

# **ABILITY HOUSING ASSOCIATION**

**Report and Financial Statements**

**For the year ended 30<sup>th</sup> September 2023**

**Registered Company No. 01261380**



**Contents**

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<b>CONTENTS</b>	<b>PAGE</b>
Company Information	3
Report of the Board	4
Operating and financial review and strategic report	7
Statement of the responsibilities of the Board for the report and financial statements	18
Independent Auditor's Report	20
Statement of comprehensive income	24
Statement of changes equity (reserves)	25
Statement of financial position	26
Statement of cash flows	27
Notes to the financial statements	28

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

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

## **Report of the Board**

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

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

### **Principal activities and public benefit**

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

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

### **Business review and future development**

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

### **Employees**

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

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

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

### **Health and safety**

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

### **Board members and executive directors**

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

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

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

**Report of the Board**

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**Pensions**

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

**NHF Code of Governance**

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

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

**Fraud**

There were no frauds in the year.

**Internal controls assurance**

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

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

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

Key elements of the control framework include:

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

## **Report of the Board**

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- 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 28<sup>th</sup> February 2024 and signed on its behalf by:



**Sally Reay**  
Chair



**Dominic Wallace**  
Board Member



**Marcus Andrews**  
Secretary

**Operating and Financial Review and Strategic Report**

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**Overview of the Financial Year**

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

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

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

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

**Housing, Property and Asset Management**

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

**Housing**

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

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

**Operating and Financial Review and Strategic Report**

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

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

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

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

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

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

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

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

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

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

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

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



**Operating and Financial Review and Strategic Report**

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

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

**Property**

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

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

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

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

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

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

**Quality Management**

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

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

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

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

**Operating and Financial Review and Strategic Report**

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

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

**Staffing**

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

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

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

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

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

**Care and Support**

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

**Delivering high quality Support Services**

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

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

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

## **Operating and Financial Review and Strategic Report**

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

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

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

### **To recruit, retain and develop an engaged workforce**

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

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

## **Operating and Financial Review and Strategic Report**

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

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

### **To grow our services and increase our reach**

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

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

### **To maintain financial sustainability**

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

### **Ability’s Plans for the future**

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

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

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

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

**Operating and Financial Review and Strategic Report**

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

**Provide Good Quality Homes and Neighbourhoods**

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

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

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

**Deliver high quality Housing Management & Support Services**

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

**To Recruit, Retain and Develop an Engaged Workforce**

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

**To grow our services and increase our reach**

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

**Operating and Financial Review and Strategic Report**

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

**To maintain financial sustainability and deliver value for money**

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

**Better Together**

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

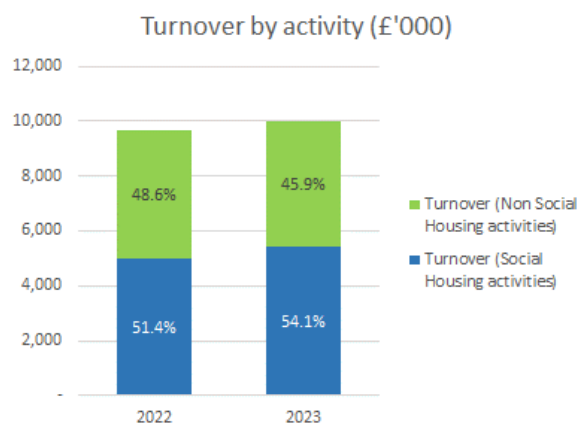
- We provide high-quality homes for our residents with a timely and qualitative repairs service. We have invested significantly in our properties, and no home has an energy rating below EPC D, with all homes to be at a rating of EPC C or above by 2030.
- We have co-produced with every resident the service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

**Operating and Financial Review and Strategic Report**

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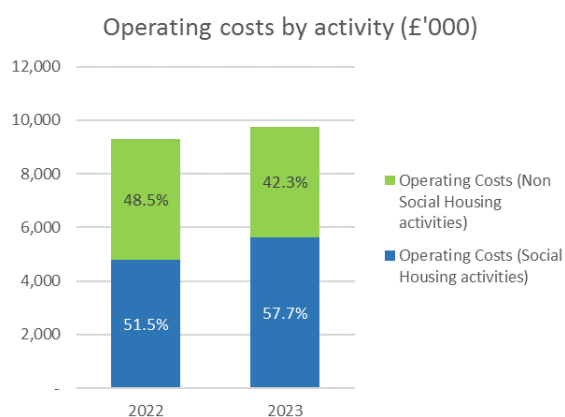
**Financial Review**

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



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

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



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

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

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

**Capital structure and treasury policy**

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

**Operating and Financial Review and Strategic Report**

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

Ability was compliant with all lenders' covenants in 2023.

**Reserves**

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

**Value for Money**

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

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

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

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



**Operating and Financial Review and Strategic Report**

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

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

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

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

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

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

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

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

**Statement of compliance**

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

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

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

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

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

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

The Board are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Disclosure of information to auditors**

The Board members confirm that:

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

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

**Annual general meeting**

The annual general meeting will be held on 20<sup>th</sup> March 2024.

**External auditors**

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

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

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

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

**Sally Reay**  
**Chair**

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

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**Opinion**

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

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 30 September 2023 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

**Basis for opinion**

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

**Conclusions relating to going concern**

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

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

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

**Other information**

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

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

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

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

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

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

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

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Board and the Operating and Financial review and Strategic Report.

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

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

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

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

**Responsibilities of the Board**

As explained more fully in the Statement of the Responsibilities of the Board set out on page 18, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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

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

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

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

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

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

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

**Use of our report**

This report is made solely to the Association's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Beever and Struthers*

Lee Cartwright

Senior Statutory Auditor

**For and on behalf of**

**Beever and Struthers**

Statutory Auditor

The Colmore Building

20 Colmore Circus Queensway

Birmingham

B4 6AT

Date: 08 March 2024

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

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

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



**Sally Reay**  
Chair



**Dominic Wallace**  
Board Member



**Marcus Andrews**  
Secretary



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

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

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

Statement of Financial Position at 30<sup>th</sup> September 2023

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

Company registration number: 01261380

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

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



**Sally Reay**  
Chair



**Dominic Wallace**  
Board Member



**Marcus Andrews**  
Secretary

**Statement of Cash Flows**

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

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

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

**Notes to the financial statements**

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**Legal Status**

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

**1. Accounting policies****Basis of accounting**

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

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

**Going concern**

The Association's business activities, its current financial position and factors likely to affect its future development are set out within the Operating and Financial Review and Strategic Report. The Association is able to meet its commitments in respect of long-term debt facilities used to finance reinvestment and development programmes, along with the Association's day to day operations. The Association's financial plan (updated in January 2024) shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants. On this basis, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

**Turnover**

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

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

**Value added tax**

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

**Notes to the financial statements**

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**Corporation tax**

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

**Interest payable**

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

**Financial instruments**

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

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

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

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

Financial instruments held by the Association are classified as follows:

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

**Debtors**

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

**Creditors**

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

**Employee Benefits**

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

**Notes to the financial statements**

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**Retirement benefits**

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

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

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

**Housing properties**

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

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

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

**Government Grants**

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

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

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

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

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

**Notes to the financial statements**

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**Other grants**

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

**Depreciation of housing properties**

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

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

The Association depreciates the major components of its housing properties over the following timescales:

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

**Other tangible fixed assets**

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

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

The principal annual rates used for other assets are:

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

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

**Notes to the financial statements**

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**Leased assets**

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

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

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

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

**Properties for sale**

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

**Provisions for liabilities**

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

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

**Holiday pay accrual**

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

**Significant judgements and estimates**

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



**Notes to the financial statements**

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

- **Social care contracts**

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

- **Estimation uncertainty**

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

- **Useful lives of depreciable assets**

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

**Impairment**

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

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

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

**Defined benefit obligation (DBO)**

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

**Notes to the financial statements**

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

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

**Notes to the financial statements**

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

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

**Notes to the financial statements**

**4. Accommodation in management and development**

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

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

**5. Operating surplus / (deficit)**

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

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

Notes to the financial statements

6. Loss on disposal of fixed assets

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

7. Interest receivable and similar income

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

8. Interest payable and similar charges

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

9. Employees

Average number of employees (FTE):

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

**Notes to the financial statements**

**9. Employees (continued)**

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

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

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

**10. Directors, members and executive directors**

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

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

**Board members**

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

Notes to the financial statements

11. Tangible fixed assets - properties

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

**Expenditure on works to existing properties**

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

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

**Notes to the financial statements**

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

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

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



Notes to the financial statements

12. Tangible fixed assets – other

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

13. Debtors

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

**Notes to the financial statements**

**14. Creditors: amounts falling due within one year**

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

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

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

**16. Recycled capital grant fund**

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

## Notes to the financial statements

**17. Deferred Grant Income**

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

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

**18. Loan analysis**

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

**Security**

Housing loans are secured by fixed charges on individual properties.

**Terms of repayment and interest rates**

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

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

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

**Notes to the financial statements**

**19. Pension Provision**

The SHPS Defined Benefit obligation is accounted for in accordance with the provisions of FRS 102 as adopted by SHPS. The SHPS Growth Plan provision continues to be accounted for as a provision based on the net present value of payments agreed at the year end. The provision will be adjusted following the triennial valuations in the pension scheme, either increasing or decreasing the provision with the opposite entry being shown as operating costs within income and expenditure. The unwinding of the discount is shown as a finance cost.

The Association participates in two funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS) and the Local Government pension scheme under a TUPE transfer agreement and one multi-employer defined contribution scheme.

**Contingent Liability – Social Housing Pension Scheme**

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

**Social Housing Pension Scheme**

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

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

**Notes to the financial statements**

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

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

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

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

**Notes to the financial statements**

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

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

**Defined benefit costs recognised in Other Comprehensive Income (OCI)**

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

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

**Notes to the financial statements**

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

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

**Key assumptions**

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

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

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

**Notes to the financial statements**

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**Scheme: TPT Retirement Solutions – The Growth Plan**

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

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

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

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

**Deficit contributions**

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

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

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

**Deficit contributions**

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

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

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



**Notes to the financial statements**

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

**Reconciliation of opening and closing provisions**

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

**Income and expenditure impact**

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

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

**Assumptions**

	<b>30 September 2023 % per annum</b>	<b>30 September 2022 % per annum</b>	<b>30 September 2021 % per annum</b>
Rate of discount	5.88	6.00	0.72

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

**Notes to the financial statements**

**Surrey County Council Pension scheme**

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

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

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

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

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

**21. Analysis of changes in net debt**

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

**Notes to the financial statements**

**22. Contingent assets / liabilities**

**Government Grant**

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

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

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

**23. Leasing commitments**

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

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

**Notes to the financial statements**

**24. Related parties**

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

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

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

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

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

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

The debt maturity profile is shown in note 18.

**Borrowing facilities**

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

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

**Financial assets**

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

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

Notes to the financial statements

**26. Share Capital**

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

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

**27. Capital commitments**

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

**28. Financial instruments**

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