

Registered number: 24640R

**ST PETER'S (SALTLEY) HOUSING  
ASSOCIATION LIMITED**

**Financial statements**

**Year ended 31 March 2018**

**ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED**

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**ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED**

**INFORMATION**

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**BOARD OF MANAGEMENT**

Phil Knight (Chair)  
Lisa Barnes (Vice Chair)  
Ken Hazeldene  
Faisal Nasim  
Mark Pinnell  
Alan Hamer

**CHIEF EXECUTIVE**

Helen Harvey (to 17 July 2017)  
Andrea Ward (from 18 July 2017)

**REGISTERED OFFICE**

Burrows Hall  
Bridge Road  
Saltley  
Birmingham  
B8 3TE

**REGULATOR OF SOCIAL HOUSING (RSH)**

L3519

**REGISTERED SOCIETY NUMBER  
(under charity rules)**

24640R

**AUDITOR**

Mazars LLP  
45 Church Street  
Birmingham  
B3 2RT

**BANKERS**

Barclays Bank PLC  
Small Heath Branch  
534 Coventry Road  
Small Heath  
Birmingham  
B10 0UP

**STRATEGIC REPORT**

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The Board present their Strategic Report incorporating the Board Report and the financial statements for the year ended 31 March 2018.

**REVIEW OF THE ASSOCIATION**

The principal activity of the Association is to provide good quality, affordable, rented homes for people in housing need. The Association owns and manages 105 units. There are 99 flats on the St Peter's site, including 44 flats for the over 55s, and 6 houses nearby.

The Saltley neighbourhood in which St Peter's operates is a significantly economically disadvantaged part of Birmingham where poverty, vulnerability and limited opportunity are key issues. Many of our tenants face an increasing challenge to maintain their tenancies as a result of the government's welfare reform agenda. We recognise and aim to respond to this, going beyond legislative requirements in order to improve the lives of our customers.

We are committed to helping our tenants have sustainable tenancies and be active members of the community. Where a tenant is having problems maintaining their tenancy we will help and signpost them to the right help, and liaise with other agencies; including benefits, social services and police where relevant.

This year the Association has reported an operating surplus of £118,452 compared to an operating surplus of £126,148 in the previous year. The decrease is mainly due to asset expenditure particularly relating to the window replacement programme.

**THE BOARD OF MANAGEMENT**

The members, who are non-executive directors, set out below have held office during the whole of the period from 1<sup>st</sup> April 2017 to the date of this report unless otherwise stated.

Phil Knight

Robert Semple (to 18 September 2017)

Karen Edwards (to 18 September 2017)

Ken Hazeldene

Lisa Barnes

Mark Pinnell

Alan Hamer

Faisal Nasim (from 15 January 2018)

**BOARD OF MANAGEMENT AND STAFF**

The Board of Management, which is responsible for the management of the Association's affairs, comprises no more than twelve and no fewer than five members. The Board Members, who, apart from the Chair, are unpaid, are drawn from a wide background bringing together a range of skills knowledge and experience. The Board meets at least 3 times a year as does the Audit & Governance Committee which reports to the Board on its delegated areas of activity.

The Board obtains external specialist advice from time to time as necessary.

The staff team comprises the Chief Executive, Housing Services Manager, Bookkeeper, Property Maintenance Supervisor, Housing Services Officer, Estate Maintenance Assistant and an Administration Assistant. The Board delegates day to day management and implementation of its strategies and policies to the Chief Executive who attends Board Meetings. Other staff are invited to attend meetings as and when necessary.

**VALUE FOR MONEY**

**Overall summary statement of Value for Money (VFM) performance**

**VFM in the context of objectives and stakeholder interests**

St Peter's recognises its responsibility to achieve value for money from all its activities, however they may be funded. Our strategy is to embed value for money as part of our ongoing business processes and decisions.

We have a commitment to manage resources economically, efficiently and effectively ensuring that we remain economically viable, whilst providing quality services and homes which deliver ongoing planned improvements that deliver value for money.

## ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED

### STRATEGIC REPORT

St Peter's strives to deliver what matters to both our customers and stakeholders in the most cost-effective way. We believe that by improving our services in response to our customer and stakeholder needs, we will make a contribution to the sustainability of the community in which we operate. Our goal is to achieve the best value for money for customers and our strategy sets out our approach and plan for achieving that ambition.

We are continuing to lease a number of properties with housing management and support provided via a management agreement with a third party. This has increased our income by approx. 7.5% with the contract being managed within existing resources. The additional income has helped support asset investment.

The strategic direction for St Peter's is set out in our Corporate Plan which is delivered each year via an Annual Plan which includes a suite of key qualitative and quantitative performance indicators that help St Peter's identify whether it is delivering value for money and ensures key risks are being actively managed. Our 10-year financial plan has been updated to reflect our current budget position and a range of stress tests to have been carried out to test viability. The tests have resulted in a plan to manage the risks identified.

We have identified our asset investment priorities for the next 10 years. The main investments are key component renewals to maintain the standard of the stock. We have in place an Assets & Liabilities Register which includes details such as Land Registry Title number, valuations, planning restrictions and whether or not homes are charged to lenders. Our financial plans are modelled to ensure that going forward the stock is maintained to the highest standard. A return on assets exercise carried out in 2015/16 reviewed income generated, cost to maintain, demand and turnover of each of our units. This exercise did not identify any disproportionate expenditure, demand or turnover issues and therefore no disposals need to be considered.

### ST PETERS PERFORMANCE AGAINST REGULATORY METRICS

Metric	2016/17	2017/18	Forecast 2018/19
<b>Business Health</b>			
Operating Margin %	16.8%	18.5% *	11.6%
EBITDA MRI interest cover %	-2744%	-8487% **	-5381%
<b>Development (Capacity and Supply)</b>			
New supply delivered %	0%	0%	0%
Gearing %	-43%	-28%***	-21%
<b>Effective Asset Management</b>			
ROCE	9.1%	9.1%	6.3%
<b>Operating efficiency</b>			
Headline social housing cost per unit	£4,659	£8,075	£6,008
<b>Community Investment £</b>			
Reinvestment %	6%	33%****	9%

Metric	2017/18	Peer Group Medium*****	Forecast 2018/19
<b>Outcomes Delivered</b>			
Customer satisfaction with St Peters as a landlord	100%	88	95%
Customer satisfaction with Repairs service	100%	97	97%
Number of individual tenant support cases managed per year.	179	N/A	150
To maintain our minimum cash balance of £125,000	£341,096	N/A	£125,000

\* Operating margin- 2017/18 operating margin is high due to underspends in budgeted expenditure for 2017/18.

**STRATEGIC REPORT**

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**\*\* EBITDA MRI (as % interest)** – The EBITDA MRI interest cover measure is a key indicator for liquidity and investment capacity. Despite the negative ratio, there is considerable headroom to service debt interest of £5,150, from cash in bank. The EBITDA for 2017/18 reported a deficit of £437,051. This is mainly as operating surplus of £118,452, had a deduction of amortised government grant of £147,945, and deduction for expenditure for improvements to stock of £398,116 and deduction of grants taken to income of £61,644. Further adjustments made to add back depreciation charge of £34,740 and add back loss of disposal of assets of £16,866.

**\*\*\* Gearing** - This metric assesses how much of the adjusted assets are made up of debt and the degree of dependence on debt finance. St Peters negative gearing is as a result of low levels of debt of £31,111 and large deduction of cash and cash equivalents of £369,909. The Regulator stipulates cash should be deducted from debt to obtain a net debt position, thus St Peters net debt position is negative £338,978.

**\*\*\*\* Reinvestment** – high reinvestment in 2017/18 is due to major capital expenditure for improvements to stock, including window and door entry system replacement.

**\*\*\*\*\* Peer group** includes 15 West Midlands smaller housing associations (largely less than 1,000 stock) with a profile similar to St Peters.

**INTERNAL CONTROLS ASSURANCE**

There is no regulatory requirement for the Board to publish a statement on internal controls assurance, but it has decided to do so.

The Board acknowledges its responsibility for the system of internal controls and for reviewing its effectiveness mindful of the objectives of, and risks facing, the Association.

The Board confirms that there are ongoing processes for maintaining sound systems of internal control and for managing risks.

In May 2018 an external health and safety audit took place that evidenced high levels of health and safety compliance which has provided Board with a high level of assurance with regard to health and safety practice at St Peter's.

**COMPLIANCE WITH THE RSH GOVERNANCE AND FINANCIAL VIABILITY STANDARD**

The Board confirms that the Association complies with the requirements of the revised Governance and Financial Viability Standard applicable for the year, including the requirements to have in place an up to date Asset & Liabilities Register and to adhere to all relevant law.

**COMPLIANCE WITH CODE OF GOVERNANCE**

The Board confirms that the Association has adopted and complies with the requirements of the the NHF 2015 Code of Governance. In June 2018 the Board adopted HQN's Alternative Merger Code with regard to Mergers, Group Structures and Partnerships.

**BOARD MEMBERS' RESPONSIBILITIES**

Registered Provider legislation requires the Board to prepare financial statements for each financial year which give a true and fair view of the state of the Association's affairs at the end of the financial year and of the income and expenditure of the Association for the year ended on that date. In preparing those financial statements, suitable accounting policies have been used, framed to the best of the Board's knowledge and belief, by reference to reasonable and prudent judgements and estimates and applied consistently. Applicable accounting standards have been followed. The Board is also required to indicate where the financial statements are prepared other than on the basis that the Association is a going concern.

The Board is responsible for ensuring that arrangements are made for keeping proper accounting records with respect to the Association's transactions and its assets and liabilities and for maintaining a satisfactory system of control over the Association's accounting records and transactions. The Board is also responsible for ensuring that arrangements are made to safeguard the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**BOARD MEMBERS' INDEMNITY**

The Board Members have confirmed that the Association does have Trustee Indemnity / Directors and Officers Insurance in place.

**STRATEGIC REPORT**

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**FINANCIAL INSTRUMENTS**

The Association does not have any abnormal exposure to price, credit, liquidity and cash flow risks arising from its trading activities. The Association does not enter into any hedging transactions and no trading in financial instruments is undertaken.

**DISCLOSURE OF INFORMATION TO THE AUDITOR**

In the case of each of the persons who are Board Members of the Association at the date when this report was approved:

- so far as each of the Board Members are aware, there is no relevant audit information of which the Association's auditor is unaware; and
- each of the Board Members has taken all the steps that they ought to have taken as a Board Member to make them aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

Approved by the Board on 20 August 2018 and signed on its behalf by:

**Phil Knight (Chair)**

A handwritten signature in black ink, appearing to be 'Phil Knight', written over a horizontal line. The signature is stylized and somewhat abstract.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED

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## Opinion

We have audited the financial statements of St Peter's (Saltley) Housing Association Limited (the 'association') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 2018 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of 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.

## 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 Board is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED**

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**Responsibilities of the Board**

As explained more fully in the Statement of the Board's responsibilities set out on page 4, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board 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 intends 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standard.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of the audit report**

This report is made solely to the association's members as a body in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014 and Chapter 4 of Part 2 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body for our audit work, for this report, or for the opinions we have formed.

Mazars UP

Mazars LLP  
Chartered Accountants and Statutory Auditor  
45 Church Street  
Birmingham  
B3 2RT

06 September 2018

**ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**

**For the year ended 31 March 2018**

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	Notes	2018 £	2017 £
<b>TURNOVER</b>	3	787,149	797,601
Operating costs	3	<u>(669,293)</u>	<u>(671,453)</u>
<b>OPERATING SURPLUS</b>	3	117,856	126,148
Finance income		596	1,147
Interest and financing costs	5	<u>(6,150)</u>	<u>(10,101)</u>
<b>Surplus for the year</b>		112,302	117,194
Actuarial gain / (loss) in respect of the pension scheme	16	1,000	(3,000)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>113,302</u>	<u>114,194</u>

ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION

At 31 March 2018

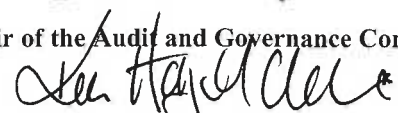
	Notes	2018 £	2017 £
<b>TANGIBLE FIXED ASSETS</b>			
Housing properties – cost less depreciation	9	5,999,869	5,960,728
Other property, plant & equipment	9	68,489	64,218
<b>TOTAL FIXED ASSETS</b>		<b>6,068,358</b>	<b>6,024,946</b>
<b>CURRENT ASSETS</b>			
Debtors	10	10,114	8,556
Cash at bank and in hand		369,908	544,379
		<b>380,022</b>	<b>552,935</b>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	11	<b>(335,764)</b>	<b>(244,091)</b>
<b>NET CURRENT ASSETS</b>		<b>44,258</b>	<b>308,844</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>6,112,616</b>	<b>6,333,790</b>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	12	<b>(4,837,549)</b>	<b>(5,172,030)</b>
<b>NET ASSETS</b>		<b>1,275,067</b>	<b>1,161,760</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	15	34	29
Revenue reserves		1,275,033	1,161,731
<b>TOTAL CAPITAL AND RESERVES</b>		<b>1,275,067</b>	<b>1,161,760</b>

The financial statements on pages 8 to 25 were approved by the Board of Management on 20 August 2018 and were signed on its behalf by:

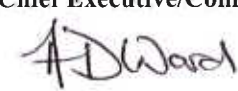
Phil Knight (Chair)



Ken Hazeldene (Chair of the Audit and Governance Committee)



Andrea Ward (Chief Executive/Company Secretary)



**ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED**

**STATEMENT OF CHANGES IN RESERVES**  
**For the year ended 31 March 2018**

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	<b>Revenue reserves 2018 £</b>	<b>Revenue reserves 2017 £</b>
<b>BALANCE AT 1 APRIL 2017</b>	<b>1,161,731</b>	<b>1,047,537</b>
Surplus from statement of comprehensive income	<b>113,302</b>	<b>114,194</b>
<b>BALANCE AT 31 MARCH 2018</b>	<b><u>1,275,033</u></b>	<b><u>1,161,731</u></b>

**ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED**

**STATEMENT OF CASH FLOWS**  
For the year ended 31 March 2018

	Notes	2018		2017	
		£	£	£	£
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>A</b>		<b>249,459</b>		<b>158,839</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Interest received		596		1,147	
Interest paid		(6,150)		(10,101)	
Housing loan repaid		(20,265)		(18,313)	
Share capital issued		5		1	
			<b>(25,814)</b>		<b>(27,266)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Works to housing properties		(385,006)		(32,099)	
Purchase of other fixed assets		(13,110)		(1,990)	
			<b>(398,116)</b>		<b>(34,089)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>			<b>(174,471)</b>		<b>97,484</b>
Cash and cash equivalents at the beginning of the year			<b>544,379</b>		<b>446,895</b>
Cash and cash equivalents at the end of the year			<b>369,908</b>		<b>544,379</b>

**A) RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2018	2017
	£	£
Operating surplus for the year	<b>117,856</b>	126,148
Movement in debtors	<b>(1,558)</b>	3,614
Movement in creditors	<b>96,554</b>	6,013
Depreciation	<b>182,684</b>	182,303
Defined benefit scheme	<b>1,000</b>	(3,000)
Amortisation of capital grants	<b>(147,945)</b>	(150,751)
Shared capital written off	-	(2)
(Decrease)/increase in provisions	<b>(16,000)</b>	(9,000)
Loss on disposal of tangible fixed assets	-	3,514
Loss on write off of components	<b>16,868</b>	-
Net cash inflow from operating activities	<b>249,459</b>	<b>158,839</b>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

**1. ACCOUNTING POLICIES**

**(a) Basis of accounting**

The financial statements are prepared under the historical cost convention, in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015, the Statement of Recommended Practice for Registered Social Housing Providers 2014 (SORP) and the Housing and Regeneration Act 2008. St Peter's (Saltley) Housing Association is a public benefit entity (PBE), as defined in FRS 102 and applies the relevant paragraphs prefixed "PBE" in FRS 102.

**(b) Statement of compliance**

St Peter's (Saltley) Housing Association has prepared its financial statements in accordance with FRS 102.

**(c) Turnover**

Turnover primarily represents rents and service charges receivable (net of losses from voids), Supporting People Grant, Amortisation of Government Grants together with sundry sources of income.

**(d) Depreciation and impairment**

***Housing Properties***

Freehold land is not depreciated. Depreciation is charged so as to write off the cost of freehold housing properties, to their estimated residual value on a straight line basis over their expected useful economic lives as follows:

General needs houses-structure: 100 years

Major components are treated as separable assets and depreciated over their expected useful life as follows:

Roof:	70 years	Electrical installations:	40 years
Kitchens:	30 years	Lifts:	30 years
Bathrooms:	30 years	Windows:	30 years
Central Heating:	30 years	Boilers:	15 years

Properties held on long lease are depreciated over the remaining life of the lease (97 years).

***Impairment of social housing properties***

Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential.

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of asset exceeds its recoverable amount, an impairment loss is recognised in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

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**1. ACCOUNTING POLICIES (Continued)**

***Other property, plant & equipment (PP&E)***

Depreciation is calculated to write off the cost of other PP&E over their estimated useful lives as follows:

Office fixtures and fittings	- 20% reducing balance
Computer equipment	- 33½% straight line
Security system	- 10% straight line

**(e) Social Housing Grant (SHG) and other grants**

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Grants received for housing properties are recognised in income over the expected useful life of the housing property structure.

Grants received from non-government sources are recognised as revenue using the performance model.

**(f) Improvements to properties**

Expenditure on existing housing properties, other than the replacement of components, is capitalised when it:

- Relates to a major overhaul of the property.
- Improves the economic benefit of the asset either through an increase in rental income, a reduction in maintenance costs or through an extension of the life of the property.

**(g) Interest and financing costs**

Interest charges incurred on the financing of housing properties are capitalised up to the date of practical completion. Interest charges arising after that date are charged to the income and expenditure account.

**(h) Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and demand deposits, together with other short term, highly liquid investments that are readily known amounts of cash and are subject to an insignificant risk of change in value.

**(i) Operating leases**

Rentals payable under operating leases are charged on a straight line basis over the term of the lease.

**(j) Pension costs**

The Association participates in an industry wide multi-employer defined benefit scheme where the scheme assets and liabilities cannot be separately identified for each employer. This is accounted for as a defined contribution scheme as there is insufficient information available to account for the scheme as defined benefit. For this multi-employer scheme, there is contractual agreement between the scheme and the Association that determines how the deficit will be funded and as liability is recognised in the Statement Of Financial Position and the resulting expense in a surplus or deficit in the Statement Of Comprehensive Income for the present value of the contributions payable that arise from the agreement to the extent that relate to the deficit.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

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**1. ACCOUNTING POLICIES (Continued)**

**(k) Financial instruments**

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

***Financial assets carried at amortised cost***

Financial assets carried at amortised cost comprise rent arrears, trade and other receivables and cash and cash equivalents. Financial assets are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss, the amount of the loss is measured as 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. The carrying amount of the asset is reduced accordingly.

A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and reward are transferred.

If an arrangement constitutes a financing transaction, the financial asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

***Financial liabilities carried at amortised cost***

These financial liabilities include trade and other payables and interest bearing loans and borrowings.

Non-current debt instruments which meet the necessary conditions in FRS 102, are initially recognised at fair value adjusted for any directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in the Statement of Comprehensive Income. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

***Financing transactions***

For rent arrears where the arrangement constitutes, in effect, a financing transaction because of extended credit arrangements the arrears are measured at the present value of the future payments discounted at an appropriate market rate of interest.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

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**2. SIGNIFICANT MANAGEMENT JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

*Provisions*

Provision is made for rent arrears that are considered uncollectable. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

*Components of housing properties and useful lives*

Major components of housing properties have significantly different patterns of consumption of economic benefits and estimates are made to allocate the initial cost of the property to its major components and to depreciate each component separately over its useful economic life. The Association considers whether there are any indications that the useful lives require revision at each reporting date to ensure that they remain appropriate.

ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

3. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	2018		
	Turnover £	Operating costs £	Operating surplus £
<b>INCOME AND EXPENDITURE FROM LETTINGS</b>			
Housing accommodation (Note 3a)	748,889	(639,473)	109,416
<b>OTHER INCOME AND EXPENDITURE</b>	38,260	(29,820)	8,440
Other			
<b>TOTAL</b>	<b>787,149</b>	<b>669,293</b>	<b>117,856</b>
	2017		
	Turnover £	Operating costs £	Operating surplus £
<b>INCOME AND EXPENDITURE FROM LETTINGS</b>			
Housing accommodation (Note 3a)	762,257	(660,426)	101,831
<b>OTHER INCOME AND EXPENDITURE</b>	35,344	(11,027)	24,317
Other			
<b>TOTAL</b>	<b>797,601</b>	<b>(671,453)</b>	<b>126,148</b>

3a INCOME AND EXPENDITURE FROM LETTINGS

	2018 £	2017 £
<b>Income from lettings - Housing accommodation</b>		
Rent receivable	439,425	442,593
Service charges receivable (incl' SP income)	161,519	168,913
Amortisation of government grants (Note 13)	147,945	150,751
Total income from lettings	748,889	762,257
<b>Expenditure on letting activities - Housing accommodation</b>		
Services	136,163	143,864
Management	202,277	201,130
Routine maintenance	98,772	97,860
Major repairs expenditure	27,030	33,889
Rent losses from bad debts	2,387	1,690
Depreciation of housing properties	173,844	172,993
Movement on pension provision	(1,000)	9,000
Total expenditure on lettings	639,473	660,426
<b>Operating surplus on letting activities</b>	<b>109,416</b>	<b>101,831</b>
Rent losses from voids	4,258	1,978

ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

4. SURPLUS FOR THE YEAR

	2018	2017
	£	£
<b>The surplus for the year is stated:</b>		
<b>after charging / (crediting):</b>		
Depreciation of tangible fixed assets	182,684	182,303
Amortisation of government grants	(147,945)	(150,751)
Loss on disposal of fixed assets	-	3,514
Auditors' remuneration - audit services	4,825	4,685
(excluding VAT) - other services	-	-
	<u>182,684</u>	<u>182,303</u>

5. INTEREST AND FINANCING COSTS

	2018	2017
	£	£
On loan repayable wholly or partly within five years	5,150	7,101
Defined benefit pension charge	1,000	3,000
	<u>6,150</u>	<u>10,101</u>

6. TAXATION

No taxation charge arises as the Association has been granted charitable status by HM Revenue & Customs.

ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

7. STAFF COSTS

	2018	2017
	£	£
<b>Staff costs including directors:</b>		
Wages and salaries	165,896	159,928
Social security costs	14,381	11,060
Pension and other costs	20,928	20,877
	<u>201,205</u>	<u>191,865</u>
	<b>Number</b>	<b>Number</b>
<b>Average number of persons expressed as full time equivalents (including the directors) employed during the year:</b>		
Office staff	4	4
Service staff	2	2
	<u>6</u>	<u>6</u>
Total employees	<u>6</u>	<u>6</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

**8. DIRECTORS' AND THE EXECUTIVE OFFICERS' EMOLUMENTS**

	<b>2018</b>	2017
	£	£
Emoluments (including pension contributions and benefits in kind)	<u><b>50,462</b></u>	<u>47,079</u>

**The emoluments of directors and the executive officers disclosed above (excluding pension contributions and benefits in kind) include amounts paid to:**

The highest paid director – Chief Executive Officer (CEO)	<u><b>48,827</b></u>	<u>45,000</u>
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The Chief Executive Officer is an ordinary member of the Social Housing Pension Scheme and no enhanced or special terms apply. The Association does not make any further contributions to the individual pension arrangements of the Chief Executive Officer.

**Board member emoluments**

	<b>2018</b>	2017
	£	£
Emoluments	<u><b>2,500</b></u>	<u>2,500</u>

Only the Chair of the Board receives emoluments for participating on the Board. Payment of the emoluments to the Chair commenced in December 2015. The Chair does not participate in the Social Housing Pension Scheme.

ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

9. TANGIBLE FIXED ASSETS

	Housing properties for letting £	Other property, plant & equipment £	Total £
<b>COST</b>			
At 31 March 2017	7,604,333	195,992	7,800,325
Additions	385,006	13,110	398,116
Disposals	(267,555)	-	(267,555)
<b>At 31 March 2018</b>	<b><u>7,721,784</u></b>	<b><u>209,102</u></b>	<b><u>7,930,886</u></b>
<b>DEPRECIATION</b>			
At 31 March 2017	1,643,605	131,774	1,775,379
Charge for year	173,844	8,840	182,684
Eliminated on disposals	(95,534)	-	(95,534)
<b>At 31 March 2018</b>	<b><u>1,721,915</u></b>	<b><u>140,614</u></b>	<b><u>1,862,529</u></b>
<b>NET BOOK VALUE</b>			
<b>At 31 March 2018</b>	<b><u>5,999,869</u></b>	<b><u>68,489</u></b>	<b><u>6,068,358</u></b>
At 31 March 2017	<u>5,960,728</u>	<u>64,218</u>	<u>6,024,946</u>
<b>The net book value of housing properties above comprises:</b>			
Freehold		347,880	
Leasehold		5,651,989	
		<u>5,999,869</u>	
<b>Expenditure on housing properties for letting comprises:</b>			
		£	
Replacement of components		42,200	
Routine maintenance (note 3a)		34,327	
Major repairs expenditure (note 3a)		44,259	
Total works to completed properties		<u>120,786</u>	

**ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2018

**10. DEBTORS**

	2018 £	2017 £
<b>Amounts falling due within one year:</b>		
Rental and service charge debtors	13,269	9,442
Less: provision for bad debts	(6,759)	(4,803)
	<u>6,511</u>	<u>4,639</u>
Other debtors	2,755	2,270
HAPM insurance prepaid	848	1,647
	<u>10,114</u>	<u>8,556</u>

**11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2018 £	2017 £
Loan principal	16,237	18,313
Other creditors	136,413	51,439
Dilapidation provision	26,832	13,416
Prepaid rent	8,337	10,172
Government grants (note 13)	147,945	150,751
	<u>335,764</u>	<u>244,091</u>

**12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2018 £	2017 £
Pension provision	96,000	112,000
Housing Loans	14,874	33,063
Government grants (note 13)	4,726,675	5,026,967
	<u>4,837,549</u>	<u>5,172,030</u>

Housing loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest between 9.5% and 12.25% as follows:

	2018 £	2017 £
<b>Amounts repayable by instalments:</b>		
Repayable between two and five years	14,874	33,063
Repayable after five years	-	-
	<u>14,874</u>	<u>33,063</u>

ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

13. GOVERNMENT GRANTS – DEFERRED INCOME

	2018 £	2017 £
At 1 April 2017	5,177,718	5,350,002
Amortisation to statement of comprehensive income	(147,945)	(150,751)
Elimination of grant on disposals	(155,153)	(21,533)
	<u>4,874,620</u>	<u>5,177,718</u>
At 31 March 2018	<u>4,874,620</u>	<u>5,177,718</u>
Due < 1 year	<u>147,945</u>	<u>150,751</u>
Due > 1 year	<u>4,726,675</u>	<u>5,026,967</u>

The cumulative amount of SHG received by the Association was £6,749,254.

14. FINANCIAL INSTRUMENTS

The carrying values of the Company's financial assets and liabilities are summarised by category below:

**Financial assets**

Measured at undiscounted amount receivable

- Rent arrears and other debtors (see note 10)

**Financial liabilities**

Measured at amortised cost

- Loans payable (see note 12)

Measured at undiscounted amount payable

- Trade and other creditors (see note 11)

15. SHARE CAPITAL

	2018 £	2017 £
At 31 March 2017	29	30
Issued during the year	5	1
	<u>34</u>	<u>31</u>
Forfeited during the year	-	(2)
	<u>34</u>	<u>29</u>
At 31 March 2018	<u>34</u>	<u>29</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

**16. PENSION OBLIGATIONS**

St Peter's (Saltley) Housing Association Limited participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to address the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

A full actuarial valuation has been carried out as at 30 September 2014. This valuation was certified on 23 November 2015 and showed assets of £3,123m (2011 valuation £2,062m), liabilities of £4,446m (2011 £3,097m) and a deficit of £1,323m (2011 £1,035m). To eliminate this funding shortfall the Association, along with other participating employers, has agreed to make additional payment to the SHPS to make good the past service deficit. These contributions will be payable for a number of years and a provision of £112,000 (£121,000 at 31 March 2016). The provision reflects the discounted net present value of future payments and has been calculated using a discount rate of 1.33% (2.06% at 31 March 2016) based on AA corporate bond rates for the same period.

***Deficit contributions***

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

Where the scheme is in deficit and where the Association has agreed to a deficit funding arrangement the Association 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.

**Present value of provision**

	<b>2018</b>	2017
	<b>£</b>	£
Present value of provision	<b>96,000</b>	112,000

**Reconciliation of opening and closing provisions**

	<b>2018</b>	2017
	<b>£</b>	£
Provision at start of year	<b>112,000</b>	121,000
Unwinding of the discount factor (interest expense)	<b>1,000</b>	3,000
Deficit contribution paid	<b>(16,000)</b>	(15,000)
Remeasurements – impact of any change in assumptions	<b>(1,000)</b>	3,000
Remeasurements – amendments to the contribution schedule	-	-
<b>Provision at end of year</b>	<b>96,000</b>	112,000

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 16. PENSION OBLIGATIONS (CONTINUED)

## STATEMENT OF COMPREHENSIVE INCOME IMPACT

	Period Ending 31 March 2018 (£000s)	Period Ending 31 March 2017 (£000s)
Interest expense	1	3
Remeasurements – impact of any change in assumptions	(1)	3
Remeasurements – amendments to the contribution schedule	-	-
Contributions paid in respect of future service*	<u>-</u>	<u>-</u>
Costs recognised in the SOCI	<u>-</u>	<u>6</u>

## ASSUMPTIONS

	31 March 2018 % per annum	31 March 2017 % per annum	31 March 2016 % per annum
Rate of discount	1.72	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 as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

## 17. CAPITAL COMMITMENTS

	2018 £	2017 £
Capital expenditure contracted for but not provided for in the financial statements	<u>-</u>	<u>-</u>
Capital expenditure authorised but not yet contracted for in the financial statements	<u>106,623</u>	<u>395,600</u>

## 18. OTHER FINANCIAL COMMITMENTS

At 31 March 2017 the Association was committed to making the following payments under non-cancellable operating leases.

	Land & buildings		Other	
	2018 £	2017 £	2018 £	2017 £
<b>Operating leases which expire:</b>				
Within one year	8,754	11,672	2,550	6,120
Within two to five years	41,823	8,754	-	2,550
	<u>50,577</u>	<u>20,426</u>	<u>2,550</u>	<u>8,670</u>

**ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2018**

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**19. UNITS IN MANAGEMENT AND DEVELOPMENT**

	<b>2018</b>	2017
	<b>Number</b>	Number
<b>All social housing units:</b>		
Under management at the year end	<u><b>105</b></u>	<u>105</u>

**20. RELATED PARTY TRANSACTIONS**

One tenant also served on the Board during the year. They rent properties from the Association under the same terms and conditions as all tenants in similar properties.

Ken Hazeldene, Board member during the year, is also a Trustee of The Urban Village Trust. The Association leases its office premises from the Trust, this lease agreement is on normal commercial terms, and no special rates apply.

**21. LEGISLATIVE PROVISIONS**

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014.