

ABILITY HOUSING ASSOCIATION

England & Wales · Charity number 271547

Details

Status Registered

Legal form Charitable company

Company number [01261380](#)

Registered 1976-06-17

Register [View on the Charity Commission register](#)

Contact

Address The Coach House
Gresham Road
Staines Upon Thames
Middlesex
TW18 2AE

Phone 01784495624

Email info@ability-housing.co.uk

Website www.ability-housing.co.uk

Activities

Objects: 4 OBJECTS THE OBJECTS FOR WHICH THE ASSOCIATION IS ESTABLISHED ARE: 4.1 THE RELIEF OF THOSE IN NEED, BY REASON OF YOUTH, AGE, ILL-HEALTH, DISABILITY OR FINANCIAL HARDSHIP BY PROVIDING SUITABLE HOUSING FOR PEOPLE IN HOUSING NEED. THE ASSOCIATION WILL HAVE A PARTICULAR FOCUS ON SUPPORTING THOSE PEOPLE IN HOUSING NEED WHO HAVE A DISABILITY, IMPAIRMENT, OR LONG-TERM HEALTH CONDITION TO LIVE INDEPENDENTLY AND AS ACTIVE PARTICIPANTS WITHIN THEIR COMMUNITIES. THE ASSOCIATION WILL DELIVER CARE, SUPPORT AND INTENSIVE HOUSING MANAGEMENT SERVICES TO SUPPORT INDEPENDENT LIVING AND SOCIAL INCLUSION, ENABLING PEOPLE TO HAVE CHOICE AND CONTROL OVER THEIR LIVES. THIS WILL BE ACHIEVED BY: 4.1.1 THE CONSTRUCTION, IMPROVEMENT OR MANAGEMENT OF HOUSING ACCOMMODATION FOR THOSE WHO ARE IN NEED THEREOF AND ANY ASSOCIATED AMENITIES SPECIALLY DESIGNED OR ADAPTED TO MEET THE DISABILITIES AND REQUIREMENTS OF SUCH PERSONS; 4.1.2 THE PROVISION OF CARE, SERVICES, ADVICE OR ASSISTANCE TO THOSE IN NEED THEREOF AND WITHOUT PREJUDICE TO THE GENERALITY OF THE FORGOING THE ARRANGEMENT AND CARRYING OUT OF WORKS OF IMPROVEMENT REPAIR OR MAINTENANCE TO HOUSES OCCUPIED BY THEM AND PROVISION OF ANY ASSOCIATED AMENITIES SPECIALLY DESIGNED OR ADAPTED TO MEET THE DISABILITIES AND REQUIREMENTS OF SUCH INDIVIDUALS. 4.2 TO SET UP HOMES FOR SUCH INDIVIDUALS AND TO PROVIDE FACILITIES TO ENABLE THEM TO PARTICIPATE IN TRAINING AND OTHER ACTIVITIES INCLUDING SUPPORT INTO EMPLOYMENT. 4.3. THE PROMOTION OF EQUALITY AND DIVERSITY FOR THE PUBLIC BENEFIT, IN PARTICULAR THROUGH THE PROMOTION OF THE SOCIAL MODEL OF DISABILITY - EQUALITY, FAIRNESS AND RIGHTS FOR PEOPLE WHO HAVE A DISABILITY; BY PARTICIPATING IN RESEARCH, DEVELOPMENT AND CAMPAIGNS PROMOTING EQUAL RIGHTS OF DISABLED PEOPLE, AND PROMOTING, ORGANISING, ARRANGING AND PARTICIPATING IN CONFERENCES AND MEETINGS ON SUBJECTS RELATING TO EQUALITIES FOR THOSE LIVING WITH A DISABILITY, IMPAIRMENT OR LONG-TERM HEALTH CONDITION.

Activities: The provision, by construction or conversion, and the management of housing and support services for people with disabilities and others in housing need

Classification

- **How:** Provides Services
- **What:** Accommodation/housing
- **Who:** People With Disabilities

Geography

- Bracknell Forest
- Dorset
- Hampshire
- Hillingdon
- Merton
- Reading
- Slough
- Surrey
- Windsor And Maidenhead
- Wokingham

Finances

Period end	Income	Expenditure	Assets	Employees
2024-09-30	£10,759,000	£10,066,000	£17,648,000	135
2023-09-30	£10,107,000	£10,029,000	£17,288,000	136
2022-09-30	£9,676,000	£9,648,000	£17,542,000	154
2021-09-30	£10,571,000	£10,212,000	£17,640,000	179
2020-09-30	£11,003,000	£10,553,000	£17,281,000	189

Trustees

Name	Role	Appointed
Amanda Dunstan	Chair	2021-04-21
Dritan Uka		2021-04-21
Jai Dosanjh		2020-03-11
Kimberley Ellis		2023-03-22
Lynsey Van Aswegen		2021-04-21
Nicholas Barker		2024-03-20
Rinat ABDRASLOV		2023-03-22
Timothy Jennings		2021-04-21
Vimal Gaglani		2021-04-21

Accounts

ABILITY HOUSING ASSOCIATION

Report and Financial Statements

For the year ended 30th September 2024

Registered Company No. 01261380



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ABILITY HOUSING ASSOCIATION**Report and Financial Statements for the year ended 30 September 2024****Company Information**

Company registration number:	01261380
Regulator of Social Housing registration number:	LH2174
Charity number:	271547
Registered office and principal address:	The Coach House Gresham Road Staines Upon Thames TW18 2AE
The Board:	Mandy Dunstan (Chair) (appointed 20 th March 2024) Sally Reay (Chair) (resigned 20 th March 2024) Dominic Wallace Jai Dosanjh Lynsey van Aswegen Dritan Uka Tim Jennings Vimal Gaglani Rinat Abdrasilov Kimberley Ellis Nicholas Barker (appointed 20 th March 2024) Adrian Smith (appointed 20 th March 24, resigned 1 st October 2024)
Senior Management Team:	
Chief Executive	Jeffrey Skipp
Director of Finance	Marcus Andrews
Director of Operations (Housing)	Stephanie Wood (appointed 11 th November 2024) Lucy Sivasundram (left 19 th September 2024)
Director of Care & Support	Lauren Green (appointed 15 th April 2024)
Company Secretary:	Marcus Andrews
Bankers:	Barclays 1 Churchill Place London E14 5HP
Solicitors:	Devonshires 30 Finsbury Circus London EC2M 7DT
Auditors:	Beever and Struthers Statutory Auditor 150 Minories London EC3N 1LS

Report of the Board

The Board presents its report and audited financial statements for Ability Housing Association ('The Association') for the year ended 30 September 2024.

The financial statements have been drawn up under United Kingdom Generally Accepted Accounting Practice, including FRS 102 ('the financial reporting standard applicable in the UK and Republic of Ireland'). The Association is registered under the Companies Act 2006 as a company limited by guarantee incorporated in England. It is registered with both the Charity Commission and the Regulator of Social Housing as a Registered Provider.

Principal activities and public benefit

The Association's principal activities are the provision, by construction or conversion, and the management of housing for people with disabilities and others in housing need and the provision of care and support to those individuals.

The Association is classified as a public benefit entity. The Board confirms that it has referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Association's aims and objectives and in formulating future plans.

Business review and future development

Details of the Association's performance for the year and future plans are set out in the Operating and Financial Review that follows this report.

Employees

The Association is accredited as an Investor in People. Salary levels are set in relation to the market and meet or exceed the requirements of the National Living Wage.

We are committed to equality of opportunity for all employees, and we monitor our recruitment processes to ensure that a diverse workforce is recruited and nurtured.

The Association shares information on its objectives, progress and activities through regular office and departmental meetings.

Health and safety

The Board is aware of its responsibilities on all matters relating to health and safety. The Association has employed an external advisor to prepare detailed health and safety policies, ongoing support and provides staff training and education on health and safety matters.

Board members and executive directors

The present Board members and the executive directors of the Association are set out on page 3. The Board members are drawn from a wide background bringing together professional, commercial and local experience.

The executive directors are the chief executive and the other members of the Association's senior management team. They hold no interest in the Association's shares and act as executives within the authority delegated by the Board. The executive directors are employed on the same terms as other staff, their notice periods being six months.

Insurance policies indemnify Board members and officers against liability when acting for the Association.

Report of the Board

National Housing Federation (NHF) Code of Governance

Ability ensures full compliance with The NHF Code of Governance (2020 edition). Ability complies with the principal recommendations of the NHF Code of Governance.

Pensions

The Association contributes to the Social Housing Pension Scheme defined contribution pension for all staff not enrolled in a defined benefit scheme or opted out. This is Ability's auto-enrolment pension scheme. A small number of staff are members of Local Government Pension Scheme, a defined benefit final salary pension scheme. A number of former staff members are enrolled in the defined benefit final salary element of the Social Housing Pension Scheme.

Fraud

There were no frauds in the year.

Internal controls assurance

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the Association is continuing, and has been in place throughout the period commencing 1st October 2023 up to the date of approval of the annual report and financial statements. The Board receives and considers reports from management on these risk management and control arrangements at each meeting during the year.

Key elements of the control framework include:

- Board approved terms of reference and delegated authorities for audit, finance and risk and customer services committees
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks
- Robust strategic and business planning processes
- Detailed financial budgets and forecasts for subsequent years
- Formal recruitment, retention, training and development policies
- Established authorisation and appraisal procedures for all significant new initiatives and commitments
- Regular reporting by senior management to the appropriate committee of key business objectives, targets and outcomes
- Board approved whistleblowing and anti-theft and corruption policies
- Detailed policies and procedures in each area of the Association's work

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Audit, Finance & Risk Committee ('The AFR Committee') to review the

Report of the Board

effectiveness of the system of internal control on a regular basis. The Board receives reports from the Committee together with minutes of meetings.

The means by which the Audit, Finance & Risk Committee reviews the effectiveness of the system of internal control include considering risk reports, internal audit reports, management assurances, the external audit findings report and specialist reviews on areas such as support service contracts, health and safety and housing services. The Committee has received reports from the internal auditor and has reported its findings to the Board. The Board receives regular reviews from the Chief Executive of the effectiveness of the system of internal control for the Association and in turn conducts its own reviews through the year of the effectiveness of the system of internal control.

A fraud register is maintained and is reviewed by the Audit, Finance & Risk Committee at least twice a year.

The Board is therefore satisfied that the systems of internal control are sufficiently robust and have been operating throughout the year.

Statement of compliance

The Board confirms that the Strategic Report has been prepared in accordance with the principles set out in paragraph 4.7 of the 2018 SORP for Registered Social Housing Providers.

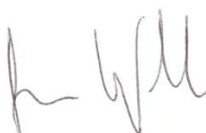
Events after the end of the reporting period

Following the end of the reporting period, Ability has repaid two of its loans in full. The Orchardbrook loan was repaid in October 2024 and the Barclays loan in December 2024. The balance of these loans outstanding at 30th September 2024 was £2,824k.

The Report of the Board was approved by the Board on 5th March 2025 and signed on its behalf by:



Mandy Dunstan
Chair



Dominic Wallace
Board Member



Marcus Andrews
Secretary

Operating and Financial Review and Strategic Report

Overview of the Financial Year

Ability Housing owns and manages 649 properties (plus some office accommodation) across 31 local authority areas in London and the South East, from Hastings to Bournemouth and Essex to Oxfordshire. We provide accessible housing for people who have impairments and disabilities and want to live independently in their communities.

There are five key commitments made in our Corporate Plan ('Better Together') which are:

- Provide Good Quality Homes and Neighbourhoods
- Deliver high quality Housing Management & Support Services
- To Recruit, Retain and Develop an engaged workforce
- To grow our services and increase our reach
- To maintain financial sustainability and deliver Value for Money (VFM)

The Social Housing (Regulation) Act 2023 introduced a legal requirement for social housing providers to undertake Tenant Satisfaction Measure (TSM's) surveys. Ability HA undertook a TSM survey with the results being returned August 2024. Ability also asked an additional question regarding our Intensive Housing Management service. The best way to judge if we are meeting our corporate objectives is to assess our performance against the experiences of our residents. The survey results are set out in table 1 (below).

Table 1. Ability Housing Association TSM Results

Question	Sector Average (Satisfied)	Satisfied	Neither Satisfied nor Dissatisfied	Dissatisfied
1) Taking everything into account, how satisfied or dissatisfied are you with the service provided by Ability Housing Association?	69.4%	66.91%	11.27%	21.8%
*2) How satisfied or dissatisfied are you with the overall repairs service from Ability Housing Association over the last 12 months?	71.2%	72.67%	9.25%	18.01%
3) How satisfied or dissatisfied are you with the time taken to complete your most recent repair after you reported it?	66.9%	62.84%	9.63%	27.51%
4) How satisfied or dissatisfied are you that Ability HA provides a home that is well maintained?	69.4%	69.44%	10.54%	19.99%
5) Thinking about the condition of the property you live in, how satisfied or dissatisfied are that Ability HA provides a home that is safe?	76.5%	77.81%	12%	10.18%
6) How satisfied or dissatisfied are you that Ability HA listens to your views and acts upon them?	58.4%	53.08%	18.9%	27.99%
7) How satisfied or dissatisfied are you that Ability HA keeps you informed of the things that matter to you?	69.7%	56.19%	22.26%	21.52%
8) How satisfied or dissatisfied are you that Ability HA treats me fairly and with respect	76%	73.44%	10.9%	15.63%

Operating and Financial Review and Strategic Report

9) How satisfied or dissatisfied are you that Ability HA approach to complaints handling	33.9%	37.49%	19.64%	42.84%
10) How satisfied or dissatisfied are you that Ability HA keeps communal areas clean and well maintained	65.2%	68.49%	15.46%	16.01
11) How satisfied or dissatisfied are you that Ability HA makes a positive contribution to your neighbourhood?	62.4%	51.46%	35.66%	12.86%
12) How satisfied or dissatisfied are you with Ability HA approach to handling Anti-Social Behaviour?	57%	49.24%	36.94%	13.79%
**13) Intensive Housing Management support - how satisfied or dissatisfied do you feel with the quality of the support you received?	N/A	73.46%	11.56%	15.16%

*only applies to people who have had a repair in the last 12 months = 79.62% of respondents

**Ability own question not part of TSM suite

Our TSM results are in line with sector averages. It is reassuring that our service offer, and the view of our residents are broadly consistent with the experiences of other social housing tenants. This provides a good platform from which we can develop our service offer, improve our customer experience and using customer feedback, focus our teams and operational services on the areas which will maximise resident satisfaction.

During the year we commissioned the Tenant Participation Advisory Service (TPAS), to support Ability HA to develop a co-produced resident engagement strategy. Residents, frontline staff and board members attended Challenge, Discovery and Design sessions independently facilitated by TPAS – The outcome of this work led to seven key recommendations:

- Establish a new resident engagement group
- Design and implement customer services platform to promote effective two way communication
- Raise staff awareness of residents needs
- Residents at staff meetings
- Review resident communication channels
- Develop a range of resident engagement opportunities
- Develop and deliver a new resident engagement strategy

During the year we have appointed a resident engagement lead, who is a member of the Housing & Property senior management team, to project manage the development of resident engagement throughout Ability Housing Association, working with residents and managers to deliver the TPAS recommendations and develop a co-produced engagement strategy with clear success criteria and milestones.

Property and Assets

Repairs will be completed in target time: Working in partnership with our core contractors we have improved the performance of our repairs service across the year, achieving our target.

Planned Maintenance: We achieved our planned maintenance programme, which included the installation of 22 kitchens, 13 bathrooms and 33 boiler replacements.

Operating and Financial Review and Strategic Report

EPC: We did not meet our target of bringing 13 properties up to EPC or better during the year. This was primarily due to a focus on our repairs service and achieving 80% of repairs in target time. We have rescheduled the EPC programme and all properties will achieve EPC C or better before 2030.

Disposal Criteria for Void Properties: This has been implemented during the year and will inform future decisions on disposals based upon viability, geography and proximity to our core operating areas and the suitability for use as supported housing. The proceeds of any disposals will be reinvested in either new stock or investment in existing stock.

Housing Support and Management

Intensive Housing Management Support: We have co-produced with each resident a housing support plan which details the support residents need to sustain their tenancy. Based upon the support plan, each resident receives the appropriate support focussed on their individual need. The support is reviewed regularly during the year, to ensure the support is sufficient and focussed on tenancy sustainment and supporting residents to maintain an independent life with choice and control.

Annual Tenancy Audit and Property MOT: We have undertaken annual tenancy audits and MOT's with residents throughout the year. This is to ensure we understand any changes of circumstances affecting residents alongside a detailed inspection of the property with the resident, identifying any issues or concerns and if required ensuring any repairs are reported and rectified

Estate Inspections: We have enhanced our regular Estate Inspections, not only ensuring the Health and Safety of residents through frequent visits but also inviting residents to attend inspections, to discuss any issues or concerns alongside increasing contact with their Housing and Support Officer, strengthening the relationship and engagement with Ability Housing Association.

Compliments and Complaints

Compliments

The total number of compliments received for the year was 14.

We identify this is an area we need to improve on in terms of increasing the awareness across the organisation of the importance of collecting compliments.

The key themes from the compliments received, include happiness with timescales of repairs completion and happiness with housing and contact staff in their support and in their assistance with repairs.

Complaints

We received 49 formal complaints in the year. The majority of complaints 44, were resolved at stage one. The key themes of these complaints were:

Theme	Number
Care and Support	4
Repairs and Maintenance	24
Housing	17
Staff Attitude	4
Total	49

Operating and Financial Review and Strategic Report

Of the 49 Complaints, 18 were upheld, 17 partially upheld and 14 not upheld. We had two complaints escalated to the Ombudsman, one of which was determined to have no maladministration and the other awaiting determination

Recruit, Retain and Develop an Engaged Workforce

The success of our business relies on Ability's most important resource: the staff teams who deliver services to our customers. This year we have created and published a People Strategy to sit beneath Ability's Corporate Plan

The People Strategy has been developed to provide clarity on what's needed to safeguard the quality of our services by recruiting, retaining and developing an engaged workforce. The principles underlying the strategy are as follows:

- Ability's Workforce Wellbeing Statement and Commitments
- Understanding our People – a focus on Equality, Diversity and Inclusion which are central to Ability's values, and
- Maintaining and building upon our Investors In People accreditation, in addition to ISO and Disability Confident badges

Key milestones of the People Strategy achieved through the year are as follows:

- Recruitment literature is continually reviewed to maximise our profile as an organisation, and our attractiveness to potential future candidates
- Our induction processes have been reviewed by line managers and newer staff members, identifying learnings which will continue to ensure that the probation period is effective and beneficial, promoting positive outcomes for the individual and the business.
- We have continued to build on our staff engagement programmes with all staff having the opportunity to interact in forums lead by senior managers, where individual feedback and suggestions are welcomed and heard
- Following Investors In People recommendations, senior leaders have increased presence and visibility to operational teams across the business.

To ensure staff teams are adequately equipped to deliver high quality services within the context of an increasingly challenging financial environment, we have reviewed and increased training budgets across the business. This will enable us to continue to deliver training in line with the Adult Social Care Workforce Strategy, and to meet the qualification requirements of the Social Housing (Regulation) Bill.

Care and Support

Ability delivers care and support services in four local authority areas in the south-east of England, supporting our customers to live as independently as possible in the community. We provide supported living and community support in people's homes for people with a learning disability, physical disabilities, and mental health needs.

Delivering high quality Support Services

Our annual care and support customer satisfaction survey, administered in December 2023, showed 95% of customers (on average) were satisfied with the service they received. The results were as follows:

Operating and Financial Review and Strategic Report

Question	2024	2023
Ability staff help me feel safe in my home	95.95%	95.92%
There is some flexibility in the way I receive my support as sometimes I don't want to stick to a fixed plan	91.89%	97.96%
I feel that staff listen to me and I feel comfortable discussing and planning my support with them	95.94%	97.96%
If I am not happy I know who to talk to	94.59%	95.92%
Staff know what is important to me and how I like to live my life	95.55%	97.28%

Of the 233 surveys sent Ability received 148 responses, equating to a 63.5% return rate (2023: 64.5%)

Based upon the views of customers at each of our services, we have developed service specific development plans which seek to improve the service customers receive and increase the quality of support provided. The intention for 2025 is to review progress against service development plans and refine the planning process, before agreeing updated development plans for each service.

All services performed consistently well during the year as measured by our performance indicators and quarterly quality audits. Our high performance has been validated by local authority quality monitoring and our CQC registered services have retained overall ratings of Good, within which some domains achieved Outstanding. Our Hillingdon Supported Living services achieved audit scores of 94%, 96% and 97% following inspections undertaken by the London Borough of Hillingdon.

During the year we have further focused our services on delivering personalised and customer led support, seeking to maximise the choice and control each customer has over their lives. We have continued to develop our person-centred planning tools, ensuring customers are at the centre of the service they receive. Training in strength-based approaches is part of the rolling training programme for care and support teams. This helps to ensure that staff work with customers in an asset-based way, enabling and encouraging customers to take positive risks to maximise independence.

Grow our Services and Increase our Reach

We have continued to develop our services through organic growth and have achieved this in some services by allocating accommodation to individuals with higher and more complex support needs. We have also been accepted onto several local authority framework agreements and dynamic purchasing systems (DPS) and will continue applications for target geographical areas. In September, we successfully recruited to the Head of Business Development role, which is a key achievement and milestone in our growth strategy.

Throughout the year, we submitted numerous bids as part of competitive tender processes with local authorities. Unfortunately, we were unable to submit stage 2 bids in two competitions after being successful at stage 1. In one case, this was due to the need to prioritise other bids, and in the other, the increases in National Insurance Contributions and National Living Wage made the contract financially unviable.

Maintain financial sustainability

The most significant challenge to maintaining financial sustainability in care and support continues to be securing adequate local authority fee increases, particularly given significant increases in National Insurance Contributions and the National Living Wage (NLW). Ability supports the increase to the NLW and aspires to pay our care and support staff above this rate, however, this is contingent upon Local Authority annual inflationary fee increases being commensurate with both living wage and broader inflationary increases impacting care and support providers. Whilst we acknowledge the financial pressures facing local

Operating and Financial Review and Strategic Report

authorities in England, Ability and many other care and support providers will continue to bear increased financial risk given the already tight margins that exist.

Winning new business has the potential to create economies of scale, however, it is becoming increasingly difficult to find contracts that represent full cost recovery as LA budgets are squeezed ever further. The draft business development strategy will continue to be refined now the Head of Business Development is in post. This will seek to define opportunities for diversifying both our funding streams and our service offer, providing these align with Ability's core ethos and values and target geographical growth areas.

Ability's Plans for the future

Ability Housing association's corporate plan - Better Together - sets out our key objectives to September 2026. Ability's service approach is underpinned by the principles of personalisation and co-production and support planning tools follow a strengths-based approach, ensuring that support and care plans are individually tailored and promote choice, control and autonomy.

Over the next two years our corporate plan focuses on the following key objectives:

- Provide good quality homes and neighbourhoods
- Deliver high quality Housing Management & Support Services.
- To recruit, retain and develop an engaged workforce.
- To grow our services and increase our reach.
- To maintain financial sustainability and deliver value for money

Better Together

By 2026 Ability Housing Association will be able to demonstrate that:

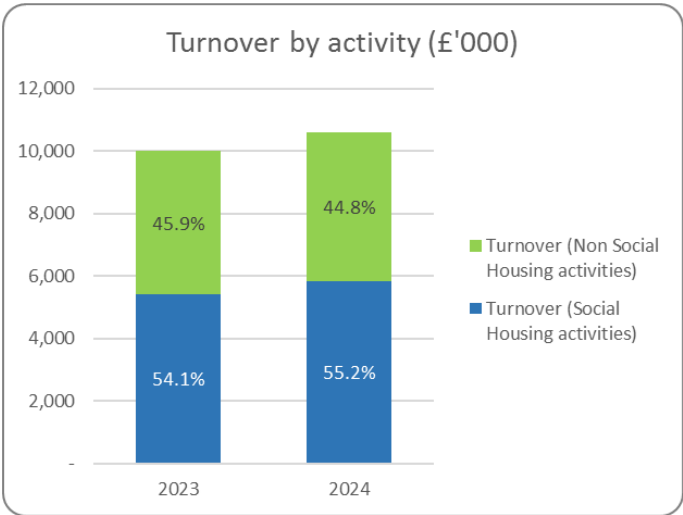
- We provide high-quality homes for our residents with a timely and qualitative repairs service. We have invested significantly in our properties, and no home has an energy rating below EPC D, with all homes to be at a rating of EPC C or above by 2030.
- We have co-produced with every customer the service they receive based on their needs, preferences and aspirations. We will have engaged with residents in their neighbourhoods to improve the local area and agreed with them a local plan to be implemented.
- We have relaunched our Customer Committee, involving customers in the development of Ability's organisational strategies and plans, evaluating our performance and service delivery.
- Our Housing & Support Officers are both proactive and responsive, supporting customers to maintain independent living and achieve their aspirations.
- Our care and support services have delivered high-quality co-produced support focused on the needs, preferences and aspirations of the individual, ensuring everyone has choice and control over the support they receive and the life they lead.
- Our workforce is well-managed, engaged, and trained to deliver high-quality services and outcomes with our customers.
- We have grown our care and support business by 20%, increasing our reach and the number of people who benefit from Ability's services, while increasing our economies of scale, that will support the financial success of this part of our business going forward.

Operating and Financial Review and Strategic Report

- We have reinvested money from homes we have disposed of to create more opportunities for people to receive supported housing and care and support from Ability in our core areas of operation.
- We are financially strong, with management decisions based on robust data and information. We will be efficient and effective, ensuring our resources are targeted, delivering high-quality services to the people we serve.

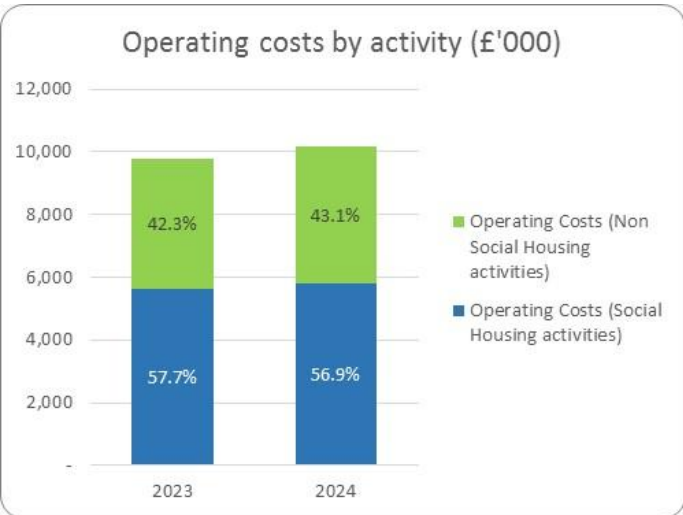
Financial Review

Ability’s overall turnover increased by 6.0% in 2024 to £10,589k (2023: £9,987k). Income from social housing activities increased by 8.1% to £5,840k (2023: £5,404k), whilst income from non-social housing activities increased by 3.6% to £4,749k (2023: £4,583k).



The above graph shows that an increasing percentage of Ability’s turnover is coming from social housing activities. This is due to the rents having increased on average more than the Local Authority contract income. Rents have increased in line with the Government policy, based on September CPI + 1%, but the volume of housing activity is relatively static, with no significant change to number of properties.

Operating costs increased by 4.2% to £10,174k (2023: £9,763k).



Operating and Financial Review and Strategic Report

The graph shows that the portion of operating costs attributable to non-social housing activity has increased this year. The increase was mainly due to the increased costs of our Support staff as we continue to pay in line with the national living wage.

Ability's operating surplus was £453k (2023: £224k), which represents 4.3% of turnover (2023: 2.2%). The year's result was due to increased income from rents, combined with reduced expenditure on routine maintenance resulting in part from improved internal processes and contract management.

Interest receivable was £170k (2023: £120k) due to higher interest rates and a healthy cash balance for the year.

Capital structure and treasury policy

Ability had strong liquidity during the year, with £4,707k cash at 30th September 2024 (2023: £4,657k). The cash balance equates to 5-6 months of operating expenditure.

At the end of the year, borrowings amounted to £5,757k (2023: £6,132k) of which £536k falls due to be paid within the next year (2023: £442k). At 30th September 2024, 100% of the Association's borrowings were at fixed rates of interest (2023: 100%). The rates of interest range from 1.65% to 10.69%, although the majority of the debt (£5,602k) is fixed at either 1.65% or 6.69%, with only £155k of the outstanding balance fixed at the higher rate of 10.69%. The situation is reviewed regularly with lenders and with the Board, but it is felt that the current position is positive as variable rate risk has been eliminated, giving certainty over future interest payments. The Association borrows and lends only in Sterling and so is not exposed to currency risk.

Ability was compliant with all lenders' covenants in 2024.

Reserves

At the year-end reserves amounted to £17,648k (2023: £17,288k). Ability does not have any restricted reserves earmarked for specific purposes. All reserves have been generated via Ability's principal activities and are solely for the provision and management of housing and support services in the future.

Operating and Financial Review and Strategic Report

Value for Money

The Association has a Value for Money strategy which seeks to ensure we make the best use of the various forms of capital we have at our disposal. As a small housing association, we have a fixed level of resources, operating in a challenging environment with a high level of demand for our services. Ability aims to maximise its social value by ensuring that its resources are used effectively to deliver the right balance of cost, performance and quality of services.

For the year to 30 September 2024 we have calculated VFM metrics in accordance with the Regulator of Social Housing 'Value for Money Metrics Technical Note Guidance April 2024'. The results are as follows:

METRIC	2024	2023	Peer Group Average
1. Reinvestment %	0.6%	0.4%	5.8%
2a. New Supply Delivered (Social Housing Units) %	-	-	1.2%
2b. New Supply Delivered (Non-Social Housing Units) %	-	-	-
3. Gearing %	4.6%	5.4%	1.5%
4. EBITDA MRI Interest Cover %	334.3%	286.1%	468.4%
5. Headline Social Housing cost per unit £	£ 7,807	£ 7,260	£ 18,934
6a. Operating Margin (Social Housing Lettings) %	0.5%	(4.6%)	10.0%
6b. Operating Margin (Overall) %	3.9%	2.2%	4.9%
7. Return on Capital Employed %	0.8%	0.4%	3.9%

The specialist nature of the services delivered by Ability makes it difficult to benchmark our VFM metrics. In order to provide a peer group comparison we have used the VFM metrics extracted from the published accounts of three other social housing providers of a similar nature to Ability. However, factors such as the number of properties, geographic location, customer groups, and the fact that Ability has predominantly self-contained units means that the majority of social housing providers are not directly comparable, and the peer group results are of limited value.

Reinvestment % (metric 1) shows a small increase because Ability spent more on improvements to its existing properties in 2024 than in the prior year, but it is still below the peer group average. However, future years spend plans are supported by our asset management strategy, which is underpinned by a full stock condition survey, ensuring that spend where investment is necessary.

New Supply (metrics 2a and 2b) are both zero as Ability has not developed nor acquired any additional housing units in the year. Ability is currently not developing new properties.

Gearing (metric 3) shows a reduction in the year from 5.4% in 2023 to 4.6% in 2024. This is because the balance outstanding in respect of fixed term loans has reduced following further repayments in the year. Although Ability's gearing level is slightly higher than the peer group, gearing is expected to reduce over time as loans are repaid.

EBITDA MRI (metric 4) has increased in the year from 286.1% in 2023 to 334.3% in 2024. This shows that Ability can comfortably cover its loan interest payments and is generating cash to invest in its properties and services.

Headline social housing cost per unit (metric 5) has increased by 7.5% in the year, from £7,260 in 2023 to £7,807 in 2024). This due to an increase in property related expenditure as well as increases

Operating and Financial Review and Strategic Report

in housing management costs, due to general economic inflation. Compared to the peer group average, Ability's costs are relatively low, although this is partly due to the difficulty of establishing a comparable peer group average cost, given the variety of operating models in the specialist housing sector.

Operating margin on social housing (metric 6a) showed an improvement in the year, from -4.6% in 2023 to 0.5% in 2024. This is due largely to increased income and a lower level of spend on repairs. Ability's operating margin is significantly lower than that of the peer group, which demonstrates this is an area for improvement to ensure that Ability can continue to provide a quality service to its residents and also invest in its properties.

Operating margin overall (metric 6b) is up by 1.7%, from 2.2% in 2023 to 3.9% in 2024. The improved margin results from both increases in income and reductions in operating costs and means that Ability is only 1.0% lower than the peer group average.

Statement of compliance

In preparing this Operating and Financial Review, the Board has followed the principles set out in the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers.

The Board also confirms compliance with The Regulator of Social Housing's Governance and Financial Viability standard.

Statement of the responsibilities of the Board for the report and financial statements

The Board is responsible for preparing the Report of the Board, Operating and Financial Review, Strategic Report and financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers 2018, 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 business.

The Board are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it 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 2022. It is 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

The Board members confirm that:

- So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware
- The directors have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

The Board 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.

Annual general meeting

The annual general meeting will be held on 18th March 2025.

External auditors

A proposal will be made at the AGM to appoint the external auditors for the 2024-25 financial year.

The Operating and Financial Review and Strategic Report were approved by the Board on 5th March 2025 and signed on its behalf by:



Mandy Dunstan
Chair

Report of the Independent Auditors

To the members of Ability Housing Association for the year ended 30 September 2024

Opinion

We have audited the financial statements of Ability Housing Association (the 'Association') for the year ended 30 September 2024 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity (Reserves), the Statement of Financial Position, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 30 September 2024 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been 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 2022.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's 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 twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

Other information

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

Report of the Independent Auditors

To the members of Ability Housing Association for the year ended 30 September 2024

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 Board and the Operating and Financial review and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Board and the Operating and Financial review and Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the 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 Board and the Operating and Financial review and 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 directors' 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 the Responsibilities of the Board set out on page 17, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Report of the Independent Auditors

To the members of Ability Housing Association for the year ended 30 September 2024

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of laws, regulations and guidance that affect the Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws, regulations and guidance that we identified included the Companies Act 2006, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2022, tax legislation, health and safety legislation, and employment legislation.
- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the regulated nature of the Association's activities.
- We reviewed financial statements disclosures and supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Report of the Independent Auditors

To the members of Ability Housing Association for the year ended 30 September 2024

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

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. Our audit work has been undertaken so that we might state to the Company'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.



Elizabeth Hatchman
Senior Statutory Auditor

For and on behalf of
Beever and Struthers

Statutory Auditor
150 Minorities
London
EC3N 1LS

Date: 12 March 2025

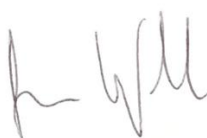
Statement of Comprehensive Income	Note	2024 £'000	2023 £'000
Turnover	2	10,589	9,987
Operating costs	2	(10,174)	(9,763)
Gain on disposal of property, plant & equipment	6	38	-
Operating surplus	5	453	224
Interest receivable	7	170	120
Interest payable and similar charges	8	(265)	(266)
Surplus on ordinary activities before taxation		358	78
Tax on surplus for the year		-	-
Surplus prior to transfer to reserves		358	78
Other Comprehensive Income			
Actuarial gains / (losses) in respect of pension scheme		2	(66)
Total comprehensive income for the year		360	12

The notes on pages 26 to 51 form part of these financial statements.

The financial statements on pages 22 to 51 were authorised and approved for issue by the Directors on 5th March 2024 and were signed on its behalf by:



Mandy Dunstan
Chair



Dominic Wallace
Board Member



Marcus Andrews
Secretary

Statement of Changes in Equity (Reserves)**Income and Expenditure Reserve**

	£'000
Balance at 30 th September 2022	17,276
Surplus for the year	78
Actuarial losses in respect of pension scheme	(66)
Balance at 30 th September 2023	<u>17,288</u>
Surplus for the year	358
Actuarial gain in respect of pension scheme	2
Balance at 30 th September 2024	<u>17,648</u>

The notes on pages 26 to 51 form part of these financial statements.

Statement of Financial Position at 30th September 2024

	Note	2024 £'000	2023 £'000
Tangible fixed assets			
Housing properties	11	50,615	51,427
Other tangible fixed assets	12	526	486
		<u>51,141</u>	<u>51,913</u>
Current assets			
Trade and other debtors	13	1,167	781
Cash and cash equivalents		4,707	4,657
		<u>5,874</u>	<u>5,438</u>
Creditors: amounts falling due within one year	14	(2,802)	(2,575)
Net current assets		<u>3,072</u>	<u>2,863</u>
Total assets less current liabilities		<u>54,213</u>	<u>54,776</u>
Creditors: amounts falling due after more than one year	15	(36,358)	(37,258)
Pension provision	19	(207)	(230)
Total Net Assets		<u>17,648</u>	<u>17,288</u>
Capital and reserves			
Income and Expenditure reserve		17,648	17,288
Total Reserves		<u>17,648</u>	<u>17,288</u>

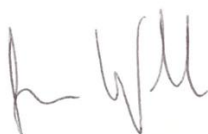
Company registration number: 01261380

The notes on pages 26 to 51 form part of these financial statements.

The financial statements on pages 22 to 51 were authorised and approved for issue by the Directors on 5th March 2025 and were signed on its behalf by:



Mandy Dunstan
Chair



Dominic Wallace
Board Member



Marcus Andrews
Secretary

Statement of Cash Flows

	Note	2024 £'000	2023 £'000
Net cash generated from operating activities	i	794	748
Cash flow from investing activities			
Interest Received		170	120
Purchase and construction of housing properties		(316)	(193)
Proceeds from the sale of tangible fixed assets		158	-
Purchase of other tangible fixed assets		(116)	(69)
		(104)	(142)
Cash flow from financing activities			
Repayment of borrowings		(375)	(418)
Interest Paid		(265)	(266)
		(640)	(684)
Net change in cash and cash equivalents		50	(78)
Cash and cash equivalents at the beginning of the year		4,657	4,735
Cash and cash equivalents at end of the year		4,707	4,657

Note i	2024 £'000	2023 £'000
Cash flow from operating activities		
Operating surplus for the year	453	224
Adjustments for non-cash items		
Depreciation and impairment of tangible fixed assets	1,000	997
Grant amortisation	(388)	(384)
(Increase) in trade and other debtors	(386)	(169)
Increase in trade and other creditors	131	76
Pension movements	-	20
(Gain) / loss on pension investments	-	(66)
Grant recycled	(51)	-
Gain on disposals of property	(38)	-
Adjustments for investing or financing activities		
Loss on disposal of tangible fixed assets	73	50
Net cash generated from operating activities	794	748

The notes on pages 26 to 51 form part of these financial statements.

Notes to the financial statements

Legal Status

The Association is registered under the Companies Act 2006 as a company limited by guarantee. It is registered with both the Charity Commission and the Regulator of Social Housing as a Registered Provider. The principal activity of the Association is disclosed in the Report of the Board. The registered address is The Coach House, Gresham Road, Staines Upon Thames, Middlesex, TW18 2AE.

1. Accounting policies**Basis of accounting**

The financial statements of the Association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 ('FRS 102') and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. The financial statements are prepared on the historical cost basis of accounting. As a public benefit entity, the Association has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102.

The financial statements are presented in Sterling (£), the functional and presentational currency of the Association. The figures are presented in £'000 (thousands).

Going concern

The Association's business activities, its current financial position and factors likely to affect its future development are set out within the Operating and Financial Review and Strategic Report. The Association is able to meet its commitments in respect of long-term debt facilities used to finance reinvestment and development programmes, along with the Association's day to day operations. The Association's financial plan (updated in November 2024) shows that it is able to service these debt facilities whilst continuing to comply with lenders' 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.

Turnover

Turnover comprises rental and service charge income receivable in the year, and other services included at the invoiced value of goods and services supplied in the year and grants receivable in the year. Service charge income is calculated on a variable charge basis.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Charges for support services funded under Care and Support are recognised as they fall due under the contractual arrangements with Administering Authorities.

Value added tax

The Association is not registered for VAT, and therefore all amounts are inclusive of VAT.

Notes to the financial statements

Corporation tax

The Association is recognised by HMRC as a charity. During the current year the Association is claiming exemptions from corporation tax on its income and gains. All of the Association's income and gains will be applied to its charitable purposes.

Interest payable

Interest payable is charged to the Statement of Comprehensive Income in the year. No interest is capitalised.

Financial instruments

Financial assets and financial liabilities are measured at transaction price initially, plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.

Commitments to receive or make a loan to another entity which meet the conditions in paragraph 11.8(c) of FRS 102 are measured at cost less impairment.

Financial instruments held by the Association are classified as follows:

- Cash is held at cost; and
- Financial assets such as receivables are classified as loans and receivables and held at amortised cost using the effective interest method; and
- Financial liabilities such as loans are held at amortised cost using the effective interest method.

Debtors

Short term debtors are measured at transaction price, less any impairment. Where deferral of payment terms has been agreed at below market rate, and where material, the balance is shown at the present value, discounted at a market rate

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured at amortised cost, net of transaction costs.

Employee Benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

Notes to the financial statements

Retirement benefits

The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services.

The detailed pensions policy can be seen at the beginning of note 19.

Housing properties

Housing properties are principally properties held for the provision of social housing or otherwise to provide social benefit and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, and expenditure incurred in respect of improvements. Donated land / assets or assets acquired at below market value are initially recognised at fair value in the Statement of Financial Position and depreciated by component on a straight-line basis over the estimated UELs of the component categories.

Works to existing properties are works which replace a component that has been treated separately for depreciation purposes along with those works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business are capitalised as improvements.

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as current asset and related sales proceeds included in turnover; and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for impairment.

Government Grants

Government grants include grants receivable from Homes England, local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure (excluding land) under the accruals model.

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

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the Regulator of Social Housing in England and Wales. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the Statement of Financial Position in creditors.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in income and expenditure.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to the Statement of Comprehensive Income. Upon disposal of the associated property, the Association is required to recycle these proceeds and recognise them as a liability.

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

Notes to the financial statements

are received or receivable. A grant that imposes specified future performance-related conditions on the Association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Depreciation of housing properties

Freehold land is not depreciated. Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

The Association separately identifies the major components which comprise 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 over the following timescales:

Structure	100 years
Roof	60 years
Kitchen	20 years
Bathroom	25 years
Boiler	15 years
Heating System	30 years
Windows & Doors	20 years
Electrics	30 years

Other tangible fixed assets

Other tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land.

The principal annual rates used for other assets are:

Freehold offices	1% - 2%
Long leasehold property	Over life of lease
Furniture, fixtures and fittings	25%
Computer equipment	33.3%
Vehicles	25%
Office equipment	25% - 33.3%
Company CRM/Financial system	10%

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus / deficit for the year.

Leased assets

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

Notes to the financial statements

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring the surplus or deficit. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Association recognises annual rent expense equal to amounts owed to the lessor. The aggregate benefit of lease incentives is recognised as a reduction to the expense recognised over the lease term on a straight-line basis.

Properties for sale

Shared ownership first tranche sales completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Provisions for liabilities

Provisions are recognised when the Association has a present obligation (legal or constructive) as a result of a past event, it is probable that the Association will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as finance cost in profit or loss in the period it arises.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the reporting date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements. The items in the financial statements where these judgements and estimates have been made include:

- **Social care contracts**

Management judgement is applied in determining the extent to which the risks and benefits are transferred to the Association when considering the income to be recognised.

Notes to the financial statements

- **Estimation uncertainty**

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

- **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.

Impairment

The Association considers whether indicators of impairment exist in relation to tangible assets. Indicators considered include external sources of information such as market value, market interest rates and returns on investment, actual or proposed changes to the technological, economic or legal environment, obsolescence or damage to the asset, operational changes or internal reporting which indicates that the asset is performing worse than expected. The Association also considers expected future performance of the asset. Any impairment loss is charged to the Statement of Comprehensive Income.

Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value less costs to sell or its value in use. A cash generating unit is normally an Association of properties at scheme level whose cash income can be separately identified.

Following a trigger for impairment, the Association performs impairment tests based on a value in use calculation. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the business plan for the next 5 years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes. The Association has identified no additional cash generating units for impairment assessment purposes at a property scheme level during this financial year.

Defined benefit obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

Notes to the financial statements

2. Particulars of turnover, cost of sales, operating costs and operating surplus

	Turnover £'000	2024 Operating costs £'000	Operating Surplus £'000
Social housing lettings	5,761	(5,731)	30
Other social housing activities			
Management services	56	(56)	-
Management services - lettings	23	-	23
	5,840	(5,787)	53
Non social housing activities			
Charges for support services	4,754	(4,387)	367
Covid 19 Local Authority Grants	(5)	-	(5)
	4,749	(4,387)	362
	<u>10,589</u>	<u>(10,174)</u>	<u>415</u>

	Turnover £'000	2023 Operating costs £'000	Operating Surplus £'000
Social housing lettings	5,332	(5,578)	(246)
Other social housing activities			
Management services	52	(52)	-
Management services - lettings	20	-	20
	5,404	(5,630)	(226)
Non social housing activities			
Charges for support services	4,581	(4,133)	448
Covid 19 Local Authority Grants	2	-	2
	4,583	(4,133)	450
	<u>9,987</u>	<u>(9,763)</u>	<u>224</u>

Notes to the financial statements

3. Particulars of income and expenditure from social housing lettings

	General Needs Housing £'000	Supported Housing £'000	2024 Total £'000	2023 Total £'000
Rent receivable net of identifiable service charges	721	3,778	4,499	4,127
Service charge income	140	734	874	820
Amortised government grants	62	326	388	385
Turnover from social housing lettings	923	4,838	5,761	5,332
Management	(268)	(1,405)	(1,673)	(1,581)
Services	(142)	(746)	(888)	(793)
Routine Maintenance	(155)	(812)	(967)	(1082)
Planned Maintenance and major repairs	(108)	(563)	(671)	(603)
Bad debt provision	(6)	(31)	(37)	(63)
Property lease charges	(88)	(464)	(552)	(467)
Depreciation of housing properties	(151)	(792)	(943)	(989)
Reversal of impairment loss	-	-	-	-
Operating costs on social housing lettings	(918)	(4,813)	(5,731)	(5,578)
Operating surplus / (deficit) on social housing lettings	5	25	30	(246)
Voids	54	281	335	273

Notes to the financial statements

4. Accommodation in management and development

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

	2023	Additions	Disposals	Other	2024
	No.	No.	No.	No.	No.
Social housing					
General housing	43	-	-	-	43
Supported housing	534	-	-	-	534
Low cost home ownership	2	-	(1)	-	1
Total owned	579	-	(1)	-	578
Accommodation managed for others	71	-	-	-	71
Total managed	650	-	(1)	-	649
Non-social housing					
Respite unit	8	-	-	-	8
Owned but managed by others					
General needs	11	-	-	-	11
Total owned and managed	669	-	(1)	-	668

5. Operating surplus / (deficit)

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

	2024 £'000	2023 £'000
Depreciation of freehold housing properties	660	658
Depreciation of leasehold housing properties	281	280
Depreciation of other tangible fixed assets	59	59
Operating lease rentals		
- Office equipment	9	7
- Land and buildings	552	467
Auditor's remuneration (excluding VAT)		
- For audit services	16	17
- For other services – covenant compliance	-	1

Notes to the financial statements

6. Gain on disposal of fixed assets

	2024	2024	2023
	£'000	£'000	£'000
	Housing properties	Total	Total
Proceeds of sale	158	158	-
Cost of sale	120	120	-
Surplus / (Loss) on disposal	38	38	-

7. Interest receivable and similar income

	2024	2023
	£'000	£'000
Interest receivable and similar income	170	120

8. Interest payable and similar charges

	2024	2023
	£'000	£'000
Loan and bank overdrafts	252	254
Defined Benefit pension operating cost	13	12
	265	266

9. Employees

Average number of employees expressed in full-time equivalents (calculated based on a standard working week of 40 hours per week for Support workers, and 35 hours per week for all other employees):

	2024	2023
	No.	No.
Administration	11	11
Housing, support and care	106	108
	117	119
 Average monthly number of employees	 135	 136

Notes to the financial statements

9. Employees (continued)

The full-time equivalent number of staff who received remuneration (including directors):

	2024 No.	2023 No.
£60,000 - £69,999	3	2
£70,000 - £79,999	1	1
£80,000 - £89,999	2	-
£90,000 - £99,999	-	1
£100,000 - £109,999	1	-

Employee costs	2024 £'000	2023 £'000
Wages and salaries	4,110	3,874
Social security costs	396	363
Defined Benefit pension operating cost	166	155
	<u>4,672</u>	<u>4,392</u>

10. Directors, members and executive directors

Employee costs	2024 £'000	2023 £'000
Aggregate emoluments of directors (including pension contributions)	340	283
Emoluments of the highest paid director (excluding pension contributions and including benefits in kind)	100	97
Total expenses reimbursed to directors not chargeable to UK income tax		
- Board members	-	-
- Executives	-	-

The Chief Executive is a member of the Social Housing Pension Defined Contribution Scheme. He is an ordinary member of the pension scheme, and no enhanced or special terms apply. Pension contributions totalled £5k (2023: £5k) in respect of the Chief Executive. The Directors and executive directors are considered to be key management personnel.

Board members

None of the Board members received emoluments (2023: £Nil).

Notes to the financial statements

11. Tangible fixed assets - properties

	Freehold Social housing properties held for letting	Leasehold housing properties held for letting	Total housing properties held for letting	Completed shared ownership properties	Total housing properties
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 October 2023	47,943	15,700	63,643	188	63,831
Works to existing properties	197	119	316	-	316
Disposals	(165)	(87)	(252)	(113)	(365)
At 30 September 2024	<u>47,975</u>	<u>15,732</u>	<u>63,707</u>	<u>75</u>	<u>63,782</u>
Depreciation and impairment					
At 1 October 2023	8,854	3,550	12,404	-	12,404
Charged in year	660	281	941	-	941
Released on disposal	(137)	(42)	(179)	-	(179)
At 30 September 2024	<u>9,377</u>	<u>3,789</u>	<u>13,166</u>	<u>-</u>	<u>13,166</u>
Net book value					
At 30 September 2024	<u>38,598</u>	<u>11,943</u>	<u>50,541</u>	<u>75</u>	<u>50,616</u>
At 30 September 2023	<u>39,089</u>	<u>12,150</u>	<u>51,239</u>	<u>188</u>	<u>51,427</u>

Expenditure on works to existing properties

	2024 £'000	2023 £'000
Components capitalised	316	193
Amounts charged to Statement of Comprehensive Income	<u>1,638</u>	<u>1,685</u>
	<u>1,954</u>	<u>1,878</u>

Notes to the financial statements

Social housing assistance	2024 £'000	2023 £'000
Total accumulated social housing grant received or receivable at 30 September:		
Recognised in the Statement of Comprehensive Income	388	385
Held as deferred income	31,523	31,956
	<u>31,911</u>	<u>32,341</u>
 Housing properties book value, net of depreciation	 2024 £'000	 2023 £'000
Freehold land and buildings	38,673	39,277
Long leasehold land and buildings	11,943	12,150
	<u>50,616</u>	<u>51,427</u>

Annually housing properties (cash generating units) are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the scheme's carrying amount to its recoverable amount. Impairment charges of £116k have been taken in respect of two properties, one freehold and one leasehold, each comprising one unit of accommodation. The properties are both vacant due to structural issues and the impairment charges reflect the expenditure required to bring them back into use. The carrying values of the properties (prior to the recognition of the impairment charges) are £110k (leasehold property) and £52k (freehold property).

Amounts do not include capitalised interest; all interest charges are written off to expenditure as incurred. At the year-end a total of 199 (2023: 199) properties were subject to charges securing loan funding. Of these, 119 properties with a Net Book Value of £12,161k (2023: 119 properties with a Net Book Value of £12,299k) secured the total Barclays facility, 70 properties with a Net Book Value of £3,595k (2023: 70 properties with a Net Book Value of £3,633k) secured the Dexia loan and 10 properties with a Net Book Value of £603k (2023: 10 properties with a Net Book Value of £608k) secured the Crown Mortgage loans (Orchardbrook / Fresh PLC).

Notes to the financial statements

12. Tangible fixed assets – other

	Freehold offices £'000	Vehicles and office equipment £'000	Furniture fixtures and fittings £'000	Long life systems and computer equipment £'000	Service charge recoverable assets and WIP £'000	Total £'000
Cost						
At 1 October 2023	501	1,011	369	263	225	2,369
Additions	-	-	-	-	116	116
Disposals	-	(18)	-	-	-	(18)
At 30 September 2024	<u>501</u>	<u>993</u>	<u>369</u>	<u>263</u>	<u>341</u>	<u>2,467</u>
Depreciation						
At 1 October 2023	257	1,011	369	156	90	1,883
Charged in year	10	(18)	-	22	45	59
At 30 September 2024	<u>267</u>	<u>993</u>	<u>369</u>	<u>178</u>	<u>135</u>	<u>1,942</u>
Net book value						
At 30 September 2024	<u>234</u>	<u>-</u>	<u>-</u>	<u>85</u>	<u>206</u>	<u>525</u>
At 30 September 2023	<u>244</u>	<u>-</u>	<u>-</u>	<u>107</u>	<u>135</u>	<u>486</u>

13. Debtors

	2024 £'000	2023 £'000
Due within one year		
Rent and service charges receivable	757	739
Less: provision for bad and doubtful debts	(466)	(429)
	<u>291</u>	<u>310</u>
Other debtors	635	311
Prepayments and accrued income	241	160
	<u>1,167</u>	<u>781</u>

Notes to the financial statements

14. Creditors: amounts falling due within one year

	2024	2023
	£'000	£'000
Loans (note 18)	536	442
Trade creditors	405	338
Rent and service charge accounts in credit	297	246
Rent and service charges received in advance	-	14
Taxation and social security	26	23
Recycled Capital Grant Fund (note 16)	51	35
Accruals and deferred income	1,050	1,019
Holiday pay accrual	50	70
Deferred grant income	387	388
	<u>2,802</u>	<u>2,575</u>

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

	2024	2023
	£'000	£'000
Loans (note 18)	5,221	5,690
Deferred grant income (note 17)	31,137	31,568
	<u>36,358</u>	<u>37,258</u>

16. Recycled capital grant fund

	2024	2023
	£'000	£'000
At 1 October	35	35
Grants recycled	51	-
Grants written off	(35)	-
At 30 September	<u>51</u>	<u>35</u>

Notes to the financial statements

17. Deferred Grant Income

	2024 £'000	2023 £'000
At 1 October	31,956	32,341
Disposals	(45)	-
Released to income	(388)	(385)
At 30 September	<u>31,523</u>	<u>31,956</u>
Due in one year	387	388
Due after one year	<u>31,136</u>	<u>31,568</u>

The gross amount of grant received prior to amortisation was £39,137k (2023: £39,188k).

18. Loan analysis

	2024 £'000	2023 £'000
Due within one year		
Housing loans	536	442
Due after more than one year		
Housing loans	5,221	5,690
Total loans	<u>5,757</u>	<u>6,132</u>

Security

Housing loans are secured by fixed charges on individual properties.

Terms of repayment and interest rates

The loans are repaid in monthly, quarterly or half yearly instalments over the agreed period of the loan. The final instalments fall to be repaid in the period 2031 to 2039. Interest rates on borrowings ranges from 1.65% to 10.69%. At 30 September 2024 the Association had undrawn loan facilities of £0k (2023: £0k).

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	2024 £'000	2023 £'000
Within one year or on demand	536	442
One year or more but less than two years	499	469
Two years or more but less than five years	1,704	1,597
Five years or more	3,018	3,624
	<u>5,757</u>	<u>6,132</u>

Notes to the financial statements
19. Pension Provision

The SHPS Defined Benefit obligation is accounted for in accordance with the provisions of FRS 102 as adopted by SHPS. The SHPS Growth Plan provision continues to be accounted for as a provision 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 Association participates in two funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS) and the Local Government pension scheme under a TUPE transfer agreement and one multi-employer defined contribution scheme.

Contingent Liability – Social Housing Pension Scheme

We were notified in 2021 by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee is seeking clarification from the Court on these items, and this process is ongoing with it being unlikely to be resolved before mid-2025 at the earliest. It is estimated that this could potentially increase the value of the full Scheme liabilities by £155m. We note that this estimate has been calculated as at 30 September 2022 on the Scheme's Technical Provisions basis. Until the Court direction is received, it is unknown whether the full (or any) increase in liabilities will apply and therefore, in line with the prior year, no adjustment has been made in these financial statements in respect of this.

Social Housing Pension Scheme
Fair value of plan assets, present value of defined benefit obligation, and defined benefit asset (liability)

	2024	2023
	£'000	£'000
Fair value of plan assets	1,089	996
Present value of defined benefit obligation	1,294	1,245
Surplus (deficit) in plan	(205)	(249)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(205)	(249)
Deferred tax	-	-
Net defined benefit asset (liability) to be recognised	<u>(205)</u>	<u>(249)</u>

Notes to the financial statements

Reconciliation of opening and closing balances of the defined benefit obligation	£'000
Defined benefit obligation at 30 September 2023	1,245
Current service cost	-
Expenses	2
Interest expense	69
Member contributions	-
Actuarial losses (gains) due to scheme experience	3
Actuarial losses (gains) due to changes in demographic assumptions	(18)
Actuarial losses (gains) due to changes in financial assumptions	78
Benefits paid and expenses	(85)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at 30 September 2024	<u>1,294</u>

Reconciliation of opening and closing balances of the fair value of plan assets

	£'000
Fair value of plan assets at 30 September 2023	996
Interest income	56
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	65
Employer contributions	57
Member contributions	-
Benefits paid and expenses	(85)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at 30 September 2024	<u>1,089</u>

The actual return on plan assets (including any changes in share of assets) over the period from 30 September 2023 to 30 September 2024 was £121,000.

Notes to the financial statements

Defined benefit costs recognised in Statement of Comprehensive Income (SOI)

	£'000
Current service cost	-
Expenses	2
Net interest expense	13
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in Statement of Comprehensive Income (SOI)	<u>15</u>

Defined benefit costs recognised in Other Comprehensive Income (OCI)

	£'000
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	65
Experience gains and losses arising on the plan liabilities - gain (loss)	(3)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	18
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(78)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	2
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in Other Comprehensive Income - gain (loss)	<u>2</u>

Assets	2024 £'000	2023 £'000
Global Equity	132	77
Absolute Return	-	18
Distressed Opportunities	-	35
Credit Relative Value	-	35
Alternative Risk Premia	-	15
Liquid Alternatives	175	-
Emerging Markets Debt	44	7
Risk Sharing	-	72
Insurance-Linked Securities	4	14
Property	41	45
Infrastructure	-	113

Notes to the financial statements

Assets	2024 £'000	2023 £'000
Private Equity	1	-
Real Assets	113	-
Private Debt	-	46
Opportunistic Illiquid Credit	-	51
Private Credit	135	-
High Yield	-	2
Cash	18	10
Corporate Bond Fund	20	-
Liquid Credit	6	-
Long Lease Property	-	32
Secured Income	28	48
Liability Driven Investment	368	380
Currency Hedging	2	(7)
Net Current Assets	2	3
Total assets	1,089	996

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

Key assumptions

	2024 % per annum	2023 % per annum
Discount Rate	4.99%	5.70%
Inflation (RPI)	3.07%	3.29%
Inflation (CPI)	2.68%	2.77%
Salary Growth	3.68%	3.77%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 30 September 2023 imply the following life expectancies:

	Life expectancy at age 65 years (Years)
Male retiring in 2024	20.5
Female retiring in 2024	23.0
Male retiring in 2044	21.8
Female retiring in 2044	24.4

Notes to the financial statements

Scheme: TPT Retirement Solutions – The Growth Plan

The company participates in the scheme, a multi-employer scheme which provides benefits to some 638 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore, it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2020. This valuation showed assets of £800.3m, liabilities of £831.9m and a deficit of £31.6m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2022 to 31 January 2025: £3,312,000 per annum (payable monthly)

Unless a concession has been agreed with the Trustee the term to 31 January 2025 applies.

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2019 to 30 September 2025: £11,243,000 per annum (payable monthly and increasing by 3% each on 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Notes to the financial statements

	30 September 2024 £	30 September 2023 £	30 September 2022 £
Present value of provision	1,691	6,571	11,167

Reconciliation of opening and closing provisions

	2024 £	2023 £
Provision at start of period	6,571	11,167
Unwinding of the discount factor (interest expense)	225	505
Deficit contribution paid	(5,106)	(5,106)
Remeasurements - impact of any change in assumptions	1	5
Remeasurements - amendments to the contribution schedule	-	-
Provision at end of period	<u>1,691</u>	<u>6,571</u>

Income and expenditure impact

	2024 £	2023 £
Interest expense	225	505
Remeasurements – impact of any change of assumptions	1	5
Remeasurements – amendments to the contribution schedule	-	-
Contributions paid in respect of future service*	<u>3,464</u>	<u>4,195</u>
Costs recognised in income and expenditure account	<u>3,690</u>	<u>4,705</u>

* includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes.

Assumptions

	30 September 2024 % per annum	30 September 2023 % per annum	30 September 2022 % per annum
Rate of discount	5.24	5.88	6.00

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

Notes to the financial statements

Surrey County Council Pension scheme

The Association makes payments as an Admitted Body to the Surrey County Council Pension Fund for employees who were members of that scheme on 1st April 2008 under the terms of a TUPE transfer. This is a funded defined benefit scheme that covers Surrey County Council employees and Scheduled and Admitted Bodies under the Local Government Pension Scheme Regulations 1997.

The Association has been notified by the Scheme Administrator that they are unable to satisfactorily identify the Association's share of the underlying Scheme assets and liabilities and accordingly the pension costs are accounted for as defined contribution. The scheme administrator has confirmed that the Association has no liability for past service deficit contributions.

The total employer contribution payable in the year was £38k (2023: £33k). At 30 September 2024 the Association had 3 (2023: 3) active members in the fund. Expected payments in the next financial year amount to approximately £39k.

Contingent liability – defined benefit pension schemes

Ability Housing Association is aware of the 2023 ruling in the Virgin Media vs NTL Pension Trustee case and subsequent court of appeal ruling published in July 2024. These ruled that certain amendments made to the NTL Pension Plan were invalid because they were not accompanied by the correct actuarial confirmation. There remains significant uncertainty as to whether the judgments will result in additional liabilities for UK pension schemes, and it is possible that the Department of Work & Pensions will introduce legislation to allow changes to be certified retrospectively. A detailed review of historic documentation will be needed to determine whether the changes made by the Scheme were valid (assuming retrospective certification does not become an option), and such a review will take some time to complete. As a result, Ability Housing Association cannot be certain of the potential implications (if any) and therefore a sufficiently reliable estimate of any effect on the obligation cannot be made.

20. Reconciliation of net cash flow to movement in net debt

	2024	2023
	£'000	£'000
Increase / (Decrease) in cash	50	(78)
Cash inflow from change in debt	375	418
Change in net debt resulting from cash flows	<u>425</u>	<u>340</u>
 Movement in net debt for the period	 425	 340
Net debt at 1 October	<u>(1,474)</u>	<u>(1,814)</u>
Net debt at 30 September	<u><u>(1,049)</u></u>	<u><u>(1,474)</u></u>

Notes to the financial statements

21. Analysis of changes in net debt

	1 Oct 2023 £'000	Cashflow £'000	30 Sep 2024 £'000
Cash at bank and in hand	4,657	50	4,707
Loans	(6,132)	375	(5,757)
Changes in net debt	<u>(1,475)</u>	<u>425</u>	<u>(1,050)</u>

22. Contingent assets / liabilities

Government Grant

The Association receives capital grant from Homes England (formerly Homes and Communities Agency), which is used to fund the acquisition and development of housing properties and their components. In certain circumstances, upon disposal of grant funded properties, the Association is required to recycle this grant by crediting the Recycled Capital Grant Fund, which if not reassigned, could be subject to repayment (see note 16 for further details).

The Association owns one property where defects in the external wall system have been identified. A provisional estimate of the costs to the Association of the required works to resolve these issues is between £533k and £648k, however the costs remain unconfirmed. In addition, the Association is pursuing legal action against the contractor to recover all direct and associated costs and initial legal advice suggests that the claim is likely to be successful. Given the uncertainties involved, no provision has been recognised in the financial statements.

23. Leasing commitments

Operating lease payments amounting to £467k (2023: £450k) are due within one year. The leases to which these amounts relate expire as follows:

	2024 £'000	2023 £'000
Office equipment		
Expiring in one year or less	1	2
Between one and two years	-	1
Total office equipment	<u>1</u>	<u>3</u>
Land and buildings		
Expiring in one year or less	466	448
Between one and two years	72	72
Between two and five years	216	216
Over five years	504	576
Total land and buildings	<u>1,258</u>	<u>1,312</u>
Total operating leases	<u>1,259</u>	<u>1,315</u>

Notes to the financial statements

24. Related parties

There are currently no beneficiary members of the directors (2023: nil).

There have been no related party transactions in the year (2023: none).

25. Financial liabilities excluding trade creditors – interest rate risk profile

The Association's financial liabilities are sterling denominated. The interest rate profile of the Association's financial liabilities at 30 September was:

	2024	2023
	£'000	£'000
Floating rate	-	-
Fixed rate	5,757	6,132
Total (note 18)	<u>5,757</u>	<u>6,132</u>

The fixed rate financial liabilities have a weighted average interest rate of 4.46% (2023: 4.22%) and the weighted average period for which it is fixed is 1 year to 16 years (2023: 1 year to 17 years).

The debt maturity profile is shown in note 18.

Borrowing facilities

The Association has no undrawn committed borrowing facilities at 30 September 2024.

Financial assets

Other than short term debtors, financial assets held are cash deposits in notice and current accounts, all of which is measured at historic cost. They are sterling denominated and the interest rate profile at 30 September was:

	2024	2023
	£'000	£'000
Floating rate on cash deposits	3,200	3,200
Financial assets on which no interest is earned	1,507	1,458
	<u>4,707</u>	<u>4,658</u>

26. Share Capital

The Association is a company limited by guarantee and therefore has no share capital. Each member (see numbers below) agrees to contribute £1 in the event of the company winding up.

	2024	2023
	No.	No.
At 1 October	15	17
Joining during the year	-	1
Leaving during the year	(1)	(3)
At 30 September	<u>14</u>	<u>15</u>

Notes to the financial statements

27. Capital commitments

At the year end the Association had capital commitments of £Nil (2023: £Nil).

28. Financial instruments

	2024	2023
	£'000	£'000
Financial assets		
<u>Measured at cost</u>		
Cash and cash equivalents	4,707	4,657
Measured at amortised cost		
Rent and service charges receivable	757	739
Other debtors	635	311
Accrued income	135	148
Total financial assets	6,234	5,855
Financial liabilities		
<u>Measured at amortised cost</u>		
Loans	5,757	6,132
Trade creditors	702	584
Accrued expenditure	732	867
Total financial liabilities	7,191	7,583

29. Events after the end of the reporting period

Following the end of the reporting period, Ability has repaid two of its loans in full. The Orchardbrook loan was repaid in October 2024 and the Barclays loan in December 2024. The balance of these loans outstanding at 30th September 2024 was £2,824k.

Accounts

ABILITY HOUSING ASSOCIATION

Report and Financial Statements

For the year ended 30th September 2023

Registered Company No. 01261380



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ABILITY HOUSING ASSOCIATION**Report and Financial Statements for the year ended 30 September 2023****Company Information**

Company registration number:	01261380
Regulator of Social Housing registration number:	LH2174
Charity number:	271547
Registered office and principal address:	The Coach House Gresham Road Staines Upon Thames Middlesex TW18 2AE
The Board:	Sally Reay (Chair) Dominic Wallace Jai Dosanjh Dritan Uka Tim Jennings Vimal Gaglani Mandy Dunstan Lynsey van Aswegen Kimberley Ellis (appointed 22 nd March 2023) Rinat Abdrasilov (appointed 22 nd March 2023)
Senior Management Team:	
Chief Executive	Jeffrey Skipp
Director of Finance	Marcus Andrews (appointed 15 th December 2022)
Director of Resources	Peter Gardiner (left 31 st January 2023)
Director of Operations (Housing)	Lucy Sivasundram
Company Secretary:	Marcus Andrews
Bankers:	Barclays 1 Churchill Place London E14 5HP
Solicitors:	Devonshires 30 Finsbury Circus London EC2M 7DT
Auditors:	Beever and Struthers Statutory Auditor The Colmore Building 20 Colmore Circus Queensway Birmingham B4 6AT

Report of the Board

The Board presents its report and audited financial statements for Ability Housing Association ('The Association') for the year ended 30 September 2023.

The financial statements have been drawn up under United Kingdom Generally Accepted Accounting Practice, including FRS 102 ('the financial reporting standard applicable in the UK and Republic of Ireland'). The Association is registered under the Companies Act 2006 as a company limited by guarantee incorporated in England. It is registered with both the Charity Commission and the Regulator of Social Housing (formerly the Homes and Communities Agency) as a Registered Provider.

Principal activities and public benefit

The Association's principal activities are the provision, by construction or conversion, and the management of housing for people with disabilities and others in housing need and the provision of care and support to those individuals.

The Association is classified as a public benefit entity. The Board confirms that it has referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Association's aims and objectives and in formulating future plans.

Business review and future development

Details of the Association's performance for the year and future plans are set out in the Operating and Financial Review that follows this report.

Employees

The Association is accredited as an Investor in People. Salary levels are set in relation to the market and meet or exceed the requirements of the National Living Wage.

We are committed to equality of opportunity for all employees, and we monitor our recruitment processes to ensure that a diverse workforce is recruited and nurtured.

The Association shares information on its objectives, progress and activities through regular office and departmental meetings.

Health and safety

The Board is aware of its responsibilities on all matters relating to health and safety. The Association has employed an external advisor to prepare detailed health and safety policies, ongoing support and provides staff training and education on health and safety matters.

Board members and executive directors

The present Board members and the executive directors of the Association are set out on page 3. The Board members are drawn from a wide background bringing together professional, commercial and local experience.

The executive directors are the chief executive and the other members of the Association's senior management team. They hold no interest in the Association's shares and act as executives within the authority delegated by the Board. The executive directors are employed on the same terms as other staff, their notice periods being six months.

Insurance policies indemnify Board members and officers against liability when acting for the Association.

Report of the Board

Pensions

The Association contributes to the Social Housing Pension Scheme defined contribution pension for all staff not enrolled in a defined benefit scheme or opted out. This is Ability's auto-enrolment pension scheme. A small number of staff are members of Local Government Pension Scheme, a defined benefit final salary pension scheme. A number of former staff members are enrolled in the defined benefit final salary element of the Social Housing Pension Scheme.

NHF Code of Governance

The NHF Code of Governance 2020 was adopted during 2022-23 following a full review and update of the Articles of Association and the key operating policies of the company to ensure compliance with the new code. Ability complies with the principal recommendations of the NHF Code of Governance with the exception that terms of office may be extended beyond six years by consent of the Board.

At the AGM held on 22nd March 2023, Kimberley Ellis and Rinat Abdrasilov were appointed to the Board.

Fraud

There were no frauds in the year.

Internal controls assurance

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the Association is continuing, and has been in place throughout the period commencing 1st October 2022 up to the date of approval of the annual report and financial statements. The Board receives and considers reports from management on these risk management and control arrangements at each meeting during the year.

Key elements of the control framework include:

- Board approved terms of reference and delegated authorities for audit, finance and risk, human resources and customer services committees
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks
- Robust strategic and business planning processes
- Detailed financial budgets and forecasts for subsequent years
- Formal recruitment, retention, training and development policies
- Established authorisation and appraisal procedures for all significant new initiatives and commitments
- Regular reporting by senior management to the appropriate committee of key business objectives, targets and outcomes
- Board approved whistleblowing and anti-theft and corruption policies

Report of the Board

- Detailed policies and procedures in each area of the Association's work

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Audit, Finance & Risk Committee ('The Committee') to review the effectiveness of the system of internal control on a regular basis. The Board receives reports from the Committee together with minutes of meetings.

The means by which the Audit, Finance & Risk Committee reviews the effectiveness of the system of internal control include considering risk reports, internal audit reports, management assurances, the external audit findings report and specialist reviews on areas such as support service contracts, health and safety and housing services. The Committee has received reports from the internal auditor and has reported its findings to the Board. The Board receives regular reviews from the Chief Executive of the effectiveness of the system of internal control for the Association and in turn conducts its own reviews through the year of the effectiveness of the system of internal control.

A fraud register is maintained and is reviewed by the Audit, Finance & Risk Committee at least twice a year.

The Board is therefore satisfied that the systems of internal control are sufficiently robust and have been operating throughout the year.

Statement of compliance

The Board confirms that the Strategic Report has been prepared in accordance with the principles set out in paragraph 4.7 of the 2018 SORP for Registered Social Housing Providers.

Post balance sheet events

As far as the Board is aware, there have been no significant post-balance sheet events.

The Report of the Board was approved by the Board on 28th February 2024 and signed on its behalf by:



Sally Reay
Chair



Dominic Wallace
Board Member



Marcus Andrews
Secretary

Operating and Financial Review and Strategic Report

Overview of the Financial Year

The Social Housing (Regulation Act) received Royal assent in July 2023 and is the most significant piece of legislation affecting social landlords for many years. The purpose of the act is to “reform the regulatory regime to drive significant change in Landlord behaviour”, which fundamentally alters the landscape of social housing, placing greater expectations on social landlords and increasing the rights of tenants. During the year we have focused on how we can improve our tenant offer and ensure our services meet and exceed the requirements of the Act. We have particularly focussed on tenant engagement and how we can meaningfully engage at an individual, estate, and corporate level. During the coming financial year we will be working with Tpas (previously known as tenant participation advisory service) to co-produce our engagement strategy with our residents and key stakeholders.

We have reviewed our housing management offer and particularly the support we offer to tenants to sustain their tenancy and remain valued members of their community. To achieve this, we have enhanced our housing support plans providing targeted housing support to individuals, maximising the independence of each tenant.

During the year we experienced a drop in performance with a significant repairs contractor due to recruitment and retention issues, particularly relating to skilled tradespeople which impacted on the completion times for repairs and void turnaround times. To ensure residents received the requisite quality of service, we commissioned additional contractors during the year to ensure repairs and void works were completed on time. We have addressed this matter through both robust contract management and streamlining of processes with our main contractor, to ensure that repairs are being delivered to the required standard, although this has resulted in a significant increase in repairs spend in the year. We continue to monitor the performance of the contractor closely to ensure a good quality service is delivered to residents.

Our care and support services have delivered high quality care and support services as judged by the Care Quality Commission and via local authority contract monitoring outcomes. Our customer satisfaction survey demonstrated satisfaction with our services is in excess of 90%. We have been accepted onto a number of local authority framework agreements over the year and will continue to seek opportunities to develop and increase our organisational reach over the coming year.

Housing, Property and Asset Management

Ability Housing owns and manages 650 properties (plus some office accommodation) across 31 local authority areas in London and the South East, from Hastings to Bournemouth and Essex to Oxfordshire. We provide accessible housing for people who want to live more independently and focus our service delivery and improvement plans on achieving this.

Housing

There are five key commitments made in the Customer Strategy that are as follows;

1. We will communicate well and resolve problems
2. We will ensure the good state of your home
3. We will provide a supportive, proactive, and responsive Housing Management service
4. We will have meaningful engagement with our customers
5. We will provide a supportive and personalised service to our customers

Operating and Financial Review and Strategic Report

The year to 30 September 2023 was year two of the implementation of the Customer Strategy, and the focus has been on further enhancing our Intensive Housing Management Offer to customers with access to the revision of a Hardship Policy in response to the 'cost of living' challenges known to be impacting customers.

In order to deliver this revised Intensive Housing Management Offer we have focused on ensuring that every Ability customer has the opportunity to access our IHM support through the agreeing of an Intensive Housing Management Support Plan. 100% of our customers were therefore offered an IHM visit, following which the frequency of contact and level of support was agreed by our Housing and Support Officers with individual customers.

We also completed a programme of tenancy audit visits on 83% of our properties where the property condition is also checked to ensure that any repairs issues can be addressed, or property condition concerns managed via an Intensive Housing Management Support Plan.

App based technology have also been introduced for use within the housing team which allows for efficiencies to be made in the completion of routine inspections such as estate and property inspections, and in the recording of the inspections. This in turn has further enhanced the data we hold on our properties.

With the Contact Centre in its second year focus was also given to implementing processes to improve the quality of the service provided to customers and reducing customer effort.

Reporting on performance within the contact centre has included the monitoring of call waiting times, and the number of abandoned calls with a target set of answering all calls within 30 seconds. In addition, we have also introduced a wider offer to customers in how they contact us through options such as requesting automatic call backs, and reviewing how customers can contact us via the Ability website.

We have also changed our structure within the Housing team to ensure that there is a focused resource on managing rent arrears, and our customers are supported to access the financial support they are entitled to in paying their rent and service charges.

An Asset Management Strategy was also launched in the year. This strategy has been developed to provide clarity on what is needed to ensure we deliver high quality homes and levels of service to our customers, in the right locations and that are affordable to the organisation.

It focuses on the next five years and as such concentrates on what are considered the fundamentals for delivery in asset management over this period:

- Sustainability
- Maintaining our homes
- Legal compliance
- Stock rationalisation
- Development

For this financial year this meant identifying those homes where they had an EPC C or lower and developing a plan to improve that rating as soon as possible.

We also reviewed our repairs offer to customers, ensuring that it allowed us to maintain our homes to Decent Homes Standard whilst also considering how we can respond to the individual needs of our customers where the need is outside of this offer.

Operating and Financial Review and Strategic Report

The principles of how customer engagement can work for Ability on an individual, local and corporate level were also explored with a view to relaunching a customer engagement strategy in the next financial year.

This has included how we can deliver the Tenant Satisfaction Measures Perception Survey in a way that is accessible to our customers and provide us with the information required to shape our services and continuously improve.

Property

With the introduction of a new repairs and maintenance contractor in the previous financial year, this year has been focused on refining processes to ensure our delivery of these services continues to improve both in terms of quality and on target. Within this we have reviewed and changed the skillsets required of the job roles within the contact centre team to support the accuracy of diagnosis and triaging of repairs together with further embedding partnership working with our contractors.

Our response to cases of damp and mould has also been reviewed with roles and responsibilities in the management of these cases being refined, with a greater role for housing frontline staff to support in the management and review of these cases.

With the launch of our Asset Management Strategy to customers and the defining of our approach in working towards the 2030 EPC C, and 2050 net zero target.

A five-year planned maintenance programme was also introduced which will see us investing circa £850k into our homes.

In addition, within our planned maintenance programme for this financial year we also completed four kitchen and two bathroom replacements, four complete windows and doors replacements, three full heating system upgrade and thirty four boiler replacements.

The Asset Management Strategy has also defined our core geographical operating areas and details under which circumstances we would consider the disposal of some of our properties. With these disposals we will seek to re-provide these units within our core areas by recycling grant wherever possible to develop additional supported housing units. As part of this strategy, we also committed to considering the viability of all our housing schemes for conversion to Ability Care and Support schemes.

Quality Management

As part of our commitment to delivering value for money by finding efficiencies in methods of working, an app-based system has been introduced on which Housing and Support Officers can complete Estate Inspections. This ensures consistency in how estate inspections are conducted, whilst providing immediate access to systems to measure the quality of these services.

In addition to estate inspections, property-based inspections are now completed on this system, which again creates efficiencies to allow for post completions to be conducted on voids, and repairs.

IHM Support Plans are also now reviewed routinely as part of the 1-2-1 process to ensure identified needs are being effectively met.

Monthly KPI's are produced by both the Housing and Property team. These KPI's are submitted by officers and verified by the appropriate operational manager before being discussed with the Operations Director. This meeting allows any concerns or trends to be identified in the data, and responsive action taken as a result before the figures are then presented to SMT monthly, and Board quarterly for review and discussion.

Operating and Financial Review and Strategic Report

The introduction of a monthly directorate review of complaints learnings to ensure these learnings are embedded in service delivery.

Finally, a fortnightly voids and lettings meeting is also held where the voids process and lettings process is scrutinised by operational leads within Ability. This ensures the sourcing of applicants, and progression of letting a void has clear oversight and has seen an improvement in our void turnaround performance as a result.

Staffing

The success of our service delivery within housing is reliant on recruiting the right people with the skills, knowledge and values that align with our service delivery ambitions.

We have therefore continued to review and adapt our approach to recruitment to ensure that we are recruiting the right people to the organisation.

In addition, we have also reviewed the induction process within housing to ensure that the retention of these people, providing them with the right level of support to be successful in their roles.

We have also continued to review our training offer which ensures that the opportunities for personal development are promoted to colleagues, and there are windows within the financial year for employees to make applications for professional training to support their development.

Ability knows that the right people being recruited and retained within the business is the key to our success in delivering our services to customers and we will therefore continue to support and develop our people to the highest standard.

Care and Support

Ability Care and support delivers services in four local authority areas in the south-east of England, supporting our customers to live independently in the community. We provide supported living and community support in people's homes for people with a learning disability, physical disabilities, and mental health needs.

Delivering high quality Support Services

Our annual care and support customer satisfaction survey showed over 95% of customers were satisfied with the service they received. Results were as follows:

Q1	Ability staff help me feel safe in my home	95.92%
Q2	There is some flexibility in the way I receive my support as sometimes I don't want to stick to a fixed plan	97.96%
Q3	I feel that staff listen to me and I feel comfortable discussing and planning my support with them	97.96%
Q4	If I am not happy I know who to talk to	95.92%
Q5	Staff know what is important to me and how I like to live my life	97.28%

(Of the 228 surveys sent Ability received 147 responses, equating to a 64.47% return rate)

Operating and Financial Review and Strategic Report

Based upon the views of customers at each of our services, we have developed service specific development plans which seek to improve the service customers receive and increase the quality of support provided at each service.

All our services have delivered high performing services during the year as measured by our performance indicators and quarterly quality audits. Our high performance has been validated by local authority quality monitoring and all of our services registered with the Care Quality Commission have retained ratings of Good.

During the year we have further focused our services on delivering outcome focused support, seeking to maximise the control and choice each customer has over their lives. We have further developed our person-centred planning tools, ensuring customers are at the centre of the service they receive. We have rolled out training across care and support services in strength based approaches to support, focusing on the persons strengths and talents, ensuring the things most important to our customers are our focus and utilising community facilities and assets to meet their aspirations.

To recruit, retain and develop an engaged workforce

Only by recruiting, retaining, and developing an engaged workforce, can we deliver great services. During the year we have reviewed our recruitment and retention processes and focused on re-launching our 'refer a friend' scheme. We have increased the number of manager and staff engagement events, communicating and involving staff across the organisation in the development and continual improvement of our services. We have sought to promote recruitment and retention through a number of initiatives these include:

- Staff engagement check-up: confidential all staff survey combined with face to face focus groups facilitated by Investors In People which led to maintaining our accreditation with improved scores across all engagement indicators when compared to our previous IIP assessment. Renewed commitment to hear employee voice; engagement improvement plan in line with IIP assessor recommendations for continuous improvement
- Successful enrolment in the Disability Confident Scheme the values of which chime with all we stand for at Ability
- Attract Retain and show value to staff by paying above NLW, working in partnership with LAs to achieve this & benchmarking salaries in our Housing & Property Teams to ensure that people are paid in line with market rates
- Promote wellbeing resources available to all staff via Simply Health wellbeing and cashback schemes; resources for staff and managers on a wide range topics such as menopause, gender identify, neurodiversity as well as practical advice on financial wellbeing issues, physical health and mental health including availability of face to face counselling
- Implement buddying arrangements with managers who are new to the business and newly promoted managers to enhance their occupational support network, role comfort and confidence
- Celebrate success: good performance valued and praised in line with Ability Positive behaviours embedded through performance appraisal processes, including formal review of training / succession plans
- Review and update of all "core" People Policies including whistleblowing, to ensure our values are embedded within inclusive frameworks which are applied transparently and consistently, openly welcoming feedback which could improve practice for future

Operating and Financial Review and Strategic Report

- Review and update to our family friendly and flexible working policies enabling practice across teams which more flexibly aligns to enable work/life balance of future and existing colleagues.

We have continued to invest significantly in training and development across the organisation. All our managers and senior support workers have completed “Lead to Succeed” our management development programme alongside rolling out new training and development opportunities to all staff, ensuring they have the skills and knowledge to excel in their role.

To grow our services and increase our reach

We focussed developing our services through organic growth and new contracted business. We have achieved organic growth through allocating accommodation to people with higher support needs in our existing services. This has supported people who in the past would have lived in other more institutionalised settings to live independent lives with the necessary support in our supported living accommodation.

Our new business activity has focussed on applying to be included on local authority framework agreements and direct purchasing systems (DPS). We have been accepted as an approved provider by a number of councils and have other applications pending. As a result of being accepted on We expect to increase our growth and reach through extending our services into new areas in the South East of England in the coming year.

To maintain financial sustainability

The most significant challenge to maintaining financial sustainability in care and support is securing adequate local authority fee increases particularly during a period of high inflation alongside significant increases to the National Living Wage hourly rate. Ability supports the increase to the national living wage and seek to pay our care and support workers above these rates, this can only be sustained if local authority annual inflationary increases match both wage and broader inflationary increases. Whilst we acknowledge the financial pressures facing local authorities in England without ongoing sustainable inflationary increase Ability and all other care and support providers will struggle to sustain the viability of the care and support services they provide.

Ability’s Plans for the future

The board approved Ability Housing associations new corporate plan - Better Together which sets out our key objectives to September 2026. Our key objectives for this period are as follows:

Ability’s service approach is based on the principles of personalisation and co-production. As an organisation we focus on each individual, providing customised services that give people choice, control and autonomy over their lives. This means we tailor the support we deliver to the needs and wishes of each individual, seeking to understand their aspirations and tailoring our support to maximise their opportunities to achieve these.

Over the next three years our corporate plan focuses on the following key objectives:

- Provide good quality homes and neighbourhoods
- Deliver high quality Housing Management & Support Services.
- To recruit, retain and develop an engaged workforce.
- To grow our services and increase our reach.

Operating and Financial Review and Strategic Report

- To maintain financial sustainability and deliver value for money (VfM)

Provide Good Quality Homes and Neighbourhoods

Ability seeks to maintain all its properties to a high standard and deliver a responsive and high-quality repairs service to our residents. We know there have been issues with this service and we have not always delivered to the expected standard. We are actively working with our contractors to improve performance with an improvement plan already in place, we will see ongoing improvements throughout the implementation of this plan, leading to the delivery of a timely and qualitative responsive repairs service to all our residents.

Over the next three years, we will invest significantly in our existing homes, we will bring our most energy inefficient homes up to EPC C or above, saving tenants money on utility costs and ensuring Ability minimises its carbon footprint as an organisation. We will also invest £850K in planned maintenance over the next three years, ensuring our homes are well maintained and provide good living environments for our residents.

Our Housing & Support officers (HSOs) will undertake a property MOT every year and for those residents who require more support, offer ongoing visits to ensure any repair needs are reported and fixed quickly. HSOs carry out estate inspections every six weeks ensuring landlord health and safety compliance and to review the general condition of the estate. Moving forward, HSOs will invite residents to accompany and participate in estate visits so these may be carried out jointly - providing opportunities to engage and discuss any ideas or issues residents wish to raise which will enhance the estate and neighbourhood in which they live.

Deliver high quality Housing Management & Support Services

Involving and listening to our residents is key to delivering excellent services and ultimately the successful delivery of our corporate plan. We are committed to meaningful engagement with our residents individually, at a scheme and estate level as well as organisationally. We will ensure residents are fully involved in shaping the service they receive and that they will have opportunities to be involved with future planning and the direction of Ability Housing.

To Recruit, Retain and Develop an Engaged Workforce

We know that only by having great staff can we deliver great services. Since the Covid-19 pandemic we have experienced increased challenges in recruiting and retaining staff in both our Housing, and Care & Support services. Within the first 12 months of this plan, we will be reviewing and publishing a people strategy.

To grow our services and increase our reach

Owing to less favourable grant terms available to develop new Supported Housing units, and the challenging financial environment in which Supported Housing operates, it has not been viable for Ability to have an active housing development programme in recent years. However, during the course of this plan we will be looking to dispose of properties when they become void if they do not meet Ability's accessibility standards or the costs of achieving EPC C or above are financially unviable. With the opportunities offered by such stock rationalisation Ability will be seeking to complete small scale developments to maintain the number of Supported Housing units we offer over the period of this plan. We will seek to reinvest such monies in Supported Housing schemes for people who require housing, and/or care and support.

Operating and Financial Review and Strategic Report

Ability Housing Association's Care & Support services operate in a challenging economic environment, and with low financial margins economy of scale is important. We have seen the volume of our Care & Support services decrease over the last two years, primarily due to decisions to exit unviable contracts where local authorities are unable or unwilling to raise fees to a level that constitutes Full Cost Recovery (FCR) and being unsuccessful when re-tendering for an existing contract. We are committed to growing our Care & Support services, increasing our reach, and supporting greater numbers of disabled people alongside increasing turnover and generating greater economies of scale.

To maintain financial sustainability and deliver value for money

To successfully deliver our corporate plan and deliver on our objectives by 2026, strong financial management and a focus on value for money (VfM) in everything we do will be key. With plans to improve our homes, offer excellent customer services and develop our people we will require significant investment over the period of this plan. The current operating environment is uncertain with economic pressures such as high inflation and rising interest rates at unprecedented levels in recent times.

Better Together

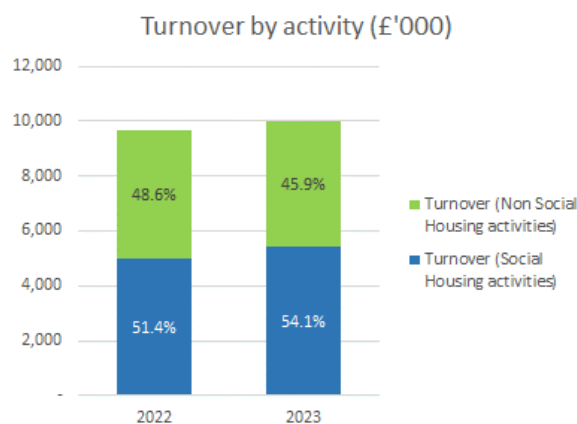
By 2026 Ability Housing Association will be able to demonstrate that:

- We provide high-quality homes for our residents with a timely and qualitative repairs service. We have invested significantly in our properties, and no home has an energy rating below EPC D, with all homes to be at a rating of EPC C or above by 2030.
- We have co-produced with every resident the service they receive based on their needs and wishes. We will have engaged with residents in their neighbourhoods to improve the local area and agreed with them a local plan to be implemented.
- We have relaunched our Customer Committee, involving residents in the development of Ability's organisational strategies and plans, evaluating our performance and service delivery.
- Our Housing & Support Officers are both proactive and responsive, supporting residents to maintain independent living and achieve their aspirations.
- Our Care & Support services have delivered high-quality co-produced support focused on the needs and aspirations of the individual, ensuring everyone has choice and control over the support they receive and the life they lead.
- Our workforce is well-managed, engaged, and trained to deliver high-quality services and outcomes with our residents.
- We have grown our Care & Support business by 20%, increasing our reach and the number of people who benefit from Ability's services, while increasing our economies of scale, that will support the financial success of this part of our business going forward.
- We have reinvested money from homes we have disposed of to create more opportunities for people to receive supported housing and care and support from Ability in our core areas of operation.
- We are financially strong, with management decisions based on robust data and information. We will be efficient and effective, ensuring our resources are targeted, delivering high-quality services to the people we serve.

Operating and Financial Review and Strategic Report

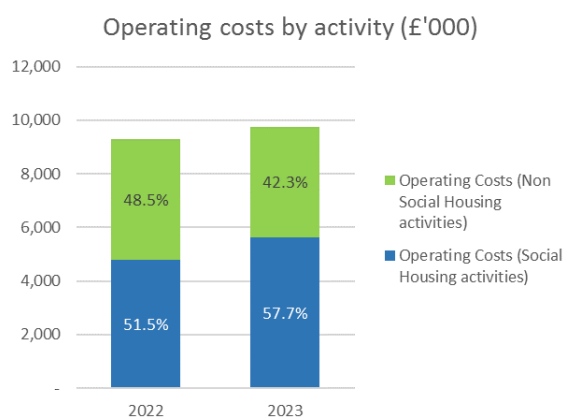
Financial Review

Ability's overall turnover increased by 3.4% in 2022/23 to £9,987k (2022: £9,660k). Income from social housing activities increased by 8.8% to £5,404k (2022: £4,965k), whilst income from non-social housing activities reduced by 2.4% to £4,583k (2022: £4,695k).



As the above graph shows, an increasing percentage coming from social housing activities. This is due to the closure of a care home in 2022 as well as a small loss of Local Authority contract income in 2023. The volume of housing activity is relatively static, with no change to number of properties, but rents have increased in line with inflation (although increases in 2023 were capped by the UK government).

Operating costs increased by 4.8% to £9,763k (2022: £9,312k). The increase was mainly due to increased costs of routine maintenance, driven by high levels of inflation on materials.



The graph shows that the portion of operating costs attributable to social housing activity has increased this year. This is largely due to the increased spend on repairs from use of additional contractors in order to ensure continued delivery of repairs to our customers.

Ability's operating surplus was £224k (2022: £296k), which represents 2.2% of turnover (2022: 3.1%). The year's result was significantly impacted by the increased costs of routine maintenance as described above.

Interest receivable was £120k (2022: £16k) due to higher interest rates and a healthy cash balance for the year.

Capital structure and treasury policy

Ability had strong liquidity during the year, with £4,657k cash at 30 September 2023 (2022: £4,735k). The cash balance equates to 5-6 months of operating expenditure.

Operating and Financial Review and Strategic Report

At the end of the year, borrowings amounted to £6,132k (2022: £6,550k) of which £442k falls due to be paid within the next year (2022: £418k). At 30th September 2023, 100% of the Association's borrowings were at fixed rates of interest (2022: 100%). The rates of interest range from 1.65% to 10.69%, although the majority of the debt (£5,972k) is fixed at either 1.65% or 6.69%, with only £160k of the outstanding balance fixed at the higher rate of 10.69%. The situation is reviewed regularly with lenders and with the Board, but it is felt that the current position is positive as variable rate risk has been eliminated, giving certainty over future interest payments. The Association borrows and lends only in Sterling and so is not exposed to currency risk.

Ability was compliant with all lenders' covenants in 2023.

Reserves

At the year-end reserves amounted to £17,288k (2022: £17,276k). Ability does not have any restricted reserves earmarked for specific purposes. All reserves have been generated via Ability's principal activities and are solely for the provision and management of housing and support services in the future.

Value for Money

The Association has a Value for Money strategy which seeks to ensure that we make best use of the various forms of capital that we have at our disposal. As a small housing association, we have limited resources, and operate in challenging areas with high levels of demand for our services. Ability aims to maximise its social value by ensuring that its resources are used effectively to deliver the right balance of cost, performance and quality of services.

For the year to 30 September 2023 we have calculated VFM metrics in accordance with the Regulator of Social Housing 'Value for Money Metrics Technical Guidance Note May 2022'. The results are as follows:

METRIC	2023	2022	Peer Group Average
1. Reinvestment %	0.38%	0.20%	5.68%
2A. New Supply Delivered (Social Housing Units)	-	-	2.24%
2B. New Supply Delivered (Non-Social Housing Units)	-	-	-
3. Gearing %	5.42%	6.00%	3.51%
4. Earnings before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %	286.09%	294.72%	328.15%
5. Headline Social Housing cost per Unit	£ 7,260	£ 5,994	£ 17,560
6A. Operating Margin (Social Housing Lettings only)	-4.61%	2.67%	7.45%
6B. Operating Margin (overall)	2.24%	3.60%	2.45%
7. Return on Capital Employed (ROCE) %	0.41%	0.53%	1.66%

The specialist nature of the services delivered by Ability makes it difficult to benchmarking our VFM metrics. In order to provide a peer group analysis we have used the VFM metrics extracted from the published accounts of three other social housing providers of a similar nature to Ability, but factors such as the number of properties, geographic location, customer groups, and the fact that Ability has predominantly self-contained units means that the majority of social housing providers are not directly comparable.

Operating and Financial Review and Strategic Report

The slight growth in the reinvestment % (metric 1) is because Ability spent more on improvements to its existing properties in 2023 than in the prior year, but it is still below the peer group average. However, future years' spend will be supported by our asset management strategy, which is underpinned by a full stock condition survey, ensuring that we are investing where investment is necessary.

Ability has not delivered any additional housing units in the year (metrics 2A and 2B), and is currently not developing.

Gearing (metric 3) as the balance outstanding in respect of fixed term loans has reduced following further repayments in the year. Although Ability's gearing level is slightly higher than the peer group, gearing is expected to reduce over time as loans are repaid.

The significant increases to our repairs and maintenance costs experienced in the year has worsened our performance against metrics 4 to 7. We expect these costs to reduce in future years.

EBITDA MRI (metric 4) has slightly reduced in the year. However, despite this small reduction, Ability has met its loan covenants and is projected to do so in future years, so this measure is not of significant concern.

Headline social housing cost per unit (metric 5) has increased significantly in the year due to the increase in repair costs. Compared to the peer group average, Ability's costs are relatively low, although this is partly due to the difficulty of establishing a reasonable peer group average cost, given the variety of operating models in the specialist housing sector. Despite a positive result, Ability will seek to reduce costs per unit in future years through better procurement and management of existing resources.

Ability's operating margin on social housing (metric 6A) was negative in the year, due to the increased spend on repairs. Whilst disappointing, the expenditure was necessary to deliver a quality service to our customers, but this is not expected to continue into the future.

Operating margin overall (metric 6B) is 1.36% lower than last year, but only 0.21% lower than the peer group average. This demonstrates that Ability is not significantly behind other organisations, despite a challenging year.

Statement of compliance

In preparing this Operating and Financial Review, the Board has followed the principles set out in the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers.

The Board also confirms compliance with The Regulator of Social Housing's Governance and Financial Viability standard.

Statement of the responsibilities of the Board for the report and financial statements

The Board is responsible for preparing the Report of the Board, Operating and Financial Review, Strategic Report and financial statements in accordance with applicable law and regulations.

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

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

The Board are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it 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 2022. It is 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

The Board members confirm that:

- So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware
- The directors have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

The Board 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.

Annual general meeting

The annual general meeting will be held on 20th March 2024.

External auditors

A proposal will be made at the AGM to re-appoint Beever and Struthers as auditors for the financial year 2024-25.

Statement of the responsibilities of the Board for the report and financial statements

The Operating and Financial Review and Strategic Report were approved by the Board on 28th February 2024 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Sally Reay', with a stylized, cursive script.

Sally Reay
Chair

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF ABILITY HOUSING ASSOCIATION
FOR THE YEAR ENDED 30 SEPTEMBER 2023**

Opinion

We have audited the financial statements of Ability Housing Association (the 'Association') for the year ended 30 September 2023 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity (Reserves), the Statement of Financial Position, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 30 September 2023 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been 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 2022.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's 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 twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF ABILITY HOUSING ASSOCIATION
FOR THE YEAR ENDED 30 SEPTEMBER 2023**

and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 Board and the Operating and Financial review and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Board and the Operating and Financial review and Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the 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 Board and the Operating and Financial review and 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 directors' 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 the Responsibilities of the Board set out on page 18, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF ABILITY HOUSING ASSOCIATION
FOR THE YEAR ENDED 30 SEPTEMBER 2023**

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

Auditor's responsibilities for the audit of the financial statements

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

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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of laws, regulations and guidance that affect the Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws, regulations and guidance that we identified included the Companies Act 2006, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2022, tax legislation, health and safety legislation, and employment legislation.
- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the regulated nature of the Association's activities.

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF ABILITY HOUSING ASSOCIATION
FOR THE YEAR ENDED 30 SEPTEMBER 2023**

- We reviewed financial statements disclosures and supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

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. Our audit work has been undertaken so that we might state to the Company'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.

Beever and Struthers

Lee Cartwright

Senior Statutory Auditor

For and on behalf of

Beever and Struthers

Statutory Auditor

The Colmore Building

20 Colmore Circus Queensway

Birmingham

B4 6AT

Date: 08 March 2024

Statement of Comprehensive Income	Note	2023 £'000	2022 £'000
Turnover	2	9,987	9,660
Operating costs	2	(9,763)	(9,312)
Gain / (Loss) on disposal of property, plant & equipment	6	-	(52)
Operating surplus	5	224	296
Interest receivable	7	120	16
Interest payable and similar charges	8	(266)	(284)
Surplus on ordinary activities before taxation		78	28
Tax on surplus for the year		-	-
Surplus prior to transfer to reserves		78	28
Other Comprehensive Income			
Actuarial losses in respect of pension scheme		(66)	(126)
Total comprehensive income for the year		12	(98)

The notes on pages 28 to 53 form part of these financial statements.

The financial statements on pages 24 to 53 were authorised and approved for issue by the Directors on 28th February 2024 and were signed on its behalf by:



Sally Reay
Chair



Dominic Wallace
Board Member



Marcus Andrews
Secretary

Statement of Changes in Equity (Reserves)**Income and Expenditure Reserve**

	£'000
Balance at 30 th September 2021	17,640
Restatement of prior period tangible fixed assets – property (Note 11)	(266)
Balance at 30 th September 2021 (restated)	<u>17,374</u>
Surplus for the year	28
Actuarial losses in respect of pension scheme	(126)
Balance at 30 th September 2022	<u>17,276</u>
Surplus for the year	78
Actuarial (losses) in respect of pension scheme	(66)
Balance at 30 th September 2023	<u>17,288</u>

The notes on pages 28 to 53 form part of these financial statements.

Statement of Financial Position at 30th September 2023

	Note	2023 £'000	2022 (Restated) £'000
Tangible fixed assets			
Housing properties	11	51,427	52,222
Other tangible fixed assets	12	486	476
		<u>51,913</u>	<u>52,698</u>
Current assets			
Trade and other debtors	13	781	612
Cash and cash equivalents		4,657	4,735
		<u>5,438</u>	<u>5,347</u>
Creditors: amounts falling due within one year	14	(2,575)	(2,475)
Net current assets		<u>2,863</u>	<u>2,872</u>
Total assets less current liabilities		<u>54,776</u>	<u>55,570</u>
Creditors: amounts falling due after more than one year	15	(37,258)	(38,084)
Pension provision	19	(230)	(210)
Total Net Assets		<u><u>17,288</u></u>	<u><u>17,276</u></u>
Capital and reserves			
Income and Expenditure reserve		17,288	17,276
Total Reserves		<u><u>17,288</u></u>	<u><u>17,276</u></u>

Company registration number: 01261380

The notes on pages 28 to 53 form part of these financial statements.

The financial statements on pages 24 to 53 were authorised and approved for issue by the Directors on 28th February 2024 and were signed on its behalf by:



Sally Reay
Chair



Dominic Wallace
Board Member



Marcus Andrews
Secretary

Statement of Cash Flows

	Note	2023 £'000	2022 £'000
Net cash generated from operating activities	i	748	590
Cash flow from investing activities			
Interest Received		120	16
Purchase of tangible fixed assets		(262)	(146)
		(142)	(130)
Cash flow from financing activities			
Repayment of borrowings		(418)	(396)
Interest Paid		(266)	(284)
		(684)	(680)
Net change in cash and cash equivalents		(78)	(220)
Cash and cash equivalents at the beginning of the year		4,735	4,955
Cash and cash equivalents at end of the year		4,657	4,735

Note i	2023 £'000	2022 £'000
Cash flow from operating activities		
Operating surplus / (deficit) for the year	224	296
Adjustments for non-cash items		
Depreciation and impairment of tangible fixed assets	997	928
Grant amortisation	(384)	(388)
Decrease / (Increase) in trade and other debtors	(169)	17
Increase / (Decrease) in trade and other creditors	76	(224)
Pension movements	20	34
(Gain) / loss on pension investments	(66)	(126)
Adjustments for investing or financing activities		
(Gain) / loss on disposal of tangible fixed assets	50	53
Net cash generated from operating activities	748	590

The notes on pages 28 to 53 form part of these financial statements.

Notes to the financial statements

Legal Status

The Association is registered under the Companies Act 2006 as a company limited by guarantee. It is registered with both the Charity Commission and the Regulator of Social Housing as a Registered Provider. The principal activity of the Association is disclosed in the Report of the Board. The registered address is The Coach House, Gresham Road, Staines Upon Thames, Middlesex, TW18 2AE.

1. Accounting policies**Basis of accounting**

The financial statements of the Association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 ('FRS 102') and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. The financial statements are prepared on the historical cost basis of accounting. As a public benefit entity, the Association has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102.

The financial statements are presented in Sterling (£), the functional and presentational currency of the Association. The figures are presented in £'000 (thousands).

Going concern

The Association's business activities, its current financial position and factors likely to affect its future development are set out within the Operating and Financial Review and Strategic Report. The Association is able to meet its commitments in respect of long-term debt facilities used to finance reinvestment and development programmes, along with the Association's day to day operations. The Association's financial plan (updated in January 2024) shows that it is able to service these debt facilities whilst continuing to comply with lenders' 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.

Turnover

Turnover comprises rental and service charge income receivable in the year, and other services included at the invoiced value of goods and services supplied in the year and grants receivable in the year. Service charge income is calculated on a variable charge basis.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Charges for support services funded under Care and Support are recognised as they fall due under the contractual arrangements with Administering Authorities.

Value added tax

The Association is not registered for VAT, and therefore all amounts are inclusive of VAT.

Notes to the financial statements

Corporation tax

The Association is recognised by HMRC as a charity. During the current year the Association is claiming exemptions from corporation tax on its income and gains. All of the Association's income and gains will be applied to its charitable purposes.

Interest payable

Interest payable is charged to the statement of comprehensive income in the year. No interest is capitalised.

Financial instruments

Financial assets and financial liabilities are measured at transaction price initially, plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.

Commitments to receive or make a loan to another entity which meet the conditions in paragraph 11.8(c) of FRS 102 are measured at cost less impairment.

Financial instruments held by the Association are classified as follows:

- Cash is held at cost; and
- Financial assets such as receivables are classified as loans and receivables and held at amortised cost using the effective interest method; and
- Financial liabilities such as loans are held at amortised cost using the effective interest method.

Debtors

Short term debtors are measured at transaction price, less any impairment. Where deferral of payment terms have been agreed at below market rate, and where material, the balance is shown at the present value, discounted at a market rate

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured at amortised cost, net of transaction costs.

Employee Benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

Notes to the financial statements

Retirement benefits

The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services.

Consistent with the guidance in FRED 71 paragraph 4 (FRS 102 paragraph 28.11B), the difference between the deficit funding liability and the net defined benefit deficit for the Social Housing Pension Scheme was recognised in Other Comprehensive Income for the year ending 30 September 2019.

The detailed pensions policy can be seen at the beginning of note 19.

Housing properties

Housing properties are principally properties held for the provision of social housing or otherwise to provide social benefit and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, and expenditure incurred in respect of improvements. Donated land / assets or assets acquired at below market value are initially recognised at fair value in the Statement of Financial Position, and depreciated by component on a straight-line basis over the estimated UELs of the component categories.

Works to existing properties are works which replace a component that has been treated separately for depreciation purposes along with those works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business are capitalised as improvements.

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as current asset and related sales proceeds included in turnover; and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for impairment.

Government Grants

Government grants include grants receivable from Homes England, local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure (excluding land) under the accruals model.

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

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the Regulator of Social Housing in England and Wales. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in income and expenditure.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to the statement of comprehensive income. Upon disposal of the associated property, the Association is required to recycle these proceeds and recognise them as a liability.

Notes to the financial statements

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 Association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Depreciation of housing properties

Freehold land is not depreciated. Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

The Association separately identifies the major components which comprise 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 over the following timescales:

Structure	100 years
Roof	60 years
Kitchen	20 years
Bathroom	25 years
Boiler	15 years
Heating System	30 years
Windows & Doors	20 years
Electrics	30 years

Other tangible fixed assets

Other tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land.

The principal annual rates used for other assets are:

Freehold offices	1% - 2%
Long leasehold property	Over life of lease
Furniture, fixtures and fittings	25%
Computer equipment	33.3%
Vehicles	25%
Office equipment	25% - 33.3%
Company CRM/Financial system	10%

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus / deficit for the year.

Notes to the financial statements

Leased assets

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

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring the surplus or deficit. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Association recognises annual rent expense equal to amounts owed to the lessor. The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

Properties for sale

Shared ownership first tranche sales completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Provisions for liabilities

Provisions are recognised when the Association has a present obligation (legal or constructive) as a result of a past event, it is probable that the Association will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as finance cost in profit or loss in the period it arises.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the reporting date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The following judgements (apart from those involving estimates) have had the most significant

Notes to the financial statements

effect on amounts recognised in the financial statements. The items in the financial statements where these judgements and estimates have been made include:

- **Social care contracts**

Management judgement is applied in determining the extent to which the risks and benefits are transferred to the Association when considering the income to be recognised.

- **Estimation uncertainty**

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

- **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.

Impairment

The Association considers whether indicators of impairment exist in relation to tangible assets. Indicators considered include external sources of information such as market value, market interest rates and returns on investment, actual or proposed changes to the technological, economic or legal environment, obsolescence or damage to the asset, operational changes or internal reporting which indicates that the asset is performing worse than expected. The Association also considers expected future performance of the asset. Any impairment loss is charged to the Statement of Comprehensive Income.

Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value less costs to sell or its value in use. A cash generating unit is normally an Association of properties at scheme level whose cash income can be separately identified.

Following a trigger for impairment, the Association performs impairment tests based on a value in use calculation. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the business plan for the next 5 years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes. The Association has identified no additional cash generating units for impairment assessment purposes at a property scheme level during this financial year.

Defined benefit obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

Notes to the financial statements

2. Particulars of turnover, cost of sales, operating costs and operating surplus / (deficit)

	Turnover	2023 Operating costs	Operating Surplus / (deficit)
	£'000	£'000	£'000
Social housing lettings	5,332	(5,578)	(246)
Other social housing activities			
Management services	52	(52)	-
Management services - lettings	20	-	20
	<u>5,404</u>	<u>(5,630)</u>	<u>(226)</u>
Non social housing activities			
Charges for support services	4,581	(4,133)	448
Care home	-	-	-
Covid 19 Local Authority Grants	2	-	2
	<u>4,583</u>	<u>(4,133)</u>	<u>450</u>
	<u>9,987</u>	<u>(9,763)</u>	<u>224</u>
	Turnover	2022 Operating costs	Operating Surplus / (deficit)
	£'000	£'000	£'000
Social housing lettings	4,875	(4,745)	130
Other social housing activities			
Management services	49	(49)	-
Management services - lettings	41	-	41
	<u>4,965</u>	<u>(4,794)</u>	<u>171</u>
Non social housing activities			
Charges for support services	4,569	(4,167)	402
Care home	105	(249)	(144)
Covid 19 Local Authority Grants	21	(102)	(81)
	<u>4,695</u>	<u>(4,518)</u>	<u>177</u>
	<u>9,660</u>	<u>(9,312)</u>	<u>348</u>

Notes to the financial statements

3. Particulars of income and expenditure from social housing lettings

	General Needs Housing £'000	Supported Housing £'000	2023 Total £'000	2022 Total £'000
Rent receivable net of identifiable service charges	667	3,460	4,127	3,849
Service charge income	132	688	820	637
Amortised government grants	62	323	385	389
Turnover from social housing lettings	861	4,471	5,332	4,875
Management	(255)	(1,326)	(1,581)	(1,404)
Services	(128)	(665)	(793)	(742)
Routine Maintenance	(175)	(907)	(1082)	(668)
Planned Maintenance and major repairs	(97)	(506)	(603)	(504)
Bad debt provision	(10)	(53)	(63)	(24)
Property lease charges	(75)	(392)	(467)	(547)
Depreciation of housing properties	(160)	(829)	(989)	(916)
Reversal of impairment loss	-	-	-	60
Operating costs on social housing lettings	(900)	(4,678)	(5,578)	(4,745)
Operating (deficit) / surplus on social housing lettings	(39)	(207)	(246)	130
Voids	44	229	273	255

Notes to the financial statements

4. Accommodation in management and development

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

	2023 No.	2022 No.
Social Housing		
General housing	43	43
Supported housing	534	534
Low cost home ownership	2	2
Residential care homes	-	-
Total owned	579	579
Accommodation managed for others	71	71
Total managed	650	650
 Non social housing		
Respite unit	8	8
 Owned but managed by others		
General needs	11	11
 Total owned and managed	669	669

5. Operating surplus / (deficit)

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

	2023 £'000	2022 £'000
Depreciation of freehold housing properties	658	669
Depreciation of leasehold housing properties	280	245
Depreciation of other tangible fixed assets	59	74
Operating lease rentals	-	-
- Office equipment	7	6
- Land and buildings	467	547
Auditor's remuneration (excluding VAT)		
- For audit services	17	15
- For other services – covenant compliance	1	1

Notes to the financial statements

6. Loss on disposal of fixed assets

	2023 £'000	2023 £'000 Other property plant and equipment	2023 £'000 Total	2022 £'000 Total
Proceeds of sale	-	-	-	-
Cost of sale	-	-	-	52
Surplus / (Loss) on disposal	-	-	-	(52)

7. Interest receivable and similar income

	2023 £'000	2022 £'000
Interest receivable and similar income	120	16

8. Interest payable and similar charges

	2023 £'000	2022 £'000
Loan and bank overdrafts	254	282
Defined Benefit pension operating cost	12	2
	<u>266</u>	<u>284</u>

9. Employees

Average number of employees (FTE):

	2023 No.	2022 No.
Administration	11	11
Housing, support and care	108	110
	<u>119</u>	<u>121</u>
 Average monthly number of employees	 136	 154

Notes to the financial statements

9. Employees (continued)

The full-time equivalent number of staff who received remuneration (including directors):

	2023	2022
	No.	No.
£60,000 - £69,999	2	-
£70,000 - £79,999	1	1
£80,000 - £89,999	-	1
£90,000 - £99,999	1	1

Employee costs	2023	2022
	£'000	£'000
Wages and salaries	3,874	3,877
Social security costs	363	370
Defined Benefit pension operating cost	155	149
	<u>4,392</u>	<u>4,396</u>

10. Directors, members and executive directors

Employee costs	2023	2022
	£'000	£'000
Aggregate emoluments of directors (including pension contributions)	283	257
Emoluments of the highest paid director (excluding pension contributions and including benefits in kind)	97	94
Total expenses reimbursed to directors not chargeable to UK income tax		
- Board members	-	-
- Executives	-	-

The Chief Executive is a member of the Social Housing Pension Defined Contribution Scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply. Pension contributions totalled £5k (2022: £5k) in respect of the Chief Executive. The Directors and executive directors are considered to be key management personnel.

Board members

None of the Board members received emoluments (2022: £Nil).

Notes to the financial statements

11. Tangible fixed assets - properties

	Freehold Social housing properties held for letting	Leasehold housing properties held for letting	Total housing properties held for letting	Completed shared ownership properties	Total housing properties
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 October 2022 (restated)	47,894	15,690	63,584	188	63,772
Works to existing properties	143	50	193	-	193
Disposals	(94)	(40)	(134)	-	(134)
At 30 September 2023	<u>47,943</u>	<u>15,700</u>	<u>63,643</u>	<u>188</u>	<u>63,831</u>
Depreciation and impairment					
At 1 October 2022 (restated)	8,267	3,283	11,550	-	11,550
Charged in year	658	280	938	-	938
Released on disposal	(71)	(13)	(84)	-	(84)
At 30 September 2023	<u>8,854</u>	<u>3,550</u>	<u>12,404</u>	<u>-</u>	<u>12,404</u>
Net book value					
At 30 September 2023	<u>39,089</u>	<u>12,150</u>	<u>51,239</u>	<u>188</u>	<u>51,427</u>
At 30 September 2022 (restated)	<u>39,627</u>	<u>12,407</u>	<u>52,034</u>	<u>188</u>	<u>52,222</u>

Expenditure on works to existing properties

	2023 £'000	2022 £'000
Components capitalised	193	105
Amounts charged to statement of comprehensive income	<u>1,685</u>	<u>1,106</u>
	<u>1,878</u>	<u>1,211</u>

The opening position at 1st October 2022 has been restated. A detailed review of Ability's fixed asset register was undertaken in the year in order to assist with planning future property investment levels as per Ability's asset management strategy. This review found a number of misstated property component values, in respect of both cost (£41k) and depreciation (£225k).

Notes to the financial statements

Social housing assistance	2023 £'000	2022 £'000
Total accumulated social housing grant received or receivable at 30 September:		
Recognised in the statement of comprehensive income	385	389
Held as deferred income	31,956	32,340
	<u>32,341</u>	<u>1,211</u>
Housing properties book value, net of depreciation	2023 £'000	2022 (restated) £'000
Freehold land and buildings	39,277	39,815
Long leasehold land and buildings	12,150	12,407
	<u>51,427</u>	<u>52,222</u>

Annually housing properties (cash generating units) are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the scheme's carrying amount to its recoverable amount. Impairment charges of £116k have been taken in respect of two properties, one freehold and one leasehold, each comprising one unit of accommodation. The properties are both vacant due to structural issues and the impairment charges reflect the expenditure required to bring them back into use. The carrying values of the properties (prior to the recognition of the impairment charges) are £111k (leasehold property) and £53k (freehold property).

Amounts do not include capitalised interest; all interest charges are written off to expenditure as incurred. At the year-end a total of 199 (2022: 199) properties were subject to charges securing loan funding. Of these 119 properties with a Net Book Value of £12,299k (2022: 119 properties with a Net Book Value of £12,919k) secured the total Barclays facility, 70 properties with a Net Book Value of £3,633k (2022: 70 properties with a Net Book Value of £2,033k) secured the Dexia loan and 10 properties with a Net Book Value of £608k (2022: 10 properties with a Net Book Value of £623k) secured the Crown Mortgage loans (Orchardbrook / Fresh PLC).

Notes to the financial statements

12. Tangible fixed assets – other

	Freehold offices £'000	Vehicles and office equipment £'000	Furniture fixtures and fittings £'000	Long life systems and computer equipment £'000	Service charge recoverable assets and WIP £'000	Total £'000
Cost						
At 1 October 2022	501	1,011	369	247	172	2,300
Additions	-	-	-	16	53	69
Disposals	-	-	-	-	-	-
At 30 September 2023	<u>501</u>	<u>1,011</u>	<u>369</u>	<u>263</u>	<u>225</u>	<u>2,369</u>
Depreciation						
At 1 October 2022	247	1,011	369	137	60	1,824
Charged in year	<u>10</u>	<u>-</u>	<u>-</u>	<u>19</u>	<u>30</u>	<u>59</u>
At 30 September 2023	<u>257</u>	<u>1,011</u>	<u>369</u>	<u>156</u>	<u>90</u>	<u>1,883</u>
Net book value						
At 30 September 2023	<u>244</u>	<u>-</u>	<u>-</u>	<u>107</u>	<u>135</u>	<u>486</u>
At 30 September 2022	<u>254</u>	<u>-</u>	<u>-</u>	<u>110</u>	<u>112</u>	<u>476</u>

13. Debtors

	2023 £'000	2022 £'000
Due within one year		
Rent and service charges receivable	739	602
Less: provision for bad and doubtful debts	<u>(429)</u>	<u>(366)</u>
	310	236
Other debtors	311	359
Prepayments and accrued income	<u>160</u>	<u>17</u>
	<u>781</u>	<u>612</u>

Notes to the financial statements

14. Creditors: amounts falling due within one year

	2023	2022
	£'000	£'000
Loans (note 18)	442	418
Trade creditors	338	334
Rent and service charge accounts in credit	246	251
Rent and service charges received in advance	14	25
Taxation and social security	23	22
Recycled Capital Grant Fund (note 16)	35	35
Accruals and deferred income	1,019	956
Holiday pay accrual	70	45
Deferred grant income	388	389
	<u>2,575</u>	<u>2,475</u>

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

	2023	2022
	£'000	£'000
Loans (note 18)	5,690	6,132
Deferred grant income (note 17)	31,568	31,952
	<u>37,258</u>	<u>38,084</u>

16. Recycled capital grant fund

	2023	2022
	£'000	£'000
At 1 October	35	35
Grants recycled	-	-
Grant utilised	-	-
Grants repaid - GLA	-	-
At 30 September	<u>35</u>	<u>35</u>

Notes to the financial statements

17. Deferred Grant Income

	2023 £'000	2022 £'000
At 1 October	32,341	32,729
Released to income	(385)	(388)
At 30 September	31,956	32,341
Due in one year	388	389
Due after one year	31,568	31,952

The gross amount of grant received prior to amortisation was £39,188k (2022: £39,188k).

18. Loan analysis

	2023 £'000	2022 £'000
Due within one year		
Housing loans	442	418
Due after more than one year		
Housing loans	5,690	6,132
Total loans	6,132	6,550

Security

Housing loans are secured by fixed charges on individual properties.

Terms of repayment and interest rates

The loans are repaid in monthly, quarterly or half yearly instalments over the agreed period of the loan. The final instalments fall to be repaid in the period 2020 to 2037. Interest rates on borrowings ranged from 1.65% to 10.69%. At 30 September the Association had undrawn loan facilities of £0k (2022: £0k).

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	2023 £'000	2022 £'000
Within one year or on demand	442	418
One year or more but less than two years	469	442
Two years or more but less than five years	1,597	1,493
Five years or more	3,624	4,197
	6,132	6,550

Notes to the financial statements

19. Pension Provision

The SHPS Defined Benefit obligation is accounted for in accordance with the provisions of FRS 102 as adopted by SHPS. The SHPS Growth Plan provision continues to be accounted for as a provision 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 Association participates in two funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS) and the Local Government pension scheme under a TUPE transfer agreement and one multi-employer defined contribution scheme.

Contingent Liability – Social Housing Pension Scheme

We have been notified by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee has been advised to seek clarification from the Court on these items. This process is ongoing and the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of Scheme liabilities, but until Court directions are received, it is not possible to calculate the impact of this issue, particularly on an individual employer basis, with any accuracy at this time. No adjustment has been made in these financial statements in respect of this potential issue.

Social Housing Pension Scheme

Fair value of plan assets, present value of defined benefit obligation, and defined benefit asset (liability)

	2023	2022
	£'000	£'000
Fair value of plan assets	996	1,075
Present value of defined benefit obligation	1,245	1,299
Surplus (deficit) in plan	(249)	(224)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(249)	(224)
Deferred tax	-	-
Net defined benefit asset (liability) to be recognised	<u>(249)</u>	<u>(224)</u>

Notes to the financial statements

Reconciliation of opening and closing balances of the defined benefit obligation	£'000
Defined benefit obligation at 30 September 2022	1,299
Current service cost	-
Expenses	2
Interest expense	68
Member contributions	-
Actuarial losses (gains) due to scheme experience	52
Actuarial losses (gains) due to changes in demographic assumptions	(3)
Actuarial losses (gains) due to changes in financial assumptions	(91)
Benefits paid and expenses	(82)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at 30 September 2023	<u>1,245</u>

Reconciliation of opening and closing balances of the fair value of plan assets

	£'000
Fair value of plan assets at 30 September 2022	1,075
Interest income	57
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	(108)
Employer contributions	54
Member contributions	-
Benefits paid and expenses	(82)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at 30 September 2023	<u>996</u>

The actual return on plan assets (including any changes in share of assets) over the period from 30 September 2022 to 30 September 2023 was (£51,000).

Notes to the financial statements

Defined benefit costs recognised in Statement of Comprehensive Income (SOI)

	£'000
Current service cost	-
Expenses	2
Net interest expense	11
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in Statement of Comprehensive Income (SOI)	<u>13</u>

Defined benefit costs recognised in Other Comprehensive Income (OCI)

	£'000
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	(108)
Experience gains and losses arising on the plan liabilities - gain (loss)	(52)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	3
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	91
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(66)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in Other Comprehensive Income - gain (loss)	<u>(66)</u>

Assets	2023 £'000	2022 £'000
Global Equity	77	51
Absolute Return	18	11
Distressed Opportunities	35	55
Credit Relative Value	35	52
Alternative Risk Premia	15	25
Emerging Markets Debt	7	9
Risk Sharing	72	76
Insurance-Linked Securities	14	38
Property	45	48
Infrastructure	113	142

Notes to the financial statements

Assets	2023 £'000	2022 £'000
Private Debt	46	46
Opportunistic Illiquid Credit	51	63
High Yield	2	5
Opportunistic Credit	-	4
Cash	10	-
Corporate Bond Fund	-	18
Liquid Credit	-	-
Long Lease Property	32	42
Secured Income	48	51
Liability Driven Investment	380	360
Currency Hedging	(7)	(23)
Net Current Assets	3	2
Total assets	996	1,075

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

Key assumptions

	2023 % per annum	2022 % per annum
Discount Rate	5.70%	5.41%
Inflation (RPI)	3.29%	3.67%
Inflation (CPI)	2.77%	3.23%
Salary Growth	3.77%	4.23%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 30 September 2023 imply the following life expectancies:

	Life expectancy at age 65 years
Male retiring in 2023	21.0
Female retiring in 2023	23.4
Male retiring in 2043	22.2
Female retiring in 2043	24.9

Notes to the financial statements

Scheme: TPT Retirement Solutions – The Growth Plan

The company participates in the scheme, a multi-employer scheme which provides benefits to some 638 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2020. This valuation showed assets of £800.3m, liabilities of £831.9m and a deficit of £31.6m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2022 to 31 January 2025: £3,312,000 per annum (payable monthly)

Unless a concession has been agreed with the Trustee the term to 31 January 2025 applies.

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2019 to 30 September 2025: £11,243,000 per annum (payable monthly and increasing by 3% each on 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Notes to the financial statements

	30 September 2023 £	30 September 2022 £	30 September 2021 £
Present value of provision	6,571	11,167	54,014

Reconciliation of opening and closing provisions

	2023 £	2022 £
Provision at start of period	11,167	54,014
Unwinding of the discount factor (interest expense)	505	352
Deficit contribution paid	(5,106)	(10,358)
Remeasurements - impact of any change in assumptions	5	(652)
Remeasurements - amendments to the contribution schedule	-	(32,189)
Provision at end of period	<u>6,571</u>	<u>11,167</u>

Income and expenditure impact

	2023 £	2022 £
Interest expense	505	352
Remeasurements – impact of any change of assumptions	5	(652)
Remeasurements – amendments to the contribution schedule	-	(32,189)
Contributions paid in respect of future service*	<u>4,195</u>	<u>6,808</u>
Costs recognised in income and expenditure account	<u>4,705</u>	<u>(25,681)</u>

* includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes.

Assumptions

	30 September 2023 % per annum	30 September 2022 % per annum	30 September 2021 % per annum
Rate of discount	5.88	6.00	0.72

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

Notes to the financial statements

Surrey County Council Pension scheme

The Association makes payments as an Admitted Body to the Surrey County Council Pension Fund for employees who were members of that scheme on 1st April 2008 under the terms of a TUPE transfer. This is a funded defined benefit scheme that covers Surrey County Council employees and Scheduled and Admitted Bodies under the Local Government Pension Scheme Regulations 1997.

The Association has been notified by the Scheme Administrator that they are unable to satisfactorily identify the Association's share of the underlying Scheme assets and liabilities as at 30 September 2023 and accordingly the pension costs are accounted for as defined contribution. The scheme administrator has confirmed that the Association has no liability for past service deficit contributions.

The total employer contribution payable in the year was £33k (2022: £18k). At 30 September 2023 the Association had 3 (2022: 3) active members in the fund. Expected payments in the next financial year amount to approximately £33k.

20. Reconciliation of net cash flow to movement in net debt

	2023	2022
	£'000	£'000
(Decrease) / Increase in cash	(78)	(219)
Cash inflow / (outflow) from change in debt	418	396
Change in net debt resulting from cash flows	<u>340</u>	<u>177</u>
 Movement in net debt for the period	 340	 177
Net debt at 1 October	<u>(1,814)</u>	<u>(1,991)</u>
Net debt at 30 September	<u>(1,474)</u>	<u>(1,814)</u>

21. Analysis of changes in net debt

	1 Oct	Cashflow	30 Sep
	2022		2023
	£'000	£'000	£'000
Cash at bank and in hand	4,735	(78)	4,657
Loans	<u>(6,550)</u>	<u>418</u>	<u>(6,132)</u>
Changes in net debt	<u>(1,815)</u>	<u>340</u>	<u>(1,475)</u>

Notes to the financial statements

22. Contingent assets / liabilities

Government Grant

The Association receives capital grant from Homes England (formerly Homes and Communities Agency), which is used to fund the acquisition and development of housing properties and their components. In certain circumstances, upon disposal of grant funded properties, the Association is required to recycle this grant by crediting the Recycled Capital Grant Fund, which if not reassigned, could be subject to repayment (see note 16 for further details).

The Association owns one property where defects in the external wall system have been identified. A provisional estimate of the costs to the Association of the required works to resolve these issues is between £533k and £648k, however the costs remain unconfirmed. In addition, the Association is pursuing legal action against the contractor to recover all direct and associated costs and initial legal advice suggests that the claim is likely to be successful. Given the uncertainties involved, no provision has been recognised in the financial statements.

The Association had no other contingent assets or contingent liabilities at 30 September 2023 (2022: £nil).

23. Leasing commitments

Operating lease payments amounting to £450k (2022: £401k) are due within one year. The leases to which these amounts relate expire as follows:

	2023 £'000	2022 £'000
Office equipment		
Expiring in one year or less	2	2
Between one and two years	1	2
Between two and three years	-	1
Between three and four years	-	-
Over four years	-	-
Total office equipment	3	5
Land and buildings		
Expiring in one year or less	448	399
Between one and two years	72	72
Between two and five years	216	216
Over five years	576	648
Total land and buildings	1,312	1,335
Total operating leases	1,315	1,340

Notes to the financial statements

24. Related parties

There are currently no beneficiary members of the directors (2022: nil).

There have been no related party transactions in the year (2022: none).

25. Financial liabilities excluding trade creditors – interest rate risk profile

The Association's financial liabilities are sterling denominated. The interest rate profile of the Association's financial liabilities at 30 September was:

	2023 £'000	2022 £'000
Floating rate	-	-
Fixed rate	6,132	6,550
Total (note 18)	<u>6,132</u>	<u>6,550</u>

The fixed rate financial liabilities have a weighted average interest rate of 4.22% (2022: 4.20%) and the weighted average period for which it is fixed is 1 year to 17 years (2022: 1 year to 18 years).

The debt maturity profile is shown in note 18.

Borrowing facilities

The Association has no undrawn committed borrowing facilities. The facilities available at 30 September in respect of which all conditions precedent had been met were as follows:

	2023 £'000	2022 £'000
Expiring in less than one year	-	-
Expiring in one to two years	-	-
Greater than 5 years	-	-
	<u>-</u>	<u>-</u>

Financial assets

Other than short term debtors, financial assets held are cash deposits in notice and current accounts, all of which is measured at historic cost. They are sterling denominated and the interest rate profile at 30 September was:

	2023 £'000	2022 £'000
Floating rate on cash deposits	3,200	2,450
Financial assets on which no interest is earned	1,458	2,286
	<u>4,658</u>	<u>4,736</u>

Notes to the financial statements

26. Share Capital

The Association is a company limited by guarantee and therefore has no share capital. Each member (see numbers below) agrees to contribute £1 in the event of the company winding up.

	2023 No.	2022 No.
At 1 October 2022	17	22
Joining during the year	1	-
Leaving during the year	(3)	(5)
At 30 September 2023	<u>15</u>	<u>17</u>

27. Capital commitments

At the year end the Association had capital commitments of £Nil (2022: £Nil).

28. Financial instruments

	2023 £'000	2022 £'000
Financial assets		
<u>Measured at cost</u>		
Cash and cash equivalents	4,657	4,735
 Measured at amortised cost		
Rent and service charges receivable	739	602
Other debtors	311	359
Accrued income	148	-
 Total financial assets	<u>5,855</u>	<u>5,696</u>
 Financial liabilities		
<u>Measured at amortised cost</u>		
Loans	6,132	6,550
Trade creditors	584	585
Accrued expenditure	867	782
Total financial liabilities	<u>7,583</u>	<u>7,917</u>

Accounts

ABILITY HOUSING ASSOCIATION

Report and Financial Statements

For the year ended 30th September 2022

Registered Company No 01261380



ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2022

Company registration number	01261380
Regulator of Social Housing registration number:	LH2174
Charity number:	271547
Registered office and principal address:	The Coach House Gresham Road Staines Upon Thames Middlesex TW18 2AE
Board:	Sally Reay (Chair) Dominic Wallace Jai Dosanjh Dritan Uka Tim Jennings Vimal Gaglani Mandy Dunstan Lynsey van Aswegen Neil Thorneycroft (appointed 23 rd March 2022 / resigned 13 th December 2022) Gina Small (resigned 23 rd March 2022)
Chief Executive	Jeffrey Skipp
Director of Finance	Marcus Andrews (appointed 15 th December 2022)
Director of Resources & Deputy Chief Executive	Peter Gardiner (left 31 st January 2023)
Director of Operations (Housing)	Lucy Sivasundram
Company Secretary	Marcus Andrews (appointed 16 th January 2023) Peter Gardiner (left 31 st January 2023)
Bankers:	Barclays 1 Churchill Place London E14 5HP
Solicitors:	Devonshires 30 Finsbury Circus London EC2M 7DT
Auditors:	Beever and Struthers Statutory Auditor 150 Minories London EC3N 1LS

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2022

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Report of the Board

The Board presents its report and audited financial statements for Ability Housing Association ('The Association') for the year ended 30 September 2022.

The financial statements have been drawn up under United Kingdom Generally Accepted Accounting Practice, including FRS 102 ('the financial reporting standard applicable in the UK and Republic of Ireland'). The Association is registered under the Companies Act 2006 as a company limited by guarantee incorporated in England. It is registered with both the Charity Commission and the Regulator of Social Housing (formerly the Homes and Communities Agency) as a Registered Provider.

Principal activities and public benefit

The Association's principal activities are the provision, by construction or conversion, and the management of housing for people with disabilities and others in housing need and the provision of care and support to those individuals.

The Association is classified as a public benefit entity. The Board confirms that it has referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Association's aims and objectives and in formulating future plans.

Business review and future development

Details of the Association's performance for the year and future plans are set out in the Operating and Financial Review that follows this Report.

Reserves

After transfer of the deficit for the year of £(98)k (2021: £359k surplus), at the year-end reserves amounted to £17,542k (2021: £17,640k).

Employees

The Association is accredited as an Investor in People. Salary levels are set in relation to the market and meet or exceed the requirements of the National Minimum Wage.

We are committed to equality of opportunity for all employees, and we monitor our recruitment processes to ensure that a diverse workforce is recruited and nurtured.

The Association shares information on its objectives, progress and activities through the staff intranet, regular office and departmental meetings.

Health and safety

The Board is aware of its responsibilities on all matters relating to health and safety. The Association has employed an external advisor to prepare detailed health and safety policies, ongoing support and provides staff training and education on health and safety matters.

Board members and executive directors

The present Board members and the executive directors of the Association are set out on page 1. The Board members are drawn from a wide background bringing together professional, commercial and local experience.

The executive directors are the chief executive and the other members of the Association's senior management team. They hold no interest in the Association's shares and act as executives within the authority delegated by the Board.

For the year ended 30 September 2022

Report of the Board (continued)

Board members and executive directors (continued)

Insurance policies indemnify Board members and officers against liability when acting for the Association.

Service contracts

The executive directors are employed on the same terms as other staff, their notice periods being three to six months.

Pensions

The Association contributes to the Social Housing Pension Scheme defined contribution pension for all staff not enrolled in a defined benefit scheme or opted out. This is Ability's auto-enrolment pension scheme. A small number of staff are members of Local Government Pension Scheme, a defined benefit final salary pension scheme. A number of former staff members are enrolled in the defined benefit final salary element of the Social Housing Pension Scheme.

NHF Code of Governance

We are pleased to report that the Association complies with the principal recommendations of the NHF Code of Governance (revised 2015) with the exception that terms of office may be extended by consent of the Board. The NHF Code of Governance 2020 will be adopted during 2022-23 following a full review and update of the Articles of Association and the key operating policies of the company to ensure compliance with the new code.

At the AGM held on 23rd March 2022, Neil Thorneycroft was appointed to the Board, and Gina Small resigned from the Board.

Tenant involvement

We actively encourage tenants' involvement in decision-making by promoting tenant participation; up to one-third of ordinary members may be tenants or service users. The Operating and Financial Review and Strategic Report goes into considerable detail regarding current and future tenant participation initiatives.

Complaints

Our clear and simple complaints policy is issued to all customers. During the year we received no complaints that were referred to the Board for resolution (2021: None).

Fraud

There were no frauds in the year.

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2022

Report of the Board (continued)

Board and Committee member attendance

	Percentage of members attending	
BOARD ATTENDANCE		
Attended meetings / Possible meetings	65%	(2021 80%)
COMMITTEE ATTENDANCE		
Human Resources	100%	(2021 100%)
Customer Service	57%	(2021 50%)
Audit, Finance and Risk	79%	(2021 91%)
OVERALL ATTENDANCE		
Attended meetings / Possible meetings	68%	(2021 93%)
Number of meetings		
Board	8	(2021 8)
Audit, Finance and Risk	4	(2021 3)
Customer Service Committee	2	(2021 1)
Human Resources Committee	1	(2021 1)

Internal controls assurance

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the Association is continuing, and has been in place throughout the period commencing 1 October 2021 up to the date of approval of the annual report and financial statements. The Board receives and considers reports from management on these risk management and control arrangements at each meeting during the year.

Key elements of the control framework include:

- Board approved terms of reference and delegated authorities for audit, finance and risk, human resources and customer services committees;
- clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- robust strategic and business planning processes;

For the year ended 30 September 2022

Report of the Board (continued)

- detailed financial budgets and forecasts for subsequent years;
- formal recruitment, retention, training and development policies;
- established authorisation and appraisal procedures for all significant new initiatives and commitments;
- regular reporting by senior management to the appropriate committee of key business objectives, targets and outcomes;
- Board approved whistleblowing and anti-theft and corruption policies; and
- detailed policies and procedures in each area of the Association's work.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Audit, Finance & Risk Committee ('The Committee') to review the effectiveness of the system of internal control on a regular basis. The Board receives reports from the Committee together with minutes of meetings.

The means by which the Audit, Finance & Risk Committee reviews the effectiveness of the system of internal control include considering risk reports, internal audit reports, management assurances, the external audit findings report and specialist reviews on areas such as support service contracts, health and safety and housing services. The Committee has received reports from the internal auditor and has reported its findings to the Board. The Board receives regular reviews from the Chief Executive of the effectiveness of the system of internal control for the Association and in turn conducts its own reviews through the year of the effectiveness of the system of internal control.

A fraud register is maintained and is reviewed by the Audit, Finance & Risk Committee at least twice a year.

The Board is therefore satisfied that the systems of internal control are sufficiently robust and have been operating throughout the year.

Statement of compliance

The Board confirms that the Strategic Report has been prepared in accordance with the principles set out in paragraph 4.7 of the 2018 SORP for Registered Social Housing Providers.

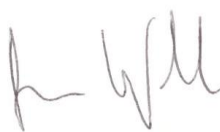
Post balance sheet events

As far as the Board is aware, there have been no significant post-balance sheet events.

The Report of the Board was approved by the Board on 1st March 2023 and signed on its behalf by:



Sally Reay
Chair



Dominic Wallace
Board Member



Marcus Andrews
Secretary

For the year ended 30 September 2022

Operating and Financial Review and Strategic Report

Overview of the Financial Year

It has been a challenging year as we have slowly emerged from the constraints of the Covid-19 Pandemic, with our priority throughout the year being to maintain the health and wellbeing of our customers, staff and contractors whilst ensuring high levels of service quality. This we have achieved through good communication with customers and a focus on their wellbeing. We have maintained welfare calls throughout the year and having emerged from lockdown we have resumed a normal level of service for all repairs, especially any issues which a customer felt would impair or impact upon their independence.

We have also achieved a great deal in our operational areas of Housing and Care and Support, these achievements are set out below:

Housing, Property and Asset Management

Ability Housing owns and manages 650 properties (plus some office accommodation) across 31 local authority areas in London and the South East, from Hastings to Bournemouth and Essex to Oxfordshire. We provide accessible housing for people who want to live more independently and focus our service delivery and improvement plans on achieving this.

We said last year that to enable us to successfully deliver the Customer Strategy we needed to bring our call centre in house.

In May of this year, we therefore launched the in-house call centre at Ability and the use of one point of contact for resolving customer queries. Customers can now use one number to report repairs, book appointments with their Housing and Support Officers, and request a rent balance thus significantly expanding our offer to customers.

To support this call centre function the Pyramid Housing System has further developed with the implementation of the property and repairs module for logging and raising all repairs. This has allowed access to historic data on repairs, up to date information on open repairs, improved workflows and has greatly enhanced our repairs and maintenance offer.

We also introduced the technology within our contact centre to receive and respond to digital communications such as WhatsApp, send text messages directly to customers, and receive text communications from customers.

This launching of the Contact Centre was used to also introduce our Customer Strategy to our customers and our five customer commitments via our Customer Magazine, as well as defining and publicising our Customer Offer and Customer Standards.

This financial year also saw us introducing a new Repairs and Maintenance contractor to deliver our repairs service following a tendering process that was initiated last year. This contract commenced in March and a key focus has been its mobilisation throughout the year.

Within our planned maintenance programme, six kitchens and one bathroom replacement were completed, four heating systems were upgraded and sixteen new boilers were installed. Customers were involved in the selection of the kitchen features. They were consulted and kept informed by our Property Services Team and provided reports of high levels of satisfaction both during and on completion of the works.

Staffing, Recruitment & Retention

The success of our service delivery within housing is reliant on recruiting the right people with the skills, knowledge and values that align with our service delivery ambitions.

With the introduction of the call centre this further increased our need to recruit to roles with the onus on ensuring any new members of staff matched our Ability Positive values and behaviours.

We are also experiencing a period of rapidly increasing costs and shortages of materials and therefore ensuring we had adequate resource to scrutinise spend and quality of works was also essential in order to deliver our full services to customers.

Speaking at the Chartered Institute of Housing's conference in Brighton in May 2022, Ria Bailes, founder of Bailes Partners Consulting, said research carried out by her company found that 56% of staff expect to move on from the housing sector for better salaries, benefits and career opportunities. The research

For the year ended 30 September 2022

Operating and Financial Review and Strategic Report (continued)

conducted by Bailes Partners Consulting also found that 77% of employers experienced skills shortages in the past year.

This research mirrors the challenges we have seen within Ability HA in recruitment at the beginning of the financial year and saw us reviewing our recruitment resource and processes. This led to greater investment in the HR team which allowed us to explore new opportunities for recruitment including graduate schemes, and the offering of professional development in offers of employment.

We have also reviewed our staffing structures to develop more opportunities for progression within Ability with additional team leader and senior officer roles thus ensuring our focus is also on staff retention.

This is further supported by our revised training offer which ensures that the opportunities for personal development are promoted to colleagues, and there are windows within the financial year for employees to make applications for professional training to support their development.

Ability knows that the right people being recruited and retained within the business is the key to our success in delivering our services to customers and we will therefore continue to support and develop our people to the highest standard.

Quality Management

Ability has introduced additional quality measures within Housing to assure on the quality of its service delivery and the ambitions of the Customer Strategy, which are underpinned by our five customer commitments:

- We will communicate well and resolve problems.
- We will ensure the good state of your home.
- We will provide a supportive, proactive, and responsive Housing Management service.
- We will have meaningful engagement with our customers.
- We will provide a supportive and personalised service to our customers.

In order to measure the quality of our services we have introduced the following.

The revision of our structure within housing management to include an additional team leader role, thus increasing our capacity to carry out quality audits of our housing management services.

The completion of Intensive Housing Management Plans with all our customers to ensure that we are providing a personalised and supportive service to our customers.

Tenancy audits are now completed annually to ensure we hold accurate and up to date information on our customers and properties.

The completion of estate inspections where the quality of our properties is measured against our defined standards, and any deviations from standard are highlighted and rectified.

Monthly KPI's are produced by both the Housing and Property team. These KPI's are submitted by officers and verified by the appropriate operational manager before being discussed with the Operations Director. This meeting allows any concerns or trends to be identified in the data, and responsive action taken as a result before the figures are then presented to SMT monthly, and Board quarterly for review and discussion.

The introduction of a monthly directorate review of complaints learnings to ensure these learnings are embedded in service delivery.

A fortnightly voids and lettings meeting is also held where the voids process and lettings process is scrutinised by operational leads within Ability. This ensures the sourcing of applicants, and progression of letting a void has clear oversight and has seen an improvement in our void turnaround performance as a result.

Finally, we have introduced the process of completing Repairs Satisfaction Surveys on all completed repairs with our customers and these are included in our KPI reporting.

For the year ended 30 September 2022

Operating and Financial Review and Strategic Report (continued)

Plans for the Future

Staffing

- Further defining the 'career pathway' within Ability which would promote the development and retention of valued people within the organisation.
- Further understanding and use of social media in recruitment campaigns.
- Further embedding a 'values led' method of recruitment, and standardising a skills training programme to support this approach.
- Continued training and development offered to support individual's personal and career development.

Quality Management

- The reviewing and verifying of estate inspections completed by Housing and Support Officers for completeness and effectiveness.
- The completion of post inspections on all void works.
- The completion of post inspections on 10% of all completed repairs.
- The auditing of IHM Support Plans conducted monthly to ensure identified needs are being effectively met.

Property

With the Customer Strategy now launched to customers, and the contact centre in house the focus of the next financial year will be to launch our Asset Management Strategy to customers and further develop our approach in working towards the 2030 EPC C, and 2050 net zero target.

This will be further supported with the revision of a five-year planned maintenance programme.

The Asset Management Strategy will define our core geographical operating areas and could subsequently result in the disposal of some of our properties outside these areas.

Any disposals we will seek to re-provide these units within our core areas recycling grant wherever possible to develop additional supported housing units.

As part of this strategy we will also be stating our intention to look within our existing stock to identify any office spaces, garages etc which could be potentially developed into additional units of accommodation.

Housing

We will also be further enhancing our Intensive Housing Management Officer to customers with access to the revision of a Hardship Policy in response to the 'cost of living' challenges known to be impacting customers.

Our digital offering to customers will also be further developed with the scope of our digital engagement and offer being developed with our customer panel and from customer feedback.

A full Customer Satisfaction Survey will also be undertaken using the format of the Tenant Satisfaction Measures which we will be required to report on from April 2023.

Care and Support

Ability Care and support delivers services in five local authority areas in the south of England, supporting our customers to live independently in the community. We provide supported living and community support in people's homes for people with a learning disability, physical disabilities, and mental health needs.

Staffing, Recruitment & Retention

Care and Support is a people business, and the quality of the service our customers experience is based on the interactions they have with our staff teams. If these interactions do not reflect our Ability Positive values and behaviours and our approach is anything other than caring and supportive, then the quality of the service delivered will suffer. As has been widely publicised by Skills for Care, The Care Quality Commission and through coverage in the media, there is an acute staffing shortage across the social care

For the year ended 30 September 2022

Operating and Financial Review and Strategic Report (continued)

sector and during the year Ability HA has had an acute focus on the recruitment, retention and professional development of our people.

Our colleagues are our greatest asset and our largest area of expenditure within our care and support services, around 70% of expenditure is direct staff costs. To deliver high quality personalised services it is essential that we invest in our colleagues to be the best that we can be and achieve our aspirations. To achieve this, we have invested in our HR Team during the financial year, focusing on recruitment and retention of staff.

As a result of this review, we have re-designed our recruitment process with Ability's Internal Recruiter (full time dedicated resource) conducting meetings with all recruiting managers on a fortnightly basis. These meetings allow opportunity to discuss recruitment in progress as well as plan for future recruitment and support the onboarding of recent recruits.

In nearly every area in which we operate we have maintained staff vacancy rates at circa 5% which is better than the sector average for Southeast England of 10.7% (Skills for Care - summary of the adult social care sector and workforce in Southeast, 2021/22). However, in one county we are currently experiencing vacancy rates frequently exceeding 10%. Even in this area we have made good progress in recent months through trialling & utilising different channels both digitally and in person to promote job vacancies alongside job fairs and other activities to raise awareness of Ability and promote the organisation as an employer of choice in the local area.

Alongside recruitment, retaining and developing colleagues is key to our success and we continue to invest and promote training and development for colleagues ensuring our teams are knowledgeable, competent and are supported to deliver high quality interactions with customers across all our service areas. We continue to invest in "lead to succeed" management training, giving new and aspiring leaders within the organisation the skills and knowledge to develop their career. Whilst we have high ratios of staff who are qualified at level 2,3 and 5 in Health and Social Care we will be further promoting and increasing the opportunity for colleagues to gain qualifications over the coming year and beyond.

Ability understands that it is only by investing in our people can continue to deliver excellent services to the people we serve and whilst it is a challenging operating environment ensuring we support and develop our people to a high standard is essential to our ongoing success.

Quality Management

Ability has implemented a robust quality management system within care and support to ensure that we deliver and can evidence high quality, safe and caring services which are personalised and responsive to each person's needs and aspirations. To achieve this we have put in place the following:

On a weekly basis, Team Managers are required to evidence how they have ensured safe staffing levels within the schemes they are responsible for by completing a Service Delivery Spreadsheet. This document details how Team Managers have allocated their staff resource to meet the customer need. It also identifies any staff annual leave (AL) during the week, the number of staff supervisions undertaken and any voids in the schemes they are responsible for.

Team Managers are required to undertake a monthly audit of the schemes they are responsible for which covers areas such as customer outcomes, customer finances, medication and health and safety. Team Managers are required to compile and submit an action plan from their audit to their line manager which will be monitored through their supervision. This audit will also be referenced and discussed as part of the Quarterly Management Audit completed by their line manager.

The Quarterly Management Audit was developed to reflect the CQC 5 Key Lines of Enquiry (KLOE) and includes discussions with our customers about the service they receive in addition to assessing services against health and safety requirements and adherence to Policies and Procedures.

KPI's for all services are reported on monthly and this report is validated and discussed at the monthly Care + Support Senior Managers Meetings to identify concerns and trends to ensure we are responsive to the data and any concerns or emerging issues identified. The position of schemes against the KPI's is presented at SMT monthly and to Board quarterly where a discussion is facilitated.

Team Managers Meetings are held quarterly involving all managers where trends, successes and concerns are further discussed in addition to communicating any actions arising from the senior managers meeting, SMT and Board.

For the year ended 30 September 2022

Operating and Financial Review and Strategic Report (continued)

We undertake an annual customer satisfaction survey with all our customers in care and support our last survey demonstrated customer satisfaction in excess of 90% in every area.

Funding & Contracts

The social care operating environment remains extremely challenging. With an increase of 6.6% in the National Living Wage (NLW) effective April 2022 and with an announced NLW increase of a 9.7% effective April 2023, staff costs have significantly increased whilst inflationary fee increases from local authority commissioners have failed to fully cover these inflationary pressures.

With a challenging and competitive recruitment market both between social care providers competing for experienced staff alongside competition from other sectors such as retail and hospitality who are often able to pay a higher wage rate. As identified in the CQC Report *The State of Care 2021/22* care providers are increasingly struggling to recruit & retain a full staff compliment of experienced, skilled and motivated people. With the current cost of living crisis many staff are struggling to cope on NLW pay rates and post pandemic burnout is a significant issue. Whilst Ability (as identified above) has maintained a strong management focus on recruitment and retention, this is a sector wide problem and will only improve with a policy driven solution from central government. The bottom line is whilst social care is a skilled and rewarding role, its pay and conditions do not reflect the skill set required to undertake the role. This is not only demoralising the existing workforce but deterring new entrants to the sector who can earn more elsewhere and see no career pathway within the sector. We must value the life improving role of our care and support workers, otherwise it will become increasingly challenging to recruit sufficient numbers of experienced support workers to continue to deliver high quality services to our residents and meet our contractual responsibilities.

To ensure Ability maintains financial viability of our care and support services, each service is reviewed on a quarterly basis looking at performance against budget and the reasons for any positive or negative variances. Where a service is not able to achieve full cost recovery, we first review the service model to ensure our delivery model is efficient and effective. If following a review it is not possible to achieve full cost recovery then we will seek to negotiate with the commissioning local authority to agree a sustainable contract price for the service.

In addition to regular reviews of operations financial performance during the year, we also seek to ensure we receive annual inflationary increases from commissioners which reflect the actual inflationary costs being incurred. This is of particular importance currently due to significant recent increase in the National Living Wage and a high inflationary operating environment. We have concluded negotiations regarding inflationary fee increases during the year, but the time-scales for agreeing these is further elongating. This year, it took until September to agree with every authority the inflationary increase for the year, some 6 months after the increase to the National Living Wage rate was implemented. We understand the challenging financial position being experienced by local authorities, however, such long delays in agreeing inflationary fee rises, increases the uncertainty and financial pressures experienced by Ability and the care and support sector as a whole and inhibits longer term planning.

During the year Ability took the decision to close the organisations last remaining registered residential care home for people with a learning disability - Fiddlers Green in London. Fiddlers Green is a seven bedded home for people with learning disabilities, over recent years demand for the service has declined. For the last twelve months the home had been operating with a void level of 57% and following consultation with residents, relatives, and local authorities the decision was taken to close the service. This was a challenging decision to make, particularly as all of the residents had lived at Fiddlers Green for many years and was their home. The staff team at Fiddlers Green were fantastic, supporting residents emotionally and practically, helping them to be clear about their wishes and aspirations for their new homes and how they wished to be supported in the future, liaising with families and alongside residents supporting local authorities to find homes with support that met the long term aspiration, wishes and needs of the resident(s). We do not pretend that the closure of Fiddlers Green was easy nor that residents, relatives and staff experienced periods of anxiety during the closure process; but through clear, frequent and open channels of communication everyone was kept informed, all views and opinions were valued and at the end of the closure process good quality services were identified and secured which met the needs of each individual resident.

During the year we also withdrew from a supported housing contract in Berkshire. Sadly the framework agreement upon which this service was delivered was tendered and the maximum tender price was less

For the year ended 30 September 2022

Operating and Financial Review and Strategic Report (continued)

than the current value of the contract. The available contract sum was financially unviable and Ability had no other option than to hand the contract back.

Plans for the future

Staffing

- Renewed promotion of the “Refer A Friend” Scheme to existing staff members
- More strategic planning of resources for attending face to face events such as job fairs
- Evaluation and exploration of potential untapped talent pools within society and how to reach those
- Exploration of maximising the use of social media
- Continued analysis of the financial / resource input required for each recruitment source, evaluated against the success of each.
- To invest in the training and development of our care and support managers and staff teams, developing practise and a career pathway

Service Improvement

- Through the implementation of a strength-based approach and personalised services, maximise the opportunities for customers to be valued members of their community through accessing community facilities such as participating in local groups, volunteering opportunities and employment options
- Align our operating procedures and quality framework to reflect the revised CQC Inspection framework
- Ensure our monitoring of services reflects the changes to the CQC inspection framework, identifying areas of strengths and weakness at both a service and organisational level, informing Ability’s learning and service improvement plans so we can ensure we deliver the best possible service to our customers

Business Development

- We will only tender for services that represent good business, developing a care and support tender criteria to be approved by the board, which will identify the key components and criteria upon which approvals to bid will be based.
- We will seek to maximise organic growth within our learning disability services by re-letting homes to people with higher and more complex support needs when voids become available, supporting people who are furthest from community and independent living who require more intensive support, increasing the number of support hours delivered within existing learning disability services.
- As part of our asset management strategy, as we dispose of housing units in non-core geographical areas, we will seek to re-provide such units as supported housing schemes in core geographical areas, negotiating with local authorities to secure the care and support contract within such developments.

For the year ended 30 September 2022

Operating and Financial Review and Strategic Report (continued)

Pension costs

The Association participates in four pension schemes, the Social Housing Pension Scheme (SHPS), the Surrey County scheme (LGPS), the Social Housing growth plan and the Social Housing direct contribution plan which was used as the auto enrolment vehicle from May 2014. The former two are final salary schemes (now closed to new members), the others money purchase. The Association has contributed to the schemes in accordance with levels, set by the actuaries, of between 3% and 35.1%. We will continue to contribute to the schemes in line with the advice of independent actuaries and the legislative increases required for all auto enrolment pensions.

Capital structure and treasury policy

By the year end borrowings amounted to £6.55m of which £0.4m falls due to be paid within the next year as shown below.

	2022	2021
	£'000	£'000
Within one year or on demand	418	396
One year or more but less than two years	442	418
Two years or more but less than five years	1,493	1,399
Five years or more	4,197	4,733
	6,550	6,946

The Association borrows, principally from banks, at both fixed and floating rates of interest. At year-end, 100% of the Association's borrowings were at fixed rates (2021: 48%).

The rates of interest range from 0.537% to 10.68% and in the current market, where long term fixed rates have fallen significantly, this means that the Association is paying interest on part of its borrowing at rates fixed historically which are substantially in excess of current market levels. The amounts on one borrowing stream are small, but on another represent a significant additional cost. The situation is reviewed regularly with lenders and with the Board, and as a result of this when the opportunity arose to fix the remaining borrowing at an advantageous rate, and given the rising interest rate environment, the Board opted to remove the floating rate risk. The Association borrows and lends only in Sterling and so is not exposed to currency risk.

Cash flows

Cash inflows and outflows during the year are shown in the statement of cash flow (page 31). The cash inflow from operating activities decreased this year to £590k (2021: £747k), largely driven by reduced cash inflows from service charges following a pause in charging for some service charge elements to allow an independent review. The elements under review have been validated, and charging resumed in 2022-23.

Overall cash balances decreased to £4,736k (2021: £4,955k).

Future developments

Development of a number of suitable small-scale residential schemes is currently under consideration, and is dependent on the outcome of a number of strategic initiatives being pursued. Future care and support expansion is also being actively pursued, with prudent expansion of the business stream as the strategic objective. These initiatives will enhance stability for both the housing and care elements of the business.

At the year end the Association had no undrawn facilities, but is well advanced in the process of putting a revolving credit facility in place of £2.0m (2021: £2.0 million) subject to a comprehensive funding review to be carried out with the Board in early 2023.

For the year ended 30 September 2022

Operating and Financial Review and Strategic Report (continued)

Statement of compliance

In preparing this Operating and Financial Review, the Board has followed the principles set out in the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers.

The Board also confirms compliance with The Regulator of Social Housing's Governance and Financial Viability standard.

Value for Money

The Association has a Value for Money strategy which seeks to ensure that we make best use of the various forms of capital that we have at our disposal (people, property and reputation and financial resources).

The specialist nature of the services delivered by Ability mean that benchmarking our VFM metrics against the majority of social housing providers fails to reflect a true comparison of performance. In order to provide a peer group analysis we have used the VFM metrics calculated in accordance with the Regulator of Social Housing 'Value for Money Metrics Technical Guidance Note May 2022' extracted from the published accounts of four social housing providers operating in the same 'market' and of a similar nature to Ability. Even within the group of organisations operating in a sufficiently similar way and in the same 'market space' as Ability, direct comparatives are not always possible to achieve given the wide range of business models employed.

Metric	Ability	Advance	Brunel Care	Framework	Reside	Average Peer Group
1 Reinvestment	0.20%	5.40%	2.30%	11.82%	1.00%	4.14%
2a New Supply Delivered Social Housing Stock	0.0%	1.5%	0.0%	6.0%	1.9%	1.87%
2b New Supply Delivered Non-Social Housing Stock	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%
3 Gearing	6.00%	-1.80%	9.80%	3.66%	-4.50%	2.63%
4 Earnings before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA-MRI) Interest Cover	294.72%	611.00%	299.50%	558.13%	214.00%	395.47%
5 Headline Social Housing cost per Unit	£ 5,994	£ 14,045	£ 7,523	£ 24,800	£ 11,700	£ 12,812
6a Operating Margin on Social Housing Lettings	2.67%	10.00%	31.30%	2.57%	0.50%	9.41%
6b Operating Margin overall	3.60%	5.20%	3.80%	4.15%	0.70%	3.49%
7 Return on Capital Employed	0.53%	3.00%	2.10%	1.63%	1.00%	1.65%

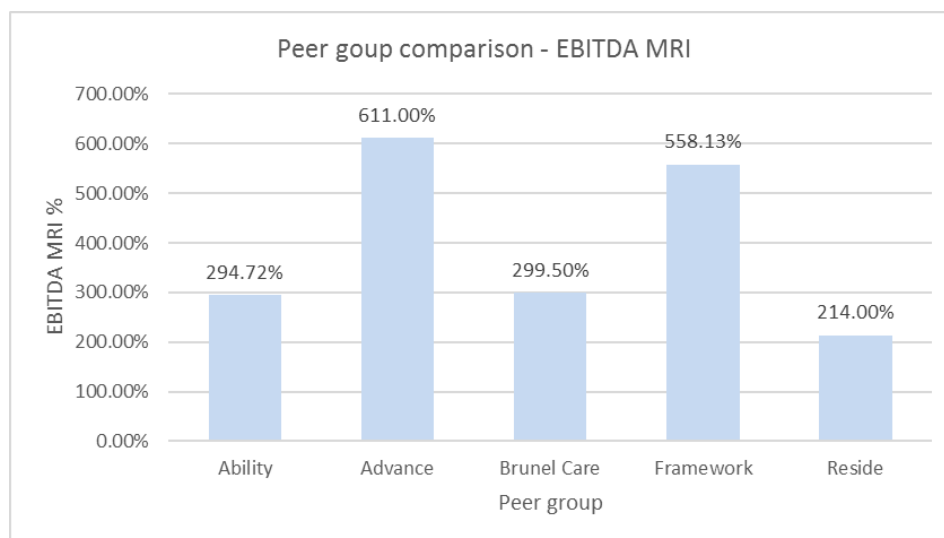
Metrics per the RSH 'Value for Money Metrics Technical Guidance Note May 2022'

Peer group metrics extracted from published 2021-22 financial statements (all are for the year ended 31 March 2022)

- Taking a representative sample of similar housing and care providers, the analysis of the metric Earnings before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA-MRI) Interest Cover shows that for this group, where the mean value is 396% (2021:759%) due to strong performance by Framework and Advance, Ability at 295% (2021:220%) is still achieving a significantly better performance than the tightest covenant on its portfolio of borrowings, and is ahead of the median point for the sector taken from the 2021-22 Global Accounts of 128% (2021: 151%).
- This improvement in EBITDA-MRI reflects the limited nature of the re-commencement of investment in major repairs and component replacement in what has been a challenging year of labour and material shortages, which has left un-met rising demand for works deferred due to the pandemic. The EBITDA-MRI impact supported the strong operating margin performance from the Care and Support business offset the lower margins from the housing revenue stream where reduced service charge revenues impacted on margins.

For the year ended 30 September 2022

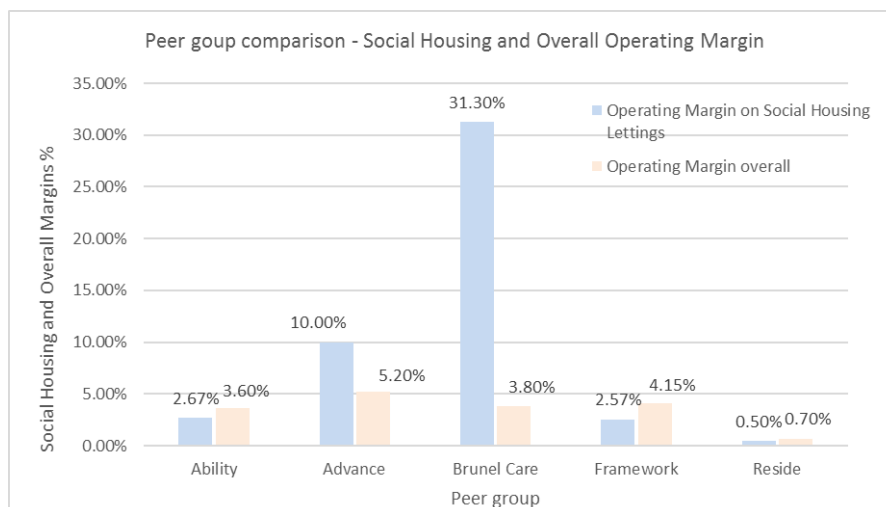
Operating and Financial Review and Strategic Report (continued)



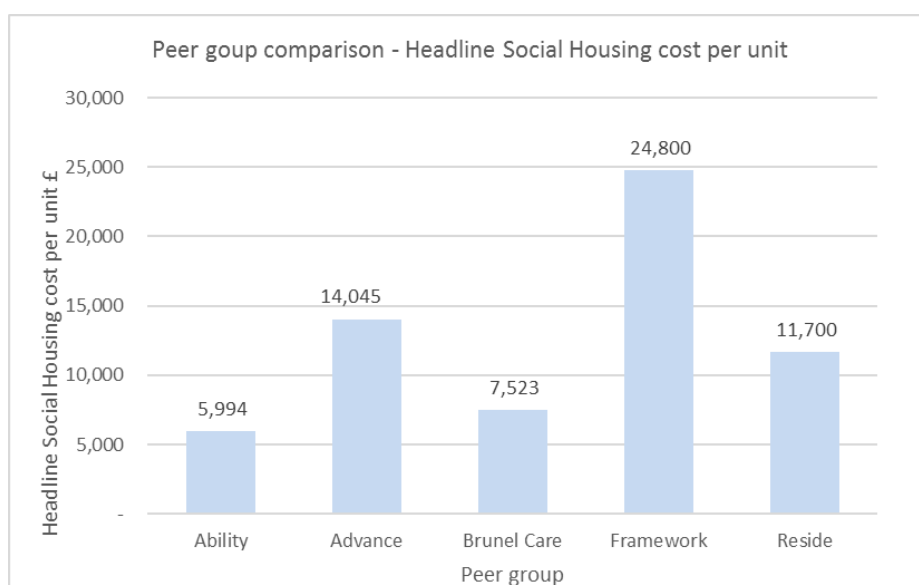
- Operating margin at 3.6% is marginally above the peer group average of 3.49% for overall activity, and provides a more realistic comparator, eliminating some of the classification differences and varied financial model effects of the peer group analysis. Operating margin on social housing lettings at 2.7% is reduced from last year by 3.2% (2019-20 5.9%) and reflects the reduced level of revenue from service charges as a moratorium on the charging for service charge recoverable equipment was undertaken during the year to ensure compliance.

For the year ended 30 September 2022

Operating and Financial Review and Strategic Report (continued)



- The reduced maintenance activity has largely driven the decreased 'Headline Social Housing' cost per unit at £5,994 (2021: £6,196), a decrease over 2020-21 of £202 per unit and the lowest in the peer group. At under half of the peer group average of £12,820, this partially reflects the difficulty of establishing a true 'average' cost given the variety of operating models in the specialist housing sector, but still represents a performance that Ability will seek to improve on through more efficient procurement and management of void repairs management and, with the Landlord Health and Safety works now running in the 'normal' cycle, a reduced compliance and consequent repairs spend.
- The Ability approach to provide intensive tenancy sustainment support through the Housing Support Officers, with significant investment and focus on supporting our customers to manage and retain their tenancy, represents a better outcome for the customer, and a value for money saving for Ability when compared to the cost of tenancy change. This investment supports the target of reducing arrears and bad debt by 0.5% per annum, and enabling our customers to benefit from a stable home environment in the longer term.



ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2022

Operating and Financial Review and Strategic Report (continued)

Value for money metrics – Ability five year trend

Metric	2021-22	2020-21	2019-20	2018-19	2017/18
1 Reinvestment This metric looks at the investment in properties both new and existing as a percentage of the value of total properties held	0.20%	0.81%	0.24%	0.05%	0.24%
2a New Supply Delivered Social Housing Stock This metric looks at the number of new Social Housing units delivered in the year	-	1	-	-	-
2b New Supply Delivered Non-Social Housing Stock This metric looks at the number of new non-Social Housing units delivered in the year	-	-	-	-	-
3 Gearing This metric assesses how much of the assets are made up of debt and the degree of dependence on debt finance.	6.00%	6.47%	6.68%	9.12%	10.45%
Earnings before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA-MRI) Interest Cover This is a key indicator for liquidity and investment capacity	294.72%	220.06%	308.17%	258.09%	256.04%
5 Headline Social Housing cost per Unit	£ 5,994	£ 6,196	£ 5,641	£ 5,795	£ 7,201
6a Operating Margin on Social Housing Lettings This metric measures profitability, and is a way of measuring the financial efficiency of a business	2.67%	5.89%	8.73%	1.78%	6.78%
6b Operating Margin overall This metric measures profitability, and is a way of measuring the financial efficiency of a business	3.60%	4.93%	6.93%	3.40%	4.13%
7 Return on Capital Employed This metric measures the efficiency of investment of capital resources.	0.53%	0.78%	1.31%	0.78%	0.68%

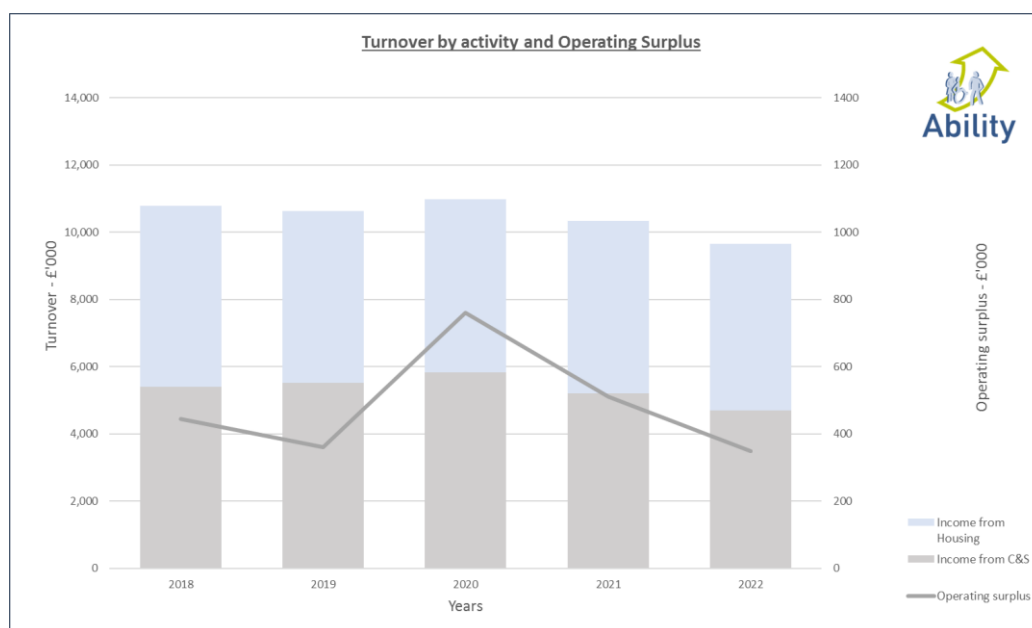
Metrics calculated per the RSH 'Value for Money Metrics Technical Guidance Note May 2022'

For the year ended 30 September 2022

Operating and Financial Review and Strategic Report (continued)

Five-year trading summary

- Revenues in both Housing and Care and Support saw a reduction last year, with the transfer away of a care and support contract in Hampshire and the closure on economic viability grounds of our only care home in South London, adding to the reduction in service charge revenues in the Housing side of the business.



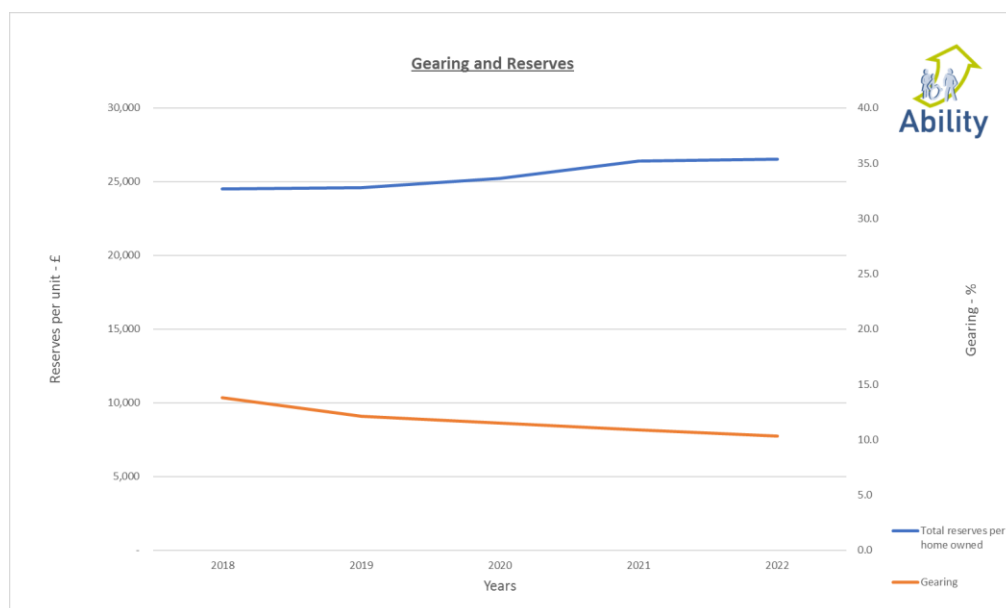
- The additional costs incurred due to Covid continued to benefit from the government measures such as Infection Control Fund and the Furlough scheme, but whilst these payments offset some of the additional expenditure incurred, they did not cover 100% of the additional costs.
- Maintenance activity both in cyclical and responsive repairs experienced reduced activity during the year due to considerable challenges in the procurement of trades and materials. The maintenance environment has been hit hard by key material shortages in basic materials and components due to the upsurge in demand following the return to 'normal' life after the pandemic, exacerbated by challenges in the importing of materials and components following Brexit. However, as we approached the end of the financial year, activity levels started to climb back to approaching normal as supply chains regained more regular operation. A shortage of skilled tradespeople continues to be a challenge.

Five-year financial stability summary

- Growth in reserves per unit reflect the reduced revenue growth and simultaneous non-capital investment in the stock condition. However, close management of indirect costs and the restructuring of both care & support and housing delivery have enabled the trajectory of reserves per unit to remain positive, albeit at a reduced rate.
- Gearing continues to fall as a function of repayment of the loans over time, the winding down of property leasing commitments and the continued cash generating performance of the business. The graph reflects our banking covenant gearing calculation.

For the year ended 30 September 2022

Operating and Financial Review and Strategic Report (continued)

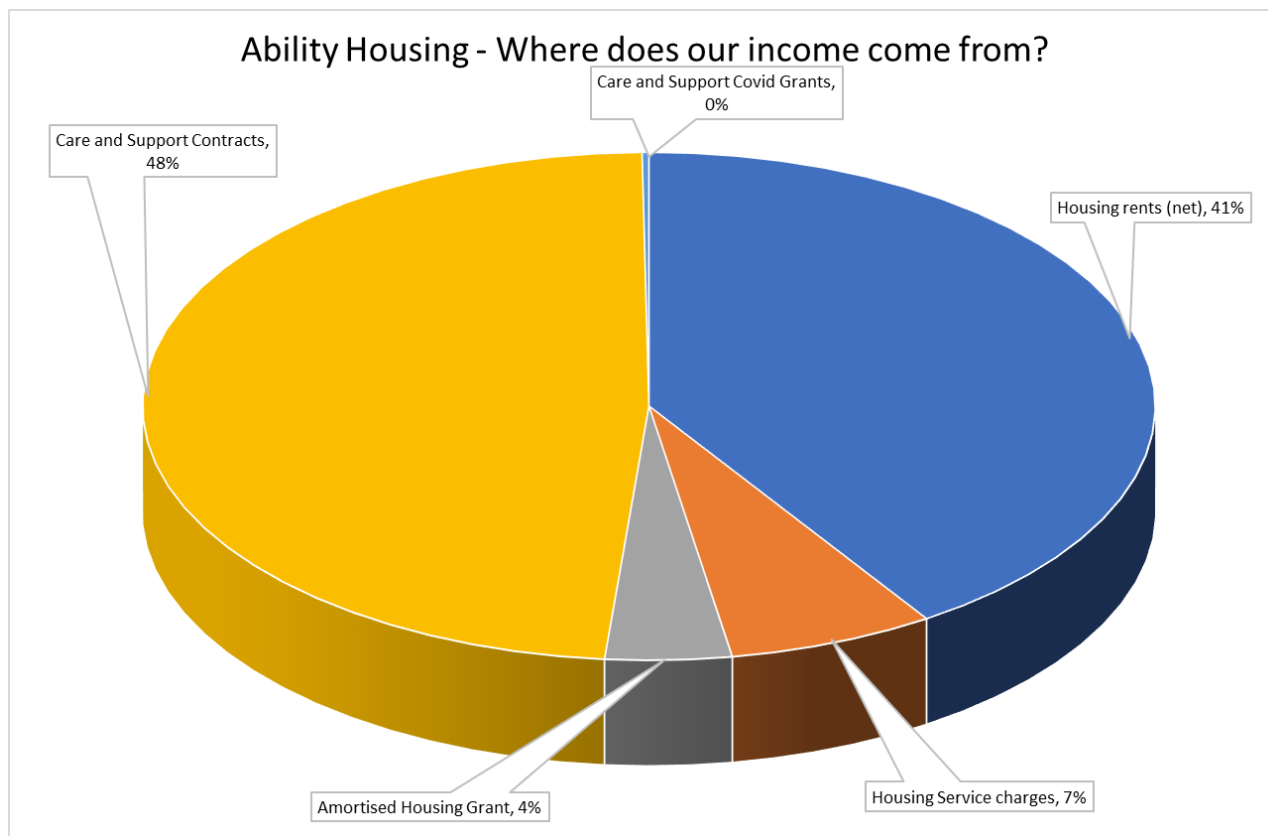


For the year ended 30 September 2022

Operating and Financial Review and Strategic Report (continued)

Ability performance in 2021-22

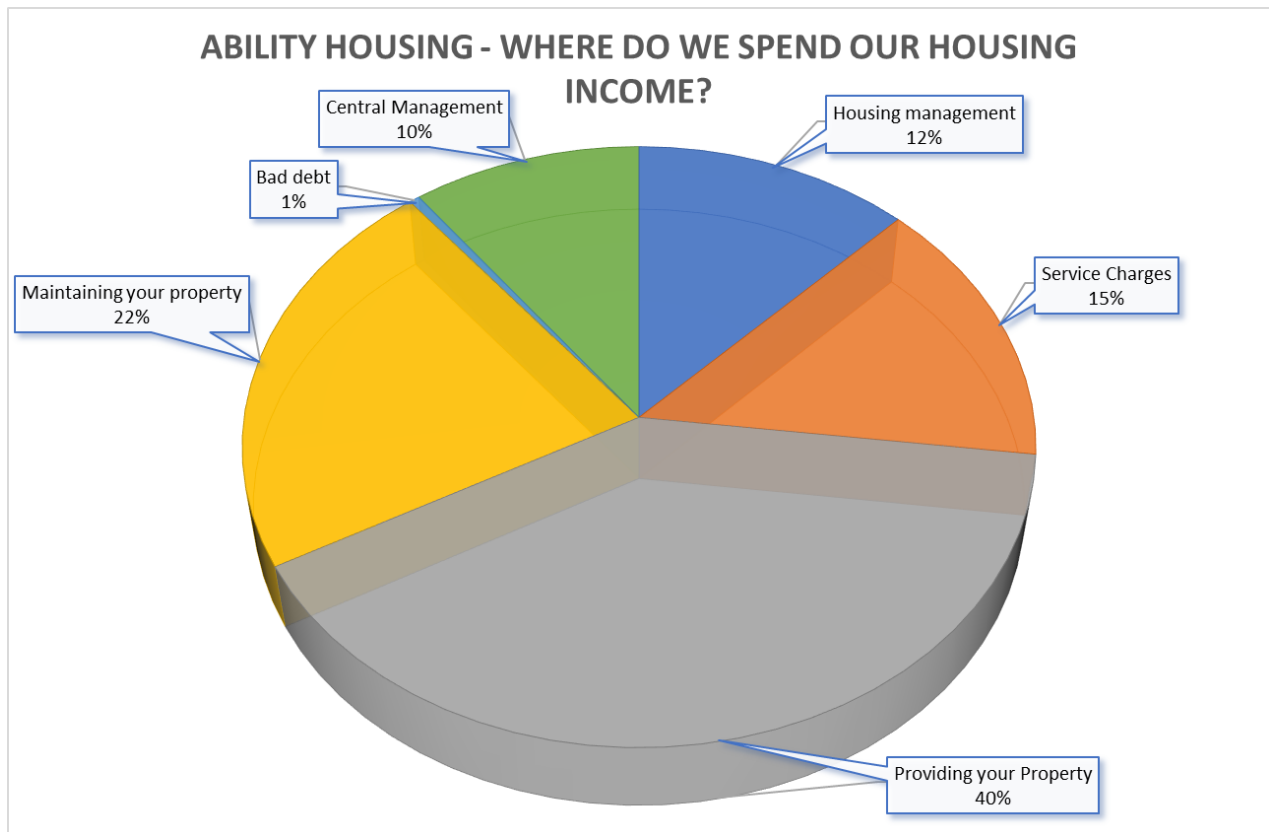
- Ability Housing Association comprises two distinct operating streams, generating £4,965k of revenue from social housing and associated activities (2021 £5,144k) and £4,695k from Care and Support activities (2021 £5,195k).



- The majority of the social housing and associated activities revenue is deployed in the cost of providing our housing stock, with 40% deployed between depreciation of the homes that we provide, and the interest payments on the loans used to deliver those homes.
- Keeping our stock in a safe and secure condition for our residents takes another 22% of our revenue, with the cost of providing services to our residents accounting for another 12%
- The full analysis of the cost of the social housing operating stream is illustrated below.

For the year ended 30 September 2022

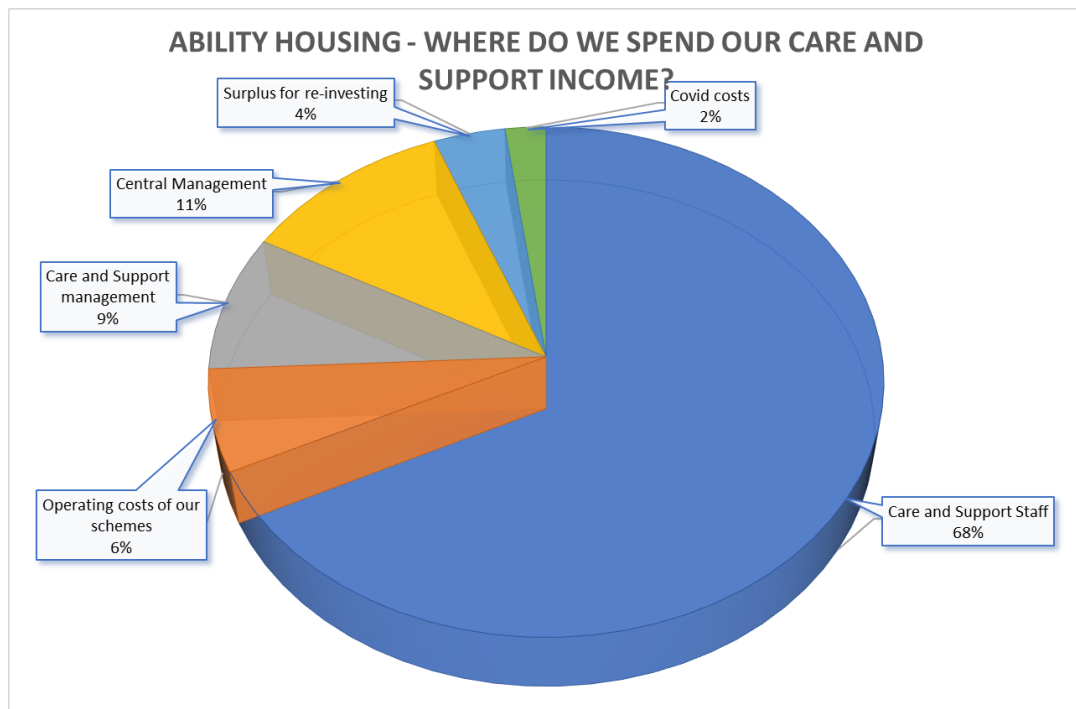
Operating and Financial Review and Strategic Report (continued)



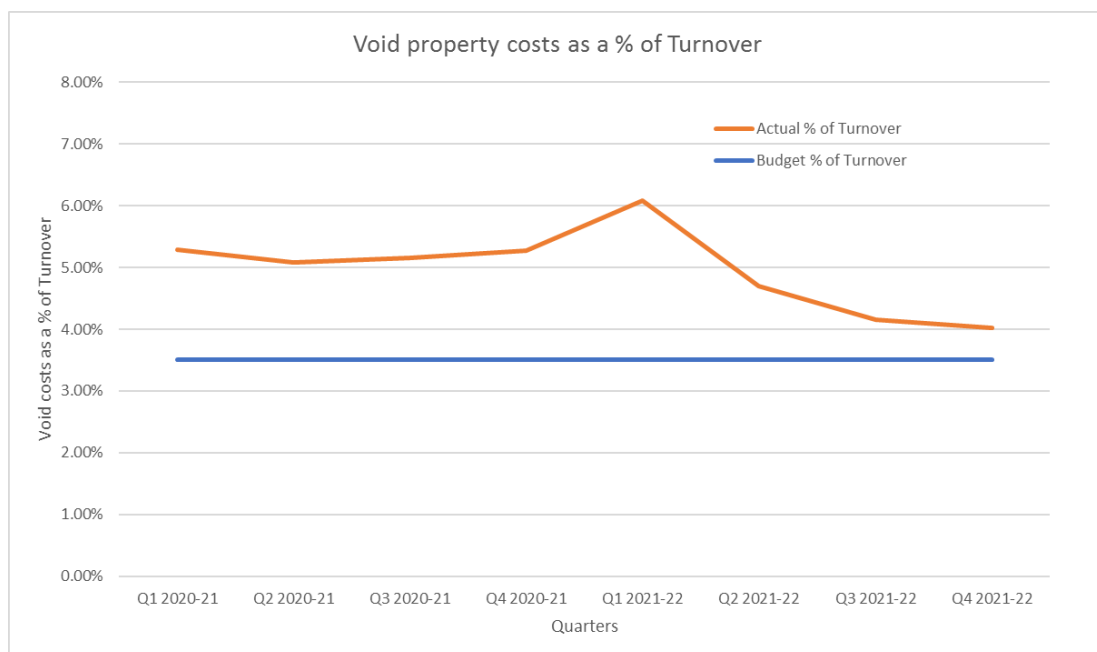
- Where the costs associated with social housing activities are predominantly related to the provision and maintenance of the housing stock, Care and Support is a primarily service based cost structure, being the delivery of Care and Support to people in their home environment.
- As such, the main cost of the Care and Support revenue stream is the people that deliver that service, and their costs make up 68% of the total deployed through that revenue stream, as illustrated below
- The costs of supporting our customers through the Covid pandemic continued to feature this year, albeit at a significantly lower rate, accounting for 2% of all the expenditure in Care and Support

For the year ended 30 September 2022

Operating and Financial Review and Strategic Report (continued)



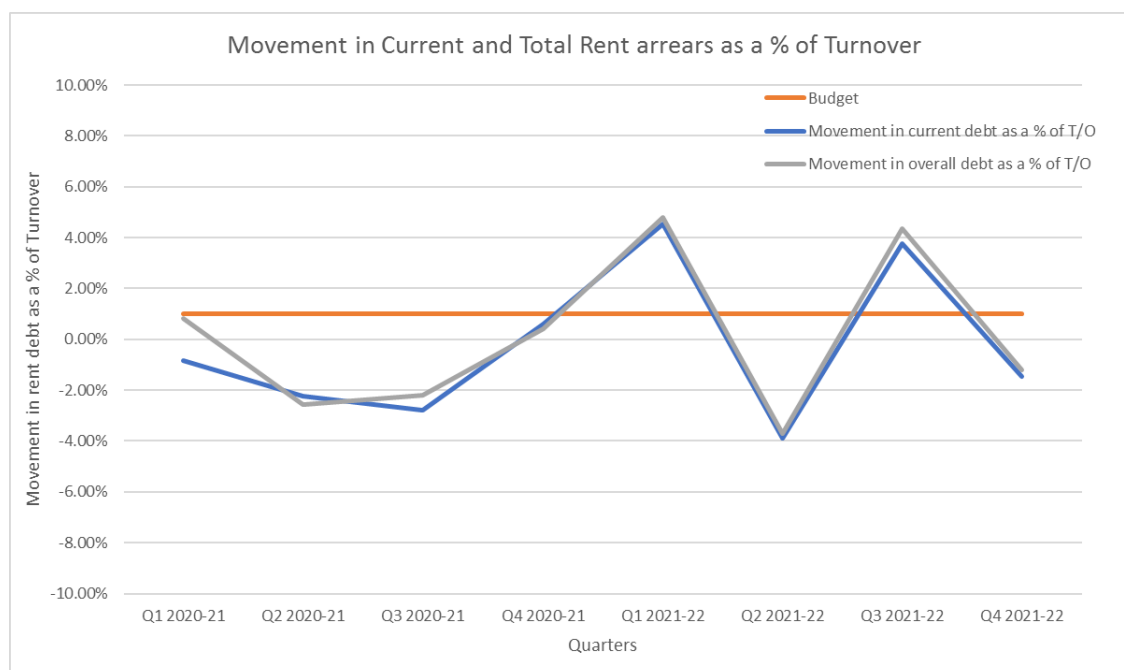
- Voids are a critical area of property management, and as the graph below shows, Ability has performed consistently behind budget over recent quarters reflecting the challenges during the pandemic that have been encountered in securing nominations for available properties. However, as part of the drive to improve performance and enhance margins in the Housing revenue stream, and to recognise the return to more normal nominations activity levels, the budget for void costs and properties has remained at 3.5% for 2021-22.



For the year ended 30 September 2022

Operating and Financial Review and Strategic Report (continued)

- The number of properties void is only part of the void cost equation, with the average duration and the cost of refurbishing the void property forming the cost elements of the measurement, with the complexity of the void works required often having a heavy influence on the period the property is void.
- From 2020-21 Ability implemented a standardised 'Void Works Standard' which was applied to all properties coming void in the estate, and facilitated more rapid turnaround times and ensured a consistent high standard of properties being offered to new tenants. This focus and standard led to significant savings in the costs associated with preparing a void property to return to production.



- A key measure in the effective management of the housing stock is the collection of rent and service charge due, which at Ability is measured as a percentage of housing turnover including service charges.
- During 2021-22 the movement on the overall amount of rent owed to Ability as a % of our housing turnover increased by 1.09 % against a budget of 1%, reversing the gain made during 2020-21.

For the year ended 30 September 2022

Statement of the responsibilities of the Board for the report and financial statements

The Board is responsible for preparing the Report of the Board, Operating and Financial Review, Strategic Report and financial statements in accordance with applicable law and regulations.

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

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

The Board are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it 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 (April 2019). It is 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

The Board members confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Board 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.

Annual general meeting

The annual general meeting will be held on 22 March 2023.

External auditors

A proposal will be made at the AGM to re-appoint Beever and Struthers as auditors for the financial year 2022-23.

The Operating and Financial Review and Strategic Report were approved by the Board on 1st March 2023 and signed on its behalf by:



Sally Reay
Chair

For the year ended 30 September 2022

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF ABILITY HOUSING ASSOCIATION
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

Opinion

We have audited the financial statements of Ability Housing Association (the 'Association') for the year ended 30 September 2022 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity (Reserves), the Statement of Financial Position, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 30 September 2022 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been 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 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 Board's 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 twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

For the year ended 30 September 2022

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF ABILITY HOUSING ASSOCIATION
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

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 Board and the Operating and Financial review and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Board and the Operating and Financial review and Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the 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 Board and the Operating and Financial review and 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 directors' 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 the Responsibilities of the Board set out on page 22, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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.

For the year ended 30 September 2022

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF ABILITY HOUSING ASSOCIATION
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of laws, regulations and guidance that affect the Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws, regulations and guidance that we identified included the Companies Act 2006, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019, tax legislation, health and safety legislation, and employment legislation.
- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the regulated nature of the Association's activities.
- We reviewed financial statements disclosures and supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

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. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other

For the year ended 30 September 2022

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF ABILITY HOUSING ASSOCIATION
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

Use of our report (continued)

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.



Elizabeth Hatchman
Senior Statutory Auditor
For and on behalf of
Beever and Struthers
Statutory Auditor
150 Minories
London
EC3N 1LS

Date: 22 March 2023

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2022

Statement of Comprehensive Income	Note	2022 £'000	2021 £'000
Turnover	2	9,660	10,339
Operating costs	2	(9,312)	(9,829)
Gain / (Loss) on disposal of property, plant & equipment	6	(52)	(69)
Operating surplus	5	296	441
Interest receivable	7	16	5
Interest payable and similar charges	8	(284)	(314)
Charitable donation received	11	-	201
Surplus on ordinary activities before taxation		28	333
Tax on surplus for the year		-	-
Surplus / (deficit) for the year after tax		28	333

Other Comprehensive Income

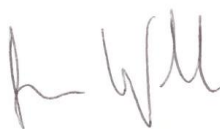
Actuarial gains / (losses) in respect of pension scheme	(126)	26
Total comprehensive income for the year	(98)	359

The notes on pages 33 to 61 form part of these financial statements.

The financial statements on pages 29 to 61 were authorised and approved for issue by the Directors on 1st March 2023 and were signed on its behalf by:



Sally Reay
Chair



Dominic Wallace
Board Member



Marcus Andrews
Secretary

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2022

STATEMENT OF CHANGES IN EQUITY (RESERVES)

Income and Expenditure Reserve

	£'000
Balance at 30 th September 2020	17,281
Surplus / (Deficit) for the year	333
Actuarial gains / (losses) in respect of pension scheme	26
Balance at 30 th September 2021	17,640
Surplus / (Deficit) for the year	28
Actuarial gains / (losses) in respect of pension scheme	(126)
Balance at 30 th September 2022	<u>17,542</u>

The notes on pages 33 to 61 form part of these financial statements.

For the year ended 30 September 2022

Statement of Financial Position at 30 September 2022

	Note	2022 £'000	2021 £'000
Tangible fixed assets			
Housing properties	11	52,488	53,290
Other tangible fixed assets	12	476	509
		<u>52,964</u>	<u>53,799</u>
Current assets			
Trade and other debtors	13	612	629
Cash and cash equivalents		4,735	4,955
		<u>5,347</u>	<u>5,584</u>
Creditors: amounts falling due within one year	14	(2,475)	(2,677)
		<u>2,872</u>	<u>2,907</u>
Net current assets			
		<u>55,836</u>	<u>56,706</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	15	(38,084)	(38,890)
Pension provision	19	(210)	(176)
		<u>17,542</u>	<u>17,640</u>
Total Net Assets			
		<u>17,542</u>	<u>17,640</u>
Capital and reserves			
Income and Expenditure reserve		17,542	17,640
		<u>17,542</u>	<u>17,640</u>
Total Reserves			
		<u>17,542</u>	<u>17,640</u>

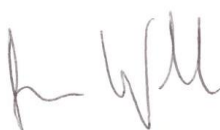
Company registration number: 01261380

The notes on pages 33 to 61 form part of these financial statements.

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Sally Reay
Chair



Dominic Wallace
Board Member



Marcus Andrews
Secretary

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2022

Statement of Cash Flows	Note	2022 £'000	2021 £'000
Net cash generated from operating activities	i	590	747
Cash flow from investing activities			
Interest received		16	5
Purchase of tangible fixed assets		(146)	(273)
		<u>(130)</u>	<u>(268)</u>
Cash flow from financing activities			
Repayment of borrowings		(396)	(389)
Interest paid		(284)	(314)
		<u>(680)</u>	<u>(703)</u>
Net change in cash and cash equivalents		(220)	(224)
Cash and cash equivalents at the beginning of the year		4,955	5,179
Cash and cash equivalents at end of the year		<u>4,735</u>	<u>4,955</u>

Note i	2022 £'000	2021 £'000
Cash flow from operating activities		
Operating surplus / (deficit) for the year	296	441
Adjustments for non-cash items		
Depreciation and impairment of tangible fixed assets	928	995
Grant amortisation	(388)	(389)
Decrease / (Increase) in trade and other debtors	17	228
Increase / (Decrease) in trade and other creditors	(224)	(522)
Pension movements	34	(102)
(Gain) / loss on pension investments	(126)	27
Adjustments for investing or financing activities		
(Gain) / loss on disposal of tangible fixed assets	53	69
Net cash generated from operating activities	<u>590</u>	<u>747</u>

The notes on pages 33 to 61 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Legal Status

The Association is registered under the Companies Act 2006 as a company limited by guarantee. It is registered with both the Charity Commission and the Regulator of Social Housing as a Registered Provider. The principal activity of the Association is disclosed in the Report of the Board. The registered address is The Coach House, Gresham Road, Staines, Middlesex TW18 2AE

1. Accounting policies

Basis of accounting

The financial statements of the Association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 ('FRS 102') and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. The financial statements are prepared on the historical cost basis of accounting. As a public benefit entity, the Association has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102.

The financial statements are presented in Sterling (£), the functional and presentational currency of the Association. The figures are presented in £'000 (thousands).

Going concern

The Association's business activities, its current financial position and factors likely to affect its future development including the impact of Covid 19, are set out within the Operating and Financial Review and Strategic Report. The Association is able to meet its commitments in respect of long-term debt facilities used to finance reinvestment and development programmes, along with the Association's day to day operations. The Association also has a business plan, which shows that it is able to service these debt facilities whilst continuing to comply with lenders' 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.

Turnover

Turnover comprises rental and service charge income receivable in the year, and other services included at the invoiced value of goods and services supplied in the year and grants receivable in the year. Service charge income is calculated on a variable charge basis.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Charges for support services funded under Care and Support are recognised as they fall due under the contractual arrangements with Administering Authorities.

Value added tax

The Association is not registered for VAT, and therefore all amounts are inclusive of VAT.

Corporation tax

The Association is recognised by HMRC as a charity. During the current year the Association is claiming exemptions from corporation tax on its income and gains. All of the Association's income and gains will be applied to its charitable purposes.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Interest payable

Interest payable is charged to the statement of comprehensive income in the year. No interest is capitalised.

Financial instruments

Financial assets and financial liabilities are measured at transaction price initially, plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.

Commitments to receive or make a loan to another entity which meet the conditions in paragraph 11.8(c) of FRS 102 are measured at cost less impairment.

Financial instruments held by the Association are classified as follows:

Cash is held at cost; and

Financial assets such as receivables are classified as loans and receivables and held at amortised cost using the effective interest method; and

Financial liabilities such as loans are held at amortised cost using the effective interest method.

Debtors

Short term debtors are measured at transaction price, less any impairment. Where deferral of payment terms have been agreed at below market rate, and where material, the balance is shown at the present value, discounted at a market rate

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured at amortised cost, net of transaction costs.

Employee Benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

Retirement benefits

The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services.

Consistent with the guidance in FRED 71 paragraph 4 (FRS 102 paragraph 28.11B), the difference between the deficit funding liability and the net defined benefit deficit for the Social Housing Pension Scheme was recognised in Other Comprehensive Income for the year ending 30 September 2019.

The detailed pensions policy can be seen at the beginning of note 19.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Housing properties

Housing properties are principally properties held for the provision of social housing or otherwise to provide social benefit and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, and expenditure incurred in respect of improvements. Donated land/assets or assets acquired at below market value are initially recognised at fair value in the Statement of Financial Position, and depreciated by component on a straight-line basis over the estimated UELs of the component categories.

Works to existing properties are works which replace a component that has been treated separately for depreciation purposes along with those works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business are capitalised as improvements.

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as current asset and related sales proceeds included in turnover; and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for impairment.

Government Grants

Government grants include grants receivable from Homes England, local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure (excluding land) under the accruals model.

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

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the Regulator of Social Housing in England and Wales. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in income and expenditure.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to the statement of comprehensive income. Upon disposal of the associated property, the Association is required to recycle these proceeds and recognise them as a liability.

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 Association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

For the year ended 30 September 2022

NOTES TO THE FINANCIAL STATEMENTS (continued)

Depreciation of housing properties

Freehold land is not depreciated. Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

The Association separately identifies the major components which comprise 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 over the following timescales:

Structure	100 years
Roof	60 years
Kitchen	20 years
Bathroom	25 years
Boiler	15 years
Heating System	30 years
Windows & Doors	20 years
Electrics	30 years

Other tangible fixed assets

Other tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land.

The principal annual rates used for other assets are:

Freehold offices	1%-2%
Long leasehold property	Over life of lease
Furniture, fixtures and fittings	25%
Computer equipment	33.3%
Vehicles	25%
Office equipment	25%-33.3%
Company CRM/Financial system	10%

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus/deficit for the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Leased assets

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

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring the surplus or deficit. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Association recognises annual rent expense equal to amounts owed to the lessor. The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

Properties for sale

Shared ownership first tranche sales completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Provisions for liabilities

Provisions are recognised when the Association has a present obligation (legal or constructive) as a result of a past event, it is probable that the Association will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as finance cost in profit or loss in the period it arises.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the reporting date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

Significant judgements and estimates:

Preparation of the financial statements requires management to make significant judgements and estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements. The items in the financial statements where these judgements and estimates have been made include:

NOTES TO THE FINANCIAL STATEMENTS (continued)

Social care contracts

Management judgement is applied in determining the extent to which the risks and benefits are transferred to the Association when considering the income to be recognised. £4,695k (2021: £5,195k) of social care income was recognised in the year. See note 2 for further details.

- **Estimation uncertainty**

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

- **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. Accumulated depreciation at 30 September 2022 was £13,149k (2021: £12,279k). See notes 11 and 12 for further details.

Impairment

The Association considers whether indicators of impairment exist in relation to tangible assets. Indicators considered include external sources of information such as market value, market interest rates and returns on investment, actual or proposed changes to the technological, economic or legal environment, obsolescence or damage to the asset, operational changes or internal reporting which indicates that the asset is performing worse than expected. The Association also considers expected future performance of the asset. Any impairment loss is charged to the Statement of Comprehensive Income.

Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value less costs to sell or its value in use. A cash generating unit is normally an Association of properties at scheme level whose cash income can be separately identified.

Following a trigger for impairment, the Association performs impairment tests based on a value in use calculation. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the business plan for the next 5 years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes. The Association has identified no additional cash generating units for impairment assessment purposes at a property scheme level during this financial year.

Defined benefit obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses. The liability at 30 September 2022 was £224k (2021: £122k). See note 19 for further details.

For the year ended 30 September 2022

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Particulars of turnover, cost of sales, operating costs and operating surplus

	2022		
	Turnover	Operating	Operating
	£'000	costs	surplus
		£'000	£'000
Social housing lettings	4,875	(4,745)	130
Other social housing activities			
Management services	49	(49)	-
Management services - lettings	41	-	41
	<u>4,965</u>	<u>(4,974)</u>	<u>171</u>
Non social housing activities			
Charges for support services	4,569	(4,167)	
Care home	105	(249)	
HMRC CJRS grant	-	-	
Covid 19 Local Authority Grants	21	(102)	
	<u>4,695</u>	<u>(4,518)</u>	<u>177</u>
	<u><u>9,660</u></u>	<u><u>(9,312)</u></u>	<u><u>348</u></u>
	2021		
	Turnover	Operating	Operating
	£'000	costs	surplus
		£'000	£'000
Social housing lettings	5,061	(4,763)	298
Other social housing activities			
Management services	47	(47)	-
Management services - lettings	36	-	36
	<u>5,144</u>	<u>(4,810)</u>	<u>334</u>
Non social housing activities			
Charges for support services	4,788	(4,411)	377
Care home	205	(295)	(90)
HMRC CJRS grant	59	(59)	-
Covid 19 Local Authority Grants	143	(254)	(111)
	<u>5,195</u>	<u>(5,019)</u>	<u>176</u>
	<u><u>10,339</u></u>	<u><u>(9,829)</u></u>	<u><u>510</u></u>

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2022

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

			2022	2021
	General Needs Housing £'000	Supported Housing £'000	Total £'000	Total £'000
Rent receivable net of identifiable service charges	622	3,227	3,849	3,866
Service charge income	103	534	637	806
Amortised government grants	63	326	389	389
Turnover from social housing lettings	788	4,087	4,875	5,061
Management	(226)	(1,178)	(1,404)	(1,415)
Services	(120)	(622)	(742)	(574)
Routine maintenance	(108)	(560)	(668)	(658)
Planned maintenance and major repairs	(72)	(432)	(504)	(641)
Bad debt provision	(4)	(20)	(24)	(4)
Property lease charges	(88)	(459)	(547)	(555)
Depreciation of housing properties	(148)	(768)	(916)	(916)
Reversal of impairment loss	-	60	60	-
Operating costs on social housing lettings	(766)	(3,979)	(4,745)	(4,763)
Operating (deficit)/surplus on social housing lettings	21	108	130	298
Voids	41	214	255	263

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2022

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:

	2022	2021
	No	No
Social housing		
General housing	43	43
Supported housing	534	534
Low cost home ownership	2	2
Residential care homes	-	7
Total owned	579	586
Accommodation managed for others	71	71
Total managed	650	657
Non-social housing		
Respite Unit	8	8
Owned but managed by others		
General needs	11	11
Total owned and managed	669	676

5. Operating surplus / (deficit)

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

	2022	2021
	£'000	£'000
Depreciation of freehold housing properties	669	665
Depreciation of leasehold housing properties	245	251
Depreciation of other tangible fixed assets	74	79
Operating lease rentals		
- office equipment	6	5
- land and buildings	547	555
Auditors' remuneration		
- for audit services	15	14
- for other services - covenant compliance	1	1

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2022

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Loss on disposal of fixed assets

	2022 £'000 Housing Properties (components)	2022 £'000 Other Property Plant and Equipment	2022 £'000 Total	2021 £'000 Total
Proceeds of sale	-	-	-	-
Cost of sale	52	-	52	69
Surplus / (Loss) on disposal	<u>(52)</u>	<u>-</u>	<u>(52)</u>	<u>(69)</u>

7. Interest receivable and similar income

	2022 £'000	2021 £'000
Interest receivable and similar income	16	5

8. Interest payable and similar charges

	2022 £'000	2021 £'000
Loans and bank overdrafts	282	309
Defined Benefit pension operating cost	2	5
	<u>284</u>	<u>314</u>

9. Employees

Average monthly number of employees (FTE):

	2022 No	2021 No
Administration	11	12
Housing, support and care	110	130
	<u>121</u>	<u>142</u>
Average monthly number of employees :	154	179

For the year ended 30 September 2022

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Employees (continued)

The full-time equivalent number of staff who received remuneration (including directors):

	2022	2021
	No.	No.
£60,000 - £69,999	-	-
£70,000 - £79,999	1	2
£80,000 - £89,999	1	-
£90,000 - £99,999	1	1

Employee Costs:	2022	2021
	£'000	£'000
Wages and salaries	3,877	4,442
Social security costs	370	395
Other pension costs	149	156
	<u>4,396</u>	<u>4,993</u>

10. Directors, members and executive directors

	2022	2021
	£'000	£'000
Aggregate emoluments of directors (including pension contributions)	257	254
Emoluments of the highest paid director (excluding pension contributions and including benefits in kind)	94	93
Total expenses reimbursed to directors not chargeable to UK income tax		
– Board members	-	-
– Executives	-	2

The Chief Executive is a member of the Social Housing Pension Defined Contribution Scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply. Pension contributions totalled £5k (2021: £5k) in respect of the Chief Executive. The Directors and executive directors are considered to be key management personnel.

Board members

None of the Board members received emoluments (2021: £Nil).

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2022

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Tangible fixed assets - properties

Housing properties	Freehold Social housing properties held for letting	Leasehold housing properties held for letting	Total housing properties held for letting	Completed shared ownership properties	Total housing properties
Cost	£'000	£'000	£'000	£'000	£'000
At 1 October 2021	47,915	15,716	63,631	188	63,819
Works to existing properties	56	49	105	-	105
Disposals	(48)	(63)	(111)	-	(111)
At 30 September 2022	<u>47,923</u>	<u>15,702</u>	<u>63,625</u>	<u>188</u>	<u>63,813</u>
Depreciation and impairment					
At 1 October 2021	7,669	2,860	10,529	-	10,529
Charged in year	669	245	914	-	914
Released on disposal	(35)	(23)	(58)	-	(58)
W/Back impairment	(60)	-	(60)	-	(60)
At 30 September 2022	<u>8,243</u>	<u>3,082</u>	<u>11,325</u>	<u>-</u>	<u>11,325</u>
Net book value					
At 30 September 2022	<u>39,680</u>	<u>12,620</u>	<u>52,300</u>	<u>188</u>	<u>52,488</u>
At 30 September 2021	<u>40,246</u>	<u>12,856</u>	<u>53,102</u>	<u>188</u>	<u>53,290</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Tangible fixed assets – properties (continued)

Expenditure on works to existing properties

	2022	2021
	£'000	£'000
Components capitalised	105	228
Amounts charged to statement of comprehensive income	1,106	1,299
	<u>1,211</u>	<u>1,527</u>

Social housing assistance

	2022	2021
	£'000	£'000
Total accumulated social housing grant received or receivable at 30 September:		
Recognised in the statement of comprehensive income	389	389
Held as deferred income	32,340	32,729
	<u> </u>	<u> </u>

Housing properties book value, net of depreciation

	2022	2021
	£'000	£'000
Freehold land and buildings	39,868	40,434
Long leasehold land and buildings	12,620	12,856
	<u>52,488</u>	<u>53,290</u>

Annually housing properties (cash generating units) are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the scheme's carrying amount to its recoverable amount. An impairment charge was taken in 2018/19 in respect of a property at the Sundial scheme and Masons Close of £74k and £176k respectively. Each of the impaired properties are one unit of accommodation. The carrying values of the properties (prior to the recognition of the impairment charges) are £145k (Masons Close) and £77k (Sundial Close). A review of housing properties at the end of 2021/22 concluded that the prior year impairment remained appropriate for Masons Close and no further impairment provisions were needed at this time. Remedial works delivered during the year in respect of Sundial facilitated release of £60k of the impairment provision against the cost of the remedial works.

Amounts do not include capitalised interest; all interest charges are written off to expenditure as incurred. At the year end a total of 187 (2021: 187) properties were subject to charges securing loan funding. Of these 119 properties with a Net Book Value of £12,519k (2021: 119 properties with a Net Book Value of £12,953k) secured the total Barclays facility, 58 properties with a Net Book Value of £2,033k (2021: 58 properties with a Net Book Value of £2,097k) secured the Dexia loan and 10 properties with a Net Book Value of £623k (2021: 10 properties with a Net Book Value of £667k) secured the Crown Mortgage loans (Orchardbrook / Fresh PLC).

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2022

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Tangible fixed assets - other

	Freehold offices £'000	Vehicles & office equipment £'000	Furniture, fixtures and fittings £'000	Long-Life systems and Computer Equipment £'000	Service charge recoverable assets and WIP £'000	Total £'000
Cost						
At 1 October 2021	501	1,011	369	243	135	2,259
Additions	-	-	-	4	37	41
Disposals	-	-	-	-	-	-
At 30 September 2022	<u>501</u>	<u>1,011</u>	<u>369</u>	<u>247</u>	<u>172</u>	<u>2,300</u>
Depreciation						
At 1 October 2021	237	1,011	369	103	30	1,750
Charged in the year	10	-	-	34	30	74
At 30 September 2022	<u>247</u>	<u>1,011</u>	<u>369</u>	<u>137</u>	<u>60</u>	<u>1,824</u>
Net book value						
At 30 September 2022	<u>254</u>	<u>-</u>	<u>-</u>	<u>110</u>	<u>112</u>	<u>476</u>
At 30 September 2021	<u>264</u>	<u>-</u>	<u>-</u>	<u>140</u>	<u>105</u>	<u>509</u>

13. Debtors

	2022 £'000	2021 £'000
Due within one year		
Rent and service charges receivable	602	553
Less: provision for bad and doubtful debts	(366)	(342)
	<u>236</u>	<u>211</u>
Other debtors	359	293
Prepayments and accrued income	17	125
	<u>612</u>	<u>629</u>

ABILITY HOUSING ASSOCIATION
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For the year ended 30 September 2022

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Creditors: amounts falling due within one year

	2022	2021
	£'000	£'000
Loans (note 18)	418	396
Trade creditors	334	341
Rent and service charge accounts in credit	251	225
Rent and service charges received in advance	25	38
Taxation and social security	22	7
Recycled Capital Grant Fund (note 16)	35	35
Accruals and deferred income	956	1,139
Holiday pay accrual	45	107
Deferred grant income	389	389
	<u>2,475</u>	<u>2,677</u>

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

	2022	2021
	£'000	£'000
Loans (note 18)	6,132	6,550
Deferred grant income (note 17)	31,952	32,340
	<u>38,084</u>	<u>38,890</u>

16. Recycled capital grant fund

	2022	2021
	£'000	£'000
At 1 October	35	357
Grants recycled	-	-
Grant utilised	-	-
Grants repaid - GLA	-	(322)
	<u>35</u>	<u>35</u>

ABILITY HOUSING ASSOCIATION
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For the year ended 30 September 2022

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Deferred Grant Income

	2022 £'000	2021 £'000
At 1 October	32,729	33,118
Disposals	-	-
Grant Received	-	-
Released to income	(388)	(389)
At 30 September	<u>32,341</u>	<u>32,729</u>
Due in one year	389	389
Due after one year	<u>31,952</u>	<u>32,340</u>

The gross amount of grant received prior to amortisation was £39,188k (2021: £39,188k).

18. Loan analysis

Borrowings

	2022 £'000	2021 £'000
Due within one year		
Housing loans	418	396
Due after more than one year		
Housing loans	6,132	6,550
Total loans	<u>6,550</u>	<u>6,946</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Debt analysis (continued)

Security

Housing loans are secured by fixed charges on individual properties.

Terms of repayment and interest rates

The loans are repaid in monthly, quarterly or half yearly instalments over the agreed period of the loan. The final instalments fall to be repaid in the period 2020 to 2037. Interest rates on borrowings ranged from 0.47% to 10.688%. During the year, the last of the floating rate debt was transferred to a fixed rate of 1.65% for the balance of the life of the loan.

At 30 September the Association had undrawn loan facilities of £0k (2021: £0k). A new revolving credit facility of £2.0m is in the process of being agreed with the associations principal lender, with the legal formalities expected to be completed by early 2023 following a review of borrowing requirements by the Board.

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	2022	2021
	£'000	£'000
Within one year or on demand	418	396
One year or more but less than two years	442	418
Two years or more but less than five years	1,493	1,399
Five years or more	4,197	4,733
	6,550	6,946

19. Pension

Pension Provision

The SHPS Defined Benefit obligation is accounted for in accordance with the provisions of FRS 102 as adopted by SHPS. The SHPS Growth Plan provision continues to be accounted for as a provision 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Pension (continued)

The Association participates in two funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS) and the Local Government pension scheme under a TUPE transfer agreement and one multi-employer defined contribution scheme.

Social Housing Pension Scheme

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

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

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2020. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

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

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

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

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. A further valuation was carried out in 2021, but the results were not available for these accounts. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus at the accounting period start and end dates.

CONTINGENT LIABILITY – SOCIAL HOUSING PENSION SCHEME

We have been notified by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee has been advised to seek clarification from the Court on these items. This process is ongoing and the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of Scheme liabilities, but until Court directions are received, it is not possible to calculate the impact of this issue, particularly on an individual employer basis, with any accuracy at this time. No adjustment has been made in these financial statements in respect of this potential issue.

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For the year ended 30 September 2022

FOR THE PERIOD FROM 30 SEPTEMBER 2021 TO 30 SEPTEMBER 2022

EMPLOYER: E3558 – ABILITY HOUSING ASSOCIATION

PLAN: SOCIAL HOUSING PENSION SCHEME

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

	30 September 2022	30 September 2021
	(£000s)	(£000s)
Fair value of plan assets	1,075	1,814
Present value of defined benefit obligation	1,299	1,936
Surplus (deficit) in plan	(224)	(122)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(224)	(122)
Deferred tax	*	*
Net defined benefit asset (liability) to be recognised	*	*

RECONCILIATION OF THE IMPACT OF THE ASSET CEILING

	Period from 30 September 2021 to 30 September 2022
	(£000s)
Impact of asset ceiling at start of period	-
Effect of the asset ceiling included in net interest cost	-
Actuarial losses (gains) on asset ceiling	-
Impact of asset ceiling at end of period	-

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period from 30 September 2021 to 30 September 2022 (£000s)
Defined benefit obligation at start of period	1,936
Current service cost	-
Expenses	2
Interest expense	38
Member contributions	-
Actuarial losses (gains) due to scheme experience	163
Actuarial losses (gains) due to changes in demographic assumptions	(23)
Actuarial losses (gains) due to changes in financial assumptions	(739)
Benefits paid and expenses	(78)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	1,299

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

	Period from 30 September 2021 to 30 September 2022 (£000s)
Fair value of plan assets at start of period	1,814
Interest income	36
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	(758)
Employer contributions	61

ABILITY HOUSING ASSOCIATION
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For the year ended 30 September 2022

Member contributions	-
Benefits paid and expenses	(78)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	1,075

The actual return on plan assets (including any changes in share of assets) over the period from 30 September 2021 to 30 September 2022 was (£722,000).

**DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF
COMPREHENSIVE INCOME (SOCI)**

	Period from 30 September 2021 to 30 September 2022 (£000s)
Current service cost	-
Expenses	2
Net interest expense	2
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in Statement of Comprehensive Income (SoCI)	4

**DEFINED BENEFIT COSTS RECOGNISED IN OTHER
COMPREHENSIVE INCOME (OCI)**

	Period from 30 September 2021 to 30 September 2022 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	(758)

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2022

Experience gains and losses arising on the plan liabilities - gain (loss)	(163)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	23
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	739
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(159)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in Other Comprehensive Income - gain (loss)	(159)

ASSETS

	30 September 2022 (£000s)	30 September 2021 (£000s)
Global Equity	51	328
Absolute Return	11	74
Distressed Opportunities	55	59
Credit Relative Value	52	57
Alternative Risk Premia	25	67
Fund of Hedge Funds	-	-
Emerging Markets Debt	9	68
Risk Sharing	76	62
Insurance-Linked Securities	38	41
Property	48	40
Infrastructure	142	117
Private Debt	46	42
Opportunistic Illiquid Credit	63	56
High Yield	5	-
Opportunistic Credit	4	54
Cash	-	7
Corporate Bond Fund	18	104
Liquid Credit	-	9

ABILITY HOUSING ASSOCIATION
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For the year ended 30 September 2022

Long Lease Property	42	41
Secured Income	51	65
Liability Driven Investment	360	519
Currency Hedging	(23)	-
Net Current Assets	2	4
Total assets	1,075	1,814

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

KEY ASSUMPTIONS

	30 September 2022	30 September 2021
	% per annum	% per annum
Discount Rate	5.41%	1.99%
Inflation (RPI)	3.67%	3.50%
Inflation (CPI)	3.23%	3.05%
Salary Growth	4.23%	4.05%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 30 September 2022 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2022	21.1
Female retiring in 2022	23.7
Male retiring in 2042	22.4
Female retiring in 2042	25.2

ABILITY HOUSING ASSOCIATION
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For the year ended 30 September 2022

FOR THE PERIOD ENDING 30 September 2022

COMPANY: Ability Housing Association

SCHEME: TPT Retirement Solutions – The Growth Plan

The company participates in the scheme, a multi-employer scheme which provides benefits to some 638 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2020. This valuation showed assets of £800.3m, liabilities of £831.9m and a deficit of £31.6m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2022 to 31 January 2025:	£3,312,000 per annum	(payable monthly)
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Unless a concession has been agreed with the Trustee the term to 31 January 2025 applies.

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2019 to 30 September 2025:	£11,243,000 per annum	(payable monthly and increasing by 3% each on 1st April)
---	-----------------------	--

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

ABILITY HOUSING ASSOCIATION
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For the year ended 30 September 2022

	30 September 2022 (£s)	30 September 2021 (£s)	30 September 2020 (£s)
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Present value of provision	11,167	54,014	69,167
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PRESENT VALUES OF PROVISION

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

Provision at start of period	54,014	69,167
Unwinding of the discount factor (interest expense)	352	353
Deficit contribution paid	(10,358)	(15,382)
Remeasurements - impact of any change in assumptions	(652)	(124)
Remeasurements - amendments to the contribution schedule	(32,189)	-
Provision at end of period	11,167	54,014

INCOME AND EXPENDITURE IMPACT

Interest expense	352	353
Remeasurements – impact of any change in assumptions	(652)	(124)
Remeasurements – amendments to the contribution schedule	(32,189)	-
Contributions paid in respect of future service*	*	*
Costs recognised in income and expenditure account	*	*

*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes. To be completed by the company.

ASSUMPTIONS

Rate of discount	6.00	0.72	0.58
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The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

ABILITY HOUSING ASSOCIATION
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For the year ended 30 September 2022

NOTES TO THE FINANCIAL STATEMENTS (continued)

Surrey County Council Pension scheme

The Association makes payments as an Admitted Body to the Surrey County Council Pension Fund for employees who were members of that scheme on 1st April 2008 under the terms of a TUPE transfer. This is a funded defined benefit scheme that covers Surrey County Council employees and Scheduled and Admitted Bodies under the Local Government Pension Scheme Regulations 1997.

The Association has been notified by the Scheme Administrator that they are unable to satisfactorily identify the Association's share of the underlying Scheme assets and liabilities as at 30 September 2022 and accordingly the pension costs are accounted for as defined contribution. The scheme administrator has confirmed that the Association has no liability for past service deficit contributions.

The total employer contribution payable in the year was £18k (2021: £18k). At 30 September 2022 the Association had 3 (2021: 3) active members in the fund. Expected payments in the next financial year amount to approximately £18k

20. Reconciliation of net cash flow to movement in net debt

	2022 £'000	2021 £'000
Increase/(Decrease) in cash	(219)	(224)
Cash inflow/(outflow) from change in debt	396	389
Change in net debt resulting from cash flows	<u>177</u>	<u>165</u>
Movement in net debt for the period	177	165
Net debt at 1 October	(1,991)	(2,156)
Net debt at 30 September	<u>(1,814)</u>	<u>(1,991)</u>

21. Analysis of changes in net debt

	1 Oct 2021 £'000	Cashflow £'000	30 Sep 2022 £'000
Cash at bank and in hand	4,955	(220)	4,735
Loans	(6,946)	396	(6,550)
Changes in net debt	<u>(1,991)</u>	<u>176</u>	<u>(1,815)</u>

For the year ended 30 September 2022

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Contingent assets / liabilities

Government Grant

The Association receives capital grant from Homes England (formerly Homes and Communities Agency), which is used to fund the acquisition and development of housing properties and their components. In certain circumstances, upon disposal of grant funded properties, the Association is required to recycle this grant by crediting the Recycled Capital Grant Fund, which if not reassigned, could be subject to repayment (see note 16 for further details).

The Association owns one property where defects in the external wall system have been identified. A provisional estimate of the costs to the Association of the required works to resolve these issues is between £533k and £648k, however the costs remain unconfirmed. In addition, the Association is pursuing legal action against the contractor to recover all direct and associated costs and initial legal advice suggests that the claim is likely to be successful. Given the uncertainties involved, no provision has been recognised in the financial statements.

The Association had no other contingent assets or contingent liabilities at 30 September 2022 (2021: £nil).

23. Leasing commitments

Operating lease payments amounting to £444k (2020: £430k) are due within one year. The leases to which these amounts relate expire as follows:

	2022	2021
	£'000	£'000
Office equipment		
Expiring in one year or less	2	2
Between 1-2 years	2	2
Between 2-3 years	1	2
Between 3-4 years	-	1
Over 4 years	-	-
Total office equipment	5	7
Land and buildings		
Expiring in one year or less	399	442
Between one and two years	72	78
Between two and five years	216	216
Over five years	648	720
Total land and buildings	1,335	1,456
Total operating leases	<u>1,340</u>	<u>1,463</u>

24. Related parties

There are currently no beneficiary members of the directors (2021: nil).
There have been no related party transactions in the year (2021: none)

ABILITY HOUSING ASSOCIATION
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For the year ended 30 September 2022

NOTES TO THE FINANCIAL STATEMENTS (continued)

25. Financial liabilities excluding trade creditors – interest rate risk profile

The Association's financial liabilities are sterling denominated. The interest rate profile of the Association's financial liabilities at 30 September was:

	2022	2021
	£'000	£'000
Floating rate	-	3,583
Fixed rate	6,550	3,363
Total (note 18)	<u>6,550</u>	<u>6,946</u>

The fixed rate financial liabilities have a weighted average interest rate of 4.20% (2021: 6.69%) and the weighted average period for which it is fixed is 1 year to 18 years (2021: 1 year to 19 years).

The only floating rate financial liability loan was transferred onto a fixed rate basis for the balance of the life of the loan during the financial year.

The debt maturity profile is shown in note 18.

Borrowing facilities

The Association has no undrawn committed borrowing facilities. The facilities available at 30 September in respect of which all conditions precedent had been met were as follows:

	2022	2021
	£'000	£'000
Expiring in less than one year	-	-
Expiring in 1-2 years	-	-
Greater than 5 years	-	-
	<u>-</u>	<u>-</u>

A new revolving credit facility of £2.0m has been agreed in principle with the associations principal lender, with the legal formalities expected to be completed by early 2023 following a review of current credit facility requirements by the Board .

Financial assets

Other than short term debtors, financial assets held are cash deposits in notice and current accounts, all of which is measured at historic cost. They are sterling denominated and the interest rate profile at 30 September was:

	2022	2021
	£'000	£'000
Floating rate on cash deposits	2,450	2,450
Financial assets on which no interest is earned	2,286	2,505
Total	<u>4,736</u>	<u>4,955</u>

For the year ended 30 September 2022

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. Share Capital

The Association is a company limited by guarantee and therefore has no share capital. Each member (see numbers below) agrees to contribute £1 in the event of the company winding up.

	2022	2021
	No.	No.
At 1 October	22	33
Joining during the year	-	7
Leaving during the year	(5)	(18)
At 30 September	<u>17</u>	<u>22</u>

27. Capital commitments

At the year end the Association had capital commitments of £Nil (2021: £Nil).

28. Financial instruments

	2022	2021
	£'000	£'000
Financial assets		
<u>Measured at cost</u>		
Cash and cash equivalents	4,735	4,955
<u>Measured at amortised cost</u>		
Rent and service charges receivable	602	553
Other debtors	359	265
Accrued income	-	95
Total financial assets	<u>5,696</u>	<u>5,868</u>
Financial liabilities		
<u>Measured at amortised cost</u>		
Loans	6,550	6,946
Trade creditors	585	566
Total financial liabilities	<u>7,135</u>	<u>7,512</u>

Accounts

ABILITY HOUSING ASSOCIATION

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For the year ended 30th September 2021

Registered Company No 01261380



ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2021

Company registration number	01261380
Regulator of Social Housing registration number:	LH2174
Charity number:	271547
Registered office and principal address:	The Coach House Gresham Road Staines Middlesex TW18 2AE
Board:	Jane Harrison (Chair) (resigned 10 th March 2021) Sally Reay (Chair) (appointed 10 th March 2021) Nicola Philp (resigned 1 st December 2021) Gina Small Dominic Wallace Maureen Osborne (resigned 1st January 2021) Jai Dosanjh Dritan Uka (appointed 21 st April 2021) Tim Jennings (appointed 21 st April 2021) Vimal Gaglani (appointed 21 st April 2021) Mandy Dunstan (appointed 21 st April 2021) Lynsey Bradshaw (appointed 21 st April 2021)
Chief Executive	Jeffrey Skipp
Director of Resources & Deputy Chief Executive	Peter Gardiner
Director of Operations (Housing)	Lucy Sivasundram
Company Secretary	Peter Gardiner
Bankers:	Barclays 1 Churchill Place London E14 5HP
Solicitors:	Devonshires 30 Finsbury Circus London EC2M 7DT
Auditors:	Beever and Struthers Statutory Auditor The Colmore Building 20, Colmore Circus Queensway Birmingham B4 6AT

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2021

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Report of the Board

The Board presents its report and audited financial statements for Ability Housing Association ('The Association') for the year ended 30 September 2021.

The financial statements have been drawn up under United Kingdom Generally Accepted Accounting Practice, including FRS 102 ('the financial reporting standard applicable in the UK and Republic of Ireland'). The Association is registered under the Companies Act 2006 as a company limited by guarantee incorporated in England. It is registered with both the Charity Commission and the Regulator of Social Housing (formerly the Homes and Communities Agency) as a Registered Provider.

Principal activities and public benefit

The Association's principal activities are the provision, by construction or conversion, and the management of housing for people with disabilities and others in housing need and the provision of care and support to those individuals.

The Association is classified as a public benefit entity. The Board confirms that it has referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Association's aims and objectives and in formulating future plans.

Business review and future development

Details of the Association's performance for the year and future plans are set out in the Operating and Financial Review that follows this Report.

Reserves

After transfer of the surplus for the year of £359k (2020: £436k), at the year-end reserves amounted to £17,640k (2020: £17,281k).

Employees

The Association is accredited as an Investor in People. Salary levels are set in relation to the market and meet or exceed the requirements of the National Minimum Wage.

We are committed to equality of opportunity for all employees, and we monitor our recruitment processes to ensure that a diverse workforce is recruited and nurtured.

The Association shares information on its objectives, progress and activities through the staff intranet, regular office and departmental meetings.

Health and safety

The Board is aware of its responsibilities on all matters relating to health and safety. The Association has employed an external advisor to prepare detailed health and safety policies, ongoing support and provides staff training and education on health and safety matters.

Board members and executive directors

The present Board members and the executive directors of the Association are set out on page 1. The Board members are drawn from a wide background bringing together professional, commercial and local experience.

The executive directors are the chief executive and the other members of the Association's senior management team. They hold no interest in the Association's shares and act as executives within the authority delegated by the Board.

For the year ended 30 September 2021

Report of the Board (continued)

Board members and executive directors (continued)

Insurance policies indemnify Board members and officers against liability when acting for the Association.

Service contracts

The executive directors are employed on the same terms as other staff, their notice periods being three to six months.

Pensions

The Association contributes to the Social Housing Pension Scheme defined contribution pension for all staff not enrolled in a defined benefit scheme or opted out. This is Ability's auto-enrolment pension scheme. A small number of staff are members of Local Government Pension Scheme, a defined benefit final salary pension scheme. A number of former staff members are enrolled in the defined benefit final salary element of the Social Housing Pension Scheme.

NHF Code of Governance

We are pleased to report that the Association complies with the principal recommendations of the NHF Code of Governance (revised 2015) with the exception that terms of office may be extended by consent of the Board. The NHF Code of Governance 2020 is being reviewed and considered by the Board with a view to adoption.

At last April's Board Meeting held on 21st April 2021, Dritan Uka, Tim Jennings, Vimal Gaglani, Mandy Dunstan and Lynsey Bradshaw were appointed to the Board.

At the AGM on the 10th March 2021, Neil Thorneycroft and Rinat Abdrasilov were co-opted to the Board.

Tenant involvement

We actively encourage tenants' involvement in decision-making by promoting tenant participation; up to one-third of ordinary members may be tenants or service users. The Operating and Financial Review and Strategic Report goes into considerable detail regarding current and future tenant participation initiatives.

Complaints

Our clear and simple complaints policy is issued to all customers. During the year we received no complaints that were referred to the Board for resolution (2020: one).

Fraud

There were no material frauds in the year.

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Report of the Board (continued)

Board and Committee member attendance

Attendance statistics

percentage of
members attending

BOARD ATTENDANCE

Attended meetings / Possible meetings 80%

COMMITTEE ATTENDANCE

Human Resources 100%

Customer Service 50%

Audit, Finance and Risk 91%

Attended meetings / Possible meetings 93%

Number of meetings

Board

8

Audit, Finance and Risk

3

Customer Service Committee

1

Human Resources Committee

1

Internal controls assurance

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the Association is continuing, and has been in place throughout the period commencing 1 October 2020 up to the date of approval of the annual report and financial statements. The Board receives and considers reports from management on these risk management and control arrangements at each meeting during the year.

Key elements of the control framework include:

- Board approved terms of reference and delegated authorities for audit, finance and risk, human resources and customer services committees;
- clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- robust strategic and business planning processes;

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Report of the Board (continued)

- detailed financial budgets and forecasts for subsequent years;
- formal recruitment, retention, training and development policies;
- established authorisation and appraisal procedures for all significant new initiatives and commitments;
- regular reporting by senior management to the appropriate committee of key business objectives, targets and outcomes;
- Board approved whistleblowing and anti-theft and corruption policies; and
- detailed policies and procedures in each area of the Association's work.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Audit, Finance & Risk Committee ('The Committee') to review the effectiveness of the system of internal control on a regular basis. The Board receives reports from the Committee together with minutes of meetings.

The means by which the Audit, Finance & Risk Committee reviews the effectiveness of the system of internal control include considering risk reports, internal audit reports, management assurances, the external audit findings report and specialist reviews on areas such as support service contracts, health and safety and housing services. The Committee has received reports from the internal auditor and has reported its findings to the Board. The Board receives regular reviews from the Chief Executive of the effectiveness of the system of internal control for the Association and in turn conducts its own reviews through the year of the effectiveness of the system of internal control.

A fraud register is maintained and is reviewed by the Audit, Finance & Risk Committee at least twice a year.

The Board is therefore satisfied that the systems of internal control are sufficiently robust and have been operating throughout the year.

Statement of compliance

The Board confirms that the Strategic Report has been prepared in accordance with the principles set out in paragraph 4.7 of the 2018 SORP for Registered Social Housing Providers.

Post balance sheet events

Two months after the balance sheet date Ability was informed that it was not successful in its bid to retain the Care and Support contract it had held in Hampshire. The impact of the loss of this contract will come into effect from the beginning of April 2022, and will reflect in this and future years trading.

The Report of the Board was approved by the Board on 2nd March 2022 and signed on its behalf by:



Sally Reay
Chair



Dominic Wallace
Board Member



Peter Gardiner
Secretary

For the year ended 30 September 2021

Operating and Financial Review and Strategic Report

Overview of the Financial Year

It has been a challenging year with the ongoing Covid-19 Pandemic, our priority throughout the year has been to maintain the health and wellbeing of our customers, staff and contractors whilst ensuring high levels of service quality. This we have achieved even during the two lockdown periods in the year, through good communication with customers and a focus on their wellbeing. We have maintained welfare calls throughout the year and whilst during lockdown we reverted to emergency and essential repairs, any issues which a customer felt would impair or impact upon their independence were navigated and a mutually accepted way forward agreed.

We have also achieved a great deal in our operational areas of Housing and Care and Support, these achievements are set out below:

Housing, Property and Asset Management

Ability Housing owns and manages 676 properties (657 directly managed) plus some office accommodation across 31 local authority areas in London and the South East, from Hastings to Bournemouth and Essex to Oxfordshire. We provide accessible housing for people who want to live more independently and focus our service improvement plans on achieving this.

We said last year we would develop a Customer Strategy that would identify what our customer offer would be in terms of Housing Management, Repairs and Maintenance, Customer Engagement, and wider Customer Services functions including a contact centre.

During this year we have worked with customers and colleagues to develop this Customer Strategy and as part of the strategy have made the following commitments to delivering an improved Customer Experience:

- We will communicate well and resolve problems
- We will ensure the good state of your home
- We will provide a supportive, proactive, and responsive Housing Management service
- We will have meaningful engagement with our customers
- We will provide a supportive and personalised service to our customers

These commitments provide the basis of the structure of our Customer Offer and one of the outcomes of these commitments was the rollout of the use of an Intensive Housing Management (IHM) Support Plan. This IHM Support Plan is used by Housing and Support Officers to agree and define with Customers how they engage with our Intensive Housing Management Service in a specific and measurable format.

In addition, a comprehensive Tenancy Audit process was commenced by the Housing and Support Officers to allow us to ensure we are engaging with all customers and visiting all our properties to confirm the good state of our homes.

The implementation of further aspects of the Customer Strategy are discussed further in our Plans for the Future.

We have also changed the structure of our Property Services Team to ensure there is greater capacity to both scrutinise the performance of our services and drive any necessary improvements. This has resulted in new structures in monitoring repairs, an enhanced response to repairs issues and resulted in us commencing a process of re-procuring our Repairs and Maintenance Contract in response to this scrutiny.

Within our planned maintenance programme, we replaced all the windows and doors of eight properties, twelve kitchens were completed, one full roof replacement and thirty new boilers were installed. Customers were involved in the selection of the windows, doors, and kitchen features. They were consulted and kept informed by our Property Services Team and provided reports of high levels of satisfaction both during and on completion of the works.

We have also completed a Stock Condition Survey on all our properties which will allow us to review and inform our five-year planned maintenance programme going forward. Property Condition Inspections were also completed on our properties on a risk assessment basis to ensure we could be assured of their condition.

For the year ended 30 September 2021

Operating and Financial Review and Strategic Report (continued)

With the ongoing impact in the last year of Covid on meeting with our customers in person and as a group, the way we engage with Customers and support the continuation of our Customer Panel has evolved. This has largely been in supporting the virtual options available and ensuring these are offered to all customers.

As a result, we have seen the widening of our virtual engagement with customers and the continuation of offering both virtual and in person contact in the delivery of some of our services, and crucially in identifying what support our customers need.

The Customer Panel now also meets virtually and has been working to extend its remit in scrutinising our performance against the standards set in the Customer Strategy.

The rollout of the Pyramid Housing System has further developed with the implementation of the Complaints module and the use of the property and repairs module for Gas Safety. This has allowed access to more accurate data, improved workflows and has greatly enhanced our complaints management offer.

Care and Support

Ability Care and support delivers services in seven local authority areas in England, supporting our customers to live independently in the community. Our services include step down mental health, supported living, community support in peoples own homes and residential care. We support people with learning disabilities, physical disabilities, and mental health.

Covid-19

During the financial year we have continued to prioritise the delivery of safe services for our residents and customers during the Covid-19 pandemic. With the improved infrastructure provided by government such as adequate PPE and clearer guidance for social care, alongside our own organisational learning we have been far better able and prepared to manage and support both residents and staff during the ongoing Covid-19 pandemic. That is not to say that we have not experienced challenges and pinch points during the year, particularly the second national lockdown announced in November 2020 and then after a short hiatus, the third national lockdown at the beginning of January 2021 remaining in place until the end of March. Whilst these lockdowns were essential, they placed residents and staff under periods of greater stress and anxiety, restricting opportunities to socialise with family and friends and the subsequent loneliness and isolation this caused for many residents, alongside the ongoing fears for their own health. For staff, managing and operating services during periods of high national infection rates, seeking to ensure the safety and mental wellbeing of residents whilst also having anxieties about their own health and that of their families, has been beyond challenging. In addition, the need to cover shifts for colleagues self-isolating meant many colleagues were working long hours and the resultant fatigue this can bring. These challenging circumstances have taken their toll on all concerned.

Our Care and Support colleagues have worked tirelessly throughout the pandemic demonstrating dedication, professionalism and flexibility and we are immensely grateful and proud of them. We have brought our Care and Support managers from across the organisation together in a safe working environment, to provide opportunities to share experiences, to evaluate and learn from working through the Covid-19 pandemic and what measures we could collectively take to improve organisational support going forward. On the whole managers were supportive of the organisations approach and how we had managed our response to the pandemic thus far. However, all managers felt it was important to say and for the organisation to hear how difficult and scary it has been working on the frontline in social care throughout the pandemic. The fears and anxieties were not limited to the working environment but heightened when using public transport or having to access community facilities such as supermarkets and other community facilities with or on behalf of residents.

In terms of improvements we could put in place at organisational level, opportunities for staff to meet with the reintroduction of regular in-person team meetings as it becomes safe to do, alongside more frequent managers meeting with the opportunities for networking, sharing challenges and devising solutions. The issue of recognition was considered essential for Support Workers and Managers. It was acknowledged there was limited opportunity to increase wages based on the fees received from local authorities; however, it was felt that relatively small gestures such as a staff meal or take away once or twice a year linked to business functions such as a team meetings or away days, would mean a lot and such relatively small tokens of appreciation would have a significant positive impact to care and support colleagues.

For the year ended 30 September 2021

Operating and Financial Review and Strategic Report (continued)

Funding

The fees we receive from Local Authorities remains constrained, although we have been able to negotiate inflationary fee increases in line with increases to this year's National Living Wage (NLW) increase of 2.2%. We continue to pay our colleagues the "National Living Wage Top Up" for staff undertaking Sleep in's and wish to continue to do so. However, whilst most of the Local Authorities have increased fee levels in line with NLW, sleep-in rates have largely remained fixed with no inflationary increase. With the supreme court ruling on this matter in March 2021 ruling that sleep-ins do not count as working time, we will be working with local authorities to better understand their future commissioning intentions in this regard – Are they willing to fund the current payment for staff Sleep-ins or will they seek to reduce funding over time, moving to an "allowance" per night, reducing the amounts paid to staff.

During the year we handed back a contract on a supported living service to the commissioner. The service had become unviable based on the contract sum being paid. The service was also situated in an area that was extremely challenging to recruit and retain staff which also led to a higher than normal dependency on agency spend.

Another local authority for whom we provide services re-issued their framework agreement at a lower contract value than we are currently being paid. We declined to submit a bid but continue to manage the service at the existing contract value.

The vast majority of our services achieve full cost recovery. We maintain a strong oversight on our fee income, working with local authorities to ensure the funding we receive is adequate to deliver quality services to our residents and customers.

Recruitment and Training

During the lockdown period, through maintaining a strong focus on staff recruitment we were able to achieve 94% of senior and support worker posts filled. However, with the opening up of the economy and strong competition to attract staff from retail, hospitality and other sectors, who are able to pay a higher salary rate, combined with the fatigue and burnout some staff have experienced during lockdown and the pandemic, we have experienced challenges in recruiting and retaining staff, particularly during the second half of the financial year. We are exploring different forms of recruitment looking to target communities and individuals who may not have previously considered a career in care and support. We have for many years focused on a value-based recruitment model, seeking to recruit staff with the right attitudes and behaviours and we will be seeking to promote ourselves to a wider audience. However, and as has been widely discussed in national media and by trade organisations such as VODG, there is a national staffing crisis in care and support and without interventions from government raising the profile of the sector and promoting a career in care and support as a valued occupation with higher pay and improved terms and conditions, the challenges with recruitment and retention are likely to continue for the foreseeable future.

As important as recruiting staff with the right attitudes and behaviour, the training and development of staff and managers to ensure they have the right skills and knowledge to deliver quality interventions with our customers is of equal importance. Our commitment to staff training includes a thorough induction, for staff new to the sector completion of the care certificate in a timely manner, alongside mandatory and bespoke training for all support staff. Our training and development programme seek to maximise the benefits of both e-learning and face to face training, ensuring staff are well trained. We have also enhanced our management and leadership training with an increased focus on supporting managers to gain Level 5 Health and Social Care qualifications and for senior support workers to gain a level 3, further enhancing management and leadership competency across Ability.

Operations and Customer Satisfaction

During the year we have developed and launched a new support planning and risk assessment policy and procedure across care and support. This supports our Ability Positive Values and Behaviours and further focuses services and colleagues on providing personalised support. We have, within the policy developed personal planning tools which will support colleagues in the implementation of this policy and maximise the opportunities and outcomes achieved by our residents and customers, focusing our service offer on customer engagement ensuring the individual is at the centre of the service delivered.

We undertook a customer satisfaction survey during the year and our increased focus on delivering personalised support, and placing the individual at the centre of the service delivered has been reflected in our Customer Satisfaction Survey Responses which are as follows:

Out of a possible 363 surveys Ability received 200 responses. This equates to a 55% return.

For the year ended 30 September 2021

Operating and Financial Review and Strategic Report (continued)

The Questions and Responses

1. Ability staff help me to feel safe in my home

Yes 95.5%; No 4.5% [8 of the 9 people who answered No are customers of our floating support service]

2. There is some flexibility in the way I receive my support as sometimes I don't want to stick to a fixed plan

Yes 93%; No 5%; Unsure 2%

3. I feel that staff listen to me and I feel comfortable discussing and planning my support with them

Yes 96.5%; No 3%; Unsure 0.5%

4. If I am not happy with something I know who to talk to

Yes 94.5%; No 5%; Unsure 0.5%

5. Staff know what is important to me and how I like to live my life

Yes 95%; No 2.5%; Unsure 2.5%

We are rightfully pleased with the survey results. Each manager and service have received the outcome of the satisfaction survey for their service and are developing an action plan based on the outcome, to further improve and focus the service we deliver on the people we serve.

Impairment and asset review

As mentioned in prior years financial statements, an impairment regarding one unit at a scheme in Essex and one unit at a scheme in Berkshire was identified as an impairment charge, but at the time the potential cost of this was still to be established. The impairment was previously quantified at £250k, which represented an impairment charge against the assets of £176k, and a provision for additional costs associated with the anticipated works of £74k. The works at the Berkshire unit will commence in early 2022. The property in Essex is still subject to survey and monitoring. A review of the assets this year has identified no further material impairment.

Risk

We consider and review the main risks that may prevent the Association achieving its objectives every three months. The risks are recorded and assessed in terms of impact and actions to mitigate and manage these risks. Significant risks are reported to the Board quarterly together with key controls and actions taken to mitigate risk.

Plans for the Future

Housing

With the development of the Customer Strategy, one significant outcome was the recognition that to successfully deliver the strategy we needed to bring our call centre in house. Crucially, this will reduce customer effort by providing customers with one point of contact to resolve their queries. In addition, it will allow customers to book appointments with Housing and Support Officers, as well as direct appointments with our Repairs and Maintenance contractors, thus significantly expanding our offer to customers.

The contact centre will also deliver a digital offer to customers in allowing customers to complete functions such as requesting a rent balance and report a repair using their mobile phones.

This enhanced offer of a Contact Centre supports our five customer commitments and will be launched in the next financial year as part of the customer launch of our Customer Strategy.

We will also be appointing and mobilising our new repairs and maintenance contractors to complete the procurement process started this year.

For the year ended 30 September 2021

Operating and Financial Review and Strategic Report (continued)

The Stock Condition Data obtained this year will also be used to refresh and support our Asset Management Strategy, as well as informing our approach in working towards the 2030 EPC C, and 2050 net zero target.

Finally, we will be working with our current Customer Panel to develop and expand its role to include scrutiny of our performance.

Care and Support

We will develop a revised Care and Support strategy during the year, complementing the Housing Customer strategy and setting out our future plans - covering:

- Our operational model placing the customers at the centre of everything we do
- Workforce Recruitment and Retention – ensuring a values-based workforce focused on delivering quality outcomes for our customers and how we can retain and recruit in sufficient numbers moving forward.
- Training and Development – ensuring our colleagues and Teams are well trained, embracing our Ability Positive values and behaviours alongside providing personal development opportunities and setting out a career pathway.
- Customer Engagement - ensure customers are fully involved in the development of their service.
- Growth & Development – How we will increase the reach and scale of our services across London and the South of England.

The single largest challenge facing Ability and the care sector over the coming year is the ability to recruit and retain sufficient numbers of staff with the right skills and motivations to maintain and deliver safe, quality services to the people we serve, this is closely followed by funding; both of which are inextricably linked.

The governments social care plan, utilising the NHS and Social Care National Insurance Levy to improve funding in social care, does not move quickly enough. The plan to prioritise funding towards the NHS for the first three years supporting post pandemic recovery within our health services is of course much needed, but social care cannot wait three years for significant investment if we are to maintain safe and quality services for the people we serve. The Health Foundation (2021) estimate that for the existing system just to meet future demand from an ageing population, will cost an additional £6.1 billion by 2030/31.

Our organisational Care and Support expenditure is in excess of 70% on staffing, we are dependent on sufficient numbers of high-quality, well-trained people to deliver the safe, personalised services our residents and customers deserve and are entitled to. With a worsening national staffing crisis in social care this will become even more challenging to deliver without significant investment. In the Care Quality Commission annual report - The State of Health Care and Social Care (CQC, 2020/21) states:

“Workforce planning is a major priority and challenge for local systems and providers. Recruitment and staff retention continue to be severe problems. In adult social care, the situation is serious and deteriorating. There must be a sharp focus on developing a clearly defined career pathway and training, supported by consistent investment that will enable employers to attract and retain the right people”.

We will continue to work with local authorities, engage with the Department of Health and Social Care “Made with Care” recruitment campaign alongside seeking to work with local partnerships and explore internally new recruitment channels to maximise our recruitment opportunity; but, without the investment to increase wages and terms and conditions equivalent to those in the retail and hospitality sector(s), recruiting in sufficient numbers to social care will remain an ongoing risk and challenge for the organisation and sector as a whole.

Pension costs

The Association participates in four pension schemes, the Social Housing Pension Scheme (SHPS), the Surrey County scheme (LGPS), the Social Housing growth plan and the Social Housing direct contribution plan which was used as the auto enrolment vehicle from May 2014. The former two are final salary schemes (now closed to new members), the others money purchase. The Association has

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Operating and Financial Review and Strategic Report (continued)

contributed to the schemes in accordance with levels, set by the actuaries, of between 3% and 35.1%. We will continue to contribute to the schemes in line with the advice of independent actuaries and the legislative increases required for all auto enrolment pensions.

Capital structure and treasury policy

By the year end borrowings amounted to £6.95m of which £0.4m falls due to be paid within the next year as shown below.

	2021	2020
	£'000	£'000
Within one year or on demand	396	369
One year or more but less than two years	418	369
Two years or more but less than five years	1,399	1,107
Five years or more	4,733	5,490
	6,946	7,335

The Association borrows, principally from banks, at both fixed and floating rates of interest. At the year-end, 48% of the Association's borrowings were at fixed rates (2020: 48%).

The rates of interest range from 0.537% to 10.68% and in the current market, where long term fixed rates have fallen significantly, this means that the Association is paying interest on part of its borrowing at rates fixed historically which are substantially in excess of current market levels. The amounts on one borrowing stream are small, but on another represent a significant additional cost. However, at present the breakage costs on this borrowing stream significantly exceed the likely benefits. The situation is reviewed regularly with lenders and with the Board. The Association borrows and lends only in Sterling and so is not exposed to currency risk.

Cash flows

Cash inflows and outflows during the year are shown in the statement of cash flow (page 30). The cash inflow from operating activities decreased this year to £747k (2020: £1,944k), largely driven by significant cash out-flows in long-term creditors including a significant RCGF payment and capital repayments on long term finance. Overall cash balances decreased to £4,955k (2020 £5,179k) reflecting strong positive cash flows, but offset by the settlement of the significant RCGF balance outstanding to the GLA.

Future developments

Development plans remain on hold pending resolution of uncertainty over future care and support revenue streams, greater stability and less uncertainty in the property market, and funding availability. At the year end the Association had no undrawn facilities, but is in the process of putting a reduced revolving credit facility in place of £2.0m (2020: £6.5 million).

Statement of compliance

In preparing this Operating and Financial Review, the Board has followed the principles set out in the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers.

The Board also confirms compliance with The Regulator of Social Housing's Governance and Financial Viability standard.

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Operating and Financial Review and Strategic Report (continued)

Value for Money

The Association has a Value for Money strategy which seeks to ensure that we make best use of the various forms of capital that we have at our disposal (people, property and reputation and financial resources).

The specialist nature of the services delivered by Ability mean that benchmarking our VFM metrics against the majority of social housing providers fails to reflect a true comparison of performance. In order to provide a peer group analysis we have used the VFM metrics calculated in accordance with the Regulator of Social Housing 'Value for Money Metrics Technical Guidance Note June 2020' extracted from the published accounts of four social housing providers operating in the same 'market' and of a similar nature to Ability. Even within the group of organisations operating in a sufficiently similar way and in the same 'market space' as Ability, direct comparatives are not always possible to achieve given the wide range of business models employed.

Ability Housing Association

2020-21 Peer Group VFM comparison

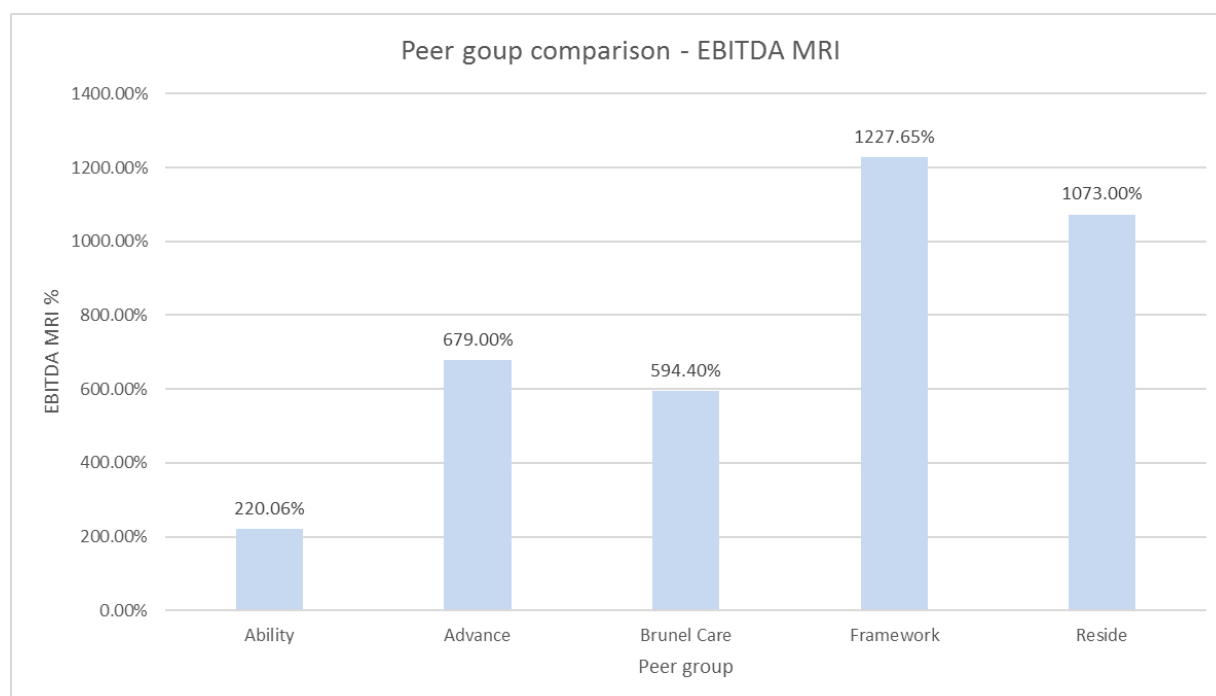
	Ability		Advance		Brunel Care		Framework		Reside	
Metric	Units	£	Units	£	Units	£	Units	£	Units	£
	2020-21		2020-21		2020-21		2020-21		2020-21	
1 Reinvestment		0.81%		3.30%		0.97%		8.32%		8.10%
2a New Supply Delivered Social Housing Stock		0.0%		1.5%		5.4%		2.1%		0.0%
2b New Supply Delivered Non-Social Housing Stock		0.0%		0.0%		0.0%		0.0%		0.0%
3 Gearing		6.48%		-0.90%		13.70%		0.21%		2.80%
Earnings before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA-MRI) Interest Cover		220.06%		679.00%		594.40%		1227.65%		1073.00%
5 Headline Social Housing cost per Unit		6,196		13,319		5,617		24,500		10,628
6a Operating Margin on Social Housing Lettings		5.89%		13.50%		12.70%		5.14%		8.20%
6b Operating Margin overall		4.93%		6.90%		6.90%		8.98%		8.30%
7 Return on Capital Employed		0.78%		3.00%		4.30%		3.37%		7.20%

Metrics per the RSH 'Value for Money Metrics Technical Guidance Note June 2020' . Peer group metrics extracted from published 2020-21 financial statements

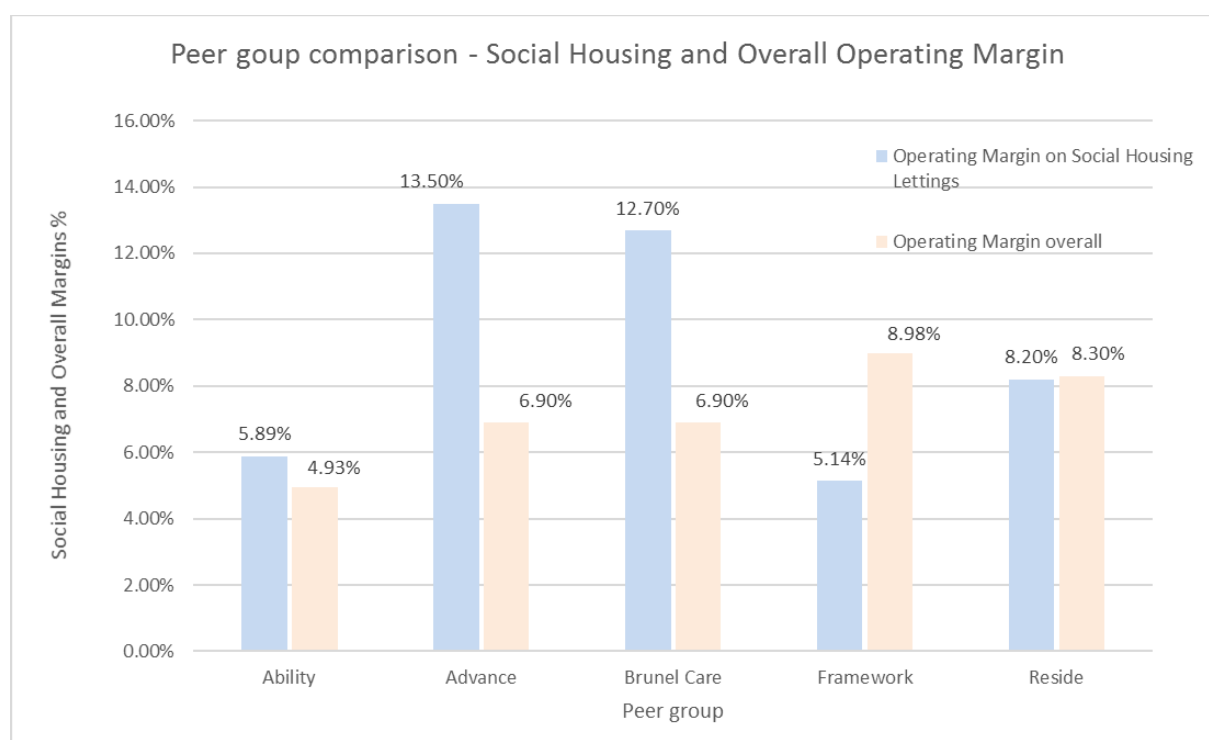
- Taking a representative sample of similar housing and care providers, the analysis of the metric Earnings before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA-MRI) Interest Cover shows that for this group, where the mean value is 759% due to exceptionally strong performance by Framework and Reside, Ability at 220.06% is still achieving a significantly better performance than the tightest covenant on its portfolio of borrowings, and is ahead of the median point for the sector taken from the 2020-21 Global Accounts of 171%.
- This slight reduction in EBITDA-MRI reflects the re-commencement of investment in major repairs and component replacement as society started to open up again following the impact of the Covid 19 crisis in the second half of the financial year, and works deferred due to the pandemic could be delivered. In the first half of the financial year, the Ability maintenance team continued to focus on providing critical repairs and any health and safety related maintenance in order to minimise the need to enter customers' homes.

For the year ended 30 September 2021

Operating and Financial Review and Strategic Report (continued)



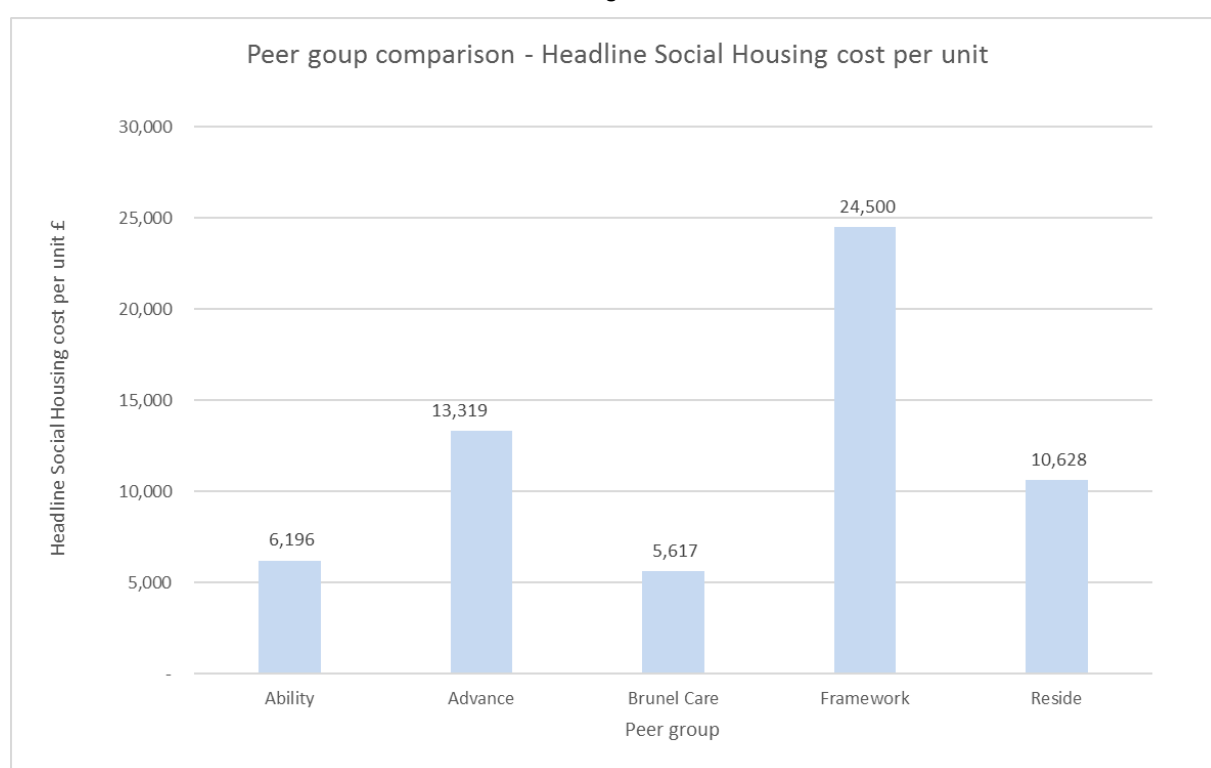
- Operating margin at 5.9% is below the peer group average of 9.1% for Social Housing activity, and reflects the increased expenditure in responsive and planned maintenance noted above in response to the Covid 19 crisis. Operating margin on social housing lettings at 5.9% is reduced from last year by 2.8% (2019-20 8.7%) and reflects the return in the second half of 2020-21 to more 'normal' levels of access to residents properties in order to complete current responsive repairs, and such cyclical works as had been delayed through the restrictions of Covid.



For the year ended 30 September 2021

Operating and Financial Review and Strategic Report (continued)

- These two factors have also reflected in the increased 'Headline Social Housing' cost per unit at £6,196, an increase over 2019-20 of £555 per unit. However, this level of expenditure remains significantly below the peer group average of £12,052, and a performance that Ability will seek to improve on through more efficient procurement and management of void repairs management and, with the Landlord Health and Safety works now running in the 'normal' cycle, a reduced compliance and consequent repairs spend. In order to progress this efficiency saving, and to strengthen the quality of the service provided to residents, a re-procurement exercise has recently been carried out for two out of the three operating regions of Ability, with the appointment of new contractors.
- The Ability approach to provide intensive tenancy sustainment support through the Housing Support Officers, with significant investment and focus on supporting our customers to manage and retain their tenancy, represents a better outcome for the customer, and a value for money saving for Ability when compared to the cost of tenancy change. This investment supports the target of reducing arrears and bad debt by 0.5% per annum, and enabling our customers to benefit from a stable home environment in the longer term.



Value for money metrics – Ability five year trend

- The application of the rent cutting regime implemented through the Welfare Reform and Work Act 2016 has kept housing revenue (rent plus service charges) flat or slightly reducing over the last four years, but marginally above inflation increases in Care and Support revenues have meant that overall revenue levels had remained largely static. However, with the re-application of the 'up to CPI + 1%' rent settlement from 2020, rental revenues have started to climb again, with increases applied to all April increase units during this financial year.

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2021

Operating and Financial Review and Strategic Report (continued)

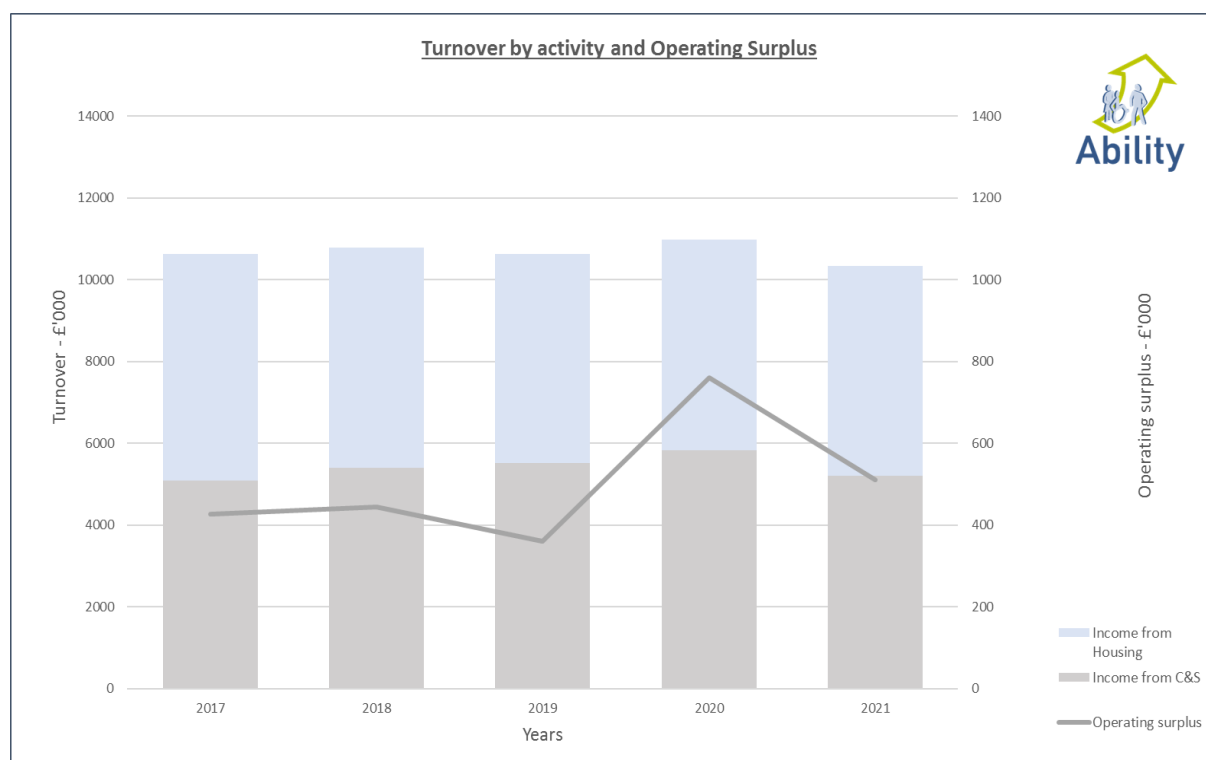
Ability Housing Association
2020-21 VFM table

Metric	Units 2020-21	£ 2020-21	Units 2019-20	£ 2019-20	Units 2018-19	£ 2018-19	Units 2017-18	£ 2017-18	Units 2016-17	£ 2016-17
1 Reinvestment		0.81%		0.24%		0.05%		0.24%		0.01%
2a New Supply Delivered Social Housing Stock	1		-		-		-		-	
2b New Supply Delivered Non-Social Housing Stock	-		-		-		-		-	
3 Gearing		6.48%		6.68%		9.12%		10.45%		11.29%
4 Earnings before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA-MRI) Interest Cover		220.06%		308.17%		258.09%		256.04%		174.70%
5 Headline Social Housing cost per Unit		6,196		5,641		5,795		7,201		5,862
6a Operating Margin on Social Housing Lettings		5.89%		8.73%		1.78%		6.78%		13.63%
6b Operating Margin overall		4.93%		6.93%		3.40%		4.13%		4.02%
7 Return on Capital Employed		0.78%		1.31%		0.78%		0.68%		0.72%

Metrics calculated per the RSH 'Value for Money Metrics Technical Guidance Note June 2020'

Five-year trading summary

- Revenues in both Housing and Care and Support saw a slight reduction last year, with the transfer away of a care and support contract in West London along with the rental revenues from the units occupied by the beneficiaries of that contract, the cessation of two small Care and Support contracts in Surrey, and the return of leased social housing units following the expiry of the lease.



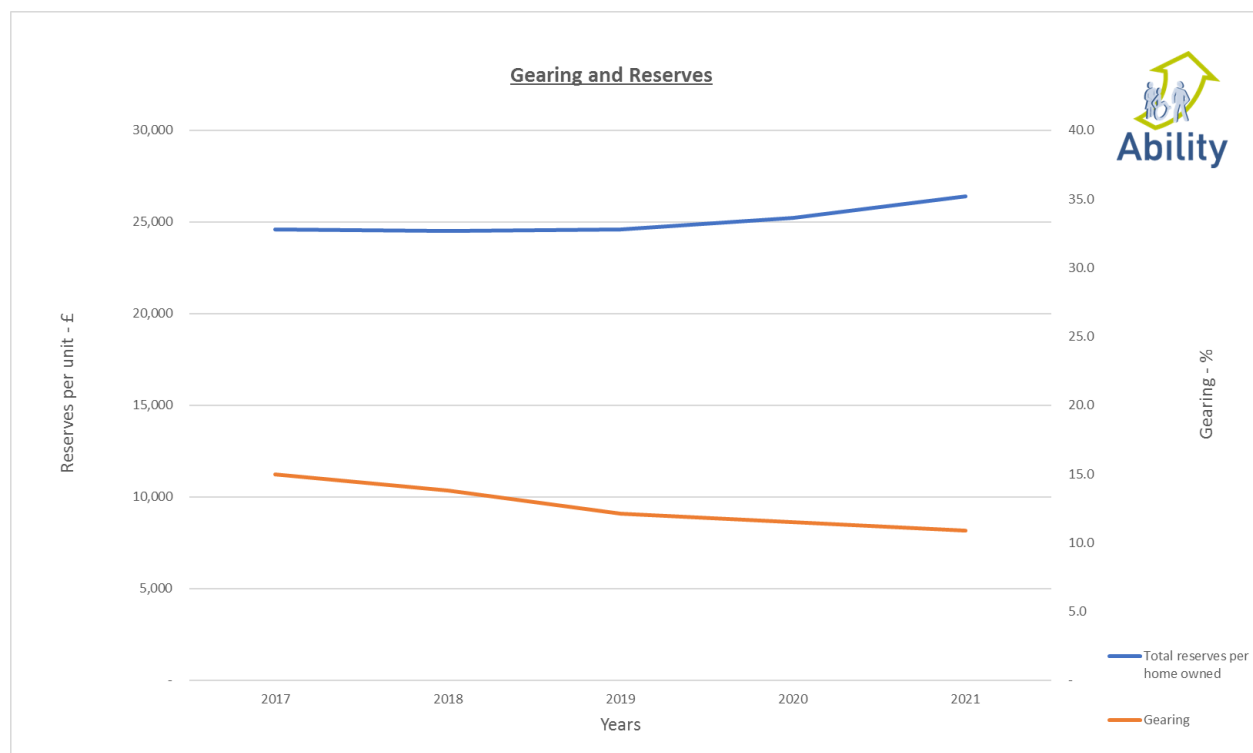
For the year ended 30 September 2021

Operating and Financial Review and Strategic Report (continued)

- The return in the second half of 2020-21 to more 'normal' delivery levels of responsive and planned works in our property stock has impacted on the operating margins compared to last year, with operating margins returning to their previous slower improvement trajectory.
- The additional costs incurred due to Covid continued to benefit from the government measures such as Infection Control Fund and the Furlough scheme, but whilst these payments offset some of the additional expenditure incurred, they did not cover 100% of the additional costs.
- The maintenance programme both in cyclical and responsive repairs continued to experience reduced activity during October to April this year as the impact of Omicron variant of Covid-19 forced the imposition of another lockdown. However, as we approached the end of the financial year, activity levels quickly climbed back to approaching normal as our tenants became more comfortable with the precautions taken by our maintenance staff, and with the idea of letting someone into their homes again.

Five-year financial stability summary

- Growth in reserves per unit reflect the reduced revenue growth and simultaneous non-capital investment in the stock condition. However, close management of indirect costs and the restructuring of both care & support and housing delivery have enabled the trajectory of reserves per unit to remain positive, albeit at a reduced rate.
- Gearing continues to fall as a function of repayment of the loans over time, the winding down of property leasing commitments and the continued strong cash generating performance of the business. The graph reflects our banking covenant gearing calculation.

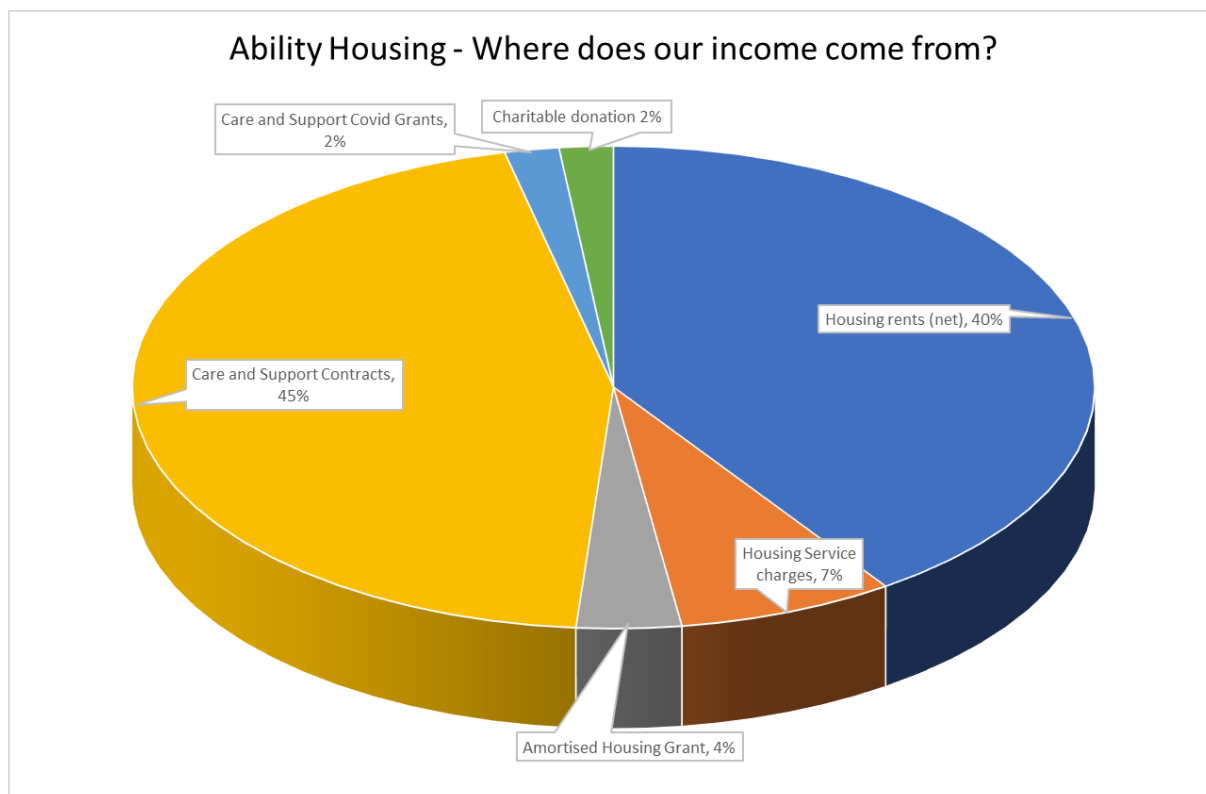


For the year ended 30 September 2021

Operating and Financial Review and Strategic Report (continued)

Ability performance in 2020-21

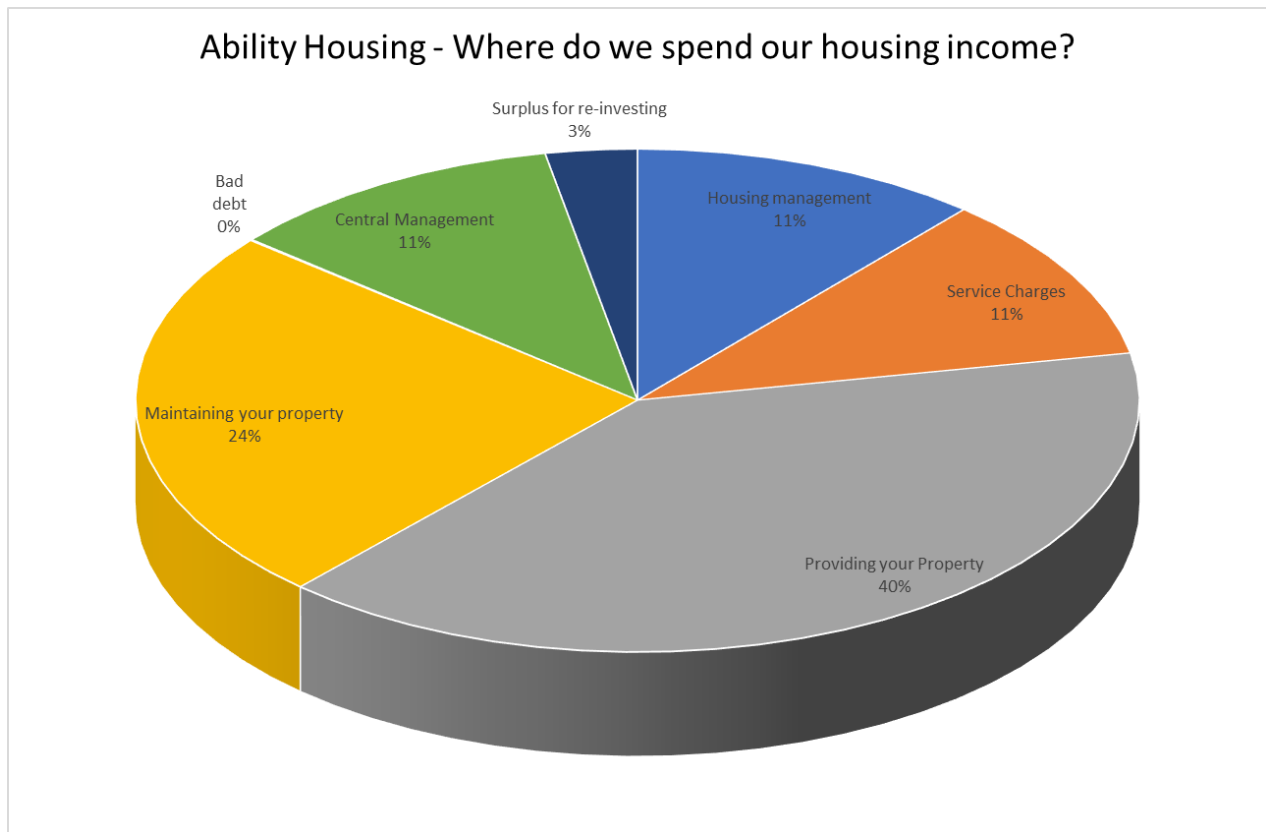
- Ability Housing Association comprises two distinct operating streams, generating £5,144 k of revenue from social housing and associated activities (2020 £5,155) and £5,195k from Care and Support activities (2020 £5,834k). In 2020-21 Ability also benefitted from the charitable donation of a social housing flat in Surrey, valued at £201k.



- The majority of the social housing and associated activities revenue is deployed in the cost of providing our housing stock, with 40% deployed between depreciation of the homes that we provide, and the interest payments on the loans used to deliver those homes.
- Keeping our stock in a safe and secure condition for our residents takes another 24% of our revenue, with the cost of providing services to our residents accounting for another 11%
- The full analysis of the cost of the social housing operating stream is illustrated below.

For the year ended 30 September 2021

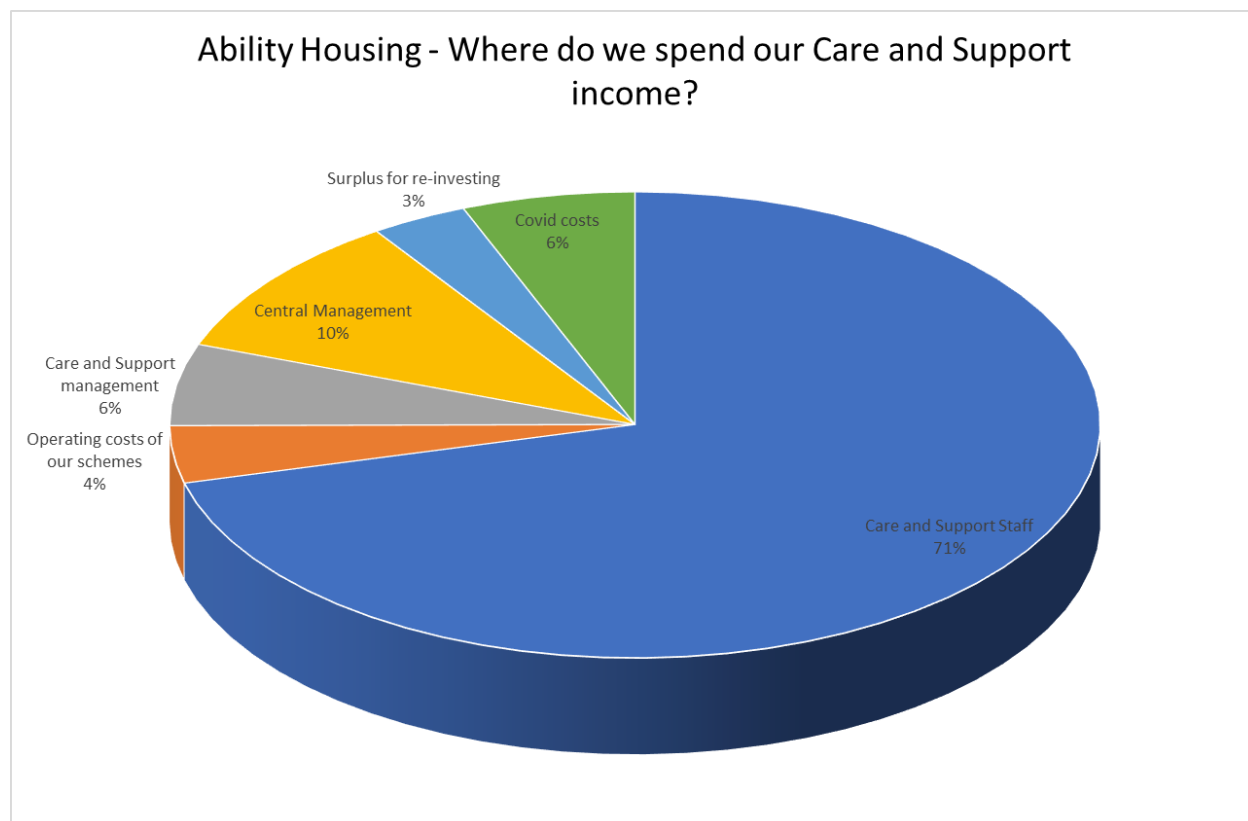
Operating and Financial Review and Strategic Report (continued)



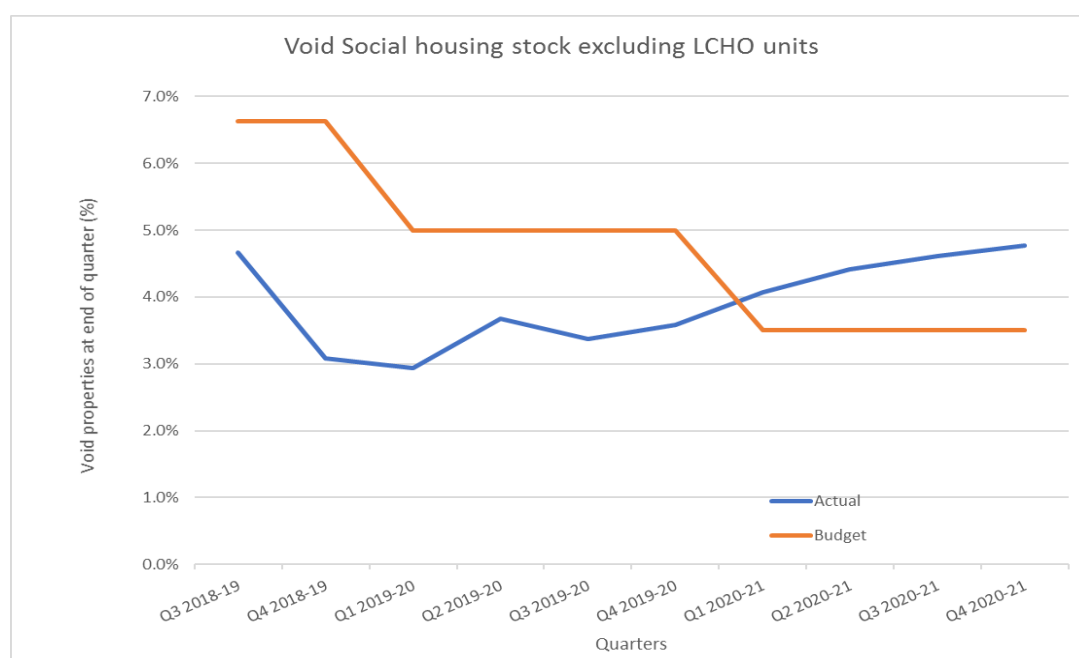
- Where the costs associated with social housing activities are predominantly related to the provision and maintenance of the housing stock, Care and Support is a primarily service based cost structure, being the delivery of Care and Support to people in their home environment.
- As such, the main cost of the Care and Support revenue stream is the people that deliver that service, and their costs make up 71% of the total deployed through that revenue stream, as illustrated below
- The costs of supporting our customers through the Covid pandemic also features this year, accounting for 6% of all the expenditure in Care and Support

For the year ended 30 September 2021

Operating and Financial Review and Strategic Report (continued)



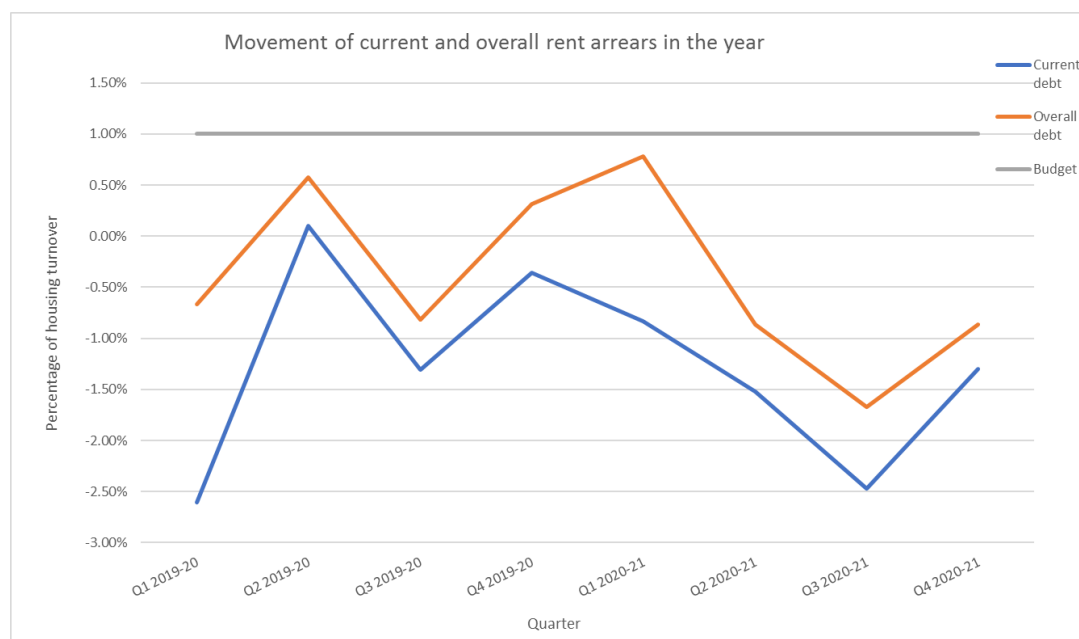
- Voids are a critical area of property management, and as the graph below shows, Ability has performed consistently better than budget over recent quarters. However, as part of the drive to improve performance and enhance margins in the Housing revenue stream, the budget for void costs and properties has been reduced for the third year running to 3.5% for 2020-21.
- This is a challenging target given the nominations issues being caused by Covid, as the response from local authority nomination panels is delayed due to the pandemic restrictions, and the complexities of the nominations process for housing and social care.



For the year ended 30 September 2021

Operating and Financial Review and Strategic Report (continued)

- The number of properties void is only part of the void cost equation, with the average duration and the cost of refurbishing the void property forming the cost elements of the measurement, with the complexity of the void works required often having a heavy influence on the period the property is void.
- From 2020-21 Ability is implementing a standardised 'Void Works Standard' which will be applied to all properties coming void in the estate, and which is designed to facilitate more rapid turnaround times and ensure a consistent high standard of properties being offered to new tenants.



- A key measure in the effective management of the housing stock is the collection of rent and service charge due, which at Ability is measured as a percentage of housing turnover including service charges.
- During 2019-20 the movement on the overall amount of rent owed to Ability as a % of our housing turnover increased by 0.31% against a budget of 1%. However, during 2020-21 the amount owed as a percentage of housing turnover fell by just under 1%, in spite of another year in which the ongoing Covid pandemic challenged all aspects of customer interaction.

Statement of the responsibilities of the Board for the report and financial statements

The Board is responsible for preparing the Report of the Board, Operating and Financial Review, Strategic Report and financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers 2018, have been followed, subject to any material departures disclosed and explained in the financial statements; and

For the year ended 30 September 2021

Operating and Financial Review and Strategic Report (continued)

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it 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 (April 2019). It is 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

The Board members confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Board 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.

Annual general meeting

The annual general meeting will be held on 23rd March 2022 by video conference.

External auditors

A proposal will be made at the AGM to re-appoint Beever and Struthers as auditors for the financial year 2021-22.

The Operating and Financial Review and Strategic Report were approved by the Board on 2nd March 2022 and signed on its behalf by:



Sally Reay
Chair

For the year ended 30 September 2021

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF ABILITY HOUSING ASSOCIATION
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

Opinion

We have audited the financial statements of Ability Housing Association (the 'Association') for the year ended 30 September 2021 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity (Reserves), the Statement of Financial Position, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 30 September 2021 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been 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 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 Board's 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 twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

For the year ended 30 September 2021

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF ABILITY HOUSING ASSOCIATION
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

Other information (continued)

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 Board and the Operating and Financial review and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Board and the Operating and Financial review and Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the 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 Board and the Operating and Financial review and 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 directors' 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 the Responsibilities of the Board set out on page 22, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

For the year ended 30 September 2021

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF ABILITY HOUSING ASSOCIATION
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

Auditor's responsibilities for the audit of the financial statements (continued)

they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of laws, regulations and guidance that affect the Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws, regulations and guidance that we identified included the Companies Act 2006, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019, tax legislation, health and safety legislation, and employment legislation.
- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the regulated nature of the Association's activities.
- We reviewed financial statements disclosures and supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

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. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other

For the year ended 30 September 2021

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF ABILITY HOUSING ASSOCIATION
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

Use of our report (continued)

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.



Lee Cartwright
Senior Statutory Auditor
For and on behalf of
Beever and Struthers
Statutory Auditor
The Colmore Building
20 Colmore Circus Queensway
Birmingham
B4 6AT

Date: 18 March 2022

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2021

Statement of Comprehensive Income	Note	2021 £'000	2020 £'000
Turnover	2	10,339	10,989
Operating costs	2	(9,829)	(10,228)
Gain/(Loss) on disposal of property, plant & equipment	6	(69)	(10)
Operating surplus	5	441	751
Interest receivable	7	5	14
Interest payable and similar charges	8	(314)	(355)
Charitable donation received	11	201	-
Surplus on ordinary activities before taxation		333	410
Tax on surplus for the year		-	-
Surplus/(deficit) for the year after tax		333	410
Other Comprehensive Income			
Actuarial gains/(losses) in respect of pension scheme		26	26
Total comprehensive income for the year		359	436

The notes on pages 31 to 58 form part of these financial statements.

The financial statements on pages 27 to 58 were authorised and approved for issue by the Directors on 2nd March 2022 and were signed on its behalf by:



Sally Reay
Chair



Dominic Wallace
Board Member



Peter Gardiner
Secretary

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2021

STATEMENT OF CHANGES IN EQUITY (RESERVES)

Income and Expenditure Reserve

	£'000
Balance at 30 th September 2019	16,845
Surplus/(Deficit) for the year	410
Actuarial gains/(losses) in respect of pension scheme	26
Balance at 30 th September 2020	<u>17,281</u>
Surplus/(Deficit) for the year	333
Actuarial gains/(losses) in respect of pension scheme	26
Balance at 30 th September 2021	<u>17,640</u>

The notes on pages 31 to 58 form part of these financial statements.

For the year ended 30 September 2021

Statement of Financial Position at 30 September 2021

	Note	2021 £'000	2020 £'000
Tangible fixed assets			
Housing properties	11	53,290	53,847
Other tangible fixed assets	12	509	543
		<u>53,799</u>	<u>54,390</u>
Current assets			
Trade and other debtors	13	629	857
Cash and cash equivalents		4,955	5,179
		<u>5,584</u>	<u>6,036</u>
Creditors: amounts falling due within one year	14	(2,677)	(3,172)
		<u>2,907</u>	<u>2,864</u>
Net current assets			
		<u>56,706</u>	<u>57,254</u>
Total assets less current liabilities			
		<u>56,706</u>	<u>57,254</u>
Creditors: amounts falling due after more than one year	15	(38,890)	(39,695)
Pension provision	19	(176)	(278)
		<u>17,640</u>	<u>17,281</u>
Total Net Assets			
		<u>17,640</u>	<u>17,281</u>
Capital and reserves			
Income and Expenditure reserve		17,640	17,281
		<u>17,640</u>	<u>17,281</u>
Total Reserves			
		<u>17,640</u>	<u>17,281</u>

Company registration number: 01261380

The notes on pages 31 to 58 form part of these financial statements.

The financial statements on pages 27 to 58 were authorised and approved for issue by the Directors on 2nd March 2022 and were signed on its behalf by:



Sally Reay
Chair



Dominic Wallace
Board Member



Peter Gardiner
Secretary

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2021

Statement of Cash Flows	Note	2021 £'000	2020 £'000
Net cash generated from operating activities	i	747	1,944
Cash flow from investing activities			
Interest received		5	14
Purchase of tangible fixed assets		(273)	(279)
		<u>(268)</u>	<u>(265)</u>
Cash flow from financing activities			
Repayment of borrowings		(389)	(327)
Interest paid		(314)	(355)
		<u>(703)</u>	<u>(682)</u>
Net change in cash and cash equivalents		(224)	997
Cash and cash equivalents at the beginning of the year		5,179	4,182
Cash and cash equivalents at end of the year		<u>4,955</u>	<u>5,179</u>

Note i	2021 £'000	2020 £'000
Cash flow from operating activities		
Operating surplus/(deficit) for the year	441	751
Adjustments for non-cash items		
Depreciation and impairment of tangible fixed assets	995	977
Grant amortisation	(389)	(389)
Decrease/(Increase) in trade and other debtors	228	11
Increase/(Decrease) in trade and other creditors	(522)	659
Defined benefit pension payments	27	22
Pension movements	(102)	(97)
Adjustments for investing or financing activities		
(Gain)/loss on disposal of Tangible Fixed Asset	69	10
Net cash generated from operating activities	<u>747</u>	<u>1,944</u>

The notes on pages 31 to 58 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Legal Status

The Association is registered under the Companies Act 2006 as a company limited by guarantee. It is registered with both the Charity Commission and the Regulator of Social Housing as a Registered Provider. The principal activity of the Association is disclosed in the Report of the Board. The registered address is The Coach House, Gresham Road, Staines, Middlesex TW18 2AE.

1. Accounting policies

Basis of accounting

The financial statements of the Association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 ('FRS 102') and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. The financial statements are prepared on the historical cost basis of accounting. As a public benefit entity, the Association has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102.

The financial statements are presented in Sterling (£), the functional and presentational currency of the Association. The figures are presented in £'000 (thousands).

Going concern

The Association's business activities, its current financial position and factors likely to affect its future development including the impact of Covid 19, are set out within the Operating and Financial Review and Strategic Report. The Association is able to meet its commitments in respect of long-term debt facilities used to finance reinvestment and development programmes, along with the Association's day to day operations. The Association also has a business plan, which shows that it is able to service these debt facilities whilst continuing to comply with lenders' 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.

Turnover

Turnover comprises rental and service charge income receivable in the year, and other services included at the invoiced value of goods and services supplied in the year and grants receivable in the year. Service charge income is calculated on a variable charge basis.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Charges for support services funded under Care and Support are recognised as they fall due under the contractual arrangements with Administering Authorities.

Value added tax

The Association is not registered for VAT, and therefore all amounts are inclusive of VAT.

Corporation tax

The Association is recognised by HMRC as a charity. During the current year the Association is claiming exemptions from corporation tax on its income and gains. All of the Association's income and gains will be applied to its charitable purposes.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Interest payable

Interest payable is charged to the statement of comprehensive income in the year. No interest is capitalised.

Financial instruments

Financial assets and financial liabilities are measured at transaction price initially, plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.

Commitments to receive or make a loan to another entity which meet the conditions in paragraph 11.8(c) of FRS 102 are measured at cost less impairment.

Financial instruments held by the Association are classified as follows:

Cash is held at cost; and

Financial assets such as receivables are classified as loans and receivables and held at amortised cost using the effective interest method; and

Financial liabilities such as loans are held at amortised cost using the effective interest method.

Debtors

Short term debtors are measured at transaction price, less any impairment. Where deferral of payment terms have been agreed at below market rate, and where material, the balance is shown at the present value, discounted at a market rate

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured at amortised cost, net of transaction costs.

Employee Benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

Retirement benefits

The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services.

Consistent with the guidance in FRED 71 paragraph 4 (FRS 102 paragraph 28.11B), the difference between the deficit funding liability and the net defined benefit deficit for the Social Housing Pension Scheme was recognised in Other Comprehensive Income for the year ending 30 September 2019.

The detailed pensions policy can be seen at the beginning of note 19.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Housing properties

Housing properties are principally properties held for the provision of social housing or otherwise to provide social benefit and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, and expenditure incurred in respect of improvements. Donated land/assets or assets acquired at below market value are initially recognised at fair value in the Statement of Financial Position, and depreciated by component on a straight-line basis over the estimated UELs of the component categories.

Works to existing properties are works which replace a component that has been treated separately for depreciation purposes along with those works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business are capitalised as improvements.

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as current asset and related sales proceeds included in turnover; and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for impairment.

Government Grants

Government grants include grants receivable from Homes England, local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure (excluding land) under the accruals model.

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

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the Regulator of Social Housing in England and Wales. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in income and expenditure.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to the statement of comprehensive income. Upon disposal of the associated property, the Association is required to recycle these proceeds and recognise them as a liability.

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 Association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

For the year ended 30 September 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

Depreciation of housing properties

Freehold land is not depreciated. Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

The Association separately identifies the major components which comprise 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 over the following timescales:

Structure	100 years
Roof	60 years
Kitchen	20 years
Bathroom	25 years
Boiler	15 years
Heating System	30 years
Windows & Doors	20 years
Electrics	30 years

Other tangible fixed assets

Other tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land.

The principal annual rates used for other assets are:

Freehold offices	1%-2%
Long leasehold property	Over life of lease
Furniture, fixtures and fittings	25%
Computer equipment	33.3%
Vehicles	25%
Office equipment	25%-33.3%
Company CRM/Financial system	10%

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus/deficit for the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Leased assets

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

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring the surplus or deficit. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Association recognises annual rent expense equal to amounts owed to the lessor. The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

Properties for sale

Shared ownership first tranche sales completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Provisions for liabilities

Provisions are recognised when the Association has a present obligation (legal or constructive) as a result of a past event, it is probable that the Association will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as finance cost in profit or loss in the period it arises.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the reporting date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

Significant judgements and estimates:

Preparation of the financial statements requires management to make significant judgements and estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements. The items in the financial statements where these judgements and estimates have been made include:

NOTES TO THE FINANCIAL STATEMENTS (continued)

Social care contracts

Management judgement is applied in determining the extent to which the risks and benefits are transferred to the Association when considering the income to be recognised. £5,195k (2020: £5,834k) of social care income was recognised in the year. See note 2 for further details.

- **Estimation uncertainty**

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

- **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. Accumulated depreciation at 30 September 2021 was £ 12,279k (2020: £11,390k). See notes 11 and 12 for further details.

Impairment

The Association considers whether indicators of impairment exist in relation to tangible assets. Indicators considered include external sources of information such as market value, market interest rates and returns on investment, actual or proposed changes to the technological, economic or legal environment, obsolescence or damage to the asset, operational changes or internal reporting which indicates that the asset is performing worse than expected. The Association also considers expected future performance of the asset. Any impairment loss is charged to the Statement of Comprehensive Income.

Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value less costs to sell or its value in use. A cash generating unit is normally an Association of properties at scheme level whose cash income can be separately identified.

Following a trigger for impairment, the Association performs impairment tests based on a value in use calculation. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the business plan for the next 5 years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes. The Association has identified no additional cash generating units for impairment assessment purposes at a property scheme level during this financial year.

Defined benefit obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses. The liability at 30 September 2021 was £176k (2020: £278k). See note 19 for further details.

For the year ended 30 September 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Particulars of turnover, cost of sales, operating costs and operating surplus

	2021		
	Turnover	Operating costs	Operating surplus
	£'000	£'000	£'000
Social housing lettings	5,061	(4,763)	298
Other social housing activities	47	(47)	-
Management services	36	-	36
Management services - lettings			
	<u>5,144</u>	<u>(4,810)</u>	<u>334</u>
Non - social housing activities			
Charges for support services	4,788	(4,411)	377
Care home	205	(295)	(90)
HMRC CJRS grant	59	(59)	-
Covid 19 Local Authority Grants	143	(254)	(111)
	<u>5,195</u>	<u>(5,019)</u>	<u>176</u>
	<u><u>10,339</u></u>	<u><u>(9,829)</u></u>	<u><u>510</u></u>

	2020		
	Turnover	Operating costs	Operating surplus
	£'000	£'000	£'000
Social housing lettings	5,083	(4,639)	444
Other social housing activities			
Management services	46	(46)	-
Management services - lettings	26	-	26
	<u>5,155</u>	<u>(4,685)</u>	<u>470</u>
Non - social housing activities			
Charges for support services	5,410	(5,094)	316
Care home	286	(321)	(35)
HMRC CJRS grant	91	(91)	-
Covid 19 Local Authority Grants	47	(37)	10
	<u>5,834</u>	<u>(5,543)</u>	<u>291</u>
	<u><u>10,989</u></u>	<u><u>(10,228)</u></u>	<u><u>761</u></u>

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For the year ended 30 September 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	2021			2020
	General Needs Housing £'000	Supported Housing £'000	Total £'000	Total £'000
Rent receivable net of identifiable service charges	590	3,276	3,866	3,912
Service charge income	123	683	806	782
Amortised government grants	59	330	389	389
Turnover from social housing lettings	772	4,289	5,061	5,083
Management	(215)	(1,200)	(1,415)	(1,271)
Services	(88)	(486)	(574)	(628)
Routine maintenance	(100)	(558)	(658)	(573)
Planned maintenance and major repairs	(98)	(543)	(641)	(582)
Bad debt provision	(1)	(3)	(4)	(53)
Property lease charges	(85)	(470)	(555)	(616)
Depreciation of housing properties	(140)	(776)	(916)	(916)
Operating costs on social housing lettings	(727)	(4,036)	(4,763)	(4,639)
Operating (deficit)/surplus on social housing lettings	45	253	298	444
Voids	40	223	263	212

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For the year ended 30 September 2021

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	2020
	No	No
Social housing		
General housing	43	42
Supported housing	534	552
Low cost home ownership	2	2
Residential care homes	7	7
Total owned	586	603
Accommodation managed for others	71	71
Total managed	657	674
Non-social housing		
Respite Unit	8	8
Owned but managed by others		
General needs	11	11
Total owned and managed	676	693

5. Operating surplus

The operating surplus is arrived at after charging:

	2021	2020
	£'000	£'000
Depreciation of freehold housing properties	665	670
Depreciation of leasehold housing properties	251	246
Depreciation of other tangible fixed assets	79	61
Operating lease rentals		
- office equipment	5	-
- land and buildings	555	616
Auditors' remuneration		
- for audit services	14	14
- for other services - covenant compliance	1	1
- for other services – tax compliance	-	1

ABILITY HOUSING ASSOCIATION
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NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Loss on disposal of fixed assets

	2021 £'000 Housing Properties (components)	2021 £'000 Other Property Plant and Equipment	2021 £'000 Total	2020 £'000 Total
Proceeds of sale	-	-	-	-
Cost of sale	69	-	69	10
Surplus/ (Loss) on disposal	(69)	-	(69)	(10)

7. Interest receivable and similar income

	2021 £'000	2020 £'000
Interest receivable and similar income	5	14

8. Interest payable and similar charges

	2021 £'000	2020 £'000
Loans and bank overdrafts	309	350
Defined Benefit pension operating cost	5	5
	<u>314</u>	<u>355</u>

9. Employees

Average monthly number of employees (FTE):

	2021 No	2020 No
Administration	12	12
Housing, support and care	130	156
	<u>142</u>	<u>168</u>
Average monthly number of employees :	179	189

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NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Employees (continued)

The full-time equivalent number of staff who received remuneration (including directors):

	2021	2020
	No.	No.
£60,000-£69,999	-	-
£70,000-£79,999	2	1
£80,000-£89,999	-	-
£90,000-£99,999	1	1

Employee costs:	2021	2020
	£'000	£'000
Wages and salaries	4,442	4,380
Social security costs	395	386
Other pension costs	156	147
	<u>4,993</u>	<u>4,913</u>

10. Directors, members and executive directors

	2021	2020
	£'000	£'000
Aggregate emoluments of directors (including pension contributions)	254	248
Emoluments of the highest paid director (excluding pension contributions and including benefits in kind)	93	92
Total expenses reimbursed to directors not chargeable to UK income tax – Board members	-	-
– Executives	2	1

The Chief Executive is a member of the Social Housing Pension Defined Contribution Scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply. Pension contributions totalled £5k (2020: £5k) in respect of the Chief Executive. The Directors and executive directors are considered to be key management personnel.

Board members

None of the Board members received emoluments (2020: £Nil).

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For the year ended 30 September 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Tangible fixed assets - properties

Housing properties	Freehold Social housing properties held for letting	Leasehold housing properties held for letting	Total housing properties held for letting	Completed shared ownership properties	Total housing properties
Cost	£'000	£'000	£'000	£'000	£'000
At 1 October 2020	47,865	15,513	63,378	188	63,566
Property-acquired	-	201	201	-	201
Works to existing properties	158	70	228	-	228
Disposals	(108)	(68)	(176)	-	(176)
At 30 September 2021	<u>47,915</u>	<u>15,716</u>	<u>63,631</u>	<u>188</u>	<u>63,819</u>
Depreciation and impairment					
At 1 October 2020	7,083	2,636	9,719	-	9,719
Charged in year	665	251	916	-	916
Released on disposal	(79)	(27)	(106)	-	(106)
At 30 September 2021	<u>7,669</u>	<u>2,860</u>	<u>10,529</u>	<u>-</u>	<u>10,529</u>
Net book value					
At 30 September 2021	<u>40,246</u>	<u>12,856</u>	<u>53,102</u>	<u>188</u>	<u>53,290</u>
At 30 September 2020	<u>40,782</u>	<u>12,877</u>	<u>53,659</u>	<u>188</u>	<u>53,847</u>

For the year ended 30 September 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Tangible fixed assets – properties (continued)

Expenditure on works to existing properties

	2021	2020
	£'000	£'000
Components capitalised	228	131
Amounts charged to statement of comprehensive income	1,299	1,155
	<u>1,527</u>	<u>1,286</u>

Social housing assistance

	2021	2020
	£'000	£'000
Total accumulated social housing grant received or receivable at 30 September:		
Recognised in the statement of comprehensive income	389	389
Held as deferred income	32,729	33,118
	<u>33,118</u>	<u>33,507</u>

Housing properties book value, net of depreciation

	2021	2020
	£'000	£'000
Freehold land and buildings	40,434	40,970
Long leasehold land and buildings	12,856	12,877
	<u>53,290</u>	<u>53,847</u>

Annually housing properties (cash generating units) are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the scheme's carrying amount to its recoverable amount. An impairment charge was taken in 2018/19 in respect of a property at the Sundial scheme and Masons Close of £74k and £176k respectively. A review of housing properties at the end of 2020/21 concluded that the prior year impairment remained appropriate and no further impairment provisions were needed at this time.

Amounts do not include capitalised interest; all interest charges are written off to expenditure as incurred. At the year end a total of 187 (2020: 187) properties were subject to charges securing loan funding. Of these 119 properties with a Net Book Value of £12,953k (2020: 119 properties with a Net Book Value of £12,952k) secured the total Barclays facility, 58 properties with a Net Book Value of £2,097k (2020: 58 properties with a Net Book Value of £2,138k) secured the Dexia loan and 10 properties with a Net Book Value of £667k (2020: 10 properties with a Net Book Value of £681k) secured the Crown Mortgage loans (Orchardbrook/Fresh PLC).

During 2020-21 Ability benefitted from the charitable donation of a two-bedroom social housing unit in Shepperton, Surrey, valued independently at £200k. The only condition associated with this donation was that the tenancy agreement for the existing tenant be honoured, and this has been complied with.

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For the year ended 30 September 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Tangible fixed assets - other

	Freehold offices £'000	Vehicles & office equipment £'000	Furniture, fixtures and fittings £'000	Long-Life systems and Computer Equipment £'000	Service charge recoverable assets and WIP £'000	Total £'000
Cost						
At 1 October 2020	501	1,011	369	243	90	2,214
Additions	-	-	-	-	45	45
Disposals	-	-	-	-	-	-
At 30 September 2021	<u>501</u>	<u>1,011</u>	<u>369</u>	<u>243</u>	<u>135</u>	<u>2,259</u>
Depreciation						
At 1 October 2020	227	1,011	369	51	13	1,671
Charged in the year	10	-	-	52	17	79
Released on Disposal	-	-	-	-	-	-
At 30 September 2021	<u>237</u>	<u>1,011</u>	<u>369</u>	<u>103</u>	<u>30</u>	<u>1,750</u>
Net book value						
At 30 September 2021	<u>264</u>	<u>-</u>	<u>-</u>	<u>140</u>	<u>105</u>	<u>509</u>
At 30 September 2020	<u>274</u>	<u>-</u>	<u>-</u>	<u>192</u>	<u>77</u>	<u>543</u>

13. Debtors

	2021 £'000	2020 £'000
Due within one year		
Rent and service charges receivable	553	602
Less: provision for bad and doubtful debts	(342)	(342)
	<u>211</u>	<u>260</u>
Other debtors	293	506
Prepayments and accrued income	125	91
	<u>629</u>	<u>857</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Creditors: amounts falling due within one year

	2021	2020
	£'000	£'000
Debt (note 18)	396	369
Trade creditors	341	478
Rent and service charge accounts in credit	225	214
Rent and service charges received in advance	38	52
Taxation and social security	7	32
Recycled Capital Grant Fund (note 16)	35	357
Accruals and deferred income	1,139	1,174
Holiday pay accrual	107	107
Deferred grant income	389	389
	<u>2,677</u>	<u>3,172</u>

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

	2021	2020
	£'000	£'000
Debt (note 18)	6,550	6,966
Deferred grant income (note 17)	32,340	32,729
	<u>38,890</u>	<u>39,695</u>

16. Recycled capital grant fund

	2021	2020
	£'000	£'000
At 1 October	357	357
Grants recycled	-	-
Grant utilised	-	-
Grants repaid - GLA	(322)	-
	<u>35</u>	<u>357</u>
At 30 September	<u>35</u>	<u>357</u>

As the RCGF was generated three years ago and no suitable schemes have been identified to re-deploy the grant, repayment is now due. The GLA invoiced for £322k of grant in September 2020, with payment in October 2020.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Deferred Grant Income

	2021	2020
	£'000	£'000
At 1 October	33,118	33,507
Disposals	-	-
Grant Received	-	-
Released to income	(389)	(389)
At 30 September	<u>32,729</u>	<u>33,118</u>
Due in one year	389	389
Due after one year	<u>32,340</u>	<u>32,729</u>

The gross amount of grant received prior to amortisation was £39,188k (2020: 39,188k).

1.1.

18. Debt analysis

Borrowings

	2021	2020
	£'000	£'000
Due within one year		
Housing loans	396	369
Due after more than one year		
Housing loans	6,550	6,966
Total loans	<u>6,946</u>	<u>7,335</u>

For the year ended 30 September 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Debt analysis (continued)

Security

Housing loans are secured by fixed charges on individual properties.

Terms of repayment and interest rates

The loans are repaid in monthly, quarterly or half yearly instalments over the agreed period of the loan. The final instalments fall to be repaid in the period 2020 to 2037. Interest rates on borrowings range from 0.47% to 10.688%.

At 30 September the Association had undrawn loan facilities of £0m (2020: £6.5m). A new revolving credit facility of £2.0m has been agreed with the associations principal lender, with the legal formalities expected to be completed by early 2022.

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	2021	2020
	£'000	£'000
Within one year or on demand	396	369
One year or more but less than two years	418	369
Two years or more but less than five years	1,399	1,107
Five years or more	4,733	5,490
	6,946	7,335

19. Pension

Pension Provision

The SHPS Defined Benefit obligation is accounted for in accordance with the provisions of FRS102 as adopted by SHPS. The SHPS Growth Plan provision continues to be accounted for as a provision 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.

For the year ended 30 September 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Pension (continued)

The Association participates in two funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS) and the Local Government pension scheme under a TUPE transfer agreement and one multi employer defined contribution scheme.

Social Housing Pension Scheme

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

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

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

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

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

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

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. A further valuation was carried out in 2021, but the results were not available for these accounts. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus at the accounting period start and end dates.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

The scheme values provided by The Pensions Trust as at 30th September 2021 are as follows:

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

	30 September 2021 (£000s)	30 September 2020 (£000s)
Fair value of plan assets	1,814	2,081
Present value of defined benefit obligation	1,936	2,290
Surplus (deficit) in plan	(122)	(209)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(122)	(209)

RECONCILIATION OF THE IMPACT OF THE ASSET CEILING

	Period from 30 September 2020 to 30 September 2021 (£000s)
Impact of asset ceiling at start of period	-
Effect of the asset ceiling included in net interest cost	-
Actuarial losses (gains) on asset ceiling	-
Impact of asset ceiling at end of period	-

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period from 30 September 2020 to 30 September 2021 (£000s)
Defined benefit obligation at start of period	2,290
Current service cost	-
Expenses	2
Interest expense	36

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2021

NOTES TO THE FINANCIAL STATEMENTS
(continued)

Member contributions	-
Actuarial losses (gains) due to scheme experience	(394)
Actuarial losses (gains) due to changes in demographic assumptions	8
Actuarial losses (gains) due to changes in financial assumptions	129
Benefits paid and expenses	(135)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	1,936

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

	Period from 30 September 2020 to 30 September 2021 (£000s)
Fair value of plan assets at start of period	2,081
Interest income	33
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	(231)
Employer contributions	66
Member contributions	-
Benefits paid and expenses	(135)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	1,814

The actual return on plan assets (including any changes in share of assets) over the period from 30 September 2020 to 30 September 2021 was (£198,000).

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2021

NOTES TO THE FINANCIAL STATEMENTS
(continued)

**DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF
 COMPREHENSIVE INCOME (SOCI)**

	Period from 30 September 2020 to 30 September 2021 (£000s)
Current service cost	-
Expenses	2
Net interest expense	3
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in Statement of Comprehensive Income (SoCI)	5

**DEFINED BENEFIT COSTS RECOGNISED IN OTHER
 COMPREHENSIVE INCOME (OCI)**

	Period from 30 September 2020 to 30 September 2021 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	(231)
Experience gains and losses arising on the plan liabilities - gain (loss)	394
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(8)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(129)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	26
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in Other Comprehensive Income - gain (loss)	26

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

ASSETS

	30 September 2021 (£000s)	30 September 2020 (£000s)
Global Equity	328	308
Absolute Return	74	104
Distressed Opportunities	59	52
Credit Relative Value	57	56
Alternative Risk Premia	67	77
Fund of Hedge Funds	-	-
Emerging Markets Debt	68	93
Risk Sharing	62	61
Insurance-Linked Securities	41	55
Property	40	42
Infrastructure	117	134
Private Debt	42	50
Opportunistic Illiquid Credit	56	51
High Yield	-	70
Opportunistic Credit	54	52
Cash	7	1
Corporate Bond Fund	104	107
Liquid Credit	9	29
Long Lease Property	41	33
Secured Income	65	71
Over 15 Year Gilts	-	-
Index Linked All Stock Gilts	-	-
Liability Driven Investment	519	629
Net Current Assets	4	6
Total assets	1,814	2,081

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

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

KEY ASSUMPTIONS

	30 September 2021	30 September 2020
	% per annum	% per annum
Discount Rate	1.99%	1.61%
Inflation (RPI)	3.50%	3.01%
Inflation (CPI)	3.05%	2.01%
Salary Growth	4.05%	3.01%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 30 September 2021 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2021	21.6
Female retiring in 2021	23.5
Male retiring in 2041	22.9
Female retiring in 2041	25.1

FOR THE PERIOD ENDING 30 September 2021

SCHEME: TPT Retirement Solutions – The Growth Plan

The company participates in the scheme, a multi-employer scheme which provides benefits to some 950 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

A full actuarial valuation for the scheme was carried out at 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2019 to 31 January 2025:	£11,243,000 per annum by 3% each on 1st April)	(payable monthly and increasing
---------------------------------------	---	---------------------------------

Unless a concession has been agreed with the Trustee the term to 31 January 2025 applies.

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2014. This valuation showed assets of £793.4m, liabilities of £969.9m and a deficit of £176.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2016 to 30 September 2025:	£12,945,440 per annum by 3% each on 1st April)	(payable monthly and increasing
From 1 April 2016 to 30 September 2028:	£54,560 per annum by 3% each on 1st April)	(payable monthly and increasing

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

The provision currently held is £54k (2020: £69k)

Surrey County Council Pension scheme

The Association makes payments as an Admitted Body to the Surrey County Council Pension Fund for employees who were members of that scheme on 1st April 2008 under the terms of a TUPE transfer. This is a funded defined benefit scheme that covers Surrey County Council employees and Scheduled and Admitted Bodies under the Local Government Pension Scheme Regulations 1997.

The Association has been notified by the Scheme Administrator that they are unable to satisfactorily identify the Association's share of the underlying Scheme assets and liabilities as at 30 September 2021 and accordingly the pension costs are accounted for as defined contribution. The scheme administrator has confirmed that the Association has no liability for past service deficit contributions.

The total employer contribution payable in the year was £18k (2020: £18k). At 30 September 2021 the Association had 3 (2020: 3) active members in the fund. Expected payments in the next financial year amount to approximately £20k.

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Reconciliation of net cash flow to movement in net debt

	2021 £'000	2020 £'000
Increase/(Decrease) in cash	(224)	997
Cash inflow/(outflow) from change in debt	389	327
Change in net debt resulting from cash flows	165	1,324
Movement in net debt for the period	165	1,324
Net debt at 1 October	(2,156)	(3,480)
Net debt at 30 September	(1,991)	(2,156)

21. Analysis of changes in net debt

	1 Oct 2020 £'000	Cashflow £'000	30 Sept 2021 £'000
Cash at bank and in hand	5,179	(224)	4,955
Changes in cash	5,179	(224)	4,955
Loans	(7,335)	389	(6,946)
Changes in debt	(7,335)	389	(6,946)
Changes in net debt	(2,156)	165	(1,991)

22. Contingent assets/liabilities

Government Grant

The Association receives capital grant from Homes England (formerly Homes and Communities Agency), which is used to fund the acquisition and development of housing properties and their components. In certain circumstances, upon disposal of grant funded properties, the Association is required to recycle this grant by crediting the Recycled Capital Grant Fund, which if not reassigned, could be subject to repayment (see note 16 for further details).

The Association had no other contingent assets or contingent liabilities at 30 September 2021 (2020: £nil).

For the year ended 30 September 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. Leasing commitments

Operating lease payments amounting to £444k (2020: £430k) are due within one year. The leases to which these amounts relate expire as follows:

	2021	2020
	£'000	£'000
Office equipment		
Expiring in one year or less	2	2
Between 1-2 years	2	1
Between 2-3 years	2	2
Between 3-4 years	1	1
Over 4 years	-	2
Total office equipment	7	8
Land and buildings		
Expiring in one year or less	442	428
Between one and two years	78	78
Between two and five years	216	216
Over five years	720	720
Total land and buildings	1,456	1,442
Total operating leases	<u>1,463</u>	<u>1,450</u>

24. Related parties

There are currently no beneficiary members of the directors (2020: nil).
There have been no related party transactions in the year (2020: none)

25. Financial liabilities excluding trade creditors – interest rate risk profile

The Association's financial liabilities are sterling denominated. The interest rate profile of the Association's financial liabilities at 30 September was:

	2021	2020
	£'000	£'000
Floating rate	3,583	3,835
Fixed rate	3,363	3,500
Total (note 18)	6,946	7,335

The fixed rate financial liabilities have a weighted average interest rate of 6.69% (2020: 6.69%) and the weighted average period for which it is fixed is 1 year to 19 years (2020: 1 year to 20 years).

The floating rate financial liabilities comprise loans that bear interest at rates based on the monthly LIBOR, and are stated at amortised cost.

The debt maturity profile is shown in note 18.

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

Borrowing facilities

The Association has no undrawn committed borrowing facilities. The facilities available at 30 September in respect of which all conditions precedent had been met were as follows:

	2021 £'000	2020 £'000
Expiring in less than one year	-	6,500
Expiring in 1-2 years	-	-
Greater than 5 years	-	-
	<u>-</u>	<u>6,500</u>

A new revolving credit facility of £2.0m has been agreed with the associations principal lender, with the legal formalities expected to be completed by early 2022.

Financial assets

Other than short term debtors, financial assets held are cash deposits in notice and current accounts, all of which is measured at historic cost. They are sterling denominated and the interest rate profile at 30 September was:

	2021 £'000	2020 £'000
Floating rate on cash deposits	2,450	2,450
Financial assets on which no interest is earned	2,505	2,729
Total	<u>4,955</u>	<u>5,179</u>

26. Share Capital

The Association is a company limited by guarantee and therefore has no share capital. Each member (see numbers below) agrees to contribute £1 in the event of the company winding up.

	2021 No.	2020 No.
At 1 October	33	39
Joining during the year	7	1
Leaving during the year	<u>(18)</u>	<u>(7)</u>
At 30 September	<u>22</u>	<u>33</u>

27. Capital commitments

At the year end the Association had capital commitments of £Nil (2020: £Nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. Financial instruments

	2021	2020
	£000	£000
Financial assets		
<u>Measured at cost</u>		
Cash and cash equivalents	4,955	5,179
<u>Measured at amortised cost</u>		
Rent and service charges receivable	553	602
Other debtors	265	506
Accrued income	95	28
Total financial assets	<u>5,868</u>	<u>6,315</u>
Financial liabilities		
<u>Measured at amortised cost</u>		
Loans	6,946	7,335
Trade creditors	566	692
Total financial liabilities	<u>7,512</u>	<u>8,027</u>

Accounts

ABILITY HOUSING ASSOCIATION

Report and Financial Statements

For the year ended 30th September 2020

Registered Company No 01261380



ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2020

Company registration number	01261380
Regulator for Social Housing registration number:	LH2174
Charity number:	271547
Registered office and principal address:	The Coach House Gresham Road Staines Middlesex TW18 2AE
Board:	Jane Harrison (Chair) Nicola Philp Sally Reay Gina Small Dominic Wallace James Macintyre (resigned 23 rd December 2019) Maureen Osborne (resigned 1st January 2021) Jai Dosanjh (appointed 11 th March 2020)
Chief Executive	Jeffrey Skipp
Director of Resources & Deputy Chief Executive	Peter Gardiner
Company Secretary	Peter Gardiner
Director of Assets & Housing	Jackie Davis (up to 3 rd August 2020)
Director of Operations (Housing)	Lucy Sivasundram (joined 8 th September 2020)
Director of Care & Support	Rita Asamoah (up to 6 th December 2019)
Bankers:	Barclays 1 Churchill Place London E14 5HP
Solicitors:	Devonshires 30 Finsbury Circus London EC2M 7DT
Auditors:	Beever and Struthers Statutory Auditor 15 Bunhill Row London EC1Y 8LP

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2020

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Notes to the financial statements	30

Report of the Board

The Board presents its report and audited financial statements for Ability Housing Association ('The Association') for the year ended 30 September 2020.

The financial statements have been drawn up under United Kingdom Generally Accepted Accounting Practice, including FRS 102 ('the financial reporting standard applicable in the UK and Republic of Ireland'). The Association is registered under the Companies Act 2006 as a company limited by guarantee incorporated in England. It is registered with both the Charity Commission and the Regulator of Social Housing in England and Wales (formerly the Homes and Communities Agency) as a Registered Provider.

Principal activities and public benefit

The Association's principal activities are the provision, by construction or conversion, and the management of housing for people with disabilities and others in housing need and the provision of care and support to those individuals.

The Association is classified as a public benefit entity. The Board confirms that it has referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Association's aims and objectives and in formulating future plans.

Business review and future development

Details of the Association's performance for the year and future plans are set out in the Operating and Financial Review that follows this Report.

Reserves

After transfer of the surplus for the year of £436k (2019: £32k), at the year-end reserves amounted to £17,281k (2019: £16,845k).

Employees

The Association is accredited as an Investor in People. Salary levels are set in relation to the market and meet or exceed the requirements of the National Minimum Wage.

We are committed to equality of opportunity for all employees, and we monitor our recruitment processes to ensure that a diverse workforce is recruited and nurtured.

The Association shares information on its objectives, progress and activities through the staff intranet, regular office and departmental meetings.

Health and safety

The Board is aware of its responsibilities on all matters relating to health and safety. The Association has employed an external advisor to prepare detailed health and safety policies, ongoing support and provides staff training and education on health and safety matters.

Board members and executive directors

The present Board members and the executive directors of the Association are set out on page 1. The Board members are drawn from a wide background bringing together professional, commercial and local experience.

The executive directors are the chief executive and the other members of the Association's senior management team. They hold no interest in the Association's shares and act as executives within the authority delegated by the Board.

For the year ended 30 September 2020

Report of the Board (continued)

Board members and executive directors (continued)

Insurance policies indemnify Board members and officers against liability when acting for the Association.

Service contracts

The executive directors are employed on the same terms as other staff, their notice periods being three to six months.

Pensions

The Association contributes to the Social Housing Pension Scheme defined contribution pension for all staff not enrolled in a defined benefit scheme or opted out. This is Ability's auto-enrolment pension scheme. A small number of staff are members of Local Government Pension Scheme, a defined benefit final salary pension scheme. A number of former staff members are enrolled in the defined benefit final salary element of the Social Housing Pension Scheme.

NHF Code of Governance

We are pleased to report that the Association complies with the principal recommendations of the NHF Code of Governance (revised 2015) with the exception that terms of office may be extended by consent of the Board. The NHF Code of Governance 2020 will be reviewed and considered by the Board in April 2021 with a view to adoption.

At last year's Annual General Meeting held on 21 March 2020, Jai Dosanjh was appointed to the Board.

Tenant involvement

We actively encourage tenants' involvement in decision-making by promoting tenant participation; up to one-third of ordinary members may be tenants or service users. The Operating and Financial Review and Strategic Report goes into considerable detail regarding current and future tenant participation initiatives.

Complaints

Our clear and simple complaints policy is issued to all customers. During the year we received one (2019: none) complaint that reached level 3 (Board formal resolution).

Fraud

There were no material frauds in the year.

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2020

Report of the Board (continued)

Board and Committee member attendance

Attendance statistics

percentage of
members attending

BOARD ATTENDANCE

Attended meetings / Possible meetings 75%

COMMITTEE ATTENDANCE

Human Resources	100%
Customer Service	75%
Audit, Finance and Risk	100%

Attended meetings / Possible meetings 93%

Number of meetings

Board	7
Audit, Finance and Risk	3
Customer Service Committee	2
Human Resources Committee	1

Internal controls assurance

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the Association is continuing, and has been in place throughout the period commencing 1 October 2019 up to the date of approval of the annual report and financial statements. The Board receives and considers reports from management on these risk management and control arrangements at each meeting during the year.

Key elements of the control framework include:

- Board approved terms of reference and delegated authorities for finance, audit and risk, human resources and customer services committees;
- clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- robust strategic and business planning processes;

For the year ended 30 September 2020

Report of the Board (continued)

- detailed financial budgets and forecasts for subsequent years;
- formal recruitment, retention, training and development policies;
- established authorisation and appraisal procedures for all significant new initiatives and commitments;
- regular reporting by senior management to the appropriate committee of key business objectives, targets and outcomes;
- Board approved whistleblowing and anti-theft and corruption policies; and
- detailed policies and procedures in each area of the Association's work.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Finance, Audit & Risk Committee ('The Committee') to review the effectiveness of the system of internal control on a regular basis. The Board receives reports from the Committee together with minutes of meetings.

The means by which the Finance Audit & Risk Committee reviews the effectiveness of the system of internal control include considering risk reports, internal audit reports, management assurances, the external audit findings report and specialist reviews on areas such as support service contracts, health and safety and housing services. The Committee has received reports from the internal auditor and has reported its findings to the Board. The Board receives regular reviews from the Chief Executive of the effectiveness of the system of internal control for the Association and in turn conducts its own reviews through the year of the effectiveness of the system of internal control.

A fraud register is maintained and is reviewed by the Finance, Audit and Risk Committee at least twice a year.

The Board is therefore satisfied that the systems of internal control are sufficiently robust and have been operating throughout the year.

Statement of compliance

The Board confirms that the Strategic Report has been prepared in accordance with the principles set out in paragraph 4.7 of the 2018 SORP for Registered Social Housing Providers.

Post balance sheet events

As far as the Board is aware, there have been no material post balance sheet events.

The Report of the Board was approved by the Board on 10 March 2021 and signed on its behalf by:



Jane Harrison
Chair



Sally Reay
Board Member



Peter Gardiner
Secretary

For the year ended 30 September 2020

Operating and Financial Review and Strategic Report

Overview of the Financial Year

During 2020, the pandemic significantly impacted on Ability Housing Association, including the people we serve, our colleagues and partners. Since the beginning of the calendar year our focus has been to operate in a way which is safe for our residents and customers, but at the same time minimises loneliness and isolation, promotes physical and mental wellbeing and provides additional support for people instructed to shield in areas such as shopping and collecting prescriptions during periods of lockdown and other ongoing social restrictions.

To do this while maintaining our operational and financial viability, we implemented the following measures:

At the end of February 2020, we revised working arrangements for all our staff, and directed anyone in a non-customer facing role to work from home. Our significant investment in ICT hardware and software over the previous two years meant that within a week, we were able to move from a predominantly office-based environment to agile working models.

Through the provision of regular communication and enhanced support to all staff on a corporate, divisional, team and individual basis, we have continued to deliver all our core operational and central services throughout the pandemic. We have also promoted virtual events for colleagues, to minimise isolation, including coffee mornings and other social activities. We have looked to minimise the mental health impact of prolonged remote working through such personal interaction and the promotion of wellbeing events and support.

Within our front-line housing and Care & Support services we identified those residents and customers who were at high risk should they contract Covid-19; and those more vulnerable to the negative impacts of lockdown and prolonged restrictions in relation to their social interactions. We discussed with individuals the support that would be useful to them, ranging from social, emotional and practical help. Those housing residents not in receipt of care and support services were offered a weekly virtual call or telephone call to check in on their wellbeing, and offer practical support required, including help to resolve any housing or other challenges they were experiencing. This support was well received by residents, with particularly high take up rates during the period of full lockdown.

We have continued with estate inspections throughout the pandemic, ensuring fire risk assessments and other vital health and safety checks have continued to take place. This was a particularly high priority because most of our tenants were at home for the duration of lockdown. Whilst we have stopped inviting residents to accompany housing and support officers (HSOs) undertaking estate inspections, feedback from residents is that seeing and knowing these are taking place, and having regular physical visits, has provided a feeling of security and comfort. We have also continued to let properties during the pandemic - although re-let times have increased, partly due to an elongated assessment and nomination process and the additional Covid-19 secure property viewing protocols.

We implemented an emergency and essential repairs and maintenance service only for the duration of the lockdown. This was to minimise the risk of transmission, protecting and reducing the risk to our residents and contractors. Essential repairs were defined by Ability as those repairs which were not considered emergency on the basis of the property itself, but rather due to the nature of the individual's impairment; such repairs were deemed to be essential for them to maintain their independence.

To manage this process, we implemented a "triage" system, working with the resident to understand the need for the repair, agreeing the essential nature of the works and understanding the timescales and the safety protocols involved, to ensure the safety of the resident and contractor. We implemented the same safety protocols for all emergency repairs and landlord health and safety inspections. This meant residents could feel safe, significantly reduced the numbers of no access visits and has ensured we met our compliance targets.

Within our Care & Support services, our primary objective has been to maintain the safety of our residents and staff teams in relation to infection control, while ensuring we can maintain safe staffing levels in every service, especially during periods of higher staff absence when higher numbers of colleagues have been self-isolating. Our starting point has been to minimise risk through rigorous infection control processes (ICP) which included every member of staff across the organisation undertaking ICP training virtually, reviewing and updating the infection control policy and procedure and ensuring rigorous compliance with all relevant government guidance.

Operating and Financial Review and Strategic Report (continued)

At the outset of the pandemic, like most social care providers, we were unable to procure the necessary Personal Protective Equipment (PPE) via government supply chains. We seconded staff to an internal PPE team, which worked to ensure all services had adequate PPE and over time ensured each of our services had 13 weeks' supply based on requirements if residents were displaying Covid-19 symptoms. We also now maintain a significant central supply of PPE to mitigate against any future risk.

Regarding safe staffing levels in our services, we worked with each resident and customer to carry out risk assessments to ascertain what support was required to maintain the safety and wellbeing of each person in the event of significant staff shortages. This allowed us to update business continuity plans (BCPs) considering the pandemic. It also enabled discussions and agreements with our local authority partners regarding BCPs and the operational contingencies that would be implemented in the event of a significant number of staff being absent from the service. We undertook a similar exercise with individuals who were Clinically Extremely Vulnerable, agreeing changes to their normal support that enabled them to shield, but also supported their mental and physical wellbeing.

We conducted a recruitment drive during the pandemic that sought to increase the staffing complement in each service of more than 100 per cent participating in the Department of Health and Social Care recruitment drive – Care for Others, Make a Difference. This has positively impacted on our staffing complement overall, attracting people new to social care to apply for roles, and supported Ability HA to achieve high staff-to-resident ratios during the pandemic. We have also put in place formal arrangements with agencies for staff to be provided when necessary, with stipulations that these staff are only to be deployed in specified Ability services, to limit opportunities for cross infection of the virus between services from agency workers also employed by other care providers.

The impact of the lockdown and continued social restrictions has been challenging for many of our residents, who, as with the rest of society, have struggled in different ways. For some of our residents, the fear of contracting Covid-19 has led to a reluctance to leave their home to socialise, exercise or undertake even the most essential outings such as shopping for food. For others, social isolation and the inability to see loved ones, alongside the closure of social and community facilities, has been a larger problem, and for some has made complying with the government's Covid-19 guidance difficult to adhere to, and impacted negatively on some individuals' mental wellbeing.

Our staff teams have worked tirelessly with all the individuals we support to minimise the physical and mental health impact of the restrictions. We have provided information and education about staying safe, developed wellbeing sessions and groups, supported the creation of "bubbles" between residents, set up mutual interest groups such walking, cooking, movie nights and others, to minimise the impact of the pandemic whilst promoting safety and wellbeing for everyone. Before the pandemic we knew and valued the difference our staff made, but their response, commitment and dedication during the pandemic has been nothing less than fantastic. Without our staff's willingness to work selflessly and put the needs of others before themselves, Ability would have been unable to maintain safe services during this crisis.

The year was extremely challenging across the housing and social care sector and for Ability HA it has been no different. It has been a period of significant stress and anxiety and we have had residents and staff who have lost their lives to Covid-19. Social freedoms we have taken for granted have been necessarily curtailed, which have affected all our residents and colleagues to a greater or lesser extent; and it has affected and delayed the implementation of our strategy and plans for the year.

However, Ability HA have learnt many things during this awful period that we can build on and which will make us better and stronger in the future. We have learnt that we truly are a value-based organisation, who puts the people we serve at the centre of everything we do. We are now more agile in the way we work, meeting the needs of the business, while giving colleagues flexibility. Meanwhile, we have markedly improved our engagement with residents and responded in a timely fashion to their needs and requirements. Communication within the organisation has improved through greater contact and a focus on what really matters, while virtual meetings have made the inclusion of key people straightforward and less constrained by geography and availability. Our challenge is to harness this learning and use it to inform our future strategies and plans.

For the year ended 30 September 2020

Operating and Financial Review and Strategic Report (continued)

Care & Support

Ability Care & Support delivers services in seven local authority areas in England, supporting our customers to live independently in the community. Our services include step-down mental health, supported living, community support in people's own homes, and residential care. We primarily support people with learning disabilities and mental health issues.

We implemented a new management structure within Care & Support during the year. This development will help us manage the number of services provided by Ability HA, which has increased over recent years. To deliver our current strategy of working with people whose needs are more complex, increasing our business development function and speed of growth, while assuring high quality of service delivery, we needed to review the existing structure in the context of our plans for the future. Accordingly, we have implemented a structure which brings greater management expertise in our core areas of mental health and learning disabilities with the recruitment of two Area Managers, responsible for the day-to-day operational management of two operating areas – London and South East and South. Alongside the Area Manager posts we have recruited a Service Development Manager, responsible for business development and our quality management system.

The restructure was completed in March 2020 and, while the timing of bedding in a new structure was not ideal during the pandemic and national lockdown, the outcomes during the first six months have been very positive. During the year we have reviewed several key policy and procedures, and rolled out training in these to managers and staff. We have re-launched enhanced quarterly quality monitoring audits for each service to assure the quality delivered, share best practice and identify areas for improvement. In addition, with one Area Manager being a specialist in mental health and the other in learning disability, we have been able to develop practitioner forums outside of the formal line management structure. This has provided an opportunity for service managers to share best practice, give peer support and move forward planning and implementation of service developments, to improve the service provided to residents and customers.

Our strategy is to provide services for people with greater complexity of needs. We have re-shaped two services, one in Hampshire and the other in Surrey, to do this. The service in Hampshire will support people with learning disabilities, having previously had no on-site staff support. In partnership with the local authority, we have designated the service for people who either live in residential care but require additional assistance to transition to supported living, or those who have struggled to sustain their tenancies within existing supported housing and require additional support to keep living independently. The service now provides on-site support 24/7, working with individuals to maximise their independence and reduce the levels of support required over time.

The service in Surrey previously provided low levels of support to people with mental health needs, looking to move them into general needs accommodation within a period of two years. The local authority approached Ability, having identified a shortage of supported living for people with mental health issues who were leaving hospital and required higher levels of support. Working in partnership, we are in the process of transitioning this service, while supporting the previous tenants to move into more appropriate housing. We are developing the new service in a phased way, with the intention that it will be fully allocated by April 2021. This is to ensure the service can successfully manage the transition of people from hospital in a sustainable and personalised way - rather than allocating individuals in a shorter timescale with the risk placements of failing due to insufficient planning and support.

Having successfully retained the Hillingdon mental health service in a competitive tender, we have delivered supported housing and floating support within the London Borough of Hillingdon. As a part of this, we have implemented new initiatives such as telephone support and out-of-hours service for people in Hillingdon requiring support.

Due to the Covid-19 pandemic there have been only a limited number of competitive tenders issued for learning disability or mental health services within Ability HA's core areas. However, we have applied to several local authorities via their Dynamic Purchasing Service to become an accredited provider. We will be seeking to increase our reach and impact in areas in which we currently operate, identifying areas where our Care & Support service does not operate, but where we have a housing presence. In these areas we will consider tendering for contracts for viable new business opportunities, where growth could be managed well within our existing structures.

Operating and Financial Review and Strategic Report (continued)

Ensuring fees for our services maintain full cost recovery levels remains a challenge. With a 6.2% increase in the National Living Wage effective from April 2020, and staff costs representing around 70% of our direct care and support expenditure, this is a significant cost for Ability to bear, without a commensurate increase to our income. The annual fee increases offered by local authorities have ranged from between 2.5–4.3%. No provider can absorb such large increases in expenditure, without a corresponding increase to the price they are able to charge. Should future fee increases from local authorities not match actual increases to expenditure, and in particular staff costs, then the future viability of our social care services would be at risk.

Housing, Property and Asset Management

Ability Housing owns and manages 693 properties (plus some office accommodation) across 31 local authority areas in London and the South East, from Hastings to Bournemouth and Essex to Oxfordshire. We provide accessible housing for people who want to live more independently and focus our service improvement plans on achieving this.

We said last year that we would focus on developing our intensive housing management service on delivering high-quality services to tenants, giving particular emphasis to tenancy sustainment, and minimising the need for any formal action. During the year we have identified those residents requiring additional support with managing their tenancy and are at a higher risk of formal action as a result. Housing Support Officers (HSOs) have regularly met and liaised with these residents, agreeing action plans and supporting tenants in a number of ways, whether related to assistance with budgeting, community participation, or getting along with their neighbours, alongside working with local authorities and other voluntary organisations to ensure the necessary support is available. We reduced the need for formal actions overall throughout the year and only one set of formal proceedings were instigated.

Within our planned maintenance programme, we replaced all the windows and doors of the 10 bungalows and six houses at Balfour Close, Hampshire. Residents were involved in the selection of the windows and doors and were consulted and kept informed throughout the replacement programme by our property team; residents reported high levels of satisfaction with the completed works. We also undertook significant planned works at Yew Tree Lodge, a supported housing scheme in London. All communal areas, hallways and doors were redecorated, a significant number of windows were replaced, and new flooring laid. We also installed three new boilers in residents' flats at Yew Tree Lodge during the year.

We have continued to improve the model of service delivery for our property management and repairs service. We have procured additional contractors, including electrical contractors, for our out-of-hours service. This will further improve coverage and deliver an improved out-of-hours service, meeting our KPIs and customer service commitments. We also brought forward our Fire Risk Assessment (FRA) inspections, which had been scheduled to be carried out in following financial year. This was because residents were spending greater amounts of time at home, with the added concern that FRA surveyors would be in high demand once restrictions eased. These inspections and completion of the identified remedial works have provided Ability and our residents with assurance about the fire safety of our properties.

Last year, we reported that we would work with residents to increase the reach and impact of our Customer Engagement Committee, recruiting at least one member to the committee from each of our six housing areas and co-producing revised terms of reference based on the priorities and interests of the committee. We have recruited these committee members but have had to temporarily pause meetings due to the Covid-19 pandemic and are in the process of exploring virtual options that would enable meetings to take place and be accessible to all.

During the year, we have implemented further opportunities for residents to engage with Ability, including HSOs inviting residents to participate in estate inspections, and the piloting of local tenant forums to discuss issues at the local and organisational level, with the aim of improving the service provided.

We have contacted residents frequently during the pandemic, having conversations which, whilst primarily focusing on wellbeing, have expanded to include discussion of housing management and repairs. This has improved communication with residents and allowed Ability HA to identify and resolve issues at an early stage.

For the year ended 30 September 2020

Operating and Financial Review and Strategic Report (continued)

We have continued with the roll out the Pyramid housing management system, which has allowed better management of data and information. We are planning to implement the property and repairs and complaints modules during the year. This will provide access to more accurate and timely management information, improve workflows and lead to further service improvements.

Customer Satisfaction Survey Outcome

We undertook a STAR customer satisfaction survey using towards the end of our 2019/20 financial year. We sent surveys to 749 tenants of which 250 responded, giving a response rate of 33.38%. We also undertook a customer satisfaction survey with our care and support customer's. We sent out 377 surveys, of which 112 responded, giving a response rate of 29.7%.

Housing Survey results

Our residents via the survey have informed Ability that our housing services are not where they should be and that we need to improve in many areas. The headline figures from the Housing survey are as follows:

73.3% are satisfied with the overall service they receive from Ability

75.5% are satisfied with the quality of their home

79.4% are satisfied with their neighbourhood

70.4% are satisfied their rent provides Value for Money

61.4% are satisfied their service charge provides value for Money

55.3% are satisfied with the repairs service they receive.

56.1% are satisfied we listen to their concerns

We were aware that there were issues with the way that Ability HA has delivered its repair services in recent years and a significant amount of change that has taken place. We have moved from a single contractor providing repairs to all our stock over a dispersed geography, to a model of area-based contractors delivering services locally, overseen and managed by an enhanced property services team within Ability. We were aware prior to the survey that had been issues in the transition to the new delivery model. Clearly, we need to review our current workflows, communication and contractor management to ensure the repairs service delivered to residents improves in the immediate future.

Another key issue for Ability is the number of tenants who are satisfied that we listen and act on their concerns. We re-structured our Housing Management service six months prior to the survey, increasing resource and ensuring tenants were in receipt of intensive housing management service with a staff to resident ratio of no greater than 1:120, we expect the satisfaction of residents to improve as this enhanced service fully beds in and the benefits of this investment become apparent. We are aware that a particular issue for our residents relating to be listened to is our repairs line. We need to review how we deliver this service, ensuring that customers are communicated with well and updated if there are changes to repair timescales.

Ability will be implementing a new customer strategy over the next financial year and a key indicator of its success will be to resolve some of the current issues highlighted by residents and to improve the overall level of resident satisfaction with the service they receive.

Care and Support Survey Results

Overall, we are pleased with the outcome of our care and support customer survey, the results of which are as follows:

92% are happy with the support they receive from Ability

82% would recommend Ability to others

87% responded that Ability services made them feel safe

87% felt staff treated them with respect

84% felt supported to be more independent

Whilst satisfied with the outcome and pleased that 92% of customers are happy with the support they receive. over the coming year we will be looking at how we can improve on the number of residents who feel safe and equally increasing the number of customers who feel staff treat them with respect. We are aware that a number of the people who reported feeling less safe, predominantly do not live in our

For the year ended 30 September 2020

Operating and Financial Review and Strategic Report (continued)

supported living services, but receive a community based service from Ability. It is important we understand what measures we can take to improve the security and safety people experience. Equally, we will be seeking to improve the number of residents who feel they are treated with respect by staff through understanding via engagement with customers areas where we can improve and looking at increased staff training in this area.

Impairment and asset review

As mentioned in prior years financial statements, a potential impairment regarding one unit at Masons Close and one unit at Sundial was identified as a contingent liability, but at the time the potential cost of this was still to be established. The impairment was quantified last year at £250k, which represented an impairment charge against the assets of £176k, and a provision for additional costs associated with the anticipated works of £74k. A review of the assets this year has identified no further material impairment.

Risk

We consider and review the main risks that may prevent the Association achieving its objectives every three months. The risks are recorded and assessed in terms of impact and actions to mitigate and manage these risks. Significant risks are reported to the Board quarterly together with key controls and actions taken to mitigate risk.

Plans for the Future

Having embedded our housing management structure, we will be developing a customer strategy focused on our housing services. The strategy will be co-produced with residents, defining Ability HA's resident offer; we will regularly report on this to the customer engagement committee and to all our residents. Within the strategy we will identify performance in relation to:

- Housing Management, including areas such as estate management, neighbourhood, managing anti-social behaviour, intensive housing management support and tenancy sustainment;
- Repairs and Maintenance, including areas such as day-to-day repairs, planned, cyclical and landlord health and safety;
- Customer engagement and how we engage at an individual, estate and community, and organisational level, while involving residents in our strategy development and planning;
- Customer communication, and in particular the role and function of our repairs call centre and the opportunity to widen its role to become a customer services function, improving communication and providing a single contact point for tenants;
- Digitalisation and the opportunities to improve communication with our residents and offer a wider range of information and advice through greater use of technology.

The strategy will be developed within the next twelve months and timescales for implementation will be phased, with priorities and timescales agreed with the Customer Engagement Committee.

Our Care and Support services will continue to focus on delivering quality services to people with higher or more complex needs, who are currently the furthest away from community living; often residing in more institutional forms of care and support. We will continue with our focus on recruitment and attracting people who may not previously have considered a career in care and support. To deliver great services we require great staff and, most importantly, people with the right attitudes and behaviours.

We can train new recruits in Care & Support and consider how Ability delivers value-based services. By recruiting from a wider base, we will improve our permanent staffing ratios, reduce the use of agency and bank staff and therefore increase the consistency and quality of support we deliver. We will also focus on ensuring our services are financially viable and that we receive full cost recovery (FCR) for the services we provide. Without achieving FCR, we not only place at risk the viability of those services inadequately funded, but all care and support services delivered by Ability HA. With this in mind, if in the coming 12 months we are not able to agree a fair fee level for individual services, we will have no option but to consider handing these contracts back to the local authority.

For the year ended 30 September 2020

Operating and Financial Review and Strategic Report (continued)

As an organisation, we plan to continue to invest in both ICT hardware and software over the coming year, rolling out additional modules for the new Pyramid system to enhance the details of the properties and tenancies that we sustain, monitoring and managing complaints as well as implementing a repairs and maintenance module. This ensures that we have a robust platform, with transparent and real-time management information supporting management oversight, enabling timely decision-making. Once fully implemented and embedded, we believe our investment in ICT will allow Ability to redefine several of its workflows, leading to greater efficiencies and cost savings moving forward.

We have also been planning for further waves of the Covid-19 pandemic. Whilst infection rates have decreased significantly during the summer, autumn and winter saw an increase in the transmission rates across England. Our plans, depending on the increase in the reproduction ('r') rate, involve either full or partial implementation of previous protocols, including lockdown measures. We will continue to maintain sufficient supplies of PPE within each of our operational services, as well as our central supply to mitigate against any future supply issues, or if one of more of our services were to develop significant transmission rates.

Pension costs

The Association participates in four pension schemes, the Social Housing Pension Scheme (SHPS), the Surrey County scheme (LGPS), the Social Housing growth plan and the Social Housing direct contribution plan which was used as the auto enrolment vehicle from May 2014. The former two are final salary schemes (now closed to new members), the others money purchase. The Association has contributed to the schemes in accordance with levels, set by the actuaries, of between 3% and 35.1%. We will continue to contribute to the schemes in line with the advice of independent actuaries and the legislative increases required for all auto enrolment pensions.

Capital structure and treasury policy

By the year end borrowings amounted to £7.33m of which £0.37m falls due to be paid within the next year as shown below.

	2020	2019
	£'000	£'000
Within one year or on demand	369	357
One year or more but less than two years	369	357
Two years or more but less than five years	1,107	1,070
Five years or more	5,490	5,878
	7,335	7,662

The Association borrows, principally from banks, at both fixed and floating rates of interest. At the year-end, 48% of the Association's borrowings were at fixed rates (2019: 46%).

The rates of interest range from 1.172% to 10.68% and in the current market, where long term fixed rates have fallen to around 4%, this means that the Association is paying interest on part of its borrowing at rates substantially in excess of market levels. The amounts on one borrowing stream are small, but on another represent a significant additional cost. However, at present the breakage costs significantly exceed the likely benefits. The situation is reviewed regularly with lenders and with the Board. The Association borrows and lends only in Sterling and so is not exposed to currency risk.

Cash flows

Cash inflows and outflows during the year are shown in the statement of cash flow (page 29). The cash inflow from operating activities increased this year to £1,948k (2019: £1,525k), largely driven by improved operating cash flows. Overall cash balances increased to £5,179k (2019 £4,182k) reflecting

For the year ended 30 September 2020

Operating and Financial Review and Strategic Report (continued)

cash used in treasury management offset by slower than anticipated outflows, in particular the demand from the GLA for repayable RCGF.

Future developments

Development plans remain on hold pending resolution of uncertainty over future care and support revenue streams, greater stability and less uncertainty in the property market, and funding availability. At the year end the Association had undrawn facilities of £6.5 million (2019: £6.5 million).

Statement of compliance

In preparing this Operating and Financial Review, the Board has followed the principles set out in the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers.

The Board also confirms compliance with The Regulator of Social Housing's Governance and Financial Viability standard.

Value for Money

The Association has a Value for Money strategy which seeks to ensure that we make best use of the various forms of capital that we have at our disposal (people, property and reputation and financial resources).

The specialist nature of the services delivered by Ability mean that benchmarking our VFM metrics against the majority of social housing providers fails to reflect a true comparison of performance. One impact of the Covid 19 crisis is that the 'Global Accounts for Social Housing 2020' will not be available until late March 2021. Therefore, in order to provide a peer group analysis we have used the VFM metrics calculated in accordance with the Regulator of Social Housing 'Value for Money Metrics Technical Guidance Note June 2020' extracted from the published accounts of five social housing providers operating in the same 'market' and of a similar nature to Ability.

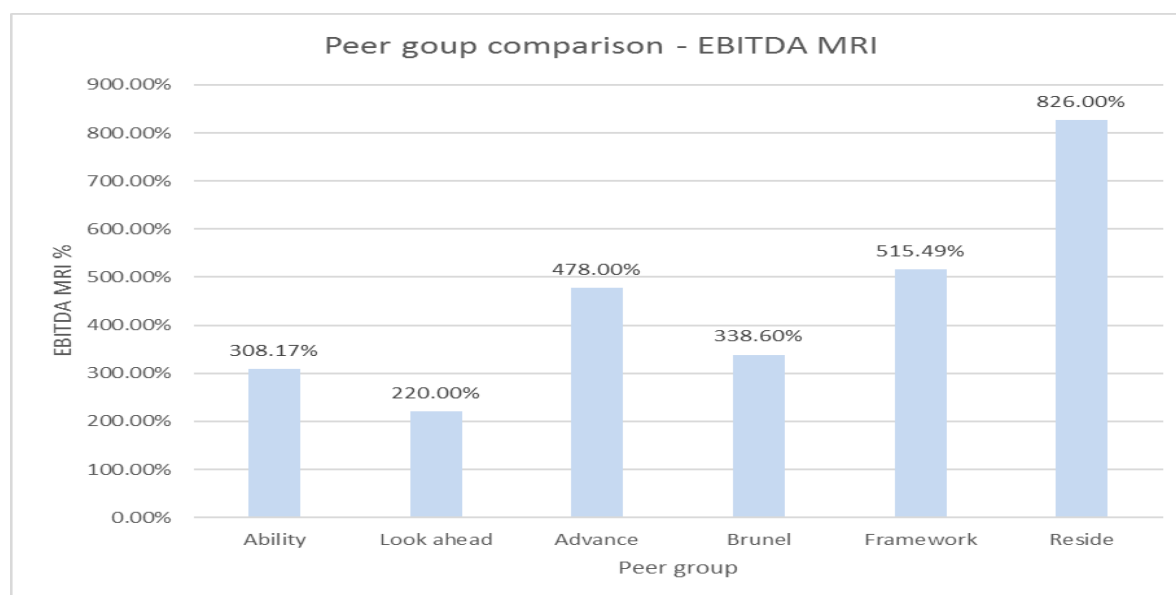
Ability Housing Association
2019-20 VFM table

Metric	Ability		Look ahead		Advance		Brunel		Framework		Reside	
	Units	£'000	Units	£'000	Units	£'000	Units	£'000	Units	£'000	Units	£'000
	2019-20		2019-20		2019-20		2019-20		2019-20		2019-20	
1 Reinvestment		0.24%		1.50%		4.20%		11.20%		2.35%		15.65%
2a New Supply Delivered Social Housing Stock	-		0.0%		2.1%		0.0%		0.0%		0.0%	
2b New Supply Delivered Non-Social Housing Stock	-		0.0%		0.0%		0.0%		0.0%		0.0%	
3 Gearing		6.68%		8.20%		1.40%		19.60%		-0.78%		8.50%
4 Earnings before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA-MRI) Interest Cover		308.17%		220.00%		478.00%		338.60%		515.49%		826.00%
5 Headline Social Housing cost per Unit		5,641		22,900		12,486		6,336		22,700		10,008
6a Operating Margin on Social Housing Lettings		8.73%		6.90%		10.10%		14.00%		4.21%		5.12%
6b Operating Margin overall		6.93%		2.30%		4.10%		6.10%		2.67%		5.11%
7 Return on Capital Employed		1.31%		0.90%		1.80%		3.30%		1.76%		4.75%

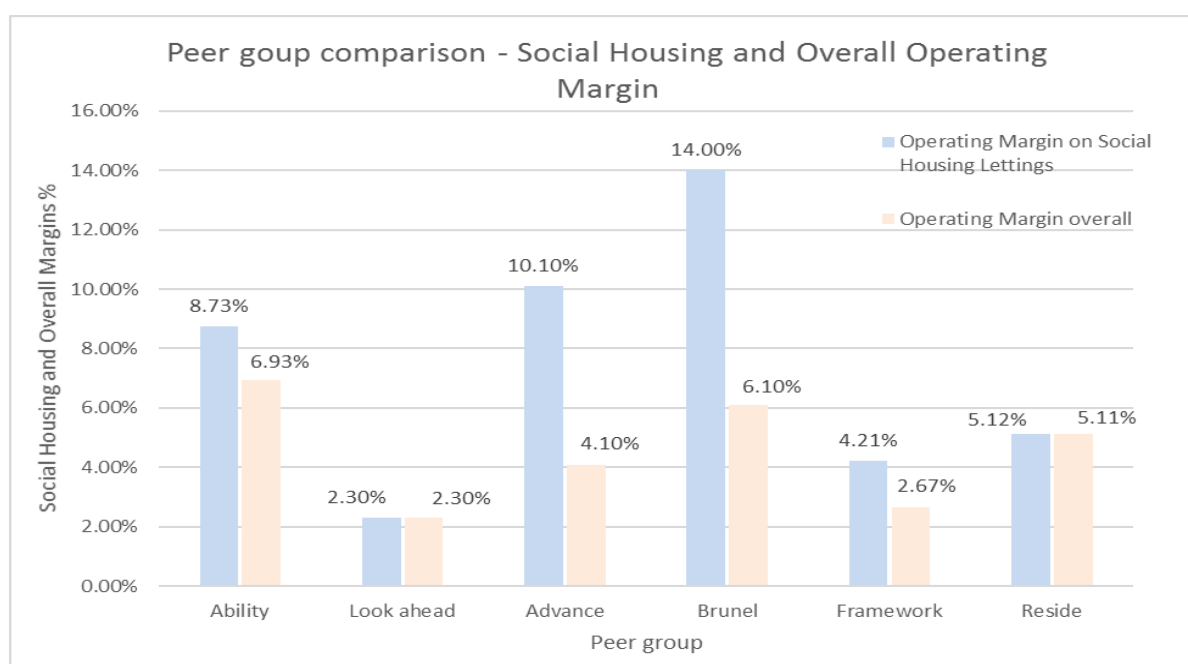
Ability Metrics calculated per the RSH 'Value for Money Metrics Technical Guidance Note June 2020'. Peer group metrics extracted from published 2019-20 financial statements

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Operating and Financial Review and Strategic Report (continued)



- Taking a representative sample of similar housing and care providers, the analysis of the metric Earnings before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA-MRI) Interest Cover shows that for this group, where the mean value at 448% is distorted by the performance of 'Reside', Ability placed in the lower half of the group, but is still achieving a significantly better performance than the tightest covenant on its portfolio of borrowings.
- This slightly stronger than anticipated performance reflects the depressed investment in major repairs and component replacement driven largely by the impact of the Covid 19 crisis in the second half of the financial year. At this time, in order to respect the 'lockdown' and due to the understandable nervousness amongst customers at admitting tradespeople to their homes, the programme of component replacements set in the 2019-20 budget declined sharply, with the maintenance team focus being on providing critical repairs and any health and safety related maintenance in order to minimise the need to enter customers' homes.



ABILITY HOUSING ASSOCIATION

Report and Financial Statements

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Operating and Financial Review and Strategic Report (continued)

- Operating margin at 8.7% is slightly above the peer group average of 8.2% for Social Housing activity, and reflects the reduced expenditure in responsive and planned maintenance noted above in response to the Covid 19 crisis, along with the impact last year of the impairment required on two Ability schemes. If the impairment effect is removed, Ability has still improved operating margin by 2.45% largely as a result of the Covid driven maintenance spend reduction.
- These two factors have also reflected in the reduced 'Headline Social Housing' cost per unit at £5,641, a figure significantly below the peer group average of £13,345, and a performance that Ability will seek to maintain through more efficient procurement and management of void repairs management and, with the Landlord Health and Safety works now running in the 'normal' cycle, a reduced compliance and consequent repairs spend.
- The Ability approach to provide intensive tenancy sustainment support through the Housing Support Officers, with significant investment and focus on supporting our customers to manage and retain their tenancy, represents a better outcome for the customer, and a value for money saving for Ability when compared to the cost of tenancy change. This investment supports the target of reducing arrears and bad debt by 0.5% per annum, and enabling our customers to benefit from a stable home environment in the longer term.

Value for money metrics – Ability four year trend

Ability Housing Association
2019-20 VFM table

Metric	Units 2019-20 £'000	Units 2018-19 £'000	Units 2017-18 £'000	Units 2016-17 £'000
1 Reinvestment	0.24%	0.05%	0.24%	0.01%
2a New Supply Delivered Social Housing Stock	-	-	-	-
2b New Supply Delivered Non-Social Housing Stock	-	-	-	-
3 Gearing	6.68%	9.12%	10.45%	11.29%
Earnings before Interest, Tax, Depreciation, 4 Amortisation, Major Repairs Included (EBITDA-MRI) Interest Cover	308.17%	258.09%	256.04%	174.70%
5 Headline Social Housing cost per Unit	5,641	5,795	7,201	5,862
6a Operating Margin on Social Housing Lettings	8.73%	1.78%	6.78%	13.63%
6b Operating Margin overall	6.93%	3.40%	4.13%	4.02%
7 Return on Capital Employed	1.31%	0.78%	0.68%	0.72%

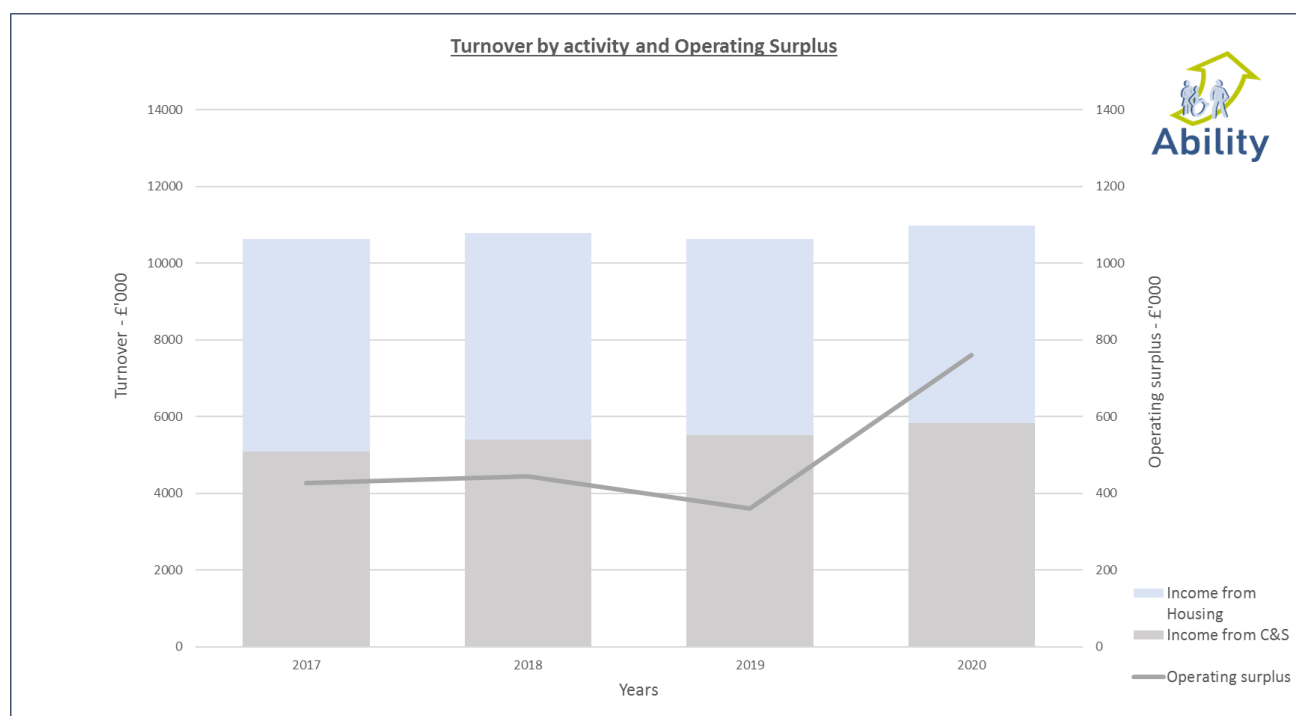
Metrics calculated per the RSH 'Value for Money Metrics Technical Guidance Note June 2020'

Four-year trading summary

- The application of the rent cutting regime implemented through the Welfare Reform and Work Act 2016 has kept housing revenue (rent plus service charges) flat or slightly reducing over the last four years, but marginally above inflation increases in Care and Support revenues have meant that overall revenue levels had remained largely static. However, with the re-application of the 'up to CPI + 1%' rent settlement from 2020, rental revenues have started to climb again, with increases applied to all April increase units during this financial year.

For the year ended 30 September 2020

Operating and Financial Review and Strategic Report (continued)



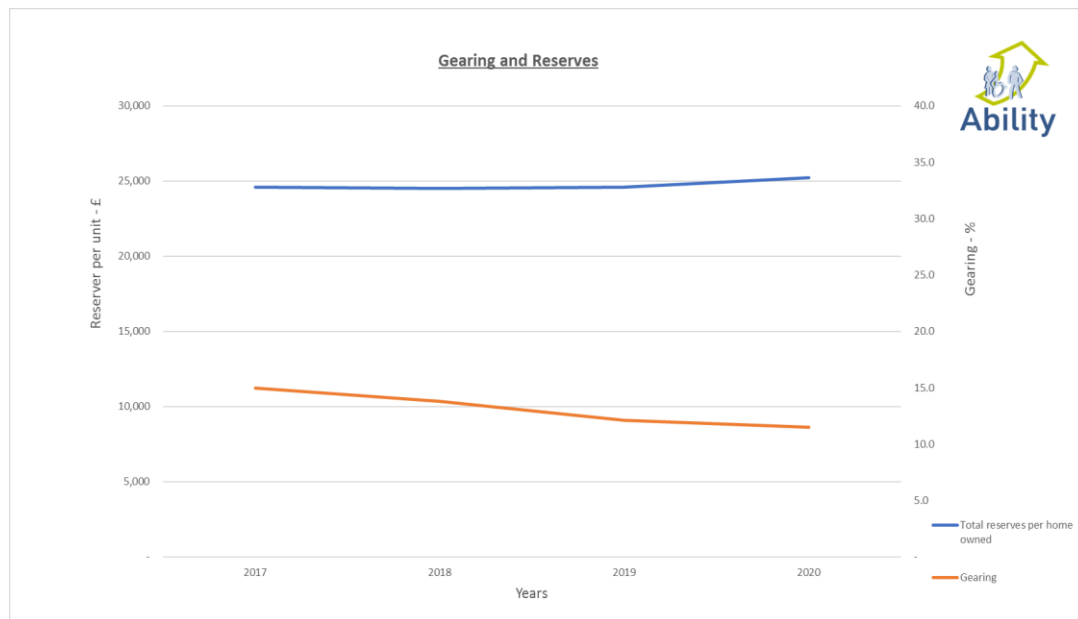
- Significant investment in landlord health and safety works in our property stock and the addressing of a slippage in the maintenance schedule has impacted significantly on the operating margins since 2017. As mentioned last year, these expenditures have now largely completed their current cycle, and operating margins have recovered their upward trajectory.
- The maintenance programme both in cyclical and responsive repairs saw a dip in activity during March to June this year due to the impact of Covid-19 and the imposition of the first lockdown. However, as we approached the end of the financial year, activity levels quickly climbed back to approaching normal as our tenants became more comfortable with the precautions taken by our maintenance staff, and with the idea of letting someone into their homes again.

Four-year financial stability summary

- Growth in reserves per unit reflect the reduced revenue growth and simultaneous non-capital investment in the stock condition. However, close management of indirect costs and the restructuring of both care & support and housing delivery have enabled the trajectory of reserves per unit to remain positive, albeit at a reduced rate.
- Gearing continues to fall as a function of repayment of the loans over time, the winding down of property leasing commitments and the continued strong cash generating performance of the business.

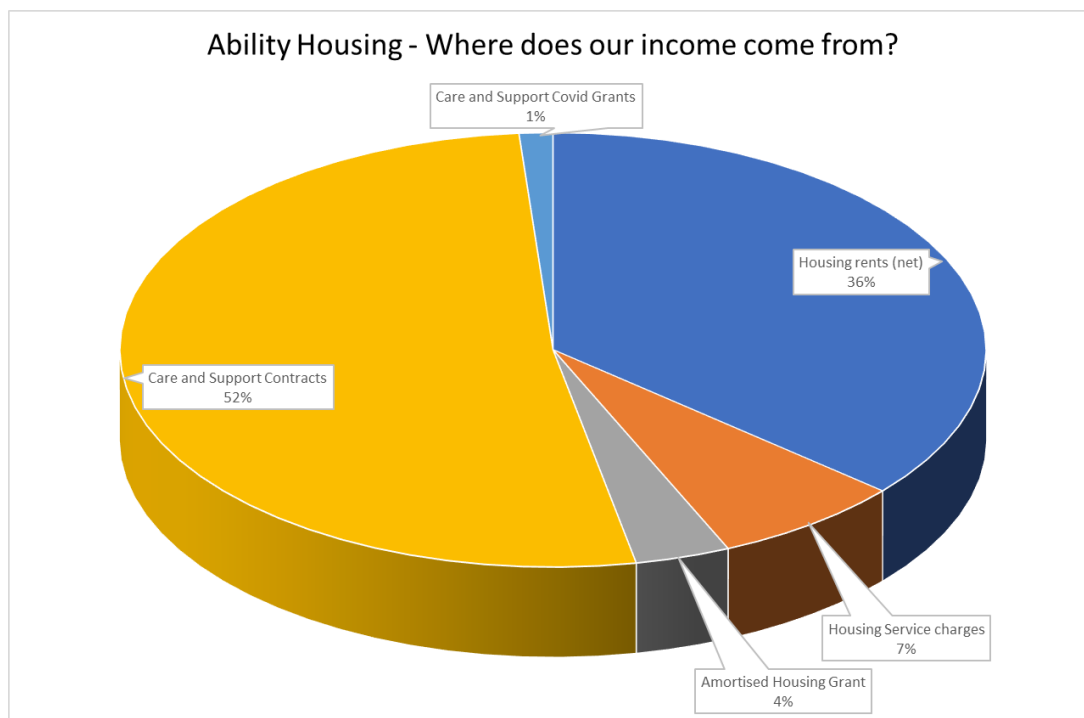
For the year ended 30 September 2020

Operating and Financial Review and Strategic Report (continued)



Ability performance in 2019-20

- Ability Housing Association comprises two distinct operating streams, generating £5,155 k of revenue from social housing and associated activities (2019 £5,152) and £5,834k from Care and Support activities (2019 £5,475k).

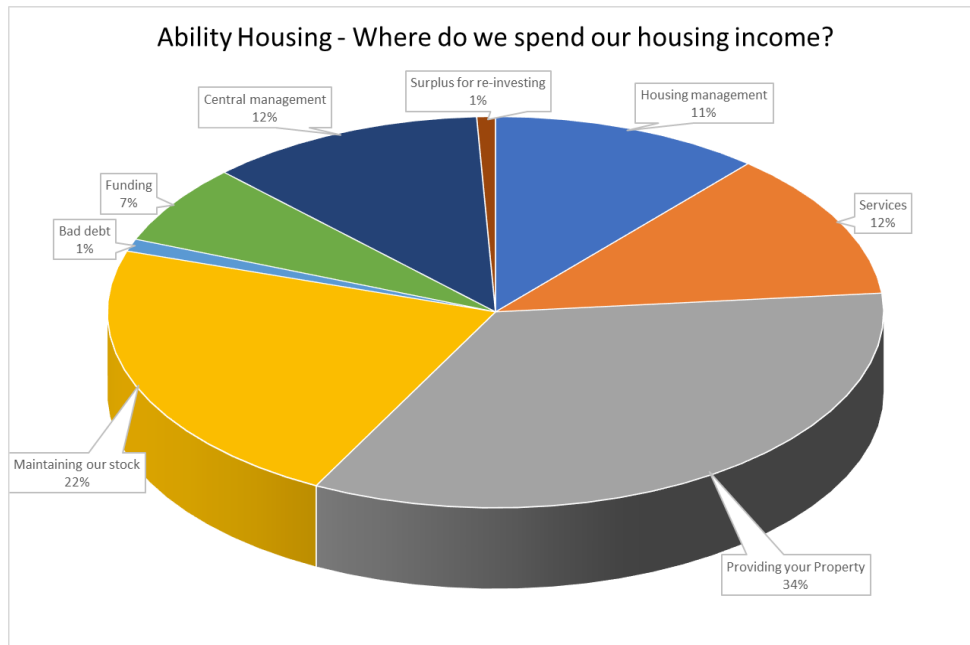


- The majority of the social housing and associated activities revenue is deployed in the cost of providing our housing stock, with 34% deployed between depreciation of the homes that we provide, and the interest payments on the loans used to deliver those homes.

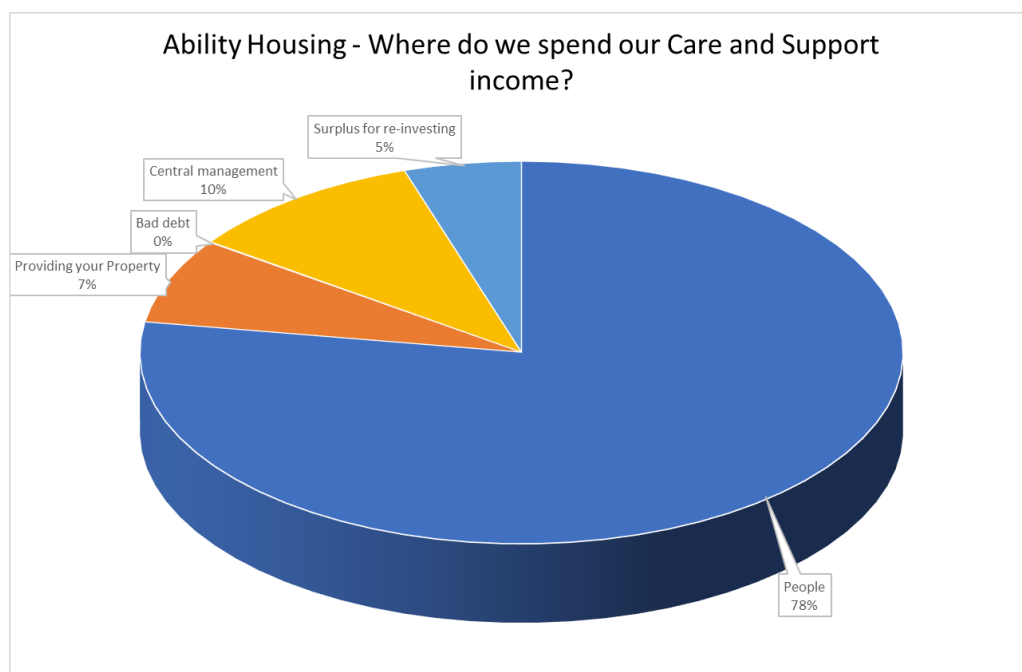
For the year ended 30 September 2020

Operating and Financial Review and Strategic Report (continued)

- Keeping our stock in a safe and secure condition for our residents takes another 22% of our revenue, with the cost of providing services to our residents accounting for another 12%
- The full analysis of the cost of the social housing operating stream is illustrated below.



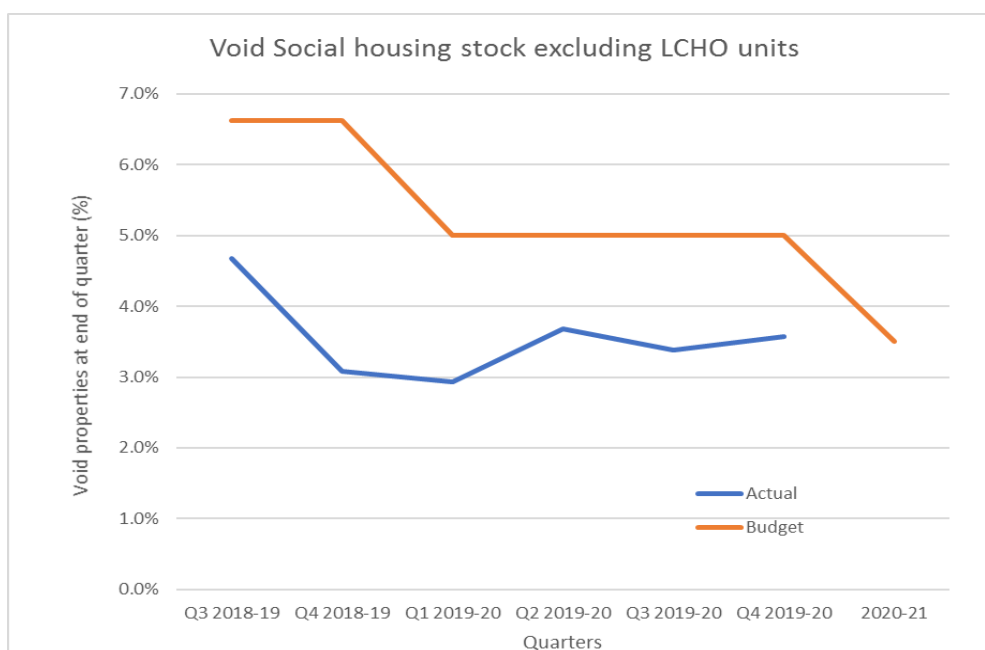
- Where the costs associated with social housing activities are predominantly related to the provision and maintenance of the housing stock, Care and Support is a primarily service based cost structure, being the delivery of Care and Support to people in their home environment.
- As such, the main cost of the Care and Support revenue stream is the people that deliver that service, and their costs make up 78% of the total deployed through that revenue stream, as illustrated below



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Operating and Financial Review and Strategic Report (continued)

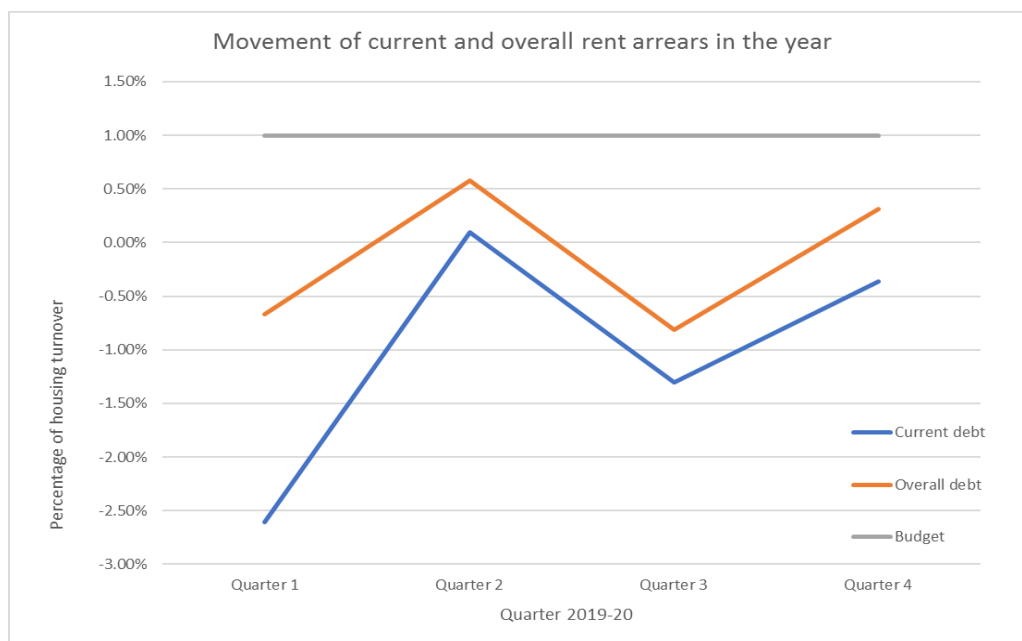
- Voids are a critical area of property management, and as the graph below shows, Ability has performed consistently better than budget over recent quarters. However, as part of the drive to improve performance and enhance margins in the Housing revenue stream, the budget for void costs and properties has been reduced for the third year running to 3.5% for 2020-21.
- This is a challenging target given the nominations issues being caused by Covid, as the response from local authority nomination panels is delayed due to the pandemic restrictions, and the complexities of the nominations process for housing and social care.



- The number of properties void is only part of the void cost equation, with the average duration and the cost of refurbishing the void property forming the cost elements of the measurement, with the complexity of the void works required often having a heavy influence on the period the property is void.
- From 2020-21 Ability is implementing a standardised 'Void Works Standard' which will be applied to all properties coming void in the estate, and which is designed to facilitate more rapid turnaround times and ensure a consistent high standard of properties being offered to new tenants.

For the year ended 30 September 2020

Operating and Financial Review and Strategic Report (continued)



Ability performance in 2019-20 (cont)

- A key measure in the effective management of the housing stock is the collection of rent and service charge due, which at Ability is measured as a percentage of housing turnover including service charges.
- During 2019-20 the movement on the overall amount of rent owed to Ability as a % of our housing turnover increased by 0.31% against a budget of 1%.

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Operating and Financial Review and Strategic Report (continued)

Statement of the responsibilities of the Board for the report and financial statements

The Board is responsible for preparing the Report of the Board, Operating and Financial Review, Strategic Report and financial statements in accordance with applicable law and regulations.

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

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

The Board are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it 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 (April 2019). It is 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

The Board members confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Board 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.

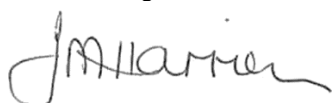
Annual general meeting

The annual general meeting will be held on 10 March 2021 by video conference.

External auditors

A proposal will be made at the AGM to re-appoint Beever and Struthers as auditors for the financial year 2020-21.

The Operating and Financial Review and Strategic Report were approved by the Board on 10 March 2021 and signed on its behalf by:



Jane Harrison
Chair

For the year ended 30 September 2020

Independent Auditor's Report to the Members of Ability Housing Association

Opinion

We have audited the financial statements of Ability Housing Association (the 'association') for the year ended 30 September 2020 which comprise the statement of comprehensive income, statement of changes in reserves, statement of financial position, 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 30 September 2020, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing in England 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

For the year ended 30 September 2020

Independent Auditor's Report to the Members of Ability Housing Association (continued)
Other information

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

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

We have nothing to report in this regard.

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

For the year ended 30 September 2020

Independent Auditor's Report to the Members of Ability Housing Association (continued)
Responsibilities of the board

As explained more fully in the board's responsibilities statement set out on page 22, the board members (who are also the directors of the association for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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 128 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.



Elizabeth Hatchman

For and on behalf of

BEEVER AND STRUTHERS, Statutory Auditor

15 Bunhill Row

London

EC1Y 8LP

Date: **19 March 2021**

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2020

Statement of Comprehensive Income	Note	2020 £'000	2019 £'000
Turnover	2	10,989	10,627
Operating costs	2	(10,228)	(10,266)
Gain/(Loss) on disposal of property, plant & equipment	6	(10)	88
Operating surplus	5	751	449
Interest receivable	7	14	20
Interest payable and similar charges	8	(355)	(377)
Surplus on ordinary activities before taxation		410	92
Tax on surplus for the year		-	-
Surplus/(deficit) for the year after tax		410	92
Other Comprehensive Income			
Initial recognition of multi-employer defined benefit Scheme		-	(27)
Actuarial gains/(losses) in respect of pension scheme		26	(33)
Total comprehensive income for the year		436	32

The notes on pages 30 to 57 form part of these financial statements.

The results relate to continuing activities.

The financial statements were authorised and approved by the Directors on 10 March 2021



Jane Harrison
Chair



Sally Reay
Board Member



Peter Gardiner
Secretary

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2020

STATEMENT OF CHANGES IN EQUITY (RESERVES)

	Income and Expenditure Reserve
	£'000
Balance at 1 October 2018	16,813
Surplus/(Deficit) for the year	92
Initial recognition of multi employer defined benefit scheme	(27)
Actuarial gains/(losses) in respect of pension scheme	(33)
Balance at 30 th September 2019	<u>16,845</u>
Surplus/(Deficit) for the year	410
Actuarial gains/(losses) in respect of pension scheme	26
Balance at 30 th September 2020	<u>17,281</u>

The notes on pages 30 to 57 form part of these financial statements.

For the year ended 30 September 2020

Statement of Financial Position at 30 September 2020

	Note	2020 £'000	2019 £'000
Tangible fixed assets			
Housing properties	11	53,847	54,642
Other tangible fixed assets	12	543	456
		<u>54,390</u>	<u>55,098</u>
Current assets			
Trade and other debtors	13	857	868
Cash and cash equivalents		5,179	4,182
		<u>6,036</u>	<u>5,050</u>
Creditors: amounts falling due within one year	14	(3,172)	(2,504)
		<u>2,864</u>	<u>2,546</u>
Net current assets			
		<u>57,254</u>	<u>57,644</u>
Total assets less current liabilities			
		<u>57,254</u>	<u>57,644</u>
Creditors: amounts falling due after more than one year	15	(39,695)	(40,424)
Pension provision	19	(278)	(375)
		<u>17,281</u>	<u>16,845</u>
Total Net Assets			
		<u>17,281</u>	<u>16,845</u>
Capital and reserves			
Income and Expenditure reserve		17,281	16,845
		<u>17,281</u>	<u>16,845</u>
Total Reserves			
		<u>17,281</u>	<u>16,845</u>

The notes on pages 30 to 57 form part of these financial statements

Company registration number: 01261380

The financial statements were authorised and approved by the Directors on 10 March 2021



Jane Harrison
Chair



Sally Reay
Board Member



Peter Gardiner
Secretary

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2020

Statement of Cash Flows	Note	2020 £'000	2019 £'000
Net cash generated from operating activities	i	1,944	1,525
Cash flow from investing activities			
Interest received		14	20
Purchase and construction of housing properties		-	-
Proceeds from sale of tangible fixed assets		-	721
Purchase of other tangible fixed assets		(279)	(163)
		<u>(265)</u>	<u>578</u>
Cash flow from financing activities			
Repayment of borrowings		(327)	(178)
Interest paid		(355)	(377)
		<u>(682)</u>	<u>(555)</u>
Net change in cash and cash equivalents		997	1,548
Cash and cash equivalents at the beginning of the year		4,182	2,634
Cash and cash equivalents at end of the year		<u>5,179</u>	<u>4,182</u>
Note i		2020 £'000	2019 £'000
Cash flow from operating activities			
Surplus/(Deficit) for the year		751	449
Adjustments for non-cash items			
Depreciation and impairment of tangible fixed assets		977	1,183
Grant amortisation		(389)	(388)
Decrease/(Increase) in trade and other debtors		11	(295)
Increase/(Decrease) in trade and other creditors		659	721
Defined benefit pension payments		22	3
Pension movements		(97)	(60)
Adjustments for investing or financing activities			
(Gain)/loss on disposal of Tangible Fixed Asset		10	(88)
Net cash generated from operating activities		<u>1,944</u>	<u>1,525</u>

The notes on pages 30 to 57 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Legal Status

The Association is registered under the Companies Act 2006 as a company limited by guarantee. It is registered with both the Charity Commission and the Regulator of Social Housing in England and Wales as a Registered Provider. The principal activity of the Association is disclosed in the Report of the Board. The registered address is The Coach House, Gresham Road, Staines, Middlesex TW18 2AE

1. Accounting policies

Basis of accounting

The financial statements of the Association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 ('FRS 102') and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. The financial statements are prepared on the historical cost basis of accounting. As a public benefit entity, the Association has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102.

The financial statements are presented in Sterling (£), the functional and presentational currency of the Association. The figures are presented in £'000 (thousands).

Going concern

The Association's business activities, its current financial position and factors likely to affect its future development including the impact of Covid 19, are set out within the Operating and Financial Review and Strategic Report. The Association is able to meet its commitments in respect of long-term debt facilities used to finance reinvestment and development programmes, along with the Association's day to day operations. The Association also has a business plan, which shows that it is able to service these debt facilities whilst continuing to comply with lenders' 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.

Turnover

Turnover comprises rental and service charge income receivable in the year, and other services included at the invoiced value of goods and services supplied in the year and grants receivable in the year. Service charge income is calculated on a variable charge basis.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Charges for support services funded under Care and Support are recognised as they fall due under the contractual arrangements with Administering Authorities.

Value added tax

The Association is not registered for VAT, and therefore all amounts are inclusive of VAT.

Corporation tax

The Association is recognised by HMRC as a charity. During the current year the Association is claiming exemptions from corporation tax on its income and gains. All of the Association's income and gains will be applied to its charitable purposes.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Interest payable

Interest payable is charged to the statement of comprehensive income in the year. No interest is capitalised.

Financial instruments

Financial assets and financial liabilities are measured at transaction price initially, plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.

Commitments to receive or make a loan to another entity which meet the conditions in paragraph 11.8(c) of FRS 102 are measured at cost less impairment.

Financial instruments held by the Association are classified as follows:

- Cash is held at cost; and

- Financial assets such as receivables are classified as loans and receivables and held at amortised cost using the effective interest method; and

- Financial liabilities such as loans are held at amortised cost using the effective interest method.

Debtors

Short term debtors are measured at transaction price, less any impairment. Where deferral of payment terms have been agreed at below market rate, and where material, the balance is shown at the present value, discounted at a market rate

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured at amortised cost, net of transaction costs.

Employee Benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

Retirement benefits

The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services.

Consistent with the guidance in FRED 71 paragraph 4 (FRS 102 paragraph 28.11B), the difference between the deficit funding liability and the net defined benefit deficit for the Social Housing Pension Scheme was recognised in Other Comprehensive Income for the year ending 30 September 2019.

The detailed pensions policy can be seen at the beginning of note 19.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Housing properties

Housing properties are principally properties held for the provision of social housing or otherwise to provide social benefit and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, and expenditure incurred in respect of improvements.

Works to existing properties are works which replace a component that has been treated separately for depreciation purposes along with those works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business are capitalised as improvements.

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as current asset and related sales proceeds included in turnover; and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for impairment.

Government Grants

Government grants include grants receivable from Homes England, local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure (excluding land) under the accruals model.

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

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the Regulator of Social Housing in England and Wales. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in income and expenditure.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to the statement of comprehensive income. Upon disposal of the associated property, the Association is required to recycle these proceeds and recognise them as a liability.

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 Association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

For the year ended 30 September 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

Depreciation of housing properties

Freehold land is not depreciated. Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

The Association separately identifies the major components which comprise 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 over the following timescales:

Structure	100 years
Roof	60 years
Kitchen	20 years
Bathroom	25 years
Boiler	15 years
Heating System	30 years
Windows & Doors	20 years
Electrics	30 years

Other tangible fixed assets

Other tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land.

The principal annual rates used for other assets are:

Freehold offices	1%-2%
Long leasehold property	Over life of lease
Furniture, fixtures and fittings	25%
Computer equipment	33.3%
Vehicles	25%
Office equipment	25%-33.3%
Company CRM/Financial system	10%

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus/deficit for the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Leased assets

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

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring the surplus or deficit. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Association recognises annual rent expense equal to amounts owed to the lessor. The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

Properties for sale

Shared ownership first tranche sales completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Provisions for liabilities

Provisions are recognised when the Association has a present obligation (legal or constructive) as a result of a past event, it is probable that the Association will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as finance cost in profit or loss in the period it arises.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the reporting date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

Significant judgements and estimates:

Preparation of the financial statements requires management to make significant judgements and estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements. The items in the financial statements where these judgements and estimates have been made include:

NOTES TO THE FINANCIAL STATEMENTS (continued)

- **Social care contracts**

Management judgement is applied in determining the extent to which the risks and benefits are transferred to the Association when considering the income to be recognised. £5,834k (2019: £5,475k) of social care income was recognised in the year. See note 2 for further details.

- **Estimation uncertainty**

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

- **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. Accumulated depreciation at 30 September 2020 was £ 11,212k (2019: £10,268k). See notes 11 and 12 for further details.

Impairment

The Association considers whether indicators of impairment exist in relation to tangible assets. Indicators considered include external sources of information such as market value, market interest rates and returns on investment, actual or proposed changes to the technological, economic or legal environment, obsolescence or damage to the asset, operational changes or internal reporting which indicates that the asset is performing worse than expected. The Association also considers expected future performance of the asset. Any impairment loss is charged to the Statement of Comprehensive Income.

Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value less costs to sell or its value in use. A cash generating unit is normally an Association of properties at scheme level whose cash income can be separately identified.

Following a trigger for impairment, the Association performs impairment tests based on a value in use calculation. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the business plan for the next 5 years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes. The Association has identified no additional cash generating units for impairment assessment purposes at a property scheme level during this financial year.

Defined benefit obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses. The liability at 30 September 2020 was £278k (2019: £375k). See note 19 for further details.

For the year ended 30 September 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Particulars of turnover, cost of sales, operating costs and operating surplus

	Turnover	2020 Operating costs	Operating surplus
	£	£	£
Social housing lettings	5,083	(4,639)	444
Other social housing activities			
Management services	46	(46)	-
Management services - lettings	26	-	26
	<u>5,155</u>	<u>(4,685)</u>	<u>470</u>
Non - social housing activities			
Charges for support services	5,696	(5,415)	281
HMRC CJRS grant	91	(91)	0
Covid 19 Local Authority Grants	47	(37)	10
	<u>5,834</u>	<u>(5,543)</u>	<u>291</u>
	<u>10,989</u>	<u>(10,228)</u>	<u>761</u>
	Turnover	2019 Operating costs	Operating surplus
	£	£	£
Social housing lettings	5,066	(4,975)	91
Other social housing activities			
Management services	45	(45)	-
Management services - lettings	41	(1)	40
	<u>5,152</u>	<u>5,021</u>	<u>131</u>
Non - social housing activities			
Charges for support services	5,475	(5,245)	230
	<u>10,627</u>	<u>(10,266)</u>	<u>361</u>

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	2020			2019
	General Needs Housing £	Supported Housing £	Total £	Total £
Rent receivable net of identifiable service charges	564	3,348	3,912	3,877
Service income	118	664	782	801
Amortised government grants	59	330	389	388
Turnover from social housing lettings	741	4,342	5,083	5,066
Management	(160)	(1,111)	(1,271)	(1,235)
Services	(95)	(533)	(628)	(688)
Routine maintenance	(87)	(486)	(573)	(939)
Planned maintenance and major repairs	(88)	(494)	(582)	(369)
Bad debt provision	(8)	(45)	(53)	-
Property lease charges	(93)	(523)	(616)	(603)
Depreciation of housing properties	(139)	(777)	(916)	(916)
Impairment of housing properties	0	0	0	(250)
Other costs	0	0	0	25
Operating costs on social housing lettings	(670)	(3,969)	(4,639)	(4,975)
Operating (deficit)/surplus on social housing lettings	71	373	444	91
Voids	32	180	212	193

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2020

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:

	2020	2019*
	No	No
Social housing		
General housing	42	42
Supported housing	552	552
Low cost home ownership	2	2
Residential care homes	7	7
Total owned	603	603
Accommodation managed for others	71	71
Total managed	674	674
Non-social housing		
Respite Unit	8	8
Owned but managed by others		
General needs	11	11
Total owned and managed	693	693

*Restated following data cleansing for new system

5. Operating surplus

The operating surplus is arrived at after charging:

	2020	2019
	£'000	£'000
Depreciation of freehold housing properties	670	670
Depreciation of leasehold housing properties	246	246
Depreciation of other tangible fixed assets	61	91
Operating lease rentals		
- office equipment	-	4
- land and buildings	616	604
Auditors' remuneration		
- for audit services	14	11
- for other services - covenant compliance	1	1
- for other services – tax compliance	1	1

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For the year ended 30 September 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Loss on disposal of fixed assets

	2020 £'000 Housing Properties (components)	2020 £'000 Other Property Plant and Equipment	2020 £'000 Total	2019 £'000
Proceeds of sale	-	-	-	722
Cost of sale	<u>10</u>	=	<u>10</u>	<u>(634)</u>
Surplus/ (Loss) on disposal	<u>(10)</u>	=	<u>(10)</u>	<u>88</u>

7. Interest receivable and similar income

	2020 £'000	2019 £'000
Interest receivable and similar income	<u>14</u>	<u>20</u>

8. Interest payable and similar charges

	2020 £'000	2019 £'000
Loans and bank overdrafts	350	370
Defined Benefit pension operating cost	5	7
	<u>355</u>	<u>377</u>

9. Employees

Average monthly number of employees (FTE):

	2020 No	2019 No
Administration	12	9
Housing, support and care	156	132
	<u>168</u>	<u>141</u>
Average monthly number of employees :	189	190

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For the year ended 30 September 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Employees (continued)

The full-time equivalent number of staff who received remuneration (including directors):

	2020	2019
	No.	No.
£50,001-£60,000	1	0
£60,001-£70,000	0	1
£70,001-£80,000	1	2
£80,001-£90,000	0	0
£90,001-£100,000	1	1

Employee costs:	2020	2019
	£'000	£'000
Wages and salaries	4,380	4,397
Social security costs	386	370
Other pension costs	147	125
	<u>4,913</u>	<u>4,892</u>

10. Directors, members and executive directors

	2020	2019
	£'000	£'000
Aggregate emoluments of directors (including pension contributions)	248	312
Emoluments of the highest paid director (excluding pension contributions and including benefits in kind)	92	90
Total expenses reimbursed to directors not chargeable to UK income tax – Board members	0	0
– Executives	1	3

The Chief Executive is a member of the Social Housing Pension Defined Contribution Scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply. Pension contributions totalled £5k (2019: £5k) in respect of Jeffrey Skipp. The Directors and executive directors are considered to be key management personnel.

Board members

None of the Board members received emoluments (2019: £Nil).

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For the year ended 30 September 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Tangible fixed assets - properties

Housing properties	Freehold Social housing properties held for letting	Leasehold housing properties held for letting	Total housing properties held for letting	Completed shared ownership properties	Total housing properties
Cost	£'000	£'000	£'000	£'000	£'000
At 1 October 2019	47,776	15,512	63,288	188	63,476
Works to existing properties	123	8	131	-	131
Schemes completed	-	-	-	-	-
Disposals	(34)	(7)	(41)	-	(41)
At 30 September 2020	<u>47,865</u>	<u>15,513</u>	<u>63,378</u>	<u>188</u>	<u>63,566</u>
Depreciation and impairment					
At 1 October 2019	6,442	2,392	8,834	-	8,834
Charged in year	670	246	916	-	916
Released on disposal	(29)	(2)	(31)	-	(31)
Impairment	-	-	-	-	-
At 30 September 2020	<u>7,083</u>	<u>2,636</u>	<u>9,719</u>	<u>-</u>	<u>9,719</u>
Net book value					
At 30 September 2020	<u>40,782</u>	<u>12,877</u>	<u>53,659</u>	<u>188</u>	<u>53,847</u>
At 30 September 2019	<u>41,334</u>	<u>13,121</u>	<u>54,455</u>	<u>188</u>	<u>54,643</u>

For the year ended 30 September 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Tangible fixed assets – properties (continued)

Expenditure on works to existing properties

	2020	2019
	£'000	£'000
Components capitalised	131	27
Amounts charged to statement of comprehensive income	1,155	1,308
	<u>1,286</u>	<u>1,335</u>

Social housing assistance

	2020	2019
	£'000	£'000
Total accumulated social housing grant received or receivable at 30 September:		
Recognised in the statement of comprehensive income	389	388
Held as deferred income	33,118	33,507
	<u>33,507</u>	<u>33,895</u>

Housing properties book value, net of depreciation

	2020	2019
	£'000	£'000
Freehold land and buildings	40,970	41,522
Long leasehold land and buildings	12,877	13,121
	<u>53,847</u>	<u>54,643</u>

Annually housing properties (cash generating units) are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the scheme's carrying amount to its recoverable amount. An impairment charge has been taken in 2018/19 in respect of a property at the Sundial scheme and Masons Close of £74k and £176k respectively. A review of housing properties at the end of 2019/20 concluded that the prior year impairment remained appropriate and no further impairment provisions were needed at this time.

Amounts do not include capitalised interest; all interest charges are written off to expenditure as incurred. At the year end a total of 187 (2019: 187) properties were subject to charges securing loan funding. Of these 119 properties with a Net Book Value of £12,953k (2019: 119 properties with a Net Book Value of £12,952k) secured the total Barclays facility, 58 properties with a Net Book Value of £2,097k (2019: 58 properties with a Net Book Value of £2,138k) secured the Dexia loan and 10 properties with a Net Book Value of £667k (2019: 10 properties with a Net Book Value of £681k) secured the Crown Mortgage loans (Orchardbrook/Fresh PLC).

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For the year ended 30 September 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Tangible fixed assets - other

	Freehold offices £'000	Vehicles & office equipment £'000	Furniture, fixtures and fittings £'000	Long-Life systems and Computer Equipment £'000	Service charge recoverable assets and WIP £'000	Total £'000
Cost						
At 1 October 2019	501	1,011	369	135	50	2,066
Additions	-	-	-	108	40	148
Disposals	-	-	-	-	-	-
At 30 September 2020	<u>501</u>	<u>1011</u>	<u>369</u>	<u>243</u>	<u>90</u>	<u>2,214</u>
Depreciation						
At 1 October 2019	217	1,011	369	13	-	1,610
Charged in the year	10	-	-	38	13	61
Released on Disposal	-	-	-	-	-	-
At 30 September 2020	<u>227</u>	<u>1,011</u>	<u>369</u>	<u>51</u>	<u>13</u>	<u>1,671</u>
Net book value						
At 30 September 2020	<u>274</u>	<u>-</u>	<u>-</u>	<u>192</u>	<u>77</u>	<u>543</u>
At 30 September 2019	<u>284</u>	<u>-</u>	<u>-</u>	<u>122</u>	<u>50</u>	<u>456</u>

13. Debtors

	2020 £'000	2019 £'000
Due within one year		
Rent and service charges receivable	602	578
Less: provision for bad and doubtful debts	(342)	(303)
	<u>260</u>	<u>275</u>
Other debtors	506	223
Prepayments and accrued income	91	370
	<u>857</u>	<u>868</u>

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For the year ended 30 September 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Debt (note 18)	369	358
Trade creditors	478	461
Rent and service charge accounts in credit	214	132
Rent and service charges received in advance	52	237
Taxation and social security	32	20
Recycled Capital Grant Fund (note 16)	357	357
Accruals and deferred income	1,174	459
Holiday pay accrual	107	93
Deferred grant income	389	388
	<u>3,172</u>	<u>2,505</u>

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

	2020	2019
	£'000	£'000
Debt (note 18)	6,966	7,305
Recycled capital grant fund (note 16)	-	-
Deferred grant income (note 17)	32,729	33,119
	<u>39,695</u>	<u>40,424</u>

16. Recycled capital grant fund

	2020	2019
	£'000	£'000
At 1 October	357	357
Grants recycled	-	-
Grant utilised	-	-
At 30 September	<u>357</u>	<u>357</u>

As the RCGF was generated three years ago and no suitable schemes have been identified to re-deploy the grant, repayment is now due. The GLA invoiced for £322k of grant in September 2020, with payment in October 2020.

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For the year ended 30 September 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Deferred Grant Income

	2020	2019
	£'000	£'000
At 1 October	33,507	33,895
Disposals	-	-
Grant Received	-	-
Released to income	(389)	(388)
At 30 September	33,118	33,507
Due in one year	389	388
Due after one year	32,729	33,119
The gross amount of grant received prior to amortisation was £39,188k (2019: 39,188k)		

18. Debt analysis

Borrowings		
	2020	2019
	£'000	£'000
Due within one year		
Housing loans	369	357
Due after more than one year		
Housing loans	6,966	7,305
Total loans	7,335	7,662

For the year ended 30 September 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Debt analysis (continued)

Security

Housing loans are secured by fixed charges on individual properties.

Terms of repayment and interest rates

The loans are repaid in monthly, quarterly or half yearly instalments over the agreed period of the loan. The final instalments fall to be repaid in the period 2019 to 2037. Interest rates on borrowings range from 1.16% to 10.688%.

At 30 September the Association had undrawn loan facilities of £6.5m (2019: £6.5m).

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	2020	2019
	£'000	£'000
Within one year or on demand	369	357
One year or more but less than two years	369	357
Two years or more but less than five years	1,107	1,070
Five years or more	5,490	5,878
	7,335	7,662

19. Pension
Pension Provision

The SHPS Defined Benefit obligation is accounted for in accordance with the provisions of FRS102 as adopted by SHPS. The SHPS Growth Plan provision continues to be accounted for as a provision 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.

For the year ended 30 September 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Pension (continued)

The Association participates in two funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS) and the Local Government pension scheme under a TUPE transfer agreement and one multi employer defined contribution scheme.

Social Housing Pension Scheme

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

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

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

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

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

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

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

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For the year ended 30 September 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

The scheme values provided by The Pensions Trust as at 30th September 2020 are as follows:

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

	30 September 2020	30 September 2019
	(£000s)	(£000s)
Fair value of plan assets	2,081	1,987
Present value of defined benefit obligation	2,290	2,280
Surplus (deficit) in plan	(209)	(293)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(209)	(293)
Deferred tax	*	*
Net defined benefit asset (liability) to be recognised	*	*

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period from 30 September 2019 to 30 September 2020
	(£000s)
Defined benefit obligation at start of period	2,280
Current service cost	-
Expenses	2
Interest expense	39
Member contributions	-
Actuarial losses (gains) due to scheme experience	73
Actuarial losses (gains) due to changes in demographic assumptions	(24)
Actuarial losses (gains) due to changes in financial assumptions	(4)
Benefits paid and expenses	(76)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-

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For the year ended 30 September 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	2,290

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

	Period from 30 September 2019 to 30 September 2020 (£000s)
Fair value of plan assets at start of period	1,987
Interest income	34
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	71
Employer contributions	65
Member contributions	-
Benefits paid and expenses	(76)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	2,081

The actual return on plan assets (including any changes in share of assets) over the period from 30 September 2019 to 30 September 2020 was £105,000.

For the year ended 30 September 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	Period from 30 September 2019 to 30 September 2020 (£000s)
Current service cost	-
Expenses	2
Net interest expense	5
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in Statement of Comprehensive Income (SoCI)	7

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME (OCI)

	Period from 30 September 2019 to 30 September 2020 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	71
Experience gains and losses arising on the plan liabilities - gain (loss)	(73)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	24
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	4
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	26
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in Other Comprehensive Income - gain (loss)	26

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NOTES TO THE FINANCIAL STATEMENTS (continued)

ASSETS

	30 September 2020 (£000s)	30 September 2019 (£000s)
Global Equity	308	244
Absolute Return	104	125
Distressed Opportunities	52	35
Credit Relative Value	56	46
Alternative Risk Premia	77	109
Fund of Hedge Funds	-	2
Emerging Markets Debt	93	64
Risk Sharing	61	59
Insurance-Linked Securities	55	55
Property	42	40
Infrastructure	134	101
Private Debt	50	27
Opportunistic Illiquid Credit	51	34
High Yield	70	-
Opportunistic Credit	52	-
Cash	1	-
Corporate Bond Fund	107	87
Liquid Credit	29	-
Long Lease Property	33	35
Secured Income	71	58
Over 15 Year Gilts	-	-
Index Linked All Stock Gilts	-	-
Liability Driven Investment	629	815
Net Current Assets	6	51
Total assets	2,081	1,987

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

For the year ended 30 September 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

KEY ASSUMPTIONS

	30 September 2020	30 September 2019
	% per annum	% per annum
Discount Rate	1.61%	1.73%
Inflation (RPI)	3.01%	3.18%
Inflation (CPI)	2.01%	2.18%
Salary Growth	3.01%	3.18%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 30 September 2020 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2020	21.5
Female retiring in 2020	23.3
Male retiring in 2040	22.9
Female retiring in 2040	24.5

FOR THE PERIOD ENDING 30 September 2020

SCHEME: TPT Retirement Solutions – The Growth Plan

The company participates in the scheme, a multi-employer scheme which provides benefits to some 950 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

A full actuarial valuation for the scheme was carried out at 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2019 to 31 January 2025:	£11,243,000 per annum	(payable monthly and increasing by 3% each on 1st April)
---------------------------------------	-----------------------	--

Unless a concession has been agreed with the Trustee the term to 31 January 2025 applies.

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2014. This valuation showed assets of £793.4m, liabilities of £969.9m and a deficit of £176.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2016 to 30 September 2025:	£12,945,440 per annum	(payable monthly and increasing by 3% each on 1st April)
From 1 April 2016 to 30 September 2028:	£54,560 per annum	(payable monthly and increasing by 3% each on 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

The provision currently held is £69k (2019: £82k)

Surrey County Council Pension scheme

The Association makes payments as an Admitted Body to the Surrey County Council Pension Fund for employees who were members of that scheme on 1st April 2008 under the terms of a TUPE transfer. This is a funded defined benefit scheme that covers Surrey County Council employees and Scheduled and Admitted Bodies under the Local Government Pension Scheme Regulations 1997.

The Association has been notified by the Scheme Administrator that they are unable to satisfactorily identify the Association's share of the underlying Scheme assets and liabilities as at 30 September 2020 and accordingly the pension costs are accounted for as defined contribution. The scheme administrator has confirmed that the Association has no liability for past service deficit contributions.

The total employer contribution payable in the year was £18k (2019: £18k). At 30 September 2020 the Association had 3 (2019: 3) active members in the fund. Expected payments in the next financial year amount to approximately £20k.

ABILITY HOUSING ASSOCIATION
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For the year ended 30 September 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Reconciliation of net cash flow to movement in net debt

	Error! Reference source not found. £'000	Error! Reference source not found. £'000
Increase/(Decrease) in cash	997	1,548
Cash inflow/(outflow) from change in debt	327	185
Change in net debt resulting from cash flows	1,324	1,733
Movement in net debt for the period	1,324	1,733
Net debt at 1 October	(3,480)	(5,213)
Net debt at 30 September	(2,156)	(3,480)

21. Analysis of changes in net debt

	1 Oct 2019 £'000	Cashflow £'000	30 Sept 2020 £'000
Cash at bank and in hand	4,182	997	5,179
Changes in cash	4,182	997	5,179
Loans	(7,662)	327	(7,335)
Changes in debt	(7,662)	327	(7,335)
Changes in net debt	(3,480)	1,324	(2,156)

22. Contingent assets/liabilities

Government Grant

The Association receives capital grant from Homes England (formerly Homes and Communities Agency), which is used to fund the acquisition and development of housing properties and their components. In certain circumstances, upon disposal of grant funded properties, the Association is required to recycle this grant by crediting the Recycled Capital Grant Fund, which if not reassigned, could be subject to repayment (see note 16 for further details).

The Association had no other contingent assets or contingent liabilities at 30 September 2020 (2019: £nil).

For the year ended 30 September 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. Leasing commitments

Operating lease payments amounting to £428k (2019: £423k) are due within one year. The leases to which these amounts relate expire as follows:

	2020	2019*
	£'000	£'000
Office equipment		
Expiring in one year or less	2	4
Between 1-2 years	1	-
Between 2-3 years	2	-
Between 3-4 years	1	-
Over 4 years	2	-
	<u>8</u>	<u>4</u>
Land and buildings		
Expiring in one year or less	428	423
Between one and two years	78	72
Between two and five years	216	216
Over five years	720	792
Total	<u>1,442</u>	<u>1,503</u>

*Land and buildings future lease commitments re-stated

24. Related parties

There are currently no beneficiary members of the directors (2019: nil).
There have been no related party transactions in the year (2019: none)

25. Financial liabilities excluding trade creditors – interest rate risk profile

The Association's financial liabilities are sterling denominated. The interest rate profile of the Association's financial liabilities at 30 September was:

	2020	2019
	£'000	£'000
Floating rate	3,835	4,162
Fixed rate	3,500	3,500
Total (note 18)	<u>7,335</u>	<u>7,662</u>

The fixed rate financial liabilities have a weighted average interest rate of 6.69% (2019: 6.69%) and the weighted average period for which it is fixed is 1 year to 20 years (2019: 1 year to 21 years).

The floating rate financial liabilities comprise loans that bear interest at rates based on the monthly LIBOR, and are stated at amortised cost.

The debt maturity profile is shown in note 18.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

Borrowing facilities

The Association has undrawn committed borrowing facilities. The facilities available at 30 September in respect of which all conditions precedent had been met were as follows:

	2020 £'000	2019* £'000
Expiring in less than one year	6,500	-
Expiring in 1-2 years	-	6,500
Greater than 5 years	-	-
	<u>6,500</u>	<u>6,500</u>

*Restated to amend incorrect banding disclosure

Financial assets

Other than short term debtors, financial assets held are cash deposits in notice and current accounts, all of which is measured at historic cost. They are sterling denominated and the interest rate profile at 30 September was:

	2020 £	2019 £
Floating rate on cash deposits	2,450	2,450
Financial assets on which no interest is earned	2,729	1,732
Total	<u>5,179</u>	<u>4,182</u>

26. Share Capital

The Association is a company limited by guarantee and therefore has no share capital. Each member (see numbers below) agrees to contribute £1 in the event of the company winding up.

	2020 No.	2019 No.
At 1 October	39	38
Joining during the year	1	1
Leaving during the year	(7)	-
At 30 September	<u>33</u>	<u>39</u>

27. Capital commitments

At the year end the Association had capital commitments of £Nil (2019: £Nil).

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For the year ended 30 September 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. Financial instruments

	2020	2019
	£000	£000
Financial assets		
<u>Measured at cost</u>		
Cash and cash equivalents	5,179	4,182
<u>Measured at amortised cost</u>		
Rent and service charges receivable	602	578
Other debtors	506	223
Accrued income	28	-
Total financial assets	<u>6,315</u>	<u>4,983</u>
Financial liabilities		
<u>Measured at amortised cost</u>		
Loans	7,335	7,662
Trade creditors	692	593
Total financial liabilities	<u>8,027</u>	<u>8,255</u>

29. Transition to Housing SORP: 2018 Update

There has been no effect on reserves following the adoption of the Housing SORP: 2018 from the Housing SORP: 2014 for the comparative year to 30 September 2019.