

**Pivotal Housing Association
Financial Statements
Year Ended 31 March 2024**

Regulator of Social Housing registration number: 4747

Company registration number: 06211760

Charity registration number: 1121914

Pivotal Housing Association

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Pivotal Housing Association

Registered Social Housing Provider Information

Year Ended 31 March 2024

Regulator of Social Housing registration number 4747

Company registration number 06211760

Charity registration number 1121914

Members of the board serving during the year

J Clark, Chair (Appointed 17 December 2024)
 T Carpenter (Appointed 17 December 2024)
 J Curd (Appointed 9 September 2025)
 B Elieli (Appointed 17 December 2024, resigned 29 April 2025)
 P Hackett (Appointed 17 December 2024)
 R Kataria (Appointed 17 December 2024, resigned 23 June 2025)
 S Walton (Appointed 17 December 2024)

S Egan (Appointed 30 November 2023, Resigned 23 May 2024)
 R Fowler (Appointed 30 November 2023, Resigned 23 May 2024)
 D Furlong (Appointed 25 May 2023, Resigned 17 December 2024)
 J E Hughes (Appointed 7 October 2019, Resigned 20 September 2023)
 R Kuklinski (Appointed 25 May 2023, Resigned 17 December 2024)
 D Lockerman (Appointed 18 May 2020, Resigned 17 December 2024)
 D Streek (Appointed 18 June 2019, Resigned 20 September 2023)

Secretary Martin Lewis (Devonshires Solicitors)

Chief Executive Officer J Kingsbury

Registered office CJ House, 9 Central Business Park
 Southcote Road
 Bournemouth
 Dorset
 BH1 3SJ

Pivotal Housing Association

Registered Social Housing Provider Information

Year Ended 31 March 2024

Auditor	PKF Francis Clark Chartered Accountants & Statutory Auditors Towngate House 2-8 Parkstone Road Poole BH15 2PW
Solicitor	Frettens Solicitors The Saxon Centre 11 Bargates Christchurch BH23 1PZ
Bankers	National Westminster Bank PLC The Square 5 Old Christchurch Road Bournemouth BH1 1DU

Pivotal Housing Association

Strategic Board Report

Year Ended 31 March 2024

The Trustees and Strategic Leadership Team present the Annual Report and Financial Statements of Pivotal Housing Association ("PHA" or "the Association") for the year ended 31 March 2024.

Principal Activities

Pivotal Housing Association is a company limited by guarantee, a Registered Provider of Social Housing and a registered charity. Established in April 2007, the Association provides supported housing for single vulnerable adults with a range of support needs.

PHA works in partnership with local authorities, health and social care commissioners, property owners and specialist support providers across Dorset, Devon, Cornwall and Gloucestershire. At the reporting date, the Association had oversight of more than 500 units of supported accommodation.

The Association operates as the Registered Provider within a lease-based and partnership delivery model. PHA retains responsibility for housing management, regulatory compliance, property standards and governance oversight, while day-to-day care and support services are delivered by specialist third-party providers.

The Trustees confirm that they have had due regard to the Charity Commission's guidance on public benefit and are satisfied that the Association's activities are carried out for the public benefit.

Financial Review and Restructuring

During the period under review, and continuing into 2026, the Association undertook a comprehensive review of its financial structure in response to legacy lease arrangements that were no longer aligned with operating conditions within the supported housing sector.

Constructive negotiations were undertaken with the Association's principal landlords. In February 2026, these discussions concluded in the formalisation of consensual restructuring agreements. The key outcomes were:

- Resolution of historic landlord liabilities through agreed settlement arrangements.
- Restructuring of lease commitments to better align rental obligations with underlying income levels.
- Introduction of risk-sharing mechanisms reducing exposure to sustained void risk.
- Establishment of a revised financial framework supporting long-term viability.

The restructuring agreements include defined review mechanisms and operate within a structured timeframe to ensure continued alignment between operational performance and lease commitments.

As a result of these agreements, the Association's balance sheet position has been stabilised and its cash flow risk profile materially reduced. The Trustees consider that the revised lease framework provides a more resilient and sustainable operating base. The financial statements are therefore prepared on a going concern basis.

Operating Model

Following restructuring, the Association operates through a combination of:

Risk-Aligned Lease Arrangements

Existing leased properties continue under renegotiated terms incorporating income-linked or shared-risk structures.

Pivotal Housing Association

Strategic Board Report

Year Ended 31 March 2024

Partnership Delivery Model

PHA retains Registered Provider oversight and regulatory accountability while partnering with experienced organisations for operational delivery. This structure reduces financial exposure while maintaining compliance and quality assurance.

Future Asset Strategy

Subject to capital availability and prudent financial parameters, the Association will explore opportunities to introduce owned or funded housing assets into its portfolio in order to reduce reliance on lease-based models over time.

Across all models, PHA retains responsibility for regulatory compliance, governance, safeguarding, and property standards.

Governance and Financial Management

During the restructuring period, the Board and executive leadership were strengthened to enhance governance capacity and financial oversight. Improvements implemented include:

- Enhanced cash flow forecasting and financial stress testing.
- Strengthened compliance and property assurance processes.
- Upgraded housing management and reporting systems.
- Formalised risk management frameworks aligned with the revised business model.

The Board's ongoing priorities are to maintain adequate reserves, safeguard regulatory compliance, and ensure sustainable growth consistent with financial capacity.

Future Outlook

The Board considers that the Association has transitioned from a high fixed-cost lease structure to a more balanced and risk-aligned operating model. This transition materially reduces financial volatility and strengthens long-term viability.

Demand for supported housing remains significant across the Association's areas of operation. Growth opportunities will be pursued in a measured manner, subject to compliance, financial viability and risk controls.

The Association remains committed to delivering safe, compliant and high-quality supported housing for vulnerable individuals, while operating with strengthened governance, disciplined financial management and a clear focus on long-term sustainability.

Business Development

The business development strategy for **PHA** has undergone a significant transformation over the past year, aligned with the consensual agreements with the Association's principal landlords and the implementation of a new, low-risk operating model. This has included a pivot towards delivering regulatory and compliance expertise alongside trusted care and support partners, and a deliberate move away from long-term leased properties with high occupancy risk.

Growth Through Strategic Partnerships

Existing relationships have been strengthened, and new partnerships developed across the South West, focusing on specialist supported housing. These partnerships now operate under a **new commercial model** that de-risks the Association's involvement while maintaining high standards of care, property management, and regulatory compliance.

Pivotal Housing Association

Strategic Board Report

Year Ended 31 March 2024

Key delivery partners include:

- Clear Pathway Care
- Kerensa Care
- Brandon Trust
- Pivotal Support Group
- Rethink
- Northam Care
- Your Choice
- K2 Care
- Shaftesbury
- Young Person's Team, Cornwall Council
- NHS Cornwall
- Pioneering Independence
- Plymouth City Council
- Parallel Independence
- Glassmoon Services

New Schemes Launched in 2023-2024

- **Cornwall (Brandon Trust):** 10-bed supported living scheme for adults with learning disabilities **Went live on 14th March 2023**
- **Plymouth (Plymouth City Council):** Award-winning 12-bed project for care-experienced young people **Went live on 31st August 2023**

Pivotal Housing Association

Strategic Board Report

Year Ended 31 March 2024

Pipeline Schemes

Location	Units & Address	Partner	Client Group	Opened	Risk Model
Bournemouth	8 units, 42 Stirling Road	Shaftesbury	Learning Disability	Oct 2024	Support provider pays for Voids over the 7% from council
Plymouth	5 units, North Road East	Pioneering Independence	Mental Health	July 2024	Support provider pays all voids >3.5% negligible occupancy risk
Redruth, Cornwall	1 specialist unit, 16 Green Lane	Kerensa Care	Learning Disability	September 2024	No rent payable on lettable voids
Redruth, Cornwall	2 units, 66 Killiersfield	Kerensa Care	Learning Disability	November 2024	No rent payable on lettable voids
Poole	Langdon Replacement Scheme	Pivotal Support Group	Homelessness	TBC	
Plymouth	1 specialist unit, 181 Sheridan Road	Glassmoon Services	Complex Learning Disability & Mental Health	April 2025	No rent payable on lettable voids
Redruth, Cornwall	5 units, Alma Place	Brandon Trust	Learning Disability agreed 18-25years	October 2025	Council pay 7% voids, support provider pays over 7% Voids.
Redruth, Cornwall	2 units, Chili Cottages	Kerensa Care	Learning Disability	February 2026	No rent payable on lettable voids
Plymouth	2 units	Glassmoon Services	Complex Learning Disability	March 2026	No rent payable on lettable voids

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Strategic Board Report

Year Ended 31 March 2024

Looking Ahead

- The new consensual agreements with landlords provide for circa £10m per annum of income, this is expected to increase with occupancy rises after refurbishment (landlord funded) of units.
- Active negotiations are ongoing with **institutional funders and social investors** to introduce **owned stock** into the housing portfolio. This transition will increase turnover, enhance long-term asset value, and eliminate legacy lease-related risk.
- Underpinned by robust partnerships, regulatory assurance, and reduced financial exposure.

Strategic Direction

Following governance and management restructuring and the conclusion of consensual agreements with principal landlords, the Board and executive team have adopted a revised strategic framework reflecting the Association's stabilised financial position and risk-aligned operating model.

The strategic direction focuses on long-term sustainability, regulatory compliance, operational discipline and measured growth through lower-risk structures.

Strategic Objectives

1. Deliver Excellence in Housing Provision

The Association will continue to prioritise safety, compliance and quality across its portfolio.

- Maintain full compliance with statutory health and safety obligations.
- Strengthen repairs, maintenance and property assurance processes.
- Implement a long-term asset management framework to guide investment decisions.
- Ensure properties meet supported housing standards appropriate to client needs.

The revised operating model does not alter the Association's core commitment to safe, compliant and appropriate accommodation.

2. Embed Financial Resilience within a Risk-Aligned Model

The consensual restructuring has materially reduced fixed lease exposure and improved alignment between income and property commitments. The Board's priority is to embed and sustain this position.

- Operate within income-linked and risk-sharing lease frameworks.
- Maintain adequate operating reserves and robust cash flow forecasting.
- Strengthen stress testing and scenario planning.
- Ensure governance and financial controls remain proportionate and effective.

The objective is not growth for its own sake, but controlled stability and resilience.

3. Develop Sustainable Partnership Models

PHA will continue to expand its partnership-led approach, where appropriate, in order to deliver supported housing with reduced balance sheet risk.

Pivotal Housing Association

Strategic Board Report

Year Ended 31 March 2024

- Expand the Registered Provider oversight model, retaining regulatory accountability while partnering for operational delivery.
- Build strategic relationships with local authorities, funders and specialist providers.
- Pursue structured partnership opportunities that align risk and reward appropriately.

The partnership framework enables service delivery growth while protecting financial sustainability.

4. Strengthen Resident Voice and Service Quality

The Association remains committed to embedding resident engagement within governance and service design.

- Enhance structured tenant feedback mechanisms.
- Improve responsiveness and transparency in service delivery.
- Maintain a culture of safeguarding, dignity and support.

Supported housing provision must remain resident-centred and outcomes-focused.

5. Build Organisational Capability

Sustainable delivery requires capable leadership, skilled staff and effective systems.

- Invest in leadership development and financial capability.
- Embed a culture of accountability and professional pride.
- Strengthen systems for reporting, compliance monitoring and performance management.

Operational discipline is central to maintaining regulator and stakeholder confidence.

Organisational Priorities for 2025/26

The Board has identified the following priority actions for the coming year:

1. Housing and Asset Management

- Reduce void levels through targeted housing management interventions within the revised lease framework.
- Implement a 20-year Stock Condition Plan to inform maintenance and investment decisions.
- Strengthen compliance assurance across fire safety, gas safety, electrical safety and property condition.

2. Financial Stability and Risk Management

- Embed the restructured lease arrangements and monitor performance against agreed parameters.
- Maintain strong cash flow forecasting and stress testing aligned to regulator expectations.
- Continue to rationalise legacy exposure where appropriate within the consensual framework.
- Explore prudent opportunities for introducing lower-risk owned or funded assets, subject to viability.

Pivotal Housing Association

Strategic Board Report

Year Ended 31 March 2024

3. Partnership Expansion

- Consolidate and scale the Registered Provider oversight model, which is currently generating approximately £500,000 in annualised contribution.
- Formalise governance and compliance oversight arrangements within partnership agreements.
- Develop strategic relationships to support sustainable pipeline growth.

4. Customer and Community Focus

- Strengthen tenant engagement structures and reporting into governance.
- Improve performance transparency and complaint handling processes.
- Work with partners to support positive outcomes for residents.

5. Internal Capacity and Systems

- Enhance financial reporting, data integrity and management information.
- Continue development of the housing management system to improve monitoring of voids, repairs and compliance.
- Align staffing structures to the revised operating model.

Benchmarking

Pivotal Housing Association remains a committed member of the Smaller Providers Benchmarking Network (SPBM), facilitated by Acuity in partnership with HouseMark.

SPBM comprises over 140 member organisations managing more than 75,000 homes across England. Participation enables the Association to compare performance, cost efficiency and service delivery against peer providers, particularly those delivering supported housing at smaller scale or with specialist client groups.

Benchmarking outcomes inform performance improvement planning, cost discipline and governance oversight.

The **Regulator of Social Housing's (RSH) Value for Money (VfM)** metrics are included below. These figures reflect the unique characteristics of Pivotal Housing Association's lease-based supported housing model and the financial restructuring completed via the consensual agreements with the Association's principal landlords. The Association expects significant improvements in these metrics during the consensual deal term as it transitions to a leaner, more financially stable, and operationally efficient organisation.

Pivotal Housing Association

Strategic Board Report

Year Ended 31 March 2024

RSH Value for Money Metrics

Metric	Description	2023/24	2022/23	2021/22	SPBM Benchmark
1. Reinvestment %	Investment in properties as % of total stock	N/A	N/A	N/A	3.4%
2. New Supply – Social	% of new social homes developed/acquired	4.0%	3.0%	3.4%	0.7%
2. New Supply – Non-Social	% of new non-social homes developed/acquired	N/A	N/A	N/A	0.0%
3. Gearing %	Debt as a percentage of total assets	0.0%	0.0%	0.0%	10.1%
4. Interest Cover %	Operating surplus divided by interest payable	(496%)	(67.8%)	0.0%	804%
5. Cost per Unit	Headline social housing costs per unit	£21.7k	£26.0k	£17.2k	£13.9k
6. Operating Margin (Social)	Operating surplus as % of social housing lettings income	(28.7%)	(10.1%)	0.4%	11.0%
6. Operating Margin (Overall)	Operating surplus as % of total income	(28.7%)	(10.1%)	0.4%	11.0%
7. ROCE %	Return on Capital Employed (Operating surplus ÷ total assets - current liabilities)	N/A	(195.1%)	3.3%	3.3%

Commentary on Benchmark Performance

- **Reinvestment & Gearing:** Pivotal Housing Association currently 2024/2025 leases all of its stock, so investment and gearing metrics are not representative. However, if new owned stock is acquired, these metrics will become increasingly relevant.
- **New Supply – Social:** The Association has outperformed peers by delivering new supported housing units through partnerships, particularly with local authorities and care providers.
- **Interest Cover:** This remains negative due to historic losses. Following the consensual deal and the transition to a surplus-generating model, improvements are anticipated.
- **Cost per Unit:** Higher than sector averages due to the nature of specialist supported housing, where services are intensive, properties are customised for high-need tenants, and support is integrated. As scale increases, unit costs would fall.
- **Margins & ROCE:** Both remain negative due to structural challenges prior to the consensual deal. Margin recovery is a core focus of the business plan under the restructured model.

Principal Risks and Uncertainties

Following the conclusion of consensual restructuring agreements with the Association's principal landlords in February 2026, PHA has materially strengthened its financial resilience and reduced exposure to historic fixed lease obligations. The Association now operates within a revised, risk-aligned framework designed to support long-term sustainability.

The principal risks facing the Association are set out below.

1. Income and Void Risk

Void levels within supported housing remain the most significant operational risk. While lease commitments have been restructured to introduce income-linked and shared-risk mechanisms, sustained under-occupancy could affect income recovery and short-term cash flow performance. This however only affects overheads in two out of the three portfolios and only at a level below 80% occupancy in the other so has been largely eliminated.

Void performance is monitored monthly, with enhanced housing management oversight and partner engagement to mitigate prolonged vacancy periods.

Pivotal Housing Association

Strategic Board Report

Year Ended 31 March 2024

2. Delivery of the Revised Operating Model

The Association's revised model incorporates partnership-based delivery structures and income-aligned lease frameworks. Delays in partnership mobilisation, or underperformance within partnership contracts could affect projected surpluses.

This risk is mitigated through structured agreement terms, defined oversight arrangements and ongoing stress testing.

3. Regulatory and Policy Environment

The supported housing sector remains subject to policy and regulatory change. Adjustments to housing benefit frameworks, temporary accommodation rules, rent policy, or regulatory standards may affect future income streams or compliance obligations.

The Association monitors sector developments and maintains active engagement with the Regulator of Social Housing and commissioning authorities.

4. Compliance and Property Risk

PHA retains responsibility as Registered Provider for property standards, health and safety compliance and safeguarding obligations. Failure to maintain full compliance could result in regulatory intervention or reputational damage.

Robust compliance monitoring systems, regular reporting to the Audit & Risk Committee, and enhanced internal controls are in place to mitigate this risk.

Regulation and Corporate Governance

PHA has previously received regulatory notices from the Regulator of Social Housing (RSH), including in March 2021 and a subsequent enforcement notice in April 2025 and a notice of intended deregistration in January 2026. These identified weaknesses in governance, financial viability, risk management and rent compliance.

Since that time, significant corrective action has been undertaken. The consensual restructuring agreements concluded in February 2026, together with governance and leadership strengthening, have materially improved the Association's financial stability and control environment.

Improvements implemented include:

- Strengthened Board composition and executive capacity.
- Clear reporting lines and formalised decision-making processes.
- Implementation of a comprehensive Financial Planning, Performance and Policy (FPPP) framework.
- Enhanced liquidity monitoring and formal stress testing.
- Strengthened compliance monitoring and documentation controls.
- Confirmation of compliance with the Rent Standard for specialised supported housing.

PHA has adopted the NHF Code of Governance (2015) and is working towards full alignment with the 2020 Code of Practice. A governance effectiveness review has been undertaken, and further enhancements will continue during the next financial year.

In accordance with the RSH Governance and Financial Viability Standard, the Board confirms that it is not aware of any material breaches of English law. The Association continues to engage constructively with the RSH and is committed to full regulatory compliance.

Pivotal Housing Association

Strategic Board Report

Year Ended 31 March 2024

Board Statement of Public Benefit

The charitable objects of PHA restrict its activities to:

- The relief of poverty and the promotion of good health among economically and socially disadvantaged individuals, including those with mental health needs, ex-offenders, vulnerable adults and young people, through the provision of accommodation, social housing, support services and advice.
- The provision and management of social housing and related activities.

PHA delivers public benefit by:

- Providing supported housing tailored to individuals with complex needs.
- Delivering housing management and tenancy sustainment services.
- Facilitating access to specialist care and support services through partnership arrangements.
- Supporting independent living pathways.

The Board has considered the Charity Commission's guidance on public benefit and is satisfied that PHA's activities are conducted for the public benefit.

Reserves Policy

The Board has agreed a Reserves Policy establishing a target minimum unrestricted reserve of £500,000. The restructuring framework provides for incremental strengthening of free reserves over time, subject to agreed surplus-sharing arrangements and performance thresholds.

At the date of signing, the Association maintains free cash in excess of its current unrestricted reserve target. The Board reviews reserves regularly to ensure appropriate financial resilience.

Dividends

As a company limited by guarantee and registered charity, PHA has no share capital and does not distribute dividends.

Internal Controls Assurance

The Board has overall responsibility for the system of internal control and for reviewing its effectiveness. The system is designed to manage, rather than eliminate, risk.

Following governance restructuring and implementation of the revised financial framework, the Association has strengthened its control environment through:

- A formal risk register reviewed by the Senior Leadership Team and Audit & Risk Committee.
- Enhanced financial forecasting and stress testing.
- Strengthened compliance and property assurance processes.
- Improved documentation and record-keeping standards.
- Defined delegated authorities and reporting structures.

The Audit & Risk Committee oversees internal control and assurance arrangements, including external audit.

Pivotal Housing Association

Strategic Board Report

Year Ended 31 March 2024

The Board acknowledges that systems continue to mature but is satisfied that proportionate and reasonable steps are in place to maintain effective internal control.

The Board

PHA is governed by a voluntary Board of Trustees. Trustees serving during the year are listed on page 1.

Key governance arrangements include:

- A competency-based Trustee recruitment framework.
- Formal induction and training processes.
- Defined committee structures including Audit & Risk oversight.

Delegation arrangements are clearly defined. The Board retains responsibility for strategy and oversight. The Audit & Risk Committee oversees statutory reporting, risk management and assurance. Day-to-day management is delegated to the Strategic Leadership Team.

Company Membership

The members of PHA (effective from February 2026) are the current Board members.

Customer Involvement

PHA promotes tenant engagement through structured feedback mechanisms appropriate to supported housing settings. Engagement includes:

- Tenant surveys.
- Repairs and service feedback processes.
- Complaint handling and resolution procedures.
- Engagement through support providers and carers where appropriate.

Statement of Compliance

In preparing this Board report, the Board has followed the principles set out in Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Statement of Recommended Practice for Social Housing Providers, and with the Accounting Direction for private registered providers of social housing in England 2022. The financial statements are also prepared under the requirements of the Housing and Regeneration Act 2008 and the Companies Act 2006.

Going Concern

The financial statements have been prepared on a going concern basis.

At 31 March 2024 the Association reported net liabilities. These arose primarily from historic lease rent accruals under a fixed-rent lease structure whereby lease payments were contractually payable in full irrespective of receipt of Housing Benefit/Universal Credit income. Under that historic model, sustained occupancy levels in excess of approximately 93% were required to maintain financial equilibrium. During certain periods occupancy was below those levels, resulting in the accumulation of landlord liabilities.

Pivotal Housing Association

Strategic Board Report

Year Ended 31 March 2024

Following the reporting date, and prior to approval of these financial statements, the Association completed a formal restructuring process overseen by licensed insolvency practitioners. That process resulted in fully executed consensual agreements with the Association’s principal landlords.

Under those agreements:

- Approximately £4.3 million of historic landlord liabilities have been irrevocably written off, including £2.5 million relating to this (2023-2024) period.
- The remaining £2.5 million balance does not constitute a fixed or callable debt. It is recoverable solely as a defined share of future income streams generated by specified properties and is ring-fenced to those income streams. It cannot be demanded independently, does not accrue interest, and does not give rise to default where income is insufficient. Approximately £292,000 of this balance relates to the financial period ended 31 March 2024.
- The historic fixed-rent lease model has been replaced for approximately two-thirds of the portfolio with a strict pass-through mechanism, under which lease rent is payable only to the extent funded by income received. Lease rent shortfalls do not accrue and do not create arrears.
- For the remaining portfolio, lease rent is capped at an agreed minimum percentage level which remains above current trading levels, such that no lease rent accrual arises under current forecasts.

The effect of these arrangements is that the Association is no longer exposed to unfunded fixed lease obligations or to debt accumulation arising from occupancy volatility.

The impact of these restructuring arrangements would have significantly strengthened the Association’s financial position had they been in place during the year ended 31 March 2024. On a pro-forma basis, the Association’s balance sheet position would have moved from net liabilities of approximately £3.5 million to positive reserves of approximately £90,000 following the write-off of historic liabilities and related adjustments.

In addition to landlord liabilities, the Association has written off historic balances with former group entities, including £1,071,888 owed to Pivotal Group Holdings and £56,341 owed to Pivotal Homes Group in the year ended 31 March 2024.

These pro forma balances are shown side by side below.

	Per accounts	Pro-forma accounts
	2024	2024
	£'000	£'000
Current Assets	2,126	2,079
Current Liabilities	(4,862)	(829)
Fixed Assets	273	273
Long Term Liabilities	(269)	(639)
Provision for Liabilities	(819)	(794)
Funds	(3,551)	90

Pivotal Housing Association

Strategic Board Report

Year Ended 31 March 2024

The Board has undertaken a detailed review of the Association's financial position following completion of the restructuring. As part of this review the Board has prepared updated cashflow forecasts reflecting the revised operating arrangements and the Association's current operating model.

These forecasts indicate positive cash generation of approximately £10,000 per month under current trading levels, together with unrestricted cash balances of approximately £500,000 at the date of approval of the financial statements, which aligns with the Board's target minimum unrestricted reserve level.

The forecasts have been prepared under the Board's base case assumptions and have also been subjected to a range of alternative scenarios as part of the Association's normal financial governance and stress testing processes. These stress tests include scenarios such as a sudden reduction in occupancy of up to 10%. Under such scenarios, the forecasts indicate continued positive cash generation.

Two-thirds of the portfolio now operates on a pass-through basis and is therefore structurally insulated from occupancy volatility. The remaining portfolio is insulated from occupancy volatility until below 80% occupancy.

Certain restructuring agreements also provide transitional landlord support for limited periods. This support has not been assumed within the base case forecasts but provides additional contingency protection.

The Association has no secured or callable borrowings. The only outstanding loan is a £420,000 subordinated loan from a former related entity. Under the terms of that agreement the loan:

- cannot be repaid if repayment would threaten the Association's financial viability;
- cannot be enforced where repayment would create insolvency pressure;
- requires a minimum 12 months' notice prior to repayment; and
- contains no financial covenants beyond the provision of financial information.

The Board and executive leadership of the Association have also been refreshed, and an Audit & Risk Committee has been re-established. Financial planning, stress testing and cashflow monitoring frameworks have been strengthened.

The Regulator of Social Housing is currently undertaking a review of the Association's registration. The Board has engaged specialist external advisers within the social housing sector to support its engagement with the Regulator and to ensure that all governance and operational matters identified through that process are appropriately addressed. The Board continues to engage constructively with the Regulator as part of that review.

The Board has therefore considered the executed restructuring agreements, the removal of historic debt, the revised lease structure, current cash reserves, forecast cash generation and the results of stress testing. On that basis the Board believes that the steps taken provide a sound platform for the Association's continuing operations.

However, as with all forward-looking projections, the forecasts remain dependent on certain assumptions, most notably the level and timing of rents receivable and the practical operation of the revised lease arrangements which, due to their recent implementation, have not yet been tested over a full operating cycle. In addition, the outcome of the Regulator of Social Housing's ongoing review remains under consideration.

Accordingly, these matters indicate that a material uncertainty exists which may cast significant doubt on the Association's ability to continue as a going concern and therefore its ability to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result if the Association were unable to continue as a going concern.

The Board will continue to monitor performance against these forecasts closely and remains focused on maintaining compliance with the Regulatory Framework for Social Housing and ensuring the continued stability of the Association's operations.

Accordingly, the financial statements have been prepared on a going concern basis.

Pivotal Housing Association

Strategic Board Report

Year Ended 31 March 2024

Statement of Board responsibilities

Trustee obligations and responsibilities are set out in the Trustee Role Profile, the Standing Orders, and the Terms of Reference of the PHA Board. This includes statements that the Board is collectively responsible for the direction and control of the organisation.

- Each member is required to carry out their responsibilities in accordance with the constitution, law and regulatory requirements.
- The Board is responsible for preparing the report and financial statements in accordance with applicable law and regulations.
- Preparation of financial statements for each financial year which give a true and fair view of the state of affairs of the association and of its income and expenditure for that period.
- The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the association.
- It has general responsibility for taking reasonable steps to safeguard the assets of the association and to prevent and detect fraud and other irregularities.
- The Board has a general responsibility for taking reasonable steps to safeguard the assets of the organisation and to prevent and detect fraud and other irregularities.

Disclosure of information to auditors

At the date of making this report each of the Trustees of the Association confirm the following:

- So far as each Trustee is aware, there is no relevant audit information needed by the Association's auditors in connection with preparing their report of which the Association's auditors are unaware; and
- Each Trustee has taken all the steps that he/she ought to have taken as a Trustee in order to make him/herself aware of any relevant audit information needed by the Association's auditors in connection with preparing their report and to establish that the Association's auditors are aware of that information.

The Report of the Directors has been prepared in accordance with the provisions applicable to companies under the Companies Act 2006, subject to the small companies' exemption regime.

Annual general meeting

The annual general meeting will be held in April 2026.

Auditors

A resolution to re-appoint PKF Francis Clark will be proposed at the forthcoming Annual General Meeting.

The report has been prepared having taken advantage of the small company's exemption in the Companies Act 2006.

On behalf of the board

Signed by:

Steven Walton

002G0131609C4B8...
S Walton

07 March 2026

Date:

Pivotal Housing Association

Independent Auditor's Report to the Board of Pivotal Housing Association

Year Ended 31 March 2024

Opinion

We have audited the financial statements of Pivotal Housing Association (the 'association') for the year ended 31 March 2024 which comprise the statement of comprehensive income, balance sheet, statement of changes in equity/ reserves, 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 Financial Reporting Standard 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 of 31 March 2024, and of its incoming resources and application of resources, including 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 prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing in England 2022.

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.

Material uncertainty relating to going concern

We draw attention to note 1(o) in the financial statements, which indicates that

- During the period the Association completed a restructuring of landlord liabilities and entered into revised lease arrangements with all major landlords, which were signed on 27 February 2026. Through a variety of mechanisms these agreements either release liabilities for past rent or cap the rate at which they need to be repaid. They also cap current payments based on either the rent received from tenants, or the rent received less costs. These agreements significantly reduce risk, especially the risk of not filling a tenancy, but do not eliminate it.

The Board has prepared updated cashflow forecasts reflecting these revised arrangements under both the current operating model and alternative scenarios. These forecasts show positive cash generation under the Board's base case assumptions, although as with all forecasts, they remain sensitive to certain assumptions. Sensitivity remains, in particular in relation to the level of rents receivable.

- The Regulator of Social Housing is currently undertaking a review of the Association's registration. The Board has engaged specialist external advisers in the social housing sector to support its engagement with the Regulator and to assist in ensuring that all governance and operational matters

Pivotal Housing Association

Independent Auditor's Report to the Board of Pivotal Housing Association

Year Ended 31 March 2024

identified as part of that review are addressed. The Board continues to work through these actions and to engage constructively with the Regulator.

As set out in Note 1(o), these matters indicate the existence of a material uncertainty that may cast significant doubt on the Association's ability to continue as a going concern. The financial statements have been prepared on a going concern basis and do not include any adjustments that would result if the Association were unable to continue as a going concern.

Our opinion is not modified in this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The board is responsible for the other information. The other information comprises the information included in the board 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.

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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the board report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the board report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the association and its environment obtained in the course of the audit, we have not identified material misstatements in the board report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or

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Pivotal Housing Association

Independent Auditor's Report to the Board of Pivotal Housing Association

Year Ended 31 March 2024

- we have not received all the information and explanations we require for our audit; or
- the board was not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

In addition, we have nothing to report in respect of the following matter where the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained.

Responsibilities of the board

As explained more fully in the board's responsibilities statement set out on page 16, the board members (who are also the directors of the association for the purposes of company law) are 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 determine 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 has 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

As part of our audit planning, we obtained an understanding of the legal and regulatory framework that is applicable to the association. We gained an understanding of the association and the industry in which the association operates as part of this assessment to identify the key laws and regulations affecting the association. We made enquiries with management and made an appropriate team selection (ensuring competence and capability to recognise non-compliance). Key regulations identified were health and safety regulations, employment law, regulations regarding the standards of homes (including the governance and financial viability standard and the rent standard), and also those laws and regulations that have a direct impact on the preparation of the financial statements.

Management enquiries covered any knowledge or evidence of actual or potential fraud, litigation and claims which are followed up with corroborative audit review work. We also evaluated management incentives and opportunities for fraudulent manipulation of the financial statements.

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved the following:

- Enquiries of management regarding their knowledge of any non-compliance with laws and regulations that could affect the financial statements. As part of these enquiries, we also discussed with management whether there have been any known instances of fraud.
-

Pivotal Housing Association

Independent Auditor's Report to the Board of Pivotal Housing Association

Year Ended 31 March 2024

- Reviewed legal and professional costs to identify any possible non-compliance or legal costs in respect of non-compliance.
- Reviewed filings and correspondence with the Regulator of Social Housing, Charity Commission and Companies House and whether there were any serious incident reports made during the year.
- Discussed with management whether any health and safety incidents have been recorded during the year.
- Reviewed the GDPR policy and enquiries to management as to the occurrence of any reportable breaches.
- Reviewed Board minutes to identify significant issues or correspondence with the Regulator of Social Housing or Charity Commission.
- Reviewed estimates and judgements made in the accounts for any indication of bias.
- Audited the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business.

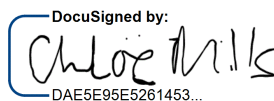
These procedures provided sufficient appropriate evidence that the identified risks of fraud or non-compliance have not led to material misstatements in these financial statements. Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate omissions, collusion, forgery, misrepresentations, or the override of internal controls. We are also less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. 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 Chapter 3 of Part 16 of the Companies Act 2006 and section 137 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.

Chloe Mills FCA (Senior Statutory Auditor)
Statutory Auditor
For and on behalf of PKF Francis Clark
Chartered Accountants and Statutory Auditors
Towngate House
2 – 8 Parkstone Road
Poole
BH15 2PW

DocuSigned by:

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Date: 09 March 2026

Pivotal Housing Association**Statement of Comprehensive Income (Including Income and Expenditure Account)****Year Ended 31 March 2024**

		Total 2024 £	Total 2023 £
	Note		
Turnover			
Letting of non-investment property	2	9,464,295	9,509,316
Cost of Sales			
Direct cost of letting properties		8,638,984	7,308,525
Support costs		2,639,064	2,154,382
	2	<u>11,278,048</u>	<u>9,462,907</u>
Gross surplus / (deficit)		(1,813,753)	46,409
Other income			
Miscellaneous income	2	88,000	63,116
		<u>(1,725,753)</u>	<u>109,525</u>
Administrative expenses			
Management and administration	2	1,031,593	1,055,286
Surplus / (deficit) for the year		<u>(2,757,346)</u>	<u>(945,761)</u>
Fund balance brought forward on 1 April		<u>(793,864)</u>	<u>151,897</u>
Fund balance carried forward on 31 March		<u>(3,551,210)</u>	<u>(793,864)</u>

On behalf of the board

S Walton

Signed by:

002C0131609C4B8...

Date: 07 March 2026
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Pivotal Housing Association**Balance sheet****Year Ended 31 March 2024**

	Note	2024 £	2023 £
Fixed assets			
Intangible assets	7	42,278	8,623
Tangible fixed assets	8	230,223	581,935
		<u>272,501</u>	<u>590,558</u>
Current assets			
Debtors	9	591,145	1,571,947
Cash at bank and in hand		1,534,711	611,848
		<u>2,125,856</u>	<u>2,183,795</u>
Total assets		2,398,357	2,774,353
Creditors: amounts falling due within one year	10	(4,862,169)	(2,317,874)
Net current assets / (liabilities)		<u>(2,463,812)</u>	<u>456,479</u>
Creditors: amounts falling due after more than one year	11	(268,523)	(421,875)
Provision for liabilities	12	(818,875)	(828,468)
Total net assets / (liabilities)		<u>(3,551,210)</u>	<u>(793,864)</u>
Funds:			
Unrestricted funds			
General funds		(3,551,210)	(793,864)
Total funds	14	<u>(3,551,210)</u>	<u>(793,864)</u>

The financial statements were approved and authorised for issue by the Board.

Signed on behalf of the board

Signed by:

 002C0131609C4B8...
 S Walton

07 March 2026
 Date:

The notes on pages 25 to 36 form part of these accounts.

Company registration number: 06211760

Pivotal Housing Association

Statement of Changes in Equity / Reserves

Year Ended 31 March 2024

	Income and expenditure reserve	Total 2024	Total 2023
	£	£	£
As of 1 April	(793,864)	(793,864)	151,897
Surplus / (deficit) for the year	(2,757,346)	(2,757,346)	(945,761)
Total comprehensive income	<u>(3,551,210)</u>	<u>(3,551,210)</u>	<u>(793,864)</u>
As of 31 March	<u>(3,551,210)</u>	<u>(3,551,210)</u>	<u>(793,864)</u>

Pivotal Housing Association**Statement of Cash Flows****Year Ended 31 March 2024**

	Note	2024 £	2023 £
Net cash flow from operating activities			
Net cash flow from operating activities	15	1,214,081	324,339
Cash flows from investing activities			
Payments to acquire intangible fixed assets	7	(37,234)	-
Payments to acquire tangible fixed assets	8	(253,984)	(254,617)
Cash flow from financing activities			
Proceeds from issue of new long-term loans		-	-
Net increase / (decrease) in cash and cash equivalents		922,863	69,722
Cash and cash equivalents on 1 April		611,848	542,126
Cash and cash equivalents on 31 March		<u>1,534,711</u>	<u>611,848</u>

Pivotal Housing Association

Notes to the Financial Statements

Year Ended 31 March 2024

1 Summary of significant accounting policies

(a) General information and basis of preparation

The financial statements have been prepared under the historical cost convention. The financial statements have been prepared in accordance with Accounting and Reporting by Registered Social Housing Providers: Statement of Recommended Practice applicable to registered social housing providers preparing their accounts in accordance with Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) - Housing SORP (FRS 102), Accounting Direction for Private Registered Providers of Social Housing 2022, Companies Act 2006 and Accounting Determination.

The association has adapted the Companies Act formats to reflect the special nature of the registerer provider's activities.

(b) Company status

The registered provider is a company registered in the UK and limited by guarantee (Company number 06211760). There are 5 members of the company. In the event of the registered provider being wound up, the liability in respect of the guarantee is limited to £1 per member of the registered provider.

The Association is a Registered Housing Association (No. 4747) and a Registered Charity (No. 1121914). The registered provider constitutes a public benefit entity as defined by FRS 102.

(c) Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the trustees in furtherance of the general objectives of the registered provider and which have not been designated for other purposes.

(d) Incoming resources

All incoming resources are included in the SOCI when the registered provider is legally entitled to the income and the amount can be quantified with reasonable accuracy. For legacies, entitlement is the earlier of the registered provider being notified of an impending distribution or the legacy being received.

The expected income per property is recorded as income with voids being brought in to account for the opportunity costs lost on the properties not occupied.

Management fees and Training fees are recognised as income in the period in which the services are provided to other organisations.

(e) Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings, they have been allocated to activities on a basis consistent with use of the resources. Premises overheads have been allocated on a floor area basis and other overheads have been allocated on the basis of the head count.

Pivotal Housing Association

Notes to the Financial Statements

Year Ended 31 March 2024

1 Summary of significant accounting policies (continued)

(f) Intangible assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost or value of the asset can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software 10 years straight line basis

(g) Tangible fixed assets and depreciation

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation has been provided at the following rates in order to write off the assets over their estimated useful lives:

Plant and machinery	10 years straight line basis
Leasehold property improvements	5 / 10 / 20 years straight line basis
Office equipment	3 years straight line basis
Fixtures and fittings	5 / 10 years straight line basis

(h) Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.

Pivotal Housing Association

Notes to the Financial Statements

Year Ended 31 March 2024

1 Summary of significant accounting policies (continued)

A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(i) Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

(j) Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

(k) Financial instruments

The association has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the association's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Pivotal Housing Association

Notes to the Financial Statements

Year Ended 31 March 2024

1 Summary of significant accounting policies (continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the assets expire or are settled, or when the company transfers the financial assets and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that sell the assets in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

(l) Provision for liability

The sinking fund matches the amount on the agreed rent card each month and is accounted for on an accruals basis and the calculation is based upon the number of days per month. The calculation deducts the number of void days in the period. The budget for the sinking fund is calculated using the latest housing stock condition survey. The value of the expected works is calculated on a weekly basis over the timeframe used in the housing stock condition survey. This is then added to the rent card proposals sent to the Local Authority. The sinking fund income is therefore part of the Housing Benefit rental income receivable from the Local Authority.

(m) Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received. Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

(n) Retirement benefit

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Pivotal Housing Association

Notes to the Financial Statements

Year Ended 31 March 2024

1 Summary of significant accounting policies (continued)

(o) Going Concern

The financial statements have been prepared on a going concern basis.

At 31 March 2024 the Association reported net liabilities. These arose primarily from historic lease rent accruals under a fixed-rent lease structure whereby lease payments were contractually payable in full irrespective of receipt of Housing Benefit/Universal Credit income. Under that historic model, sustained occupancy levels in excess of approximately 93% were required to maintain financial equilibrium. During certain periods occupancy was below those levels, resulting in the accumulation of landlord liabilities.

Following the reporting date, and prior to approval of these financial statements, the Association completed a formal restructuring process overseen by licensed insolvency practitioners. That process resulted in fully executed consensual agreements with the Association's principal landlords.

Under those agreements:

- Approximately £4.3 million of historic landlord liabilities have been irrevocably written off, including £2.5 million relating to this (2023-2024) period.
- The remaining £2.5 million balance does not constitute a fixed or callable debt. It is recoverable solely as a defined share of future income streams generated by specified properties and is ring-fenced to those income streams. It cannot be demanded independently, does not accrue interest, and does not give rise to default where income is insufficient. Approximately £292,000 of this balance relates to the financial period ended 31 March 2024.
- The historic fixed-rent lease model has been replaced for approximately two-thirds of the portfolio with a strict pass-through mechanism, under which lease rent is payable only to the extent funded by income received. Lease rent shortfalls do not accrue and do not create arrears.
- For the remaining portfolio, lease rent is capped at an agreed minimum percentage level which remains above current trading levels, such that no lease rent accrual arises under current forecasts.

The effect of these arrangements is that the Association is no longer exposed to unfunded fixed lease obligations or to debt accumulation arising from occupancy volatility.

The impact of these restructuring arrangements would have significantly strengthened the Association's financial position had they been in place during the year ended 31 March 2024. On a pro-forma basis, the Association's balance sheet position would have moved from net liabilities of approximately £3.5 million to positive reserves of approximately £90,000 following the write-off of historic liabilities and related adjustments.

In addition to landlord liabilities, the Association has written off historic balances with former group entities, including £1,071,888 owed to Pivotal Group Holdings and £56,341 owed to Pivotal Homes Group in the year ended 31 March 2024.

The Board has undertaken a detailed review of the Association's financial position following completion of the restructuring. As part of this review the Board has prepared updated cashflow forecasts reflecting the revised operating arrangements and the Association's current operating model.

These forecasts indicate positive cash generation of approximately £10,000 per month under current trading levels, together with unrestricted cash balances of approximately £500,000 at the date of approval of the financial statements, which aligns with the Board's target minimum unrestricted reserve level.

The forecasts have been prepared under the Board's base case assumptions and have also been subjected to a range of alternative scenarios as part of the Association's normal financial governance and stress testing processes. These stress tests include scenarios such as a sudden reduction in

Pivotal Housing Association

Notes to the Financial Statements

Year Ended 31 March 2024

occupancy of up to 10%. Under such scenarios, the forecasts indicate continued positive cash generation.

Two-thirds of the portfolio now operates on a pass-through basis and is therefore structurally insulated from occupancy volatility. The remaining portfolio is insulated from occupancy volatility until below 80% occupancy.

Certain restructuring agreements also provide transitional landlord support for limited periods. This support has not been assumed within the base case forecasts but provides additional contingency protection.

The Association has no secured or callable borrowings. The only outstanding loan is a £420,000 subordinated loan from a former related entity. Under the terms of that agreement the loan:

- cannot be repaid if repayment would threaten the Association's financial viability;
- cannot be enforced where repayment would create insolvency pressure;
- requires a minimum 12 months' notice prior to repayment; and
- contains no financial covenants beyond the provision of financial information.

The Board and executive leadership of the Association have also been refreshed, and an Audit & Risk Committee has been re-established. Financial planning, stress testing and cashflow monitoring frameworks have been strengthened.

The Regulator of Social Housing is currently undertaking a review of the Association's registration. The Board has engaged specialist external advisers within the social housing sector to support its engagement with the Regulator and to ensure that all governance and operational matters identified through that process are appropriately addressed. The Board continues to engage constructively with the Regulator as part of that review.

The Board has therefore considered the executed restructuring agreements, the removal of historic debt, the revised lease structure, current cash reserves, forecast cash generation and the results of stress testing. On that basis the Board believes that the steps taken provide a sound platform for the Association's continuing operations.

However, as with all forward-looking projections, the forecasts remain dependent on certain assumptions, most notably the level and timing of rents receivable and the practical operation of the revised lease arrangements which, due to their recent implementation, have not yet been tested over a full operating cycle. In addition, the outcome of the Regulator of Social Housing's ongoing review remains under consideration.

Accordingly, these matters indicate that a material uncertainty exists which may cast significant doubt on the Association's ability to continue as a going concern and therefore its ability to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result if the Association were unable to continue as a going concern.

The Board will continue to monitor performance against these forecasts closely and remains focused on maintaining compliance with the Regulatory Framework for Social Housing and ensuring the continued stability of the Association's operations.

Accordingly, the financial statements have been prepared on a going concern basis.

Pivotal Housing Association

Notes to the Financial Statements

Year Ended 31 March 2024

2 Social housing turnover and costs

	2024 £	2023 £
Rents receivable excluding service charges	9,215,169	9,374,048
Service charges receivable	249,126	135,268
Other income	88,000	63,116
Total income from lettings	<u>9,552,295</u>	<u>9,572,432</u>
Cost of property letting	8,638,984	7,308,525
Support costs	2,639,064	2,154,382
Management and administration	1,031,593	1,055,286
Total housing activities expenditure	<u>12,309,641</u>	<u>10,518,193</u>
Net surplus / (deficit) from social housing activities	<u>(2,757,346)</u>	<u>(945,761)</u>
Rent losses from voids	1,136,243	1,137,851

3 Bed spaces

	Number of units on 31 March 2024	Number of units on 31 March 2023
<i>Social housing</i>		
Supported housing	<u>542</u>	<u>537</u>
	542	537

4 Auditor's remuneration

	2024 £	2023 £
Fees payable to the Association's auditor for the audit of the Association's annual accounts	24,100	24,100
	<u>24,100</u>	<u>24,100</u>

5 Directors' remuneration

No remuneration was paid to or receivable by directors during the year (2023: £Nil).

Pivotal Housing Association**Notes to the Financial Statements****Year Ended 31 March 2024****6 Staff costs**

The aggregate remuneration of such employees was as follows:

	2024	2023
	£	£
Wages and salaries	1,395,450	1,220,434
Social security	128,299	115,730
Other pension costs	46,489	22,150
	<u>1,570,238</u>	<u>1,358,314</u>
 Average number of employees	 45	 47

There are no employees who received more than £60,000 as their employee package.

7 Intangible fixed assets

	Software £
Cost:	
On 1 April 2023	39,392
Additions	37,234
Disposals	-
On 31 March 2024	<u>76,626</u>
Amortisation:	
On 1 April 2023	30,769
Charge for the year	3,579
Eliminated on disposals	-
On 31 March 2024	<u>34,348</u>
Net book value:	
On 1 April 2023	<u>8,623</u>
On 31 March 2024	<u>42,278</u>

Pivotal Housing Association**Notes to the Financial Statements****Year Ended 31 March 2024****8 Tangible fixed assets**

	Plant & machinery	Leasehold property improvements	Office equipment	Furniture & fixtures	Total
	£	£	£	£	£
Cost:					
On 1 April 2023	414,325	459,922	35,214	119,205	1,028,666
Additions	61,270	152,371	11,580	28,763	253,984
Disposals	(215,450)	(534,611)	(10,924)	(125,448)	(886,433)
On 31 March 2024	260,145	77,682	35,870	22,520	396,217
Depreciation:					
On 1 April 2023	238,401	158,090	30,791	19,449	446,731
Charge for year	43,867	55,814	6,778	12,245	118,704
Eliminated on Disposal	(182,162)	(180,628)	(10,106)	(26,545)	(399,441)
On 31 March 2024	100,106	33,276	27,463	5,149	165,994
Net book value:					
On 1 April 2023	175,924	301,832	4,423	99,756	581,935
On 31 March 2024	160,039	44,406	8,407	17,371	230,223

Pivotal Housing Association**Notes to the Financial Statements****Year Ended 31 March 2024****9 Debtors**

	2024 £	2023 £
Trade debtors	409,162	909,582
Other debtors	46,589	459,951
Prepayments and other accrued income	135,394	202,414
	<u>591,145</u>	<u>1,571,947</u>

10 Creditors: amounts falling due within one year

	2024 £	2023 £
Trade creditors	2,717,139	566,932
Other tax and social security	31,578	27,456
Other creditors	2,034,361	1,695,361
Loans	79,091	28,125
	<u>4,862,169</u>	<u>2,317,874</u>

11 Creditors: amounts falling due after more than one year

	2024 £	2023 £
Loans	268,523	421,875
	<u>268,523</u>	<u>421,875</u>

In the financial year ended 31 March 2020 Pivotal Housing Group entered into a loan facility agreement for £450,000 with Pivotal Homes Group. At the end of March 2020 £450,000 had been drawn down. From June 2020 interest of 0.5% above National Westminster Bank base lending rate was payable. Capital repayments started in March 2023 and the capital is repayable over 16 quarterly payments.

12 Provision for liability – Rental income sinking fund

	2024 £
Sinking fund provision on 1 April 2023	828,468
Movement in provision during the year	(9,593)
Sinking fund provision on 31 March 2024	<u>818,875</u>

Pivotal Housing Association

Notes to the Financial Statements

Year Ended 31 March 2024

13 Leases

	2024 £	2023 £
Not later than one year	5,999,510	5,034,504
Later than one and not later than five years	23,916,055	20,138,015
Later than five years	44,187,780	44,837,054
	<u>74,103,345</u>	<u>70,009,573</u>

The registered provider has entered into a 20-year lease for the majority of its properties.

14 Funds

	2023 £	Income £	Expenditure £	2024 £
General reserves	(793,864)	9,552,295	(12,309,641)	(3,551,210)
	<u>(793,864)</u>	<u>9,552,295</u>	<u>(12,309,641)</u>	<u>(3,551,210)</u>

The general reserve represents free funds of the registered provider which are not designated for a particular purpose.

15 Reconciliation of operating surplus / (deficit) to cash flow from operating activities

	2024 £	2023 £
Surplus / (deficit) for the year	(2,757,346)	(945,761)
Write off Sinking fund tangible fixed assets	304,997	-
Depreciation and impairment of tangible fixed assets	118,704	158,634
Amortisation and impairment of intangible fixed assets	3,579	3,540
Loss on disposal of tangible fixed assets	181,995	55,801
(Increase) / decrease in trade and other debtors	980,802	(369,257)
Increase / (decrease) in trade and other creditors	2,390,943	1,134,098
Increase / (decrease) in provisions	(9,593)	287,284
Net cash flow from operating activities	<u>1,214,081</u>	<u>324,339</u>

16 Analysis of changes in net debt

	2023 £	Cash flows £	2024 £
Borrowings repayable in < 1 year	(28,125)	(50,966)	(79,091)
Long-term borrowings	(421,875)	153,352	(268,523)
Total liabilities	<u>(450,000)</u>	<u>102,386</u>	<u>(347,614)</u>
Cash and cash equivalents	611,848	922,863	1,534,711
Total net debt	<u>161,848</u>	<u>1,025,249</u>	<u>1,187,097</u>

Pivotal Housing Association

Notes to the Financial Statements

Year Ended 31 March 2024

17 Related party transactions

The Association had the following related party transactions and balances during the year:

Pivotal Group Holdings

Included in other creditors are £1,071,888 (2023: £877,694).

Pivotal Support Group Limited

A member of the Association is a shareholder of this Company.

Included in other debtors are £Nil (2023: £43,477).

Included in trade debtors are £400 (2023: £Nil).

Included in trade creditors are (£1,697) (2023: £Nil).

Pivotal Care Group Limited

Included in other debtors are £Nil (2023: £122,752).

Pivotal Homes Property

Included in other debtors are £13,225 (2023: £Nil).

Included in trade debtors are £2,031 (2023: £Nil).

Pivotal Development Services Limited

Included in other debtors are £33,364 (2023: £30,346).

Charles Terence Estates Limited

D Dixon is a director and shareholder of this Company.

S Fowley is a director and shareholder of this Company

This Company has paid rentals during the period for hostels occupied by the Association as follows:

£65,271 (2023: £75,279) rentals payable to Charles Terence Estates Limited.

£88,000 (2023: £48,000) bed space contribution income received from Charles Terence Estates Limited

£58,585 (2023: £57,241) rents recharged to Charles Terence Estates Limited

Rentals payable are considered to be at market value.

Included in other debtors/ (other creditors) are (£10,001) (2023: £263,375).

Pivotal Homes Group Limited

Included in other creditors are £56,341 (2023: £312,107).

Included in loans are £347,614 (2023: £450,000).

Pivotal Professional Services Limited

Included in other debtors/ (other creditors) are £Nil (2023: (£22,525)).