

**Co-operative & Community Benefit Society
Registered Number: 20924R**

**Regulator of Social Housing
Registration Number: L1015**

Harrogate Flower Fund Homes Limited

Report and Financial Statements

For the year ended 31 December 2018

Harrogate Flower Fund Homes Limited

Report and Financial Statements For the year ended 31 December 2018

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Harrogate Flower Fund Homes Limited

Board Members, Registered Office and Advisers For the year ended 31 December 2018

Chair:	Mr P Knowles Mrs M-A de Courcey-Bayley	(Chair from 6 November 2018) (Chair until 6 November 2018)
Honorary Treasurer:	Mr J Perry Mr M Helm	(resigned 31 December 2018) (appointed 29 January 2019)
Honorary Life President	Mr J Corby	
Board Members:	Mrs J Harrison Mrs A Gallagher Mrs J Hayes Mr G Saunders Mr L M Williamson Mr J W Pierce Mr C Whapples Mr J Fordyce	(resigned 19 June 2018) (resigned 31 March 2019) (resigned 16 April 2018) (appointed 26 June 2018) (appointed 20 August 2018)
Honorary Secretary:	Miss F J Hildred Mr S Brook	(resigned 19 June 2018) (appointed 24 July 2018)
Registered Office:	10 High Street Harrogate North Yorkshire HG2 7HY	
Registered Number:	Co-operative & Community Benefit Society 20924R Regulator of Social Housing (RSH) L1015	
Auditors:	Beever and Struthers Statutory Auditor St George's House 215-219 Chester Road Manchester M15 4JE	Solicitors: LCF Barber Titleys The Exchange Station Parade Harrogate HG1 1TS
Bankers:	CAF Bank 25 Kings Hill Avenue Kings Hill West Malling Kent ME19 4JQ Triodos Bank NV Deanery Road Bristol BS1 5AS	Nationwide Building Society Kings Park Road Moulton Park Northampton NN3 6NW

Harrogate Flower Fund Homes Limited

Report of the Board For the year ended 31 December 2018

Accounts

The Board of Harrogate Flower Fund Homes Limited presents its annual report and the audited financial statements for the year ended 31 December 2018.

Objects of the Association, principal activity and organisation of its work

The Association is registered under the Co-operative and Community Benefit Societies Act 2014, (Registration Number 20924R), and under the Housing Act 1974, (Registration Number L1015) with exempt charitable status under Schedule 3 of the Charities Act 2011.

Its charitable objects, under rules approved in May 2016, are to carry on for the benefit of the community:

- the business of providing and managing housing, including Social Housing, and providing assistance to help house people and associated facilities, amenities and services for poor people or for the relief of aged, disabled (whether physically or mentally) or chronically sick people;
- any other charitable object that can be carried out from time to time by a society registered as a provider of Social Housing with the Regulator.

Arising from the above the principal activity is the provision of rented accommodation for persons of limited means, at affordable rents. The properties owned by the Association have adaptations in place to help people with limited mobility. Wherever possible the Association ensures new residents require or will require in the near future the use of those adaptations.

The Association is organised so that the Board meets regularly to manage its affairs. It does not employ any paid staff, but does use a managing agent, for the collection of rents and other management services, which is paid a fee for its work.

Board Members and their interests

The Board Members in office during the year and changes up to the date of issue of these accounts are listed on page 1.

There has been significant change in Board membership since the last report with a number of long standing members stepping down for personal reasons. The Board would like to take this opportunity of thanking Felicity Hildred, John Perry, Jo Harrison and Graham Saunders for their service to the Association and their oversight of its management.

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

Results and financial position

The results for the year are set out in the financial statements on pages 14 to 29.

The statement of comprehensive income shows a surplus for the year of £42,628. The reserves at the year-end stand at £1,657,898 in total, of which £620,654 is liquid reserves.

Harrogate Flower Fund Homes Limited

Report of the Board

For the year ended 31 December 2018

Activities and achievements

At the end of the year the Association has in ownership twenty-six flats and a two-bed house on two sites within the town of Harrogate. Ten flats and the two-bed house are at Steelgarth, 33 High Street, Starbeck, twelve flats are at Greengarth, Markenfield Road, Jennyfields, with an adjacent block of four flats at Masongarth. All the dwellings are either one or two bedroom units suitable for single persons or couples with the majority of properties having level access showers, with some having access to a stair lift.

The Association supports the initiative for everyone in the United Kingdom to be able to live in decent housing and thus helps promote sustainable communities. This is achieved through close monitoring of the condition of properties by the Managing Agent as well as through annual inspections by the Board, by adopting a proactive day to day repairs service and by the continued investment in major repairs. All properties have a valid Landlords' Gas Safety Record as required by legislation.

The Association has had another successful year. Although no major refurbishment work has been undertaken, investment into the existing properties has continued. During the year the remainder of the fire safety work identified in last year's fire risk assessments was completed. The Board also agreed to replace the smoke and heat detectors throughout all the properties as an additional fire safety measure. Other work undertaken in the year included additional cavity wall insulation at Greengarth, replacing the gate motor at Steelgarth and replacing the communal lighting at Greengarth due to high service charge costs being incurred for bulb changes. The latter work will reduce these costs as well as the running costs, thus giving a better value for money service to tenants.

The year also saw the launch of the Association's website which can be found at www.hffhltd.co.uk. This enables the good work of the Association to be promoted as well as a location to publish important documents and a portal to request information.

The day to day management of the properties and tenants is undertaken by the Managing Agent, Harrogate Housing Association Limited, from its offices in Harrogate. It also provides administration, governance and accounting services for the Board. They charge a fee per property for the services under a three year management agreement which started on 1 April 2017. Their fee increased during the year by inflation in line with the terms of the agreement.

There was only one void during the year which was empty for 16 days. The fast turn round time on empty properties highlights the efficiency of the Managing Agent and demand. There were no bad debts.

In order to better manage the credit risk associated with its cash deposits the Association opened a new deposit account with Nationwide Building Society. The cash reserves are now split between CAF Bank, Triodos and Nationwide Building Society.

Harrogate Flower Fund Homes Limited has enjoyed a stable and successful year, resulting in the continued provision of a high quality and affordable service from a strong financial base.

Fixed assets

The changes in fixed assets during the year are set out in notes 10 and 11 of the financial statements.

Harrogate Flower Fund Homes Limited

Report of the Board For the year ended 31 December 2018

Political and charitable donations

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

Funds available

The surplus each year is adequate to support the running of the twenty-seven existing homes. The Board considers that this surplus together with the liquid reserves and the ability to borrow will enable the Association to undertake developments in the future.

Tenant engagement

It is important that the views of tenants are considered when taking decisions and that high levels of tenant satisfaction are achieved.

The Board has regular contact with tenants. The annual property inspections undertaken by Board members took place in September and provided the opportunity to have individual discussions with tenants about their property, their tenancy and other related matters. The Board also organised two tenant specific events in June and December. These events enabled tenants and Board members to discuss matters in a more informal environment over refreshments. The Board sees these events as a key way to keep in touch with tenants and gather satisfaction information. Feedback is given to the Managing Agent and matters raised are actioned appropriately.

In addition there is a Tenancy Committee consisting of members of the Board and representatives from both the Jennyfield and Starbeck properties. This group has a structured meeting once a year in March.

The Board are also informed at each of their meetings on the levels of tenant satisfaction being achieved for the repairs service. For the year ended 31 December 2018 this was 99.5% satisfaction calculated from 68 calls to tenants out of 122 jobs completed.

Future developments and opportunities

The Board confirmed during the year that utilisation of the Association's financial reserves should involve the acquisition of suitable additional property to meet identified housing need.

The Development Committee established in 2017 comprising members of the Board and other contacts with experience and knowledge of development continued to meet and seek out potential opportunities for discussion and approval by the Board. A potential site located in the Woodlands area of Harrogate was identified by the Committee. With the help of the Managing Agent the feasibility of developing the site was discussed by the Board at a specially convened meeting. The high potential cost of the land which would have utilised all the cash reserves of the Association, and the long payback period for the scheme were considered by the Board to be too high a risk for the Association to take. The acquisition of the site was not pursued. Given the cost and availability of land within Harrogate this is likely to be the position for other sites on which new build development is proposed.

Harrogate Flower Fund Homes Limited

Report of the Board

For the year ended 31 December 2018

Future developments and opportunities (continued)

An alternative approach is currently being pursued to increase the number of properties managed by the Association. Through the Managing Agent an opportunity to acquire a number of leasehold flats has been identified. It is not anticipated that there will be any cost of acquisition but if acquired the flats would need significant investment to bring them up to an acceptable standard. Once updated they would be available to let for 45 years before the lease ends. Whilst the freehold would not be acquired the opportunity allows the Association to meet its objectives and use its resources to provide much needed high quality affordable accommodation. This matter should be concluded during 2019.

The Board has updated its five year business plan based on the current properties in ownership. A revised plan will be prepared once negotiations on the above opportunity have progressed further. The updated plan takes into consideration the 1% per year rent cut until 2020 imposed by the Government from 1 April 2016. The plan then assumes rents increase by CPI inflation plus 1%, as confirmed by the Government. The business plan confirms that the rent cut continues to be manageable.

The Board is not in favour of the disposal of properties under the voluntary right to buy scheme drawn up by the sector in response to Government policy as it will lead to a reduction in affordable rented properties for those on low incomes, especially in Harrogate. Once the scheme is finalised the Board will be in a better position to determine a way forward.

Value for money

The Association's definition of value for money is simple; it aims to deliver its objectives in the most cost effective way possible but ensuring that it provides quality homes and services which help its tenants remain independent.

The Board determined a number of years ago that the best value approach to managing and maintaining the properties, dealing with administrative tasks and the regulatory matters required for a registered provider was through the appointment of a managing agent. This was instead of direct employment of staff or the use of volunteers. By adopting this approach the range of skills, knowledge and IT systems at the disposal of the Association was significantly increased. Harrogate Housing Association Limited, a local registered provider itself, was appointed into this role. It provides a local office base, manages the repairs service, collects and administers rents and deals with all day to day tenant contact. It also provides administrative, accountancy/financial support and Company Secretarial services to the Association and Board. The fee charged by the Managing Agent is reviewed regularly with the next review due during the current year for commencement on 1 April 2020. The growth in the number of properties managed by the Managing Agent and the fixed nature of its overhead costs are expected to produce a per property reduction in its fee.

This approach has also enabled the Association to "piggy back" with Harrogate Housing Association Limited to secure a cost effective repairs service which would not be available to it on its own. For example, both organisations use the same 24 hour emergency gas service and repairs company and the Association pays the same rates as Harrogate Housing Association Limited which has many more properties. The Association is also able to utilise the Harrogate Housing Association Limited 24 hour on call service and its approved contractors list for repairs. This list includes local trades people who do not charge VAT which results in savings as the VAT is an expense and not recoverable. By operating this way the Association is able to secure better rates than would be possible by working in isolation.

Harrogate Flower Fund Homes Limited

Report of the Board

For the year ended 31 December 2018

Value for money (continued)

Tenant satisfaction with the service received from Harrogate Housing Association Limited remains high.

The metrics required under the value for money standard are as follows:-

VFM Standard metrics	2019 target*	2018	2017	2016
1 Reinvestment percentage	0.3%	0.0%	0.0%	0.2%
2 New supply delivered	0%	0%	0%	0%
3 Gearing (A and B)	No debt	No debt	No debt	No debt
4 EBITDA MRI interest cover	No debt	No debt	No debt	No debt
5 Social housing costs per unit	£4,070	£2,993	£2,523	£2,552
6 Operating margin social housing and overall	9.7%	27.8%	36.4%	38.2%
7 Return on capital employed	0.7%	2.1%	2.8%	3.1%

* based on no growth business plan

In addition to the above the Board monitors arrears, void loss and turnaround times and repairs performance. Customer satisfaction is gauged through the regular contact between Board members and tenants noted above and remains high. There are no arrears with tenants being in credit on their rent accounts (see notes 12 and 14), void loss and turnaround times are minimal (see note 4) and in the year 97% of repairs were completed on time. There are also no bad debts.

The size of the Association, at only 27 units, makes comparison against others difficult especially as the Regulator does not capture or publish any information on Associations with less than 1,000 properties. Very few associations the size of the Association subscribe to benchmarking clubs as the costs outweigh the benefits and are not therefore considered value for money. Through the auditors the Association attempted to benchmark itself against a similar sized Association but this was not successful. Given the information available through the Managing Agent the Association is performing in the top quartile in relation to arrears and voids. It is also aware of other small housing providers who surrender all their rental income to the managing agent, who carry the risk on repairs, and therefore do not have a surplus. Compared to such providers the Board consider the fees paid to Harrogate Housing Association Limited are value for money as they have enabled reserves to grow.

The number of properties managed means that some of above metrics can change significantly year on year depending on the level of major works (e.g. bathroom or kitchen replacements) undertaken. In 2018 no such major works took place but, as noted above, investment in new smoke alarms and heat detectors across all properties, a new motor for the access gate, cavity wall insulation and the replacement of the lighting system have had an adverse impact on the metrics noted above from those of previous years.

In 2019 a prudent budget has been set which includes allowances for legal and professional fees and Board related costs which are not usually fully utilised together with the anticipated costs of electrical works as a result of the 5 year periodic wiring inspections. Although no major works have been identified as required an allowance of £21,000 has been included. This has a significant impact on the above metrics and in particular operating margin. It is worth noting that such significant variations also reduce the benefits from benchmarking against others.

Harrogate Flower Fund Homes Limited

Report of the Board

For the year ended 31 December 2018

Value for money (continued)

The Board monitor spend on a quarterly basis and is confident that the above targets will be surpassed.

However, the potential acquisition of the leasehold properties mentioned above will have a significant impact on the metrics due to the up front major works investment that will be required. Next year's report will include information on the project if it is successful.

One of the main costs incurred by the Association is the Managing Agents fee. This is reviewed on a regular basis with the next review due during the current year. The fee is based on the costs incurred by the Managing Agent spread over the number of properties managed which is considered a fair and equitable approach by the Board.

The Association prides itself on meeting the needs of its tenants wherever possible. This includes installing disabled accessible adaptations even where no funding is available. This increases the repairs costs but reflects the purpose of the Association. By adopting this approach tenancies are sustained and low levels of voids occur.

Systems are in operation by the Managing Agent to ensure quotes are obtained for any major work undertaken which delivers cost competitiveness.

As noted above the Association has two principal sites, Markenfield Road and Steelgarth, both of which are in Harrogate. The properties on both sites are well maintained, are easy to let (as evidenced by the low void loss), require no major works (as identified on the annual inspections) and are in good neighbourhoods. The Board has not identified any individual property or group of properties which are not contributing to the surplus being generated by the Association. Therefore it is the aim of the Association to retain its existing assets and use its reserves, borrowing capacity and other value for money gains it makes to expand its property base when opportunities arise.

During the year the Board reviewed its strategic direction and considered if a different approach to delivering its purpose should be put in place. The Board felt that they had not yet explored development opportunities for a sufficient period to make any changes at the present time. This is a matter which will be revisited in the future.

Governance arrangements

The Association has a Board which currently has 8 members. The rules allow for the membership to be increased up to 15 or to be as low as seven. The Board met seven times during the year and all meetings have been quorate. The Board is responsible for setting the strategic direction of the Association and managing its day to day activities. The Board has delegated the latter to the Managing Agent, from which it receives regular reports on financial and operational performance.

Filling the key positions caused by the resignations during the year proved challenging but additional Board members were recruited with a further appointment of someone with housing management experience in the pipeline. The Board also appointed the Chief Executive of the Managing Agent as Secretary, as allowed in the rules. Recruiting new Board members with the skills necessary to govern the Association remains a key priority going forward.

Harrogate Flower Fund Homes Limited

Report of the Board

For the year ended 31 December 2018

Governance arrangements (continued)

The Board is supported by a Tenancy Committee which has seven members (three from the Board and four tenants). They meet annually to discuss tenant and tenancy related matters. Part of the meeting is undertaken without any of the staff of the Managing Agent being present so as to facilitate open and frank discussion on their performance. The Tenancy Committee is also responsible for undertaking the annual property inspections which were done in September.

The Association has adopted the NHF's Code of Governance – Promoting Board Excellence for Housing Associations 2015. The Association is compliant with the Code as at 31 December 2018.

Board Member responsibilities

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.
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.

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

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.

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.

Harrogate Flower Fund Homes Limited

Report of the Board

For the year ended 31 December 2018

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

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 the Regulators 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 of the Managing Agents is responsible for reporting significant risks or any changes in significant risks facing the Association to the Board within these reports.

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.

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.

Harrogate Flower Fund Homes Limited

Report of the Board

For the year ended 31 December 2018

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 Regulator of Social Housing's Governance and Financial Viability Standard.

Approved by the Board on 14 May 2019

Mr P Knowles
Chair

Harrogate Flower Fund Homes Limited

Independent Auditor's Report to the members of Harrogate Flower Fund Homes Limited

Opinion

We have audited the financial statements of Harrogate Flower Fund Homes Limited "the Association" for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cash Flows and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 December 2018 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the 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.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report to you in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Harrogate Flower Fund Homes Limited

Independent Auditor's Report to the members of Harrogate Flower Fund Homes Limited

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- the information given in the Board's report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- 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 require for our audit.

Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities set out on page 8, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Harrogate Flower Fund Homes Limited

Independent Auditor's Report to the members of Harrogate Flower Fund Homes Limited

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the association's members, as a body, in accordance with section 87(2) of the Cooperative 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.

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

Date: 20 May 2019

Harrogate Flower Fund Homes Limited

Statement of Comprehensive Income For the year ended 31 December 2018

	Notes	2018 £	2017 £
Turnover	3/4	145,031	144,721
Operating expenditure	3/4	(104,752)	(92,054)
Operating surplus		40,279	52,667
Interest receivable	5	2,349	1,406
Surplus before taxation		42,628	54,073
Taxation	8	-	-
Surplus for the year	6	42,628	54,073
Total comprehensive income for the year		42,628	54,073

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

The notes on pages 18 to 29 form an integral part of these financial statements.

The financial statements on pages 14 to 29 were approved and authorised for issue by the Board on 14 May 2019 and were signed on its behalf by:-

..... Chair
Mr P Knowles

..... Secretary
Mr S Brook

..... Treasurer
Mr M Helm

Harrogate Flower Fund Homes Limited

Statement of Financial Position As at 31 December 2018

	Notes	2018		2017	
		£	£	£	£
Fixed assets					
Tangible fixed assets – housing properties	10		1,291,754		1,315,691
Other tangible fixed assets	11		-		101
			<u>1,291,754</u>		<u>1,315,792</u>
Current assets					
Trade and other debtors	12	5,310		4,525	
Cash and cash equivalents	13	632,770		574,272	
		<u>638,080</u>		<u>578,797</u>	
<u>Less:</u>					
Creditors: amounts falling due within one year	14	<u>(17,426)</u>		<u>(20,604)</u>	
Net current assets			<u>620,654</u>		<u>558,193</u>
Total assets less current liabilities			<u>1,912,408</u>		<u>1,873,985</u>
Creditors: amounts falling due after more than one year	15		<u>(254,469)</u>		<u>(258,674)</u>
Total net assets			<u>1,657,939</u>		<u>1,615,311</u>
Reserves					
Non-equity share capital	17		41		42
Income and expenditure reserve			<u>1,657,898</u>		<u>1,615,269</u>
Total reserves			<u>1,657,939</u>		<u>1,615,311</u>

The notes on pages 18 to 29 form an integral part of these financial statements.

The financial statements on pages 14 to 29 were approved and authorised for issue by the Board on 14 May 2019 and were signed on its behalf by:-

..... Chair
Mr P Knowles

..... Secretary
Mr S Brook

..... Treasurer
Mr M Helm

Harrogate Flower Fund Homes Limited

Statement of Changes in Reserves For the year ended 31 December 2018

	Non-equity share capital £	Income & Expenditure Reserve £	Total £
Balance at 1 January 2017	41	1,561,194	1,561,235
Total comprehensive income for the year	-	54,073	54,073
Shares issued during the year	3	-	3
Member share contributions	(2)	2	-
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2017	42	1,615,269	1,615,311
Total comprehensive income for the year	-	42,628	42,628
Shares issued during the year	-	-	-
Member share contributions	(1)	1	-
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2018	41	1,657,898	1,657,939

The notes on pages 18 to 29 form an integral part of these financial statements.

Harrogate Flower Fund Homes Limited

Statement of Cash Flows

For the year ended 31 December 2018

	2018		2017	
	£	£	£	£
Net cash generated from operating activities (see Note 1 below)		56,149		75,039
Cash flow from investing activities				
Interest received	2,349		1,406	
Members contribution	-		3	
		<u>2,349</u>	<u>1,409</u>	
				1,409
Net change in cash and cash equivalents		58,498		76,448
Cash and cash equivalents at beginning of the year		<u>574,272</u>		<u>497,824</u>
Cash and cash equivalents at end of the year		<u><u>632,770</u></u>		<u><u>574,272</u></u>
Note 1				
Surplus for the year		42,628		54,073
Adjustments for non-cash items:				
Depreciation of tangible fixed assets		24,038		24,039
Amortisation of government grants		(4,205)		(4,205)
(Increase) in trade and other debtors		(785)		(393)
(Decrease)/increase in trade and other creditors		(3,178)		2,931
Adjustments for investing or financing activities:				
Interest received		<u>(2,349)</u>		<u>(1,406)</u>
Net cash generated from operating activities		<u><u>56,149</u></u>		<u><u>75,039</u></u>

The notes on pages 18 to 29 form an integral part of these financial statements.

Harrogate Flower Fund Homes Limited

Notes to the Financial Statements For the year ended 31 December 2018

1. General information

The Association is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing 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 pounds 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. No significant concerns have been noted and we consider it appropriate to continue to prepare the financial statements on a going concern basis based on the Association's business plan.

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 whether 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 Flower Fund Homes Limited

Notes to the Financial Statements For the year ended 31 December 2018

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.

Turnover and revenue recognition

Turnover represents rental income receivable and amortised capital grant 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.

Service charges

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

Taxation

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

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, less accumulated depreciation.

Freehold land is not depreciated.

Housing properties

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.

Harrogate Flower Fund Homes Limited

Notes to the Financial Statements For the year ended 31 December 2018

2. Principal accounting policies (continued)

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

UELs for identified components are as follows:

Structure	80 years
Roofs	70 years
Windows and doors	30 years
Gas boilers and fires	15 years
Kitchens	20 years
Bathrooms, mechanical systems, electrics	30 years
Stair lifts	10 years
Envirovents and Eurovents	10 years

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

Office equipment	5 years
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Property managed by agents

Where the Association carries the majority of the financial risk on property managed by agents, income arising from the property is included in the Statement of Comprehensive Income.

The assets and associated liabilities are included in the Association's Statement of Financial Position.

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.

Harrogate Flower Fund Homes Limited

Notes to the Financial Statements For the year ended 31 December 2018

2. Principal accounting policies (continued)

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 Homes England. 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.

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 Flower Fund Homes Limited

Notes to the Financial Statements For the year ended 31 December 2018

3. Particulars of turnover, operating expenditure and operating surplus

	2018		
	Turnover	Operating Expenditure	Operating Surplus
	£	£	£
Social housing lettings (see note 4)	145,031	(104,752)	40,279
Total	145,031	(104,752)	40,279
	2017		
	Turnover	Operating Expenditure	Operating Surplus
	£	£	£
Social housing lettings (see note 4)	144,721	(92,054)	52,667
Total	144,721	(92,054)	52,667

Harrogate Flower Fund Homes Limited

Notes to the Financial Statements For the year ended 31 December 2018

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

	General Housing £	Total 2018 £	Total 2017 £
Income			
Rent receivable net of identifiable service charges and net of voids	128,544	128,544	129,961
Service charge income	12,282	12,282	10,555
Amortised government grants	4,205	4,205	4,205
Total turnover from social housing lettings	145,031	145,031	144,721
Operating expenditure			
Management	42,412	42,412	39,016
Service charge costs	10,997	10,997	9,166
Routine maintenance	17,781	17,781	18,531
Planned maintenance	7,419	7,419	1,404
Major repairs expenditure	2,206	2,206	-
Depreciation of housing properties	23,937	23,937	23,937
Total operating expenditure on social housing lettings	104,752	104,752	92,054
Operating surplus on social housing lettings	40,279	40,279	52,667
Void losses (being rental and service charge income lost as a result of property not being let, although it is available for letting)	265	265	151
5. Interest receivable	2018		2017
	£		£
Bank interest received	2,349		1,406
6. Surplus for the year	2018		2017
	£		£
Is stated after charging/(crediting):			
Auditor's remuneration (excluding VAT):			
In their capacity as auditors	2,214		2,161
In respect of other services	316		309
Depreciation of housing properties	23,937		23,937
Depreciation of other fixed assets	101		102
Amortisation of government grants	(4,205)		(4,205)

Harrogate Flower Fund Homes Limited

Notes to the Financial Statements For the year ended 31 December 2018

7. Accommodation managed by others	2018	2017
	Number of properties	Number of properties
General Housing	27	27
	=====	=====

8. Taxation

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

9. Employees and Key Management Personnel

The Association has no employees (2017 – none). Key management personnel are defined as the Members of the Board. The day to day management of the properties is undertaken by Harrogate Housing Association Limited from their offices in Harrogate.

No Board member received any remuneration in the year (2017 – £Nil).

One Board member received expenses of £12 in the year (2017 – £Nil).

10. Tangible fixed assets – housing properties

	Masongarth	Greengarth	Steelgarth	Housing Properties Total
	£	£	£	£
Cost				
At 1 January 2018	316,131	328,016	999,491	1,643,638
Replacement of components	-	-	-	-
Disposal of components	-	-	-	-
At 31 December 2018	316,131	328,016	999,491	1,643,638
	-----	-----	-----	-----
Depreciation				
At 1 January 2018	61,878	103,003	163,066	327,947
Charge for the year	4,149	3,873	15,915	23,937
Eliminated on disposals	-	-	-	-
At 31 December 2018	66,027	106,876	178,981	351,884
	-----	-----	-----	-----
Net book value				
At 31 December 2018	250,104	221,140	820,510	1,291,754
	=====	=====	=====	=====
At 31 December 2017	254,253	225,013	836,425	1,315,691
	=====	=====	=====	=====
Housing properties comprise:				
Freeholds				1,291,754
Long leasehold				-

				1,291,754
				=====

Harrogate Flower Fund Homes Limited

Notes to the Financial Statements For the year ended 31 December 2018

10. Tangible fixed assets – housing properties (continued)

In 1979 the Association arranged the building of twelve flats, known as Greengarth. These properties were built with the assistance of Housing Corporation (now Homes England) finance.

During 1991 the Association arranged a further scheme of six flats, known as Steelgarth. This scheme has been fully funded from the Association's own resources. The adjacent property was acquired in 2008 and development was completed in 2011, providing four further flats and one house, available from May 2011. This scheme was partially funded with a grant.

During 2000 the Association arranged a further scheme of four flats, known as Masongarth, built on land already owned by the Association adjacent to Greengarth. This scheme was fully funded from the Association's own resources.

11. Other tangible fixed assets

	Office equipment £	Other fixed assets total £
Cost		
At 1 January 2018	509	509
Additions	-	-
Disposals	-	-
	-----	-----
At 31 December 2018	509	509
	-----	-----
Depreciation		
At 1 January 2018	408	408
Charge for the year	101	101
Disposals	-	-
	-----	-----
At 31 December 2018	509	509
	-----	-----
Net book value		
At 31 December 2018	-	-
	=====	=====
At 31 December 2017	101	101
	=====	=====

Harrogate Flower Fund Homes Limited

Notes to the Financial Statements For the year ended 31 December 2018

12. Trade and other debtors	2018	2017
	£	£
Amounts falling due within one year:		
Prepayments and accrued income	3,461	2,795
Other debtors	1,849	1,730
	<hr/>	<hr/>
	5,310	4,525
	<hr/> <hr/>	<hr/> <hr/>
13. Cash and cash equivalents	2018	2017
	£	£
Cash at bank	632,770	574,272
	<hr/> <hr/>	<hr/> <hr/>
14. Creditors: amounts falling due within one year	2018	2017
	£	£
Trade creditors	2,836	629
Rents and service charges paid in advance	5,688	5,294
Accruals and deferred income	4,657	8,994
Other creditors	40	1,482
Unamortised government grants (Note 16)	4,205	4,205
	<hr/>	<hr/>
	17,426	20,604
	<hr/> <hr/>	<hr/> <hr/>
15. Creditors: amounts falling due after more than one year	2018	2017
	£	£
Unamortised government grants (Note 16)	254,469	258,674
	<hr/> <hr/>	<hr/> <hr/>

Harrogate Flower Fund Homes Limited

Notes to the Financial Statements For the year ended 31 December 2018

16. 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.

	2018	2017
	£	£
Unamortised government grant		
At start of year	262,879	267,084
Released to income in the year	(4,205)	(4,205)
	<u>258,674</u>	<u>262,879</u>
Amounts due to be released < 1 year	4,205	4,205
Amounts due to be released > 1 year	254,469	258,674
	<u>258,674</u>	<u>262,879</u>

17. Non-equity share capital

	2018	2017
	£	£
Allotted, issued and fully paid:		
At 1 January 2018	42	41
Issued during the year	-	3
Surrendered during the year	(1)	(2)
	<u>41</u>	<u>42</u>
At 31 December 2018	<u>41</u>	<u>42</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.

18. Capital commitments

At the balance sheet date there were no capital commitments (2017 – £Nil).

19. Contingent liabilities

At the balance sheet date there were no contingent liabilities (2017 – £Nil).

Harrogate Flower Fund Homes Limited

Notes to the Financial Statements For the year ended 31 December 2018

20. Grant and financial assistance	2018	2017
	£	£
The total accumulated government grant and financial assistance received or receivable at 31 December.	336,380	336,380
	<u> </u>	<u> </u>
Held as deferred capital grant	258,674	262,879
Recognised as income in the Statement of Comprehensive Income	77,706	73,501
	<u> </u>	<u> </u>
	336,380	336,380
	<u> </u>	<u> </u>

21. Related party transactions

Related parties consist of the Board members and Harrogate Housing Association Limited, the managing agent.

One Board member received expenses of £12 in the year (2017 – £Nil).

There is one tenant member of the Board. Their tenancy is on normal commercial terms and they are not able to use their position to their advantage. During the year ended 31 December 2018 they paid rent and service charges totalling £5,302 (2017 – £7,161) and as at 31 December 2018 the rent account was in credit by a total of £186 (2017 – £186).

During the year the Association purchased services from Harrogate Housing Association Limited totalling £37,440 (2017 – £24,752). At the balance sheet date £27 (2017 – £27) was owed to Harrogate Housing Association Limited. £Nil was included in accruals (2017 – £5,288).

Harrogate Flower Fund Homes Limited

Notes to the Financial Statements For the year ended 31 December 2018

22. Financial instruments	2018	2017
	£	£
The Association's financial instruments may be analysed as follows:		
Financial assets measured at historical cost:		
Other debtors	1,849	1,730
Cash and cash equivalents	632,770	574,272
	<hr/>	<hr/>
Total financial assets	634,619	576,002
	<hr/> <hr/>	<hr/> <hr/>
Financial liabilities measured at historical cost:		
Rent received in advance	5,688	5,294
Creditors	2,876	2,111
Accruals	4,657	8,994
Financial liabilities measured at amortised cost:		
Government grants	258,674	262,879
	<hr/>	<hr/>
Total financial liabilities	271,895	279,278
	<hr/> <hr/>	<hr/> <hr/>