

Barnsbury Housing Association Limited

Annual Report and Financial Statements

Year ended 31 March 2019

Cooperative and Community Benefit Society Reg No. 18135R

Homes & Communities Agency Reg No. L2518

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Company Information

Honorary President	Julie Kettle (deceased 30 May 2019)
Chairman	Martyn Waring
Secretary	Susan French
Board Members	Nancy Korman Charles Culling Barbara Sidnell Patrick Lynch (resigned 4 March 2019) Karl Phillips (resigned 20 September 2018) Aaron Elliot Stephane Croce Jonathan Bunt Chyrel Brown (appointed 20 September 2018)
Chief Executive	Susan French
Registered address	16b Cloudesley Street London N1 0HU Tel: 020 7704 2324 Fax: 020 7607 8710 E-mail: susan@barnsbury.org
Auditor	Mazars LLP Chartered Accountants and Statutory Auditor The Pinnacle 160 Midsummer Boulevard Milton Keynes MK9 1FF
Principal Solicitors	Lewis Silkin LLP 5 Chancery Lane London EC4A 1BL
Bankers	Royal Bank of Scotland Plc 60-62 Threadneedle Street London EC2R 8LA
Co-operative and Community Benefit Society Reg No.	18135R
Homes & Communities Agency Reg No.	L2518

Chair's Report

Our audited accounts for the year ended 31 March 2019 demonstrate that Barnsbury Housing Association (BHA) continues to maintain high standards of financial control and probity. We made a surplus for the year of £988,026, which helps us to continue to invest in new developments, and we retain a healthy balance sheet with cash reserves of £962,482.

Review of the year

Over the last 12 months BHA has had a busy and productive year. We:

- Carried out a Tenant Survey, with our tenants rating us well above average for our overall service and repairs service, with 88% of tenants satisfied
- Completed four new homes at Eden Grove, N7
- Applied for planning permission to convert underused garages into seven new homes
- Improved 3 homes and let them to Key Workers who would otherwise be priced out of the area
- Made a significant investment in modernising how we work
- Improved over 70 homes, including installing 19 new kitchens, 14 new boilers and 23 new bathrooms

Our Purpose and Objectives

BHA is a neighbourhood-based housing association helping to keep Barnsbury – one of the more expensive areas of London – affordable for local people.

Our Mission

We provide quality affordable rented housing and a quality service.

Our Vision

Helping keep Barnsbury affordable and the community thriving.

Our Values

We aim to:

- be responsive and caring
- know our residents as individuals
- help build self-reliance in our community
- be open and accessible
- be nimble and creative, and willing to try new things
- be a connected and effective partner
- aim high and punch above our weight

Our ambitions are:

- 1 To be a great landlord
- 2 To help meet Islington's diverse housing needs
- 3 To be a 'force for good' in Islington
- 4 To be a modern, effective organisation

Our Residents

BHA has an unusual tenant profile, with over half of our tenants aged 50+ and almost 40% retired. Many have been with us for over forty years and want to stay in their community and neighbourhood as they age and their needs change. During 2018/19, we have used the sheltered scheme at Highbury View as a catalyst to develop a new service for older tenants. Our Specialist Housing Officer now supports vulnerable older tenants right across our stock, carrying out Risks & Needs Assessments, accessibility audits and offering practical help where it is needed.

We have been working closely with our main Tenants' Associations to support them in organising events such as garden parties, seaside trips and the Arsenal Football training sessions for young people in the school holidays. We also offer free, confidential welfare advice to all tenants via our partnership with St Mungo's. This has been invaluable in helping manage the transition to Universal Credit.

Helping meet Islington's housing needs

The Board is committed to using our assets to develop more affordable housing in Islington, one of the most expensive areas of London and an area of acute housing need. BHA's original purpose was to provide affordable housing in what was even then an expensive area and that need is even more acute now.

Chair's Report

Development opportunities are few and far between in the area of Islington where we operate, so we are focusing on opportunities including stock transfers from other landlords, Section 106 developments and opportunities to use underused land or resources in our own stock.

Following our successful stock transfer of 40 homes at Highbury View in late 2017, we completed the development of four new homes at Eden Grove on a site we have owned for many years. We also submitted a planning application to convert a number of underused garages on our main estate to provide seven new accessible homes.

Martyn Waring
Chair

19 September 2019

Report of the Board

The Board of Management present their report and audited financial statements for the year ended 31 March 2019.

Legal Status

The Association is registered under the Co-operative and Community Benefit Society Act 2014 and is a registered social landlord.

Principal activities

The Association's principal activities are the development and management of social housing.

Corporate Governance

The Association ensures full compliance with the Homes and Communities Agency Regulatory Framework as it relates to small social housing providers with fewer than 1,000 homes. The Board has adopted the National Housing Federation Code of Governance (2015 edition) and the National Housing Federation Model Rules 2015 to ensure full compliance. This includes Board self-assessment and independent assessment. The Board has adopted the National Housing Federation Code of Conduct and Board members confirm their compliance with the Code on an annual basis.

We review our compliance with the Code on an annual basis and confirm that we have complied with the Code and the HCA's Governance and Financial Viability Standard in all areas.

Board

BHA's Board comprised ten members during 2018/19, all of whom are non-executive and, for legal purposes, are regarded as directors. Members are recruited externally by a formal interview process and are drawn from a variety of backgrounds. One new member joined the Board during the year, bringing skills in housing and neighbourhood management. Karl Phillips left the Board at the last AGM, having served the full term. Patrick Lynch resigned on 4 March 2019.

This was Martyn Waring's last full term as Chair and we recruited his successor in May 2019 through a competitive recruitment process. Sean McLaughlin will formally join the Board in September 2019.

The Board is responsible for the overall direction of the Association's affairs which are set out in the Board Terms of Reference. The day-to-day management of the organisation is delegated to the Chief Executive and the team. The Board meets five or six times each year. The average attendance at Board meetings during the year was 76%.

During 2017/18 we streamlined our committee structure. Under the new structure the Board meets five or six times a year and is supported by two committees with responsibilities for Audit & Risk and Governance & Remuneration. The Committees report back to the Board after each meeting where their recommendations are considered and approved where appropriate.

We also conduct Board appraisals each year.

Risk Management and Performance

The Board agreed a new risk management framework and risk register during 2017/18, which has been refined during this year. The Board reviews the Risk Register annually with the Audit & Risk Committee reviewing our Top Ten Risks at each meeting and the full register each year.

In order to meet the HCA's Governance and Financial Viability Standard, the Board has conducted stress testing, and continues to review how we manage risk, taking expert and independent advice where necessary. We have collated our information on assets and liabilities in accordance with the HCA's directions.

Management has considered the potential impact of Brexit on the business, and has concluded that there is minimal risk of any significant adverse impact.

Report of the Board

Value for money

Our approach

In line with the regulatory standard, our Board have agreed a Value for Money Strategy. This identifies our strengths and weaknesses on VFM and sets out metrics we will use to improve our performance.

In summary our strategy is “**grow, modernise and streamline**”, acknowledging that our VFM gains will be made by achieving economies of scale through growth, introducing more efficient ways of working (smarter processes and selective use of new technology). We have already made good progress in these areas including:

- having a **growth strategy** which sets out our ambitious targets for growth. We increased our stock by 4 units in 2018/19 with plans to develop six new homes in underused garages on our main estate well underway
- agreeing a **Digital Strategy**, based on an understanding of our tenant demographics and which moves us towards greater use of technology in how we work and interact with our tenants. During the year we introduced a new web-based HR system, compliance software and modernised our finance processes, with better integration of systems to streamline how we work

The VFM Strategy also identifies a range of metrics against which we will measure our performance on VFM. As well as the regulatory metrics, we have identified others that focus on those areas of the business where we can make gains and improve performance.

The table below shows our performance for the current and previous year against our immediate peer group and the national smaller housing associations, as well as our targets for 2019/20. Targets in **bold and italics** represent our VFM metrics.

	Barnsbury		BM320 Peer group median	National smaller providers median		
Measure	2017/18	2018/19	2017-18		Performance against target 2018/19	VFM Target 2019/20
Investment						
New supply delivered (Social housing units)	0	1.34%	0%	0%	Target met - four new homes completed	6 new homes in the pipeline
Reinvestment %	2.42%	9.32%	3.20%	2.65%	-	
Return on Capital Employed (ROCE) %	3.12%	2.73%	3%	2.82%		Peer group median
Investment in communities	£36,768	£21,563	£5,616	£0	-	
Units completed during the period April-March; Social Housing	0	4	0	0	4 new homes completed	6 in pipeline with planning permission
Customer Service						
Satisfaction - overall service	89.0%	88%	90.0%	92%	Target met	Peer group median
Average re-let time (days) - GN	23.8	25.5	25.5	18.0	Target met	Peer group top quartile
Occupancy - GN	100.00%	99.62%	99.44%	99.75%	-	-
Current tenant arrears % - GN & HfOP	4.30%	4.00%	3.70%	2.98%	Did not meet target	Peer group median
% rent collected - GN & HfOP	100.6%	101.0%	99.53%	100.12%	Target met as arrears reducing	Peer group top quartile
Number of responsive repairs per property	4.06	3.70	2.05	3	Target not met - work being done to analyse repairs requests and better define repair responsibilities	Peer group third quartile
Average end-to-end time for all reactive repairs	16.00	10.65	8.20	8.17	Work being done to better define repairs and close down repair requests	-
Ratio of responsive repairs to planned maintenance	2.15	1.95	0.54	0.67		-
% dwellings with a valid gas safety cert	99.7%	99.7%	100.0%	100.0%		100%
Financial						

Report of the Board

Headline social housing cost per unit	£4,329	£5,122	£4,303	£4,456	Planned investment in staff and systems being made 2019/20	Peer group third quartile
Operating margin (overall)	25.9%	22.8%	20.2%	22.1%	Target met	Peer group top quartile
Operating margin (social housing lettings)	25.7%	22.8%	23.0%	23.5%	Target met	Peer group lower quartile due to planned investment in staffing and systems in the year
EBITDA MRI (as a percentage of interest)	352%	729.0%	400.0%	242%		
Gearing (RSH and Scorecard measure)	27.7%	23.0%	18.1%	17.1%		
Management cost per unit	£1,357	£1,598	£1,300	£1,122		Peer group median
Maintenance cost per unit	£802	£849	£856	£764	Target met	Peer group median
Major repairs cost per unit	£1,031	£552	£611	£641	Target met	Under £1,000

Quartile Ranking

1	First
2	Second
3	Third
4	Fourth

No colour coding means that either the data is not available, or the ranking was not produced by the BM320/NSP.

Note 1: Gas safety – there was one property where we were initially unable to gain access. This property was certified shortly after the year end.

Note 2: EBITDA MRI = Earnings before interest, tax, depreciation and amortisation (major repairs included).

Strategy for delivering new homes

The Board has a development strategy, which sets out our ambition to seek opportunities to develop new homes in our chosen area of north London. We will leverage our strong balance sheet to maximise our development potential over the next five years. During the year we finished our development of 4 new homes at Eden Grove, which are all now let. We have a potential S106 development plus have applied for planning permission to convert underused garages on our main state into six new homes.

Conclusion

In the light of the above, the conclusion drawn is that the Association can demonstrate its compliance with the regulatory standard on value for money.

Internal Financial Controls

The Board acknowledges its responsibility for ensuring we have in place a system of controls appropriate to the environment in which we operate. These controls are designed to give reasonable assurance with respect to:

- The reliability of financial information used within the Association or for publication;
- The maintenance of proper accounting records;
- The safeguarding of assets against unauthorised use or disposition;
- Bribery and money laundering legislation.

It is the Board's responsibility to establish and maintain systems of internal financial accountability. Such systems can only give reasonable and not absolute assurance against material misstatement or loss. Key elements include ensuring that:

- Formal financial regulations are in place, including rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- Forecasts and budgets are prepared which allow the Board to monitor the key business risks and financial objectives and progress towards financial plans set for the year;

Report of the Board

- Quarterly management accounts are prepared promptly, providing relevant up to date financial and other information. Significant variances from budget are investigated as appropriate;
- All significant new initiatives, major investment commitments and investment projects are subject to formal authorisation procedures through the Board;
- An external accountant provides an internal audit service and advises both the Audit & Risk Committee and the Board.

No weaknesses in financial control were found by the Board, which resulted in material losses, contingencies, or uncertainties, which would require disclosure in the financial statements or in the external auditors' report.

In order to provide the Board with assurance, we commissioned an Internal Controls Review by Beever & Struthers and the recommendations from that report have been actioned during 2018/19.

During 2018/19, we instigated a programme of process improvements as part of our digital strategy. That work is a long-term project, but already our control over our finances has been strengthened as a result.

Statement of the responsibilities of the Board

The Board is responsible for preparing the Report of the Board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under the Co-operative and Community Benefit Societies Act 2014 the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Association for that period. In preparing these financial statements, the directors are required to:

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

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014 and other applicable legislation and standards. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Disclosure of information to auditor

Each of the Board members at the time when this Report of the Board is approved has confirmed that:

- so far as that Board member is aware, there is no relevant audit information of which the Association's auditor is unaware, and
- that Board member has taken all the steps that ought to have been taken as a Board member in order to be aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

Report of the Board

Statement of Viability

The Board is confident that the future prospects for the Association are sound. With continued focus on cost control and debt management, we expect to continue to realise annual surpluses in future, which will assist us to meet our goal of building more new homes.

This report of the Board was approved on 19 September 2019 and signed by order of the Board.

S French
Secretary

Independent Auditors' Report to the Members of Barnsbury Housing Association Limited

Opinion

We have audited the financial statements of Barnsbury Housing Association (the 'association') for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, The Statement of Changes in Reserves, the Statement of Financial Position, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2019 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

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

The impact of uncertainties due to Britain exiting the European Union on our audit

The Directors' view on the impact of Brexit is disclosed on page 6.

The terms on which the United Kingdom may withdraw from the European Union, currently due to occur on 31 October 2019, are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Group's and Company's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Group and Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Group's and company's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Company and this is particularly the case in relation to Brexit.

Conclusions relating to going concern

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

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

Independent Auditors' Report to the Members of Barnsbury Housing Association Limited

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Board

As explained more fully in the Statement of the Board's responsibilities set out on page 9, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the association or to cease operations, or 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 website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the association's members as a body in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014 and Chapter 4 of Part 2 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume

Independent Auditors' Report to the Members of Barnsbury Housing Association Limited

responsibility to anyone other than the association and the association's members as a body for our audit work, for this report, or for the opinions we have formed.

Mazars LLP

Chartered Accountants and Statutory Auditor

The Pinnacle
160 Midsummer Boulevard
Milton Keynes
MK9 1FF

Date:

Statement of Comprehensive Income

For the year ended 31 March 2019

	Note	2019 £	2018 £
Turnover	3	2,346,937	2,143,910
Operating costs	3	(1,687,299)	(1,443,432)
		<hr/>	<hr/>
Operating surplus	5	659,638	700,478
Finance income	6	198	1,523
Interest and financing costs	7	(133,850)	(158,494)
Surplus on revaluation of investment property		462,043	-
		<hr/>	<hr/>
Surplus and total comprehensive income for the financial year		988,028	543,507
		<hr/> <hr/>	<hr/> <hr/>

The results relate wholly to continuing operations.

The accompanying notes form part of these financial statements.

These financial statements were approved by the Board on 19 September 2019.

M Waring
Chairman

S French
Secretary

A Elliot
Chair – Audit and Risk Committee

Statement of Changes in Reserves

	Income and expenditure reserve
	£
Balance at 1 April 2017	7,531,685
Total comprehensive income for the year ended 31 March 2018	543,507
	<hr/>
Balance at 31 March 2018	8,075,192
Total comprehensive income for the year ended 31 March 2019	988,028
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Balance at 31 March 2019	9,063,219
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The income and expenditure reserve represents the cumulative surpluses and deficits of the Association.

Statement of Financial Position

At 31 March 2019

	Note	2019 £	2018 £
Tangible fixed assets			
Housing properties	11	17,455,784	17,354,618
Investment property	12	550,000	-
Other tangible fixed assets	13	25,334	66,477
		<u>18,031,118</u>	<u>17,421,095</u>
Current assets			
Debtors	14	70,451	74,902
Short term deposits	15	155,455	195,465
Cash and cash equivalents		807,027	245,849
		<u>1,032,933</u>	<u>516,216</u>
Creditors: Amounts falling due within one year	16	(429,274)	(514,515)
		<u>603,660</u>	<u>1,701</u>
Total assets less current liabilities		<u>18,634,778</u>	<u>17,422,796</u>
Creditors: Amounts falling due after more than one year	17	9,571,544	9,347,587
		<u>9,063,234</u>	<u>8,075,208</u>
Total net assets		<u>9,063,234</u>	<u>8,075,208</u>
Capital and reserves			
Non-equity share capital	20	15	17
Reserves		9,063,219	8,075,191
		<u>9,063,234</u>	<u>8,075,208</u>
Total capital and reserves		<u>9,063,234</u>	<u>8,075,208</u>

These financial statements were approved by the Board on 19 September 2019 and signed on its behalf by:

M Waring
Chairman

S French
Secretary

A Elliot
Chair – Audit and Risk Committee

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the year ended 31 March 2019

	Note	2019 £	2018 £
Net cash generated from operating activities	21	877,214	830,232
Cash flow from investing activities			
Purchase of tangible fixed assets		(641,396)	(6,395,070)
Grants received		419,002	-
Interest received		198	1,523
Net cash flow from investing activities		(222,196)	(6,393,547)
Cash flow from financing activities			
Repayment of borrowings		-	(454,632)
New loans		-	4,950,000
Interest paid		(133,850)	(158,494)
Share capital received		-	2
Net cash flow from financing activities		(133,850)	4,336,876
Net change in cash and cash equivalents		521,168	(1,226,438)
Cash and cash equivalents at the beginning of the year		441,314	1,667,752
Cash and cash equivalents at the end of the year		962,482	441,314

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1 Legal status

The association is registered under the Co-operative and Community Benefit Society Act 2014 and is registered with the Homes and Communities Agency as a Registered Provider of social housing in England. The registered address is shown on page 3.

2 Accounting policies

Basis of accounting

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for registered social housing providers 2014 (SORP), the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2015. Barnsbury Housing Association Limited is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102.

These financial statements are presented in sterling (£).

Statement of Compliance

Barnsbury Housing Association Limited has prepared its financial statements in accordance with FRS 102 for both the current and preceding financial years.

Going concern

The Association's business activities, its current financial position and factors likely to affect its future development are set out within the Report of the Board. The Association has in place long-term debt facilities, which provide adequate resources to finance committed reinvestment and development programmes, along with the Association's day to day operations. The Association also has a long-term business plan, which shows that it is able to service these debt facilities whilst continuing to comply with the lender's covenants.

On this basis, the Board has a reasonable expectation that the society has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Significant management judgements

Preparation of the financial statements requires management to make significant judgements and estimates. The following are the significant judgements made in applying the accounting policies of the Association that have the most significant effect on the financial statements.

Impairment

With effect from 1 April 2016 our rents were reduced by 1% per annum until 31 March 2020. This is considered to be a potential impairment indicator and therefore a review for impairment has been carried out. We estimated the recoverable amount of our housing properties as follows:

- (i) We determined the level (the cash generating unit) at which the recoverable amount is to be assessed. The CGU was determined to be an individual scheme or block of properties.
- (ii) We assessed the recoverable amount of the CGU.
- (iii) We calculated the carrying amount of the CGU.
- (iv) We compared the carrying amount to the recoverable amount to determine if impairment has occurred.

The recoverable amount was determined by calculating a discounted cash flow. Based on this assessment, no impairment charge was deemed necessary.

Estimation uncertainty

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

Investment property

During 2018-19 our property at 303B Upper Street was let at market rent. Accordingly, it has been shown as an investment property at fair value. The valuation was carried out by a local estate agent based on the recent selling prices of similar properties in the same area. Management considers this to be a reasonable approximation to fair value.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to changes to Decent Homes Standards, which may require more frequent replacement of key components. Accumulated depreciation at 31 March 2018 was £6,480,838.

Turnover

Turnover comprises:

- a) rental income from tenants receivable in the period;
- b) amortisation of capital grants received over the useful life of the asset funded by the grant;
- c) revenue grants (if received);
- d) service charges, and
- e) commercial rents.

Rental income is recognised from the point where properties become available for letting. Revenue grants are receivable when the conditions for the receipt of agreed grant funding have been met.

Financial Instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model.

Debtors

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

Financial assets carried at amortised cost

Financial assets carried at amortised cost comprise rent arrears, trade and other receivables and cash and cash equivalents. Financial assets are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. If there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced accordingly.

A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and reward are transferred.

If an arrangement constitutes a financing transaction, the financial asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial liabilities carried at amortised cost

These financial liabilities include trade and other payables and interest bearing loans and borrowings. Non-current debt instruments which meet the necessary conditions in FRS 102, are initially recognised at fair value adjusted for any directly attributable transaction cost and subsequently measured at amortised cost using the

effective interest method, with interest-related charges recognised as an expense in finance costs in the Statement of Comprehensive Income. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Employee benefits

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

Pensions

The Association operates a defined contribution pension scheme. The pension costs for that scheme represent contributions payable by the Association in the year.

Housing Properties

Housing properties are properties held for the provision of social housing. They are principally properties available for rent and are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Improvements are works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension in the useful economic life of the property in the business. Only the direct overhead costs associated with new developments or improvements are capitalised. Land donated by local authorities and others is added to cost at the market value of the land at the time of the donation.

Depreciation of Housing Properties

Freehold land and properties held for development are not depreciated. Depreciation is charged to write down the net book value of housing properties to their estimated residual value, on a straight line basis, over their estimated useful economic lives in the business. Refurbishment or replacement of the major components is capitalised and depreciated over the estimated useful economic life of the component. The depreciable amount is arrived at on the basis of original cost less residual value.

For the acquisition of 40 units at Highbury View, we have allocated 46% of the total cost to land, which is not depreciated. This amount is based on the NHF depreciation matrix. We accounted for components other than structure at the cost and net book value at which those components were carried in the books of the transferor housing association, and the balance of the purchase price we have allocated to structure.

The Association depreciates the major components at the following annual rates.

Structure	2%
Kitchens and bathrooms	5%
Boilers	7%
Lifts	4%
Windows	4%

Impairment

Annually housing properties are assessed for impairment indicators. Where indicators are identified, and assessment for impairment is undertaken comparing the scheme's carrying amount to its recoverable amount. Where the carrying amount of a scheme is deemed to exceed its recoverable amount, the scheme is written down to its recoverable amount. Any such write down would be charged to income and expenditure.

Investment property

The investment property is shown at fair value, based on an independent valuation. This is re-assessed each year and any difference is taken to the Statement of Comprehensive Income.

Government Grants

Government grants include grants receivable from the Homes and Communities Agency, local authorities, and other government organisations. Such grants are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model. Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate, as long as all conditions for receiving the grant have been fulfilled.

Government grants are subordinated to the repayment of loans by agreement with the HCA. Grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.

Other grants

These include grants from other organisations. Grants in respect of revenue expenditure are credited to income and expenditure account in the same period as the expenditure to which they relate.

Other tangible fixed assets and depreciation

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

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Freehold offices	10%
Furniture, fixtures and fittings	10%
Computers and office equipment	25%
Plant and equipment	20%

Cyclical repairs and maintenance

The Association's cyclical repairs and maintenance costs are charged to the income and expenditure account, as incurred.

Provisions for liabilities

Provisions are recognised when there is a present obligation as a result of a past event, and it is probable the settlement of that obligation will be required, and a reliable estimate of the obligation can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period.

The Association recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next twelve months. The provision is measured at the salary cost payable for the period of absence.

3 Particulars of turnover, operating costs and operating surplus

2019	Turnover	Operating costs	Operating surplus
	£	£	£
Social housing lettings	2,326,921	(1,687,299)	639,622
Non-social housing activities	20,016	-	20,016
	<u>2,346,937</u>	<u>(1,687,299)</u>	<u>659,638</u>
2018			
Social housing lettings	2,137,480	(1,443,432)	694,048
Non-social housing activities	6,430	-	6,430
	<u>2,143,910</u>	<u>(1,443,432)</u>	<u>700,478</u>

Income and expenditure from social housing lettings

	General needs housing	
	2019	2018
	£	£
Rent receivable net of identifiable service charge	1,987,983	1,849,507
Service charge income	154,252	113,806
Amortisation of government and other grants	184,686	174,326
	<u>2,326,921</u>	<u>2,137,480</u>
Management	490,683	400,345
Service charge costs	194,466	164,829
Routine maintenance	287,941	182,808
Cyclical maintenance	-	35,996
Major repairs	138,443	113,979
Housing property depreciation	478,721	404,583
Development	89,990	135,355
Other costs	7,055	5,537
	<u>1,687,299</u>	<u>1,443,433</u>
Operating surplus on social housing lettings	<u>639,622</u>	<u>694,048</u>
Void losses	<u>20,951</u>	<u>19,809</u>

4 Accommodation in management and development

	2019	2018
General housing		
Social rent	299	295
Investment property	1	0
	<hr/>	<hr/>
	300	295
	<hr/>	<hr/>
Accommodation in development at the year-end	0	4
	<hr/>	<hr/>

5 Operating surplus

	2019 £	2018 £
Operating surplus is arrived at after charging/(crediting):		
Amortisation of government and other grants	(184,686)	(174,326)
Depreciation of housing properties	463,091	404,583
Depreciation of other tangible fixed assets	13,633	15,647
Operating lease payments	40,000	1,966
Auditors' remuneration (excluding VAT):		
- for audit services	8,400	8,665
	<hr/>	<hr/>

6 Interest receivable and similar income

	2019 £	2018 £
Interest receivable from cash deposits	198	1,523
	<hr/>	<hr/>

7 Interest and finance costs

	2019 £	2018 £
Interest on loans	110,066	36,587
Costs of obtaining new loan and other charges	23,784	121,907
	<hr/>	<hr/>
	133,850	158,494
	<hr/>	<hr/>

8 Employees

Average monthly number of employees expressed in full-time equivalents (calculated based on a standard working week of 35 hrs):

	2019 No.	2018 No.
Administration	2	2
Development	1	1
Housing, support and care	6	6
	<hr/>	<hr/>
	9	9
	<hr/>	<hr/>
Employee costs:	£	£
Wages and salaries	332,526	256,237
Social security costs	30,324	19,658
Other pension costs	31,633	19,361
	<hr/>	<hr/>
	394,483	295,256
	<hr/>	<hr/>

There was one employee (2018: none), with remuneration in excess of £60,000 during the year.

9 Key management personnel

Key management personnel are those people having authority and responsibility for planning, directing, and controlling the Association's activities, either directly or indirectly. This includes the Board of Directors and the Chief Executive. The Chief Executive works part time.

The Chief Executive's emoluments (highest paid employee) include:

	2019 £	2018 £
Basic salary	62,280	59,236
	<hr/>	<hr/>
Pension contributions	4,936	3,925
	<hr/>	<hr/>

No emoluments were paid to other Board directors during the year (2018: £nil).

No expense allowances were paid during the year to members of the Board (2018: £nil)

There are no special pension arrangements for the Chief Executive, who is an ordinary member of the defined contribution pension scheme.

10 Taxation

The association has charitable status and benefits from various exemptions from taxation afforded by the tax legislation and is not therefore liable to corporation tax on income or gains falling within these exemptions. The association is not registered for Value Added Tax.

11 Tangible fixed assets – housing properties

	Freehold properties held for development £	Freehold housing properties held for letting £	Total £
Cost			
At 1 April 2018	1,100,117	22,217,437	23,317,554
Works to existing properties	-	341,953	341,953
Disposal of components	-	(18,083)	(18,083)
Additions	290,030	-	290,030
Transfer to investment properties	-	(61,308)	(61,308)
Transfer to properties held for letting	(1,390,147)	1,390,147	-
	<hr/>	<hr/>	<hr/>
At 31 March 2019	-	23,870,145	23,870,145
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 April 2018	-	5,963,835	5,963,835
Charge for the year	-	463,091	463,091
Transfer to investment properties	-	(10,112)	(10,112)
On disposals	-	(2,453)	(2,453)
	<hr/>	<hr/>	<hr/>
At 31 March 2019	-	6,414,361	6,414,361
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 March 2019	-	17,455,784	17,455,784
	<hr/>	<hr/>	<hr/>
At 31 March 2018	1,100,117	16,253,602	17,353,719
	<hr/>	<hr/>	<hr/>

Expenditure on works to existing properties

	2019 £	2018 £
Improvement works capitalised	147,069	81,664
Components capitalised	194,884	162,773
	<hr/>	<hr/>
Total works on existing properties capitalised	341,953	244,436
Amounts charged to the statement of comprehensive income	106,716	65,453
	<hr/>	<hr/>
	448,669	309,889
	<hr/>	<hr/>

Social housing assistance

	2019 £	2018 £
Total accumulated social housing grant received or receivable at 31 March:		
Recognised in the Statement of Comprehensive Income	5,254,003	5,069,317
Held as deferred income	4,806,229	4,571,913
	<hr/>	<hr/>
	10,060,232	9,641,230
	<hr/>	<hr/>
Capital grant received	9,234,285	8,815,283
Revenue grant received	825,947	825,947
	<hr/>	<hr/>
	10,060,232	9,641,230
	<hr/>	<hr/>

No finance costs have been capitalised.

Impairment

We consider individual schemes to be separate Cash Generating Units when assessing for impairment, in accordance with the requirements of FRS 102 and SORP 2014.

No impairment is considered necessary as at 31 March 2019.

12 Investment properties non-social housing properties held for letting

	2019 £
Net book value	
At 31 March 2018	-
Transfer from Housing properties	51,196
Transfer from Other tangible fixed assets	36,761
Gain on revaluation	462,043
	<hr/>
Carrying value at 31 March 2019	550,000
	<hr/> <hr/>
At 31 March 2018	-
	<hr/> <hr/>

During the year the former office at 303B Upper Street was let at a market rent. The valuation of £550,000 was undertaken by a local firm of valuers, and was based on the recent selling price of similar properties in the same area.

13 Tangible Fixed Assets - Other

	Freehold offices £	Furniture, fixtures & fittings £	Computers & office equipment £	Total £
Cost				
At 1 April 2018	174,034	26,141	114,973	315,148
Additions	-	3,837	5,576	9,413
Transferred to investment properties	(110,764)	-	-	(110,764)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2019	63,270	29,978	120,549	213,798
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 April 2018	127,831	10,894	109,855	248,670
Charge for the year	8,307	2,226	3,100	13,633
Transferred to investment properties	(73,840)	-	-	(73,840)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2019	62,298	13,210	112,955	188,463
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2019	972	16,768	7,594	25,334
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2018	46,203	15,157	5,117	66,477
	<hr/>	<hr/>	<hr/>	<hr/>

14 Debtors

	2019 £	2018 £
Arrears of rent and service charges	105,247	105,562
Less: provision for bad and doubtful debts	(48,230)	(54,003)
	<hr/>	<hr/>
	57,017	51,559
Prepayment and accrued income	13,434	23,343
	<hr/>	<hr/>
	70,451	74,902
	<hr/>	<hr/>

The difference between the net present value of arrears balances with a payment plan is not materially different from the actual balances. Therefore, no adjustment has been made in these financial statements.

15 Short term deposits

	2019 £	2018 £
Money market deposits	155,455	195,465
	<u> </u>	<u> </u>

16 Creditors: amounts falling due within one year

	2019 £	2018 £
Rent and service charges received in advance	69,302	43,949
Trade creditors	81,654	178,157
Deferred grant income (note 18)	184,686	174,326
Other taxation and social security	9,940	6,873
Accruals and deferred income	76,201	107,832
Other creditors	7,491	3,379
Debt (note 19)	-	-
	<u> </u>	<u> </u>
	429,274	514,515
	<u> </u>	<u> </u>

The balance above includes an accrual for holiday leave pay of £3,185 (2018: £4,782), which represents holiday balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The accrual is measured as the salary cost payable for the period of absence.

17 Creditors: amounts falling due after more than one year

	2019 £	2018 £
Debt (note 19)	4,950,000	4,950,000
Deferred grant income (note 18)	4,621,544	4,397,587
	<u> </u>	<u> </u>
	9,571,544	9,347,587
	<u> </u>	<u> </u>

18 Deferred grant income

	2019 £	2018 £
At 1 April	4,571,913	3,141,499
Released to income in the year	(184,686)	(174,326)
Grant received	419,002	-
Grant assumed on transfer of housing properties	-	1,604,739
	<hr/>	<hr/>
At 31 March	4,806,229	4,571,913
	<hr/>	<hr/>

	2019 £	2018 £
Amounts to be released within one year	184,686	174,326
Amounts to be released in more than one year	4,621,544	4,397,587
	<hr/>	<hr/>
	4,806,229	3,141,499
	<hr/>	<hr/>

19 Debt analysis

	2019 £	2018 £
Due within one year	-	-
	<hr/>	<hr/>
Due after more than one year		
Clydesdale Bank plc	4,950,000	4,950,000
	<hr/>	<hr/>
Within one year	-	-
Between one and two years	-	-
Between two and five years	-	-
After five years	4,950,000	4,950,000
	<hr/>	<hr/>
	4,950,000	4,950,000
	<hr/>	<hr/>

The loan from Clydesdale Bank plc is secured by fixed and floating charges on individual properties.

This loan is a ten year £8m facility, fully revolving for the first five years, with capital repayments thereafter. The loan is interest only for the first five years. Interest is paid quarterly at 1.45% over three-month LIBOR.

No adjustments have been made to the carrying value of this loan.

20 Non-equity share capital

	2019 £	2018 £
Number of members		
At 1 April	17	28
Joining during the year	-	2
Cancelled during the year	(2)	(13)
	<hr/>	<hr/>
At 31 March	15	17
	<hr/>	<hr/>

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends or distributions on winding up. Each member agrees to contribute £nil in the event of winding up.

21 Cash flow from operating activities

	2019 £	2018 £
Surplus for the year	988,026	543,508
Depreciation of tangible fixed assets	492,516	420,230
Amortisation of government grants	(184,686)	(174,326)
(Increase)/decrease in debtors	4,451	(7,964)
Increase/(decrease) in trade and other creditors	(94,702)	(108,186)
Interest payable	133,850	158,494
Interest receivable	(198)	(1,523)
Surplus on revaluation of investment property	(462,043)	-
	<hr/>	<hr/>
Cash generated from operations	877,214	830,233
	<hr/>	<hr/>

22 Financial commitments

Capital commitments are as follows.

	2019 £	2018 £
Expenditure contracted for but not provided in the accounts	-	417,000
Expenditure approved by the Board but not contracted	3,800,000	-
	<u>3,800,000</u>	<u>471,000</u>

The expenditure approved by the Board but not contracted for at 31 March 2019 represents (a) an offer the Association has made for a section 106 development for £2,200,000, and (b) the approved cost of the proposals to develop some of the garages at Morland Mews into six new units for £1,600,000.

The expenditure contracted for but not provided in the accounts at 31 March 2018 represented the uninvoiced portion of the contract for the development of four units at Eden Grove. This development was completed during the year.

Operating lease commitments.

	2019 £	2018 £
Payments due		
Within one year	40,000	40,000
Between two and five years	160,000	160,000
After five years	158,034	198,034
	<u>358,034</u>	<u>398,034</u>

In February 2018 the Association entered a ten-year lease of office premises. The annual rent is £40,000. The rent recognised as expense in the year was £40,000.

23 Related parties

During the year there was one tenant member of the Board, Patrick Lynch. His tenancy was on normal commercial terms and he was not able to use their position to his advantage.

Mr Lynch resigned from the Board on 4 March 2019. The rent he was charged during the year was £7,421.