
|  | Rent losses from voids | (74,525) |  | (39,594) |
|  |  |  |  |  |
|  |  |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| **5. EMPLOYEE INFORMATION** | **2017** |  | **2016** |
|  | **Number** |  | **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). | 15 |  | 15 |  | |
|  |  |  |  |
|  |  |  |  |
| **Staff costs (for the above persons)** | **£** |  | **£** |
|  |  |  |  |
| Wages and salaries | 564,049 |  | 548,952 |
| National Insurance contributions | 60,882 |  | 54,868 |
| Pension costs | 49,677 |  | 36,885 |
|  |  |  |  |
|  |  |  |  |
|  | 674,608 |  | 640,705 |
|  |  |  |  |
|  |  |  |  |
|  | | | | |
| 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 payable in relation to the period of account fell within each band of £10,000 from £60,000 upwards is as follows: | | | | |

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017** |  | **2016** |
|  | **Number** |  | **Number** |
|  |  |  |  |
| £60,000 - £70,000 | 2 |  | 2 |
| £70,000 - £80,000 | 1 |  | 1 |
|  |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| **6. DIRECTORS’ EMOLUMENTS** | **2017** |  | **2016** |
|  | **£** |  | **£** |
| The aggregate emoluments paid to or receivable by Directors, including pension contributions | 205,548 |  | 222,317 |
|  |  |  |  |
|  |  |  |  |
| The emoluments paid to the highest paid Director of the Association excluding pension contributions: | 70,311 |  | 69,625 |
|  |  |  |  |

|  |
| --- |
| 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** | **2017** | |  | **2016** | | |
|  | **£** | |  | **£** | | |
| Is stated after charging:- |  | |  |  | | |
| Auditor’s remuneration (excluding VAT) |  | |  |  | | |
| In their capacity as auditors | 10,925 | |  | 15,000 | | |
|  |  | |  |  | | |
| Depreciation-owned assets - housing properties | 300,417 | |  | 251,708 | | |
| * office building | 9,250 | |  | 9,250 | | |
| * other fixed assets | 36,294 | |  | 32,979 | | |
| Operating lease rentals - plant and machinery | 13,604 | |  | 13,604 | | |
|  |  | |  |  | | |
|  |  | |  |  | | |
|  |  | |  |  | | |
| **8. INTEREST RECEIVABLE** | | **2017** | | |  | **2016** | |
|  | | **£** | | |  | **£** | |
|  | |  | | |  |  | |
| Bank interest | | 3,725 | | |  | 4,608 | |
|  | |  | | |  |  | |
|  | |  | | |  |  | |

|  |  |  |  |
| --- | --- | --- | --- |
| **9. INTEREST PAYABLE** | **2017** |  | **2016** |
|  | **£** |  | **£** |
|  |  |  |  |
| Interest payable | 64,677 |  | 66,508 |
| Pension liability: unwinding of the discount | 7,000 |  | 13,421 |
|  |  |  |  |
|  |  |  |  |
|  | 71,677 |  | 79,929 |
|  |  |  |  |

|  |
| --- |
| **10. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Housing Properties**  **Completed** |  | **Housing Components** |  | **Remodelled Flats** |  | **Total** |
|  | **£** |  | **£** |  | **£** |  | **£** |
|  |  |  |  |  |  |  |  |
| **COST** |  |  |  |  |  |  |  |
| At 1 April 2016 | 10,952,357 |  | 3,514,147 |  | 354,075 |  | 14,820,579 |
| Additions | 46,530 |  | 436,308 |  | - |  | 482,838 |
| Disposals | - |  | (91,354) |  | - |  | (91,354) |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| At 31 March 2017 | 10,998,887 |  | 3,859,101 |  | 354,075 |  | 15,212,063 |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **DEPRECIATION** |  |  |  |  |  |  |  |
| At 1 April 2016 | 1,238,669 |  | 1,208,370 |  | 78,678 |  | 2,525,717 |
| Charge for year | 105,338 |  | 187,998 |  | 7,081 |  | 300,417 |
| Disposals |  |  | (91,354) |  |  |  | (91,354) |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| At 31 March 2017 | 1,344,007 |  | 1,305,014 |  | 85,759 |  | 2,734,780 |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **NET BOOK VALUE** |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **At 31 March 2017** | 9,654,880 |  | 2,554,087 |  | 268,316 |  | 12,477,283 |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| At 31 March 2016 | 9,713,689 |  | 2,305,777 |  | 275,397 |  | 12,294,862 |
|  |  |  |  |  |  |  |  |

|  |
| --- |
| **10. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (continued)** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **2017** |  | **2016** |
|  |  |  |  |  | **£** |  | **£** |
| **Housing properties comprise** | |  |  |  |  |  |  |
| Freeholds |  |  |  |  | 8,040,526 |  | 8,005,257 |
| Long Leaseholds |  |  |  |  | 2,793,670 |  | 2,782,408 |
| Short Leaseholds |  |  |  |  | 164,692 |  | 164,692 |
| Remodelled Units & Components | |  |  |  | 4,213,175 |  | 3,868,222 | 3,868,222 |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  | 15,212,063 |  | 14,820,579 |
|  |  |  |  |  |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| **11. UNITS AT END OF YEAR – SOCIAL HOUSING** | **2017** |  | **2016** |
|  | **Units** |  | **Units** |
|  |  |  |  |
| Owned & Managed |  |  |  |
| Housing |  |  |  |
| - Social rent, general needs housing | 146 |  | 141 |
| - Supported housing and housing for older people | 183 |  | 188 |
|  |  |  |  |
|  |  |  |  |
|  | 329 |  | 329 |
|  |  |  |  |
|  |  |  |  |
| Managed on behalf of others | 23 |  | 20 |
| *For another Registered Provider* |  |  |  |
| - General needs housing | 1 |  | 1 |
| - Housing for older people | 22 |  | 16 |
| *For local authority* |  |  |  |
| - Rented supported housing | - |  | 3 |
|  |  |  |  |
|  |  |  |  |
|  | 23 |  | 20 |
|  |  |  |  |
|  |  |  |  |
|  | 352 |  | 349 |
|  |  |  |  |
|  |  |  |  |

|  |  |  |
| --- | --- | --- |
| **12. TANGIBLE FIXED ASSETS – OTHER** |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Furniture and**  **Equipment** |  | **Leasehold Offices** |  | **Total** |
|  | **£** |  | **£** |  | **£** |
|  |  |  |  |  |  |
| **COST** |  |  |  |  |  |
| At 1 April 2016 | 395,489 |  | 369,990 |  | 765,479 |
| Additions | 52,119 |  | - |  | 52,119 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| **At 31 March 2017** | 447,608 |  | 369,990 |  | 817,598 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| **DEPRECIATION** |  |  |  |  |  |
| At 1 April 2016 | 289,167 |  | 125,380 |  | 414,547 |
| Charge for year | 36,294 |  | 9,250 |  | 45,544 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| **At 31 March 2017** | 325,461 |  | 134,630 |  | 460,091 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| **NET BOOK VALUE** |  |  |  |  |  |
|  |  |  |  |  |  |
| **At 31 March 2017** | 122,147 |  | 235,360 |  | 357,507 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| At 31 March 2016 | 106,322 |  | 244,610 |  | 350,932 |
|  |  |  |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| **13. DEBTORS** | **2017** |  | **2016** |
|  | **£** |  | **£** |
| Amounts falling due within one year |  |  |  |
| Rent arrears | 187,717 |  | 158,295 |
| Less: Provision | (89,914) |  | (61,549) |
|  |  |  |  |
|  |  |  |  |
|  | 97,803 |  | 96,746 |
|  |  |  |  |
| Prepayments and accrued income | 60,103 |  | 58,054 |
| Staff loans | 16,005 |  | 20,006 |
| Other debtors | 22,304 |  | 27,678 |
|  |  |  |  |
|  |  |  |  |
|  | 196,215 |  | 202,484 |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| **14. CREDITORS** | **2017** |  | **2016** |
|  | **£** |  | **£** |
| Amounts falling due within one year |  |  |  |
| Rents received in advance | 44,965 |  | 49,617 |
| Housing loans | 52,370 |  | 47,530 |
| Trade creditors | 194,984 |  | 377,745 |
| Grants received in advance | - |  | 5,327 |
| Other creditors and accruals | 78,383 |  | 122,143 |
| Government Grant (note 15) | 85,947 |  | 85,947 |
|  |  |  |  |
|  |  |  |  |
|  | 456,649 |  | 688,309 |
|  |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| Amounts falling due after more than one year |  |  |  |
| Loans repayable by instalments: - |  |  |  |
| -Between one and two years | 57,702 |  | 52,190 |
| -Between two and five years | 295,942 |  | 232,686 |
| -In five years or more | 686,236 |  | 807,375 |
| Government grant (note 15) | 6,546,793 |  | 6,632,740 |
| Pension Liability (note 21) | 371,000 |  | 400,000 |
|  |  |  |  |
|  |  |  |  |
|  | 7,957,673 |  | 8,124,991 |
|  |  |  |  |

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**  **2017** |  | **Total**  **2016** |
|  |  | **£** |  | **£** |  | **£** |  | **£** |
|  | At 1 April | 6,718,687 |  | - |  | 6,718,687 |  | 6,804,633 |
|  | Additions |  |  |  |  |  |  |  |
|  | Grant amortised in the year | - |  | (85,947) |  | (85,947) |  | (85,947) |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  | At 31 March | 6,718,687 |  | (85,947) |  | 6,632,740 |  | 6,718,686 |
|  |  |  |  |  |  |  |  |  |
|  | Capital grant previously amortised to profit or loss | - |  | 1,509,320 |  | 1,509,320 |  | 1,423,374 |
|  |  |  |  |  |  |  |  |  |
|  | Total grant received as  at 31 March | 6,718,687 |  | 1,423,373 |  | 8,142,060 |  | 8,142,060 |
|  |  |  |  |  |  |  |  |  |

Social Housing Grants have been provided by the Homes and Communities Agency to fund the development of Social Housing for rent. As at 31 of March 2017 the total government grant is £6,632,740 split into amortised over more than one year £6,546,793 and amortised within one year £85,947

|  |  |  |  |
| --- | --- | --- | --- |
| **16. CALLED UP SHARE CAPITAL** | **2017** |  | **2016** |
|  | **£** |  | **£** |
| Allotted issued and fully paid shares of £1 each |  |  |  |
| At start of the year | 19 |  | 16 |
| Issued during the year | - |  | 3 |
|  |  |  |  |
|  |  |  |  |
|  | 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.

|  |  |
| --- | --- |
| **17. 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.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **18.** | **FINANCIAL INSTRUMENTS** | **2017** |  | **2016** |
|  |  | **£** |  | **£** |
|  | Financial assets |  |  |  |
|  |  |  |  |  |
|  | Trade and other debtors – measured at amortised cost | 136,112 |  | 144,430 |
|  | Cash and cash equivalents | 2,183,675 |  | 2,361,912 |
|  |  |  |  |  |
|  |  |  |  |  |
|  | Financial liabilities measured at amortised cost |  |  |  |
|  | Trade creditors | 194,984 |  | 377,745 |
|  | Other creditors and accruals | 78,383 |  | 122,143 |
|  | Loans repayable within one year | 52,370 |  | 47,530 |
|  | Loans repayable after more than one year | 1,039,880 |  | 1,092,251 |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  | 1,365,617 |  | 1,639,669 |
|  |  |  |  |  |
|  |  |  |  |  |

Interest payable on financial liabilities measured at amortised cost is disclosed in note 9. Interest receivable on cash and cash equivalent is disclosed in note 8.

**19. CAPITAL COMMITMENTS**

At the year-end there was no capital expenditure contracted for but not provided for in the financial statements (2016 - £nil); nor was there any capital expenditure authorised by the Board but not yet contracted for (2016 - £nil).

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **20.** | **OPERATING LEASES** | | | | | |  | |  | |  | |
|  |  | | | | | |  | |  | |  | |
|  | The future minimum lease payments under non-cancellable leases are as follows: | | | | | | | | | | |
|  |  | **2017** | | |  | **2016** | | | | | |
|  |  | **Land and**  **buildings** |  | **Other** |  | **Land and buildings** | |  | | **Other** | |
|  |  | **£** |  | **£** |  | **£** | |  | | **£** | |
|  | For leases expiring: |  |  |  |  |  | |  | |  | |
|  | Within one year | - |  | 13,604 |  | - | |  | | 13,604 | |
|  | Between two and five years | - |  | - |  | - | |  | | - | |
|  | After five years | 457 |  | - |  | 457 | |  | | - | |
|  |  |  |  |  |  |  | |  | |  | |
|  |  |  |  |  |  |  | |  | |  | |
|  |  | 457 |  | 13,604 |  | 457 | |  | | 13,604 | |
|  |  |  |  |  |  |  | |  | |  | |
|  |  |  |  |  |  |  | |  | |  | |
|  | 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: | | | | | | | | | | | |
|  |  | | | | | | **2017** | |  | | **2016** | |
|  |  | | | | | | **£** | |  | | **£** | |
|  |  | | | | | |  | |  | |  | |
|  | *For leases expiring:* | | | | | |  | |  | |  | |
|  | Later than one year but within five years | | | | | | 57,081 | |  | | 55,800 | |
|  |  | | | | | |  | |  | |  | |
|  |  | | | | | |  | |  | |  | |
|  |  | | | | | | 57,081 | |  | | 55,800 | |
|  |  | | | | | |  | |  | |  | |
|  |  | | | | | |  | |  | |  | |

**21. PENSION OBLIGATIONS**

**Social Housing Pension Scheme (“SHPS”)**

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

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

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

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

Deficit contributions

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

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

Where the scheme is in deficit and where the Association 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.

**21. PENSION OBLIGATIONS (continued)**

Past service deficit reduction contributions of £47,000 (2016: £34,000) are payable by the Association annually until 2023 and 2026 respectively, increasing by 4.7% and 3% per annum.

Where the Scheme is in deficit and where the Association has agreed to a deficit funding agreement, the Association recognises a liability for the 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.

|  |  |  |  |
| --- | --- | --- | --- |
| **Present value of provision** | **2017** |  | **2016** |
|  | **£** |  | **£** |
|  |  |  |  |
| As at 31 March | 371,000 |  | 400,000 |
|  |  |  |  |
|  |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| **Reconciliation of opening and closing provisions** | **2017** |  | **2016** |
|  | **£** |  | **£** |
|  |  |  |  |
| Provision as at 1 April | 400,000 |  | 275,297 |
| Unwinding of the discount factor | 7,000 |  | 13,421 |
| Deficit contributions paid | (47,000) |  | (34,000) |
| Re-measurement - impact of changes in assumptions | 11,000 |  | 18,282 |
| Re-measurement – changes to the schedule of contributions | - |  | 127,000 |
|  |  |  |  |
|  |  |  |  |
| As at 31 March | 371,000 |  | 400,000 |
|  |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| **Income Statement impact** | **2017** |  | **2016** |
|  | **£** |  | **£** |
|  |  |  |  |
| Unwinding of discount factor | 7,000 |  | 13,421 |
| Impact of changes in assumptions | 11,000 |  | 18,282 |
| Amendments to the contribution schedule | - |  | 127,000 |
|  |  |  |  |
|  |  |  |  |
| As at 31 March 2016/17 | 18,000 |  | 158,703 |
|  |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| **Assumptions** | **2017** |  | **2017** |
|  | **% per annum** |  | **% per annum** |
|  |  |  |  |
| Rate of discount | 1.33% |  | 2.06% |

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

**21. PENSION OBLIGATIONS (continued)**

From April 2007 the employer elected to operate the final salary with a 1/70th accrual rate benefit structure for active members as at 1 April 2007 and for new entrants from 1 April 2007. During the accounting period the Association paid contributions at the rate of 10%. Member contributions varied between 5.3% and 7.3% depending on their age.

At 31 March 2017, 4 employees (2016 - 4) were members of SHPS. The annual pensionable payroll in respect of these members was £171,832 (2016 - £169,293).

The Association continues to offer membership of the Scheme to its employees however the Defined Benefit Scheme has been closed to new employees effective from the 31 December 2014 and replaced with the Defined Contribution Scheme.

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up. The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The Association has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme, based on the financial position of the Scheme as at 30 September 2015. At this date the estimated employer debt for the Association was £2,040,955 (£1,607,229 at 30 September 2013). This has not been recognised within the financial statements as the Association has no plans to leave the scheme.

**22. RELATED PARTY TRANSACTIONS**

There was one Tenant of the Association, who served as Board members during the year.

Rents received from the Board members are related party transactions and are under the same terms and conditions as applied to other tenants of the Association. During the year rent of £6,149 (2016: £14,768) was charged to the tenant Board member. At the year-end £0 (2016: £0) was outstanding/paid in advance.

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 staff during the year inclusive of taxes was £227,814,

(2016: £220,247)