Registered Provider of Social Housing No: LH0870
Registered Co-operative and Community Benefit Society No: 16849R

Gravesend Churches Housing Association Limited

Financial Statements

for the year ended 31 March 2020

Gravesend Churches Housing Association Limited

Board information

The Board	Stephen Harriott	Chair
	Ronak Kantaria	
	Monika Ziola	
	Eileen Martin	
	Nicola Bowen	
	Deborah Rolfe	
	Jim McLaughlin	
	Joseph Scullion	Chief Executive
Registered Provider of Social Housing No.	LH0870	
Registered Co-operative and Community Benefit Society No.	16849R	
Registered Office	14 London Road Northfleet Kent DA11 9JQ	
Auditors	Nexia Smith & Williamson 25 Moorgate London EC2R 6AY	
Bankers	Barclays Bank	
Solicitors	Sharratts (London) LLP 1 The Old Yard, Rectory Lane Brasted Westerham Kent TN16 1JP	Trowers & Hamlins LLP 3 Bunhill Row London EC1Y 8YZ
	Batchelors 35 Widmore Road Bromley Kent BR1 1RW	

Gravesend Churches Housing Association Limited

Contents

Gravesend Churches Housing Association Limited

Board Report
for the Year Ended 31 March 2020

The Board present their report and the financial statements for the year ended 31 March 2020.

Principal activity
The principal activity of the Association is the provision and management of social rented homes to those in housing need within the communities where the Association operates.

Corporate governance
Gravesend Churches Housing Association Limited (GCHA) has adopted the National Housing Federation Code of Governance 2015 and are fully compliant with all areas of the code.

The Board
The Board who served during the year and up to the date of signature are as stated below:

		Year appointed
Stephen Harriott	Chair	2017
Ronak Kantaria		2014
Monika Ziola		2017
Eileen Martin		2018
Nicola Bowen		2018
Deborah Rolfe		2018
Jim McLaughlin		2018
Joseph Scullion	Chief Executive	2018
Michelle Mullen	joined May 2020	2020
Anne Burke	resigned July 2019	2010

Our strategic objectives
Our vision is long term and aspirational and our core objectives are to:

- be a local housing provider working in partnership to provide homes for people in need;
- maintain high quality sustainable housing;
- deliver services that meet the needs and aspirations of our diverse communities; and
- remain a financially strong organisation, operating efficiently and providing value for money.

Governance and Financial Viability standard
The Board has assessed that GCHA is compliant with the Governance and Financial Viability standard, and regularly updates and reviews its thirty year business plan to ensure ongoing financial viability.

Value for money statement
GCHA continues to look to remain an independent association that delivers a high quality service for its tenants and is investing in both new properties and improvements to its existing stock. GCHA remains very aware of the need to operate efficiently and protect itself against anything that negatively impacts its operating environment.

The current covid-19 outbreak has highlighted that the organisation is in a strong position to absorb any negative impacts this brings. As an organisation that has been operating efficiently for many years, GCHA has limited opportunities for shorter term material savings, and has therefore been looking at areas of investment that will bring increased benefit in future years. This includes a new CRM environment, which is the IT system that records all of our operating processes. This will bring improved efficiencies for staff, freeing more time to directly support our tenants. A three star gas contract has also been tendered for and introduced from 1st April 2020. With the contractor taking calls directly, this will again reduce the need for central overhead resources. As the Board of GCHA looks to deliver the highest standards of safety for our tenants, these will bring future savings to offset a number of the increased investments in health & safety areas. It is in acknowledging that there is a balance to be held between quality and cost that GCHA looks to deliver a service that can be efficient, deliver safe places to live, bring high levels of tenant satisfaction and generate reserves to invest in both new and existing properties.

In presenting the value for money metrics for 2019-2020 we continue to use benchmark comparisons with both our local benchmark club, comprising 42 London based associations of under 1,000 units, alongside the Regulator of Social Housing's Global accounts median values for associations with under 2,500 units. Both sources are the most recently available, being from the 2018-19 annual accounts. Results and commentary are highlighted below:

1 REINVESTMENT %

	£					
Properties acquired	251,736		Housing properties			
Development of new properties	265,554		At cost	34,541,527		
Works to existing	389,558		At valuation	8,199,877		
Capitalise interest	-					A/B
	906,848	A		42,741,404	B	2.1%

SPBM median	3.7%	Global accounts <2,500 units	4.3%	GCHA 2018-19	3.2%

Whilst our reinvestment percentage has dropped from 3.2% to 2.1%, GCHA continues to replace all scheduled capital components. The reduction is a result of lower levels of spending on new developments, although this is expected to double in 2020-21 as new development schemes commence. GCHA has signed two new loan agreements within the year that have provided a further £15 million of funding for new properties. Whilst it had been hoped to have commenced on new schemes before the end of the year, the first scheme to be funded by these monies is now in the pipeline, although the project has suffered delays as a result of the Covid-19 outbreak. With further projects commencing, we anticipate that the total reinvestment figure will increase to at least 4% dependant on the timing of schemes.

2 NEW SUPPLY DELIVERED %

A		B	
New supply delivered (Social housing units)	1	New supply delivered (Non-social housing units)	0
Total social housing units managed at period end	567	Total non-social housing unit managed at period end	37
	0.2%		0.0%
SPBM median	0.0%	SPBM median	0.0%
Global accounts <2,500 median	0.6%	Global accounts <2,500 median	0.0%
GCHA 2018-2019	0.2%	GCHA 2018-2019	21.6%

As discussed in metric 1, GCHA is currently gearing up for another wave of new developments. Having only one addition in the year was below expectations, and not in line with the 69 units delivered in the last 8 years. Whilst the market has been challenging, the £15m new funding that has been put in place will ensure an increase in new units delivered as opportunities continue to arise. Should any dips take place in the housing market, GCHA will be well placed to take advantage of any opportunities that may deliver improved value for money. Whilst this has not been our best year, results are above the benchmark group median.

3 GEARING %

A		B		
Short term loans	583,374	Housing properties at cost	34,541,527	
Long term loans	12,030,171	Housing properties at valuation	8,199,877	C/D
	12,613,545 C		42,741,404 D	30%

SPBM median	10.2%	Global accounts <2,500 median	34.1%	GCHA 2018-2019	32%

GCHA's gearing reduced to 30% in the year, as increased levels of capital have been repaid on borrowings. This level of gearing now falls below the global average for associations under 2,500 units. Although it is somewhat above the SPBM figure, this is due to GCHA's proactive approach in delivering new housing units. GCHA anticipates that gearing will increase in the next 2 to 3 years as GCHA uses its assets to provide a new wave of much needed housing units. It is noted that financial covenants exist within our bank loans that ensure the level of gearing is maintained within sensible parameters and these are monitored on a monthly basis.

4 EARNINGS BEFORE INTEREST, TAX, DEPRECIATION, AMORTISATION, MAJOR REPAIRS INCLUDED (EBITDA MRI) INTEREST COVER %

	£		£	
Operating surplus/(deficit)	1,245,158	Capitalised interest in		
- Amortised government grant	(162,755)	housing properties	-	
+ Interest receivable and other income	3,327	+ Interest payable		
+ Total depreciation charge	565,098	and financing costs	682,920	
+ Decrease in value of investment property	(34,072)			E/F
	1,616,756 E		682,920 F	237%

SPBM median	517%	Global accounts <2,500 median	194%	GCHA 2018-2019	246%

Whilst the global accounts for <2500 units show a marked decline in the EBITDA MRI, dropping from 225% to 194%, GCHA continues to perform highly in general operations. The EBITDA MRI has dropped by a small amount from 246% to 237% in a year when there has been increasing investment in a number of areas of service delivery. We continue to target efficiencies, generating surpluses to fund both the development of new properties and ongoing investment in our existing stock. The high comparator from the SPBM group is likely due to the low levels of interest being paid, consistent with the low gearing levels within these providers. The metric of 237% would, however, sit just 1% below the upper quartile of all associations in the global accounts.

5 HEADLINE SOCIAL HOUSING COST PER UNIT

	£			
Management costs	445,539	Total social housing		
+ Service charge costs	443,098	units managed at		
+ Routine maintenance costs	471,812	period end	567	
+ Planned maintenance costs	287,864			
+ Other (social housing letting) costs	231,007			
+ Other social housing activities: other	10,086			G/H
	1,889,406 G		567 H	£3,332

SPBM median	£4,461	Global accounts <2,500 median	£4,880	GCHA 2018-2019	£2,943

This metric highlights the amount spent on the social housing units of an organisation, and by excluding depreciation, largely only includes controllable costs. Within the year, GCHA has seen an increased level of expenditure per property. This is largely to do with the Board's decision to increase the standards at which we let properties. By increasing the void specification, we are looking to set people up with a better start point by the standard of home provided. We hope this will enable people to have greater pride in their home which they will then maintain at the same standard. With that additional expense, and having accelerated electrical inspections into a 5 year cycle rather than a 10 year cycle, our cost per unit is still significantly below our peers, being 25% less than the SPBM figure and 32% less than the global accounts figure.

6 OPERATING MARGIN %

A Operating margin (social housing lettings only)	£	B Operating margin (overall)	£
Operating surplus from social housing lettings	937,988	Operating surplus (overall)	1,245,158
Turnover from social housing lettings	3,334,656	Turnover (overall)	3,758,291
	28.1%		33.1%
SPBM median	22.3%	SPBM median	22.6%
Global accounts <2,500 median	23.3%	Global accounts <2,500 median	20.3%
GCHA 2018-2019	35.2%	GCHA 2018-2019	31.7%

Whilst GCHA has seen a growth in its overall operating surplus, the social rental surplus has been reduced as a result of the increased investment in the standard of void properties, as discussed in metric 5. These levels remain considerably more efficient than our benchmark group and the figures for <2,500 unit associations and the overall operating margin would sit in the upper quartile of all associations in the global accounts. Had our surplus levels been the same percentage as the <2,500 units group, we would have generated £481k less income. This extra value we have created through our efficiencies would cover the cost of 2 new housing units, highlighting the benefit attained. These surplus levels have also been attained without neglecting investment in the quality of service to our tenants, with further investment in our estates presence, in improved void standards and with ongoing spending on a programme of revitalising our existing stock.

7 RETURN ON CAPITAL EMPLOYED (ROCE) %

	£			£		
Operating surplus/(deficit) (overall)	1,245,158		Total assets less current liabilities	35,854,024		I/J
	1,245,158	I		35,854,024	J	3.5%

SPBM median	2.9%	Global accounts <2,500 median	3.1%	GCHA 2018-2019	3.2%

Our return on capital employed has improved from 3.2% to 3.5%, which is now a healthier performance than both of the groups we benchmark against and compares to a median of 3.8% for associations of all sizes above 1,000 units in the global accounts. This further highlights the operational efficiency of the organisation when compared to its peers. GCHA will continue to monitor this KPI as it looks to maintain its performance whilst developing new units and thereby increasing its level of assets.

Throughout the year, the organisation reports to the Board on a number of KPIs, which are generated alongside the monthly accounts. Core operational targets are set and monitored in relation to a management accounting budget, the level of arrears, the void day turnarounds, rent collected versus rent charged and the satisfaction levels of maintenance works within the year.

The suite of KPIs has also been extended in the year, particularly to cover further extended reporting on health & safety areas. These cover all key areas including gas safety, fire safety, electrical inspections, asbestos management, legionella management and lift safety. Furthermore, the Board are presented with KPIs that highlight staffing levels and twelve month rolling absenteeism rates, numbers of complaints received, levels of former tenant arrears and the percentage of tenants who are satisfied with the home they move into. Some key elements of these KPIs are discussed below, alongside other initiatives progressed in agreement with the Board.

A management accounting surplus was set at £527k and a surplus of £590k achieved. These numbers include financing costs but exclude more exceptional items such as the movement in value of investment properties and pension scheme movements. As in previous years, our level of efficiency, as evidenced by metrics 4, 6 and 7, provides limited scope for substantial savings, and we have continued to look at improving the quality of the service from those levels of resource, providing additional investment where this sufficiently improves the value of the service.

In 2019-20 we have brought in new internal auditors to improve the level of accountability of the work carried out by staff and to provide additional assurance on compliance and working practices. To ensure we continue to get best value for money, we became members of the South East Consortium, providing us with access to contractors at rates agreed across the consortium, enabling us to benefit from economies of scale we could not achieve on our own. We have used this to tender a new three star gas contract which will improve the quality of the service and introduce regular servicing of boilers. The contractor will also be taking calls directly, which will reduce the level of overhead resource required in the future.

In line with the gas contract, other projects are also looking further into the future, identifying areas of investment that will bring longer term benefits. One key area is to upgrade and improve our CRM system, which currently handles all operational activities. This project will incorporate a new tenant portal, which will introduce significantly improved self-servicing facilities for tenants. The completion of this project is a key target for 2020-21.

Our void turnarounds have proved increasingly challenging in the year, particularly on market rent properties, but GCHA continues to turn around voids in considerably quicker times than our peers. In 2019-2020, the average relet time on a social housing property stood at 11 days (2019: 11 days), whilst the average relet time, including market rent properties, stood at 12 days (2019: 13 days). This compares to an average of 33 days in our benchmark group, meaning we have saved over £13.5k in the efficiencies achieved in this area. We also include all capital works within our void times, which are not always included within the standard measure, meaning the actual efficiency saving would be higher.

On other targets, our arrears levels stood at 2.97% (2019: 2.88%), meaning we largely held our position in the midst of the ongoing transition to universal credit and the initial stages of the covid-19 outbreak in March 2020. Our rent charged v rent collected figure was 99.9% (2019: 100.4%), although it is recognised that our results above 100% were not sustainable as these resulted from measures taken to improve cashflow. With these measures having taken effect, this rate will settle back under 100% as there will always be some level of bad debt. The satisfaction levels on individual maintenance jobs stands at 94% on the quality of the work (2019: 97%) and 97% (2019: 98%) on the handling of the maintenance request. 100% of tenants were satisfied with the standard of the property they moved into (2019: 100%).

Alongside the new CRM system and tenant portal, the other key target for 2020-21 is to significantly progress the spending of the £15m loans facilities put in place to acquire new properties. Before the next year end, we are looking to have schemes in place that will deliver at least 25 new units. GCHA will also be targeting to achieve its management accounts budget of £306k in 2020-21 (2020: £527k). Void days are targeted to remain below 14 days (2020: 10 days), arrears less than 3.5% (2020: 3.5%) and rent collected v rent charged above 99.1% (2020: 99.0%).

Gravesend Churches Housing Association Limited

Board Report
for the year ended 31 March 2020

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

The law requires the Board to prepare financial statements for each financial year. Under that law the Board has elected to prepare the Association's financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Association and of the surplus or deficit for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice for Registered Social Housing Providers (SORP 2018) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, the Accounting Direction for private registered providers of social housing 2019 and the Statement of Recommended Practice: Accounting by registered social housing providers (SORP 2018). They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report was approved by the Board on 22 July 2020 and signed on its behalf by

Chair

Date 22 July 2020

Gravesend Churches Housing Association Limited

Statement of Gravesend Churches Housing Association's System of Internal Control (2019/2020)

The Board is responsible for establishing and maintaining a sound system of internal control and for reviewing its effectiveness. The internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The key elements of internal control are:

- corporate governance arrangement including the adoption of the National Housing Federation's Code of Governance 2015;
- an annual strategy day where the Board reviews performance against business objectives and the long term financial business plan and whether the Association provides value for money and remains fit for purpose;
- an Audit & Risk Committee to review internal control systems and manage the risk framework;
- the preparation and review of annual budgets which are approved by the Board;
- monthly review of actual results against the approved budget and monthly revised forecasts;
- performance indicators to identify trends in current financial and non-financial data in order to monitor progress and identify changes which require intervention;
- written financial regulations and delegations;
- Board approved policies to control exposures in connection with treasury management and accounting activities; and
- an internal audit function who provide independent assurance to the Board. Following a tender exercise in 2018-19, Mazars, an independent firm specialising in audit, accounting and financial advisory services, commenced their role as internal auditors, following a structured programme of internal audits from 1st April 2019.

The internal audit is an ongoing activity which had been implemented to follow a three year Audit Strategic Plan. With the appointment of Mazars, a new programme has commenced from April 2019. For the period 1 April 2019 to the date on which these accounts are approved, internal audit visits have appraised the effectiveness of landlord health and safety processes, development appraisals, business planning and reactive maintenance and has also carried out general reviews of the finance, IT, HR and housing functions. There were no weaknesses in these activities or in the control mechanisms which require disclosure.

Chair

Date 22 July 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRAVESEND CHURCHES HOUSING ASSOCIATION LIMITED

Opinion

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

In our opinion, the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Emphasis of matter - impact of COVID-19

We draw attention to note 2.2 of the financial statements which describes management's assessment of the effect of COVID-19 on the Association. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRAVESEND CHURCHES HOUSING ASSOCIATION LIMITED CONTINUED

Matters on which we are required to report by exception

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

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

Responsibilities of the Board

As explained more fully in the Statement of the Board's Responsibilities set out on page 9 the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal controls as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Nexia Smith & Williamson

Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

Date: 16/09/2020

Gravesend Churches Housing Association Limited

Statement of Comprehensive Income
for the year ended 31 March 2020

	Notes	2020	2019 £
Turnover	**3**	3,758,291	3,710,345
Operating expenditure	**3**	(2,547,205)	(2,279,546)
Operating surplus before surplus on disposal of fixed asset and increase/(decrease) in value of investment property		1,211,086	1,430,799
Surplus on disposal of fixed asset		-	42,500
Increase/(decrease) in value of investment property	**12**	34,072	(296,744)
Operating surplus	**3/4**	1,245,158	1,176,555
Interest receivable	**5**	3,327	2,501
Interest payable and financing costs	**6**	(682,920)	(687,561)
Surplus for the year		565,565	491,495
Other comprehensive income:			
Actuarial deficit on defined benefit pension plan on initial recognition of the defined benefit obligation		-	(252,000)
Actuarial surplus/(deficit) on defined benefit pension plan for the year	**17**	473,970	(180,215)
Surplus and total comprehensive income for the year		1,039,535	59,280

There were no acquisitions and no discontinued operations for the year.

The notes on pages 17 to 37 form an integral part of these financial statements.

Gravesend Churches Housing Association Limited

Statement of Changes in Equity
for the year ended 31 March 2020

	Revenue reserve £	Share capital £	Total £
2019			
As at 1 April 2018	11,398,791	10	11,398,801
Surplus for the year	491,495	-	491,495
Actuarial deficit on defined benefit pension plan on recognition of the defined benefit obligation	(252,000)	-	(252,000)
Actuarial deficit on defined benefit pension plan for the year	(180,215)	-	(180,215)
Movement in share capital	-	1	1
As at 31 March 2019	11,458,071	11	11,458,082
2020			
As at 1 April 2019	11,458,071	11	11,458,082
Surplus for the year	565,565	-	565,565
Actuarial surplus on defined benefit pension plan for the year	473,970	-	473,970
Movement in share capital	-	(1)	(1)
As at 31 March 2020	12,497,606	10	12,497,616

The notes on pages 17 to 37 form an integral part of these financial statements.

Gravesend Churches Housing Association Limited

Statement of Financial Position
as at 31 March 2020

	Notes	2020 £	2020 £	2019 £	2019 £
Property, plant and equipment					
Housing properties	**10**		27,184,528		27,046,765
Other property, plant and equipment	**11**		500,124		519,490
			27,684,652		27,566,255
Investments					
Investment properties	**12**		8,199,877		8,165,805
			35,884,529		35,732,060
Current assets					
Debtors	**13**	146,816		177,165	
Cash and cash equivalents		1,263,416		1,554,652	
		1,410,232		1,731,817	
Creditors: amounts falling due within one year	**14**	(1,440,737)		(975,504)	
Net current (liabilities)/assets			(30,505)		756,313
Total assets less current liabilities			35,854,024		36,488,373
Creditors: amounts falling due after more than one year	**15**		(22,986,744)		(24,162,751)
Provisions	**18**		(369,664)		(867,540)
Net assets			12,497,616		11,458,082
Capital and reserves					
Called up share capital	**19**		10		11
Revenue reserve			12,497,606		11,458,071
			12,497,616		11,458,082

The financial statements were approved by the Board and authorised for issue on 22 July 2020.

On behalf of the Board

Steve Harriott
Chair

Deborah Rolfe
Board Member

Joe Scullion
Chief Executive

The notes on pages 17 to 37 form an integral part of these financial statements.

Gravesend Churches Housing Association Limited

Statement of Cash Flows
for the year ended 31 March 2020

	Notes	2020 £	2019 £
Net cash generated from operating activities	**21**	1,714,304	1,723,789
Cash flow from investing activities			
Interest received		3,351	2,404
Expenditure on property, plant and equipment/ investment property		(669,576)	(1,104,078)
Net cash used in investing activities		(666,225)	(1,101,674)
Cash flow from financing activities			
Repayments of borrowings		(505,129)	(165,547)
Transaction costs for new loans		(229,472)	-
Interest paid		(604,714)	(564,690)
Net cash used in financing activities		(1,339,315)	(730,237)
Net decrease in cash and cash equivalents		**(291,236)**	**(108,122)**
Cash and cash equivalents at beginning of the year		1,554,652	1,662,774
Cash and cash equivalents at end of year		**1,263,416**	**1,554,652**

The notes on pages 17 to 37 form an integral part of these financial statements.

Notes to the Financial Statements
for the Year Ended 31 March 2020

1. Legislative provisions

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered with Homes England as a Private Registered Provider of Social Housing.
The principal activity of the Association is the provision and management of social rented homes.
The registered office is 14 London Road, Northfleet, Kent DA11 9JQ.

2. Accounting policies

2.1. Basis of accounting

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain assets in accordance with the Association's accounting policies and in accordance with applicable Accounting Standards in the United Kingdom, including Financial Reporting Standard 102 (FRS102), the Statement of Recommended Practice 'Accounting by Registered Social Housing Providers (Update 2018)' and the 'Accounting Direction for private registered providers of social housing in England 2019'.

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

The financial statements are presented in Sterling (£) to the nearest pound except where specifically stated otherwise.

2.2. Going concern and Covid-19

The Association has long term debt facilities in place which provide adequate facilities to finance its development programme. The Association regularly reviews the cash flow in its thirty year business plan, which shows it is able to service its debt facilities whilst complying with lenders covenants.

Additional modelling has been carried out in relation to the impact of the covid-19 outbreak. With housing benefit payments made directly to GCHA expected to continue, we have profiled the implication of the loss of 50% and 90% of income received directly from tenants over both a six and twelve month period. Whilst a cash impact is unavoidable, the level of this impact does not threaten the ongoing viability of the organisation. With existing cash reserves covering the impact in most scenarios and a further £5m available through a new undrawn revolving credit facility, the organisation is well protected, even before looking at the possibility of rescheduling capital and improvement works. We have noted the deterioration in markets post year end, and the potential implications this may have, most notably on the pension scheme investments, and will continue to monitor this through 2020-21, although there are strategies in place to manage any potential impact. Debt continues to be serviced without breaching lender's covenants. Operationally, staff were already equipped with IT equipment that allowed them to work from home, and as such, the transition to remote working has been fairly straightforward. We have already implemented contactless lettings processes, and have worked closely with our contractors to enable compliance and other essential works to be carried out in a socially distanced manner with all appropriate protective equipment.

The Board therefore deems it appropriate to continue using the going concern basis in preparing the financial statements.

2.3. Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions regarding the recorded values of assets and liabilities at the Statement of Financial Position date and the amounts reported for revenues and expenditure during the year.

Judgements

- **Categorisation of housing properties as investment properties or property, plant and equipment**

Classes of properties within the category of housing properties that are held to earn commercial rentals or for capital appreciation or both are accounted for as investment properties. Properties rented to provide social housing and properties used for the production or supply of goods and services or for administrative purposes are classified as property, plant and equipment.

- **Impairment of housing properties**

Impairment reviews are carried out where there has been a trigger event, including any known threats to the financial viability of the asset. Any impairment losses are immediately recognised in the Statement of Comprehensive Income. Impairment is recognised when the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. The Association's policy is to use the property scheme level as the base for the cash generating unit.

- **Identification of sites as investment properties**

Where a development is designated as a market rent site at the start of a project, development costs are included in investment properties from the start. Where a decision is not made at the start of a project regarding the rental type of the development, this will only be classified as an investment property at the point the decision is made to let the property at a market rent. This was seen in 2019 when the decision to make our recent Maidstone development a market rent site was made during the year. Cumulative development costs were then transferred from property, plant and equipment to investment properties at that point in time. Where the cost of the development exceeded the market value of the properties, the current value was established using professional valuations.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

- **Multi-employer pension obligation**

Various estimates are used in the calculation of the defined pension liability, such as discount rate, inflation, salary growth and mortality rates. The Pensions Trust provided base assumptions which the Association can flex to reflect more accurately the particular circumstances of the organisation. In determining the appropriate discount rate, consideration is made of the interest rates of corporate bonds with at least an AA rating. Inflation is set by considering market expectations, salary growth is set by aligning with the Association's business plan and mortality rates have been adjusted to allow for any expectation of higher or lower life expectancy of scheme members due to geographic, socio-economic or demographic factors. The value of the provision is highly sensitive to relatively small changes in assumptions. A provision of £369,664 is recorded in the Statement of Financial Position as at 31 March 2020 (2019: £867,540).

- **Property, plant and equipment**

In line with SORP 2018, component accounting policies are applied to the capitalisation and depreciation of assets. The individual components of each property are depreciated over their expected useful life. On new build developments, the value of components is assigned using land purchase costs and the contractor's detailed costing schedule. For off the shelf purchases, appropriate percentages are applied to each component using data from similar new build development schemes. The actual lives are assessed on an annual basis and may vary depending on a number of factors such as property life cycle and their component replacement programmes. As at 31 March 2020 the carrying value of property, plant and equipment was £27,684,652 (2019: £27,566,255).

- **Amortisation of government grants**

Government grants received for social housing properties are recognised as income over the expected useful life of the housing property structure under the accrual model unless the grant has been specifically provided for another component of the housing asset, in which case it would be recognised in income over the expected useful life of that component. The carrying values of grants were a short term creditor of £162,754 (2019: £162,754) and a long term creditor of £10,956,573 (2019: £11,119,328).

2.4. Turnover

Turnover is measured at the fair value of the consideration received or receivable and principally represents rental and service charge income receivable in the year net of rent and service charge losses from voids together with amortised social housing grant and management fees from property management contracts with local charities.

2.4. Turnover continued

Turnover is recognised as follows:

- **Rental and service charge income**

Income from rent and service charges is recognised in the period to which it relates net of any voids. Where there are new developments, income and any voids recognition starts from the practical completion date. Where sites are being redeveloped, income and any voids are recognised up until the contract start date.

- **Capital grants**

Capital grants received are initially deferred and then credited to turnover in the Statement of Comprehensive Income on a straight line basis over the expected life of the asset which they have funded.

- **Other grants and donations**

Grants and donations that relate to revenue are recognised in the Statement of Comprehensive Income in accordance with the period to which the grant relates. Where the grant requires future performance conditions to be met, the grant is not recognised until these have been satisfied. Any grant received before these conditions are met is held as a liability in the Statement of Financial Position.

- **Management fees**

Income from management fees is recognised in the period to which it relates.

2.5. Interest payable

Interest on loans specifically financing development is capitalised on a weighted average cost basis for the period from start of works up to the date of practical completion or acquisition of legal title, whichever is later. The interest is either on borrowings specifically financing a scheme or on net borrowings to the extent that they are deemed to be financing a scheme. This treatment applies irrespective of the original purpose for which the loan was required.

2.6. Property, Plant and Equipment

Housing properties and depreciation

Housing properties are properties held for the provision of social housing and are recorded at cost less depreciation less any applicable impairment. The cost of the property is recorded as the initial cost of acquiring the land and buildings together with those costs that are directly attributable to acquisition and development, including any interest cost up to the date of completion.

Housing properties in the course of construction are stated at cost plus capitalised interest and are not depreciated until they are reclassified as housing properties on practical completion of construction.

Freehold and leasehold housing properties are depreciated by component on a straight line basis over the estimated lives of component categories, in accordance with the principles of component accounting in SORP 2018. Where a component is replaced before the end of its useful life, any remaining depreciation charges are accelerated into the year of disposal. Useful estimated lives for identified components are as follows:

Freehold land	- not depreciated
Structure	- remaining estimated life of the property not exceeding 100 years from date of construction
Roofs	- 40 to 80 years
Windows	- 40 years
Electrical systems	- 40 years
Bathrooms	- 30 years
Doors	- 20 years
Lifts	- 20 years
Kitchens	- 20 years
Heating systems	- 15 years

2.7. Works to existing housing properties
Expenditure on existing housing properties is capitalised when this represents a component replacement or when a new component is created. All other expenditure in respect of general repairs to the housing stock is charged to the Statement of Comprehensive Income as it is incurred.

2.8. Impairment of housing properties
Housing properties are assessed at each Statement of Financial Position date to determine if there are any indicators of impairment. If there are such indicators of impairment, then an exercise is undertaken to compare the properties' carrying value to their recoverable amount. Any excess over the recoverable amount is recognised as an impairment loss and charged as expenditure in the Statement of Comprehensive Income; the carrying value is reduced appropriately. For impairment purposes, properties are appraised on either an individual basis, or where they are part of a collective development such as a block of flats, on a scheme by scheme basis.

The recoverable amount of the scheme is the higher of its fair value less costs to sell and its value in use. Value in use (VIU) for housing schemes, which are able to be let in the current condition, which are fulfilling the social purpose for which they were acquired is referred to as Value in use Service Potential (VIU-SP) and this can be measured using the 'depreciated replacement cost' (DRC) valuation basis.

The DRC basis considers either the cost of purchasing an equivalent property on the open market (based on the sale prices for similar properties in or near same location), or the rebuilding cost of structures and components based on current building costs, using either current building contracts or market data (being primarily construction indices) applied to the relevant building size and type. For other schemes, value in use is defined as the net present value of the future cash flows generated from the scheme before interest cost.

2.9. Investment property
Investment property is measured at cost on initial recognition, including purchase cost and any directly attributable expenditure, then at fair value at each Statement of Financial Position date. Fair value is calculated using a combination of local house price inflation indicators, local market sales data and valuations generated by external valuers.

2.10. Other property, plant and equipment
Other property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost of each asset over its expected useful life on a straight line basis, and the asset lifetimes are as follows:

Freehold office land	- not depreciated
Freehold office structure	- 100 years
Freehold office roof	- 80 years
Freehold office windows	- 40 years
Freehold office electrical systems	- 40 years
Freehold office bathrooms	- 30 years
Freehold office doors	- 20 years
Freehold office kitchens	- 20 years
Freehold office heating systems	- 15 years
Plant and equipment	- 5 to 10 years
IT hardware	- 4 years
IT software	- 4 years

2.11. Government grants
Government grants include grants receivable from Homes England, local authorities, and other government organisations. Government grants received for housing properties are treated as deferred income and recognised in turnover over the estimated useful life of the housing property structure, under the accrual model.

Grants relating to revenue are recognised in the Statement of Comprehensive Income over the same period as the expenditure to which they relate, once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received. Grants due from government organisations or received in advance are included as current liabilities.

2.12. Recycled Capital Grants Fund

Government grants released on the sale of the property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and are included in the Statement of Financial Position in creditors. If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in the Statement of Comprehensive Income.

If unused within a three year period, it will be repayable to Homes England with interest. The development programme of the Association is such that the recycled grant is expected to be re-used before it becomes repayable. Any unused recycled capital grant held within the capital grant recycling fund is disclosed in the Statement of Financial Position, split between creditors falling due within one and after one year.

2.13. Leases

Leases are classified as finance leases where the terms of the leases transfer substantially all the risks and the rewards incidental to ownership of the leased asset. All other leases are classified as operating leases.

Assets held under finance leases are measured initially at the fair value of the leased asset and the corresponding lease liability. Assets held under finance leases are included in property, plant and equipment and depreciated in the same way as owned assets.

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

The aggregate benefits of any lease incentive are recognised as a reduction in expenses recognised over the term of the lease.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Any incentives offered in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

2.14. Pensions

The Association participates in the Social Housing Pension Scheme (SHPS). SHPS is a multi-employer defined benefit (career average revalued earnings) contributory pension scheme administered independently.

In the Statement of Financial Position, the assets of the scheme are measured at fair value and the liabilities are measured on an actuarial basis, discounted at a rate equivalent to yields on "high quality" corporate bonds of appropriate duration and currency, or a suitable proxy. The resulting net asset or liability is then presented separately on the face of the Statement of Financial Position as a provision. Current service costs and net financial returns are included in the Statement of Comprehensive Income in the period to which they relate. Any actuarial gains or losses for the year are taken to the Statement of Comprehensive Income as other comprehensive income.

2.15. Provision for liabilities

The Association recognises a provision where a past event has given rise to a present obligation and where a reliable estimate can be made of the value of the provision.

The recorded amount of the liability is the best estimate of the sum required to settle the present obligation at the date of the Statement of Financial Position.

2.16. Cash and cash equivalents

This includes all forms of cash and includes cash in hand, deposits repayable on demand, overdraft repayable on demand and short term held with various banks, which can be withdrawn without disrupting the business and are readily convertible to a known amount of cash at the year end at or close to the carrying values. These cash balances are used in our cash flow statements and future cash projections.

2.17. Financial instruments

Financial assets and liabilities comprise investments, trade and other debtors, cash and cash equivalents, trade and other payables, accruals and loan balances.

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

All financial assets and financial liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through the Statement of Comprehensive Income, which are initially measured at fair value (normally the transaction price less transaction costs), unless the arrangement constitutes a financial transaction. If an arrangement constitutes a financial transaction, the financial asset or financial liability is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument. A financing transaction may take place in connection with the sale of goods or services, for example, if payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

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

Debt instruments that are classified as payable or receivable within one year on initial recognition are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

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

Other financial instruments and investments in equity instruments are recognised at fair value with any gains or losses being reported in surplus or deficit.

Financial assets are only derecognised when and only when:

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

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

Trade (including rental) and other debtors and creditors are classified as basic financial instruments and measured at initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the Association will not be able to collect all amounts due.

Interest bearing bank loans, overdrafts and other loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable to the bank, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Arrears repayment arrangements with tenants are classified as a basic financial instrument. The organisation has a minimal number of such agreements and these are not considered to be material.

2.18. Donated land and property

Donated land which is unconnected with any intended development is measured at current value and recognised in turnover with other donations, where the donation is from a non-public body, and as a government grant where it is from a public body.

Where land which is donated or transferred by a public body at a price less than its open market value, or where it has been donated as part of a development scheme, it is included at its current value on the date it is received, bearing in mind the conditions specified for the use of the land, and any difference between current value and cost recognised as a government grant. Where land is donated or transferred by a non-public body the difference is recognised in turnover.

2.19. Property managed by agents

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

Where the agency carries the financial risk, the Statement of Comprehensive Income includes only that income and expenditure which relates solely to the Association.

2.20. VAT

The Association is not registered for VAT and VAT billed to the organisation is accounted for as a cost to the organisation within the respective expenditure heading.

2.21. Reserves

Where grants and donations given to the Association for specific schemes or activities relate to future periods, they are split between revenue reserves and restricted reserves.

3. Turnover

Turnover represents rental incomes receivable, amortised grant, management fees and other income.

3A Particulars of turnover, operating expenditure and operating surplus

	2020 Turnover £	2020 Operating expenditure £	2020 Operating surplus £
Social housing lettings	3,334,656	(2,396,668)	937,988
Other social housing activities			
Other	11,213	(10,086)	1,127
	3,345,869	(2,406,754)	939,115
Activities other than social housing activities			
Market lettings	412,422	(140,451)	271,971
	3,758,291	(2,547,205)	1,211,086
Increase in value of investment property			34,072
Total			1,245,158

	2019 Turnover £	2019 Operating expenditure £	2019 Operating surplus £
Social housing lettings	3,333,120	(2,158,630)	1,174,490
Other social housing activities			
Other	11,358	(10,164)	1,194
	3,344,478	(2,168,794)	1,175,684
Activities other than social housing activities			
Market lettings	365,867	(110,752)	255,115
	3,710,345	(2,279,546)	1,430,799
Surplus on disposal of fixed asset			42,500
Decrease in value of investment property			(296,744)
Total			1,176,555

3A Particulars of turnover, operating expenditure and operating surplus continued

Housing units owned

	Social Housing				Market Housing	Supported
	Fair	Social	Affordable	Discounted		
At 31 March 2019	31	397	106	-	37	32
Additions	-	-	-	1	-	-
Changes in tenancy	(3)	4	(1)			
At 1 April 2020	**28**	**401**	**105**	**1**	**37**	**32**

Housing units managed	
At 1 April 2019	**13**
At 31 March 2020	**13**

3B Particulars of turnover and operating expenditure

	2020			2019
	General Needs Housing	**Supported Housing**	**Total**	**Total**
	£	**£**	**£**	**£**
Income from letting				
Rent receivable net of identifiable service charges	2,808,255	156,522	2,964,777	2,985,569
Service income	207,124	-	207,124	184,797
Net social housing rent receivable	3,015,379	156,522	3,171,901	3,170,366
Amortised government grant	151,598	11,157	162,755	162,754
Turnover from social housing lettings	3,166,977	167,679	3,334,656	3,333,120
Operating expenditure				
Management	420,388	25,151	445,539	441,329
Services	425,012	18,086	443,098	401,575
Routine maintenance	452,428	19,384	471,812	407,700
Planned maintenance	284,027	3,837	287,864	223,605
Bad debts	24,832	-	24,832	13,793
Depreciation on housing properties	492,745	24,603	517,348	499,969
Other costs	194,539	11,636	206,175	170,659
Operating expenditure	2,293,971	102,697	2,396,668	2,158,630
Operating surplus	873,006	64,982	937,988	1,174,490
Void losses	15,006	-	15,006	9,690

4. Operating surplus

	2020 £	2019 £
The operating surplus is stated after charging:		
Depreciation and other amounts written off		
Property, plant and equipment	565,098	560,015
Auditors' remuneration:		
For audit services (net of VAT)	16,845	14,450
For non-audit services	-	-
Operating lease rentals		
Office equipment	1,454	1,454
Vehicle lease	3,323	4,061

5. Interest receivable and similar income

	2020 £	2019 £
Bank interest	3,327	2,501

6. Interest payable and financing costs

	2020 £	2019 £
Included in this category is the following:		
Interest on loans repayable	658,848	706,796
Other costs of finance	5,072	20,119
Defined benefit pension – net interest expense	19,000	18,000
	682,920	744,915
Less:		
Interest capitalised on housing properties under construction	-	(57,354)
	682,920	687,561

There was no capitalised interest within the year and therefore no rate of capitalised interest (2019: 4.51%).

The interest payable charge based on an accruals basis of accounting rather than the effective rate of interest, before adjusting for pension interest expense and capitalised interest is £570,870 (2019: £592,377).

7. Employee information

Number of employees	2020 No.	2019 No.
The average number of persons employed during the year expressed in full time equivalent (including the Chief Executive) was:		
Staff	12	10

Employment costs	2020 £	2019 £
Wages and salaries	450,141	403,946
Social security costs	44,067	40,090
Other pension costs	56,557	42,584
	550,765	486,620

Higher paid staff (including key management personnel)	2020	2019
Staff members paid between £60,000 and £70,000	2	2
Staff members paid between £80,000 and £90,000	1	1
	3	3

8. Senior management team emoluments

The remuneration paid to the senior management team of the Association was:	2020 £	2019 £
Emoluments	212,295	205,305
Pension contributions	25,901	20,394
	238,196	225,699

The emoluments paid to the highest paid member of the senior management team:	2020 £	2019 £
Chief Executive	85,700	82,839

The Chief Executive is an ordinary member of the defined benefit scheme and there are no enhanced or special terms. There are no additional pension arrangements. The aggregate contribution made by GCHA was £10,727 (2019: £8,446) in addition to the personal contributions of the Chief Executive.

A total of £20,584 (2019: £21,359) remuneration was paid to Board members during the year.

Expenses totalling £2,420 (2019: £1,736) were reimbursed to board members during the year.

9. Taxation

No taxation is payable by the Association since it has charitable status and its charitable activities are exempt from tax.

10. Housing properties

	Housing properties held for letting	Housing properties under construction	Total
	£	£	£
Cost			
At 1 April 2019	33,990,331	-	33,990,331
Additions:			
Capital works to existing properties	389,558	265,554	655,112
Transfers	251,736	(251,736)	-
Disposal of replaced components	(103,916)	-	(103,916)
At 31 March 2020	34,527,709	13,818	34,541,527
Depreciation			
At 1 April 2019	6,943,567	-	6,943,567
Charge for year (including accelerated depreciation on replaced components)	517,348	-	517,348
On disposal of replaced components	(103,916)	-	(103,916)
At 31 March 2020	7,356,999	-	7,356,999
Net book values			
At 31 March 2020	27,170,710	13,817	27,184,528
At 31 March 2019	27,046,765	-	27,046,765

Tenure status	**2020**	**2019**
Freehold	26,790,151	26,641,203
Short leasehold	324,968	334,210
Long leasehold	69,409	71,352
Total	27,184,528	27,046,765

Interest costs amounting to £0 (2019: £57,354) were capitalised during the year.

Works to existing properties
The cost of building components replacements within the year amounted to £389,558 (2019: £232,022).
The value of planned improvement works to existing properties, expensed to the Statement of Comprehensive Income, amounted to £68,459 (2019: £61,074).

11. Other property, plant and equipment

	Freehold office	Plant and equipment	IT Hardware / Software	Total
	£	£	£	£
Cost				
At 1 April 2019	476,029	71,807	170,990	718,826
Additions	13,090	10,883	4,411	28,384
Disposals	-	(13,120)	(12,377)	(25,497)
At 31 March 2020	489,119	69,570	163,024	721,713
Depreciation				
At 1 April 2019	18,546	51,338	129,452	199,336
Charge for the year	10,073	7,349	30,328	47,750
Disposals	-	(13,120)	(12,377)	(25,497)
At 31 March 2020	28,619	45,567	147,403	221,589
Net book values				
At 31 March 2020	460,500	24,003	15,621	500,124
At 31 March 2019	457,483	20,469	41,538	519,490

12. Investment properties

	Housing properties	Office building	Total
	£	£	£
Value			
At 1 April 2019	7,811,000	354,805	8,165,805
Increase in value	33,877	195	34,072
At 31 March 2020	7,844,877	355,000	8,199,877
Historic cost	6,936,069	268,309	7,204,378

As at 31 March 2020 valuations have been prepared using a mix of market data and valuations from an independent online platform. Properties have also been valued on a MV-VP (market value–vacant possession) basis by RICS registered valuers within the specialist social housing team at Savills, an independent firm of professional valuers, to validate the valuations prepared internally. Prior year additions have been recognised at cost prior to the revaluation process.

13. Debtors

	2020 £	2019 £
Rental debtors	43,074	53,115
Other debtors	82,757	102,976
Prepayments and accrued income	20,985	21,074
	146,816	177,165

Rental debtors are stated after providing a bad debt provision of £65,320 (2019: £45,288).

14. Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	133,205	90,523
Rent in advance	104,406	87,096
Other taxes and social security costs	12,066	10,998
Other creditors	99,564	99,196
Accruals and deferred income	345,368	274,867
Housing loans	583,374	250,070
Government grants	162,754	162,754
	1,440,737	975,504

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

	2020 £	2019 £
Housing loans	12,030,171	13,043,423
Government grants	10,956,573	11,119,328
	22,986,744	24,162,751
Loans		
Repayable in one year or less (Note 14)	583,374	250,070
Repayable between one and two years	2,335,588	532,047
Repayable between two and five years	1,457,557	3,292,524
Repayable in five years or more	8,237,026	9,218,852
	12,613,545	13,293,493

Effective interest rates vary between -0.49% and 10.63%.
The nominal value of loans at 31 March 2020 was £12,372,346 (2019: £12,914,627).
Actual interest rates on borrowings vary between 1.35% and 10.63%.

Housing loans
Housing loans from private and public sources are secured by specific charges on the Association's properties and are repayable at varying rates of interest in instalments partly due in five years or more.

16. Social Housing Grant

	£
Social Housing Grant	
At 1 April 2019	15,202,369
At 31 March 2020	15,202,369
Amortised Social Housing Grant	
At 1 April 2019	(3,920,287)
Amortisation charge for the year	(162,755)
As 31 March 2020	(4,083,042)
Net Book Value	
At 31 March 2020	11,119,327
At 31 March 2019	11,282,082

17. Pension arrangements

The Association operates a defined benefit scheme and a defined contribution scheme. Contributions to the defined contribution pension scheme are charged to the statement of comprehensive income as they become payable in accordance with the rules of the scheme, and amounted to £1,783 (2019: £0). Differences between contributions payable for the year and those actually paid are shown as either accruals or prepayments in the balance sheet.

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

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

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

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

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

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

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for accounting year-ends from 31 March 2019 to 29 February 2020 inclusive. The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus.

Similarly, an actuarial valuation of the scheme was carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive.

Pension scheme liabilities recognised in the Statement of Financial Position	**2020** £	**2019** £
Pension obligations recognised as Defined Benefit schemes	369,664	867,540
Total pension scheme liabilities	369,664	867,540

Principal actuarial assumptions at the financial position date:	**2020**	**2019**
Discount rate	2.35%	2.33%
Inflation (RPI)	2.56%	3.28%
Inflation (CPI)	1.56%	2.28%
Salary growth	2.56%	3.28%
Allowance of commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions applied at 31 March 2020 imply the following life expectancies:	Life expectancy at age 65 (years)
Male retiring in 2020	21.5
Female retiring in 2020	23.3
Male retiring in 2040	22.9
Female retiring in 2040	24.5

Amounts recognised in the Statement of Comprehensive Income	**2020** £
Current service cost	83,686
Expenses paid	4,600
Net interest on defined benefit liability	19,000
Total expenses	107,286

Amounts recognised in Other Comprehensive Income	**2020** £
Experience loss arising on the Plan assets	(25,031)
Experience gain arising on the Plan liabilities	57,000
Effects of changes in the demographic assumptions underlying the present value of the Plan liabilities	29,000
Effects of changes in assumptions underlying the present value of the Plan liabilities	413,000
Actuarial gain recognised	473,969

Statement of Financial Position	**2020** £
Fair value of Plan assets	2,504,000
Present value of funded retirement benefit obligations	(2,873,664)
Deficit in Plan	(369,664)

Reconciliation of movements on the defined benefit obligation	**2020** **£**
Defined benefit obligation at the start of the period	3,247,540
Current service cost	84,193
Expenses	4,600
Interest cost	76,000
Contribution by members	31,838
Actuarial gains due to scheme experience	(57,000)
Actuarial gains due to changes in demographic assumptions	(29,000)
Actuarial gains due to changes in financial assumptions	(413,000)
Benefits paid and expenses	(71,000)
Defined benefit obligation at the end of the period	2,874,171

Reconciliation of movements on the fair value of plan assets	**2020** **£**
Fair value of the Plan assets at the start of the period	2,380,000
Interest income	57,000
Experience loss on Plan assets	(25,031)
Contributions by the employer	131,193
Contributions by members	31,838
Benefits paid and expenses	(71,000)
Fair value of Plan assets at the end of the period	2,504,000

Categories of plan assets are as follows:	**2020** **£'000s**	**2019** **£'000s**
Absolute Return	131	206
Alternative Risk Premia	175	137
Corporate Bond Fund	143	111
Credit Relative Value	69	44
Distressed Opportunities	48	43
Emerging Markets Debt	76	82
Fund of Hedge Funds	1	11
Global Equity	366	400
Infrastructure	186	125
Insurance-Linked Securities	77	68
Liability Driven Investment	831	870
Liquid Credit	1	-
Long Lease Property	43	35
Net Current Assets	11	5
Opportunistic Illiquid Credit	61	-
Private Debt	50	32
Property	55	54
Risk Sharing	85	72
Secured Income	95	85
Total Assets	2,504	2,380

18. Provisions

	Pension £	Total £
Provisions for liabilities as at 1 April 2019	867,540	867,540
Decrease in provision 2019-2020	(497,876)	(497,876)
Provisions for liabilities as at 31 March 2020	369,664	369,664

19. Share capital – non equity

The shares have a denomination of £1 and limited rights. They carry no entitlement to dividend, they are not repayable and do not participate in a winding up. They carry an entitlement to vote at the Association's annual general meeting and special general meetings.

Called up share capital

	Number	£
Issued and fully paid – ordinary shares of £1 each		
At 1 April 2019	11	11
Issued during the year	-	
Cancelled during the year	(1)	(1)
At 31 March 2020	10	10

20. Capital commitments

Details of capital commitments at the accounting date are as follows:

	2020 £	2019 £
Authorised and contracted for	-	-
Authorised but not contracted for	1,474,925	-
	1,474,925	-

Capital commitments will be financed by a loan from Barclays Bank of £5,000,000, which has been secured against properties of the organisation and a loan from Lloyds Bank of £10,000,000, which will be secured against the properties of the organisation.

21. Notes to the Statement of Cash Flows

	2020 £	2019 £
Operating surplus	1,245,158	1,176,555
Depreciation	565,098	560,015
Amortised government grants	(162,755)	(162,754)
Decrease in pension liability reflected in operating surplus	(107,913)	(20,044)
Restatement of loan valuation under effective rates of interest as included in other income	-	(30,646)
Decrease in debtors	30,349	32,706
Increase /(decrease) in creditors	178,438	(128,787)
(Increase)/decrease in value of investment property	(34,072)	296,744
Net cash generated from operating activities	1,714,304	1,723,789

22. Net debt reconciliation

	At 1 April 2019 £	Cash flows £	Other non-cash changes £	At 31 March 2020 £
Cash and cash equivalents				
Cash	1,544,652	(291,236)	-	1,253,416
Cash equivalents	10,000	-	-	10,000
	1,554,652	(291,236)	-	1,263,416
Borrowings				
Debt due within one year	(250,070)	734,602	(1,067,906)	(583,374)
Debt due after one year	(13,043,423)	-	1,013,252	(12,030,171)
	(13,293,493)	734,602	(54,654)	(12,613,545)
	(11,738,841)	443,366	(54,654)	(11,350,129)

23. Accommodation managed by agents

The Association owns property managed by other bodies, as follows:

	2020	2019
Clarion Housing Association Ltd	17	17
KASBAH	15	15

24. Operating lease commitments

	2020 £			2019 £		
	Office equipment	Vehicles	Total	Office equipment	Vehicle	Total
Within one year	1,283	3,323	4,606	1,326	3,323	4,649
One to two years	1,164	4,984	6,148	1,283	3,323	4,606
Two to five years	-	-	-	1,164	4,984	6,148
Total	2,447	8,307	10,754	3,773	11,630	15,403

25. Lessor payment commitments

	2020 £	2019 £
Not later than one year	15,458	26,500
Later than one year and not later than five years	-	15,458
Later than five years	-	-
Total	15,458	41,958

The office lease contained a break option on the fifth anniversary. Break notice was issued in 2018 to end the current lease on 31 October 2020.

26. Related party transactions

At the date of these financial statements there are no related party transactions that require disclosure.

27. Financial instruments

Financial instruments cover the financial assets and liabilities shown in the Statement of Financial Position. Financial assets consist of trade receivables, cash and cash equivalents. The financial liabilities of the organisation consist of trade and other creditors, rent in advance and loans, which in line with section 11 of FRS102 are classified as either basic or non-basic financial instruments.

All of the loans of the organisation are basic financial instruments and are measured at amortised cost using the effective rate of interest. The effective rate of interest used is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial liability.

27. Financial instruments continued

The Association's financial instruments comprise debtors, creditors, cash and cash equivalents and loans.

	2020 £	2019 £
Financial assets:		
Measured at undiscounted amounts receivable (less impairment where applicable)		
Gross rental debtors	108,394	98,403
Other debtors	83,762	103,806
Cash and cash equivalent	1,263,416	1,554,652
	1,455,572	1,756,861

	2020 £	2019 £
Financial liabilities:		
Measured at amortised cost		
Housing loans	12,613,545	13,293,493
Measured at undiscounted amounts receivable		
Trade creditors, other creditors and accruals	489,688	405,954
Rent in advance	104,406	87,096
	13,207,639	13,786,543

The Association's income, expense, gains and losses in respect of the financial instruments are summarised below:	2020 £	2019 £
Interest income and expense		
Total interest income for financial assets at amortised cost	3,327	2,501
Total interest expense for financial liabilities at amortised cost	658,848	706,796