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

Regulator of Social Housing
Registered Number: L2188

Harrogate Housing Association Limited

Report and Financial Statements

For the year ended 31 March 2020

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Harrogate Housing Association Limited

Board of Management, Registered Office and Advisers
For the year ended 31 March 2020

Chairman:	Mr Stuart Whyte	Retired 11 September 2019
	Mr Andy Gamble	Appointed 11 September 2019
Board of Management:	Mr Stephen Clarke	Chair of Audit, Risk and Governance Committee
	Mr Andy Gamble	Vice Chair until 11 September 2019
	Mrs Angela Macready	
	Mr Bill Truin	Chair of Remuneration Committee
	Ms Jane Worrell	Retired 11 September 2019
	Ms Dot Tyrtania	
	Mr David Copley	Resigned 29 January 2020
	Ms Megan Henderson	
	Ms Joanne Watson	
	Mr Jonathan Place	
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 Regulator of Social Housing (RSH) L2188	
External Auditors:	Beever and Struthers Statutory Auditor St George's House 215-219 Chester Road Manchester M15 4JE	
Bankers:	Yorkshire Bank 21 James Street Harrogate North Yorkshire HG1 1QU	CAF Bank Limited 25 Kings Hill Avenue Kings Hill West Malling Kent ME19 4JQ

Accounts

The Board of Management presents its annual report and the audited financial statements for the year ended 31 March 2020. Consolidated accounts have been prepared incorporating the results of Applegarth Homes, an almshouse charity, which became a subsidiary of the Association on 1 October 2017.

Principal activities

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 (Registered Number 18925R) and with the Regulator of Social Housing (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 Regulator of Social Housing, its regulator.

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

Involving our customers

The Customer Liaison Committee (CLC) are the voluntary representatives of our customers. Their involvement helps to ensure that the Association delivers excellent services that customers want in an efficient manner. The Committee members are involved in and contribute to the key customer focused activities that form part of our housing management function. These activities include new tenancy visits where CLC members visit and welcome new customers and see how they have found the process of application and moving with the Association, together with their assessment of the quality of their new home. They get first hand feedback and pass any issues on to staff. Estate Walkabouts are also conducted alongside staff where they consider the provision of estate functions, working with staff in improving the community areas where the Association has housing stock.

Meetings are usually held monthly where the CLC members monitor the key performance targets with staff being present and held accountable for performance matters. These meetings are also used to discuss any difficult customer related decisions. Their views and recommendations on an appropriate course of action are obtained and then put into place.

CLC members are involved in kitchen choice on new developments as well as inspections of the finished homes where their views on quality, location and affordability are taken into consideration on future schemes. Their contribution also involves the discussion and review of all new policies and procedures that have a direct impact on customers with their views taken on board and where necessary incorporated.

In addition each year the CLC host a customer conference to which all customers of the Association are invited. They set the agenda ensuring customers are informed about things which are important to them. They also use this forum to promote their work and membership. The conference during the year concentrated on what constitutes ASB with members of the CLC undertaking some role play of different scenarios. The discussion that followed was used to update the Association's Tackling Antisocial Behaviour Policy and Strategy.

Supporting our community

The Association is working with the Positive Footprints Network in supporting the delivery of the "Raising Aspirations Project" for children and young people in local primary schools. The project enables primary school children to "discover their potential in the world of work". It aims to raise the children's aspirations for their future and shows them how they can develop employability skills which will help them overcome barriers and build their resilience. The Association has funded the project in three schools in the Starbeck area which have been chosen because a large proportion of its customers' children will attend those schools which are also in an area of relative low income and employment opportunities. This project is supported by staff getting involved in events, such as the Careers Carousel where local businesses talk to pupils about their careers and what their roles involve which enables pupils to learn about different opportunities. The project will have a positive impact for those schools and the Associations customers' children who have engaged with it. The project costs £2,400 per school and is delivered primarily by teachers. By providing the funding for these schools to deliver the programme, the Association is investing in the workforce of the future and delivering corporate, social responsibility.

Following feedback in our customer satisfaction survey the Association and CLC have started the "Better place to live" initiative for the Starbeck properties, an area where the Association has a high percentage of its homes. Meetings have been held with customers and a community involvement day planned for the summer – coronavirus willing. This initiative aims to improve the neighbourhood and help customers feel safer living in their homes. It is still at an early stage in its development.

Environmental sustainability statement

The Association is committed to protecting and supporting Harrogate's environment and quality of life objectives. It aims to reduce the impact it has on the local environment resulting from its business activities. As part of this it manages its activities in the workplace in various ways including:

- Reducing its energy consumption by using digital LED fittings.
- Lower temperatures for central heating and using TRVs on radiators.
- Reducing paper waste by providing electronic board papers, electronic works orders and scanning and sending documents electronically. Printing off is monitored to ensure that unnecessary printing is eliminated.
- Recycling cardboard and plastic from the office including toner cartridges.
- Limiting our carbon footprint by walking to local properties, sharing cars, using trains to external meetings and supporting working from home, use of skype, Zoom and conference calls where appropriate. All staff can now work from home.
- Bulk ordering supplies to minimise transport of goods.
- Using local contractors to avoid long journeys.
- E mailing and texting customers using the housing administration system instead of sending letters.
- E mailing newsletters to customers.

For our homes the Association provides:

- Energy efficient new build properties with an EPC rating of B or above with a number of properties fitted with solar panels and air source heat pumps.
- Investment to improve the EPC levels in existing homes to a minimum code C by 2030 where possible.
- Improved thermal efficiency by providing cavity wall and loft insulation, upgrading boilers to A* rated combination boilers and all properties being fully double glazed.
- Improved energy efficiency in our homes by providing LED light fittings where possible.

The Association will aim to ensure full compliance with all relevant environmental legislation and continually improve its approach, striving towards best practice in all its business activities. This will include the direct impacts that the business has on the environment and will also consider indirect impacts and areas where we can exert influence to stimulate sustainable development. The Association will seek to educate and facilitate good environmental practice in partners, suppliers and stakeholders as well as the many residents and individuals that make use of its services.

Results

The results for the year are set out in the accounts on pages 17 to 48.

Review of activities and performance for the year

The commentary here concentrates on the results of the Association. Applegarth Homes is surplus generating and therefore has a positive effect when its results are added to those of the Association to produce group accounts. Applegarth Homes has produced its own accounts which can be found on the website www.hhal.org.uk.

No report on performance would be complete without mentioning the coronavirus pandemic in which the world finds itself. The Association reacted by enabling employees to work from home and focus their efforts on helping customers through these difficult times. The additional costs associated with the move to home working were minimal and within the small team processes and procedures were easily adapted. Repairs almost immediately stopped being reported and some of our boiler replacement work was put on hold. All of these events unfolded, primarily, in the latter half of March so the financial impact on the results for the year was minimal. The impact is likely to be more significant for the year ended 31 March 2021. The Association's business plan is financially strong and scenario planning indicates the Association can easily withstand significant adverse financial impacts, like increased voids and arrears. The Board are confident that the Association will effectively manage through the coronavirus pandemic and remain a going concern.

Coronavirus aside the Association has had another successful year. The underlying operating surplus (excluding shared ownership first tranche sales) has grown from £510,477 to £564,555 and a healthy surplus on shared ownership first tranche sales of £236,370 has been achieved. Together these have produced an operating surplus of £800,925 for the year on turnover of £1,753,208. This position has been made possible by the property acquisitions in the year with an increase in the number of properties owned from 223 to 231. This would have been four higher but we were unable to get handover from the developer before the site was closed down due to the pandemic. This growth has been achieved without a corresponding increase in the Association's overheads which ultimately makes it more efficient.

This level of growth coupled with sustained day to day operational performance has only been achieved with the support, hard work and dedication of staff. The Board would like to take this opportunity to formally thank them for their contribution to the Association's continuing success and for their continued efforts during the pandemic.

In addition to this growth the Association has also progressed on a number of other initiatives. Details of the primary ones are as follows:

- The development of the new housing management system noted in last year's report continued with the Association being fully live across all the modules from 1 October. Repairs processing and invoice approval is fully integrated into the accounts package providing a much streamlined administration process with a much reduced risk of errors taking place. The ability to see previous repairs on properties will be beneficial as the history is built up over time.
- On the back of the satisfaction survey results last year and as noted above work has started on our "Better place to live" initiative in the Starbeck area. It is at an early stage but represents a new direction for the Association.
- The new arrangements for the future management of the Avondale Homeless Hostel have been delayed at Harrogate Borough Council. Once Council approval has been obtained the property will be sold to them. They currently manage the service being delivered at the scheme and it is sensible for them to take on ownership of the building. It will continue to be used for social housing in line with the request when it was gifted to the Association.
- A new £2.3m bond maturing in 2043 was obtained from THFC utilising existing security held by them at an all-in cost of funds of 2.47%. This puts the Association in a strong position to obtain additional S106 properties once they become available. £220,440 of the loan was used to repay a loan with Yorkshire Bank after the Association was unable to agree a cost-effective approach to the triennial valuations the lender required.
- An opportunity to streamline the administration processes and costs associated with the management of Applegarth Homes without impacting on the Almshouse's original ethos was identified. This involves the incorporation of the Almshouse as a Charitable Incorporated Organisation which will be undertaken during 2020/21.

Review of activities and performance for the year (continued)

- An expansion opportunity for Harrogate Flower Fund Homes, an organisation which the Association manages, which will increase their housing stock by 15 to 42 was explored. The Association will benefit by receiving a higher fee but, more importantly, it increases the number of properties available to help those in need, thus fulfilling one of its (and Harrogate Flower Fund Homes) core objectives.
- The Association's Apprentice Housing Officer successfully achieved their CIH level 3 qualification and has become an integral part of the housing management team.
- Remodelled one of the Associations older properties to provide a more modern layout to confirm if it was achievable, practical and could be let. The change was successful and will be considered for other similar properties when they become void.

Alongside the above the day to day operations of the Association have continued unabated. Focussing on the three most important areas of operation:

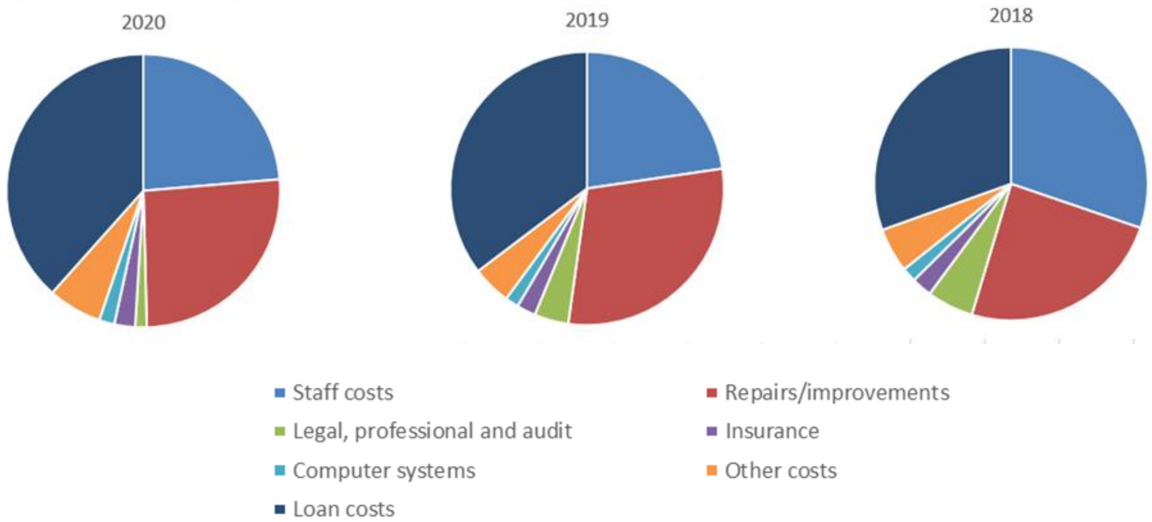
- Void losses have been kept to a minimum at only £2,284 for the year (0.2%). The Association is fortunate in usually receiving notice of an impending departure with properties returned in a lettable condition but staff work hard to ensure a nomination or waiting list applicant is in place for when the tenancy ends. Staff also worked hard to ensure the new properties were let immediately on handover from the developer but a significant proportion of the void loss resulted from a delay in the Council identifying a suitable nomination for a property (the Council has nomination rights for the first let on each new build property).
- Arrears have shown an increase as a result of timing but the collection percentage has remained strong at 100.8%. Although problems still arise with Universal Credit staff work hard to ensure claims are followed up and chased by both the customer and the Association. The impact from reduced income of our customers due to the pandemic had not impacted by the end of the year.
- Repairs spend has increased and would have been higher but it was not possible to complete some of the central heating boiler replacements due to the pandemic. Only six boilers out of 13 were replaced. The Association though did also replace 11 kitchens and 19 bathrooms but this was not without its problems which resulted in deductions being made from the appointed contractors full contract price to cover remediation work and provide compensation to customers. Day to day repairs showed a more than seasonal increase in volume during the second half of the year but this was manageable. No underlying theme for the increase could be identified and, with the effective cessation of new repairs being reported as a result of the pandemic, we will need to wait until business returns to normal to identify if this will continue. Electrical safety inspections have also resulted in a higher than expected cost of remedial works. All the works required to obtain a satisfactory certificate have been undertaken and a plan is in place to undertake additional enhancement works during the next few years. 93% of jobs were completed within timescales with an average repair time of 10 days. Satisfaction remained high at 98% over four different measures.

The growth of the Association has been undertaken using cash reserves, proceeds from the disposal of shared ownership properties and the new bond finance drawn down in the year. There remains a significant amount of the bond finance available, £2m, which together with a £5m revolving facility with Yorkshire Building Society provides sufficient funds to meet the contracted developments of the Association as well as enabling it to bid for more development schemes when they arise.

Shared ownership sales contributed significantly to the overall financial performance of the Association comprising £236,370 of the surplus from four sales. Unfortunately we were unable to get the last one we have in stock sold before the year end as there was a delay in obtaining searches by the purchaser and, unfortunately, the purchaser withdrew from the transaction in April. This property was remarketed and a sale is now progressing. The Association also converted one property held last year end during the year to rent. Its location, nearer York than Harrogate but with a Harrogate connection requirement, proved a difficult barrier to overcome and with little interest being exhibited the conversion was undertaken.

Review of activities and 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 more homes to be provided. Due to the additional loan obtained during the year and that it has not yet been converted fully into new properties the proportion of income spent on interest has increased. The proportion spent on repairs was lower but overall repairs spend increased.

Future activities

With significant cash reserves available and access to a £5m loan facility the Association is well placed to continue to grow.

The Association is able to express an interest in affordable housing under the S106 allocation process as opportunities become available. Properties are allocated based on demand from housing associations, numbers previously received by associations and the business case put forward by each association for a specific scheme. The price is pre-determined based on property 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.

At the year end the Association was waiting for final snagging to be completed on four properties and was in contract for a further 23 across two sites. The snagging rectification was underway and building work was progressing well on the other two sites until all three were closed due to the pandemic. The sites were re-opened in May and June with the four properties completed and handed over in May. Handovers on the other two sites are expected during the year which is earlier than anticipated by the business plan.

The Association has also been allocated a further 32 properties on a site, but contract negotiations have not yet started. The Association is well placed to express an interest in any new sites which come forward once the pandemic comes to an end. The latter though has had a significant impact on the housing market reducing demand and as a result there may be fewer opportunities available in the immediate future. If this occurs the Association will be holding cash reserves for longer than originally anticipated when they were obtained which will impact on the overall surplus being generated. Scenario testing of the Association's long term business plan indicates this is not a major concern.

Future activities (continued)

Following the recruitment last year of an apprentice housing officer, who successfully achieved CIH level 3, the Board determined that the best interests of the Association would be served by appointing the apprentice to the role of assistant housing officer. The appointment ensures the Association retains the skills acquired and customer relationships developed by the individual during their apprenticeship and enables it to better manage workloads at peak times, something which has been invaluable during the recent pandemic. The current staff structure is sufficient to manage the growth noted above together with any new opportunities which may arise which utilise the current loan facilities available to the Association.

Investing in existing properties remains important. We have allocated a budget of £213,000 for planned maintenance work in the coming year and a further £40,000 for works to increase the thermal comfort of our properties. The latter marks the start of a long term project to move our properties to an EPC C level, where possible, by 2030. Given the problems experienced with the planned maintenance contractor last year we will need to adopt a new approach to this area of work going forward. We intend to replace a minimum of 10 kitchens, 18 central heating boilers and five sets of windows in the coming year. Additional works will be undertaken to utilise the allocated budget, but these will not be confirmed until later in the year.

The year will also see the disposal of the Avondale Homeless Hostel to Harrogate Borough Council. The proceeds will be used to invest in eight additional new build properties.

Reserves

The aim of the Association is to hold limited cash reserves with cash flow managed via a surplus generated on its housing activities and loan facilities. The long term additional funding obtained from THFC in 2019 and shared ownership sales has resulted in significant cash reserves being held at the year end. These cash reserves will be used to fund the development activities noted above. The Board approved the drawdown from THFC recognising that the growth of the Association, supported by long term financing, outweighed the cost of carry of the debt until development schemes were realised. The Board have also confirmed that no capital project can be contracted until adequate funding has been secured which is facilitated by the above approach.

Creditor payment terms

Invoices received by the Association and its subsidiary 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 12 and 13 of the accounts.

Political and charitable donations

During the year the Association and its subsidiary 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 an increasing number of quality homes at affordable rents for customers
- Providing the services customers want, cost effectively, efficiently and to the standards customers expect
- Contributing to improving the physical and social sustainability of the areas in which it works

Value for money (continued)

The Association recognises that it needs to constantly look at how it delivers its core services to ensure they are cost effective and efficient, monitor the satisfaction of customers in relation to those services, taking action where appropriate, and ensure demand for its properties remains high. However, the key strategic objective to deliver value for money centres on property growth without a corresponding increase in the costs of management. There should be no requirement to change the organisational structure, the biggest element of overhead costs, in the near future, so if more properties are added to the portfolio overhead efficiency will be generated. This is unlikely to reflect itself though in the standard social housing cost per unit value for money metric below as the Association intends to invest in energy efficiency works in its properties to fully utilise its available budgets and this would be included in that measure. The Association has, therefore, developed an overhead cost per property metric based on the total salaries and administration overheads incurred by the Association. These costs have been consistently recorded over a number of years as part of the management accounts so the metric can be retrospectively calculated.

Delivering on its value for money objective the Association has grown during the year increasing the number of properties it owns by eight – a 3.3% increase as measured by the value for money metric below. An additional four properties were expected to be completed before the year end but could not be delivered as the developer was unable to source the materials to complete snagging following the coronavirus lock down. These properties were handed over in May, shortly after the lock down began to be eased. They have been included in the new supply delivered target for 2021 below. With a further 23 properties on site, and funds available to deliver more than 70 more, and no plans to change its operational structure, the Association is in a beneficial place to deliver on its value for money strategic objective.

However, whilst there are a significant number of S106 development opportunities available (post coronavirus demand permitting) there is also an increasing number of housing associations in competition for the schemes offered. We continue to promote our USP of the added benefit the Association makes to the local Harrogate economy due to the location of our office, the employment of predominantly local people and the use of small local contractors, at site allocation meetings.

Total affordability of living in one of our properties is key. Our rent policy sets rents at 80% of market levels or the local housing allowance level whichever is lower where properties are EPC C or above, 70% of market levels or the local housing allowance level whichever is lower where properties are EPC D and social rents where the EPC is lower than D. This makes the rent lower for properties which cost more to heat.

All our assets are located within the Harrogate district, the only area in which we operate, and are in high demand. No individual asset has been identified as loss making.

The management of properties for other housing associations is not, in itself, a social housing activity for the Association, but it has an underlying social housing purpose. We have reviewed and renegotiated the amounts we charge for the services we deliver to ensure they cover the costs we incur in undertaking the activity. Any reductions in our underlying costs are passed onto the associations at agreement renewal.

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

VFM Standard metrics	**Target 2021****	**Actual 2020**	**Target 2020**	**2019**	**2018**	**Sector median***
1 Reinvestment percentage	9.5%	7.1%	12.8%	10.1%	8.9%	4.3%
2 New supply delivered ***	2.4%	3.3%	2.1%	15%	0%	0.6%
3 Gearing	38.3%	30.6%	39.1%	31.9%	31.0%	34.8%
4 EBITDA MRI interest cover	118.8%	209.5%	208.1%	248.2%	157.7%	202%
5 Social housing costs per unit	£3,367	£2,606	£2,928	£2,786	£2,524	£4,675
6 Operating margin social housing	28.9%	42.3%	34.5%	40.6%	42.1%	23.1%
Operating margin overall	29.5%	45.4%	39.1%	46.1%	39.0%	20.1%
7 Return on capital employed	2.2%	4.1%	4.0%	5.1%	2.7%	3.0%

Value for money (continued)

* Traditional registered providers with between 1,000 and 2,500 units as per the Regulator of Social Housing's 2019 Global Accounts VFM metrics
** - these are based on the Board approved business plan. In comparison to 2020 they are impacted by the timing of developments and receipt of completed units, no shared ownership sales, a higher group spend on planned maintenance and major repairs and a prudent budget
*** - all new supply delivered was social housing units. A rolling target of 60 units over a three year period is in place (equating to approximately 8% per annum)

Other key statistics for the Association are shown below:

Other metrics	**Target 2021** [a]	**Actual 2020**	**Target 2020**	**2019**	**2018**
Overhead cost per property	£1,548	£1,403	£1,559	£1,479	£1,653
Percentage of rent collected	100%	100%	100%	100.69%	98.91%
Voids and bad debts percentage	0.2%	0.7%	0.2%	0.4%	0.9%
Units owned (Association)	237	231	228	223	189
Total units managed	N/A	287	N/A	280	261
Net debt per Association owned unit £000s	31	25	<60	25	25
Customer satisfaction [b]					
Overall	97%	91%	97%	91%	87%
Value for money of rent	95%	86%	95%	86%	84%

a - these are the stretch targets used for monitoring and management. Overall the Association is operating well within the parameters used in the business plan. The overhead cost per policy is based on the budget for the year
b - surveys undertaken in years ended 31 March 2019 and 31 March 2017, target is top quartile performance. A new survey will be undertaken during year ending 31 March 2021.

The VFM metrics for the year and performance against the 2020 target have been impacted by:

- Development schemes overall (including assets under construction) not progressing as fast as the 2020 business plan assumed so investment was lower than anticipated although one scheme delivered properties ahead of business plan expectations
- The additional bond finance obtained from THFC, but remaining largely unspent at the year end, had little impact on gearing but increased interest costs over those that would have been incurred had the Association used its revolving facility. The Association took the opportunity to enter the market while interest rates were low and fully utilise the security capacity of housing stock already charged to THFC. This delivered excellent VFM in terms of cost, interest rate and use of assets as security and significantly strengthened the long term business plan
- Two shared ownership property sales not being completed in the year as planned. One was converted to rent in the year with the second being sold post year end
- A lower spend on planned maintenance as a number of projects due to be completed in March were delayed due to coronavirus

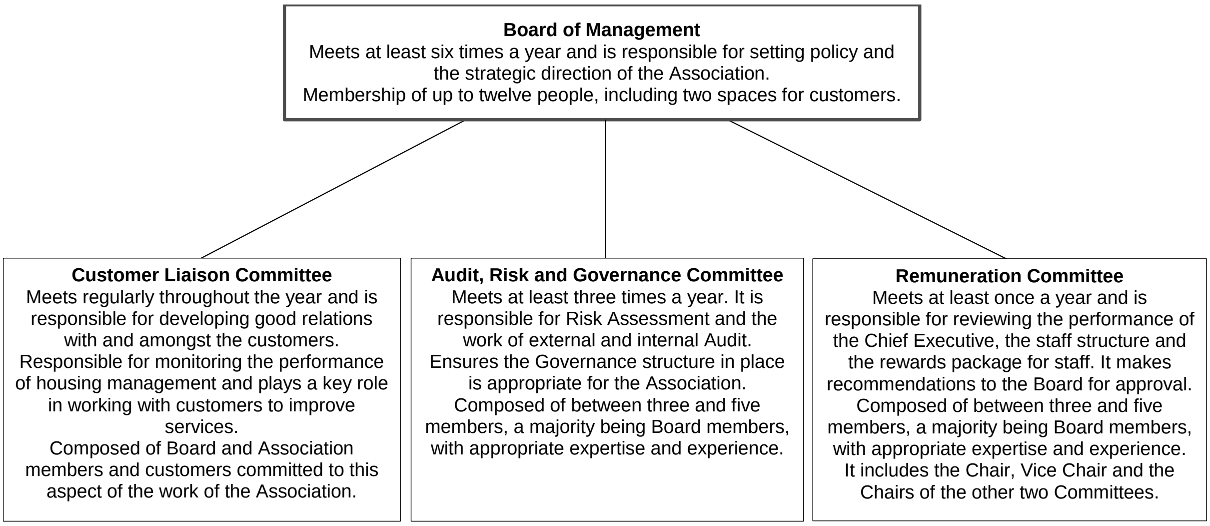
In relation to the other metrics of the Association there has been a steady reduction in the overhead cost per property in line with the VFM strategy for growth. The target for 2021 is based on a prudent budget which includes the costs associated with reducing access to the defined benefit pension scheme, the permanent employment of the apprentice, increased CIH training and the cost of a customer survey. The Association suffered a number of bad debts in the year which were higher than normal and resulted from customers leaving with high arrears, due to be covered by universal credit which was never received, and significant recharges for damage or property clearance. The levels experienced though are well within the business plan parameters of 2%.

Value for money (continued)

The Association subscribes to SPBM – the smaller providers benchmarking group run by Acuity. Comparing ourselves with other associations of less than 1,000 units who predominately have general needs housing stock we sit firmly in the top quartile on all the VFM metrics where quartiles are published (data extracted on 1 July 2020). We are a top quartile performer on voids and rent collected but sit in the second and third quartiles in relation to the two customer satisfaction measures. The survey undertaken in 2019 shows we are continuing to improve but still have some way to go to reach the top quartile. An action plan was developed from the survey results with the aim of further improving our customer satisfaction ratings. With another survey due in the year ending 31 March 2021 we will be able to ascertain if customer satisfaction has improved. It is worth noting that although the base satisfaction survey response put us in the third quartile our net promoter score is in the top quartile.

Governance

The following governance structure has been in place throughout the year and the Board have confirmed that it still meets the needs of the Association:



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.

The Board have adopted the National Housing Federation's Code of Governance 2015. The Association complies fully with the code. Succession planning of skills gaps arising as members retire through the nine year rule has been considered with targeted recruitment of Board members with the appropriate skills. A formal Board performance review was undertaken by the Chair during 2018/19 and will be repeated in 2020/21.

Under the nine year rule Stuart Whyte, the Chair for over five years, and Jane Worrell stepped down at the Annual General Meeting in September 2019. The Board had already confirmed that Andy Gamble would take up the role of Chair. The Board would like to thank both Stuart and Jane for their contributions to the growth of the Association and the strengthening of its financial performance.

The Association has also adopted the National Housing Federations voluntary code for Mergers, Group Structures and Partnerships. There was no activity in this area during the year.

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. In addition Applegarth Homes has taken out entity directors and officers liability insurance to indemnify the Association against liability when acting as corporate trustee.

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.

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 the regulator's 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 – growth continued during the year with eight properties handed over and a further 27 on site. In addition the acquisition of 15 properties by the managed contract, for which the Association will receive a management fee in the future, was progressed. An additional £2.3m loan from THFC, using the existing security they held, was put in place. Funding is in place to deliver all contracted schemes and more than 70 more properties. There remains a large number of S106 opportunities available to the Association but these may be impacted by the property market slowdown arising from the pandemic. There is significant headroom in the existing loan covenants.
- Shared ownership properties are not disposed of in a timely manner – on average shared ownership properties form approximately a third of each S106 scheme allocated to the Association. There is therefore an increased exposure to the sales market. The business plan assumes a six month delay in sale. Scenario planning looks at the conversion of unsold shared ownership properties to affordable rent and confirms this is manageable. Regular reporting to Board on sales is undertaken. An agreement with a local estate agent to market the properties is also in place. Only one unsold shared ownership property was held at the year end which was converted to rent as the sale did not progress as planned. The Board have agreed that a request to relax the local connection criteria will be done three months after the start of marketing a property and subsequently if there is no demand the property will be converted to rent. This was done for one property in the year.
- 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 in place.
- 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. The apprentice housing officer has been made an assistant housing officer and their studies are continuing. This is also the case with the housing officer. Growth of the Association will also enable additional staff to be recruited if required.
- Welfare reform could 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.

A separate risk map was produced to cover the coronavirus pandemic. This documented the approach to be adopted by the Association in relation to the day to day management of its operations as well as detailing actions required from individual members of the team to deliver continuity of service. Remote working was quickly put in place with vulnerable customers being contacted on a regular basis and support being given as required. The Board were updated regularly on progress.

The Association does not have any tower blocks or buildings with cladding. Externally commissioned fire risk assessments have been undertaken for all properties with communal areas and any items identified as requiring attention have been dealt with. Regular, independent inspections of the communal areas take place.

The Board considered the impact of Brexit on the Association. With funding in place to meet existing allocated S106 schemes, no reliance on EU nationals to deliver its services, buoyant demand for its properties (both rented and shared ownership) and no direct construction activity undertaken the Board considered that increased costs of raw materials for major works and repairs was the main risk. They considered that sufficient surplus was being generated to manage this eventuality if it occurred.

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.

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.

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 2018 SORP for Registered Social Housing Providers.

Approved by the Board of Management on 29 July 2020

Mr A Gamble
Chairman

Opinion

We have audited the financial statements of Harrogate Housing Association Limited ("the Association") and its subsidiary ("the Group") for the year ended 31 March 2020 which comprise the consolidated and Association Statement of Comprehensive Income, the consolidated and Association Statement of Financial Position, the consolidated and Association Statement of Changes in Reserves, the consolidated Statement of Cash Flows and the 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 Group's and the Association's affairs as at 31 March 2020 and of the Group's income and expenditure and the Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Cooperative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group 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 of Management's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board of Management have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or 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.

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 of Management is responsible for the other information. Our opinion on the financial statements does not cover the other information and 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 Cooperative and Community Benefit Societies Act 2014 requires 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 require for our audit.

Responsibilities of the Board of Management

As explained more fully in the Statement of Board's Responsibilities set out on page 11, the Board of Management are 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 of Management 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 of Management are responsible for assessing the Group's and 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 of Management either intend to liquidate the Group or Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's 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 in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to it 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 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: 6 August 2020

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2020

	Notes	2020 £	2019 £
Turnover	3a	1,799,192	1,968,721
Operating expenditure	3a	(982,252)	(1,060,897)
Profit on disposal of fixed assets	3c	-	378
Operating surplus		816,940	908,202
Interest receivable and similar income	5	12,130	9,496
Interest and financing costs	6	(409,805)	(360,203)
Movement in fair value of fixed asset investments	14	(20,633)	2,566
Surplus before taxation		398,632	560,061
Taxation	11	-	-
Surplus for the year	7	398,632	560,061
Other comprehensive income			
Initial recognition of multi-employer defined benefit scheme	10	-	(37,000)
Actuarial gains/(losses) in respect of pension scheme	10	110,000	(38,000)
Total comprehensive income for the year		508,632	485,061

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

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

The notes on pages 24 to 48 form an integral part of these financial statements.

The financial statements on pages 17 to 48 were approved and authorised for issue by the Board of Management on 29 July 2020 and were signed on its behalf by:-

Mr A Gamble **Chair of the Board**

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

Mr S Brook **Secretary**

Harrogate Housing Association Limited

Association Statement of Comprehensive Income
For the year ended 31 March 2020

	Notes	2020	2019
		£	£
Turnover	3b	1,753,208	1,922,410
Operating expenditure	3b	(952,283)	(1,029,749)
Profit on disposal of fixed assets	3c	-	378
Operating surplus		800,925	893,039
Interest receivable	5	8,002	4,967
Interest and financing costs	6	(409,805)	(360,203)
Surplus before taxation		399,122	537,803
Taxation	11	-	-
Surplus for the year	7	399,122	537,803
Other comprehensive income			
Initial recognition of multi-employer defined benefit scheme	10	-	(37,000)
Actuarial gains/(losses) in respect of pension scheme	10	110,000	(38,000)
Total comprehensive income for the year		509,122	462,803

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 24 to 48 form an integral part of these financial statements.

The financial statements on pages 17 to 48 were approved and authorised for issue by the Board of Management on 29 July 2020 and were signed on its behalf by:-

Mr A Gamble **Chair of the Board**

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

Mr S Brook **Secretary**

Harrogate Housing Association Limited

Consolidated Statement of Financial Position
For the year ended 31 March 2020

	Notes	2020		2019	
Fixed assets		£	£	£	£
Housing properties	12a		17,611,398		16,630,638
Other tangible fixed assets	13		210,507		217,076
Investments	14		97,619		111,310
			17,919,524		16,959,024
Current assets					
Stock	15	89,013		135,289	
Trade and other debtors	16	107,795		89,646	
Current asset investments	17	182,000		104,000	
Cash and cash equivalents	18	2,300,697		1,178,581	
		2,679,505		1,507,516	
Less: **Creditors**: amounts falling due within one year	19	(574,642)		(760,840)	
Net current assets			2,104,863		746,676
Total assets less current liabilities			20,024,387		17,705,700
Creditors: amounts falling due after more than one year	20		(13,492,215)		(11,572,160)
Provisions for liabilities					
Pension – defined benefit liability	10		(70,000)		(180,000)
Total net assets			6,462,172		5,953,540
Reserves					
Non-equity share capital	23		27		28
Income and expenditure reserve	24		6,462,145		5,953,512
Total reserves			6,462,172		5,953,540

The notes on pages 24 to 48 form an integral part of these financial statements.

Association Statement of Financial Position

The financial statements on pages 17 to 48 were approved and authorised for issue by the Board of Management on 29 July 2020 and were signed on its behalf by:-

Mr A Gamble **Chair of the Board**

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

Mr S Brook **Secretary**

	Notes		2020		2019
Fixed assets		£	£	£	£
Housing properties	12b		17,221,477		16,239,298
Other tangible fixed assets	13		210,507		217,076
			17,431,984		16,456,374
Current assets					
Stock	15	89,013		135,289	
Trade and other debtors	16	105,444		89,009	
Current asset investments	17	182,000		104,000	
Cash and cash equivalents	18	2,183,605		1,074,606	
		2,560,062		1,402,904	
Less:					
Creditors: amounts falling due within one year	19	(567,009)		(753,418)	
Net current assets			1,993,053		649,486
Total assets less current liabilities			19,425,037		17,105,860
Creditors: amounts falling due after more than one year	20		(13,492,215)		(11,572,160)
Provisions for liabilities					
Pension – defined benefit liability	10		(70,000)		(180,000)
Total net assets			5,862,822		5,353,700
Reserves					
Non-equity share capital	23		27		28
Income and expenditure reserve	24		5,862,795		5,353,672
Total reserves			5,862,822		5,353,700

The notes on pages 24 to 48 form an integral part of these financial statements.

The financial statements on pages 17 to 48 were approved and authorised for issue by the Board of Management on 29 July 2020 and were signed on its behalf by:-

Mr A Gamble **Chair of the Board**

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

Mr S Brook **Secretary**

Consolidated Statement of Changes in Reserves
For the year ended 31 March 2020

	Non-equity share capital £	Income and expenditure reserve £	Total £
Balance at 1 April 2018	25	5,468,450	5,468,475
Surplus for the year	-	560,061	560,061
Initial recognition of multi-employer defined benefit scheme	-	(37,000)	(37,000)
Actuarial losses in respect of pension scheme	-	(38,000)	(38,000)
Shares issued during the year	4	-	4
Shares surrendered during the year	(1)	1	-
Balance at 31 March 2019	28	5,953,512	5,953,540
Surplus for the year	-	398,632	398,632
Actuarial gains in respect of pension scheme	-	110,000	110,000
Shares issued during the year	-	-	-
Shares surrendered during the year	(1)	1	-
Balance at 31 March 2020	27	6,462,145	6,462,172

The notes on pages 24 to 48 form an integral part of these financial statements.

Harrogate Housing Association Limited

Association Statement of Changes in Reserves
For the year ended 31 March 2020

	Non-equity share capital £	Income and expenditure reserve £	Total £
Balance at 1 April 2018	25	4,890,868	5,468,475
Surplus for the year	-	537,803	537,803
Initial recognition of multi-employer defined benefit scheme	-	(37,000)	(37,000)
Actuarial losses in respect of pension scheme	-	(38,000)	(38,000)
Shares issued during the year	4	-	4
Shares surrendered during the year	(1)	1	-
Balance at 31 March 2019	28	5,353,672	5,353,700
Surplus for the year	-	399,122	399,122
Actuarial gains in respect of pension scheme	-	110,000	110,000
Shares issued during the year	-	-	-
Shares surrendered during the year	(1)	1	-
Balance at 31 March 2020	27	5,862,795	5,862,822

The notes on pages 24 to 48 form an integral part of these financial statements.

Consolidated Statement of Cash Flows
For the year ended 31 March 2020

	2020		2019	
	£	£	£	£
Net cash generated from operating activities (see Note 1 below)		1,100,642		1,159,314
Cash flow from investing activities				
Purchase of tangible fixed assets	(1,471,957)		(1,458,293)	
Proceeds from shared ownership staircasing sales	-		44,255	
Grants received	-		73,500	
Grants repaid	-		(18,734)	
Purchase of NAACIF shares	(2,970)		(2,970)	
Investments	-		1,000,000	
THFC sinking fund increase	(78,000)		-	
Interest received	7,312		5,207	
		(1,545,615)		(357,035)
Cash flow from financing activities				
Shares issued	-		4	
Interest paid	(395,438)		(363,630)	
Refinancing/other loan related costs	(86,493)		(27,939)	
New secured loans	2,266,290		-	
Repayments of loans	(217,270)		(32,193)	
		1,567,089		(423,758)
Net change in cash and cash equivalents		1,122,116		378,521
Cash and cash equivalents at beginning of year		1,178,581		800,060
Cash and cash equivalents at end of the year		2,300,697		1,178,581

Note 1

	2020	2019
Surplus for the year	398,632	560,061
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	279,728	254,203
Amortisation of Government grants	(67,610)	(67,610)
Decrease in stock	46,276	49,406
Increase in trade and other debtors	(14,610)	(12,443)
Increase in trade and other creditors	39,918	26,094
Loss on disposal of fixed assets	-	1,462
Adjustments for investing or financing activities:		
Interest and financing costs	409,805	360,203
Interest received	(12,130)	(9,496)
Movement in fair value of investments	20,633	(2,566)
	1,100,642	1,159,314

The notes on pages 24 to 48 form an integral part of these financial statements.

1. General information

Harrogate Housing Association Limited 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.

The Group comprises the following entities:

Name	Incorporation	Registration status
Harrogate Housing Association Limited	Co-operative and Community Benefit Societies Act 2014	Registered – Regulator of Social Housing
Applegarth Homes	Unincorporated charity	Registered – Charity Commission

2. Principal accounting policies

Basis of accounting

The Group's 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 2018. The Group is required under the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 to prepare consolidated Group accounts.

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. The accounts are prepared on the historical cost basis of accounting as modified by the revaluation of investments and are presented in sterling £ for the year ended 31 March 2020.

The Group's financial statements have been prepared in compliance with FRS 102. The Group meets the definition of a public benefit entity (PBE).

Parent company disclosure exemptions:
In preparing the separate financial statements of the parent association, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No separate Statement of Cash Flows has been presented for the parent association.
- No separate disclosure has been given for the aggregate remuneration of the key management personnel of the parent association as their remuneration is included in the totals for the group as a whole and are the same.

Basis of consolidation

The consolidated financial statements incorporate the results of Harrogate Housing Association Limited and its subsidiary undertaking as at 31 March 2020 using the acquisition method of accounting.

Going concern

The Group's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. The Covid-19 pandemic was unexpected and it is recognised that it will have an impact on the future income and expenditure of the Group, however, the current business plan is financially strong and stress testing indicates the Group can easily withstand significant adverse financial impacts, like increased voids and arrears, and remain compliant with its loan obligations. The Board of Management are confident that the Group will effectively manage through the coronavirus pandemic and remain a going concern.

2. Principal accounting policies (continued)

The Board of Management also has a reasonable expectation that working capital is adequate to continue in operational existence for the foreseeable future. The Group holds various loan facilities (as detailed in note 20) 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, it 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 Group has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Group has considered if the asset is held for social benefit or to earn commercial rentals.

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

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 Group has assessed that Covid 19 is not considered a trigger for an impairment review due to the lack of voids, the high demand for properties and the level of rents being obtained together with high euv-sh valuations on recent valuations. No impairment in the year is necessary.

c. Shared ownership properties
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. The carrying value of shared ownership properties held within current assets is judged to be the lower of cost and net realisable value.

d. Pension and other post-employment benefits.
The Group participates in the Social Housing Pension Scheme ('SHPS'), a defined benefit multiemployer pension scheme administered by TPT Retirement Solutions ('TPT'). The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations, and these valuations involve making assumptions. The critical underlying assumptions in

2. Principal accounting policies (continued)

relation to the estimate of the pension defined benefit scheme obligation are standard rates of inflation, property valuations, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in note 10.

Turnover and revenue recognition

Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities and Homes England, 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.

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 (UELs), 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 Group depreciates freehold housing properties by component on a straight-line basis over the estimated UELs of the component categories.

2. Principal accounting policies (continued)

The Group 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.

UELs 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 Group 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.

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.

Fixed asset investments

Investments are recognised initially at fair value which is normally the transaction price excluding transaction costs. Subsequently, they are measured at fair value through the statement of financial activities if the shares are publicly traded or their fair value can otherwise be measured reliably. Other investments are measured at cost less impairment.

2. Principal accounting policies (continued)

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 Group 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.

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.

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.

2. Principle accounting policies (continued)

Provisions

The Group 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 Group only has financial assets and financial liabilities of a kind that qualify as basic financial instruments.

Basic financial instruments, where a financing transaction, are initially recognised at fair value including any premium or discount on issue and subsequently measured at amortised cost using the effective interest method.

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 the statement of comprehensive income immediately.

Avondale

The Avondale is a property leased by the Group 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 Group 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 Group. 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 Group 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.

3a. Group particulars of turnover, operating expenditure and operating surplus

	2020		
	Turnover	Operating Expenditure	Operating Surplus
	£	£	£
Social housing lettings (see note 4a)	1,356,622	(782,382)	574,240
Other social housing activities			
First tranche low cost home ownership sales	390,250	(153,880)	236,370
Management income	43,705	(39,233)	4,472
Other	8,615	(6,757)	1,858
Total	1,799,192	(982,252)	816,940

	2019		
	Turnover	Operating Expenditure	Operating Surplus
	£	£	£
Social housing lettings (see note 4a)	1,277,933	(759,682)	518,251
Other social housing activities			
First tranche low cost home ownership sales	632,250	(250,066)	382,184
Management income	49,717	(43,131)	6,586
Other	8,821	(8,018)	803
Total	1,968,721	(1,060,897)	907,824

3b. Association particulars of turnover, operating expenditure and operating surplus

	2020		
	Turnover	Operating Expenditure	Operating Surplus
	£	£	£
Social housing lettings (see note 4b)	1,299,138	(741,940)	557,198
Other social housing activities			
First tranche low cost home ownership sales	390,250	(153,880)	236,370
Management income	55,205	(49,706)	5,499
Other	8,615	(6,757)	1,858
Total	1,753,208	(952,283)	800,925

	2019		
	Turnover	Operating Expenditure	Operating Surplus
	£	£	£
Social housing lettings (see note 4b)	1,220,122	(718,457)	501,665
Other social housing activities			
First tranche low cost home ownership sales	632,250	(250,066)	382,184
Management income	61,217	(53,208)	8,009
Other	8,821	(8,018)	803
Total	1,922,410	(1,029,749)	892,661

3c. Profit on disposal of fixed assets

	Group and Association	
	2020	2019
	£	£
Disposal proceeds	-	45,000
Carrying value of fixed assets	-	(42,804)
Other cost of sales	-	(1,818)
	-	378

4a. Group particulars of turnover and operating expenditure from social housing lettings

	General needs housing	Supported housing	Shared ownership	Total 2020	Total 2019
	£	£	£	£	£
Income					
Rent receivable net of identifiable service charges and net of voids	1,153,501	57,272	49,011	1,259,784	1,179,057
Service charge income	26,098	-	3,130	29,228	31,266
Amortised government grants	54,691	11,138	1,781	67,610	67,610
Total turnover from social housing lettings	1,234,290	68,410	53,922	1,356,622	1,277,933
Operating expenditure					
Management	240,542	13,615	20,946	275,103	293,160
Service charge costs	25,908	-	2,853	28,761	27,719
Routine maintenance	112,382	2,151	-	114,533	95,592
Planned maintenance	49,189	1,732	-	50,921	48,601
Major repairs expenditure	38,505	-	-	38,505	48,384
Bad debts	6,650	-	-	6,650	3,957
Depreciation of housing properties	239,047	19,559	9,303	267,909	242,269
Total operating expenditure on social housing lettings	712,223	37,057	33,102	782,382	759,682
Operating surplus on social housing lettings	522,067	31,353	20,820	574,240	518,251
Voids losses (being rental and service charge income lost as a result of property not being let, although it is available for letting)	2,770	-	-	2,770	1,453

4b. Association particulars of turnover and operating expenditure from social housing lettings

	General needs housing	Supported housing	Shared ownership	Total 2020	Total 2019
	£	£	£	£	£
Income					
Rent receivable net of identifiable service charges and net of voids	1,106,878	57,272	49,011	1,213,161	1,132,170
Service charge income	15,237	-	3,130	18,367	20,342
Amortised government grants	54,691	11,138	1,781	67,610	67,610
Total turnover from social housing lettings	1,176,806	68,410	53,922	1,299,138	1,220,122
Operating expenditure					
Management	225,888	13,615	20,946	260,449	276,759
Service charge costs	16,035	-	2,853	18,888	17,470
Routine maintenance	104,364	2,151	-	106,515	88,064
Planned maintenance	46,849	1,732	-	48,581	45,884
Major repairs expenditure	38,505	-	-	38,505	48,384
Bad debts	6,650	-	-	6,650	3,957
Depreciation of housing properties	233,490	19,559	9,303	262,352	237,939
Total operating expenditure on social housing lettings	671,781	37,057	33,102	741,940	718,457
Operating surplus on social housing lettings	505,025	31,353	20,820	557,198	501,665
Voids losses (being rental and service charge income lost as a result of property not being let, although it is available for letting)	2,284	-	-	2,284	1,453

5. Interest receivable and similar income

	Group 2020 £	Group 2019 £	Association 2020 £	Association 2019 £
Bank interest received	8,158	5,053	8,002	4,967
Investment income	3,972	4,443	-	-
	12,130	9,496	8,002	4,967

6. Interest and financing costs

	Group 2020 £	Group 2019 £	Association 2020 £	Association 2019 £
Loan interest	399,321	367,570	399,321	367,570
Costs associated with financing and refinancing	67,027	40,763	67,027	40,763
Amortisation of bond premium	(44,818)	(31,262)	(44,818)	(31,262)
Interest on pension scheme deficit	4,000	4,000	4,000	4,000
Less: interest capitalised/prepaid	(15,725)	(20,868)	(15,725)	(20,868)
	409,805	360,203	409,805	360,203

The average cost of borrowing used to capitalise interest was 4.32% (2019 – 4.49%).

7. Surplus for the year

	Group 2020 £	Group 2019 £	Association 2020 £	Association 2019 £
Surplus for the year is stated after charging/(crediting):				
Auditor's remuneration (excluding VAT):				
In their capacity as auditors	7,745	7,417	6,180	5,881
In respect of other services	4,520	316	4,520	316
Operating lease rentals	732	732	732	732
Depreciation of housing properties	267,909	242,269	262,352	237,939
Depreciation of office fixtures and fittings	11,819	11,934	11,819	11,934
Loss on disposal of other fixed assets	-	1,841	-	1,841
Amortisation of government grants	(67,610)	(67,610)	(67,610)	(67,610)

8. Employee information

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

	Group and Association	
	2020	**2019**
	No	**No**
Housing management and administration	6	5

	2020	**2019**
	£	**£**
Staff costs (for the above persons):		
Wages and salaries	199,788	182,468
Social security costs	16,306	15,143
Other pension costs	37,045	33,600
	253,139	231,211

Aggregate number of full time equivalent staff whose remuneration exceeded £60,000 in the year	**2020** **No**	**2019** **No**
£80,000 – £90,000	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 (2019 – none).

The remuneration paid to the Chief Executive was:	Group and Association	
	2020	**2019**
	£	**£**
Emoluments and total key management personnel remuneration: (Including pension contributions and benefits in kind)	84,590	82,931
Emoluments: paid to the highest paid employee (the Chief Executive) (Excluding pension contributions)	76,900	75,392

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.

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.

The most recent formal valuation was completed on 30 September 2017 and rolled forward allowing for the different financial assumptions required under FRS102, to 31 March 2020 by a qualified independent actuary.

The major assumptions used by the actuary in assessing scheme liabilities were:

	2020	**2019**
	% per annum	**% per annum**
Discount rate	2.39%	2.29%
Inflation (RPI)	2.65%	3.30%
Inflation (CPI)	1.65%	2.30%
Salary growth	2.65%	3.30%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

Mortality Assumptions

The post retirement mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	2020	**2019**
	No. of years	**No. of years**
Male retiring in 2020	21.5	21.8
Female retiring in 2020	23.3	23.5
Male retiring in 2040	22.9	23.2
Female retiring in 2040	24.5	24.7

10. Pension obligations (continued)

Amount recognised in the Statement of Financial Position

	Group and Association 2020 £	2019 £
Fair value of plan assets	654,000	598,000
Present value of defined benefit obligation	(724,000)	(778,000)
Net liability to be recognised	(70,000)	(180,000)

Analysis of amount charged to operating expenditure in the Statement of Comprehensive Income

	2020 £	2019 £
Current service cost	29,000	30,000
Expenses	3,000	2,000
Total operating charge	32,000	32,000

Analysis of pension finance income / (expenses)

	2020 £	2019 £
Interest expense	18,000	18,000
Interest income	(14,000)	(14,000)
Amounts charged to financing costs	4,000	4,000

Amount of gains and losses recognised in the Statement of Comprehensive Income

	2020 £	2019 £
Actuarial gains on pension scheme assets	9,000	15,000
Actuarial gains/(losses) on pension scheme liabilities	101,000	(53,000)
Actuarial gain/(loss) recognised	110,000	(38,000)

Movement in deficit during year

	2020 £	2019 £
Deficit in scheme at 1 April	180,000	139,000
Current service cost	29,000	30,000
Expenses	3,000	2,000
Employer contributions	(36,000)	(33,000)
Net interest expense	4,000	4,000
Actuarial (gain)/loss	(110,000)	38,000
Deficit in scheme at 31 March	70,000	180,000

10. Pension obligations (continued)

Reconciliation of opening and closing balances of the defined benefit obligation

	2020	2019
	£	£
Defined benefit obligation as at 1 April	778,000	680,000
Current service cost	29,000	30,000
Expenses	3,000	2,000
Interest expense	18,000	18,000
Contributions by plan participants	17,000	15,000
Actuarial (gains)/losses due to scheme experience	(9,000)	8,000
Actuarial (gains)/losses due to changes in demographic assumptions	(8,000)	2,000
Actuarial (gains)/losses due to changes in financial assumptions	(84,000)	43,000
Benefits paid and expenses	(20,000)	(20,000)
Defined benefit obligations as at 31 March	724,000	778,000

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

	2020	2019
	£	£
Fair value of plan assets as at 1 April	598,000	541,000
Interest income	14,000	14,000
Experience on plan assets (excluding interest income)	9,000	15,000
Contributions by the employer	36,000	33,000
Contributions by plan participants	17,000	15,000
Benefits paid and expenses	(20,000)	(20,000)
Fair value of plan assets as at 31 March	654,000	598,000

11. Taxation

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

12a. Group 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 £
Cost					
At 1 April 2019	17,592,274	177,916	1,072,423	51,760	18,894,373
Property additions	-	853,925	-	210,605	1,064,530
Schemes completed	399,912	(399,912)	182,236	(182,236)	-
Component additions	149,906	-	-	-	149,906
Component disposals	(70,361)	-	-	-	(70,361)
Transfer from current assets	34,233	-	-	-	34,233
Transfer from shared ownership	51,349	-	(51,349)	-	-
At 31 March 2020	18,157,313	631,929	1,203,310	80,129	20,072,681
Depreciation					
At 1 April 2019	2,238,035	-	25,700	-	2,263,735
Charge for the year	258,606	-	9,303	-	267,909
Eliminated on disposals	(70,361)	-	-	-	(70,361)
Transfer from shared ownership	384	-	(384)	-	-
At 31 March 2020	2,426,664	-	34,619	-	2,461,283
Net book value					
At 31 March 2020	15,730,649	631,929	1,168,691	80,129	17,611,398
At 31 March 2019	15,354,239	177,916	1,046,723	51,760	16,630,638

Housing properties comprise:	**2020 £**	**2019 £**
Freeholds	16,469,050	15,480,928
Long leasehold	1,142,348	1,149,710
	17,611,398	16,630,638

The following amounts have been capitalised during the year:

	2020 £	**2019 £**
Interest	15,393	20,868
Management costs	23,133	22,657
	38,526	43,525

12b. Association 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
	£	£	£	£	£
Cost					
At 1 April 2019	17,192,274	177,916	1,072,423	51,760	18,494,373
Property additions	-	853,925	-	210,605	1,064,530
Schemes completed	399,912	(399,912)	182,236	(182,236)	-
Component additions	145,768	-	-	-	145,768
Component disposals	(69,161)	-	-	-	(69,161)
Transfer from current assets	34,233	-	-	-	34,233
Transfer from shared ownership	51,349	-	(51,349)	-	-
At 31 March 2020	17,754,375	631,929	1,203,310	80,129	19,669,743
Depreciation					
At 1 April 2019	2,229,375	-	25,700	-	2,255,075
Charge for the year	253,049	-	9,303	-	262,352
Eliminated on disposals	(69,161)	-	-	-	(69,161)
Transfer from shared ownership	384	-	(384)	-	-
At 31 March 2020	2,413,647	-	34,619	-	2,448,266
Net book value					
At 31 March 2020	15,340,728	631,929	1,168,691	80,129	17,221,477
At 31 March 2019	14,962,899	177,916	1,046,723	51,760	16,239,298

Housing properties comprise:	**2020**	**2019**
	£	£
Freeholds	16,079,129	15,089,588
Long leasehold	1,142,348	1,149,710
	17,221,477	16,239,298

The following amounts have been capitalised during the year:

	2020	**2019**
	£	£
Interest	15,393	20,868
Management costs	23,133	22,657
	38,526	43,525

12c. Tangible fixed assets – housing properties (continued)

	Group		Association	
Works to existing properties in the year:	**2020**	**2019**	**2020**	**2019**
	£	**£**	**£**	**£**
Components capitalised	149,906	168,184	145,768	168,184
Amounts charged to expenditure	38,505	48,384	38,505	48,384
	188,411	216,568	184,273	216,568

13. Tangible fixed assets – other
Group and Association

	Freehold offices	Office furniture and equipment	Computer equipment	Other fixed assets total
	£	**£**	**£**	**£**
Cost				
At 1 April 2019	214,584	18,270	37,488	270,342
Additions	-	-	5,250	5,250
Disposals	-	-	(1,054)	(1,054)
At 31 March 2020	214,584	18,270	41,684	274,538
Depreciation				
At 1 April 2019	25,791	12,238	15,237	53,266
Charge for the year	3,054	984	7,781	11,819
Disposals	-	-	(1,054)	(1,054)
At 31 March 2020	28,845	13,222	21,964	64,031
Net book value				
At 31 March 2020	185,739	5,048	19,720	210,507
At 31 March 2019	188,793	6,032	22,251	217,076

14. Fixed asset investments

Valuation	Group	Association
	£	£
At 1 April 2019	111,310	-
Additions during the year	6,942	-
Unrealised loss in the year	(20,633)	-
At 31 March 2020	97,619	-

The historic cost of these investments at 31 March 2020 was £93,649 (31 March 2019 – £86,707).

		Group		Association	
		2020	2019	2020	2019
		£	£	£	£
The investments comprise:					
Listed	M&G Charity Multi Asset Fund (formerly NAACIF) income shares	97,619	111,310		-

During the year the shareholders of the NAACIF income shares agreed to convert the fund into a Charity Authorised Investment Fund. This was completed on 15 November 2019 with each share in the NAACIF fund securing one share in the M&G Charity Authorised Investment Fund.

15. Stock

	Group		Association	
	2020	2019	2020	2019
	£	£	£	£
Shared ownership properties completed	31,192	100,782	31,192	100,782
Shared ownership properties under construction	57,821	34,507	57,821	34,507
	89,013	135,289	89,013	135,289

16. Debtors

	Group 2020 £	Group 2019 £	Association 2020 £	Association 2019 £
Rental debtors	45,246	34,173	44,648	33,998
Less: Provision for bad debts	(24,016)	(20,127)	(24,016)	(20,127)
	21,230	14,046	20,632	13,871
Prepayments	61,272	56,784	59,519	56,322
Other debtors	25,293	18,816	25,293	18,816
	107,795	89,646	105,444	89,009

17. Current asset investments

	Group 2020 £	Group 2019 £	Association 2020 £	Association 2019 £
THFC sinking fund	182,000	104,000	182,000	104,000
	182,000	104,000	182,000	104,000

The THFC sinking fund is a designated interest bearing account charged in respect of The Housing Finance Corporation £3.5m facility (2019: £2m) to cover 12 months interest. The Association is not able to access the fund.

18. Cash and cash equivalents

	Group 2020 £	Group 2019 £	Association 2020 £	Association 2019 £
Cash at bank	2,300,697	1,178,581	2,183,605	1,074,606

19. Creditors: Amounts falling due within one year

	Group 2020 £	Group 2019 £	Association 2020 £	Association 2019 £
Trade creditors	59,275	292,233	56,775	289,197
Rents paid in advance	48,482	44,347	46,159	42,107
Accruals	113,183	98,580	110,373	96,434
Other taxation and social security	4,443	3,995	4,443	3,995
Other creditors	7,407	1,545	7,407	1,545
Provision for works at the Avondale	208,465	186,677	208,465	186,677
Loan balance – secured (Note 20)	7,000	33,406	7,000	33,406
Premium on issue of bonds	58,777	32,447	58,777	32,447
Unamortised government grants (Note 21)	67,610	67,610	67,610	67,610
	574,642	760,840	567,009	753,418

20. Creditors: Amounts falling due after more than one year

	Group and Association 2020	2019
	£	£
Loan balances – secured	7,867,309	6,558,173
Premium on issue of bonds	1,560,381	865,238
Loan issue costs	(161,304)	(144,690)
Total housing finance	9,266,386	7,278,721
Unamortised government grants (Note 21)	4,209,132	4,276,742
Recycled capital grant fund (Note 22)	16,697	16,697
Total	13,492,215	11,572,160

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%.

The Association also has access to a £5m revolving facility with Yorkshire Building Society which was undrawn at the year end.

	£	£
Total loan balances are as follows:		
Within one year	7,000	33,406
Between one and two years	11,000	34,866
Between two and five years	-	103,362
In more than five years	7,856,309	6,419,945
Total loans repayable	7,874,309	6,591,579
Premium on issue of bonds	1,619,158	897,685
Loan issue costs	(161,304)	(144,690)
	9,332,163	7,344,574

21. 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.

	Group and Association 2020	2019
Unamortised government grant	£	£
At start of year	4,344,352	4,359,278
Grants received in the year	-	87,041
Grants recycled in the year	-	(34,357)
Released to income in the year	(67,610)	(67,610)
	4,276,742	4,344,352
Amounts due to be released < 1 year	67,610	67,610
Amounts due to be released > 1 year	4,209,132	4,276,742
	4,276,742	4,344,352

22. Recycled capital grant fund

		Group and Association Homes England £
Opening balance		16,697
Inputs to RCGF:	Grants recycled	-
	Interest accrued	-
	Transfers from other PRPs	-
		16,697
Recycling of grant:	New build	-
	Major works and works to existing stock	-
	Transfers from other PRPs	-
	Other	-
Repayment of grant to Homes England		-
Closing balance		16,697
Amount three years or older where repayment may be required		-

23. Non-equity share capital

	Group and Association 2020 £	2019 £
Allotted, issued and fully paid:		
At 1 April	28	25
Issued during the year	-	4
Surrendered during the year	(1)	(1)
At 31 March	27	28

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.

24. Reserves

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

25. Capital commitments

	Group and Association 2020	2019
	£	£
Capital expenditure that has been contracted for but has not been provided for in the accounts:	1,517,563	733,926
Capital expenditure that has been authorised by the Board of Management but has not yet been contracted for:	6,120,000	6,668,435
	7,637,563	7,402,361

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

26. Accommodation in management

	Group 2020	Group 2019	Association 2020	Association 2019
	No	No	No	No
Under development at end of year:				
General needs housing – affordable rent	20	9	20	9
Shared ownership	7	3	7	3
	27	12	27	12
Under management at end of year:				
General needs housing – social rent	107	109	107	109
General needs housing – affordable rent	90	82	90	82
Intermediate rent	2	3	2	3
Housing for older people	10	10	-	-
Shared ownership	21	19	21	19
Total number of properties owned and managed	230	223	220	213
General needs housing on behalf of others	27	27	27	27
Almshouses for older people on behalf of others	-	-	10	10
Total number of properties managed	257	250	257	250

The Association owns property managed by other bodies.

	2020	2019
	No	No
General needs housing – affordable rent	2	2
Supported housing	11	11
	13	13

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.

27. Contingent liabilities – Group and Association

At the balance sheet date there were no contingent liabilities (2019 – £Nil).

28. 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:

	Group and Association Other Commitments	
	2020	**2019**
	£	**£**
Leases expiring:		
Not later than one year	456	732
Later than one year and not later than five years	-	456
Later than five years	-	-
	456	1,188

29. Social Housing and Other Grants

	Group and Association	
	2020	**2019**
	£	**£**
The total accumulated government grant and financial assistance received or receivable at 31 March.	5,409,809	5,408,809
Held as deferred capital grants	4,276,742	4,344,352
Recognised as income in the Statement of Comprehensive Income	1,132,067	1,064,457
	5,408,809	5,408,809

30. Related party transactions

Under FRS 102 related parties consist of the Board of Management and Harrogate Flower Fund Homes Limited for which Harrogate Housing Association Limited acts as managing agent.

Board members received expenses in the year totalling £824 (2019 – £1,378).

During the year there were no tenant members of the Board (2019 – one tenant Board member who resigned on 22 August 2018). During the year ended 31 March 2019, while they were a Board member, they paid rent totalling £2,046.

During the year the Association sold services to:

- Harrogate Flower Fund Homes Limited totalling £33,039 (2019 – £32,386). At the balance sheet date £Nil (2019 – £Nil) was due from Harrogate Flower Fund Homes Limited.

31. Subsidiary undertakings

The results of Applegarth Homes for the year are as follows:

	£
Income	61,612
Surplus for the period	4,860

32. Analysis of changes in net debt

Group	At 1 April 2019	Cash flows	Other non-cash changes	At 31 March 2020
Cash at bank	1,178,581	1,122,116	-	2,300,697
Housing Loans Due in One Year	(33,406)	26,406	-	(7,000)
Housing Loans Due After One Year	(6,558,173)	(1,309,136)	-	(7,867,309)
	(5,412,998)	(160,614)	-	(5,573,612)

Association	At 1 April 2019	Cash flows	Other non-cash changes	At 31 March 2020
Cash at bank	1,074,606	1,108,999	-	2,183,605
Housing Loans Due in One Year	(33,406)	26,406	-	(7,000)
Housing Loans Due After One Year	(6,558,173)	(1,309,136)	-	(7,867,309)
	(5,516,973)	(173,731)	-	(5,690,704)