

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

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| 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 |

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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.

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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;

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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

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.

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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.

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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 |
| | <hr/> | <hr/> |
| | 6,550 | 6,946 |
| | <hr/> | <hr/> |

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.

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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% |

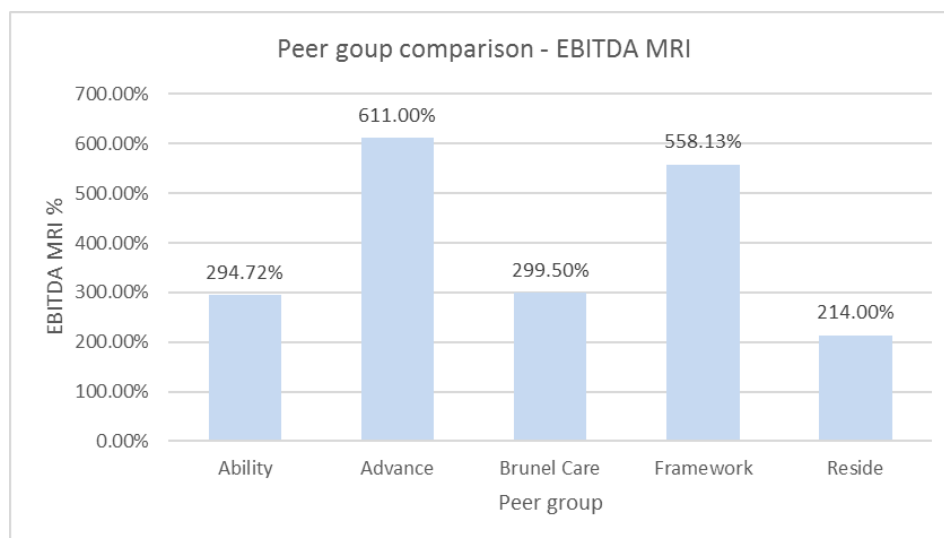
Metrics per the RSH 'Value for Money Metrics Technical Guidance Note May 2022'

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

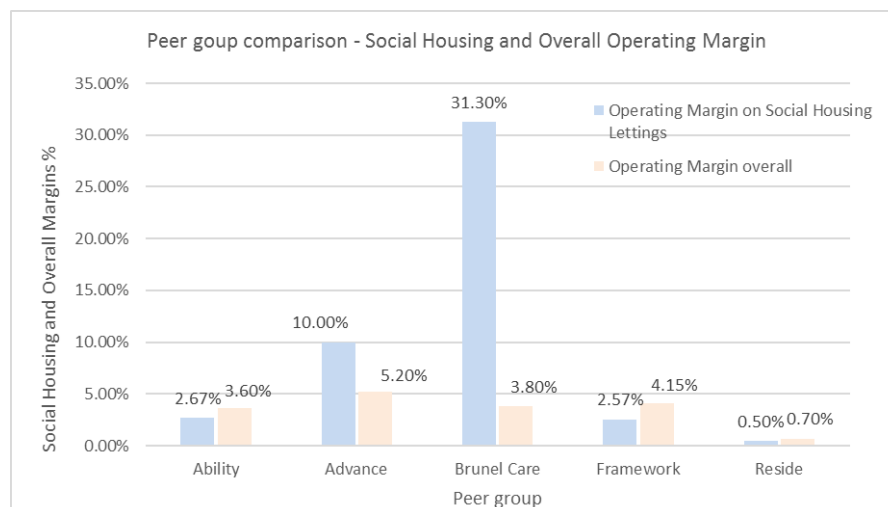
Operating and Financial Review and Strategic Report (continued)



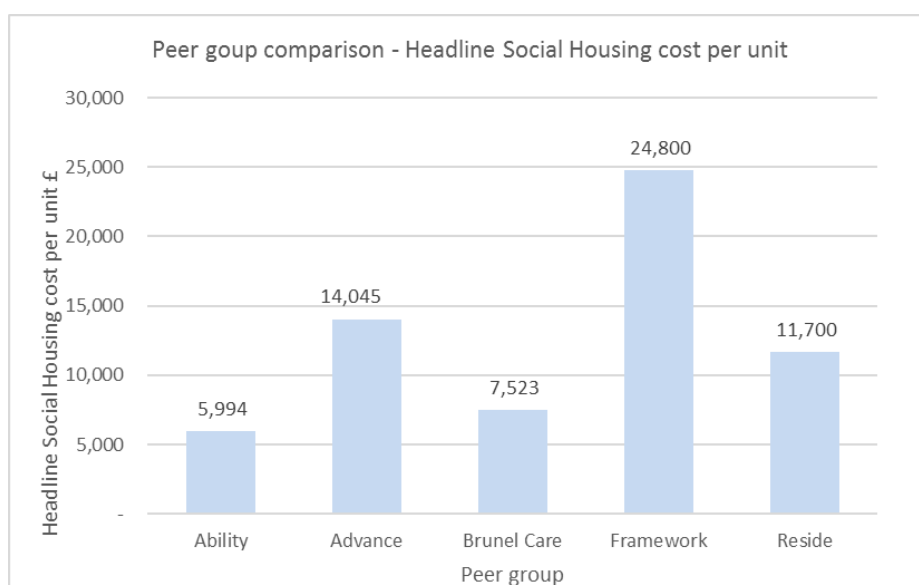
- Operating margin at 3.6% is marginally above the peer group average of 3.49% for overall activity, and provides a more realistic comparator, eliminating some of the classification differences and varied financial model effects of the peer group analysis. Operating margin on social housing lettings 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% |

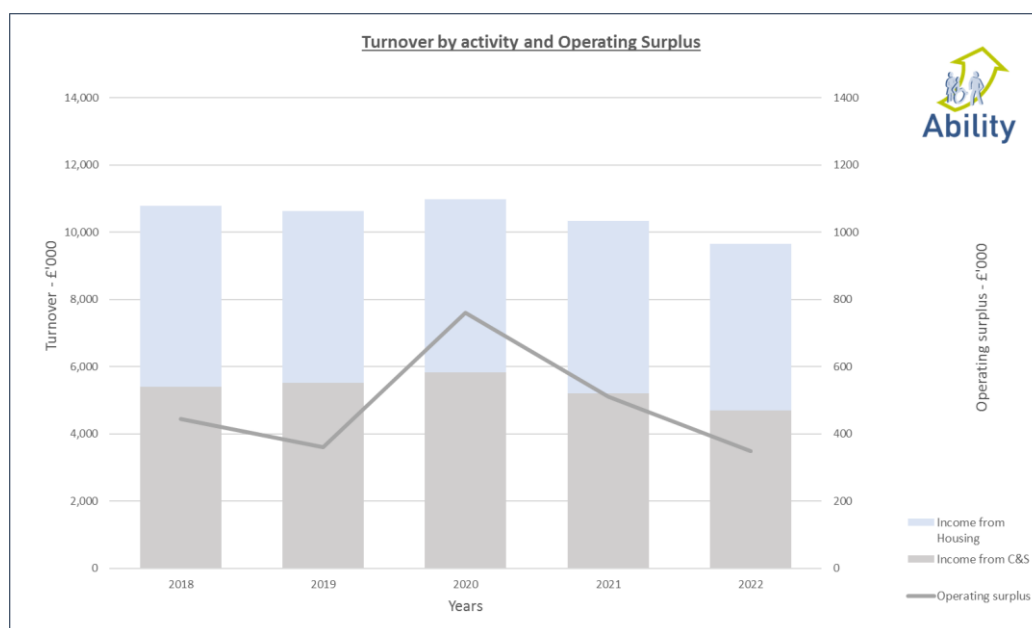
Metrics calculated per the RSH 'Value for Money Metrics Technical Guidance Note May 2022'

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.

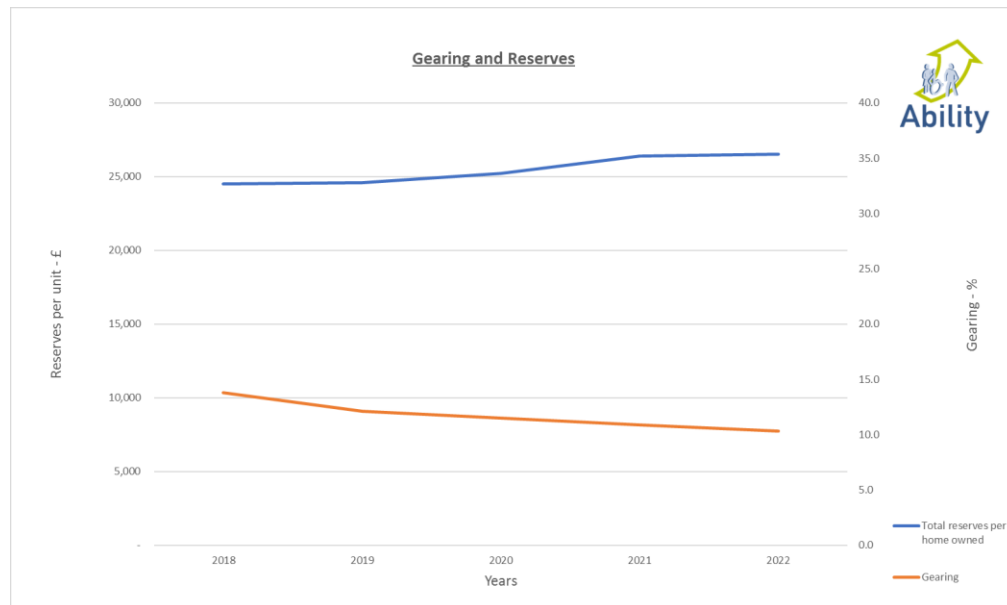
Five-year financial stability summary

- 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.

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2022

Operating and Financial Review and Strategic Report (continued)

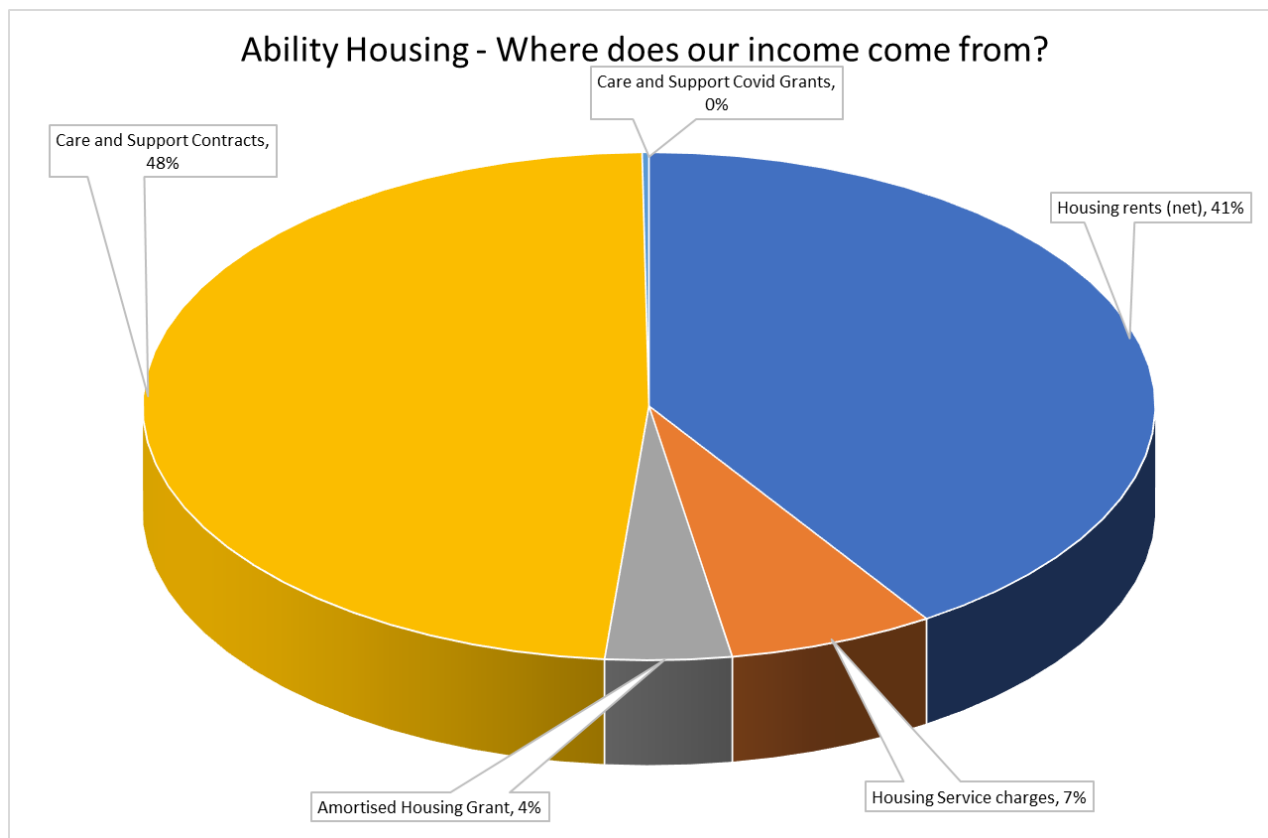


For the year ended 30 September 2022

Operating and Financial Review and Strategic Report (continued)

Ability performance in 2021-22

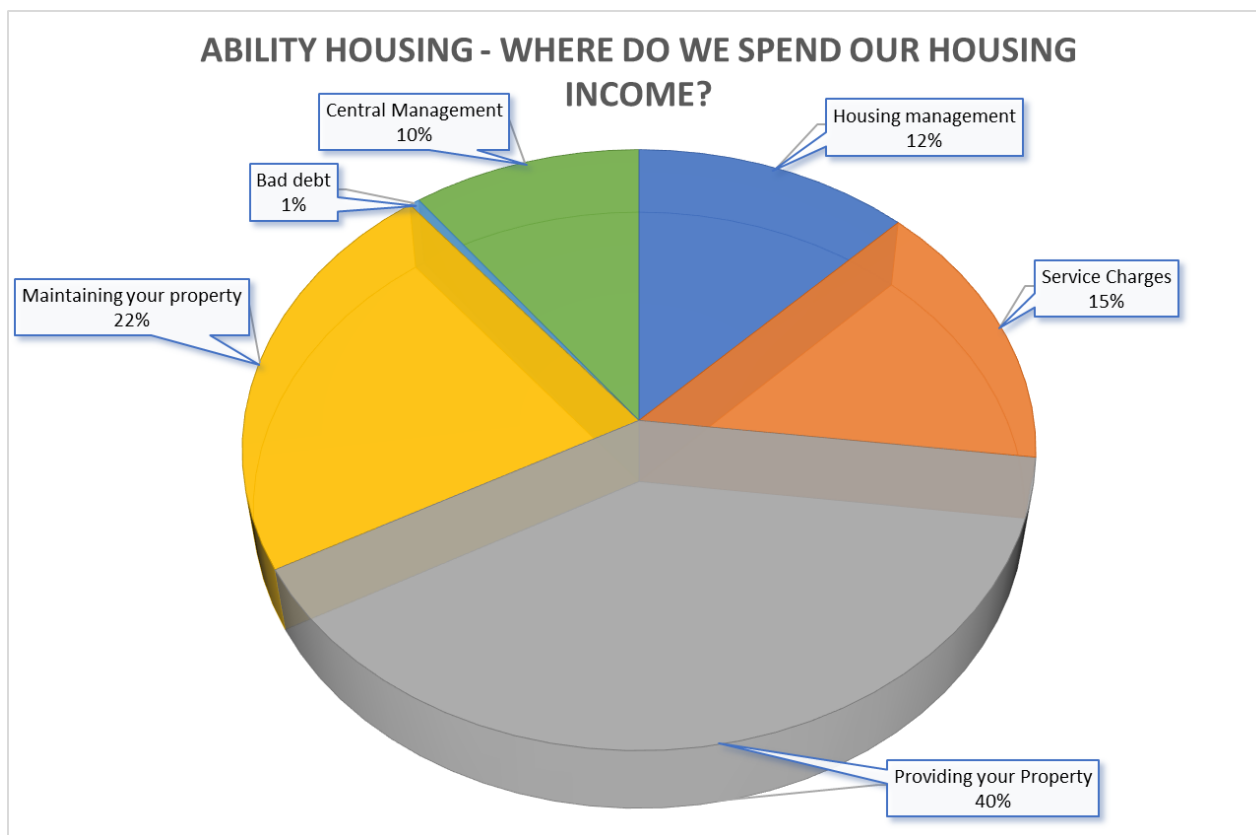
- Ability Housing Association comprises two distinct operating streams, generating £4,965k of revenue from social housing and associated activities (2021 £5,144k) and £4,695k from Care and Support activities (2021 £5,195k).



- 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

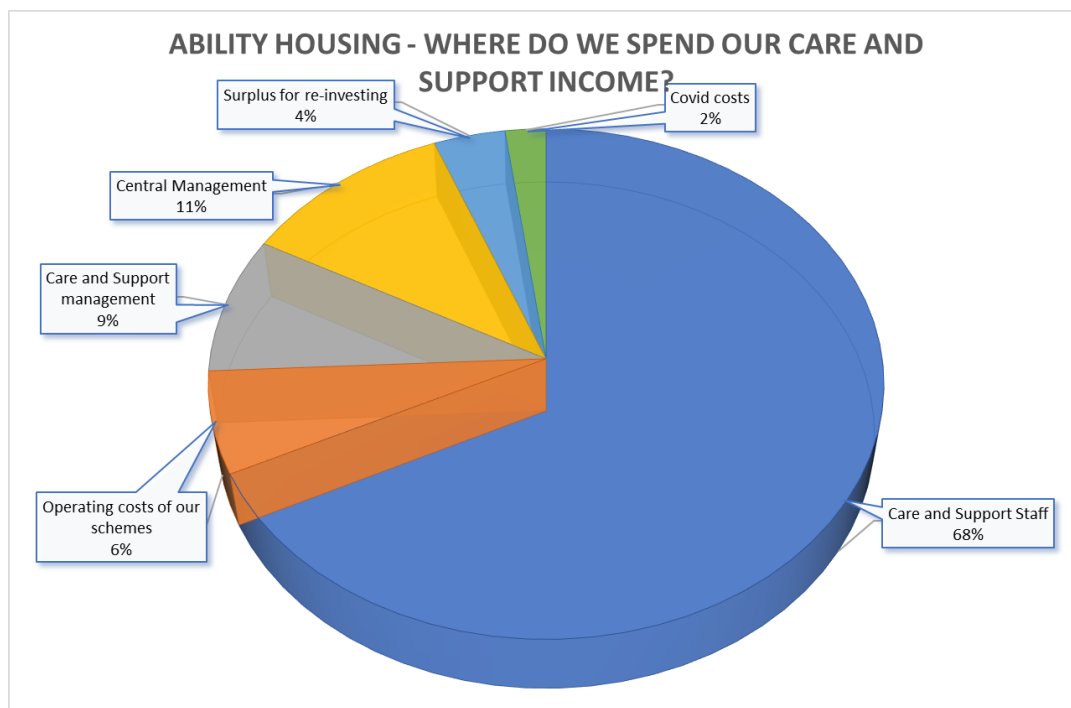
Operating and Financial Review and Strategic Report (continued)



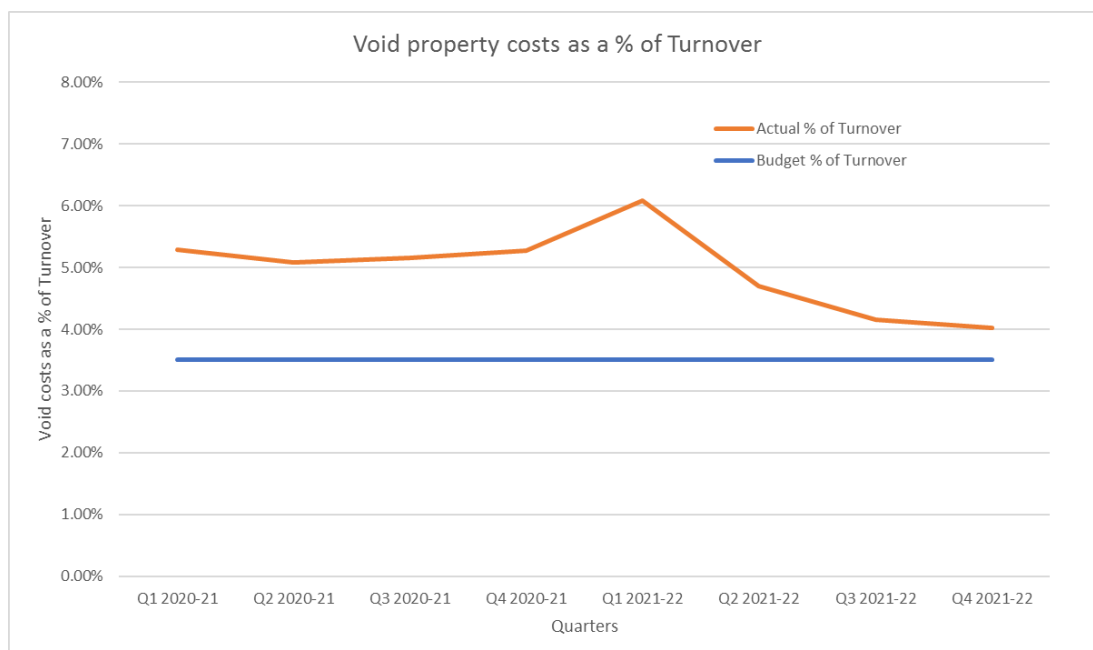
- Where the costs associated with social housing activities are predominantly related to the provision and maintenance of the housing stock, Care and Support is a primarily service based cost structure, being the delivery of Care and Support to people in their home environment.
- As such, the main cost 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)



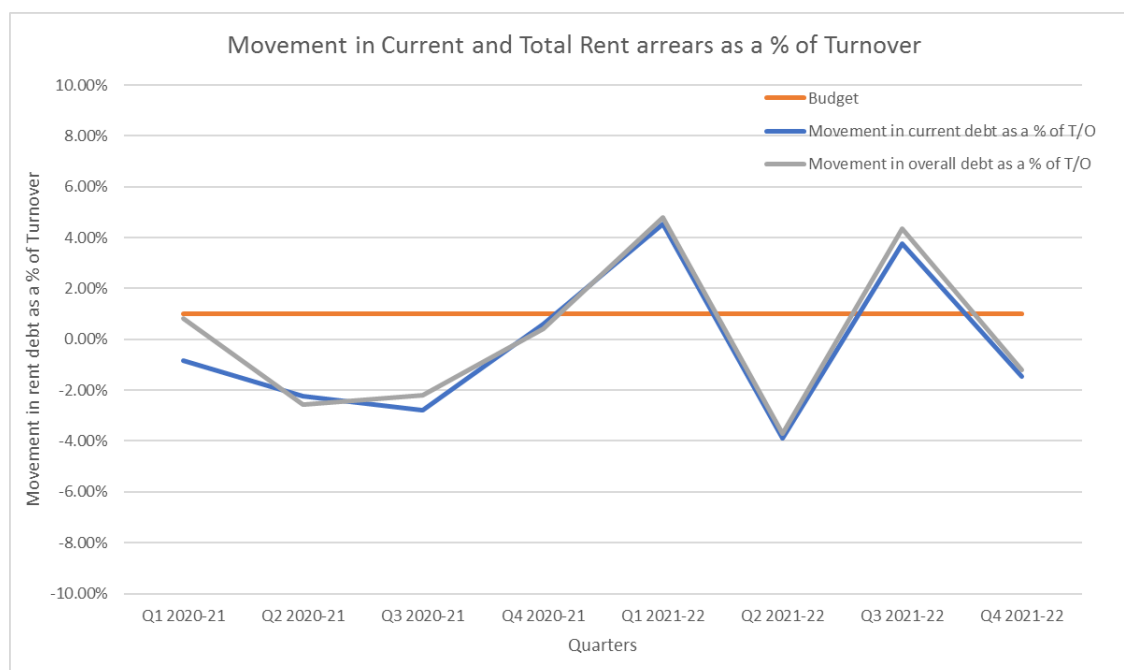
- Voids are a critical area of property management, and as the graph below shows, Ability has performed consistently behind budget over recent quarters reflecting the challenges during the pandemic that have been encountered in securing nominations for available properties. However, as part of the drive 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

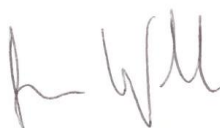
| | | |
|---|-------|-----|
| Actuarial gains / (losses) in respect of pension scheme | (126) | 26 |
| Total comprehensive income for the year | (98) | 359 |

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.

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 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
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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
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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 |
| | <hr/> | <hr/> |
| Total owned | 579 | 586 |
| Accommodation managed for others | 71 | 71 |
| | <hr/> | <hr/> |
| Total managed | 650 | 657 |
| | <hr/> | <hr/> |
| Non-social housing | | |
| Respite Unit | 8 | 8 |
| | <hr/> | <hr/> |
| Owned but managed by others | | |
| General needs | 11 | 11 |
| | <hr/> | <hr/> |
| Total owned and managed | 669 | 676 |
| | <hr/> | <hr/> |

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 |

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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 | (52) | - | (52) | (69) |

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 |

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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
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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).

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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> |

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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 | 2021 |
|--------------------|---------------|---------------|
| | £'000 | £'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 | 2021 |
|-------------------------------------|--------------|--------------|
| | £'000 | £'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 |
| | <hr/> | <hr/> |
| | 6,550 | 6,946 |
| | <hr/> | <hr/> |

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 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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| | |
|--|-------|
| 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 (SOCl)**

| | 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
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| | |
|---|-------|
| 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
Report and Financial Statements

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) |
|---------------------------------------|----------------------|-------------------|

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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| | 30 September 2022 (£s) | 30 September 2021 (£s) | 30 September 2020 (£s) |
|--|---------------------------|---------------------------|------------------------------|
|--|---------------------------|---------------------------|------------------------------|

| | | | |
|----------------------------|--------|--------|--------|
| Present value of provision | 11,167 | 54,014 | 69,167 |
|----------------------------|--------|--------|--------|

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 |
|------------------|------|------|------|

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
Report and Financial Statements

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> |

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

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 | - | - |
| | <hr/> | <hr/> |
| 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 |
| | <hr/> | <hr/> |
| Total land and buildings | 1,335 | 1,456 |
| | <hr/> | <hr/> |
| 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
Report and Financial Statements

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> |

ABILITY HOUSING ASSOCIATION
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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> |