

HEART OF ENGLAND YOUNG MEN'S CHRISTIAN ASSOCIATION (YMCA)

TRUSTEES' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

**Company No: 00170981
Charity No: 218808
RSL No: LH478**

HEART OF ENGLAND YOUNG MEN'S CHRISTIAN ASSOCIATION (YMCA)

REPORT OF THE TRUSTEES

(incorporating the strategic report)

Contents

	Pages
Reference and administration information	2
Objectives and principle activities	3
Strategic Report	4 - 16
Corporate Governance	16-17
Statement of Trustee's responsibilities	18
Independent Auditor's Report to the Members	19 - 22
Statement of Total Comprehensive Income	23
Statement of Changes in Reserves	24
Statement of Financial Position	25
Statement of Cash Flows	26
Notes to the Financial Statements	27 - 49

HEART OF ENGLAND YOUNG MEN'S CHRISTIAN ASSOCIATION (YMCA)

REPORT OF THE TRUSTEES

(incorporating the strategic report)

The Board is pleased to present its report and audited financial statements for the year ended 31 March 2021.

The Trustees and Trustees' Report constitute the Directors and Directors' Report for Companies Act purposes.

Reference and administration information

Charity Name	Heart of England Young Men's Christian Association
Charity Registration Number	218808
Company Registration Number	00170981
Registered Social Landlord Number	LH4783
Company Secretary and Chief Executive	Alan Fraser resigned 1 st June 2021 Pauline Tomlinson Appointed 1 st June 2021

Board

The Board is composed of the following individuals:

Paul Harris -Chair	
Dawn Ward- Vice Chair	
Oenca Rona Fontaine	
Michael Hew	
Graham Cadd	
Arkle Leslie Bell	
Gabriel Imevbore	
Owen Everton Burke	
Mark Bruckshaw	Appointed 1 st April 2020
Gareth Clive Bunn	Appointed 1 st April 2020
Anne Linsey	Appointed 1 st April 2020
Louise Winterton	Appointed 1 st April 2020
Rebecca Fahy	Appointed 1 st April 2020
	Resigned 22 nd March 2021
	Resigned 21 st September 2020

Registered Office: Heart of England YMCA
Will Steel House
109 Grosvenor Road
Aston
Birmingham
B6 7LZ

Auditors: Cooper Parry Group Limited
Park View
One Central Boulevard
Blythe Valley Park
Solihull
B90 8BG

HEART OF ENGLAND YOUNG MEN'S CHRISTIAN ASSOCIATION (YMCA)

REPORT OF THE TRUSTEES

(incorporating the strategic report)

OBJECTIVES AND PRINCIPLE ACTIVITIES

The Objects of the Association arise from its acceptance of its founding Christian principle, the Paris Basis of 1855, incorporated into the National Statement of the Aims and Purposes of the YMCA in England & Wales as it may be amended from time to time.

Consequently, the Association is part of the Worldwide YMCA, a Christian Movement which seeks to unite those who, regarding Jesus Christ as their God and Saviour according to the Holy Scriptures, desire to be His disciples in their faith and in their life, and to associate their efforts for the extension of His Kingdom. Any difference of opinion on any other matter shall not interfere with the harmonious relations of the YMCA Movement.

Accordingly, the Objects of the Association are:

To advance the Christian faith, including by:

(a) promoting a Christian environment inspired and motivated by the life, example and teaching of Jesus Christ, where people of faith and people of none can work together for the transformation of communities; and

(b) enabling people of all ages and young people, to flourish through experiencing and responding to the love of God demonstrated by the life, example and teaching of Jesus Christ;

- To provide or assist in the provision in the interests of social welfare of facilities for recreation and other leisure time occupation for men and women with the object of improving their conditions of life;
- To provide or assist in the provision of education for people of all ages and young people, with the object of developing their physical, mental or spiritual capacities;
- To relieve or assist in the relief of people of all ages and young people, who are in conditions of need, hardship or distress because of their social, physical, emotional, spiritual or economic circumstances; and
- To provide residential accommodation, including Social Housing, for people of all ages and young people, who are in need, hardship or distress because of their social, physical, emotional, spiritual or economic circumstances.

The Association welcomes, serves and works with persons of all religious faiths and of none.

The Association managed 328 Bed spaces in the year under review. These units provide much needed accommodation for formerly homeless people, many of whom are young. This is augmented by the provision of housing related support which we provide directly at our supported housing schemes. In addition, we operate two children's day nurseries across the City of Birmingham and in the Borough of Solihull and provide a range of holiday play schemes and out of school clubs. We also offer meeting/training rooms for hire to community and corporate groups at the Chris Bryant Centre and now at our newly-refurbished community rooms in Magdalene Court. We also operate a training department which delivers professional training to business groups, especially YMCAs and housing Associations/local councils, and housing apprenticeships. The merger with YMCA Coventry & Warwickshire on 1 April 2020 now means we also operate a youth services team, delivering open access and bespoke youth work programmes, predominantly in Coventry. We are aware of the challenges faced by the Association as it responds in particular to some financial challenges created through loss of income and the impact from Covid-19, Whilst there has been some scope for reducing this impact there are still many costs that are to be met for which there is no income now being earned. As a result the Board made a decision to cease offering nursery provision and the delivery of training apprenticeship in the next financial year.

HEART OF ENGLAND YOUNG MEN'S CHRISTIAN ASSOCIATION (YMCA)

REPORT OF THE TRUSTEES

(incorporating the strategic report)

STRATEGIC REPORT

Mission Statement

To reflect the vision for the YMCA federation nationally to be 'an inclusive Christian movement, transforming communities so that all young people can truly belong, contribute and thrive', trustees have agreed that the mission of YMCA Heart of England is:

To inspire young people to discover their potential so that they can live life in all its fullness.

Achievements, performance and future developments

The principal activities in furtherance of the Association's charitable objectives are:

- The provision of supported accommodation with associated support services
- The provision of social housing at below-market rents
- The provision of childcare, including nursery provision and holiday play schemes
- The provision of training and other support for to enable them to secure or progress within employment
- The provision of facilities for hire by the local community and other groups
- The provision of a chaplaincy to service users, the local communities that we serve, and our staff and volunteers.
- The provision of youth clubs and assorted in formal education activities for young people, including those identified as being vulnerable and/or at risk

Chair's Statement

The year under review has been an extraordinarily challenging one for staff, the executive leadership team, and for trustees. As we noted in last year's annual report the merger between YMCA Birmingham and YMCA Coventry & Warwickshire happened just as we were entering the first national lockdown. This meant that many of our plans to try and build a single, unified team and corporate culture had to be put on hold whilst we remodelled our services in response to the global pandemic. And yet, as is so often the way with YMCA, the staff team responded magnificently both to the challenges posed by Covid-19 and to the opportunities afforded by the merger. They immediately understood and bought into what we were trying to achieve with the merger and enthusiastically contributed to the development of a shared set of organisational values. Addressing our first ever combined staff conference in January (via Zoom!) I was struck by the obvious enthusiasm that staff showed for the new organisation and their absolute commitment to making it work as a single, combined entity, albeit one which retains some distinct local flavours to reflect the differing needs of different communities. And to watch our staff members talk so passionately about the organisation's new shared values and what they meant to them humbled and inspired me.

But their willingness to go the extra mile in order to maintain services to our beneficiaries wherever possible throughout the pandemic has been truly awe-inspiring. It is all the more remarkable when I consider that many have continued to come into work throughout the various lockdowns in order to keep beneficiaries safe and ensure that, despite all the challenges, we continue to deliver on our mission to inspire young people to discover their potential so that they can live life in all its fullness. But staff have also shown remarkable adaptability to migrate services online where necessary, and the move to home working for others was achieved quickly and effectively thanks to our in-house team supported by Oosha, our external ICT contractors.

In the face of many challenges, and the significant additional costs that we have incurred keeping our staff team and beneficiaries safe, it is all the more striking that we are reporting such positive financial performance for the year. We recognise the huge part that our staff team have played in this success and trustees know that this is something that must be acknowledged.

HEART OF ENGLAND YOUNG MEN'S CHRISTIAN ASSOCIATION (YMCA)

REPORT OF THE TRUSTEES

(incorporating the strategic report)

As I noted last year, this is a key commitment of mine as Chair. We want every staff member and volunteer, not just our beneficiaries, to really feel the values in the way that we treat them and operate as an Association. In that regard it is especially pleasing to report that the Association has once again retained its Investors in People accreditation. The inspection report notes that 90% of staff were positive about our plan for the future and 87% agreed that the Association was 'a great place to work'. These are very encouraging figures, but I want to see them raised even more. One area where the report noted improvements in the three years since our last inspection, but also noted that we still have some work to do, is the area of reward and recognition. Trustees have agreed to conduct a review in the current year to ensure that our pay and reward structure allows us to recognise the staff team in a way that is prudent, but also meaningful to, and appreciated by, them.

Of course, it would be remiss of me to end this report without acknowledging the enormous contribution of our outgoing Chief Executive, Alan Fraser. Alan was with the Association for nearly sixteen years and steered us through many challenges in that time. He joined the Association at a time when we had just lost £250,000 in a single financial year and leaves us with some of the best financial figures we have ever reported, this is also due to the support and commitment of dedicated staff and the leadership team, and all this despite the challenges of Covid-19. Under Alan's leadership we have managed to create a range of inspirational buildings and services that are helping transform the lives of more and more young people each year. Yet his real contribution has been to the culture of the organisation, which is now something that I know many other YMCAs look at with envy.

I would therefore like to place on record my thanks to Alan for his contribution to the Association and wish him all the very best for the future. But we remain confident that the Association will build on his legacy and achieve even greater things in future. Under the leadership of Pauline Tomlinson who was appointed in July 2021 as CEO, we are already moving forward with further transformations and the introduction of a range of new services to help and support our many beneficiaries – and to identify new beneficiaries who might not have found what they needed at YMCA before. In Pauline, we have found a truly exceptional chief executive, with extensive experience as a senior leader in YMCA and a strong commitment to the ethos and values that we espouse. I know that she is highly regarded, not just by our own staff team, but across the YMCA federation and with our partners and stakeholders. I trust that you will all join me in welcoming her into her new role. Trustees are excited by the possibilities that this new leadership will unlock and look forward to an even more positive annual report next year!

Paul Harris, Chair

Our response to Covid -19

Throughout the financial year under review the Association has to manage the impact of the coronavirus pandemic on our operations. We were adaptable (our youth work and training programmes were paused or migrated online) and resilient (all of housing schemes remained open and continued to offer a secure home with access to remote support to all of our residents). Our community facilities remained closed for most of the year in response to government guidance, whilst the operation of our nurseries has been disrupted by the various lockdowns. Our response demonstrated how robust our planning had been: We continued to deliver online support to the most vulnerable young people on our bespoke youth work programmes, and we were able to continue to validate apprenticeships for all those apprentices who remained in work.

We have made good use of the government's furlough scheme throughout the year to protect affected staff but a small number of employees were sadly made redundant. Because of our actions, our underlying financial position remains secure, as highlighted in the report.

Covid-19 has obviously impacted significantly on this reporting period, with income in our learning and communities department in particular significantly below our initial (pre-Covid) expectations. Our learning and communities department lost revenue from room bookings as our centres were closed. We also lost some training income as clients delayed or cancelled training programmes. We also lost some income from our apprenticeship programme as some apprentices were furloughed, some made redundant by their employer, and others decided to pause their apprenticeship in light of the challenging circumstances around the pandemic. But funders have

HEART OF ENGLAND YOUNG MEN'S CHRISTIAN ASSOCIATION (YMCA)

REPORT OF THE TRUSTEES

(incorporating the strategic report)

been flexible and allowed us to carry over grant intended to fund face-to-face youth work, or to utilise it for online youth work. The government's decision to allow nurseries to continue to claim funding based on the number of children on the nursery's roll, rather than the number who actually attend the nursery has meant that losses have not been at the level that was initially feared. Of course, our main income streams (approximately 82% of our total income) relate to housing services and these have been largely unaffected by government restrictions. We maintain a good waiting list and high occupancy on all our schemes. Rent payments continue to be received at roughly the level anticipated before the pandemic hit. Overall therefore, our financial performance was actually better than we initially budgeted for, and significantly better than our revised budget forecasts

Inevitably, repair and maintenance activity has also been disrupted with only urgent and priority works being carried out in the lockdown periods in order to minimise the risk of spreading infection within and between schemes.

We have invested considerably in measures to protect the health and safety of our service users and employees. Where possible our employees are working from home, using enabling technology solutions and working flexibly around their domestic circumstances. For those employees unable to work from home, we have implemented both social distancing and elevated health measures in our work places, including temperature checking and additional cleaning regimes to ensure the safety of our people. We are acting compassionately and quickly where we identify that people are struggling, protecting resident income, employees' welfare, and keeping vital services running. These measures obviously have had some costs, but have enabled us to remain operating in most areas. There were no significant outbreaks of coronavirus infections and sickness absences were no higher than normal. It remains difficult to make precise judgements about how consumers will react as we emerge from lockdown. However, we are endeavouring to be well-placed for a recovery of demand by being creative in our delivery of services and flexible in our response to changing patterns of need. We recognise that not everyone will be comfortable with face-to-face meetings and events and so we have invested in technology that will allow 'hybrid' events with both physical and virtual attendees. And we are applying to various grant-giving bodies to secure funding for community outreach projects so that we can continue to support vulnerable young people.

In all these ways YMCA Heart of England responded well to the challenges the pandemic has posed, and we believe that the future of the Association remains secure.

Statement of Public Benefit

The Trustees consider they have complied with the duty in Section 17 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission.

In the year under review the Association worked across three main service areas which provided benefit not only to our service users but also to the wider community. We work with people from all social and ethnic backgrounds and provide services in the cities of Birmingham and Coventry and the boroughs of Solihull and Rugby, focussing on inspiring people to reach their potential.

During the year, we provided 264 bed spaces of supported accommodation each night. These properties provide supported housing to vulnerable and disadvantaged groups. We work with people to provide skills and confidence to move towards independent living and to begin contributing to the wider community. In addition, we provided 66 bed spaces of move-on general needs for people who no longer require support. These are let at below market rents.

Our children's services team provided nursery day care for up to 170 children (2020: 200) including in some areas where there is little or no alternative provision of similar services. We provide these places at affordable prices and with flexible hours to suit the differing needs of parents. We also provide holiday play schemes for 5 to 11 year olds, again at affordable prices to ensure accessibility to all parents in Birmingham and Solihull.

HEART OF ENGLAND YOUNG MEN'S CHRISTIAN ASSOCIATION (YMCA)

REPORT OF THE TRUSTEES

(incorporating the strategic report)

In the year under review our training team also delivered training to 30 vulnerable young adults helping them to develop new skills to support them in their career. And they also supported 43 housing apprentices across 10 organisations with whom we partner.

Financial Review

Statement of Comprehensive Income

Overall income increased this year by 13% . Social Housing lettings is the core of our business. A number of factors contributed to this; a 2.7% rent increase, a £245K increase at the Orchard, we reported last year the supporting people contract ended in November 2020 and was replaced with Housing Benefit, a £90K reduction in voids at Magdalene Court, Vineyard, and Harry Watton House and an increase of £696K from the merger of YMCA Coventry and Warwickshire which includes 60 units. Amortisation of Government Grants increased by 63% of which £15K related to Henrietta and £71K due to the merger of Coventry and Warwickshire.

Other Income includes the recognition of Grant for the Development of Northfield from Heart of England, the value of this is £1m. We also received £168K of Government JRS income during this reporting period.

Operating costs remained broadly in line with 2019/20. We have seen a reduction in concierge costs at the Orchard due to change in Procurement. Procurement has continued to be an area of focus for us, to improve the overall delivery of the service we recruited staff as opposed to using agency. Improving data through a Contract Register remains a Priority, along with enhancing governance for all our suppliers and contractors who are appointed to provide a service to YMCA HoE. The effect of Covid-19 pandemic is still being felt throughout the various supply chain, however, through close communication majority of the risks have been managed.

Maintenance costs increased by £180K due to the merger of YMCA Coventry and Warwickshire of which £51K relates to YMCA Birmingham, this is offset by savings in travel and other overhead costs due to new ways of working during the ongoing pandemic.

Bad Debts increased by £17K and relates to YMCA Birmingham.

Children services represents 7% of our turnover and we saw a decrease of 49% compared to the previous year, several factors contributed to this; in the previous year we reported the Board made a decision to close Sunshine Nursery as it was not financially viable and 18% of the decrease (£195k) relates to Sunshine Nursery.

Covid-19 has materially impacted the performance of both Nurseries, an operating decrease of £172K occurred (excluding Sunshine Nursery) compared to the previous year. We are aware of the financial challenges coupled with the impact from Covid-19 and the Board made a difficult decision this year to close both nurseries. We recognise the operating environment is becoming more challenging for small providers diversifying their portfolio in this area; and recognise that economy of scale is required to scale up. Such changes mean that we are able to focus our attention and investment on being an excellent landlord.

Training and Conferencing services and Cafe operating performance decreased this year by 17%. We have been affected by Covid-19 in particular in delivering apprenticeships. As a result the Board made a decision to cease delivering apprenticeships in the year 2021/22. We recognise training and development is important to our clientele and we will continue to provide training courses. During this year we made an immediate pivot to remote live online training and we expect to adopt blended learning and self-placed eLearning, as the Association continues to transition. Conferencing services is another area we will continue to provide and we will move to online using teleconferencing tools. We understand no charity will survive or succeed without adapting and evolving to new environments as they emerge.

HEART OF ENGLAND YOUNG MEN'S CHRISTIAN ASSOCIATION (YMCA)

REPORT OF THE TRUSTEES

(incorporating the strategic report)

Other non-social housing increased by 33% this year which relates to securing grants. Much of the impact made by YMCA HoE this reporting year would not have been possible without the generosity of our funding partners who have supported us to make positive impacts in the lives of so many people. Our Youth work department, operating across Warwickshire, has been enabled to deliver youth clubs and targeted intervention programmes to many vulnerable young people across the county. We are grateful for the contributions made by Children in Need, Big Lottery, Shroder, CAP, Co-op, Newfield Trust and Orbit Housing for helping our teams to deliver fantastic impact within our community and for their continued support and flexibility throughout the pandemic. We thank All Churches Trust for their donation which enabled enhanced chaplaincy support to young people in Coventry, and to SIB Group for their enterprise development grant which helped us develop our Apprenticeships offer. We look forward to continuing our long-standing funding partnerships in the years ahead.

The surplus generated for the year will continue to be re-invested into our development programme, enhancing our systems and providing excellent service all round.

Statement of Financial Position

Growth in asset base

The total value of housing assets increased by 8% compared to the previous year.

During the year the refurbishment of Magdalene Court at our Northfield site is in development. This is funded by a grant of £1.5 million from Homes England and £1 million from Heart of England. We continue to deliver an ambitious development programme while maintaining a resilient balance sheet.

Housing properties increased by a net of £1.28m which comprises of £1.61m additions, £324K Depreciation.

We could not have grown our assets if it were not for the support of Homes England, Heart of England and Charity Bank. We would like to record our appreciation for the ongoing support.

Liquidity

Our debt held has decreased by 3.4% (2020: 61%) compared to the previous year to fund this growth. The increase is higher than the increase in net book value of housing. The loan debt at year end stood £3.7m.

Total Reserves

Total Reserves increased by 40% due to an increase income and expenditure, mainly due to a large one off amount of £1,012M of Grant funding restricted to the re-development of the Northfield.

Pension Costs

Heart of England YMCA participated in a multi-employer defined benefit pension plan for employees of YMCAs in England, Scotland and Wales, which was closed to new members and accruals on 30 April 2007. The last triennial valuation of the scheme was performed at 1 May 2020. This has shown that the pension recovery needs to be extended by two years.

YMCA Heart of England deficit decreased to £285,493 from £323,374 last year.

Bank

Bank balances at the year-end stood at £2.04m (2020 £2.45m) and the cash flow forecasts for 2021/22 are all positive. The bank balance at year end includes a net amount of £1.86m for the redevelopment of our Northfield site which is grant funded by Homes England and Heart of England. We anticipate the grant to be spent by the end of the current financial year.

Immediate Operating Environment

From April 2020, we continue to ensure that the Association has strong liquidity and that committed bank facilities will remain available and that the value of charged security continues to meet loan asset cover requirements.

HEART OF ENGLAND YOUNG MEN'S CHRISTIAN ASSOCIATION (YMCA)

REPORT OF THE TRUSTEES

(incorporating the strategic report)

As part of our aspirations for a more sustainable future, YMCA HoE Corporate Plan will establish a Sustainable Finance Framework, which will set out the work being done on sustainability. It will allow YMCA HoE to attract new efficient funding that will enable the development of quality homes, the refinancing of our existing stock, and help meet the costs of renovation to enable YMCA HoE to ensure our homes are in excellent condition. We know that the impact COVID-19 will make the operating environment become more difficult. It is likely to lead to an increase in Universal Credit applications, the likelihood of the UK entering a period of recession which may increase the level of rent arrears affecting the ability to collect rent. Delays in the progression of new developments of which we have experienced with the Northfield Development. Backlog of repairs that will require additional resources to meet short term constraints. Our Boards focus has been on Liquidity during this reporting year and will continue to do so.

Value for Money Statement

YMCA Heart of England is at the forefront of homeless prevention and alleviation in Birmingham, Coventry and Rugby. These activities have come under increasing pressure through the combination of funding cuts, the social housing rent reduction policy and the inevitable rise in homelessness and rough sleeping. This means our resources need to be managed efficiently so we can support as many people as possible. Our annual budget planning process includes scrutiny of each service, staffing complement and associated costs to ensure that our resources are focused on delivering the highest quality of services to our residents that we can realistically afford.

The same level of scrutiny is applied for our other services: nursery provision, training, apprenticeships, conferencing and our youth work. Each area is monitored regularly at subcommittee level in respect of social and financial outcomes to ensure that we continue to deliver the highest quality can within the resources available. In addition, where funding is received from grant giving bodies (e.g. the Youth Investment Fund) our spending plans are subject to external scrutiny to ensure that they deliver value for money.

In the last few months the Board and Senior Management have been working on an impact framework which will measure the wider impact of our activities alongside financial outcomes, thereby ensuring we deliver fully on our mission and values and use our resources to best effect. The framework is now agreed as covering;

Finance: utilisation, sustainability and stewardship

Social: progression, community and influence

Kingdom: experience, ethos and empower

This framework is being developed into a series of measures and performance indicators in partnership with ARK Consultants and we are working towards implementation in the latter part of 2020/21.

We are reporting on the Regulator of Social Housing (RSH) Value for Money standard and accompanying code of practice. The standard requires us to publish performance against our own value for money targets and against a series of common metrics with which to measure economy, efficiency and effectiveness.

The purpose of the Value for Money approach is to:

- Continue to drive improvements in VFM within the social housing sector
- Ensure a strategic approach to delivering VFM is embedded within the business
- Encourage investing in existing homes and new housing supply
- Enhance the consistency, comparability and transparency of VFM reporting.

We set out below a comparison between this year and last on our performance. Additionally, we have compared our performance to the National Housing Federation Sector Scorecard using the

HEART OF ENGLAND YOUNG MEN'S CHRISTIAN ASSOCIATION (YMCA)

REPORT OF THE TRUSTEES

(incorporating the strategic report)

Regulatory Metrics

RSH Metric	2020 /21	2019/20	Sector Scorecard National Federation
1. Reinvestment %	8.9	18.0	6.10
2. New supply delivered %	60	0	1.3
3. Gearing %	9	15	33.8
4. EBITDA MRI interest cover %	1,753	208	196.10
5. Social housing cost per unit £	11,383	10,607	4,023
6A. Operating margin (social housing) %	3.1	1.1	23.60
6B. Operating Margin (overall) %	25.4	-0.8	21.50
7. Return on Capital Employed %	7.8	1.1	2.8

1. Reinvestment %

In April 2019, we purchased Henrietta Street from the landlord through grant funding and a loan facility. By doing this we have ensured 24 units are retained in the social housing sector. We recognise there is a backlog of unmet housing need and our strategy is to increase our stock each year. This year due to the impact from Covid-19 we experienced delays in the progression of new developments of which we have experienced with the Northfield Development.

2. New supply delivered %

The focus for the future is reinvestment in existing housing stock to ensure it is fit for purpose for the coming decades as well as increasing our housing stock to support individuals and families. We continue to see unprecedented levels of external change and all political parties believe more homes need to be built in the coming years.

We have been building a development pipeline to provide additional new build accommodation. We now have 1 scheme on site (total 27 units), with additional schemes being actively pursued as we look to maximise use of our available resources for the benefit of the wider community we serve.

3. Gearing %

This represents our net debt to lenders as a percentage of the total cost of our housing properties. We have been successful in working with Homes England and other partners to keep borrowing as low as possible. Whilst this ratio remains low we understand to deliver social value we need to be financially sound and make the most of our resources to deliver the services that our customers need. We also need to provide assurance to our lenders and funders.

4. EBITDA MRI Interest Cover %

This represents the level of surplus compared to the interest payable. A one-off event reported in Other Income which materially increases the EBITDA is the reason why the percentage is extremely high. These events are the a release of Grant for the Development of Northfield from Heart of England, the value of this is £1m we also received £168K of Government JRS income during this reporting period of which is reported in Other Income.

HEART OF ENGLAND YOUNG MEN'S CHRISTIAN ASSOCIATION (YMCA)

REPORT OF THE TRUSTEES

(incorporating the strategic report)

5. Headline social cost per unit

This represents social housing costs divided by total units owned and managed. Like other providers we have spent a lot of time analysing our cost per unit. Our strategic aim is for our headline social cost per unit to reduce each year. We recognise there is more to do and our aim is to avoid spending time and money on undertaking repairs where this could have been avoided. Our Asset Management team are improving their working models to ensure they analyse and look for properties with signs of neglect and linking this to the planned maintenance schedules.

6A. Operating margin (social housing lettings only) %

This represents operating surplus from social housing lettings divided by turnover from social housing lettings. The Operating margin for Social housing lettings increased from 1.1 to 3.1 compared to the previous year this is largely to do with the release of £1.8m grant for the Development of Northfield and £168K of Government JRS income.

6B. Operating margin (overall) %

Overall operating Margin increased from -0.8 to 25.4 largely to do with the release of £1.8m grant for the Development of Northfield and £168K of Government JRS income

Bad debts, void loss and current tenant arrears are key performance indicators in assessing efficiency and we monitor this monthly. Our aim is to reduce costs and deliver VFM efficiencies and using all our surplus to build more homes.

7. Return on capital employed %

This compare the overall operating surplus to total assets less current liabilities. The level of return is high due to the merger with YMCA Coventry and Warwickshire and the one-off Exceptional Income highlighted above.

Principal risks and uncertainties

New, emerging and high scoring risks are monitored through a Strategic and Operational Risk Register. The Executive Directors keep the register under review to ensure it fully reflects the risks to the delivery of YMCA Heart of England operations and Strategic Plan. Designated Managers are responsible for identified risk area and the Company Secretary oversees the progress against actions to mitigate risks.

The Board has also adopted a risk appetite which sets out the nature of levels of risk YMCA Heart of England are prepared to take to achieve our strategic objectives. Performance against this is being worked, facilitated through the use of metrics to enable the Board and committees to assess whether performance remains within the risk appetite parameters.

The Chief Executive reports to the Board on the effectiveness of the internal control environment.

The following are the key strategic risks that the Board considers, and the actions that have been taken to mitigate these and strengthen controls. The Board is continuing to monitor the dynamic post -pandemic operating environment and implement further actions to ensure that the risks arising are managed appropriately and activities remain within the agreed risk appetite.

HEART OF ENGLAND YOUNG MEN'S CHRISTIAN ASSOCIATION (YMCA)

REPORT OF THE TRUSTEES (incorporating the strategic report)

		Risk responses	
		Examples of controls in place	Actions during the year to strengthen controls
1	Financial capacity and income collection performance limits the delivery of growth and business transformation. Increase bank interest rates and liquidity risk.	<ul style="list-style-type: none"> Treasury management strategy monitoring Monitoring liquidity risk Regular stress testing Monitoring the metrics that are used for financial risk. Income collection and arrears performance monitoring 	<ul style="list-style-type: none"> Implementation of income maximisation strategy Establishment of sustainable finance framework Key Performance indicators reported to the Executive Team monthly and Board bi monthly. Business Plan and stress-testing which demonstrate ability to withstand various economic stresses together with an increased development programme.
2	The governance structures and processes are not aligned to the evolving regulatory environment	<ul style="list-style-type: none"> Board succession plan Annual Board and committee appraisal process Regular Board review and Stress testing the operating environment Policy and strategy review framework. 	<ul style="list-style-type: none"> In-year review of the operating environment as part of monitoring and reporting progress on delivery of the Strategic Plan. Implementation of new meeting timetable and arrangements to facilitate efficient and timely decision in a fast-moving environment. Participation in national interest groups
3	Customer insight is not embedded in business design and service review processes	<ul style="list-style-type: none"> Voice of the Customer Strategy being worked on Independent methodology for customer satisfaction 	<ul style="list-style-type: none"> Service restructure around customer journey New complaints process and increased focus on early resolution and learning Customer satisfaction board level KPI
4	YMCA Heart of England does not meet its Health and Safety obligations as a landlord, employer, developer, and provider of social care.	<ul style="list-style-type: none"> Specialist team in place with subject experts embedded across the business KPI monitored by the Board and committees Compliance issues monitored by the Board. Oversight of activity by Director of Asset and Development Management Plans in place for key risk areas e.g. fire, asbestos etc. 	<ul style="list-style-type: none"> Implementation of compliance modules across all asset compliance activities Further development of the suite of KPIs Rollout digitalisation of compliance process, sourcing a new CRM software to capture the data for improved and rapid decision making and improve productivity.
5	Uncertain about Government post -pandemic priorities inhibits strategic planning.	<ul style="list-style-type: none"> Compliance with regulatory and Government guidance Regular review of operating environment Stress testing Ensure future funding in place for forthcoming expenditure Risk appetite review and monitoring 	<ul style="list-style-type: none"> Identification of opportunities for growth arising from the operating environment Programme to implement new operating model Continued implementation of digitalisation programme Developing an intranet to support communication and changes in operating practice. Learning and Development tools for new operating environment.
6	Investment decisions do not give appropriate weight to competing strategic agendas e.g. environment , safety , growth digitalisation.	<ul style="list-style-type: none"> Strategic Plan monitoring Growth Strategy monitoring Regular Stress Testing Environmental Strategy Value for Money Strategy 	<ul style="list-style-type: none"> Mapping procurement methodology, timing of delivery and location of new homes in the period 2021-2025 Maintaining and understanding of the market for Land and S106 (Legal agreements between local authorities and developers).
7	Information software's and communications system	<ul style="list-style-type: none"> Recruitment of qualified and experienced IT Technician, specialist in digital transformation and IT infrastructure Appraisal of all Software's Appraisal cloud based options Assess cyber fraud and crime risk Understanding data of CRM system 	<ul style="list-style-type: none"> Source suitable software for the Association and review of IT cyber security. Developing an intranet to support communication and changes in operating practices. Learning and Development tools for new operating environment.

HEART OF ENGLAND YOUNG MEN'S CHRISTIAN ASSOCIATION (YMCA)

REPORT OF THE TRUSTEES

(incorporating the strategic report)

Going Concern and viability Statements

The Covid-19 pandemic has developed rapidly in 2020. The resulting impact of the virus on the operations and measures has not impacted materially on our financial performance in 2020/21 however, measures have already been taken to minimise the impact on our ongoing viability.

In assessing viability, the board considered several key factors, including business models, our strategy, and risk appetite.

Our assessment of viability therefore continues to align with a 5-year outlook.

Given the global political and economic uncertainty resulting from the Covid-19 pandemic, coupled with the already fast-paced change taking place across the hospitality, conferencing, training and the nursery sectors we expect to see significant volatility and business disruption, which will reduce our expected performance in these areas in 2020/21.

We have already felt the impact of lockdown within our community activities (which includes nurseries, café, conferencing, youth work and training) in 2020/21. These business areas have been stress tested throughout the year and viewed from internal and external lenses. The Board made a decision to close our two remaining nurseries and cease providing training apprenticeship. Such changes mean that we are able to focus our attention and investment on being an excellent landlord.

Nevertheless, measures have already been taken to protect our liquidity and operating performance. Immediate cost reductions and mitigation measures were put in place. In light of the unpredictability of the impact of lockdown on our cash position, the Board has also decided that, in the short term, it is appropriate to delay some of our planned expenditure on new developments. The Board expects to resume the planned expenditure on development by September 2022, by which time we expect the future to be clearer. The Board believe minimising expenditure on new developments in the short term and restructuring the operations that have directly been impacted by Covid-19 is the right thing to do for the long-term future for YMCA Heart of England.

Restructures of our staff team have started which will contribute to our liquidity strength. This is mainly within conferencing, training and nurseries.

The Board's focus following Covid-19 is to place a stronger emphasis on liquidity and solvency and ensuring that the Association has adequate resources to continue in operation, meet its liabilities as they fall due, and retain sufficient available cash across all two years without breaching any loan covenant. Having reviewed revised financial forecasts prepared by officers, considering the likely impact of Covid-19 and the mitigating actions being taken, the Board has a reasonable expectation that the Association will remain financially viable.

The Board are satisfied the business model and strategy is adaptable with minimum risk on liquidity and solvency if a possible exit strategy is required from our community activities. Also, scenarios have been tested to scale up operations quickly to meet a return of consumer demand.

Regular stress testing is performed on the Association and different scenarios and sensitivities have been reviewed on the Association's projected cashflow position and financial covenant. Should these occur, mitigating actions would be required to ensure the Association remains liquid and financially viable.

These actions were identified as the Covid-19 pandemic emerged as part of the contingency planning that the Association has been undertaking which is considered both feasible and timely to execute.

We have taken a series of steps to strengthen the Association's liquidity and increase the resilience of the balance sheet. The UK government has also provided support by allowing companies to defer VAT payments as well as support through the CJRS.

HEART OF ENGLAND YOUNG MEN'S CHRISTIAN ASSOCIATION (YMCA)

REPORT OF THE TRUSTEES

(incorporating the strategic report)

We are also looking to the future. The provision of social housing has vital part to play in the government's response to this crisis and they have already announced significant sums of money to help boost social housing supply and end rough sleeping for good. The delivery of more social housing is one of the key strategic objectives in YMCA Heart of England's new strategic plan and we are already in discussions with local councils in our area of benefit with a view to securing some of the recently-announced government money for investment in social housing.

Reserves Policy

The Finance Sub-Committee, on behalf of the Board of Trustees, conducts an ongoing review of the level of reserves consistent with ongoing activities of the Charity. The trustees are taking into consideration the economic environment and risks associated with the various sources of income, expenditure plans and what level of working capital is required to continue core activities. The reserve policy is considered every quarter in line with the quarterly accounts.

We use a rolling five-year forecast to model how we will fund the delivery of our strategy.

We monitor managed cash which includes all amounts available to finance the general activities net of any financing agreements. The trustees have agreed that managed operating cash outflows should exceed a minimum of three months but not expected to exceed five months annualised forecast cash outflow.

Financial performance and forecast information is monitored monthly to assess the cash requirements of the Charity. The reserve policy is considered and monitored every quarter.

Our Reserve Policy is set to take into consideration:

- Income risk reserve to protect the charity against a fall in income levels
- Working capital reserve to provide working capital if expenditure is needed ahead of income being received
- Designated reserves set aside to meet essential future spending and unplanned emergency repairs and other expenditure.
- Level of funding for unexpected opportunities

Covid-19 has affected both demand and funding for Heart of England YMCA. The Pandemic is, at the same time, reducing our income. As we are approaching the remainder of the year with caution as furloughing ceases and the uncertainty over the economy increases our Reserve Target was not achieved.

	2021
Total Unrestricted Reserve	£3,435M
Less Capital Grant restricted for Phase 5 on Magdalene Court at our Northfield Site	-£1,012M
Total Funds held for Designated Reserves	-£600K
Available Reserves	£1,823M

HEART OF ENGLAND YOUNG MEN'S CHRISTIAN ASSOCIATION (YMCA)

REPORT OF THE TRUSTEES

(incorporating the strategic report)

Our Reserves measured as at 31 March 2021

	2021
Managed Cash outflow based on 12 months forecast to the period ending March 2022	£7,440M
Divide by 12	£620K
Months of annualised forecast of operating cash outflows (£1,823M available reserves divide by 620K)	2.9 months

Corporate governance

In January 2021 the Trustees adopted the Charity Governance Code for Large Charities. At the time of writing the charity is undergoing a thorough review of its governance arrangements to establish any areas of non-compliance with the code. Because of the new requirements of this code, there are a few areas where the charity does not currently comply:

4.5 Delegation and control

4.5.1 The board regularly reviews which matters are reserved to the board and which can be delegated. It collectively exercises the powers of delegation to senior managers, committees or individual trustees, staff or volunteers.

The board has not recently reviewed its delegated powers, but intends to do so in the forthcoming year.

4.6.4 The board regularly considers information from other similar organisations to compare or benchmark the organisation's performance.

At the moment salaries are the only area where we benchmark. (We co-ordinate production of a biennial YMCA salary survey.) We are currently working with YMCA colleagues across the region to produce comparative data for operational performance.

4.7 Actively managing risks

4.7.1 The board retains overall responsibility for risk management and discusses and decides the level of risk it is prepared to accept for specific and combined risks.

4.7.2 The board regularly reviews the charity's specific significant risks and the cumulative effect of these risks. It makes plans to mitigate and manage these risks appropriately.

5.7.3 The charity considers using a nominations committee to lead the board appointment process and to make recommendations to the board.

The trustees have not previously considered setting up a nominations committee, but will do so in the current financial year.

5.8.2 The board reviews its own performance and that of individual trustees, including the chair. This happens every year, with an external evaluation every three years. Such evaluation typically considers the board's balance of skills, experience and knowledge, its diversity in the widest sense, how the board works together and other factors relevant to its effectiveness.

HEART OF ENGLAND YOUNG MEN'S CHRISTIAN ASSOCIATION (YMCA)

REPORT OF THE TRUSTEES

(incorporating the strategic report)

The board reviews its collective effectiveness at an annual board away day. This discipline has continued throughout the current pandemic. However, we have not previously reviewed the performance of trustees on an individual basis, nor have we had a triennial evaluation. This will be reviewed by trustees in the current financial year.

Notwithstanding this, the Association considers itself to have high standards of governance. The policies of the Charity are determined by the Board of Trustees, which meets bi-monthly. The Charity's operations are managed by the Chief Executive, who reports to the Board of Trustees. The Charity has a system of internal controls designed to provide reasonable, but not absolute, assurance against material misstatement or loss due to fraud or error. The system includes corporate controls over income and budget comparison, proper supervision and delegation including operational and financial review procedures, limitation on the spending power of individuals and control over the Charity's assets. The internal controls are subject to regular review and are updated to take account of organisational and operational changes. There are four sub-committees that meet bi-monthly on matters of housing, finance, development and social enterprise.

A review of governance structures was undertaken in the year under review. This has already resulted in improved performance reporting to trustees through the Association's operational committees. In the current year it will also lead to the overhauling of the Key Performance Indicators against which officers' performance is assessed.

Key management and remuneration

There were five executive directors and one chief executive of the Association during the year under review. They were:

- Revd Alan Fraser – Chief Executive
- Pauline Tomlinson – Assistant Chief Executive for Operations
- Peter Stephenson – Assistant Chief Executive for Development & HR
- Fawzia Radman – Director of Finance and ICT
- Hyacinth Blackburn – Director of Housing & Support
- Laurence Chilver – Director of Social Enterprise

The Association's policy is to review salaries annually as part of the budget setting process. This may result in a cost of living pay increase being awarded to all employees. The Association's policy is that any amendment to the salary level of an individual employee or group of employees beyond the annual cost of living increase must be recommended by the appropriate departmental director, and authorised by the HR Manager, Director of Finance & Business Performance and Assistant Chief Executive.

The remuneration of executive directors is set by the Chief Executive, bearing in mind salaries for similar roles at comparable organisations, including other YMCAs within the region. Any amendment to the salary of an executive director beyond the annual cost of living increase must be recommended by the Chief Executive and authorised by the Treasurer and the Chair.

The remuneration of the Chief Executive is set by the Board. In considering the appropriate remuneration level they will look at salaries for comparable organisations, especially other YMCAs within the region. This is considered alongside other factors, such as the size and complexity of the Association's operations, and the affordability of any remuneration package to the Association.

All staff and trustees are required to declare any conflict of interest that may exist (or be perceived to exist) before recommending or authorising any amendment to an employee's remuneration.

HEART OF ENGLAND YOUNG MEN'S CHRISTIAN ASSOCIATION (YMCA)

REPORT OF THE TRUSTEES

(incorporating the strategic report)

Statement of trustees' responsibilities

The trustees (who are also directors of Heart of England YMCA for the purposes of company law) are responsible for preparing the Report of the Trustees (including the Strategic Report) and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare 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.

In preparing these financial statements, the trustees are required to:

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

The trustees are responsible for keeping adequate accounting records that 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 Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing in England 2019. 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.

Disclosure of information to auditors

In so far as the trustees are aware:

- there is no relevant audit information of which the Association's auditor is unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the Association's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

Under section 487 of the Companies Act 2006, Cooper Parry Group Limited will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is the earlier.

By order of the Board



Paul Harris
Chair and Trustee

Date: 27/09/21

Independent Auditor's Report to the Members of Heart of England Young Men's Christian Association

Opinion

We have audited the financial statements of Heart of England Young Men's Christian Association for the year ended 31 March 2021 which comprise the Statement of Total Comprehensive Income, the Statement of Changes in Reserves, the Statement of Financial Position, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 at 31 March 2021, and of the Association's 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 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

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Association's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees 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 annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Independent Auditor's Report to the Members of Heart of England Young Men's Christian Association (continued)

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.

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 Report of the Trustees (incorporating the strategic report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Trustees (incorporating the strategic 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 Report of the Trustees (incorporating the strategic 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 by the Association or returns adequate for our audit have not been received from branches not visited by us; or
- the Association's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

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 Statement of Trustees' responsibilities set out on page 18, the trustees 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 have no realistic alternative but to do so.

Independent Auditor's Report to the Members of Heart of England Young Men's Christian Association (continued)

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 specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

Our assessment focussed on key laws and regulations the Association has to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to compliance with the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing in England 2019, Charities (Protection and Social Investment) Act 2016, Companies Act 2006, Charities Act 2011, taxation legislation, data protection, anti-bribery and employment legislation.

We are not responsible for preventing irregularities. Our approach to detecting irregularities included, but was not limited to, the following:

- obtaining an understanding of the legal and regulatory framework applicable to the Association and how the Association is complying with that framework, including agreement of financial statement disclosures to underlying documentation and other evidence;
- obtaining an understanding of the Association's control environment and how the Association has applied relevant control procedures, through discussions with Trustees and other management and by performing walkthrough testing over key areas;
- obtaining an understanding of the Association's risk assessment process, including the risk of fraud;
- reviewing meeting minutes of those charged with governance throughout the year; and
- performing audit testing to address the risk of management override of controls, including testing journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias.

Whilst considering how our audit work addressed the detection of irregularities, we also considered the likelihood of detection based on our approach. Irregularities arising from fraud are inherently more difficult to detect than those arising from error.

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 or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

Independent Auditor's Report to the Members of Heart of England Young Men's Christian Association (continued)

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 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.



Simon Atkins FCA
Senior Statutory Auditor

For and on behalf of

Cooper Parry Group Limited

Statutory Auditors
One Central Boulevard
Blythe Valley Park
Solihull
West Midlands
B90 8BG

27th September 2021

Statement of Total Comprehensive Income for the year ended 31 March 2021

	Note	2021 £	Combined 2020 £
Turnover			
Underlying Operations	3	5,526,552	5,959,406
Other Income	13	<u>1,180,643</u>	<u>-</u>
		6,707,195	5,959,406
Operating costs		<u>(5,207,413)</u>	<u>(5,835,074)</u>
Operating Surplus	5	1,499,782	124,332
Profit on disposal of property, plant & equipment (FA)		-	449
Write Down of Goodwill		-	(74,279)
Interest receivable & other income	6	190	780
Interest & financing costs	7	<u>(98,058)</u>	<u>(133,955)</u>
Surplus/(deficit) for the year before tax		1,401,914	(82,673)
Taxation		-	-
Surplus/ (Deficit) for the year		<u>1,401,914</u>	<u>(82,673)</u>
Remeasurements - Actuarial gain/ (loss) in respect of pension schemes		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>1,401,914</u>	<u>(82,673)</u>

The Financial Statements were approved by the Board on 27th September 2021.



Paul Harris
Chair and Trustee



Dawn Ward CBE
Trustee

The results relate wholly to continuing activities.

The accompanying notes form part of these Financial Statements.

Statement of Changes in Reserves for the year ended 31 March 2021

	Income and expenditure reserve £	Restricted Reserve £	Revaluation reserve £	Total £
Balance as at 1 April 2019	3,165,249	-	408,218	3,573,467
Deficit from statement of comprehensive income	(119,425)	36,752	-	(82,673)
Balance at 31 March 2020	3,045,824	36,752	408,218	3,490,794
Surplus from statement of comprehensive income	1,401,914	-	-	1,401,914
Transfer to Restricted Reserve Heart of England Community Foundation	(1,012,377)	1,012,377	-	-
Balance at 31 March 2021	3,435,361	1,049,129	408,218	4,892,708

On 1 April 2020 Coventry and Warwickshire YMCA (company number 04644358, charity number 1100493), a charitable company limited by guarantee and incorporated in the England and Wales merged with Heart of England YMCA.

In accordance with relevant accounting standards the activities, assets and liabilities were transferred over at carrying value and the comparative figures relating to 2020 have been restated by including the results of all the combining parties for the previous accounting period and their statement of financial position for the previous reporting date. The comparatives have been disclosed as 'combined' figures.

The opening reserves as at 1 April 2019 amounting to £3,573,476 include the following balances relating to Coventry and Warwickshire YMCA:

Tangible fixed assets – Housing properties	2,948,053
Tangible fixed assets – other fixed assets	57,101
Trade and other debtors	46,027
Cash and cash equivalents	519,160
Creditors: amounts falling due within one year	(233,326)
Creditors: amounts falling due after more than one year	(2,520,148)
Net assets transferred	816,867

Statement of Financial Position

At 31 March 2021

Company No. 00170981

	Note	2021 £	Combined 2020 £
Fixed Assets			
Intangible assets and goodwill	10	26,832	45,098
Tangible fixed assets - Housing Properties	11	15,906,063	14,618,247
Tangible fixed assets - Other Fixed Assets	12	<u>1,963,949</u>	<u>2,064,467</u>
		17,896,844	16,727,812
Current Assets			
Trade and other debtors	14	249,426	371,400
Stock		2,436	2,436
Cash and cash equivalents		<u>2,040,602</u>	<u>2,473,148</u>
		2,292,464	2,846,984
Creditors: Amounts falling due within one year	15	<u>(855,180)</u>	<u>(1,319,637)</u>
Net current assets / (liabilities)		<u>1,437,284</u>	<u>1,527,347</u>
Total assets less current liabilities		19,334,128	18,255,159
Creditors: Amounts falling due after more than one year	16	(14,100,320)	(14,414,403)
Provisions for liabilities			
Other provisions	19	(341,100)	(349,962)
Total net assets		<u><u>4,892,708</u></u>	<u><u>3,490,794</u></u>
Reserves			
Income and expenditure reserve		3,435,361	3,045,824
Revaluation reserve		408,218	408,218
Restricted reserve		<u>1,049,129</u>	<u>36,752</u>
Total Reserves		<u><u>4,892,708</u></u>	<u><u>3,490,794</u></u>

The accompanying notes form part of these Financial Statements.

The Financial Statements on pages 23 to 49 were approved by the Board on 27th September 2021 and are signed on its behalf by:



Paul Harris
Chair and Trustee



Dawn Ward CBE
Trustee

Statement of Cash Flows

	Note	2021 £	Combined 2020 £
Net cash generated from operating activities	21	352,513	241,247
Cash flow from investing activities			
Purchase of tangible fixed assets		(1,638,470)	(2,473,191)
Purchase of intangible fixed assets		1,509	125,970
Proceeds from sale of tangible fixed assets		-	449
Grants received		1,082,377	2,193,749
Interest received		<u>190</u>	<u>780</u>
		(554,393)	(152,243)
Cashflow from financing activities			
Interest paid		(95,358)	(130,087)
Financing costs paid			(8,588)
New secured bonds and loans		-	1,824,636
Repayments of borrowings		<u>(135,307)</u>	<u>(337,127)</u>
		(230,665)	1,348,834
Net change in cash and cash equivalents		(432,546)	1,437,838
Cash and cash equivalents at beginning of the year		<u>2,473,148</u>	<u>1,035,310</u>
Cash and cash equivalents at end of the year		<u>2,040,602</u>	<u>2,473,148</u>

The accompanying notes form part of these Financial Statements.

Notes to the Financial Statements

1. Legal Status

Heart of England YMCA is a company limited by guarantee, registered under the Companies Act 2006, an English registered social housing provider and Charity.

The address of the registered office is given in the information on page 3 of these financial statements.

The principal activities of Heart of England YMCA are set out in the Report of the Trustees.

Heart of England YMCA is a public benefit entity as defined by FRS 102.

2. Accounting policies

Basis of Accounting

The financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice standards (UK GAAP) including adoption of Financial Reporting Standard 102, and the Statement of Recommended Practice for Social Housing Providers 2018, and with the Accounting Direction for registered providers of social housing in England 2019. The financial statements are also prepared under the requirements of the Housing and Regeneration Act 2008 and the Companies Act 2006.

The financial statements have been prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value.

The financial statements are prepared in sterling, which is the functional currency of Heart of England YMCA, and rounded to the nearest whole £1.

The Financial Statements incorporate the results of YMCA Coventry and Warwickshire which merged with Heart of England YMCA on 1 April 2021.

The comparatives for the year ended 31 March 2020 have been combined.

Going Concern

The Association's business activities, its current financial position and factors likely to affect its future development are set out within the Report of the Trustees. The Association has in place long-term debt facilities, which provide adequate resources to finance committed reinvestment and development programmes, along with the Association's day to day operations. The Association also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lender's covenants.

On this basis, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and Financial Statements are signed. For this reason, it continues to adopt the going concern basis in the Financial Statements.

Notes to the Financial Statements (continued)

Turnover

Turnover represents rental and service charges income receivable, net of void losses in the year, revenue grants receivable from local authorities and income from social enterprise activities.

Other Income

Interest receivable and investment income is accrued on a time apportioned basis by reference to the principal outstanding at the effective interest rate.

Government Grants

Government grants include grants receivable from the Homes England, local authorities and other Government bodies.

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

Government grants relating to revenue are recognised in income over the same period as the expenditure to which they relate once reasonable assurance has been gained that Heart of England YMCA 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 assets or liabilities. Government grants received for housing properties are subordinated to the repayment of loans by agreement with the Homes England.

Other Grants

Grants received from non-Government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the Company is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Taxation

Heart of England YMCA is a registered Charity and is therefore exempt from paying corporation tax on charitable activities.

Deferred Taxation

Deferred tax represents the future tax consequences of transactions and events recognised in the financial statements of current and previous periods. It is recognised in respect of all timing differences, with certain exceptions. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in the financial statements. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of timing differences.

Notes to the Financial Statements (continued)

Value Added Tax (VAT)

The majority of the expenditure is subject to VAT which cannot be reclaimed. Expenditure is therefore shown inclusive of VAT.

Although a large proportion of the income is exempt from VAT, the Association charges VAT on some of its income and is able to recover VAT on directly attributable costs. The Association is also able to recover part of the VAT it incurs on overhead expenditure in line with a partial exemption method agreed with HM Revenue and Customs.

The Financial Statements include VAT to the extent that it is suffered by the Association and not recoverable from HMRC. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Interest Payable

Interest is capitalised on borrowings to finance the development of qualifying assets to the extent that it accrues in respect of the period of development if it represents interest on borrowings specifically financing the development programme after deduction of related grants received in advance.

Capitalised interest is amortised over the life of the underlying asset.

Other interest payable is charged to income and expenditure in the year.

Leases

All leases are operating leases and the annual rentals are charged to income and expenditure on a straight-line basis over the lease term.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The holiday year for Heart of England YMCA runs from 1 January – 31 December. The cost of any unused entitlement at 31 March is recognised in the period in which the employee's services are received.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when Heart of England YMCA is demonstrably committed to terminate the employment of the employee or to provide termination benefits.

Retirement Benefits

Defined Contribution Plan

Heart of England YMCA offers two pension schemes to all of its employees.

The People's Pension which is our default scheme on Auto-Enrolment offering contributions made on a salary sacrifice basis. This scheme auto-enrols employees on a 2% contribution rate which is matched by Heart of England YMCA.

The YMCA Personal pension scheme. This scheme allows contributions between 3% & 8% which is also matched by Heart of England YMCA on a salary sacrifice basis.

Defined Benefit Plan

Heart of England YMCA participated in a multi-employer defined benefit pension plan for employees of YMCAs in England, Scotland and Wales, which was closed to new members and accruals on 30 April 2007. Due to insufficient information, the plan's actuary has advised that it is not possible to separately identify the assets and liabilities relating to Heart of England YMCA.

Notes to the Financial Statements (continued)

Defined Benefit Plan (continued)

As described in note 20, Heart of England YMCA has a contractual obligation to make pension deficit payments of £49,000 per annum over the period to April 2029, increasing at an annual uplift of 3%, accordingly this is shown as a liability in these accounts. The amount paid in the year was £47,543. In addition, Heart of England YMCA contributed £10,383 to the operating expenses of the Pension Plan and these costs are charged as paid.

Financial Assets

Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in income or expenditure.

Financial Liabilities

Trade creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Provisions

The Association recognises provisions where it has an obligation at the reporting date as a result of a past event, which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

Notes to the Financial Statements (continued)

Intangible Fixed Assets

Intangible fixed assets are stated at cost less accumulated amortisation. Intangible assets acquired on business combinations are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. Provision is made for any impairment.

Depreciation is provided evenly on the cost of intangible fixed assets to write them down to their estimated residual values over their expected useful lives. The principal period used for intangible assets is five years.

Tangible Fixed Assets – Housing Properties

Housing properties are properties for the provision of social housing and are principally properties available for rent.

Completed housing properties are stated at cost less accumulated depreciation and impairment losses.

Cost includes the cost of acquiring land and buildings, and expenditure incurred during the development period. Only the direct overhead costs including interest associated with new developments or improvements are capitalised.

Housing properties are transferred at cost to completed properties when they are ready for letting.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that enhance the economic benefits of the asset, are capitalised as improvements. Such enhancements can occur if improvements result in either:

- An increase in rental income;
- A material reduction in future maintenance costs;
- A significant extension to the life of the property.

Depreciation of Housing Properties

Freehold land or assets under construction are not depreciated.

The Association separately identifies the major components of its housing properties and charges depreciation so as to write down the cost of each component to its estimated residual value, on a straight line basis over its estimated useful economic life.

The Association depreciates the major components of its housing properties based on the following:

Building Components	Years	Building Components	Years
Structure	50 / 100	Central Heating	30
Windows	30	Boilers	15
Kitchen	20	Roof	50
Bathroom	20	Environmental Works	30

Notes to the Financial Statements (continued)

Impairments of Fixed Assets

An assessment is made at each reporting date of whether there are indications that a fixed asset (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the recoverable amount of the asset is estimated.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in income and expenditure.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in the Statement of Comprehensive Income. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

Other Tangible Fixed Assets

Tangible fixed assets are initially measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land and investment properties, at rates calculated to write off the cost or valuation of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:

Office Buildings	50
IT Hardware	5
Furniture & Office Equipment	10
Motor Vehicles	4
Office Improvements	10

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Critical areas of judgement

Leases

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the Heart of England YMCA.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components.

Notes to the Financial Statements (continued)

3a. Particulars of turnover, cost of sales, operating costs and operating surplus

Continuing activities

	2021		
	Turnover	Operating expenditure	Operating surplus
	£	£	£
Social housing lettings	4,263,565	(4,130,419)	133,146
Other social housing activities			
Charges for support services	230,930	1,888	232,818
Other social housing	84,415	(34,767)	49,648
	315,345	(32,879)	282,467
Activities other than Social Housing			
Amortised government grants	31,088	-	31,088
Childrens services	380,429	(451,303)	(70,874)
Training and conferencing services and café	410,102	(592,812)	(182,710)
Other non social housing	126,023	-	126,023
	947,642	(1,044,115)	(96,473)
	5,526,552	(5,207,413)	319,139

	Combined 2020		
	Turnover	Operating expenditure	Operating surplus
	£	£	£
Social housing lettings	3,895,563	(3,969,615)	(74,052)
Other social housing activities			
Charges for support services	247,559	(191,896)	55,663
Other social housing	9,850	(4,732)	5,118
	257,409	(196,628)	60,781
Activities other than Social Housing			
Amortised government grants	31,088	-	31,088
Childrens services	747,470	(752,902)	(5,432)
Training and conferencing services and café	499,741	(537,696)	(37,955)
Financial and executive services	110,021	(55,210)	54,811
Other non social housing	30,223	-	30,223
Youth Projects	358,598	(323,023)	35,575
Other Income	21,195		21,195
Donations	8,098		8,098
	1,806,434	(1,668,831)	137,603
	5,959,406	(5,835,074)	124,332

Notes to the Financial Statements (continued)

3b. Particulars of income and expenditure from social housing lettings

GROUP	2021		Combined 2020
	General needs housing	Total	Total
	£	£	£
Rent receivable net of identifiable service charges	4,045,981	4,045,981	3,691,580
Government grants taken to income	-	-	-
Amortised government grants	217,584	217,584	203,983
Turnover from social housing lettings	4,263,565	4,263,565	3,895,563
Management	922,661	922,661	902,511
Service charge costs	2,295,679	2,295,679	2,340,674
Routine maintenance	489,704	489,704	330,912
Major repairs expenditure	25,599	25,599	3,849
Bad debts	72,921	72,921	55,809
Depreciation of housing properties	323,855	323,855	335,860
Operating expenditure on social housing lettings	4,130,419	4,130,419	3,969,615
Operating surplus on social housing lettings	133,146	133,146	(74,052)
Void losses	(112,822)	(112,822)	(101,379)

Notes to the Financial Statements (continued)

4. Accommodation in management and development

At the end of the year accommodation in management for each class of accommodation was as follows:

	2021 Number	Combined 2020 Number
Social Housing		
General Housing		
Social Rent	212	212
Total Owned	212	212
 Units managed on behalf of other organisations		
General needs	116	116
Total Managed	328	328
 Accommodation in development at year end	27	27

5. Operating Surplus

The operating surplus is arrived at after charging / (crediting):

	2021 £	Combined 2020 £
Release of deferred capital grant	(248,673)	(164,517)
Provision of Bad Debts	74,858	34,620
Amortisation of intangible fixed assets (per note 11)	16,757	9,774
Depreciation of housing properties	323,855	335,861
Depreciation of other tangible fixed assets	127,063	123,268
Operating lease rentals:		
land and buildings	461,857	461,703
vehicles and equipment	34,135	34,985
 Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the Financial Statements	20,520	19,092
Fees payable to the Company's auditors for other services:		
Audit of the Financial Statements of subsidiaries	-	4,080
Total audit services	20,520	23,172
 Tax compliance services	960	-
Total non-audit services	960	-

Notes to the Financial Statements (continued)

6. Interest receivable and similar income

	2021	Combined 2020
	£	£
Interest receivable and similar income	190	167
	190	167

7. Interest and financing costs

	2021	Combined 2020
	£	£
Net interest payable YMCA Pension Fund	10,764	10,764
Bank interest	84,594	119,323
Amortisation of issue costs	2,700	3,869
	98,058	133,956
Interest payable capitalised on housing properties under construction	-	-
	98,058	133,956
Capitalisation rate used to determine the finance costs capitalised during the period	-	-

8. Employees

Average monthly number of employees expressed as full-time equivalents (calculated based on a standard working week of 35 hours):

	2021	Combined 2020
	No.	No.
Housing and support activities	49	55
Nurseries	19	18
Maintenance	8	5
Learning & Communities	13	11
Management and administration	19	15
	108	104

Notes to the Financial Statements (continued)

8. Employees (continued)

The full-time equivalent number of staff who received remuneration (including Directors).

	2021	Combined 2020
	No.	No.
£60,000 - £70,000	<u>2</u>	<u>1</u>

	2021	Combined 2020
	£	£
Employee Costs:		
Wages and salaries	2,486,598	2,430,034
Social security costs	193,800	186,073
Pension costs	80,659	76,188
Life assurance costs	<u>3,231</u>	<u>14,269</u>
	<u>2,764,288</u>	<u>2,706,564</u>

Redundancy Costs paid in the year is £14,531.

9. Key management personnel

The Directors are defined for the purpose of this note as the Members of the Board and Executive Directors of the Association, the latter having executive responsibility. This satisfies the definition included in the Accounting Direction for Private Registered Providers of Social Housing 2019.

The aggregate remuneration for key management personnel charged in the year is:

	2021	Combined 2020
	£	£
Basic salary	369,288	292,280
Benefits in kind	9,000	4,500
Employers NIC	43,389	31,702
Pension contributions	<u>19,888</u>	<u>17,992</u>
	<u>441,565</u>	<u>346,474</u>

Notes to the Financial Statements (continued)

9. Key management personnel (continued)

The Chief Executive is an ordinary member of the Association's pension scheme. No enhanced or special terms apply. The Association does not make any further contribution to an individual pension arrangement for the Chief Executive.

The number of Directors to whom retirement benefits are accruing under defined benefit schemes was 1 (2020: 1)

None of the Board Members received emoluments. The emoluments of the highest paid Director, the Chief Executive are shown below:

	2021	2020
	£	£
Highest Paid Director		
Remuneration	103,012	69,615
Benefits in kind	4,500	4,500
Pension contributions	<u>5,569</u>	<u>5,569</u>
	<u>113,081</u>	<u>79,684</u>

Notes to the Financial Statements (continued)

10. Intangible Fixed Assets

	IT Software	Total
	£	£
Cost		
At 1 April 2020 (Combined)	117,869	117,869
Additions	(1,509)	(1,509)
At 31 March 2021	116,360	116,360
Amortisation		
At 1 April 2020 (Combined)	72,771	72,771
Charged in the year	16,757	16,757
At 31 March 2021	89,528	89,528
Net book value		
At 31 March 2021	26,832	26,832
At 31 March 2020 (Combined)	45,098	45,098

Notes to the Financial Statements (continued)

11. Fixed Assets – housing properties

	Social housing properties held for letting £	Housing properties for letting under construction £	Total housing properties £
Cost			
At 1 April 2020 (Combined)	15,942,194	520,534	16,462,728
Additions	196,654	1,415,273	1,611,927
At 31 March 2021	16,138,848	1,935,807	18,074,655
Depreciation and impairment			
At 1 April 2020 (Combined)	1,844,481	-	1,844,481
Depreciation charged in year	324,110	-	324,110
At 31 March 2021	2,168,591	-	2,168,591
Net book value			
At 31 March 2021	13,970,257	1,935,807	15,906,063
At 31 March 2020 (Combined)	14,097,713	520,534	14,618,247

Housing properties book value net of depreciation comprises

Housing properties book value net of depreciation comprises

	2021 £	Combined 2020 £
Freehold land and buildings	15,906,063	14,618,247
	15,906,063	14,618,247

Expenditure on works to existing properties

	2021	Combined 2020
Components capitalised	-	-
Amounts charged to income and expenditure	105,569	39,109
	105,569	39,109

Notes to the Financial Statements (continued)

Social housing assistance

	2021 £	Combined 2020 £
Total accumulated social housing grant received or receivable at 31 March:	7,094,570	7,094,570
Total accumulated other grant received or receivable at 31 March:	1,709,761	1,639,761
Recognised in the Statement of Comprehensive Income	(571,188)	(322,516)
Held as deferred Income	8,233,143	8,411,815

Finance costs

	2021 £	Combined 2020 £
Aggregate amount of finance costs included in the cost of housing properties	49,454	49,454
	49,454	49,454

Impairment

The Association considers individual schemes to be separate Cash Generating Units (CGU) when assessed for impairment, in accordance with the requirements of Financial Reporting 102 and SORP 2018. Where this is not possible, individual homes are considered as separate CGUs for the assessment of impairment.

Notes to the Financial Statements (continued)

12. Tangible Fixed Assets – Other

	Freehold Premises	Fixtures and Fittings	ICT Hardware	Motor Vehicles	Total
	£	£	£	£	£
Cost					
At 1 April 2020 (Combined)	1,598,919	1,267,294	336,871	64,816	3,267,900
Additions	-	16,412	10,631		27,043
Disposal				(500)	(500)
At 31 March 2021	1,598,919	1,283,706	347,502	64,316	3,294,443
Depreciation					
At 1 April 2020 (Combined)	104,620	875,021	199,039	24,751	1,203,431
Charged in the year	37,372	62,102	27,338	251	127,063
At 31 March 2021	141,992	937,123	226,377	25,002	1,330,494
Net book value					
At 31 March 2021	1,456,927	346,583	121,125	39,314	1,963,949
At 31 March 2020 (Combined)	1,494,297	392,273	137,832	40,065	2,064,467

13. Other Income

Heart of England Community Foundation restricted grant	1,012,377
Coronavirus job retention scheme	168,266
Total Other Income	1,180,643

Notes to the Financial Statements (continued)

14. Debtors

	2021	Combined 2020
	£	£
Due within one year		
Rent and service charges receivable	296,806	216,764
Prepayments and accrued income	72,590	95,544
Amounts owed by Group undertakings	-	99,792
	<u>369,396</u>	<u>412,100</u>
Other debtors	98,091	99,465
Less: provision for bad and doubtful debts	<u>(218,061)</u>	<u>(140,165)</u>
	<u>(119,970)</u>	<u>(40,700)</u>
	<u>249,426</u>	<u>371,400</u>

15. Creditors: amounts falling due within one year

	2021	Combined 2020
	£	£
Bank loans (note 17)	138,112	135,307
Trade creditors	57,119	268,842
Rent and service charges received in advance	44,801	44,865
Other grants received in advance	-	23,592
Deferred grant income	235,070	235,070
Corporation Tax	-	-
Other taxation and social security	39,566	57,438
Unpaid contributions for retirement benefits	14,570	14,482
Other creditors	87,214	88,483
Credit balances on Arrears less Bad Debt Provision	83,425	72,879
Accruals and deferred income	<u>155,303</u>	<u>378,679</u>
	<u>855,180</u>	<u>1,319,637</u>

Notes to the Financial Statements (continued)

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

	2021	Combined 2020
	£	£
Bank loans (note 17)	3,582,099	3,717,512
Deferred grant income	10,518,221	10,696,891
	14,100,320	14,414,403

17. Debt Analysis

Borrowings

	2021	Combined 2020
	£	£
Due within one year		
Bank loans	138,112	135,307
	138,112	135,307
Due after more than one year		
Bank loans	3,634,872	3,772,985
Less: issue costs	(52,773)	(55,473)
	3,582,099	3,717,512
Total loans	3,720,211	3,852,819

The Association has a loan facility of £4,000,000 with Charity Bank.

The Loan is for 25 years from the date of the final drawdown and carries an interest rate of 2.25 percent above the Bank of England base rate.

The loan is secured on specific charges on freehold properties, 301 Reservoir Road, 200 Bunbury Road, 109 Grosvenor Road and 43 Henrietta Street.

Loan issue costs and fees to date are £58,788 and the loan is repayable as below:

HEART OF ENGLAND YOUNG MEN'S CHRISTIAN ASSOCIATION (YMCA)

	2021	Combined 2020
	£	£
Within one year or on demand	138,112	135,307
One year or more but less than two years	142,118	138,112
Two years or more but less than five years	446,170	287,374
Five years or more	3,046,584	3,347,499
	3,772,984	3,908,292
Less: amortised issue costs	(52,773)	(55,473)
	3,720,211	3,852,819

Notes to the Financial Statements (continued)

18. Pension obligations

Heart of England YMCA participated in a contributory pension plan providing defined benefits based on final pensionable pay for employees of YMCAs in England, Scotland and Wales. The assets of the YMCA Pension Plan are held separately from those of Heart of England YMCA and at the yearend these were invested in the Mercer Dynamic De-risking Solution, 40% matching portfolio and 60% in the growth portfolio and Schroder (property units only).

The most recent completed three year valuation was as at 1 May 2020. The assumptions used which have the most significant effect on the results of the valuation are those relating to the assumed rates of return on assets held before and after retirement of 2.59% and 1.09% respectively, the increase in pensions in payment of 2.99% (for RPI capped at 5% p.a.), and the average life expectancy from normal retirement age (of 65) for a current male pensioner of 22.0 years, female 24.4 years, and 23.7 years for a male pensioner, female 26.1 years, retiring in 20 years' time. The result of the valuation showed that the actuarial value of the assets was £146.1m. This represented 79% of the benefits that had accrued to members.

The Pension Plan was closed to new members and future service accrual with effect from 30 April 2007. With the removal of the salary linkage for benefits all employed deferred members became deferred members as from 1 May 2011.

The valuation prepared as at 1 May 2017 showed that the YMCA Pension Plan had a deficit of £36 million. Heart of England YMCA has been advised that it will need to make monthly contributions of £4,083 from 1 May 2021. This amount is based on the current actuarial assumptions (as outlined above) and may vary in the future as a result of actual performance of the Pension Plan. The current recovery period is 8 years commencing 1 May 2021.

	Within one year	Repayable one to two years	Two to five years	After five years	After more than one year	Total	Total
	£	£	£	£	£	2021 £	2020 £
As at 31st March 2021	40,445	43,129	146,759	55,161	245,048	285,493	323,375
As at 31st March 2020	37,881	40,445	189,888	55,161	285,494	323,375	358,806

In addition, Heart of England YMCA may have over time liabilities in the event of the non-payment by other participating YMCAs of their share of the YMCA Pension Plan's deficit. It is not possible currently to quantify the potential amount that Heart of England YMCA may be called upon to pay in the future.

Notes to the Financial Statements (continued)

19. Provisions for liabilities and charges

	YMCA Pension Obligation	Leave Pay	Total
	£	£	£
At 1 April 2020 (Combined)	323,373	26,589	349,962
Additions	-	-	-
Utilised	(37,880)	29,018	(8,862)
At 31 March 2021	285,493	55,607	341,100

The YMCA Pension obligation is referred to in note 18. The provision is based on the net present value of payments agreed at the year end. The provision will be adjusted following the triennial valuations in the pension scheme, either increasing or decreasing the provision with the opposite entry being shown as operating costs within income and expenditure. The unwinding of the discount is shown as a finance cost.

The leave pay provision represents holiday balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the salary cost payable for the period of absence.

20. Share Capital

Heart of England YMCA Limited is a Company Limited by Guarantee. No shares have been issued.

Notes to the Financial Statements (continued)

21. Cash flow from operating activities

	2021	Combined 2020
	£	£
Surplus/ Deficit for the year	389,537	(82,673)
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	451,172	392,276
Amortisation of intangible assets	16,757	(62,926)
Decrease/ (Increase) in stock	-	(2,436)
Decrease/ (Increase) in trade and other debtors	121,974	93,937
(Decrease)/ Increase in trade and other creditors	(467,263)	41,584
Decrease in provisions	(8,862)	(36,171)
Loss/ (Gain) on disposal of property, plant & equipment	-	(449)
Government grants amortised in the year	(248,672)	(235,070)
Interest payable	98,058	133,955
Interest received	(190)	(780)
Net cash generated from operating activities	352,513	241,247

22. Capital Commitments

	2021	Combined 2020
	£	£
Expenditure contracted for but not provided for	2,467,609	2,609,544
Expenditure authorised by the board, but not contracted	405,501	202,980
	2,873,110	2,812,524

23. Contingent assets/liabilities

The Association had no contingent assets at 31 March 2021 (2020: nil).

The Association receives capital grant from the Homes and Communities Agency, which is used to fund the acquisition and development of housing properties and their components. In certain circumstances upon

HEART OF ENGLAND YOUNG MEN'S CHRISTIAN ASSOCIATION (YMCA)

disposal of grant funded properties, the Association is required to recycle this grant by crediting a Recycled Capital Grant Fund.

As the timing of any future disposal is uncertain, no provision has been recognised in these Financial Statements.

Notes to the Financial Statements (continued)

24. Leasing commitments

The total future minimum lease payments under non-cancellable operating leases are as set out below. Leases relate to land and buildings, aereals, vehicles and office equipment.

	2021	Combined 2020
	£	£
Within one year	45,013	100,552
Between two and five years	42,000	85,980
	87,013	186,532

25. Analysis of Debt

	Combined		
	2020	Cash Flows	2021
	£ 000s	£ 000s	£ 000s
Long-term borrowings	3,717	(135)	3,582
Short-term borrowings	135	3	138
Lease Liabilities	167	(101)	66
Total Liabilities	4,019	(233)	3,786
Cash and Cash Equivalents	(2,473)	433	(2,040)
Total Net Debt	1,546	200	1,746

26. Related parties

Disclosures in relation to key management personnel are included in note 9.

Insurance has been purchased to indemnify the trustees against any neglect or default on their part. The cost to Heart of England YMCA for the year was £1,960 (2020: £1,035).

Trustees received no remuneration. Trustees were however reimbursed for travel expenses during the year to a value of £25 (2020: £2,370).

There were no other related party transactions with Trustees.

27. Post Balance Sheet Event

We are aware of the financial challenges coupled with the impact from Covid-19 and the Board made a difficult decision this year to close both nurseries. We recognise the operating environment is becoming more challenging for small providers diversifying their portfolio in this area; and recognise economy of scale is required to scale-up. Such changes mean that we are able to focus our attention and investment on being excellent landlord. We will also be ceasing the delivery of training apprenticeship and will focus on other training.