

**Co-operative & Community Benefit Society**  
**Registered Number: 18925R**

**Homes and Communities Agency**  
**Registered Number: L2188**

## **Harrogate Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31 March 2017**

# Harrogate Housing Association Limited

## Report and Financial Statements For the year ended 31 March 2017

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# Harrogate Housing Association Limited

## Board of Management, Registered Office and Advisers For the year ended 31 March 2017

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**Chairman:** Mr Stuart Whyte

**Board of Management:** Mr Stephen Clarke Chair of Audit, Risk and Governance Committee  
Mrs Lisa Saltiel Chair of Customer Liaison Committee  
(resigned from Board of Management 7 October 2016)

Mr Eric Armitage  
Dr John Clark (retired 28 September 2016)  
Mr Andy Gamble  
Mrs Angela Macready  
Mrs Carmen McCormack  
Mrs Pat Race (retired 28 September 2016)  
Mr Bill Truin Chair of Remuneration Committee  
Ms Jane Worrell  
Ms Carol Lee (appointed 28 September 2016)  
Ms Dot Tyrtonia (appointed 26 April 2017)

**Officers:** Mr Steven Brook (Chief Executive and Secretary)

**Registered Office:** 10 High Street  
Harrogate  
North Yorkshire  
HG2 7HY

**Registered Number:** Co-operative & Community Benefit Society 18925R  
Homes and Communities Agency (HCA) L2188

**Auditors:** Beever and Struthers  
Chartered Accountants and Statutory Auditor  
St George's House  
215-219 Chester Road  
Manchester  
M15 4JE

**Bankers:** Yorkshire Bank CAF Bank Limited  
21 James Street 25 Kings Hill Avenue  
Harrogate Kings Hill  
North Yorkshire West Malling  
HG1 1QU Kent  
ME19 4JQ

# Harrogate Housing Association Limited

## Report of the Board of Management For the year ended 31 March 2017

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### Accounts

The Board of Management presents its annual report and the audited financial statements for the year ended 31 March 2017.

### Principal activities

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 (Registered Number 18925R) and with the Homes and Communities Agency (Registered Number L2188).

Its rules state that the Association is formed for the benefit of the community and its objects shall be to carry on for the benefit of the community:

“the business of providing and managing housing and social housing and providing assistance to help house people and associated facilities and amenities or services for poor people or for the relief of aged, disabled (whether physically or mentally) or chronically sick people”.

In addition the Association is able to undertake any other charitable object that can be carried out by an association registered with the Homes and Communities Agency, its regulator.

The Association only works within the Harrogate District, thus guaranteeing that any surplus generated is reinvested in that area.

### Results

The results for the year are set out in the accounts on pages 15 to 38.

### Performance for the year

The Association has had another successful year with an increase in operating surplus from £450,243 last year to £498,292 this year. When the increase in the surplus on shared ownership first tranche sales of £8,167 is taken into account the underlying position still shows significant growth. The improved position is attributed to a growth in property numbers, an increase of seven during the year (4% growth), and the control of costs. Both management costs and responsive repairs costs have seen a reduction as a result of strong control and the investment made in the Association's housing properties.

The reductions in costs have not been at the expense of performance or customer satisfaction. Over 98% of jobs were completed within the published time frames (top quartile performance in the Smaller Providers Benchmarking Club (SPBM) run by Acuity is 99%) with an average repair time of under 7 calendar days. We are comfortably above median levels on repairs performance. Customer satisfaction call backs on 66% of jobs resulted in a 99.5% satisfaction rating. The Association has also performed well in relation to voids and rent collection. Void loss for the year is only £1,388 which reflects the aim to let properties “back to back” and the low number of voids experienced. The Association is a top quartile performer in this area. A rent collection level of 100.6% reflects the tight control over current tenant arrears and an active policy of chasing former tenant arrears. This is near to the top quartile performance level of 100.9% in the SPBM.

No maintenance staff are employed and the Association relies on external contractors to undertake repair work. The Association spent £182,000 during the year on major repairs. This has included replacing eight kitchens, four central heating boilers, four roofs and major works on two others, replacement windows in five properties, including three in a conservation area which increased the associated costs, some replacement fencing and 45 doors. The latter will continue to enhance the kerb appeal of the Association's properties as requested by customers.

# Harrogate Housing Association Limited

## Report of the Board of Management For the year ended 31 March 2017

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### Performance for the year (continued)

Customer satisfaction was further gauged by an independent survey undertaken during the autumn of 2016. This showed a significant increase in overall satisfaction to 87% from the 72% shown in the 2013 survey but this is still below the median of 91% for associations with less than 1,000 homes. The Association is working with a group of customers on delivering an action plan, which they have developed, to further improve satisfaction levels. The main focus of the action plan is the repairs service (including major works) and building further trust with customers through an open and transparent communication process. The Association is looking to further improve the satisfaction levels in the next survey due in 2019.

The Association continues to receive fees in relation to the homeless hostel we own but which is managed by Harrogate Borough Council and the 51 properties we manage on behalf of other associations and almshouses. The merger referred to in last year's report with one of the almshouses has not yet taken place. Although in principle agreement from the Charity Commission that the almshouse can become a subsidiary has been obtained the trustees of the almshouse have not yet received the formal approval by way of a scheme. Work with the Commission, the trustees of the almshouse and residents to effect the change continues. A small increase in fees for the management of the properties was obtained during the year but work has been undertaken which has identified that the fees obtained do not cover in full the associated cost when viewed at a per property level. Discussions have started with the associations and almshouses and will continue during the year to identify a mutually agreeable way forward.

The new funding offers referred to in last year's report were finalised during the year with £3m of funds being obtained through a bond with GB Social Housing and a £5m 10 year revolving facility being obtained from Yorkshire Building Society. The bond funds were primarily used to repay existing loans which had either high interest rates (over 6%), high levels of asset security requirements or covenants which restricted the ability of the Association to increase its borrowing. As would be expected the early repayment of fixed rate loans resulted in penalties and there were costs associated with establishing the new facilities, cancelling existing ones and putting the necessary security in place. These were significant at £243,000. The Board considered that incurring these costs were necessary as they enabled the Association to grow.

The key financial statistics for the Association are shown below:

<u>Financial performance</u>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Percentage of rent collected	100.60%	100.12%	100.50%
Voids and bad debts percentage	0.2%	0.8%	1.9%
Units owned	189	182	182
Total units managed	261	254	254
Return on assets (Operating surplus over net book value of housing assets)	3.64%	3.44%	2.12%
Loan/assets employed (Loans over net assets excluding loans)	50.5%	51.2%	52.7%
Gearing (Loans less cash over net book value of housing assets)	28.8%	30.7%	34.6%
Interest cover (Operating surplus before depreciation and property sales over interest paid)	2.9	2.7	1.9
Net debt per unit £000s	21	22	25

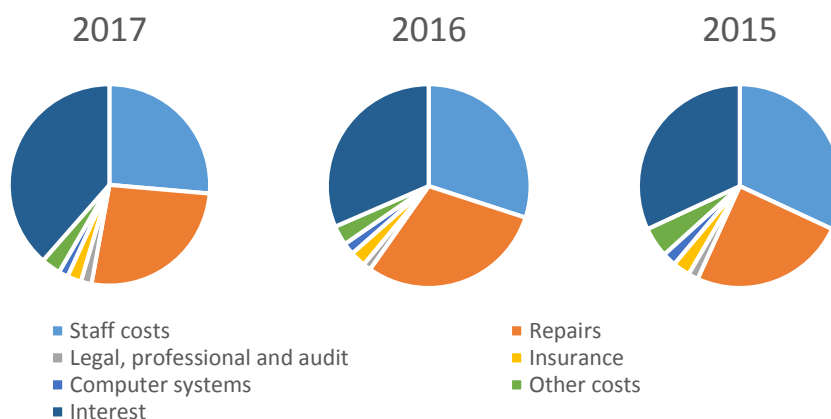
# Harrogate Housing Association Limited

## Report of the Board of Management For the year ended 31 March 2017

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### Performance for the year (continued)

During the last three years the income of the Association was spent as follows:



As can be seen the Association's three main areas of spend are staff, repairs and interest. Each is important to the Association in different ways. Staff deliver customer service and manage the Association, repairs are the most important service to customers and interest is on loans obtained to purchase properties which enables us to provide homes to more people. The proportion of our income spent on loans has increased this year due to the refinancing exercise undertaken which resulted in additional costs being incurred.

### Future activities

With access to additional finance the Association is able to increase its development activity.

The Association is able to express an interest in properties under the S106 allocation process as they become available. They are allocated by the Council based on demand from housing associations and volume previously allocated. The price is pre-determined based on size. There are over 2,000 affordable homes due to be built within the Harrogate District within the next five years giving the Association significant opportunity to grow.

The Association is already in contract in relation to 30 new properties with a further 6 reaching final contract stage. A significant number of these will be delivered in 2017/18 and the remainder the following year. Together these will increase the Association's housing stock by 19% which represents significant growth. The Association has also received firm allocations of a further 35 properties on two separate schemes although the timeframes for delivery are not known. The Association has also started to explore developing properties outside the S106 environment with work at an early stage on two potential sites. It is anticipated that this growth will be deliverable with existing staff resources which will significantly improve value for money, especially as the properties are new build and repair costs in the initial period will be low.

Investing in existing properties remains important and a three year forward plan of works has been developed. The work for years two and three is likely to be impacted in some way by the results of a stock condition survey which will be undertaken during the year. However, for 2017/18 replacement windows in 23 properties, central heating boilers in seven and kitchens in a further seven, as they have all reached their end of life will be undertaken. Some fencing work and damp proof course treatments – the latter being essential given the age of some of our properties – will also be undertaken. Allowance in the budget has also been made for other major works which may be identified.

This year will also see Applegarth Homes, an almshouse currently managed by the Association, become a subsidiary. Charity Commission in principle approval has been obtained but we are awaiting for the formal scheme to be produced by them. This is the only way that the subsidiary can be created.

# Harrogate Housing Association Limited

## Report of the Board of Management For the year ended 31 March 2017

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### Future activities (continued)

The window replacement programme at the Avondale Hostel (owned by the Association but managed by Harrogate Borough Council) has been delayed. Although planning delays and the cost of the planning requirements were a contributory factor, the opportunity has been taken to review the long term arrangements prior to the first break point in the lease in March 2020. The current arrangement is not VAT efficient (a significant sum when a £120,000 investment in windows is being made), poorly understood by those running the service and utilises, disproportionately, senior management time. The outcome from the review will hopefully address these areas and result in an improved arrangement being put in place and deliver better value for money.

### Reserves

The Association deliberately holds a limited cash reserve. Cash flow is managed via a surplus on the income and expenditure account, and loan facilities. No capital project is entered into until adequate funding has been secured.

### Creditor payment terms

Invoices received by the Association by the 7th of a month are paid on the last working day of that month where there are no issues with the work undertaken and no other payment terms have been agreed with the supplier.

### Fixed assets

The changes in fixed assets during the year are set out in notes 11 and 12 of the accounts.

### Political and charitable donations

During the year the Association made no political or charitable contributions.

### Value for money

The Association's definition of Value for Money (VFM) is simple: to deliver our social objectives in the most cost effective way possible by:

- Providing quality homes at affordable rents for customers
- Providing the best services possible, cost effectively and efficiently
- Contributing to improving the physical and social sustainability of the areas in which it works

Therefore, achieving Value for Money is about making a bigger difference by providing as many affordable, quality homes, the best services and best neighbourhoods possible with the resources available, being mindful of the sometimes competing interests of key stakeholders.

Delivery of the above requires a strong financial base as without the necessary resources services to customers decline and improvements in neighbourhoods are not achieved. The 1% rent cut introduced for four years from 1 April 2016 resulted in a detailed review by the Board of the long term business plan. The review highlighted the rent cut was manageable but the financial base of the Association would be strengthened through growth which could be achieved, initially, without an increase in underlying management costs. This approach would also improve the value for money of the Association as measured by the Homes and Communities Agency.

The Association has focussed its efforts on preparing for and delivering growth. The refinancing exercise undertaken during the year has prepared the Association for growth by enabling it to borrow significantly more funds than previously. In relation to growth seven properties were added to the Association's portfolio but a further 30 were contracted for with delivery expected over the next two years. Other schemes are also in the pipeline. The customer satisfaction survey undertaken in the year also showed improved satisfaction levels and the financial results also show an increase in operating surplus.

# Harrogate Housing Association Limited

## Report of the Board of Management For the year ended 31 March 2017

### Value for money (continued)

As a small Association the Homes and Communities Agency do not include us in their unit cost calculations. Using their methodology though the Association has calculated that its unit costs have moved from £3,840 for the year ended 31 March 2015 to £3,176 for the year ended 31 March 2016 and further again to £2,840 for the year ended 31 March 2017. The Homes and Communities published median unit cost for the year ended 31 March 2015 (the latest available) is £3,550. The reduction in unit cost results primarily from reduced routine maintenance costs, where tighter controls over the work undertaken by contractors has been introduced, and a reduction in management costs as we continue to look at different approaches to service delivery. Increasing property numbers will further reduce the unit cost. It is pleasing to note that the sub £3,000 barrier has been achieved a year ahead of the forecast in last year's report. We are participating in the industry pilot on value for money metrics so will be able to produce a more comprehensive range of performance indicators in the future.

The Board of Management, sets out below why it believes the Association meets the requirements of the Value for Money standard as required by our Regulator, the Homes and Communities Agency.

Expectations of the VFM standard	How the Association is meeting them
<p>The Association shall:</p> <p>(a) have a robust approach to making decisions on the use of resources to deliver its objectives, including an understanding of the trade-offs and opportunity costs of its decisions</p>	<p>The Association has in place a Corporate Plan which identifies the challenges and opportunities for the Association. It includes a five year financial forecast, including cash flow, which is extracted from a 30 year Brixx business plan model. It shows if loan covenants are being met and identifies when new funding facilities are required. The latter are directly linked to new development activity or existing loan repayment.</p> <p>Due to the high rent market in Harrogate the Board have balanced the need to keep rents affordable to low income groups and manage the 1% rent reduction introduced by the Government. Where an affordable rent is charged it is set at 80% of the market rent or local housing allowance level, whichever is the lower.</p> <p>All Board papers identify the value for money implications of the decision being taken.</p> <p>Development schemes are appraised for their financial viability and are approved by the Board.</p> <p>Annual budgets, which include a comparison of costs to those of previous years are presented to and approved by the Board prior to the start of each financial year.</p>
<p>(b) understand the return on its assets, and have a strategy for optimising the future returns on assets – including rigorous appraisal of all potential options for improving value for money including the potential benefits in alternative delivery models - measured against its purpose and objectives</p>	<p>The Association only operates within the Harrogate District, has no blocks of flats above two storeys and all its properties are easily serviceable from our only office in Harrogate.</p> <p>Void properties are easily let, the majority without any void period (our average re let time is 7 days) demonstrating high demand. There are currently no voids.</p>



# Harrogate Housing Association Limited

## Report of the Board of Management For the year ended 31 March 2017

### Value for money (continued)

Expectations of the VFM standard	How the Association is meeting them
	<p>Conversion to rent is considered when shared ownership properties remain unsold. A detailed assessment of the saleability of “niche” shared ownership properties is required before they are acquired. There are currently no unsold shared ownership properties.</p> <p>Alternative use or disposal, taking into consideration the customers wishes and the views of our key partners, is reviewed where properties requiring above average investment are identified.</p> <p>Regular stock condition surveys and valuations are undertaken. On completion of the next set (before 31 March 2018) a more detailed assessment of return on assets will be undertaken. The current information held and staffs knowledge of our housing stock has not identified any assets of concern.</p> <p>The Association also manages 51 properties for 3 different organisations which enables the Association to more effectively utilise its resources. One of the organisations is to become a subsidiary which will improve overall efficiency and negotiations have started with the others to increase the income received to ensure the full costs of service delivery are met and not just the marginal costs.</p> <p>The Association has adopted the National Housing Federations voluntary code for Mergers, Group Structures and Partnerships and explored other delivery models as evidenced later in this report.</p> <p>The Association has reviewed the arrangements in respect of the Avondale Hostel and is working with the Council to identify other delivery models for the service and use of the asset.</p>
(c) have performance management and scrutiny functions which are effective at driving and delivering improved value for money performance	<p>Accurate and timely data of our service performance coupled with detailed financial records of costs is produced. These records show performance against target, direction of travel and, where relevant, a forecast year end out turn.</p> <p>Quarterly reports on operational and financial performance, including loan covenant compliance, are reported to Board. Operational performance is reported to the Customer Liaison Committee on a regular basis when they meet.</p>

# Harrogate Housing Association Limited

## Report of the Board of Management For the year ended 31 March 2017

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### Value for money (continued)

Expectations of the VFM standard	How the Association is meeting them
	<p>A system of neighbourhood inspections, involving customers, has been developed and undertaken. These inspections include repairs scrutiny and satisfaction scoring by customers. This will help drive up performance. The cost of the repair is also provided to enable the customer to determine if they consider value for money has been obtained. We also ask customers as part of our satisfaction call backs on repairs if they consider the price paid for the repair to be value for money.</p> <p>Being a small provider staff know customers personally and issues are quickly identified and resolved, however, we have improved our complaints monitoring to identify any persistent areas of concern. Complaints are discussed at the Customer Liaison Committee meetings.</p> <p>The membership of the Customer Liaison Committee has been expanded and they are focussing on the development and delivery of an action plan arising from the satisfaction survey undertaken during the year.</p>
(d) understand the costs and outcomes of delivering specific services and which underlying factors influence these costs and how they do so	<p>Performance is benchmarked through the Housemark Smaller Provider Benchmarking service, Acuity.</p> <p>Smaller local contractors who are not registered for VAT are used to save on this irrecoverable cost.</p> <p>Repairs and improvement works are combined into larger contracts to obtain economies of scale. The Association is also working with other small associations to identify if further economies of scale can be achieved through joint procurement.</p> <p>Staffing structures are regularly reviewed to ensure the right numbers at the right levels are in place. Salaries are also benchmarked against our peers.</p> <p>Through growth the cost of delivering services will reduce.</p>

# Harrogate Housing Association Limited

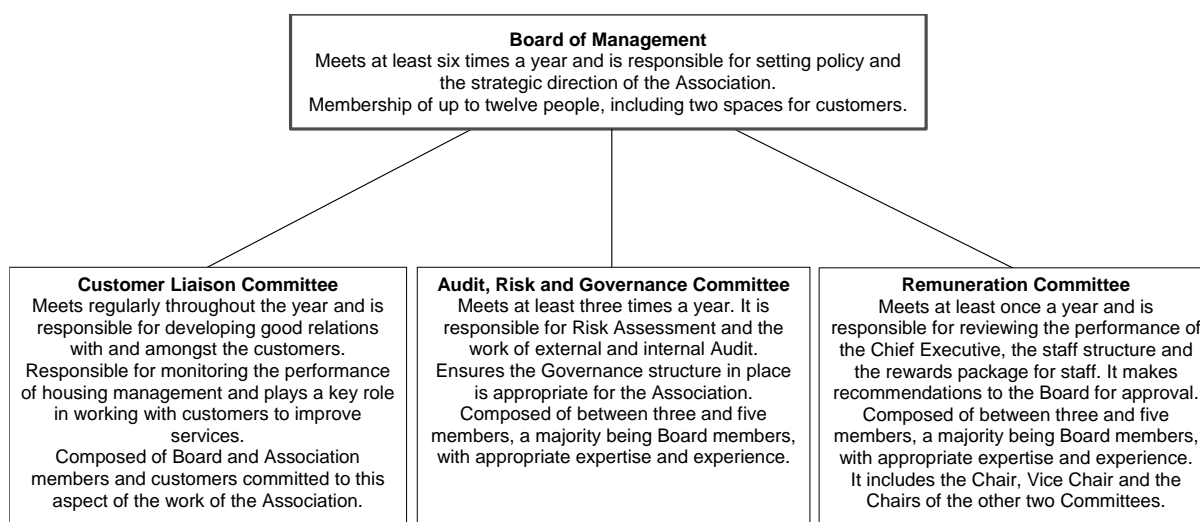
## Report of the Board of Management For the year ended 31 March 2017

### Value for money (continued)

Expectations of the VFM standard	How the Association is meeting them
<p>The Association’s Board shall demonstrate to stakeholders how it is meeting this standard. As part of that process, on an annual basis, it will publish a robust self assessment which sets out in a way that is transparent and accessible to stakeholders how they are achieving value for money in delivering their purpose and objectives. The assessment shall:</p> <ul style="list-style-type: none"> <li>• enable stakeholders to understand the return on assets measured against the organisation’s objectives</li> <li>• set out the absolute and comparative costs of delivering specific services</li> <li>• evidence the value for money gains that have been and will be made and how these have and will be realised over time</li> </ul>	<p>The Board have set out in this report their value for money self assessment and how the value for money strategy helps deliver the Association’s objectives.</p> <p>The Board recognise that improvements in reporting of costs and value for money gains can always be made but as a small association it also recognises that the level of resources required to undertake detailed calculations may outweigh the overall business benefits. The improved management reporting introduced from 1 April 2015 and its subsequent development, work done to identify long term investment requirements which will be enhanced by the stock condition survey being undertaken in 2017/18, the forecast expansion of the Associations housing stock due to improved funding availability, the increase in operating surplus and customer satisfaction and the buoyant demand for rented properties give the Board assurance that the assets of the association are producing a positive return, individually and collectively.</p> <p>The unit costs calculations noted above indicate we are above average in this area.</p> <p>Value for money savings will be invested in additional housing.</p>

### Governance

The following governance structure was introduced from 1 April 2015 and was reviewed with some minor changes to the membership of the Committees in April 2017. The overall structure has been in operation throughout the year:



Details of the Board of Management and the changes during the financial year and up to the date of the approval of this report are included on page 1.

# Harrogate Housing Association Limited

## Report of the Board of Management For the year ended 31 March 2017

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### Governance (continued)

The Board have adopted the National Housing Federation's Code of Governance. The Association complies fully with the code following the successful completion of the phased retirement process of the longer standing Board members at the 2016 annual general meeting.

The Association has also adopted the National Housing Federations voluntary code for Mergers, Group Structures and Partnerships. We are currently in the process of merging with Applegarth Homes an almshouse we manage. During the year we undertook discussions with a larger registered provider to explore the development of a closer working relationship through shared service provision. A proposal was developed but not implemented as it did not equally meet the needs of both parties.

The Association has insurance policies through membership of the National Housing Federation that indemnify its Board and Chief Executive against liability when acting for the Association.

### Board Members and their interests

The Board Members in office during the year are listed on page 1.

Each Board Member holds one fully paid share of £1 in the Association.

### Statement of the Board's responsibilities in respect of the financial statements

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Association and of the income and expenditure for the period of account.

In preparing these financial statements, the Board is required to:

1. Select suitable accounting policies and then apply them consistently,
2. Make judgements and estimates that are reasonable and prudent,
3. State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
4. Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Association and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. 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 who held office at the date of approval of this Report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditors are unaware; and each Board member has taken all the steps that they ought to have taken as a Board member to make themselves aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

# Harrogate Housing Association Limited

## Report of the Board of Management For the year ended 31 March 2017

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### Statement on the Association's system of internal control

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

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk, and to provide reasonable assurance that the key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Association's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls, which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Association is exposed and is consistent with principles incorporated in HCA guidance.

The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework includes:

### Identification and evaluation of key risks

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal ongoing process of management review in each area of the Association's activities. The results continue to be reviewed by the Board on a regular basis. The Chief Executive is responsible for reporting significant risks or any changes in significant risks facing the Association to the Board within these reports.

The key risks as identified by the Board with additional commentary are given below:

- Inability to grow and deliver the business plan – new funding streams are in place and current asset values will support additional borrowing. There are a large number of S106 opportunities for the Association to obtain with a number already under contract. Growth can be achieved without increasing overheads which will strengthen the Association. There is significant headroom in the loan covenants negotiated as part of the new funding streams.
- Increased loans increase exposure to interest rate rises – the nature of the current loan portfolio is such that all drawn loans are at fixed rates. New drawdowns going forward will be at variable rates but the business plan factors in rate rises which have been subject to scenario testing. As all new drawdowns are used for development activity which will generate additional surplus the risk is mitigated.
- Regulatory intervention resulting from lack of compliance with regulatory standards, especially in relation to governance and value for money – gap analysis undertaken which confirms compliance. Recognising improvements can always be made an improvement action plan is being developed.
- Impact of loss of key staff through resignation or illness due to small number of employees – focus on upskilling staff to cover roles, longer notice periods for senior staff put in place. Growth in the Association will enable additional staff to be recruited if required.
- Welfare reform could increase arrears and have an adverse impact on cash flow – regular monitoring and collection of arrears takes place and customers are encouraged to build a buffer on their rent account. This should mitigate the impact.

Although the Association does not have any tower blocks or buildings with cladding, so are currently not at risk, the Board is monitoring the situation following the tragic fire at Grenfell. Fire risk assessments and policies were in the process of being upgraded when the fire occurred but this work has now been accelerated.

### Monitoring and corrective action

The Board is responsible for ensuring the process of control through self-assessment is effective and that management reporting on control issues provides hierarchical assurance to successive levels of management and to the Board. This includes a rigorous procedure for ensuring that effective monitoring is in place and that corrective action is taken in relation to any significant control issues, particularly those with a material impact on the financial statements.

# Harrogate Housing Association Limited

## Report of the Board of Management For the year ended 31 March 2017

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### Statement on the Association's system of internal control (continued)

#### Control environment and control procedures

The Board retains responsibility for a defined range of issues covering strategic, operational, financial, and compliance issues including treasury strategy and new investment projects. Policies and procedures cover such issues as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection.

#### Information and financial reporting systems

Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the Board. The Board also reviews key performance indicators regularly to assess progress towards the achievement of key business objectives, targets and outcomes.

#### Auditors

In accordance with the Co-operative and Community Benefit Societies Act 2014 a resolution to re-appoint Beever and Struthers as the Association's auditors, will be proposed at the Annual General Meeting.

#### Governance and Financial Viability

The Board confirms that the Association complies with the Homes & Communities Agency's Governance and Financial Viability Standard.

#### Statement of compliance

The Board of Management confirm that this report has been prepared in accordance with the principles set out in paragraph 4.7 of the 2014 SORP for Registered Social Housing Providers.

#### Approved by the Board of Management on 26 July 2017

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**Mr S Whyte**  
Chairman

## **Independent Auditor's report to the members of Harrogate Housing Association Limited**

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We have audited the financial statements of Harrogate Housing Association Limited for the year ended 31 March 2017 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position and Statement of Cash Flows 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) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Association's members, as a body, in accordance with Section 87(2) of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective Responsibilities of the Board of Management and the auditor**

As explained more fully in the Statement of Board of Management's Responsibilities set out on page 10, the Board of Management 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 Financial Reporting Council's (FRC'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 FRC'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 Association's affairs as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

## **Independent Auditor's report to the members of Harrogate Housing Association Limited**

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

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

**Beever and Struthers  
Statutory Auditor  
St George's House  
215-219 Chester Road  
Manchester  
M15 4JE**

**3 August 2017**



# Harrogate Housing Association Limited

## Statement of Comprehensive Income For the year ended 31 March 2017

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	Notes	2017 £	2016 £
Turnover	3	1,218,572	1,419,660
Operating expenditure	3	<u>(720,280)</u>	<u>(969,417)</u>
<b>Operating surplus</b>		498,292	450,243
Interest receivable	5	5,637	4,012
Interest and financing costs	6	<u>(358,224)</u>	<u>(252,841)</u>
<b>Surplus before taxation</b>		145,705	201,414
Taxation	13	<u>-</u>	<u>-</u>
<b>Surplus for the year</b>	7	<u>145,705</u>	<u>201,414</u>
<b>Total comprehensive income for the year</b>		<u>145,705</u>	<u>201,414</u>

All of the above results derive from the continuing operations of the Association.

Historical cost surpluses and deficits were identical to those shown in the statement of comprehensive income.

The notes on pages 19 to 38 form an integral part of these financial statements.

The financial statements on pages 15 to 38 were approved and authorised for issue by the Board of Management on 26 July 2017 and were signed on its behalf by:-

..... Chair of the Board  
Mr S Whyte

..... Chair of the Audit, Risk and Governance Committee  
Mr S Clarke

..... Secretary  
Mr S Brook

# Harrogate Housing Association Limited

## Statement of Financial Position For the year ended 31 March 2017

	Notes	2017		2016	
		£	£	£	£
<b>Fixed assets</b>					
Housing properties	11		13,678,696		13,095,511
Other tangible fixed assets	12		195,130		204,756
			<u>13,873,826</u>		<u>13,300,267</u>
<b>Current assets</b>					
Trade and other debtors	14	59,490		291,549	
Current asset investments	15	104,900		104,900	
Cash and cash equivalents	16	770,680		668,138	
		<u>935,070</u>		<u>1,064,587</u>	
<u>Less:</u>					
<b>Creditors:</b> amounts falling due within one year	17	<u>(467,818)</u>		<u>(424,084)</u>	
Net current assets			<u>467,252</u>		<u>640,503</u>
Total assets less current liabilities			14,341,078		13,940,770
<b>Creditors:</b> amounts falling due after more than one year	18		<u>(9,626,410)</u>		<u>(9,371,808)</u>
<b>Total net assets</b>			<u>4,714,668</u>		<u>4,568,962</u>
<b>Reserves</b>					
Non-equity share capital	21		35		36
Income and expenditure reserve	22		<u>4,714,633</u>		<u>4,568,926</u>
<b>Total reserves</b>			<u>4,714,668</u>		<u>4,568,962</u>

The notes on pages 19 to 38 form an integral part of these financial statements.

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..... Secretary  
Mr S Brook

# Harrogate Housing Association Limited

## Statement of Changes in Reserves For the year ended 31 March 2017

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	Non-equity share capital £	Income and expenditure reserve £	Total £
Balance at 1 April 2016	36	4,568,926	4,568,962
Total comprehensive income for the year	-	145,705	145,705
Shares issued during the year	1	-	1
Shares surrendered during the year	(2)	2	-
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 March 2017</b>	<b>35</b>	<b>4,714,633</b>	<b>4,714,668</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 19 to 38 form an integral part of these financial statements.

# Harrogate Housing Association Limited

## Statement of Cash Flows For the year ended 31 March 2017

	2017		2016	
	£	£	£	£
<b>Net cash generated from operating activities (see Note 1)</b>		785,909		938,601
<b>Cash flow from investing activities</b>				
Purchase of tangible fixed assets	(746,545)		(156,623)	
Donations received	1,100		1,200	
Interest received	5,589		3,417	
<b>Cash flow from financing activities</b>		(739,856)		(152,006)
Purchase of shares	1		1	
Interest paid	(216,841)		(218,243)	
Refinancing/other loan related costs	(233,834)		(27,140)	
New secured loans	5,498,016		-	
Repayments of borrowings	(4,990,853)		(87,509)	
		56,489		(332,891)
<b>Net change in cash and cash equivalents</b>		102,542		453,704
<b>Cash and cash equivalents at beginning of year</b>		668,138		214,434
<b>Cash and cash equivalents at end of the year</b>		770,680		668,138
<b>Note 1</b>				
Surplus for the year		145,705		201,414
Adjustments for non-cash items:				
Depreciation of tangible fixed assets		225,960		213,452
Amortisation of Government grants		(66,974)		(66,974)
Decrease in shared equity properties for sale		-		263,907
Decrease in trade and other debtors		118,556		34,452
Increase in trade and other creditors		11,175		43,692
Loss on disposal of fixed assets		-		1,029
Adjustments for investing or financing activities:				
Donations received		(1,100)		(1,200)
Interest and financing costs		358,224		252,841
Interest received		(5,637)		(4,012)
		785,909		938,601

The notes on pages 19 to 38 form an integral part of these financial statements.

# Harrogate Housing Association Limited

## Notes to the Financial Statements For the year ended 31 March 2017

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### 1. General information

The Association is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Homes & Communities Agency as a Private Registered Provider of Social Housing.

The registered office is 10 High Street, Harrogate, North Yorkshire, HG2 7HY.

### 2. Principal accounting policies

#### Basis of accounting

The financial statements have been prepared in accordance with applicable United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2014.

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The accounts are prepared on the historical cost basis of accounting and are presented in £ sterling.

The financial statements have been prepared in compliance with FRS 102. In complying with FRS 102 the Association meets the definition of a public benefit entity.

#### Going concern

The financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future.

The Board of Management has a reasonable expectation that working capital is adequate to continue in operational existence for the foreseeable future. The Association holds various loan facilities (as detailed in note 18) which were taken out for the acquisition of housing properties. The Board of Management is not aware of any circumstances that may adversely affect the renewal of these facilities. Accordingly, the Board of Management believes it is appropriate to continue to prepare the financial statements on a going concern basis.

#### Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

a. Categorisation of housing properties

The Association has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Association has considered if the asset is held for social benefit or to earn commercial rentals.

b. Impairment

The Association has identified a cash generating unit for impairment assessment purposes at a property scheme level.

# Harrogate Housing Association Limited

## Notes to the Financial Statements For the year ended 31 March 2017

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### 2. Principal accounting policies (continued)

Other key sources of estimation and assumptions:

- a. **Tangible fixed assets**  
Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- b. **Impairment of non-financial assets**  
Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge 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 or its value in use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified.  
  
The Association has assessed that no trigger for an impairment review has occurred.
- c. **Grant amortisation**  
Grant received is included as deferred income and recognised in turnover over the estimated useful life of the associated asset structure (not land), under the accruals model.
- d. **Allocation of shared ownership costs between fixed assets and current assets**  
Shared ownership properties are split between fixed assets and current assets with the split determined by the % of the property to be sold under a first tranche disposal.

#### **Turnover and revenue recognition**

Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities and the Homes and Communities Agency, income from the sale of shared ownership properties, management income and other income and is recognised in relation to the period when the goods or services have been supplied.

Rental income is recognised when the property is available for let, net of voids. Income from property sales is recognised on legal completion.

#### **Service charges**

Service charge income and costs are recognised on an accruals basis.

#### **Loan interest costs**

Loan interest costs are calculated using the effective interest method of the difference between the loan amount at initial recognition and amount of maturity of the related loan.

#### **Loan finance issue costs**

These are amortised over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts amortised. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs are recognised in the Statement of Comprehensive Income in the year in which the redemption took place.

# Harrogate Housing Association Limited

## Notes to the Financial Statements For the year ended 31 March 2017

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### 2. Principal accounting policies (continued)

#### Taxation

The Association has charitable status and is therefore exempt from UK corporation tax on charitable activities.

The Association is not registered for VAT and therefore expenditure is stated inclusive of VAT.

#### Tangible fixed assets and depreciation

##### Housing properties

Housing properties are stated at cost less accumulated depreciation.

Housing properties under construction are stated at cost and not depreciated. These are reclassified as housing properties on practical completion of construction.

Freehold land is not depreciated.

Where a housing property comprises two or more major components with substantially different useful economic lives (UEs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred.

The Association depreciates freehold housing properties by component on a straight-line basis over the estimated UELs of the component categories.

UEs for identified components are as follows:

Structure	80 years
Windows and doors	30 years
Kitchens	20 years
Bathrooms	30 years
Boilers	15 years
Plumbing	30 years
Electrics	40 years
Roofs	70 years

The Association depreciates housing properties held on long term leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

Depreciation is charged on other tangible fixed assets on a straight-line basis over the expected economic useful lives which are as follows:

Office furniture	10% on cost
Computer equipment	20% on cost
White goods for properties	12.5% on cost
Property held for own use	Between 15 and 80 years (see above)

The useful economic lives of all tangible fixed assets are reviewed annually.

# Harrogate Housing Association Limited

## Notes to the Financial Statements For the year ended 31 March 2017

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### 2. Principal accounting policies (continued)

#### Shared ownership properties

The costs of shared ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and the sale proceeds shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset and subsequent sales treated as sales of fixed assets.

#### Capitalisation of interest and administration costs

Interest on loans financing development is capitalised up to the date of the completion of the scheme and only when development activity is in progress.

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into its intended use.

#### Current asset investments

Current asset investments include cash and cash equivalents invested for periods of more than 3 months which are not accessible on demand.

#### Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income in other operating expenses.

#### Non-government grants

Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. Where grant is received with specific performance requirements it is recognised as a liability until the conditions are met and then it is recognised as Turnover.

#### Social Housing and other government grants

Where developments have been financed wholly or partly by Social Housing and other grants, the amount of the grant received has been included as deferred income and recognised in turnover over the estimated useful life of the associated asset structure (not land), under the accruals model. Social Housing Grant received for items of cost written off in the statement of comprehensive income is included as part of turnover.

When Social Housing Grant in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

Social Housing Grant must be recycled by the Association under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the Social Housing Grant can be used for projects approved by the Homes and Communities Agency and Greater London Authority. However, Social Housing Grant may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as turnover. In certain circumstances, Social Housing Grant may be repayable, and, in that event, is a subordinated unsecured repayable debt.



# Harrogate Housing Association Limited

## Notes to the Financial Statements For the year ended 31 March 2017

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### 2. Principle accounting policies (continued)

#### Recycling of Capital Grant

Where Social Housing Grant is recycled, as described above, the Social Housing Grant is credited to a fund which appears as a creditor until used to fund the acquisition of new properties, where recycled grant is known to be repayable it is shown as a creditor within one year.

#### Holiday pay accrual

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

#### Works to existing housing properties

The Association capitalises expenditure on housing properties that increases the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the rental income, a reduction in future maintenance costs, or a significant extension of the life of the property.

#### Retirement benefits

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

The disclosures in the accounts follow the requirements of Section 28 of FRS 102 in relation to multi-employer funded schemes in which the Association has a participating interest.

Contributions payable under an agreement with SHPS to fund past deficits are recognised as a liability in the financial statements calculated by the repayments known, discounted to the net present value at the year end using a market rate discount factor of 1.92% at 31 March 2015, 2.06% at 31 March 2016 and 1.33% at 31 March 2017. The unwinding of the discount is recognised as a finance cost in the Statements of Comprehensive Income in the period incurred.

#### Provisions

The Association only provides for contractual liabilities.

#### Operating leases

All costs are written off to the Statement of Comprehensive Income as they are incurred.

#### Financial Instruments

The Association only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

#### Impairment of Financial Assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

# Harrogate Housing Association Limited

## Notes to the Financial Statements For the year ended 31 March 2017

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### 2. Principal accounting policies (continued)

#### Avondale

The Avondale is a property leased by the Association to Harrogate Borough Council who use it to provide short term accommodation for homeless families. The day to day management of the accommodation rests with the Council but administration is shared. The amounts received by the Association for undertaking the administration are included in turnover as management income. Each year amounts are transferred to a sinking fund to be used in specific circumstances, as determined by the lease, for major repairs to the building, especially those which may be required at the end of the lease. These funds are held by the Association. In order to show a true and fair view, the bank account is shown as an asset within the financial statements with a corresponding liability within creditors: amounts falling due within one year. Upon expiry of the lease any remaining funds will revert to the Association and be recognised as income at that time.

Harrogate Borough Council are responsible for reporting the financial results of the activities of the Avondale each year.

# Harrogate Housing Association Limited

## Notes to the Financial Statements For the year ended 31 March 2017

### 3. Particulars of turnover, operating expenditure and operating surplus

		<b>2017</b>		
		<b>Turnover</b>	<b>Operating</b>	<b>Operating</b>
		<b>£</b>	<b>Expenditure</b>	<b>Surplus</b>
			<b>£</b>	<b>£</b>
<b>Social housing lettings (see note 4)</b>		1,072,406	(612,233)	460,173
<b>Other social housing activities</b>				
First tranche low cost home ownership sales		83,250	(39,488)	43,762
Management income		55,286	(62,870)	(7,584)
Other		7,630	(5,689)	1,941
<b>Total</b>		<b>1,218,572</b>	<b>(720,280)</b>	<b>498,292</b>
		<b>2016</b>		
		<b>Turnover</b>	<b>Operating</b>	<b>Operating</b>
		<b>£</b>	<b>Expenditure</b>	<b>Surplus</b>
			<b>£</b>	<b>£</b>
<b>Social housing lettings (see note 4)</b>		1,045,850	(697,012)	348,838
<b>Other social housing activities</b>				
First tranche low cost home ownership sales		308,000	(272,405)	35,595
Management income		52,606	-	52,606
Other		13,204	-	13,204
<b>Total</b>		<b>1,419,660</b>	<b>(969,417)</b>	<b>450,243</b>

# Harrogate Housing Association Limited

## Notes to the Financial Statements For the year ended 31 March 2017

### 4. Particulars of turnover and operating expenditure from social housing lettings

	General needs housing £	Supported housing £	Shared ownership £	Total 2017 £	Total 2016 £
<b>Income</b>					
Rent receivable net of identifiable service charges and net of voids	916,934	48,507	20,475	985,916	964,486
Service charge income	18,479	-	1,037	19,516	14,390
Amortised government grants	55,204	9,537	2,233	66,974	66,974
<b>Total turnover from social housing lettings</b>	<b>990,617</b>	<b>58,044</b>	<b>23,745</b>	<b>1,072,406</b>	<b>1,045,850</b>
<b>Operating expenditure</b>					
Management	187,676	11,237	10,216	209,129	326,169
Service charge costs	17,057	-	592	17,649	11,552
Routine maintenance	84,373	1,989	-	86,362	116,744
Planned maintenance	19,331	1,047	-	20,378	454
Major repairs expenditure	51,738	-	-	51,738	32,959
Bad debts	1,018	-	-	1,018	6,451
Depreciation of housing properties	187,384	22,548	6,401	216,333	191,914
Depreciation of other fixed assets	9,626	-	-	9,626	10,769
<b>Total operating expenditure on social housing lettings</b>	<b>558,203</b>	<b>36,821</b>	<b>17,209</b>	<b>612,233</b>	<b>697,012</b>
<b>Operating surplus on social housing lettings</b>	<b>432,414</b>	<b>21,223</b>	<b>6,536</b>	<b>460,173</b>	<b>348,838</b>
Voids losses (being rental and service charge income lost as a result of property not being let, although it is available for letting)	1,388	-	-	1,388	1,813

### 5. Interest receivable

	2017 £	2016 £
Bank interest received	5,637	4,012

# Harrogate Housing Association Limited

## Notes to the Financial Statements For the year ended 31 March 2017

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<b>6. Interest and financing costs</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Loan interest	229,401	226,296
Costs associated with financing and refinancing	134,769	27,140
Interest on pension scheme deficit	3,000	2,000
Less: interest capitalised/prepaid	(8,946)	(2,595)
	<u>358,224</u>	<u>252,841</u>

The average cost of borrowing used to capitalise interest was 4.46% (2016 – 4.6%).

<b>7. Surplus for the year</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
<b>Surplus for the year is stated after charging/(crediting):</b>		
Auditor's remuneration (excluding VAT):		
In their capacity as auditors	4,850	4,380
In respect of other services	800	2,260
Operating lease rentals	732	732
Depreciation of housing properties	216,334	202,683
Depreciation of office fixtures and fittings	9,626	10,769
Amortisation of government grants	(66,974)	(66,974)
	<u>                    </u>	<u>                    </u>

# Harrogate Housing Association Limited

## Notes to the Financial Statements For the year ended 31 March 2017

### 8. Employee information

The average weekly number of persons employed during the year (full time equivalents, i.e. 37 hours per week) was:

	<b>2017</b> <b>No</b>	<b>2016</b> <b>No</b>
Housing management and administration	6	6

	<b>2017</b> <b>£</b>	<b>2016</b> <b>£</b>
Staff costs (for the above persons):		
Wages and salaries	196,265	191,669
Social security costs	12,111	13,866
Other pension costs	32,398	24,648
	<u>240,774</u>	<u>230,183</u>

	<b>2017</b> <b>No</b>	<b>2016</b> <b>No</b>
Aggregate number of full time equivalent staff whose remuneration exceeded £60,000 in the year		
£70,000 - £80,000	1	1

### 9. Key management personnel emoluments

Key management personnel are defined as Members of the Board of Management and the Chief Executive.

No member of the Board of Management received any remuneration in the year (2016: none).

The remuneration paid to the Chief Executive was:	<b>2017</b> <b>£</b>	<b>2016</b> <b>£</b>
<b>Emoluments:</b> (Including pension contributions and benefits in kind)	78,937	78,272
<b>Emoluments: paid to the highest paid employee (the Chief Executive)</b> (Excluding pension contributions)	71,701	71,156

The Chief Executive is a member of the Social Housing Pension Scheme. He is an ordinary member of the scheme and no enhanced or special terms apply. The Association did not make any further contribution to individual pension arrangements for the Chief Executive.

# Harrogate Housing Association Limited

## Notes to the Financial Statements For the year ended 31 March 2017

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### 10. Pension obligations

#### Social Housing Pension Scheme

The Association participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK.

It is not possible for the Association 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 Association 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 with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

#### Deficit contributions

Tier 1	£40.6m per annum
From 1 April 2016 to 30 September 2020:	(payable monthly and increasing by 4.7% each year on 1st April)
Tier 2	£28.6m per annum
From 1 April 2016 to 30 September 2023:	(payable monthly and increasing by 4.7% each year on 1st April)
Tier 3	£32.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1st April)
Tier 4	£31.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1st April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

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.

# Harrogate Housing Association Limited

## Notes to the Financial Statements For the year ended 31 March 2017

### 10. Pension obligations (continued)

#### Present values of provision

#### Reconciliation of Opening and Closing Provisions

	2017	2016
	£	£
Provision at start of period	129,000	100,000
Unwinding of the discount factor (interest expense)	3,000	2,000
Deficit contribution paid	(16,000)	(12,000)
Remeasurements - impact of any change in assumptions	3,000	(1,000)
Remeasurements - amendments to the contribution schedule	-	40,000
	<u>119,000</u>	<u>129,000</u>
Provision at end of period	119,000	129,000
	<u>17,000</u>	<u>16,000</u>
Due within one year	17,000	16,000
Due in more than one year	102,000	113,000
	<u>119,000</u>	<u>129,000</u>
Provision at end of period	119,000	129,000

#### Income and expenditure impact

	2017	2016
	£	£
Interest expense	3,000	2,000
Remeasurements – impact of any change in assumptions	3,000	(1,000)
Remeasurements – amendments to the contribution schedule	-	40,000
Contributions paid in respect of future service	14,110	13,000
	<u>20,110</u>	<u>54,000</u>
Costs recognised in income and expenditure account	20,110	54,000

#### Assumptions

	2017	2016
Rate of discount	1.33%	2.06%

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.



# Harrogate Housing Association Limited

## Notes to the Financial Statements For the year ended 31 March 2017

11. Tangible fixed assets – housing properties	Social housing properties for letting completed £	Social housing properties for letting under construction £	Shared ownership properties completed £	Shared ownership properties under construction £	Housing properties total £
<b>Cost</b>					
At 1 April 2016	14,301,889	-	543,036	-	14,844,925
Property additions	-	559,127	-	110,519	669,646
Schemes completed	425,722	(425,722)	48,263	(48,263)	-
Component additions	129,873	-	-	-	129,873
Component disposals	(46,288)	-	-	-	(46,288)
At 31 March 2017	14,811,196	133,405	591,299	62,256	15,598,156
<b>Depreciation</b>					
At 1 April 2016	1,734,708	-	14,706	-	1,749,414
Charge for the year	209,933	-	6,401	-	216,334
Eliminated on disposals	(46,288)	-	-	-	(46,288)
At 31 March 2017	1,898,353	-	21,107	-	1,919,460
<b>Net book value</b>					
At 31 March 2017	12,912,843	133,405	570,192	62,256	13,678,696
At 31 March 2016	12,567,181	-	528,330	-	13,095,511

100% of costs relating to shared ownership properties under construction at 31 March 2017 have been classified under fixed assets as the first tranche percentage will not be determined until the value of the completed units is known.

### Housing properties comprise:

	2017 £	2016 £
Freeholds	12,704,956	12,121,980
Long leasehold	973,740	973,531
	13,678,696	13,095,511

Some leasehold properties were inadvertently classified as freehold properties in the 2016 accounts. The comparative has been changed to reflect the correct position and is consistent with the amounts shown for 2017.

The following amounts have been capitalised during the year:

	2017 £	2016 £
Interest	8,946	-
Management costs	21,575	-
	30,521	-

# Harrogate Housing Association Limited

## Notes to the Financial Statements For the year ended 31 March 2017

### 11. Tangible fixed assets – housing properties (continued)

Works to existing properties in the year:	2017	2016
Improvement works capitalised	-	-
Components capitalised	129,873	121,659
Amounts charged to expenditure	51,738	32,959
	<hr/>	<hr/>
	181,611	154,618
	<hr/> <hr/>	<hr/> <hr/>

### 12. Tangible fixed assets – other

	Freehold offices £	Office furniture and equipment £	Computer equipment £	Other fixed assets total £
<b>Cost</b>				
At 1 April 2016	206,085	21,008	31,394	258,487
Additions	-	-	-	-
Disposals	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2017	206,085	21,008	31,394	258,487
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At 1 April 2016	19,329	13,060	21,342	53,731
Charge for the year	2,926	1,729	4,971	9,626
Disposals	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2017	22,255	14,789	26,313	63,357
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 31 March 2017	183,830	6,219	5,081	195,130
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2016	186,756	7,948	10,052	204,756
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### 13. Taxation

The Association has Charitable Status and is therefore exempt from UK corporation tax on charitable activities.

# Harrogate Housing Association Limited

## Notes to the Financial Statements For the year ended 31 March 2017

14. Debtors	2017 £	2016 £
<b>Amounts falling due within one year:</b>		
Rental debtors	29,283	32,644
<u>Less: Provision for bad debts</u>	<u>(17,440)</u>	<u>(17,892)</u>
	11,843	14,752
Housing grants due	-	77,872
Prepayments	31,683	181,503
Other debtors	<u>15,964</u>	<u>17,422</u>
	59,490	291,549
	<u><u>          </u></u>	<u><u>          </u></u>
15. Current asset investments	2017 £	2016 £
THFC sinking fund	104,900	104,900
	<u><u>          </u></u>	<u><u>          </u></u>
<p>The THFC sinking fund is a designated interest bearing account charged in respect of The Housing Finance Corporation £2m facility to cover 12 months interest. The Association is not able to access the fund.</p>		
16. Cash and cash equivalents	2017 £	2016 £
Cash at bank	770,680	668,138
	<u><u>          </u></u>	<u><u>          </u></u>
17. Creditors: Amounts falling due within one year	2017 £	2016 £
Trade creditors	70,151	65,299
Rents paid in advance	36,708	34,314
Accruals	57,541	54,266
Other taxation and social security	4,517	4,247
Other creditors	1,404	583
Pension contributions	5,426	4,292
Provision for works at the Avondale	163,471	151,788
Loan balance – secured	30,968	93,295
Premium on issue of bonds	13,658	-
Pension obligations (Note 10)	17,000	16,000
Unamortised government grants (Note 19)	<u>66,974</u>	<u>          </u>
	467,818	424,084
	<u><u>          </u></u>	<u><u>          </u></u>

# Harrogate Housing Association Limited

## Notes to the Financial Statements For the year ended 31 March 2017

18. Creditors: Amounts falling due after more than one year	2017 £	2016 £
Loan balances – secured	4,779,964	4,695,990
Premium on issue of bonds	523,866	56,050
Loan issue costs	(152,240)	-
Total housing finance	<u>5,151,590</u>	<u>4,752,040</u>
Unamortised government grants (Note 19)	4,359,278	4,493,226
Recycled capital grant fund (Note 20)	13,542	13,542
Pension obligations (Note 10)	<u>102,000</u>	<u>113,000</u>
<b>Total</b>	<u><u>9,626,410</u></u>	<u><u>9,371,808</u></u>

Loans have been advanced by GB Social Housing, Yorkshire Bank, Quaker Housing Trust and The Housing Finance Corporation Limited, and are secured on properties owned by the Association. The loans are all at fixed rates. At the year end the interest rates on the portfolio ranged from zero to 5.2%.

	£	£
Within one year	30,968	93,295
Between one and two years	32,193	96,371
Between two and five years	108,556	1,254,144
In more than five years	<u>4,639,215</u>	<u>3,345,475</u>
Total loans repayable	<u>4,810,932</u>	<u>4,789,285</u>
Premium on issue of bonds	537,524	56,050
Loan issue costs	<u>(152,240)</u>	<u>-</u>
	<u><u>5,196,216</u></u>	<u><u>4,845,335</u></u>

### 19. Deferred income

The amount of unamortised government grants at the year end relate to social housing grant which is amortised in accordance with the stated accounting policy.

	2017 £	2016 £
<b>Unamortised government grant</b>		
At start of year	4,493,226	4,560,200
Released to income in the year	(66,974)	(66,974)
Received in year	<u>-</u>	<u>-</u>
	<u>4,426,252</u>	<u>4,493,226</u>
Amounts due to be released < 1 year	66,974	-
Amounts due to be released > 1 year	<u>4,359,278</u>	<u>4,493,226</u>
	<u><u>4,426,252</u></u>	<u><u>4,493,226</u></u>

# Harrogate Housing Association Limited

## Notes to the Financial Statements For the year ended 31 March 2017

### 20. Recycled capital grant fund

	HCA £
<b>Opening balance</b>	13,542
Inputs to RCGF:	
Grants recycled	-
Interest accrued	-
Transfers from other PRPs	-
	<u>-</u>
Recycling of grant:	
New build	-
Major works and works to existing stock	-
Transfers from other PRPs	-
Other	-
<b>Repayment of grant to HCA/GLA</b>	<u>-</u>
<b>Closing balance</b>	13,542
	<u><u>-</u></u>
Amount three years or older where repayment may be required	-
	<u><u>-</u></u>

### 21. Non-equity share capital

	2017 £	2016 £
<b>Allotted, issued and fully paid:</b>		
At 1 April 2016	36	38
Issued during the year	1	1
Surrendered during the year	(2)	(3)
	<u>35</u>	<u>36</u>
At 31 March 2017	<u><u>35</u></u>	<u><u>36</u></u>

The par value of each share is £1. The shares do not have a right to any dividend or distribution in a winding up, and are not redeemable. Each share has full voting rights.

### 22. Reserves

#### Income and expenditure reserve

The income and expenditure reserve represents the cumulative surplus and deficits net of other adjustments.

### 23. Capital commitments

	2017 £	2016 £
Capital expenditure that has been contracted for but has not been provided for in the accounts:	1,613,425	206,402
Capital expenditure that has been authorised by the Board of Management but has not yet been contracted for:	4,000,000	3,463,815
	<u>5,613,425</u>	<u>3,670,217</u>

The contracted for commitments will be met from existing cash balances and secured loan facilities.

# Harrogate Housing Association Limited

## Notes to the Financial Statements For the year ended 31 March 2017

24. Accommodation in management	2017 No	2016 No
Under development at end of year:		
General needs housing – affordable rent	15	-
Shared ownership	7	-
	<u>22</u>	<u>-</u>
Under management at end of year:		
General needs housing – social rent	115	116
General needs housing – affordable rent	57	50
Shared ownership	10	9
General needs housing on behalf of others	27	27
Almshouses for older people on behalf of others	24	24
	<u>233</u>	<u>226</u>
The Association owns property managed by other bodies.		
	<b>2017 No</b>	<b>2016 No</b>
Supported housing	11	11

In addition the Association owns the Avondale which is leased to Harrogate Borough Council for use as temporary homeless accommodation. The Avondale is 17 self contained flats.

### 25. Contingent liabilities

At the balance sheet date there were no contingent liabilities (2016: £Nil).

### 26. Commitments under operating lease commitments

The Association holds office equipment under non-cancellable operating leases. At the end of the year the Association had commitments of future minimum lease payments as follows:

	Other commitments	
	2017 £	2016 £
<b>Leases expiring:</b>		
Not later than one year	732	732
Later than one year and not later than five years	1,920	2,652
Later than five years	-	-
	<u>2,652</u>	<u>3,384</u>

# Harrogate Housing Association Limited

## Notes to the Financial Statements For the year ended 31 March 2017

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<b>27. Social Housing and Other Grants</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
The total accumulated government grant and financial assistance received or receivable at 31 March.	5,357,933	5,357,933
	<hr/>	<hr/>
Held as deferred capital grants	4,426,252	4,493,226
Recognised as income in the Statement of Comprehensive Income	931,681	864,707
	<hr/>	<hr/>
	5,357,933	5,357,933
	<hr/>	<hr/>

## 28. Related party transactions

Under FRS 102 related parties consist of the Board of Management and the Associations for which Harrogate Housing Association Limited acts as managing agent – Harrogate Flower Fund Homes Limited, Rogers' Almshouses and Applegarth Homes.

Board members received expenses in the year £401 (2016: £273).

During the year there were two tenant members of the Board, with one retiring at the Annual General Meeting. Their tenancies are on normal commercial terms and they are not able to use their position to their advantage. During the year ended 31 March 2017 they paid rent totalling £10,573 (2016: £10,534) and as at 31 March 2017 the rent accounts were in credit by a total of £502 (2016: credit £279).

During the year Mr A Gamble was employed by Accent, who lead the development partnership in which the Association is a member, in addition to being a member of the Board. Mr Gamble is not involved in the day to day activities between the development partnership and the Association.

During the year the Association sold services to:

- Harrogate Flower Fund Homes Limited totalling £23,092 (2016: £21,356). At the balance sheet date £nil (2016: £nil) was due from Harrogate Flower Fund Homes Limited.
- Rogers' Almshouses totalling £12,028 (2016: £11,887). At the balance sheet date £nil (2016: £nil) was due from Rogers' Almshouses.
- Applegarth Homes totalling £9,703 (2016: £9,401). At the balance sheet date £78 (2016: £89) was due from Applegarth Homes.

# Harrogate Housing Association Limited

## Notes to the Financial Statements For the year ended 31 March 2017

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<b>29. Financial instruments</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
The Association's financial instruments may be analysed as follows:		
Financial assets measured at historical cost:		
Rental debtors	11,843	14,752
Housing grants due	-	77,872
Other debtors	15,962	17,422
Current asset investments	104,900	104,900
Cash and cash equivalents	770,680	668,138
	<hr/>	<hr/>
Total financial assets	903,385	883,084
	<hr/> <hr/>	<hr/> <hr/>
Financial liabilities measured at historical cost:		
Trade creditors	70,151	65,299
Other creditors	5,307,844	4,887,042
Financial liabilities measured at amortised cost:		
Loans payable	4,810,932	4,789,285
	<hr/>	<hr/>
Total financial liabilities	10,188,927	9,741,626
	<hr/> <hr/>	<hr/> <hr/>