

HORTON HOUSING ASSOCIATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2019

HORTON HOUSING ASSOCIATION

FINANCIAL STATEMENTS

Year ended 31 March 2019

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HORTON HOUSING ASSOCIATION

MANAGEMENT BOARD REPORT

Year ended 31 March 2019

Registration

Horton Housing Association was registered on the 29 November 1985 under the Industrial & Provident Societies Act 1965, registered number 25057R. Legislative changes have replaced the Industrial & Provident Societies Act 1965 with The Co-operative and Community Benefit Societies Act 2014 effective from 1 August 2014. Horton Housing Association is an exempt charity and wholly owns its trading subsidiary, Horton Housing Support Limited (company registration number 5353586) and is also the sole member of Bradford Base Social Enterprise Company Limited, a charitable Company Limited by Guarantee (company registration number 6768226) and Chartford Housing Limited, a charitable Company Limited by Guarantee (company registration number 8662400) and a Registered Provider (registration number 4821), which commenced trading on 1 October 2015. The group of companies are known as the Horton Housing Group.

The registered office of the company is at Chartford House, 54 Little Horton Lane, Bradford, BD5 0BS.

Principal activities

The main charitable activities of the Association are the provision of supported housing for the benefit of the community and the provision of support and other services to vulnerable people who are in need of assistance.

Organisation

Association policy is determined by the Management Board and implemented by the Senior Management Team led by the Chief Executive. The Management Board has adopted and complies with the NHF 2015 Code of Governance. The Association employed 338 staff as at 31 March 2019 across schemes in the Bradford District, Kirklees, Calderdale, North Yorkshire, and at Head Office.

Policies

The Association follows best practice in the housing and community care areas and maintains comprehensive policies which are reviewed by senior managers and by the Management Board on a systematic basis. Specific policies and practice are also regularly reviewed by commissioners and other funders.

Review of the year

The Association continued to oversee the growth of the Horton Housing Group. The Registered Provider subsidiary, Chartford Housing Limited, has played an increasingly important role as the Group's development arm. It has developed £6.5 million of supported housing in its first three and a half years of trading and has several developments planned to start in 2019-20.

Despite the difficult political and economic climate, which saw continued cuts to local government and local health budgets, the Group was successful in protecting the majority of its existing services. Most services contracts are operated by the trading subsidiary, Horton Housing Support Limited, which maintained its performance. Refugee services continued to expand and enabled further expansion of our client training services. The Association continues to develop its reputation of delivering high quality, value for money services. Our detailed Annual Review can be found on-line at www.hortonhousing.co.uk and is published in September.

HORTON HOUSING ASSOCIATION

MANAGEMENT BOARD REPORT (continued)

Year ended 31 March 2019

Review of the financial position

The Association's core financial strength enabled the Group to maintain existing services despite funding reductions, bid for new contracts and develop new schemes. The Group operating surplus grew and the net assets of the Association grew from £10.6 million to £11.6 million. The future funding position for 2019-20 is secure and healthy despite expected service cuts in North Yorkshire. The Association has a robust risk management system which seeks to ensure that the potential impacts of future financial risks are minimised.

Voluntary help

Many of the Group's schemes, as well as the Management Boards of the Group companies, rely on volunteers. Approximately 100 volunteers currently work across the organisation.

Share capital

At 31 March 2019 a total of 13 shares of £1 each had been issued to members and were fully paid. Horton Housing Support Ltd has 2 issued shares of £1 each which are owned by the Association. Bradford Base Social Enterprise Company Limited and Chartford Housing Limited have Horton Housing Association as their only member.

Auditors

Saffery Champness LLP have expressed their willingness to remain in office as auditors to the Association.

REFERENCE & ADMINISTRATIVE INFORMATION

Management Board

H Jones (Chair)	S Fox	R Clayton	D Noble
E Gray (Secretary)	R Milne	S Walker	W Noteman
C Watson (resigned 9 January 2019)	J Austin (resigned 28 October 2018)		

Solicitors Schofield Sweeney, Church Bank House, Church Bank, Bradford, BD1 4DY

Bankers Barclays Bank plc, 10 Market Street, Bradford, BD1 1NR

Auditors Saffery Champness LLP, Mitre House, North Park Road, Harrogate, HG1 5RX

HORTON HOUSING ASSOCIATION

MANAGEMENT BOARD REPORT

Year ended 31 March 2019

STATEMENT OF THE RESPONSIBILITIES OF THE MANAGEMENT BOARD

The Management Board are responsible for preparing the report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The Management Board are required 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 its income and expenditure for the period.

In preparing these financial statements, the Management Board are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Co-operative and Community Benefit Societies Act 2014;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards 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 Management Board are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. They are 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.

In so far as the Management Board are aware:

- there is no relevant audit information of which the Association's auditors are unaware, and
- the Management Board have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

This report was approved by the Management Board on 17 July 2019.

HORTON HOUSING ASSOCIATION

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES

Year ended 31 March 2019

Opinion

We have audited the financial statements of Horton Housing Association for the year ended 31 March 2019 which comprise a Statement of Comprehensive income, Statement of financial position 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 Financial Reporting Standard 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 and Association's affairs as at 31 March 2019 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefits Societies Act 2014.

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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the Group and Association's Members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Group and Association's Members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group 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 Members are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditors' 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.

HORTON HOUSING ASSOCIATION

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES (continued)

Year ended 31 March 2019

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 require us to report to you if, in our opinion:

- the information given in the Management Board Report is inconsistent in any material respect with the financial statements; or
- the Association has not kept sufficient accounting records; or
- the financial statements are not in agreement with the accounting records and returns; 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 Management Board's Responsibilities set out on page 3, the Management Board 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 Management Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Board are responsible for assessing the Group 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 Management Board either intend to liquidate the Group or Association or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

We have been appointed as auditors under the Co-operative and Community Benefits Societies Act 2014 and report in accordance with regulations made under that Act.

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 auditors' 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

HORTON HOUSING ASSOCIATION

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES (continued)

Year ended 31 March 2019

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 auditors' report.

Use of our Report

This report is made solely to the Association's members, as a body, in accordance with regulations under the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditors' 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 charity and the trustees as a body, for our audit work, for this report, or for the opinions we have formed.

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Saffery Champness LLP

Chartered Accountants

Statutory Auditors
Mitre House
North Park Road
Harrogate
North Yorkshire
HG1 5RX

Date:

Saffery Champness LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

HORTON HOUSING ASSOCIATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2019

	Notes	2019		2018	
		£	£	£	£
Charges from residents		6,154,548		5,733,269	
Less: Voids and bad debts		(418,752)		(551,799)	
			5,735,796		5,181,470
Public sector contracts and grants			8,396,436		8,429,276
Donations			6,087		2,447
Other income			464,948		445,401
Social Housing Grant income			1,347,500		25,000
Interest receivable			1,125		4
Restricted fund grant release	12		1,250		1,250
Total income			15,953,142		14,084,848
Expenditure					
Staff costs	7	8,379,369		8,058,028	
Employee related costs		319,788		310,882	
Maintenance		673,770		607,544	
Other premises costs		685,656		689,966	
Equipment repair & renewal costs		230,187		210,521	
Office costs		284,013		280,508	
Depreciation		1,031,869		1,014,161	
Impairment		878,487		135,006	
Landlord Charges		601,631		586,019	
Contract partner fees		333,842		333,842	
Loan interest		262,090		240,833	
Other costs		1,019,853		1,009,449	
Total			14,710,555		13,476,759
Operating surplus before revaluations, gains and reserves transfers	3		1,242,587		608,089
Actuarial gain/(loss) on pension scheme			(9,000)		9,000
Revaluation surplus			267,422		76,717
Result after revaluations and gains			1,501,009		693,806
Transfer from Revaluation Reserve	18/19		774,210		39,222
Total comprehensive income for the year			2,275,219		733,028

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

All recognised gains and losses are included in the statement of comprehensive income.

The notes on pages 10 to 24 form part of these financial statements.

HORTON HOUSING ASSOCIATION

STATEMENTS of FINANCIAL POSITION

as at 31 March 2019

	<i>Note</i>	Group		Association	
		2019	2018	2019	2018
		£	£	£	£
Fixed assets					
Land & buildings (inc. partially grant funded assets)		19,433,397	18,065,950	12,947,608	13,032,516
Other fixed assets		713,877	792,224	473,053	568,793
Investment in subsidiaries		-	-	2	2
	11	<u>20,147,274</u>	<u>18,858,174</u>	<u>13,420,663</u>	<u>13,601,311</u>
Debtors due after one year		-	-	5,500,000	3,764,544
Current assets					
Debtors and prepayments	4	2,282,434	2,007,008	1,912,788	1,729,932
Cash at bank and in hand		1,742,096	1,800,141	885,925	1,138,681
		<u>4,204,530</u>	<u>3,807,149</u>	<u>2,798,713</u>	<u>2,868,613</u>
Current liabilities					
Creditors and accruals	5	(2,189,726)	(2,626,897)	(1,211,403)	(1,188,446)
Net current assets		<u>2,014,804</u>	<u>1,180,252</u>	<u>1,587,310</u>	<u>1,680,167</u>
Liabilities falling due after one year					
Creditors and accruals	5	(8,796,372)	(8,367,479)	(8,796,372)	(8,367,479)
Pension obligation	21	(74,000)	(59,000)	(74,000)	(59,000)
		<u>(8,870,372)</u>	<u>(8,426,479)</u>	<u>(8,870,372)</u>	<u>(8,426,479)</u>
Net assets		<u>13,111,706</u>	<u>11,611,947</u>	<u>11,637,601</u>	<u>10,619,543</u>
Represented by:					
Issued share capital	6	13	13	13	13
Restricted funds	12	30,000	31,250	30,000	31,250
Accumulated General reserve funds	19	11,024,002	9,016,205	9,623,435	8,098,031
Revaluation reserve	18	2,057,691	2,564,479	1,984,153	2,490,249
		<u>13,111,706</u>	<u>11,611,947</u>	<u>11,637,601</u>	<u>10,619,543</u>

The financial statements were approved by the Management Board on 17 July 2019 and signed on their behalf by:

Management Board Member

Management Board Member

The notes on pages 10 to 24 form part of these financial statements.

HORTON HOUSING ASSOCIATION

CONSOLIDATED CASHFLOW STATEMENT

Year ended 31 March 2019

	<i>Notes</i>	2019	2018
		£	£
Net cash inflow from operating activities	15	2,611,200	2,682,379
Cash flow from investing activities			
Interest received		1,125	4
Interest paid		(262,090)	(240,833)
Purchase of tangible fixed assets		(2,939,485)	(1,922,316)
Receipts on sales of tangible fixed assets		32,500	-
Net cash outflow from investing activities		(3,167,950)	(2,163,145)
Cash flow from Financing activities			
Shares (redeemed)/issued		-	-
New long term loans		500,000	500,000
Repayment of long term loans		(1,295)	(1,290)
Net cash inflow from financing		498,705	498,710
Net change in cash and cash equivalents in the period		(58,045)	1,017,944
Cash and cash equivalent at the beginning of the period		1,800,141	782,197
Cash and cash equivalent at the end of the period		1,742,096	1,800,141

HORTON HOUSING ASSOCIATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2019

1 ACCOUNTING POLICIES

Basis of accounting

The consolidated financial statements have been prepared in accordance with the financial reporting standard applicable in the UK and Republic of Ireland (FRS102). The particular accounting policies adopted are described below. The accounting standards have been applied consistently (except as otherwise stated).

Horton Housing Association meets the definition of a public benefit entity under FRS 102.

Basis of Consolidation

The group financial statements consolidate the financial statements of Horton Housing Association and its subsidiary companies, Horton Housing Support Limited, Bradford Base Social Enterprise Company Limited, and Chartford Housing Limited, on a line by line basis.

Accounting Convention

The consolidated financial statements have been prepared under the historical cost convention, modified by the revaluation of the land and buildings.

Going Concern

The financial statements have been prepared on a going concern basis. The Association has adequate reserves and a satisfactory level of contracted future income.

Turnover and revenue recognition

Turnover comprises gross income from rents, public sector contracts and grants, property management, donations, investment income, services management and other grants and income as set out on the Statement of Comprehensive Income. Training and other income is accounted for in the period to which it relates. Grant income is recognised in line with the terms of the grant. Rental income is recognised in accordance with agreements in place.

Grants

Revenue grants are accounted for in the period to which they relate. Grants received in advance are carried forward as creditors. Capital grants are matched to expenditure incurred or carried forward to the next accounting period if appropriate.

Government Grants received have been accounted for dependent on the nature of the grant. Revenue grants received have been released to income on receipt, subject to any performance conditions being met. Grants with specific performance conditions are released to income at the point the funders' conditions are met.

Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

HORTON HOUSING ASSOCIATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Year ended 31 March 2019

1 ACCOUNTING POLICIES (continued)

Creditors and provisions

Creditors and provisions are recognised where the Association has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

Depreciation

Depreciation is calculated so as to write off the cost of an asset over its useful economic life.

Land & buildings	2.5% pa on cost on buildings
Refurbishments	2.5% - 10% pa on cost
Motor vehicles	25% pa on cost
Office equipment	10% - 33.33% pa on cost
Office equipment (cycle-to-work scheme)	66.67% pa on reducing balance
Residential furnishings & fittings	33.3% pa on cost

In Chartford Housing Limited, the major components of housing properties are treated as separable assets and depreciated over the shorter of their expected useful economic lives or the lives of the structure to which they relate, at the following annual rates:

Land	Not depreciated
Structure	2.5% pa on cost
Roofs	2.5% pa on cost
Central heating	3.3% pa on cost
Electrical	3.3% pa on cost
External doors	3.3% pa on cost
Windows	3.3% pa on cost
Internal doors	5% pa on cost
Boiler	6.7% pa on cost
Bathroom	6.7% pa on cost
Kitchen	6.7% pa on cost

Impairment

Housing properties will be reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment fixed assets are written down to the recoverable amount. Any such write down is charged to the operating surplus for the year.

Financial Instruments

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

Operating leases

Rent payable under operating leases is charged to the income and expenditure account over the term of the lease.

HORTON HOUSING ASSOCIATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Year ended 31 March 2019

1 ACCOUNTING POLICIES (continued)

Pensions

The Association has a policy of contributing to employees' personal pension schemes.

The Association is also an admitted body with the West Yorkshire Pension Fund, as detailed in note 21. This is a defined benefit scheme and the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost is shown as part of the interest charge and actuarial gains or losses are shown separately within the statement of comprehensive income.

The defined benefit section is funded, with the assets held separately from those of the company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability is presented within other long-term liabilities.

2 Taxation

The Association has charitable taxation status and is exempt from income and corporation tax. The only taxation borne in the year was VAT charged as expenditure but not recoverable.

3 Operating surplus

	Group		Association	
	2019	2018	2019	2018
	£	£	£	£
Operating surplus is stated after charging:				
Depreciation/impairment of tangible fixed assets	1,910,356	984,707	783,293	984,707
(Profit) on disposal of tangible assets	(25,049)	-	(24,697)	-
Operating lease rentals	44,883	67,888	24,000	34,222
Auditors remuneration	18,650	18,000	5,900	5,700

Included within turnover is income from government grants of £9,833,936 (2018: £8,454,276).

HORTON HOUSING ASSOCIATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Year ended 31 March 2019

4 Debtors and prepayments

	Group		Association	
	2019	2018	2019	2018
	£	£	£	£
DUE WITHIN ONE YEAR:				
Trade debtors and rent arrears	1,080,665	978,587	109,022	114,822
Sundry debtors and prepayments	319,223	361,101	148,683	189,515
Amounts due from subsidiary	-	-	917,370	578,275
Loan to subsidiary	-	-	-	220,000
Statutory funding receivable	882,546	667,320	737,713	627,320
	<u>2,282,434</u>	<u>2,007,008</u>	<u>1,912,788</u>	<u>1,729,932</u>
DUE AFTER ONE YEAR:				
Loan to subsidiary	-	-	5,500,000	3,764,544

The inter-company loans have been made to the subsidiary company, Chartford Housing Limited. They are repayable on 31 March 2024, and have an interest rate of BoE base rate plus a margin of 2.5%. The loans are unsecured.

Included within Group debtors above are financial assets held at amortised cost of £2,098,041 (2018: £1,707,459).

Included within the Association's debtors above are financial assets held at amortised cost of £6,935,765 (2018: £4,933,600).

5 Creditors and accruals

	Group		Association	
	2019	2018	2019	2018
	£	£	£	£
DUE WITHIN ONE YEAR:				
Trade creditors	149,629	150,139	-	-
PAYE and National Insurance	132,561	133,747	132,561	133,747
Sundry creditors and accruals	1,260,199	1,310,606	953,018	978,031
Deferred income	565,013	1,019,893	43,500	64,156
Loan account – Triodos Bank	82,324	12,512	82,324	12,512
Amounts due to subsidiary	-	-	-	-
	<u>2,189,726</u>	<u>2,626,897</u>	<u>1,211,403</u>	<u>1,188,446</u>
DUE AFTER ONE YEAR:				
Loan account – Triodos Bank	<u>8,796,372</u>	<u>8,367,479</u>	<u>8,796,372</u>	<u>8,367,479</u>

Deferred income comprises advanced fees received in relation to services and grants.

HORTON HOUSING ASSOCIATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Year ended 31 March 2019

5 Creditors and accruals (continued)

	Group		Association	
	2019	2018	2019	2018
	£	£	£	£
LOAN MATURITY ANALYSIS:				
Repayable within one year	82,324	12,512	82,324	12,512
Repayable within one to two years	289,883	68,842	289,883	68,842
Repayable within two to five years	924,335	854,201	924,335	854,201
Repayable after five years	7,582,154	7,444,436	7,582,154	7,444,436
	<u>8,878,696</u>	<u>8,379,991</u>	<u>8,878,696</u>	<u>8,379,991</u>

In December 2016, the Association refinanced its loan portfolio with its sole lender, Triodos bank. From that date it has a total loan facility of £13.2 million. A first instalment of £5.0 million has been fixed for 5 years until 23 December 2021 at 3.188% per annum. A further £3.9m has been drawn at variable rates. This facility has a variable rate of interest at a margin of 2.1% per annum over BoE Base Rate, subject to a minimum of 2.35% per annum.

No capital repayments are to be made until January 2020. A non-utilisation fee of 1.05% per annum of undrawn facilities is also charged by the lender.

The loan facilities are secured by first legal charges over HHA-owned properties.

Included within Group creditors are financial liabilities measured at amortised cost of £9,817,132 (2018 - £9,383,231).

Included within the Association's creditors are financial liabilities measured at amortised cost of £9,377,114 (2018 - £8,900,517).

6 Share capital

The Association had issued 13 fully paid shares of £1 each to its members at 31 March 2019 (2018:13). All shares have equal voting and other rights.

HORTON HOUSING ASSOCIATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Year ended 31 March 2019

7 Staff costs

	2019	2018
	£	£
Salaries	6,893,850	6,780,709
Employers National Insurance	562,885	561,927
Pension contributions	247,883	218,643
Agency & security staff	674,751	496,749
	<u>8,379,369</u>	<u>8,058,028</u>

8 Average number of employees

	2019	2018
	No.	No.
Full-time	297	302
Part-time	43	46

9 Key management personnel

	2019	2018
	£	£
Aggregate emoluments of the Group's key management personnel including pension contributions and benefits in kind	<u>487,973</u>	<u>466,305</u>

10 Investment in subsidiaries

The Association invested £2 in 100% of the issued share capital of Horton Housing Support Limited. The principal activity of the subsidiary is to carry on services to provide for the general welfare and support of vulnerable people and people in need.

The Association is the sole member of Bradford Base Social Enterprise Company Limited and guarantees the company to a maximum of £10. The subsidiary is a registered charity no. 1128217 and its principal activities are to provide education and training and also experience of regular work to vulnerable people and people in need.

The Association is the sole member of Chartford Housing Ltd and guarantees the company to a maximum of £1. The subsidiary is a registered charity no.1162562 and is registered with the Regulator of Social Housing as a Registered Provider no.4821. It commenced trading on 1 October 2016 and its principal activities are to act as the landlord for the majority of tenants of the Horton Housing Group and others, as well as to carry out grant-funded developments of new residential property.

HORTON HOUSING ASSOCIATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Year ended 31 March 2019

10 Investment in subsidiaries (continued)

The aggregate amount of capital and reserves and the results of subsidiary undertakings for the year ended 31 March 2019 are as follows:

	Capital and reserves 31 March 2019 £	Surplus for the year 31 March 2019 £
Horton Housing Support Limited	156,451	23,536
Bradford Base Social Enterprise Company Limited	48,794	12,533
Chartford Housing Limited	1,268,862	444,069

11 Fixed assets

Group

	Other fixed assets			Total £
	Land & property £	Motor vehicles £	Office equipment £	
COST/VALUATION				
At 1 April 2018	20,138,249	213,657	2,553,059	22,904,965
Additions	2,530,417	117,846	291,222	2,939,485
Disposals	(2,635)	(66,726)	(193,623)	(262,984)
Impairment	(878,487)	-	-	(878,487)
Revaluation	12,050	-	-	12,050
At 31 March 2019	<u>21,799,594</u>	<u>264,777</u>	<u>2,650,658</u>	<u>24,715,029</u>
DEPRECIATION				
At 1 April 2018	2,072,299	143,106	1,831,386	4,046,791
Charge for year	551,905	52,019	427,945	1,031,869
Disposals	(2,635)	(59,275)	(193,623)	(255,533)
Revaluation	(255,372)	-	-	(255,372)
At 31 March 2019	<u>2,366,197</u>	<u>135,850</u>	<u>2,065,708</u>	<u>4,567,755</u>
NET BOOK VALUE				
At 31 March 2019	<u>19,433,397</u>	<u>128,927</u>	<u>584,950</u>	<u>20,147,274</u>
At 31 March 2018	<u>18,065,950</u>	<u>70,551</u>	<u>721,673</u>	<u>18,858,174</u>

HORTON HOUSING ASSOCIATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Year ended 31 March 2019

11 Fixed assets (continued)

Association

	Other fixed assets			Total £
	Land & property £	Motor vehicles £	Office equipment £	
COST/VALUATION				
At 1 April 2018	15,013,655	85,720	1,978,785	17,078,160
Additions	49,718	90,856	198,015	338,589
Disposals	(2,635)	(57,376)	(193,623)	(201,634)
Revaluation	12,050	-	-	12,050
At 31 March 2019	<u>15,072,788</u>	<u>119,200</u>	<u>1,983,177</u>	<u>17,170,265</u>
DEPRECIATION				
At 1 April 2018	1,981,139	72,961	1,422,751	3,476,851
Charge for year	400,485	21,550	361,258	783,293
Disposals	(2,635)	(55,573)	(193,623)	(251,831)
Revaluation	(253,809)	-	-	(253,809)
At 31 March 2019	<u>1,125,180</u>	<u>38,938</u>	<u>1,590,386</u>	<u>3,749,604</u>
NET BOOK VALUE				
At 31 March 2019	<u>12,947,608</u>	<u>80,262</u>	<u>392,791</u>	<u>13,420,661</u>
At 31 March 2018	<u>13,032,516</u>	<u>12,759</u>	<u>556,034</u>	<u>13,601,309</u>

Valuations of freehold land and buildings have been carried out regularly by Carter Towler acting in the capacity of independent valuers. Properties were valued on the basis of existing use value in accordance with the RICS Appraisal & Valuation Manual. In the opinion of the management board there is no material difference between the value of land and buildings at 31 March 2019 and the latest valuations on those properties.

The historic cost of properties for the group is £22,238,674 (Company: £14,611,722).

HORTON HOUSING ASSOCIATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Year ended 31 March 2019

12 Restricted funds for capital projects

Group and Association

	Bradford Trident £	2019 £	2018 £
Restricted funds b/f	31,250	31,250	32,500
Allocated to income in the year	(1,250)	(1,250)	(1,250)
Restricted funds c/f	30,000	30,000	31,250

The grant from Bradford Trident is allocated to income over the 40 year expected life of the building.

There are no restricted funds within the subsidiary companies.

13 Financial Commitments

Expenditure commitments are as follows:

	2019 £	2018 £
Capital Expenditure		
Expenditure contracted for but not provided in the accounts	-	1,440,695

14 Operating lease commitments

At 31 March 2019 the group was committed to making the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Group		Association	
	2019 £	2018 £	2019 £	2018 £
Not later than one year	24,000	32,505	24,000	24,000
Between one and five years	63,000	87,000	63,000	87,000
Later than five years	-	-	-	-
	87,000	119,505	87,000	111,000

HORTON HOUSING ASSOCIATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Year ended 31 March 2019

15 Cash generated from operating activities

Group

	2019 £	2018 £
Net operating surplus	1,233,587	617,089
Grants released	(1,250)	(1,250)
Returns on investment and servicing of finance	260,965	240,829
Pension scheme non cash movement	15,000	1,000
Depreciation and impairment of tangible fixed assets	1,910,356	1,149,167
(Profit) on disposal of fixed assets	(25,049)	-
Decrease/(Increase) in debtors	(275,426)	128,670
(Decrease)/Increase in creditors	(506,983)	546,874
Net cash inflow from operating activities	2,611,200	2,682,379

16 Control

Horton Housing Association is a charitable association which is a Registered Society. Its operations are controlled by its Management Board who are members of the Association. Registered Societies are regulated by the Financial Conduct Authority.

17 Post balance sheet events

There were no post balance sheet events.

18 Revaluation reserve

	Balance as at 1 April 2018 £	Revaluations in the year £	Transfers £	Balance as at 31 March 2019 £
GROUP				
Revaluation reserve	2,564,479	267,422	(774,210)	2,057,691
ASSOCIATION				
Revaluation reserve	2,490,249	265,859	(771,955)	1,984,153

HORTON HOUSING ASSOCIATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Year ended 31 March 2019

19 Movement in general reserves

	Balance as at 1 April 2018 £	Surplus in year £	Transfers £	Balance as at 31 March 2019 £
GROUP				
General reserve	9,016,205	1,233,587	774,210	11,024,002
ASSOCIATION				
General reserve	8,098,031	753,449	771,955	9,623,435

The transfer from revaluation reserve to general reserve represents the transfer of the elements of the revaluation reserve to the extent properties had been previously impaired, in accordance with FRS102, together with the depreciation charge associated with revaluations previously recognised in the revaluation reserve.

20 Related party transactions

The Association works closely with the other Horton Housing Group entities. It employs all the staff of the Group and incurs many other costs and charges on behalf of the other Group companies in order to operate efficiently. These costs are re-charged as management fees to the other Group entities - Chartford Housing Limited (CHL), Horton Housing Support Limited (HHS) and Bradford Base Social Enterprise Company Limited (BASE) on the basis of the services used by them.

HHS provides property management services to the Association and receives a fee for those services which is netted off from the fees charged to it by the Association. HHS also makes gift aid donations to the Association.

CHL acts as a registered landlord for properties that the Association owns or leases. CHL has agreements with other Group companies, including the Association, to carry out the housing management of those properties. Short-term leases and housing management agreements are in place to regulate these arrangements and CHL charges a fee for its landlord service.

CHL also owns and leases property itself and again it contracts out the housing management of those properties to other Group companies, including the Association. CHL has borrowed from the Association to fund the purchase and development of the properties it owns. Interest is charged by the Association to CHL at a commercial rate.

BASE provides training services for vulnerable people including clients of companies of the Group. In the past year this has included the provision of ESOL and cultural orientation classes.

The company has taken advantage of the exemption from the requirement to disclose transactions between two or more members of a group, as all group companies are wholly owned subsidiary undertakings of the group to which it is party to the transactions.

HORTON HOUSING ASSOCIATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Year ended 31 March 2019

20 Related party transactions (continued)

As at 31 March 2019, the following balances were due from/(to) the other Group entities in respect of the above transactions:

	2019	2018
	£	£
Trading accounts:		
Horton Housing Support Limited	755,060	448,108
Bradford BASE Social Enterprise Limited	16,972	40,373
Chartford Housing Limited	145,338	89,794
Loans to Chartford Housing Limited	5,500,000	3,984,544

21 Pension obligations

Introduction

Horton Housing Association contributes to its employees' defined contribution schemes in line with its pension policy. This benefit is available for all permanent employees.

Horton Housing Association (the "Employer") was also an admitted body with the West Yorkshire Pension Fund (the "Fund") in respect of one group of employees that were transferred from Incommunities Ltd. This group is referred to as HLP within this note.

The disclosures below relate to the funded liabilities within the Fund, which is part of the Local Government Pension Scheme (the "LGPS").

The LGPS is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. Details of the benefits earned over the period covered by this disclosure are set out in "The Local Government Pension Scheme Regulations 2013" (as amended) and "The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014" (as amended).

Funding/Governance arrangements of the LGPS

The funded nature of the LGPS requires Horton Housing Association and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The last actuarial valuation was at 31 March 2016 and the contributions to be paid until 31 March 2020 resulting from that valuation are set out in the Fund's Rates and Adjustment Certificate.

The Fund Administering Authority, City of Bradford Metropolitan District Council, is responsible for the governance of the Fund.

HORTON HOUSING ASSOCIATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Year ended 31 March 2019

21 Pension obligations (continued)

Assets

The assets allocated to the Employer in the Fund are notional and are assumed to be invested in line with the investments of the Fund for the purposes of calculating the return to be applied to those notional assets over the accounting period. The Fund holds a significant proportion of its assets in liquid investments. As a consequence there will be no significant restriction on realising assets if a large payment is required to be paid from the Fund in relation to an employer's liabilities. The assets are invested in a diversified spread of investments and the approximate split of assets for the Fund as a whole (based on data supplied by the Administering Authority) is shown in the disclosures.

The Fund Administering Authority may invest a small proportion of the Fund's investments in the assets of some of the employers participating in the Fund if it forms part of their balanced investment strategy.

Contributions for the accounting period ending 31 March 2020

The Employer's regular contributions to the Fund for the accounting period ending 31 March 2020 are estimated to be £3,000 (HLP only).

Assumptions

The latest actuarial valuation of Horton Housing Association's HLP liabilities took place as at 1 August 2016. The principal assumptions are set out below:

	31 March 2019	31 March 2018
Duration of liabilities (years)	33.7	33.7
Discount Rate	2.50%	2.60%
RPI Inflation	3.20%	3.10%
CPI Inflation	2.10%	2.00%
Pension increases	2.10%	2.00%
Pension accounts revaluation rate	2.10%	2.00%
Salary increases	3.35%	3.25%

Mortality assumptions

The mortality assumptions are based on actual mortality experience of members within the Fund based on analysis carried out as part of the 2016 valuation, and allow for expected future mortality improvements. Sample life expectancies at age 65 resulting from these mortality assumptions are shown below.

HORTON HOUSING ASSOCIATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Year ended 31 March 2019

21 Pension obligations (continued)

	31 March 2019	31 March 2018
Males		
Member aged 65 at accounting date	22.2	22.1
Member aged 45 at accounting date	23.2	23.1
Females		
Member aged 65 at accounting date	25.4	25.3
Member aged 45 at accounting date	27.2	27.1

Asset Allocation

	Value at 31 March 2019 %	Value at 31 March 2018 %
Equities	74.0	74.1
Property	4.7	4.4
Government bonds	11.2	11.0
Corporate bonds	4.0	3.7
Cash	2.3	1.9
Other	3.8	4.9
Total	100	100

Reconciliation of funded status to balance sheet

	Value as at 31 March 2019 £	Value as at 31 March 2018 £
Fair value of assets	122,000	112,000
Present value of funded liabilities	196,000	171,000
Funded status	(74,000)	(59,000)
Unrecognised asset	-	-
Pension (liability)/asset recognised on the balance sheet	(74,000)	(59,000)

The split of liabilities at the last valuation between the various categories of members is as follows:

Active members	100%
Deferred pensioners	0%
Pensioners	0%

HORTON HOUSING ASSOCIATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Year ended 31 March 2019

21 Pension obligations (continued)

Amounts recognised in income statement

	2019	2018
	£	£
Operating cost		
Current service cost	8,000	14,000
Financing cost		
Interest on net defined benefit liability/ (asset)	1,000	1,000
Pension Expense recognised in profit and loss	9,000	15,000

The allowance for administration expenses included in Current Service Cost is £nil (2018: £nil).

Amounts recognised in other comprehensive income

	2019	2018
	£	£
Asset gains/(losses) arising during the period	4,000	1,000
Liability (losses)/gains arising during the period	(13,000)	8,000
Total amount recognised in other comprehensive income	(9,000)	9,000

Changes to the present value of the defined benefit obligation

	2019	2018
	£	£
Opening defined benefit obligation	171,000	158,000
Current service cost	8,000	14,000
Interest expense on defined benefit obligation	4,000	4,000
Contributions by participants	2,000	3,000
Actuarial losses/(gains) on liabilities	13,000	(8,000)
Net benefits paid out	(2,000)	-
Closing defined benefit obligation	196,000	171,000

Changes to the fair value of assets

	2019	2018
	£	£
Opening fair value of assets	112,000	100,000
Interest income on assets	3,000	3,000
Remeasurement of gains on assets	4,000	1,000
Contributions by the employer	3,000	5,000
Contributions by participants	2,000	3,000
Net benefits paid out	(2,000)	-
Closing fair value of assets	122,000	112,000

HORTON HOUSING ASSOCIATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Year ended 31 March 2019

21 Pension obligations (continued)

Actual return on assets

	2019	2018
	£	£
Interest income on assets	3,000	3,000
Gain/(loss) on assets	4,000	1,000
Actual return on assets	7,000	4,000