

# **ABILITY HOUSING ASSOCIATION**

**Report and Financial Statements**

**For the year ended 30 September 2014**

**Registered Company No 1261380**

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Company registration number	1261380
Homes & Communities Agency registration number:	LH2174
Charity number:	271547
Registered office and principal address:	The Coach House Gresham Road Staines TW18 2AE
Board:	John Daley (Chair) Wendy Crichlow Adrian Polisano Vince Mewett Jane Harrison Jane Minter Karen Hillhouse (Appointed 27 <sup>th</sup> February 2014)
Chief Executive	David Williams BSc
Finance Director & Secretary	Donna Marshall BA ACA
Corporate Services Director	Richard Strudwick (until 28 <sup>th</sup> February 2014)
Bankers:	Lloyds TSB Bank Plc 39 Threadneedle Street London EC2 R 8AU  Barclays 1 Churchill Place London E14 8HP
Solicitors:	Devonshires Salisbury House London EC2M 5QY
Auditors:	Grant Thornton UK LLP Registered Auditors Chartered Accountants 202 Silbury Boulevard Central Milton Keynes MK9 1LW

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## **ABILITY HOUSING ASSOCIATION**

### **Report and Financial Statements**

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#### **Report of the Board**

The board presents its report and audited financial statements of Ability Housing Association (the association) for the year ended 30 September 2014.

#### **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.

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 board report.

#### **Reserves**

After transfer of the surplus for the year of £411,976 (2013: £894,768), at the year-end reserves amounted to £12,087,962 (2013: £11,675,986).

#### **Payment of creditors**

In line with government guidance, our policy is to pay purchase invoices within 30 days of receipt, or earlier if agreed with the supplier.

#### **Employees**

The association is accredited as an Investor in People and has established an Information & Consultation Committee of elected staff representatives, who meet quarterly with executive directors to discuss issues relevant to employment. Salary levels are set in relation to the market and meet the requirements of the Living Wage.

We are committed to equality of opportunity for all employees. We have a diverse workforce and have in place systems for monitoring the effectiveness of our diversity & inclusion policies.

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

#### **Health and safety**

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

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

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

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

Insurance policies indemnify board members and officers against liability when acting for the association.

#### **Service contracts**

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

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**Pensions**

Two executive directors are members of the Social Housing Pension Scheme, a defined benefit final salary pension scheme. They participate in the scheme on the same terms as all other eligible staff. The Association contributes to the scheme on behalf of its eligible employees and offers a defined contribution scheme to all staff.

**NHF Code of Governance**

We are pleased to report that the association complies with the principal recommendations of the NHF Code of Governance (revised 2010) with the exception that terms of office may be extended by consent of the Board.

At last year's Annual General Meeting held on 26 February 2014, John Daley was re-elected as Chair. Karen Hillhouse was co-opted to the Board in September 2013 and her appointment confirmed at the AGM.

**Tenant involvement**

We actively encourage tenants' involvement in decision-making by promoting tenant participation; up to one-third of ordinary members may be tenants or service users. A customer panel and Customer services committee have been established to report to the Board and a customer engagement co-ordinator appointed.

**Complaints**

Our clear and simple complaints policy is issued to all customers. During the year we received 2 complaints that reached level 2 (formal resolution) both of which were in the process of resolution at the year end.

**Internal controls assurance**

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

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

The process for identifying, evaluating and managing the significant risks faced by the association is continuing, and has been in place throughout the period commencing 1 October 2013 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.

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Key elements of the control framework include:

- board approved terms of reference and delegated authorities for finance, audit and risk, human resources and customer services committees;
- clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- robust strategic and business planning processes;
- biannual review of the risk map by the board;
- detailed financial budgets and forecasts for subsequent years;
- formal recruitment, retention, training and development policies;
- established authorisation and appraisal procedures for all significant new initiatives and commitments;
- regular reporting by senior management to the appropriate committee of key business objectives, targets and outcomes;
- board approved whistleblowing and anti-theft and corruption policies; and
- detailed policies and procedures in each area of the association's work.

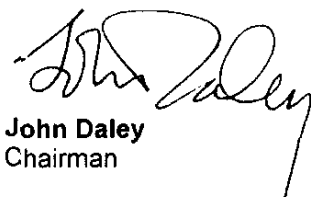
The board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the finance, audit & risk committee to review regularly the effectiveness of the system of internal control. The board receives reports from the committee together with minutes of meetings.

The means by which the finance audit & risk committee reviews the effectiveness of the system of internal control include considering risk reports, internal audit reports, management assurances, the external audit key issues memorandum and specialist reviews on areas such as support service contracts, health and safety, housing services and property development. The committee has received reports from the internal auditor, and has reported its findings to the board. The Board has received the chief executive's annual review of the effectiveness of the system of internal control for the association and in turn conducted its own annual review of the effectiveness of the system of internal control.

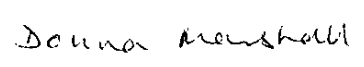
A fraud register is maintained and is reviewed by the finance, audit and risk committee on a six monthly basis.

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

The report of the board was approved by the board on 16<sup>th</sup> March 2015 and signed on its behalf by:

  
**John Daley**  
Chairman

  
**Jane Harrison**  
Board Member

  
**Donna Marshall**  
Secretary

For the year ended 30 September 2014

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

### **Activities**

Ability Housing Association is a Registered Provider (RP) and registered charity that specialises in providing people with housing and support services tailored to their individual needs to enable them to live more independent lives. These services include the provision of affordable, high quality accommodation for rent and shared ownership, including supported housing, floating support services, disability housing registers and adaptations services.

Ability aims to work strategically with local authorities and other Registered Providers in the South of England to help meet the local needs of disabled people, where Ability's expertise can assist with promoting independent living. Our pursuit of this aim is underpinned by these values:

We focus on ability not disability

- we focus on what each person can do – on their ability - rather than what they cannot do. We work together with our customers to help them overcome barriers to their own personal independent living goals.

We engage actively for feedback

– we engage actively with our customers, colleagues and partners to seek feedback that helps us to understand how we can improve what we do and how we do it.

We value differences

– we respect and value the individuality of each person; we believe that differences are strengths and that diversity enriches our lives and communities.

We demonstrate integrity

– we encourage a culture of openness, honesty and personal accountability; we respond to a challenge by asking ourselves what we can do to help and always delivering on our promises.

We commit ourselves to:

- Putting our customers first;
- Continuously improving;
- Working in partnership; and
- Valuing diversity.

The registered office is based in Staines and our properties are primarily in south-east England.

### **External influences**

Nationally the level of Government subsidy for Supporting People activities will diminish substantially over the next few years; the wider reforms to the benefits system will also have an impact. Within this climate, opportunities to develop new supported housing will be constrained by uncertainty about the availability of revenue funding.

Existing services have and will continue to come under pressure as administrative authorities seek cost savings. Services will need to demonstrate quality, value for money and strategic relevance. We will need to identify efficiency savings in order to maintain operating margins and ensure service viability.

Housing associations are also expected to contribute to improved efficiency and value for money within the sector, and we are therefore faced with the challenging objectives of improving efficiency and quality of services within increasingly constrained resources.

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We have been monitoring the effects of welfare reform, so far the impact has been minimal as many of our customers live in exempt accommodation or are in receipt of discretionary housing payments. We will continue to keep the position under review.

### Strategic Report

#### Objectives and strategy

The association's objectives and strategy are set out in a five year business plan that is updated, reviewed and approved by the board each year. The key objectives underpinning the 2011-2015 plan are summarised as follows:

We plan by 2015 to have increased the number of homes we provide by 122 to 737 in total. We have already secured public subsidy of £10 million towards this growth plan.

We will also invest £850,000 in improving the quality of our existing homes to a new higher *Ability Standard* that has been agreed with our tenants.

We plan to launch a new more personalised care and support service offer called *yourAbility*, operated from our existing service hubs.

Together these plans will require additional loan finance of £7.4 million, of which £2.4 million will be drawn down from an existing facility, which has required us to secure an additional £5 million.

Annual turnover was projected to increase from £8.4 million in 2011 to £10.4 million in 2015. The budget for that year indicates turnover of £8.6m. We will achieve operating surpluses greater than 10% of turnover throughout this plan with surpluses after interest at least 3% of turnover. To date we have met these financial targets in relative terms and our progress is in accordance with the financial plan.

We will differentiate our business into three distinct but interdependent and equally valued operating streams:

- Ability Housing
- Ability Care & Support
- Central Services

We aim to retain our place in the *Sunday Times Top 100 Public and Third Sector Companies to Work For* and to improve our rankings year on year.

We consider the investment commitments and growth proposals made within this plan to be prudent and within our means and contingencies.

#### Performance and Development

The key indicators used by senior management and the board to monitor achievement of the association's objectives are set out below. The board agrees targets each year that are designed to manage development and deliver continuous service improvement.

	Objective	Indicator
<b>Finance</b>	<ul style="list-style-type: none"><li>• achieve planned operating surplus</li><li>• meet lenders' covenants</li></ul>	<ul style="list-style-type: none"><li>• results compared to budget</li><li>• performance against loan covenants</li></ul>
<b>Development</b>	<ul style="list-style-type: none"><li>• achieve 737 decent, self contained homes by 2015</li></ul>	<ul style="list-style-type: none"><li>• new units into management</li></ul>
<b>Environment</b>	<ul style="list-style-type: none"><li>• achieve average SAP ratings of at least 82</li></ul>	<ul style="list-style-type: none"><li>• results compared to target</li></ul>
<b>Asset management</b>	<ul style="list-style-type: none"><li>• Reduction in the proportion of shared housing</li></ul>	<ul style="list-style-type: none"><li>• number of shared units</li></ul>



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	<b>Objective</b>	<b>Indicator</b>
<b>Customer service</b>	<ul style="list-style-type: none"> <li>continuous improvement in standards of customer service</li> </ul>	<ul style="list-style-type: none"> <li>rent losses from voids/bad debts</li> <li>rent arrears</li> <li>repair response times</li> <li>tenant satisfaction</li> </ul>
<b>Value for money (VFM)</b>	<ul style="list-style-type: none"> <li>achieve reductions in overhead costs</li> <li>identify the true costs of services</li> <li>assess social impact of services delivered</li> </ul>	<ul style="list-style-type: none"> <li>development of VFM strategy</li> <li>identify service improvements</li> <li>customer consultation</li> </ul>

Performance against these indicators is set out below.

**Finance**

Turnover from rents and service charges has increased by £207,612. The increase arises from the addition of a net total of 37 housing units during the year and partly offsets the reduction in Supporting People contract income of £197,080. Total operating costs of lettings activity have increased by £580,037 to £7,752,598.

The Operating surplus for the year was £851,069 (9.7% of turnover), compared to a budget surplus of £853,227. This is consistent with forecast expectations and the business plan.

Other income and expenditure activities resulted in a net cost of £129,004 (2013: £205,550). This is in line with expectations and is attributable to development activities. Management services and sundry items contributed a surplus of £42,763 (2013: £31,300)

Cash balances have decreased during the year from £771,546 to £696,788. Additional drawdowns of £2m were made during the year and the funds used for development activities. Current loan covenant requirements have been met.

**Development**

- A capital development bids programme of up to 43 new homes is in progress.
- The number of owned self-contained and decent homes in management has increased to 541 from 526 exceeding the target of 82%.
- The total number of homes in management has increased to 677 from 641, meeting the target of > 650.

**Asset management**

- All homes met the decent homes standard by 31<sup>st</sup> March 2010; a programme of further investment is underway to ensure all homes meet the enhanced *Ability* standard.
- The number of shared housing units in management has increased to 61 (9%), after the acquisition on a short lease of 26 shared units. Further remodelling or disposal of owned units is planned under the asset management strategy.

**Environment**

- The average SAP (energy efficiency) rating of our housing stock has remained at 85 (2013: 85), exceeding an original target of 82.

**Customer service**

Our performance is summarised below.

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***Rent losses from voids and bad debts***

- Rent loss due to voids has decreased to 2.32% from 2.67% in 2013, compared with a target of 2%.
- Average re-let time has increased to 69 days from 49 days, against a target of 42 days, reflecting longer nomination and assessment processes and the letting of previously void property.

***Rent arrears***

- Rent arrears have increased to 4.03% from 3.5% in 2013 against a target of 3.5%, largely a result of outstanding benefit claims and benefit cycle position at the year end.

**Value for Money (VFM)**

Following the development of our VFM strategy we have taken a number of actions to deliver the plan and to meet the regulatory standard. The table below outlines the principal actions from the strategy and progress to date. The detailed VFM self assessment report can be found on the website [www.ability-housing.co.uk](http://www.ability-housing.co.uk)

Action from Strategy	Progress to Date	Next Steps
<b>Quarterly performance reports</b>	September Quarter produced with comparative data, showing hourly rates and cost per unit held stable despite inflation. Housing unit cost reduction target not met.	Further data analysis, comparison with the following period. Setting 2014-15 targets
<b>Identify costs of service delivery</b>	Service delivery costs identified & compared with local authority framework rates where possible.  Successful inclusion on frameworks indicates that prices are in line with authority expectations.	Review individual service costs with Assistant Director / Service Managers  Review overhead apportionment
<b>Identify cost reduction targets</b>	Savings built into 13-14 budgets and cost per unit / hour targets on housing (10%) and support (1%).  Direct support costs pre central attribution held at 82%  Central overheads held at 11% of turnover.	Monitor cost trends  Continue process into 2014-15 budget year. Further cost reduction exercises  2014-15 target cost reduction of £50,000 overall
<b>Gather benchmarking data and compare costs / outcomes</b>	Some data obtained on support service costs and local authority expectations. Tendering price matrices used where available. Tendering results suggest we are at the market rate for the services provided. Hourly support average costs have been reduced by 5%.	Further data on types of support service, housing and development. Further cost reduction exercises

<b>Action from Strategy</b>	<b>Progress to Date</b>	<b>Next Steps</b>
<b>Assess &amp; evaluate social and environmental impact of business activities</b>	Support outcomes recorded  Social impact data being gathered. Comparative costs of long term residential care / hospitalisation vs cost of tenancy support. For example care fees c. £1,000 per week per person vs 24/7 support costing under £600 for comparable numbers of customers.	Further assessment across all activities including energy efficiency, social inclusion
<b>Review social benefits of services and investments</b>	Social impact data being gathered. Participation in community and social activity by supported customers, including attending concerts and participation in sport.	Assess preventive aspects of housing support – e.g. enhanced quality of life. vs cost of residential care / hospitalisation  Assess social benefits of high standard housing
<b>Undertake asset management strategy review</b>  <b>Produce action plan</b>	Working group identified, extension of data gathering Further stock condition survey undertaken and data informing new strategy. Loss making care home closed (saving c. £40,000). Building to be remodelled as supported living	Working group meeting to assess asset performance, costs and return on investment
<b>Evaluate impact of higher levels of investment in property</b>  <b>Energy efficiency</b>  - <b>Responsive repairs cost &amp; Number.</b> - <b>Customer satisfaction</b>	Customer feedback sought  Quarterly repairs review meeting held  Scrutiny panel reports	Comparison of data on repairs undertaken, energy ratings  Review customer feedback
<b>Provide VFM training to colleagues and Customer panel members</b>	Agenda item at customer panel (CP) meetings	Research options available. Encourage attendance at suitable seminars / courses

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<b>Action from Strategy</b>	<b>Progress to Date</b>	<b>Next Steps</b>
<b>Involve customer panel in VFM consultation</b>	VFM issues discussed at CP meeting. Members invited to define their idea of VFM. Opinions sought on cost and service levels of repairs, rents and service charges.  Energy contract management so far saving approximately £15,000 per year	Include on panel agendas. Report outcomes  Production & monitoring of associated action plan
<b>Include on Customer Service Committee agendas</b>	Customer scrutiny roadmap  Customer panel met with repairs contractor. Panel input into rent setting policy  Quarterly tenant/ customer surveys	CS meetings to consider feedback on VFM from customer panel
<b>Identify efficiencies for savings and re-investment</b>	Included in 2015 budget setting process. Target of £50,000 p.a. savings	Data gathering from activities above
<b>Build savings into 2014-15 budget</b>	As above	Scheduled identified savings included
<b>Quarterly VFM reports</b>	Quarterly drafts produced and agreed by the Board	Continue to improve & refine information.

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**Risks and uncertainties**

The main risks that may prevent the association achieving its objectives are considered and reviewed six monthly by the senior management team and board as part of the corporate planning processes. The risks are recorded and assessed in terms of their impact and probability. Major risks, presenting the greatest threats to the association, are reported to the board six monthly together with action taken to manage the risks and the outcome of the action. These risk reports include assessments of key controls used to manage the risks. The association has identified the major risks to successful achievement of its objectives and these are considered below.

Key risk area	How Managed	Impact on strategic objectives
Dependency on Supporting People & revenue contracts	Identification of other funding sources, social care funding other business opportunities. Increase housing stock to reduce proportion of turnover that is dependent upon short term contracts	Development, Finance
Change in government / regulatory policy	Accept the risk and monitor policy trends. Build flexibility into plans.	Development Customer services
Corporate Operations	Proactive relationship and communications strategy Evaluation of investment & business options	Asset management Development
Operating surplus deterioration	Reduce the risk by maintaining financial plan minimum. Seek out new business opportunities meeting strategic criteria	Development Finance
Loan Funding	Implementation of interest rate & treasury strategy. Monitoring of covenants.	Finance Development
Property Development	Evaluation of development opportunities for sustainability. Assessment of opportunities to maximise capacity in light of declining grant rates.	Development Finance

**Financial position**

The association's income and expenditure account and balance sheet are summarised in Table 1 (page 13) and the following paragraphs highlight key features of the association's financial position at 30 September 2014.

**Accounting policies**

The association's principal accounting policies are set out on pages 20 to 22 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and include deduction of capital grant from the cost of assets and housing property depreciation.

**Housing properties**

At 30 September 2014 the association owned 558 housing properties (2013: 548). The properties were carried in the balance sheet at cost (after depreciation and capital grant) of £21,876,402 (2013: £19,790, 575).

Our investment in housing properties this year was funded through a mixture of social housing grant, loan funding and cash resources where we continue to show a strong current asset balance, an important indicator of liquidity.

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#### **Pension costs**

The association participates in four pension schemes, the Social Housing Pension Scheme (SHPS), the Surrey County scheme (LGPS), the Social Housing growth plan and the Social Housing direct contribution plan which was used as the auto enrolment vehicle from May 2014. The former two are final salary schemes, the others money purchase. The group has contributed to the schemes in accordance with levels, set by the actuaries, of between 1% and 21%.

The last actuarial valuation of the SHPS was at 30 September 2011. The past service funding level has been assessed at 67%. We anticipate that our contributions to the scheme will increase beyond 16% of pensionable salaries in accordance with the pension trustees' recovery plan. We will continue to contribute to the scheme in line with the advice of independent actuaries.

#### **Capital structure and treasury policy**

The Association borrowed a further £2.0 million during the year, to develop housing. By the year end borrowings amounted to £11.907m of which £0.1m falls due to be paid within the next year as shown below.

<b>Maturity</b>	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Within one year	116,607	108,547
Between one and two years	116,607	108,547
Between two and five years	2,849,820	325,641
After five years	8,824,451	9,481,357
	<u>11,907,485</u>	<u>10,024,092</u>

The association borrows, principally from banks, at both fixed and floating rates of interest. At the year-end, 58% of the association's borrowings were at fixed rates.

The fixed rates of interest range from 1.765% to 11.375% and in the current market, where long term fixed rates have fallen to around 4%, this means that the association is paying interest on part of its borrowing at rates substantially in excess of market levels. The amounts are small however and at present the breakage costs exceed the likely benefits. The situation is reviewed regularly. The association borrows and lends only in sterling and so is not exposed to currency risk.

The trend information in Table 1 (page 13) shows that gearing, calculated as total loans as a percentage of capital grants and reserves, has remained stable, increasing from this year from 21% to 23.9%.

#### **Cash flows**

Cash inflows and outflows during the year are shown in the cash flow statement (page 19). The cash inflow from operating activities decreased this year to £1,259,668 (2013: £1,672,677), reflecting cash used for property construction and operating surplus together with changes in working capital arising from the timing of invoice receipts.

#### **Future developments**

A key influence on the timing of borrowings is the rate at which development activity takes place. The board has approved plans to spend almost £3 million during the next three years to develop housing accommodation. We have undrawn facilities of £3 million.

#### **Statement of compliance**

In preparing this Operating and Financial Review, the board has followed the principles set out in the SORP 2010.

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**Table 1 – highlights, five-year summary**

For the year ended 30 September	2014	2013	2012	2011	2010
<b>Income and Expenditure account (£'000)</b>					
Total turnover	8,754	8,732	8,838	8,577	8,661
Income from lettings	8,690	8,679	8,785	8,468	8,398
Operating surplus	851	1,332	1,203	1,239	1,339
Surplus for the year transferred to reserves	412	894	922	1,438	1,215
<b>Balance Sheet (£'000)</b>					
Housing properties net of depreciation and grants	21,876	19,790	18,874	16,713	13,032
Other fixed assets	1,135	1,150	1,081	1,072	1,101
<b>Fixed assets</b>	<b>23,011</b>	<b>20,940</b>	<b>19,955</b>	<b>17,785</b>	<b>14,133</b>
<b>Net current assets</b>	<b>903</b>	<b>686</b>	<b>756</b>	<b>209</b>	<b>822</b>
<b>Total assets less current liabilities</b>	<b>23,914</b>	<b>21,626</b>	<b>20,711</b>	<b>17,995</b>	<b>14,955</b>
Loans (due over one year)	11,792	9,916	9,532	7,738	6,445
Other long term liabilities	34	34	398	398	161
Reserves : designated	-	-	1,723	1,690	1,207
: revenue	-	-	9,058	8,479	7,142
: total	12,088	11,676	10,781	9,859	8,349
	23,914	21,626	20,711	17,995	14,955
<b>Accommodation figures</b>					
Total housing stock owned at year end (number of dwellings):	566	556	529	513	488
Social housing	558	548	521	505	480
Non-social housing	8	8	8	8	8
<b>Statistics</b>					
Surplus for the year as % of turnover	4.7	10.2	13.6	14.4	15.4
Surplus for the year as % of income from lettings	4.8	10.3	13.7	14.6	15.9
Rent losses (voids and bad debts as % of rent and service charges receivable)	2.47	1.67	1.89	1.92	1.18
Rent arrears (gross arrears as % of rent and service charges receivable)	4.03	3.5	2.94	3.53	3.17
Interest cover (surplus before interest payable divided by interest payable)	1.96	3.07	3.36	5.42	11.08
Liquidity (current assets divided by current liabilities)	1.77	1.67	1.65	1.15	1.76
Gearing (total loans as % of capital grants plus reserves)	23.9	21.0	21.3	19.0	18.10
Total reserves per home owned	£21,741	£21,306	£20,380	£19,218	£17,107

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

The board is responsible for preparing the 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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 profit or loss of the company. 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, have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

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

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

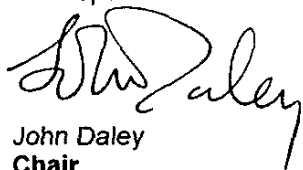
**Annual general meeting**

The annual general meeting will be held on 25<sup>th</sup> March 2015 at The Hythe Centre, Staines.

**External auditors**

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed appointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

The report of the board was approved by the board on March 16<sup>th</sup> 2015 and signed on its behalf by:



John Daley  
Chair



**ABILITY HOUSING ASSOCIATION**  
**Report and Financial Statements**

For the year ended 30 September 2014

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**Independent auditor's report to the members of Ability Housing Association**

We have audited the financial statements of Ability Housing Association for the year ended 30 September 2014 which comprise the income and expenditure account, the balance sheet, the cash flow statement, the reconciliation of movement in company's funds, principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company'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 charitable 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the board and the auditor**

As explained more fully in the Statement of Board's Responsibilities set out on page 14, the board is responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate)

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 30 September 2014 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

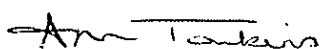
**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and Report of the Board for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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



Ann Tomkins  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Milton Keynes

Date 25 March 2015

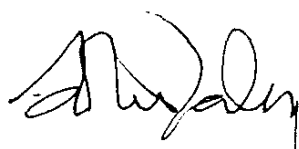
**ABILITY HOUSING ASSOCIATION**  
Report and Financial Statements

For the year ended 30 September 2014

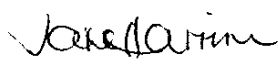
<b>Income and Expenditure Account</b>	<b>Note</b>	<b>2014</b>	<b>2013</b>
		<b>£</b>	<b>£</b>
Turnover: continuing activities	1	8,753,596	8,732,225
Operating costs	1	(7,902,527)	(7,399,660)
Operating surplus: continuing activities	1	851,069	1,332,565
Profit / (Loss) on disposal of fixed assets	5	(3,977)	(4,315)
Interest payable and similar charges	6	(435,116)	(433,482)
Surplus on ordinary activities before taxation		411,976	894,768
Tax on surplus for the year		-	-
Surplus for the financial year		411,976	894,768

The accompanying notes form part of these financial statements

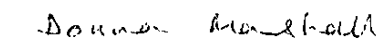
Historical cost surpluses and deficits were identical to those shown in the income and expenditure account.



**John Daley**  
Chairman



**Jane Harrison**  
Board Member



**Donna Marshall**  
Secretary

**ABILITY HOUSING ASSOCIATION**  
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For the year ended 30 September 2014

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**RECONCILIATION OF MOVEMENTS IN COMPANY'S FUNDS**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Opening total funds	11,675,986	10,781,218
Total recognised surpluses and deficits relating to the year	411,976	894,768
Closing total funds	<u>12,087,962</u>	<u>11,675,986</u>

The accompanying notes form part of these financial statements

**ABILITY HOUSING ASSOCIATION**  
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For the year ended 30 September 2014

Company number 1261380

**Balance Sheet at 30 September 2014**

	Note	2014 £	2013 £
<b>Tangible fixed assets</b>			
Housing properties	9	59,518,352	55,829,686
Social housing grant	9	(28,678,800)	(27,280,961)
Other grants	9	(8,963,150)	(8,758,150)
		<u>21,876,402</u>	<u>19,790,575</u>
Other tangible fixed assets	11	1,134,204	1,149,816
		<u>23,010,606</u>	<u>20,940,391</u>
<b>Current assets</b>			
Debtors	12	1,548,282	928,033
Cash at bank and in hand		696,788	771,546
		<u>2,245,070</u>	<u>1,699,579</u>
<b>Creditors: amounts falling due within one year</b>	13	(1,341,836)	(1,013,439)
<b>Net current assets</b>		<u>903,234</u>	<u>686,140</u>
<b>Total assets less current liabilities</b>		<u>23,913,840</u>	<u>21,626,531</u>
<b>Creditors: amounts falling due after more than one year</b>	14	11,825,878	9,950,545
<b>Capital and reserves</b>			
Revenue reserve	17	12,087,962	11,675,986
<b>Company's funds</b>	17	<u>12,087,962</u>	<u>11,675,986</u>
		<u>23,913,840</u>	<u>21,626,531</u>

The accompanying notes form part of these financial statements

The financial statements were authorised and approved by the Directors on 16<sup>th</sup> March 2015

  
**John Daley**  
Chairman

  
**Jane Harrison**  
Directors Member

  
**Donna Marshall**  
Secretary

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For the year ended 30 September 2014

<b>Cash Flow Statement</b>	<b>Note</b>	<b>2014 £</b>	<b>2013 £</b>
<b>Net cash inflow from operating activities</b>	18	1,259,668	1,672,677
<b>Returns on investments and servicing of finance</b>			
Interest paid		(435,116)	(433,482)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(435,116)	(433,482)
<b>Capital expenditure and financial investment</b>			
Purchase and construction of housing properties		(3,933,279)	(3,033,540)
Social housing grant - received		1,061,590	914,750
Other capital grant - received		205,000	476,211
Purchase of other fixed assets		(116,014)	(183,426)
Sale of other fixed assets		-	-
<b>Net cash outflow from capital expenditure and financial investment</b>		(2,782,703)	(1,826,005)
<b>Net cash flow before financing</b>			
<b>Financing</b>			
Loans received		2,000,000	500,000
Housing loans repaid		(116,607)	(106,409)
<b>Net cash inflow from financing</b>		1,883,393	393,591
<b>(Decrease) in cash</b>	19	(74,758)	(193,219)

The accompanying notes form part of these financial statements

## **ABILITY HOUSING ASSOCIATION**

### **Report and Financial Statements**

For the year ended 30 September 2014

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#### **Principal Accounting policies**

##### **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 Homes and Communities Agency as a Registered Provider.

##### **Basis of accounting**

The financial statements of the association are prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP) and the Statement of Recommended Practice: Accounting by registered social landlords housing providers' update and comply with the Accounting Requirements for registered social landlords Accounting Directive 2012. Under the requirements of the SORP, capital grants are shown as a deduction from the cost of housing properties on the balance sheet (see note 9). This is a departure from the rules under the Companies Act 2006 but in the opinion of the Directors is a relevant accounting policy, comparable to that adopted by other registered social landlords and has been adopted in order to present a true and fair view.

##### **Going concern**

After making enquiries, the board has a reasonable expectation that the Company equate resources to continue in operational existence for the foreseeable future, being a period of 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 income receivable in the year, service charges receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale and other services included at the invoiced value of goods and services supplied in the year and revenue grants receivable in the year. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

##### **Value added tax**

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

##### **Interest payable**

Interest payable is charged to the income and expenditure account in the year. No interest is capitalised.

##### **Derivatives**

The association does not currently employ derivatives in the management of interest rates.

##### **Pensions**

The group 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.

For each of the schemes, it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The income and expenditure charge represents the employer contribution payable to the scheme for the accounting period.

##### **Supporting people income**

Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

##### **Housing properties**

Housing properties are principally properties available for rent and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, and expenditure incurred in respect of improvements.

Works to existing properties are works which replace a component that has been treated separately for depreciation purposes along with those works which result in an increase in the net rental income, such

**ABILITY HOUSING ASSOCIATION**  
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For the year ended 30 September 2014

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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 a 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 depreciation or impairment.

**Donated land**

Land donated by local authorities and others is added to cost at the market value of the land at the time of the donation. Where the land is not related to a specific development and is donated by a public body an amount equivalent to the increase in value between market value and cost is added to other grants. Where the donation is from a non-public source, the value of the donation is included as income.

**Social housing grant**

Social housing grant (SHG) is receivable from the Homes & Communities Agency (the HCA) and is utilised to reduce the capital costs of housing properties, including land costs. It is allocated to the land and structure components of the associated asset in proportion to their cost. Grant receivable in respect of identifiable components is allocated to those components. SHG due from the HCA or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates. SHG is subordinated to the repayment of loans by agreement with the HCA. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors.

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 income and expenditure account. Upon disposal of the associated property, the association is required to recycle these proceeds; as such a contingent liability is disclosed to reflect this.

**Other grants**

Other grants are receivable from local authorities and other organisations. Capital grants are utilised to reduce the capital costs of housing properties, including land costs. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

**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.

Where SHG has been allocated to a component, the depreciable amount is arrived at on the basis of original cost, less the proportion of SHG and other grants attributable to the component, less residual value.

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

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For the year ended 30 September 2014

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**Impairment**

Housing properties, including those with individual components which are depreciated over a period in excess of 50 years are subject to impairment reviews annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down is charged to operating surplus.

**Component Accounting**

The association adopted the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers 2010 at 30<sup>th</sup> September 2012. This has required the association to identify the major components which make up its housing property assets and depreciate these over individual useful economic lives.

**Other tangible fixed assets**

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%
Computers	33.3%
Motor vehicles	25%

**Leased assets**

Assets held under finance leases are included in the balance sheet and depreciated in accordance with the group's normal accounting policies. The present value of future rentals is shown as a liability.

The interest element of rental obligations is charged to the income and expenditure account over the period of the lease in proportion to the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

**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.

**Liquid resources**

Liquid resources are readily disposable current asset investments. They may include some money market deposits, held for more than 24 hours that can only be withdrawn without penalty on maturity or by giving notice of more than one working day.



For the year ended 30 September 2014

**NOTES TO THE FINANCIAL STATEMENTS**

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

	<b>2014 Turnover £</b>	<b>Operating costs £</b>	<b>Operating surplus £</b>
<b>Social housing lettings</b>			
	<u>8,689,908</u>	<u>(7,752,598)</u>	<u>937,310</u>
<b>Other social housing activities</b>			
Development costs not capitalised	-	(129,004)	(129,004)
Management services	63,500	(20,925)	42,575
Donation	<u>188</u>	<u>-</u>	<u>188</u>
	<u>63,688</u>	<u>(149,929)</u>	<u>(86,241)</u>
	<u>8,753,596</u>	<u>(7,902,527)</u>	<u>851,069</u>
	<b>2013 Turnover £</b>	<b>Operating costs £</b>	<b>Operating surplus £</b>
<b>Social housing lettings</b>			
	<u>8,679,376</u>	<u>(7,172,561)</u>	<u>1,506,815</u>
<b>Other social housing activities</b>			
Development costs not capitalised	-	(205,550)	(205,550)
Management services	52,253	(21,549)	30,704
Donation	<u>596</u>	<u>-</u>	<u>596</u>
	<u>52,849</u>	<u>(227,099)</u>	<u>(174,250)</u>
	<u>8,732,225</u>	<u>(7,399,660)</u>	<u>1,332,565</u>

**ABILITY HOUSING ASSOCIATION**  
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For the year ended 30 September 2014

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

2. Particulars of income and expenditure from social housing lettings

	2014				2013
	General needs housing £	Supported housing £	Care homes £	Low cost home ownership £	Total £
Rent receivable net of identifiable service charges	1,042,341	2,209,657	44,020	13,191	3,309,209
Service income	127,839	588,978	-	-	716,817
Charges for support services	311,290	3,491,158	446,345	-	4,248,793
Net rental income	1,481,470	6,289,793	490,365	13,191	8,274,819
Other revenue grants	-	415,089	-	-	415,089
Turnover from social housing lettings	1,481,470	6,704,882	490,365	13,191	8,689,908
Management Services	(232,404)	(548,242)	(7,096)	(2,987)	(710,316)
Routine maintenance	(73,451)	(385,904)	(23,068)	-	(482,423)
Planned maintenance & major repairs	(297,328)	(561,428)	(4,118)	-	(862,874)
Care & Support costs	(153,147)	(432,883)	(11,226)	-	(597,256)
Bad debts	(269,954)	(3,635,437)	(385,342)	-	(4,290,733)
Property lease charges	457	(6,622)	-	-	(6,165)
Depreciation of housing properties	(152,421)	(378,387)	-	-	(530,808)
	(78,142)	(112,924)	(544)	-	(191,610)
Operating costs on social housing lettings	(1,256,390)	(6,061,827)	(431,394)	(2,987)	(7,752,598)
Operating surplus on social housing lettings	225,080	643,055	58,971	10,204	937,310
Void losses	7,087	86,369	-	-	93,456
					104,857

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For the year ended 30 September 2014

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

3. Accommodation in management and development

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

	<b>2014</b>	<b>2013</b>
	<b>No</b>	<b>No</b>
<b>Social housing</b>		
General housing	212	212
Supported housing	334	319
Low cost home ownership	5	5
Residential care homes	7	12
<b>Total owned</b>	<u>558</u>	<u>548</u>
Accommodation managed for others	111	85
<b>Total managed</b>	<u>669</u>	<u>633</u>
<b>Non-social housing</b>		
Respite Unit	8	8
<b>Total owned and managed</b>	<u>677</u>	<u>641</u>
<b>Accommodation in development at the year end</b>	<u>43</u>	<u>59</u>

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For the year ended 30 September 2014

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

4. Operating surplus

The operating surplus is arrived at after charging/crediting:

	2014	2013
	£	£
Depreciation of freehold housing properties	146,999	139,455
Depreciation of leasehold housing properties	44,611	44,611
Depreciation of other tangible fixed assets	131,626	114,592
Operating lease rentals		
office equipment	451	1,372
land and buildings	530,808	499,096
Auditors' remuneration (excluding VAT)		
- for audit services	13,200	11,700

5. Deficit on Disposal of fixed assets – housing properties

	2014	2013
	£	£
Disposal proceeds – housing components	-	-
Carrying value	(3,977)	(4,315)
Loss on disposal	<u>(3,977)</u>	<u>(4,315)</u>

6. Interest payable and similar charges

	2014	2013
	£	£
Loans and bank overdrafts	<u>435,116</u>	<u>433,482</u>

**ABILITY HOUSING ASSOCIATION**  
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For the year ended 30 September 2014

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

7. Employees

Average monthly number of employees expressed as full time equivalents:

	<b>2014</b>	<b>2013</b>
	<b>No</b>	<b>No</b>
Administration	10	10
Development	1	1
Housing, support and care	131	135
	<u>142</u>	<u>146</u>

Employee costs:

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Wages and salaries	3,477,286	3,530,919
Social security costs	295,544	304,224
Other pension costs	84,290	79,163
	<u>3,857,120</u>	<u>3,914,306</u>

**Social Housing Pension Scheme**

Ability Housing Association participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to address the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67.0%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The market value of the Scheme's assets at the date of the Actuarial Report was £2,718 million. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,151 million, equivalent to a past service funding level of 70%.

**ABILITY HOUSING ASSOCIATION**  
**Report and Financial Statements**

For the year ended 30 September 2014

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**7. Employees (continued)**

The Scheme is closed to new members and at the balance sheet date there were two active members of the Scheme. Contributions of £19,047 (2013: £16,404) were made in the year, we expect to make contributions of approximately £21,000 during the next financial year.

**Pensions Trust's Growth Plan**

Ability Housing Association participates in The Pensions Trust's Growth Plan (the Plan). The Plan is funded and is not contracted-out of the State scheme. The Plan is a multi-employer pension plan.

Contributions paid into the Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Plan or by the purchase of an annuity.

The rules of the Plan allow for the declaration of bonuses and/or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses/investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The Trustee commissions an actuarial valuation of the Plan every three years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Plan state that the proportion of obligatory contributions to be borne by the member and the member's employer shall be determined by agreement between them. Such agreement shall require the employer to pay part of such contributions and may provide that the employer shall pay the whole of them.

The Association paid contributions at the rate of 5% during the accounting period. Members paid contributions at the rate of 5% during the accounting period.

As at the balance sheet date there were 34 active members of the Plan employed by the Association, which continues to offer membership of the Plan to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Plan is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of the Plan's total assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

**ABILITY HOUSING ASSOCIATION**  
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For the year ended 30 September 2014

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

7. Employees (continued)

The valuation results at 30 September 2011 were completed in 2012 and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%.

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

	% p.a.
Rate of return pre retirement	4.9
Rate of return post retirement:	
Active/Deferred	4.2
Pensioners	4.2
Bonuses on accrued benefits	0.0
Inflation: Retail Prices Index (RPI)	2.9
Inflation: Consumer Prices Index (CPI)	2.4

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

The Scheme Actuary has prepared a funding position update as at 30 September 2013. The market value of the Plan's assets at that date was £772 million and the Plan's Technical Provisions (i.e. past service liabilities) was £927 million. The update, therefore, revealed a shortfall of assets compared with the value of liabilities of £155 million, equivalent to a funding level of 83%.

If an actuarial valuation reveals a shortfall of assets compared to liabilities, the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

The Pensions Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example, the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2011 valuation was forwarded to The Pensions Regulator on 2 October 2012, as is required by legislation.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan and The Pensions Act 2011 has more recently altered the definition of Series 3 of the Growth Plan so that a liability arises to employers from membership of any Series except Series 4. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

**ABILITY HOUSING ASSOCIATION**  
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For the year ended 30 September 2014

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

7. Employees (continued)

The leaving employer's share of the buy-out debt is the proportion of the Plan's liability attributable to employment with the leaving employer compared to the total amount of the Plan's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

When an employer withdraws from a multi-employer defined benefit pension scheme which is in deficit, the employer is required by law to pay its share of the deficit, calculated on a statutory basis (known as the buy-out basis). The calculation basis that applies to the Growth Plan was amended due to a change in the definition of money purchase contained in the Pensions Act 2011 the calculation basis that applies to the Growth Plan will be amended to include Series 3 liabilities in the calculation of the employer's debt on withdrawal

The Growth Plan is a "last man standing" multi employer scheme. This means that if a withdrawing employer is unable to pay its debt on withdrawal the liability is shared amongst the remaining employers. the participating employers are therefore, jointly and severally liable for the deficit in the Growth Plan. As at September 2013 the total deficit calculated for the buy- out basis was £219.9m

**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 1<sup>st</sup> 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 2014 and accordingly the pension costs are accounted for as defined contribution.

The total employer contribution payable in the year was £ 20,740 (2013: £25,716). At 30 September 2014 the association had 3 active members in the fund. Expected payments in the next financial year amount to approximately £17,000.



**ABILITY HOUSING ASSOCIATION**  
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For the year ended 30 September 2014

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

8. Directors, members and executive directors

	<b>2014</b> <b>£</b>	<b>2013</b> <b>£</b>
Aggregate emoluments of directors (including pension contributions)	189,852	214,297
Emoluments of the highest paid director (excluding pension contributions and including benefits in kind)	102,173	102,463
Total expenses reimbursed to directors not chargeable to UK income tax – Board members	1,006	1,022
– Executives	2,551	2,875
 Executive salary bands	 2014	 2013
£70,000-£80,000	-	1
£80,000-£90,000	1	-

The Chief Executive is a member of the Social Housing Pension Scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply. Pension contributions of £11,687 (2013: £ 9,846) were made during the year. The association does not make any further contribution to an individual pension arrangement for the Chief Executive.

**ABILITY HOUSING ASSOCIATION**  
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For the year ended 30 September 2014

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

9. Tangible fixed assets - properties

<b>Housing properties</b>	<b>Freehold Social housing properties held for letting</b>	<b>Leasehold housing properties held for letting</b>	<b>Total housing properties held for letting</b>	<b>Housing properties for letting under construction</b>	<b>Completed shared ownership housing properties</b>	<b>Total housing properties</b>
<b>Cost</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 October 2013	38,358,917	15,581,007	53,939,924	2,476,476	366,774	56,783,174
Additions	234,140	-	234,140	3,496,477	-	3,730,617
Works to existing properties	153,636	-	153,636	-	-	153,636
Schemes completed	2,637,521	-	2,637,521	(2,637,521)	-	-
Disposals	(11,415)	-	(11,415)	-	-	(11,415)
At 30 September 2014	<u>41,372,799</u>	<u>15,581,007</u>	<u>56,953,806</u>	<u>3,335,432</u>	<u>366,774</u>	<u>60,656,012</u>
<b>Depreciation and impairment</b>						
At 1 October 2013	619,009	334,479	953,488	-	-	953,488
Charged in year	146,999	44,611	191,610	-	-	191,610
Released on disposal	(7,438)	-	(7,438)	-	-	(7,438)
At 30 September 2014	<u>758,570</u>	<u>379,090</u>	<u>1,137,660</u>	<u>-</u>	<u>-</u>	<u>1,137,660</u>
<b>Social housing grant</b>						
At 1 October 2013	17,196,233	9,455,640	26,651,873	393,752	235,336	27,280,961
Additions	131,249	-	131,249	1,266,590	-	1,397,839
Schemes completed	730,340	-	730,340	(730,340)	-	-
At 30 September 2014	<u>18,057,822</u>	<u>9,455,640</u>	<u>27,513,462</u>	<u>930,002</u>	<u>235,336</u>	<u>28,678,800</u>
<b>Other capital grant</b>						
At 1 October 2013	7,517,293	1,190,007	8,707,300	-	50,850	8,758,150
Additions	-	-	-	205,000	-	205,000
At 30 September 2014	<u>7,517,293</u>	<u>1,190,007</u>	<u>8,707,300</u>	<u>205,000</u>	<u>50,850</u>	<u>8,963,150</u>
<b>Net book value</b>						
At 30 September 2014	<u>15,039,114</u>	<u>4,556,270</u>	<u>19,595,384</u>	<u>2,200,430</u>	<u>80,588</u>	<u>21,876,402</u>
At 30 September 2013	<u>13,026,382</u>	<u>4,600,881</u>	<u>17,627,263</u>	<u>2,082,724</u>	<u>80,588</u>	<u>19,790,575</u>

**ABILITY HOUSING ASSOCIATION**  
Report and Financial Statements

For the year ended 30 September 2014

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

10. Tangible fixed assets - properties

**Expenditure on works to existing properties**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Components capitalised	153,636	126,613
Amounts charged to the income and expenditure account	597,256	615,871
	<u>750,892</u>	<u>742,484</u>

**Social housing grant**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Total accumulated social housing grant received or receivable at 30 September:		
Capital grant	28,678,800	27,280,961
	<u>28,678,800</u>	<u>27,280,961</u>

**Housing properties book value, net of depreciation and grants**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Freehold land and buildings	15,039,114	13,026,382
Long leasehold land and buildings	4,556,270	4,600,881
	<u>19,595,384</u>	<u>17,627,263</u>

**ABILITY HOUSING ASSOCIATION**  
Report and Financial Statements

For the year ended 30 September 2014

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

11. Tangible fixed assets - other

	Freehold offices £	Vehicles & office equipment £	Furniture, fixtures and fittings £	Total £
<b>Cost</b>				
At 1 October 2013	1,140,985	710,295	225,212	2,076,492
Additions	9,909	41,913	64,192	116,014
At 30 September 2014	<u>1,150,894</u>	<u>752,208</u>	<u>289,404</u>	<u>2,192,506</u>
<b>Depreciation</b>				
At 1 October 2013	150,838	606,973	168,865	926,676
Charged in the year	18,704	75,969	36,953	131,626
At 30 September 2014	<u>169,542</u>	<u>682,942</u>	<u>205,818</u>	<u>1,058,302</u>
<b>Net book value</b>				
At 30 September 2014	<u>981,352</u>	<u>69,266</u>	<u>83,586</u>	<u>1,134,204</u>
At 30 September 2013	<u>990,147</u>	<u>103,322</u>	<u>56,347</u>	<u>1,149,816</u>

12. Debtors

	2014 £	2013 £
<b>Due within one year</b>		
Rent and service charges receivable	201,690	133,219
Less: provision for bad and doubtful debts	(9,227)	(10,036)
	<u>192,463</u>	<u>123,183</u>
Other debtors	656,737	538,698
Prepayments and accrued income	699,082	266,152
	<u>1,548,282</u>	<u>928,033</u>

**ABILITY HOUSING ASSOCIATION**  
Report and Financial Statements

For the year ended 30 September 2014

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

13. Creditors: amounts falling due within one year

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Debt (note 16)	116,607	108,547
Trade creditors	757,644	178,007
Rent and service charges received in advance	93,982	74,707
Other taxation and social security	74,615	83,899
Other creditors	17,382	12,517
Accruals and deferred income	281,606	555,762
	<u>1,341,836</u>	<u>1,013,439</u>

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

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Debt (note 16)	11,790,878	9,915,545
Recycled capital grant fund (note 15)	35,000	35,000
	<u>11,825,878</u>	<u>9,950,545</u>

15. Recycled capital grant fund

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
At 1 October	35,000	398,422
SHG recycled	(-)	(363,422)
	<u>35,000</u>	<u>35,000</u>

**ABILITY HOUSING ASSOCIATION**  
Report and Financial Statements

For the year ended 30 September 2014

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

16. Debt analysis

Borrowings

	2014 £	2013 £
<b>Due within one year</b>		
Housing loans	116,607	108,547
<b>Due after more than one year</b>		
Housing loans	11,790,878	9,915,545
Total loans	<u>11,907,485</u>	<u>10,024,092</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 2014 to 2053. Interest rates on borrowings range from 0.91% to 11.375%.

At 30 September the association had undrawn loan facilities of £3 m (2013: £5m).

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

	2014 £	2013 £
Within one year or on demand	116,607	108,547
One year or more but less than two years	116,607	108,547
Two years or more but less than five years	2,849,820	325,641
Five years or more	8,824,451	9,481,357
	<u>11,907,485</u>	<u>10,024,092</u>

**ABILITY HOUSING ASSOCIATION**  
Report and Financial Statements

For the year ended 30 September 2014

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

17. Reserves

	<b>Revenue reserve</b>	<b>Total reserves</b>
	<b>£</b>	<b>£</b>
At 1 October 2013	11,675,986	11,675,986
Surplus for the year	411,976	411,976
	<u>12,087,962</u>	<u>12,087,962</u>
At 30 September 2014	<u>12,087,962</u>	<u>12,087,962</u>

18. Net cash inflow from operating activities

	<b>30 September 2014</b>	<b>30 September 2013</b>
	<b>£</b>	<b>£</b>
<b>Operating surplus</b>	851,069	1,332,565
Depreciation of tangible fixed assets	323,236	298,657
Write off development costs	-	56,115
	<u>1,174,305</u>	<u>1,687,337</u>
<b>Working capital movements</b>		
Debtors	(284,000)	26,628
Creditors	369,363	(41,288)
	<u>1,259,668</u>	<u>1,672,677</u>
Net cash inflow from operating activities	<u>1,259,668</u>	<u>1,672,677</u>

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

	<b>30 September 2014</b>	<b>30 September 2013</b>
	<b>£</b>	<b>£</b>
Decrease in cash	(74,758)	(193,219)
Cash inflow from increase in debt	(1,883,393)	(393,591)
	<u>(1,958,151)</u>	<u>(586,810)</u>
Change in net debt resulting from cash flows	<u>(1,958,151)</u>	<u>(586,810)</u>
Movement in net debt for the period	(1,958,151)	(586,810)
Net debt at 1 October	(9,252,546)	(8,665,736)
	<u>(11,210,697)</u>	<u>(9,252,546)</u>
Net debt at 30 September	<u>(11,210,697)</u>	<u>(9,252,546)</u>

**ABILITY HOUSING ASSOCIATION**  
Report and Financial Statements

For the year ended 30 September 2014

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

20. Analysis of changes in net debt

	<b>1 October 2013</b>	<b>Cashflow</b>	<b>30 Sept 2014</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank and in hand	771,546	(74,758)	696,788
Changes in cash	771,546	(74,758)	696,788
Loans	(10,024,092)	(1,883,393)	(11,907,485)
Changes in debt	(10,024,092)	(1,883,393)	(11,907,485)
Changes in net debt	(9,252,546)	(1,958,151)	(11,210,697)

21. Capital commitments

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
<b>Capital expenditure</b>		
Expenditure contracted for but not provided in the accounts	1,350,000	1,205,000
Expenditure authorised by the board, but not contracted	1,612,000	6,112,000
	2,962,000	7,317,000

The above commitments will be financed through borrowings, which are available for draw-down under existing loan arrangements, with the balance funded through social housing grant (£1.5m) and cash balances.

22. Contingent assets/liabilities

The association had no contingent assets or contingent liabilities at 30 September 2014 (2013: nil).



**ABILITY HOUSING ASSOCIATION**  
Report and Financial Statements

For the year ended 30 September 2014

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

23. Leasing commitments

Operating lease payments amounting to £568,615 (2013: £495,589) are due within one year. The leases to which these amounts relate expire as follows:

	2014 £	2013 £
<b>Office equipment</b>		
Expiring in one year or less	-	-
Between one and five years	7,129	-
<b>Land and buildings</b>	7,129	-
Expiring in one year or less	-	-
Between one and five years	396,706	332,856
Over five years	164,780	162,733
<b>Total</b>	<u>568,615</u>	<u>495,589</u>

24. Related parties

There are currently no beneficiary members of the directors.

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

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

	2014 £	2013 £
Floating rate	4,984,725	3,024,394
Fixed rate	6,922,760	6,999,698
<b>Total (note 16)</b>	<u>11,907,485</u>	<u>10,024,092</u>

The fixed rate financial liabilities have a weighted average interest rate of 3.71% (2013: 3.70%) and the weighted average period for which it is fixed is 1 year to 39 years (2013: 1 year to 40 years). The floating rate financial liabilities comprise loans that bear interest at rates based on the monthly LIBOR.

The debt maturity profile is shown in note 16.

**Borrowing facilities**

The association has undrawn committed borrowing facilities. The facilities available at 30 September in respect of which all conditions precedent had been met were as follows:

	2014 £	2013 £
Expiring in one year or less	-	-
Expiring in more than one year but less than two years	-	-
Expiring in more than two years	3,000,000	5,000,000
	<u>3,000,000</u>	<u>5,000,000</u>

**ABILITY HOUSING ASSOCIATION**  
Report and Financial Statements

For the year ended 30 September 2014

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**26. Share Capital**

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

	<b>2014 No.</b>	<b>2013 No.</b>
Number of members 1 <sup>st</sup> October	40	42
Joining during the year	1	1
Leaving during the year	(3)	(3)
At 30 September	<u>38</u>	<u>40</u>



Companies House

**COMPANY NAME:** ABILITY HOUSING ASSOCIATION  
**COMPANY NUMBER:** 01261380

Pages containing unnecessary material in the accounts were  
administratively removed from the public register on 25/07/2017