

Registered number: 24640R

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

Financial statements

Year ended 31 March 2019

ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED

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ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED

INFORMATION

BOARD OF MANAGEMENT

Ken Hazeldene (Chair from Sep 18)

Lisa Barnes (Vice Chair)

Faisal Nasim

Mark Pinnell

Alan Hamer

Kerric Porter

Jon Dickin

CHIEF EXECUTIVE

Andrea Ward

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

ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED

STRATEGIC REPORT

The Board present their Strategic Report incorporating the Board Report and the financial statements for the year ended 31 March 2019.

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 41 flats for the over 50s, and 6 houses nearby. The Association also leases two hostels providing 43 units of homeless accommodation managed on St Peter's behalf by Spring Housing.

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 £162,312 compared to an operating surplus of £117,856 in the previous year. The increase is mainly due to income received from the arrangement with Spring Housing.

THE BOARD OF MANAGEMENT

The members, who are non-executive directors, set out below have held office during the whole of the period from 1st April 2018 to the date of this report unless otherwise stated.

Phil Knight (to September 2018)
Ken Hazeldene
Lisa Barnes
Mark Pinnell
Alan Hamer
Faisal Nasim
Kerrie Porter (from September 2018)
Jon Dickin (from September 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, Spring Housing. This equates to 18% of our total income. This 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 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 ST PETERS PERFORMANCE AGAINST REGULATORY METRICS

Metric	2017/18	2018/19	Peer Group Medium *
Business Health			
Operating Margin % (overall)	15.0%	18.7%	21.9%
Operating Margin (social housing lettings)	14.6%	18.7%	22.74%
EBITDA MRI interest cover %	-50.7	41.2%	231%
Development (Capacity and Supply)			
New supply delivered %	0%	0%	0%
Gearing %	-6%	-7%	17.07%
Effective Asset Management			
ROCE	1.9%	2.6%	2.72%
Operating efficiency			
Headline social housing cost per unit	£8,075	£5,556	£4,358
Community Investment			
Reinvestment %	7%	1%	2.42%

Metric	2017/18	2018/19	Peer Group Medium *
Outcomes Delivered			
Customer satisfaction with St Peters as a landlord	100%	100%	94.5%
Customer satisfaction with Repairs service	100%	100%	97%
Number of individual	179	141	N/A

ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED

STRATEGIC REPORT

tenant support cases managed per year.			
To maintain our minimum cash balance of £125,000	£341,000	£398,000	N/A

* Peer group includes 12 West Midlands smaller housing associations (largely less than 1,000 stock) with a profile similar to St Peters.

St Peters operating margin improved from 2017/18. This has mainly resulted from the increased other income related to the Spring arrangement. However, the impact of utilising consultancy services and rent reductions has reduced the operating margin (social housing lettings) compared to the peer group median. The EBITDA MRI interest cover measure is a key indicator for liquidity and investment capacity. Although St Peters scored lower compared to the peer group medium, there is considerable headroom to service debt interest from cash in bank. St Peters negative gearing is a result of low debt levels and large cash reserves. The Headline social housing cost per unit is likely rise as St Peters continues to invest to make stock improvements.

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 2019 an external health and safety audit took place that evidenced high levels of health and safety compliance including Fire Risk Assessment assurance 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 NHF 2015 Code of Governance. In June 2018 the Board adopted HQN's Alternative Merger Code regarding 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.

ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED

STRATEGIC REPORT

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 Audit and Governance Committee on the 12th August and the Board on 16th September 2019 and signed on its behalf by:


Ken Hazeldene (Chair)

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

Opinion

We have audited the financial statements of St Peter's (Saltley) Housing Association Limited (the 'association') for the year ended 31 March 2019 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 2019 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.

The impact of uncertainties due to Britain exiting the European Union on our audit

The terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Association's trade, tenants, suppliers and the wider economy.

We considered the impact of Brexit on the Association as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Association's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible implications for the Association and this is particularly the case in relation to Brexit.

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.

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

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.

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. 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 LLP

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

23 / 9 2019

ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 March 2019

	Notes	2019 £	2018 £
TURNOVER	3	870,106	787,149
Operating costs	3	(707,794)	(669,293)
OPERATING SURPLUS	3	162,312	117,856
Finance income		749	596
Interest and financing costs	5	(6,090)	(6,150)
Surplus for the year		156,971	112,302
Other comprehensive income			
Actuarial (loss)/gain in respect of the pension scheme	16	(30,000)	1,000
Initial recognition of defined benefit pension scheme - SHPS		(28,000)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		98,971	113,302


ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION
At 31 March 2019

	Notes	2019 £	2018 £
TANGIBLE FIXED ASSETS			
Housing properties – cost less depreciation	9	5,857,818	5,999,869
Other property, plant & equipment	9	68,330	68,489
TOTAL FIXED ASSETS		5,926,148	6,068,358
CURRENT ASSETS			
Debtors	10	20,983	10,114
Cash at bank and in hand		400,617	369,908
		421,600	380,022
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(254,168)	(335,764)
NET CURRENT ASSETS		167,432	44,258
TOTAL ASSETS LESS CURRENT LIABILITIES		6,093,580	6,112,616
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	12	(4,719,536)	(4,837,549)
NET ASSETS		1,374,044	1,275,067
CAPITAL AND RESERVES			
Share capital	15	40	34
Revenue reserves		1,374,004	1,275,033
TOTAL CAPITAL AND RESERVES		1,374,044	1,275,067

The financial statements on pages 8 to 25 were approved by the Board of Management on 16.9.19 and were signed on its behalf by:

Ken Hazeldene (Chair)



Faisal Nasim (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 2019

	Revenue reserves 2019 £	Revenue reserves 2018 £
BALANCE AT 1 APRIL 2018	1,275,033	1,161,731
Surplus from statement of comprehensive income	98,971	113,302
BALANCE AT 31 MARCH 2019	<u>1,374,004</u>	<u>1,275,033</u>

ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS
For the year ended 31 March 2019

	Notes	2019		2018	
		£	£	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	A		126,693		249,459
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest received		749		596	
Interest paid		(6,090)		(6,150)	
Housing loan repaid		(16,236)		(20,265)	
Share capital issued		4		5	
			<u>(21,573)</u>		<u>(25,814)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Works to housing properties		(64,437)		(385,006)	
Purchase of other fixed assets		(9,974)		(13,110)	
			<u>(74,411)</u>		<u>(398,116)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS			<u>30,709</u>		<u>(174,471)</u>
Cash and cash equivalents at the beginning of the year			<u>369,908</u>		<u>544,379</u>
Cash and cash equivalents at the end of the year			<u><u>400,617</u></u>		<u><u>369,908</u></u>

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

	2019	2018
	£	£
Operating surplus for the year	162,312	117,856
Movement in debtors	(10,869)	(1,558)
Movement in creditors	(76,381)	96,554
Depreciation	187,558	182,684
Defined benefit scheme	-	1,000
Amortisation of capital grants	(141,242)	(147,945)
Loss on write off of components	5,315	868
Net cash inflow from operating activities	<u><u>126,693</u></u>	<u><u>249,459</u></u>

ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

I. 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

Domestic fixtures and fittings: 5 to 15 years dependent on asset type.

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.

ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2019

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	- 33⅓% 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

Multi-employer defined benefit pension scheme – Social Housing Pension Scheme

The Association participates in an industry wide multi-employer defined benefit pension scheme. From 2018/19 participants have been advised of their fair share of the assets in the pension scheme as well as their obligations as participants of the scheme. The employer is required to recognise the surplus or deficit in the Statement of Financial Position and the resulting expense in surplus or deficit in the Statement of Comprehensive Income. Any changes that arise as a result of actuarial assumptions is recognised as Other Comprehensive Income. Note 16 reflects the Association's fair share of assets and obligations.

ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

I. 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.

ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

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 2019

3. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	2019		
	Turnover £	Operating costs £	Operating surplus £
INCOME AND EXPENDITURE FROM LETTINGS			
Housing accommodation (Note 3a)	731,475	(595,024)	136,451
OTHER INCOME AND EXPENDITURE	138,631	(112,770)	25,861
Other			
TOTAL	870,106	(707,794)	162,312
	2018		
	Turnover £	Operating costs £	Operating surplus £
INCOME AND EXPENDITURE FROM LETTINGS			
Housing accommodation (Note 3a)	748,889	(639,473)	109,416
OTHER INCOME AND EXPENDITURE	38,260	(29,820)	8,440
Other			
TOTAL	787,149	(669,293)	117,856

3a INCOME AND EXPENDITURE FROM LETTINGS

	2019 £	2018 £
Income from lettings - Housing accommodation		
Rent receivable	435,509	439,425
Service charges receivable (incl' SP income)	154,724	161,519
Amortisation of government grants (Note 13)	141,242	147,945
Total income from lettings	731,475	748,889
Expenditure on letting activities - Housing accommodation		
Services	108,534	136,163
Management	221,993	202,277
Routine maintenance	48,802	98,772
Major repairs expenditure	32,445	27,030
Rent losses from bad debts	509	2,387
Depreciation of housing properties	177,426	173,844
Movement on pension provision	-	(1,000)
Write off of components	5,315	-
Total expenditure on lettings	595,024	639,473
Operating surplus on letting activities	136,451	109,416
Rent losses from voids	2,758	4,258

4. SURPLUS FOR THE YEAR

ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

	2019	2018
	£	£
The surplus for the year is stated:		
after charging / (crediting):		
Depreciation of tangible fixed assets	187,558	182,684
Amortisation of government grants	(141,242)	(147,945)
Loss on disposal of fixed assets	-	-
Auditors' remuneration - audit services	4,970	4,825
(excluding VAT) - other services	-	-
	<u> </u>	<u> </u>
5. INTEREST AND FINANCING COSTS		
	2019	2018
	£	£
On loan repayable wholly or partly within five years	3,090	5,150
Defined benefit pension charge	3,000	1,000
	<u> </u>	<u> </u>
	<u>6,090</u>	<u>6,150</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 2019

7. STAFF COSTS

	2019 £	2018 £
Staff costs including directors:		
Wages and salaries	176,629	165,896
Social security costs	15,639	14,381
Pension and other costs	24,281	20,928
	<u>216,549</u>	<u>201,205</u>
	Number	Number
Average number of persons expressed as full time equivalents (including the directors) employed during the year:		
Office staff	4	4
Service staff	2	2
	<u>6</u>	<u>6</u>
Total employees	<u>6</u>	<u>6</u>

ST PETER'S (SALILEY) HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

8. DIRECTORS' AND THE EXECUTIVE OFFICERS' EMOLUMENTS

	2019 £	2018 £
Emoluments (including pension contributions and benefits in kind)	<u>51,556</u>	<u>50,462</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>50,055</u>	<u>48,827</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

	2019 £	2018 £
Emoluments	<u>2,500</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 2019

9. TANGIBLE FIXED ASSETS

	Housing properties for letting £	Other property, plant & equipment £	Total £
COST			
At 31 March 2018	7,721,784	209,102	7,930,886
Additions	64,437	9,974	74,411
Disposals	(54,249)	-	(54,249)
At 31 March 2019	<u>7,731,972</u>	<u>219,076</u>	<u>7,951,048</u>
DEPRECIATION			
At 31 March 2018	1,721,915	140,614	1,862,529
Charge for year	177,426	10,132	187,558
Eliminated on disposals	(25,187)	-	(25,187)
At 31 March 2019	<u>1,874,154</u>	<u>150,746</u>	<u>2,024,900</u>
NET BOOK VALUE			
At 31 March 2019	<u>5,857,818</u>	<u>68,330</u>	<u>5,926,148</u>
At 31 March 2018	<u>5,999,869</u>	<u>68,489</u>	<u>6,068,358</u>
		£	
The net book value of housing properties above comprises:			
Freehold		339,843	
Leasehold		<u>5,517,975</u>	
		<u>5,857,818</u>	
Expenditure on housing properties for letting comprises: £			
Replacement of components		64,437	
Routine maintenance (note 3a)		48,802	
Major repairs expenditure (note 3a)		<u>32,445</u>	
Total works to completed properties		<u>145,684</u>	

ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

10. DEBTORS

	2019 £	2018 £
Amounts falling due within one year:		
Rental and service charge debtors	14,548	13,269
Less: provision for bad debts	(7,267)	(6,759)
	<u>7,281</u>	<u>6,511</u>
Other debtors	13,426	2,755
HAPM insurance prepaid	276	848
	<u>20,983</u>	<u>10,114</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Loan principal	7,728	16,237
Other creditors	94,741	136,413
Dilapidation provision	-	26,832
Prepaid rent	10,457	8,337
Government grants (note 13)	141,242	147,945
	<u>254,168</u>	<u>335,764</u>

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

	2019 £	2018 £
Pension provision	144,000	96,000
Housing Loans	7,147	14,874
Government grants (note 13)	4,568,389	4,726,675
	<u>4,719,536</u>	<u>4,837,549</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:

	2019 £	2018 £
Amounts repayable by instalments:		
Repayable between two and five years	7,147	14,874
Repayable after five years	-	-
	<u>7,147</u>	<u>14,874</u>

ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

13. GOVERNMENT GRANTS – DEFERRED INCOME

	2019 £	2018 £
At 1 April 2018	4,874,620	5,177,718
Amortisation to statement of comprehensive income	(141,242)	(147,945)
Elimination of grant on disposals	(23,748)	(155,153)
	<u>4,709,630</u>	<u>4,874,620</u>
At 31 March 2019	<u>4,709,630</u>	<u>4,874,620</u>
Due < 1 year	<u>141,242</u>	<u>147,945</u>
Due > 1 year	<u>4,568,388</u>	<u>4,726,675</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

	2019 £	2018 £
At 31 March 2018	34	29
Issued during the year	6	5
	<u>40</u>	<u>34</u>
Forfeited during the year	-	-
At 31 March 2019	<u>40</u>	<u>34</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

16. PENSION OBLIGATIONS

The company participates in the Social Housing Pension Scheme (the Scheme), a multi- employer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

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

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

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

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

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

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

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

	31 March 2019	31 March 2018
	(£'000s)	(£'000s)
Fair value of plan assets	458	440
Present value of defined benefit obligation	602	564
Surplus /(deficit) in plan	(144)	(124)
Unrecognised surplus	-	-
Defined benefit asset /(liability) to be recognised	(144)	(124)

ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT

OBLIGATION

Year ended 31 March 2019 (£000s)	
Defined benefit obligation at start of year	564
Current service cost	10
Expenses	2
Interest expense	14
Contributions by plan participants	6
Actuarial losses (gains) due to scheme experience	(1)
Actuarial losses (gains) due to changes in demographic assumptions	2
Actuarial losses (gains) due to changes in financial assumptions	33
Benefits paid and expenses	(28)
Defined benefit obligation at end of year	602

ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

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

Year ended 31 March 2019 (£000s)

Fair value of plan assets at start of year	440
Interest income	11
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	4
Contributions by the employer	25
Contributions by plan participants	6
Benefits paid and expenses	(28)
Fair value of plan assets at end of year	458

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £15,000.

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

Year from 31 March 2018 to 31 March 2019 (£000s)

Current service cost	10
Expenses	2
Net interest expense	3
Defined benefit costs recognised in statement of comprehensive income (SOCl)	15

ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

Year ended 31 March 2019 (£000s)	
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	4
Experience gains and losses arising on the plan liabilities - gain (loss)	1
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(2)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(33)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(30)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in other comprehensive income - gain (loss)	(30)

ASSETS

	31 March 2019 (£'000s)	31 March 2018 (£'000s)
Global Equity	77	87
Absolute Return	40	54
Distressed Opportunities	8	4
Credit Relative Value	8	-
Alternative Risk Premia	27	17
Fund of Hedge Funds	2	15
Emerging Markets Debt	16	18
Risk Sharing	14	4
Insurance-Linked Securities	13	12
Property	10	20
Infrastructure	24	11
Private Debt	6	4
Corporate Bond Fund	21	18
Long Lease Property	7	-
Secured Income	16	16
Over 15 Year Gilts	-	-
Liability Driven Investment	168	160
Net Current Assets	1	-
Total assets	458	440

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

ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

KEY ASSUMPTIONS

	31 March 2019	31 March 2018
	% per annum	% per annum
Discount Rate	2.29	2.54
Inflation (RPI)	3.30	3.20
Inflation (CPI)	2.30	2.20
Salary Growth	3.30	3.20

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2019	21.8
Female retiring in 2019	23.5
Male retiring in 2039	23.2
Female Allowance for commutation of pension for cash at retirement	24.7

ST PETER'S (SALTLEY) HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

17. CAPITAL COMMITMENTS

	2019 £	2018 £
Capital expenditure contracted for but not provided for in the financial statements	-	-
Capital expenditure authorised but not yet contracted for in the financial statements	<u>130,005</u>	<u>106,623</u>

18. OTHER FINANCIAL COMMITMENTS

At 31 March 2018 the Association was committed to making the following payments under non-cancellable operating leases.

	Land & buildings		Other	
	2019 £	2018 £	2019 £	2018 £
Operating leases which expire:				
Within one year	-	-	-	2,550
Within two to five years	<u>39,878</u>	<u>50,577</u>	-	-
	<u>39,878</u>	<u>50,577</u>	<u>-</u>	<u>2,550</u>

19. UNITS IN MANAGEMENT AND DEVELOPMENT

	2019 Number	2017 Number
All social housing units:		
Under management at the year end	<u>148</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.