
**Registered by the Financial Conduct Authority under:
Co-operative and Community Benefit Societies registered number: 25616R
Registered by the Regulator of Social Housing No LH3737**

Unity Housing Association Limited

Annual Report and Consolidated Financial Statements

Year Ended 31 March 2019

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2019

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UNITY HOUSING ASSOCIATION LIMITED

Year ended 31 March 2019

BOARD MEMBERS, EXECUTIVE OFFICERS, ADVISORS AND BANKERS

Board

Chair S Bhargava
Other Members S Khan (resigned 25 September 2018)
T Yeardley (resigned 25 September 2018)
N Ahmed
W Butt
E Cook (appointed 12 December 2018)
E Green
A Hamied (appointed 12 December 2018)
D Heels
J Jefferies
D Richmond (appointed 12 December 2018)
N Ruhi-Khan (appointed 12 December 2018)
R Walker
A Rashid – Audit Committee Co-optee/ Board observer
(from 12 December 2018)

Executive Officers

Chief Executive A Akbor
Operations Director & Deputy Chief Executive P Sidhu
Regeneration & Development Director W Noteman
Resources Director AM Matson (appointed 18 November 2018)

Registered office

113-117 Chapeltown Road
Leeds
LS7 3HY

Registered numbers

Registered by the Financial Conduct Authority under
the Co-operative and Community Benefit Societies Act 2014 No: 25616R
Registered by the Regulator of Social Housing No: LH3737

Auditor

Grant Thornton UK LLP
No 1 Whitehall Riverside, Leeds LS1 4BN

Solicitor

Bevan Brittan LLP
Toronto Square, 7th Floor,
Toronto Street, Leeds, LS1 2HJ

Banker

Yorkshire Bank PLC
329 Harehills Lane, Leeds
LS9 6AX

UNITY HOUSING ASSOCIATION LIMITED

Year ended 31 March 2019

REPORT OF THE BOARD

The Board presents its report and the Group's audited financial statements for the year ended 31 March 2019, which includes the accounts of Unity Housing Association Limited (the Association) and its subsidiaries; Unity Property Services Limited (UPS) and Unity Housing Development Services Limited (UHDS), (collectively the Group).

Principal activities

The Group is a not-for-profit organisation administered by a Board of Management. The Group operates mainly in Leeds from its offices in Chapeltown. The Association has two subsidiaries, Unity Property Services Limited (UPS), trading as Unity Enterprise; that is also a not-for-profit organisation administered by a separate Board of Management and Unity Housing Development Services Limited (UHDS); a company registered under the Companies Act 2006 which is administered by a board comprised of Executive Directors and Association board members. The Association has the right to appoint the members to the Board of UPS and UHDS and thereby exercises control over both organisations.

The Group's principal activities are the development and management of social housing. The Group owns 1,289 units of mainly general needs accommodation of which 1,269 are directly managed. The Group has 5 Care home bedspaces and 6 units of supported housing accommodation managed by specialist care providers. In addition the Group owns 3 units which are currently leased to third party organisations and has 7 leasehold units, 6 of which are owned. UPS manages business workspace accommodation in Chapeltown and Harehills. UHDS manages the direct development of the Group's housing schemes until completed. The Group's average employees during the year were 37, 18 of whom were directly involved in the provision of housing services.

Business review

Details of the Group's performance for the year and future plans are set out in the Operating and Financial Review that follows this Report of the Board as set out on pages 6 to 22.

Housing property and fixed assets

Details of changes to the Group's tangible fixed assets are shown in notes 14 and 15 to the financial statements. Housing property values are considered in the Operating and Financial Review.

Reserves

The surplus for the year amounted to £947k (2018: £1,945k). Following a change in accounting treatment of the Social Housing Pension Scheme, as described in Note 12, there is a £1,267k loss through other comprehensive income, leading to the final deficit for the year being (£320k) (2018: surplus of £1,945k). At 31 March 2019 the Group's reserves amounted to £16,720k (2018: £17,040k).

Post balance sheet events

We consider that there have been no events since the year-end that have had a significant effect on the Group's financial position.

Payment of creditors

In line with government guidance, our policy is to pay purchase invoices within an average of 30 days from receipt, or earlier if agreed with the supplier. Creditor days are 25 (2018: 21).

Financial instruments

The Group's approach to financial risk management is outlined in the Operating and Financial Review on pages 6 to 22.

Employees

The strength of the Group lies in the quality and commitment of its employees. Our ability to meet our objectives and commitment to tenants in an efficient and effective manner depends on the contribution of employees throughout the Group. The Group is pleased to report that it has retained its Silver Investors in People accreditation, following annual surveillance visits.

REPORT OF THE BOARD (cont.)

The Group continues to provide information on its objectives, progress and activities through regular office and departmental meetings and provides training programmes focused on quality and customer service, seeking employees' views on how to improve services and on matters of common concern.

The Group is committed to equal opportunities for all its employees and in all its activities.

Health and safety

The Board is aware of its responsibility on all matters relating to health and safety. The Group continues to monitor its health and safety procedures and provides training and education to staff on health and safety matters through a health and safety consultant.

Board members and executive directors

The Board members and the executive directors of the Group are set out on page 1.

The Board members are all shareholders of the Association. These shares provide Board members with the right to vote at general meetings, but do not provide any rights to dividends or distributions on a winding up. The executive directors hold no interest in Unity's shares and have no legal status as directors although they act as executives within the authority delegated by the Board. The Group has insurance policies that indemnify its Board members and executive directors against liabilities when acting for the Group.

The Board

The Board comprises up to thirteen non-executive members drawn from a wide background, bringing together professional, commercial and local experience. Up to one third of the Board may be tenant Board members. Except for co-optees and tenants, only shareholders can be Board members. At every annual general meeting, Board members who have served their fixed term of three years retire from office and are eligible for re-election. Any Board member who has completed nine years' continuous service is not eligible for re-election.

The Board meets four times a year for regular business and annually for a weekend to discuss future strategy and members' training. The Board is responsible for the Group's strategy and policy framework. It delegates the day-to-day management and implementation of that framework to the Chief Executive and other executive officers.

An Audit and Risk Management Committee, an Operations Committee, an HR and Governance Committee and a Risk Appraisal Panel support the Board.

The Board and its Committees obtain external specialist advice from time to time as necessary.

Remuneration Policy

The Board set the Group's remuneration for its employees on an annual basis. It agrees the appointment of the executive directors, as well as the brief within which the Chief Executive can negotiate staff salaries.

Service contracts

The executive directors are employed on the same terms as other staff, their notice periods comprise three months. The exception is that executive directors are entitled to a car allowance equivalent to 10% of gross salary and the provision of a car (Chief Executive). Details of executive directors' salaries are set out in note 13 of the audited financial statements.

Pensions

The executive directors are members of the Social Housing Pension Scheme, a defined benefit 'final' salary pension scheme. The executive directors participate in the scheme on the same basis as all other eligible staff. The Group contributes to the scheme on behalf of its employees. A review has been undertaken of the scheme and with effect from 1 July 2019 the Group moved to a defined benefit Career Average salary scheme. Further details are in note 12.

REPORT OF THE BOARD (cont.)

NHF Code of Governance

We are pleased to report that Unity complies with the requirements of the NHF Code of Governance (2015 edition).

Governance and Financial Viability Standard

Registered providers are required by the Regulator of Social Housing (RSH) to certify their compliance with the Governance and Financial Viability Standard. The Board confirms that they comply with all material aspects of the standard. During the year, an action plan following an In-Depth Assessment was completed, resulting in a re-grading of our governance and viability to G1V1 (from G2V2).

Equality and Diversity

The Board has agreed equality and diversity targets and the Group proactively works towards achieving these and also in the delivery of projects which lead to sustainable communities for all.

Tenant Involvement

We actively encourage tenants' involvement in decision making by promoting mechanisms of tenant involvement.

Complaints

We have a clear and simple complaints policy which is available to tenants. During the year, we received 21 complaints all of which were resolved (2018:21).

Internal controls assurance

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. This responsibility applies to the Association and its subsidiaries.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss. In meeting its responsibilities, the Board has adopted a risk-based approach to establishing and maintaining internal controls, which are embedded within day-to-day management and governance processes. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed.

The process we now use for identifying, evaluating and managing the significant risks faced by the Group, is ongoing and has been in place since 1 April 2015 up to the date of approval of the annual report and financial statements. The Board receives and considers reports from management on these risk management and control arrangements throughout each year at its meetings.

The arrangements adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework include;

- **Identifying and evaluating key risks**

The Group's risk management strategy, sets out the Board's attitude to risk in the achievement of its objectives, it underpins the risk management, business planning and control arrangements. These arrangements clearly define management responsibility for the identification, evaluation and control of significant risks. The executive directors and managers produce quarterly update reports on risk, in addition to the twice-yearly review of risk at Board level. The Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

REPORT OF THE BOARD (cont.)

- **Control environment and internal controls**

The processes to identify and manage key risks to which the Group is exposed are an integral part of the internal control environment. Such processes, which are reviewed annually and revised where necessary, include strategic planning, the recruitment of executive directors and senior staff, regular performance monitoring, control over developments and the setting of standards and targets for health and safety, data protection, fraud prevention and detection, and environmental performance.

- **Information and reporting systems**

Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed, approved and monitored throughout the year by the Board. The Board regularly receives information on key performance indicators to assess progress towards achievement of key business objectives, targets and outcomes. The outcomes of these reviews are reported to Board at meetings throughout the year.

- **Monitoring arrangements**

Regular management reporting on control procedures provide assurance to successive levels of management and to the Board. It is supplemented by regular reviews by internal audit that provide independent assurance to the Board, via its Audit and Risk Management Committee. The arrangements include the rigorous procedure, monitored by the Audit and Risk Management Committee, for ensuring that corrective action is taken in relation to any significant control issues on internal audit action plans. A Fraud Register is maintained and is reviewed by the Audit and Risk Management Committee.

The Audit and Risk Management Committee has received the Chief Executive's annual review of the effectiveness of the systems of internal controls for the Association and its subsidiaries and the Annual Report of the Internal Auditor and has reported its findings to the Board.

Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Operating and Financial Review. Although the Group has a net current liability position for 2018/19 this was due purely to the timing of creditor invoices at the year end and a conscious decision not to incur additional interest by drawing down more loans than required. The Group has in place long-term debt facilities and sufficient liquid capital, which provides adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. The Group also has a long-term business plan, which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

In considering the Group's going concern position, the Board has considered future risks and uncertainties, which might affect its financial position and reviewed certain stress test scenarios to test the resilience of the business plan. The Board has also considered the impact of risks and uncertainties on its ability to comply with its loan covenants and is content that it will be able to comply with its loan agreement obligations for the foreseeable future. The Board considers that in the event of Brexit and in particular a disorderly Brexit the Group has sufficient liquid resources and suitable mitigating actions available in the short, medium and long term to manage the impact of increased inflation, increased interest rates and a significant decline in the housing market.

On this basis, the Board has a reasonable expectation that the Group 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.

Register of Assets and Liabilities

The Board can confirm that the Group is compliant with the standard requiring a Register of Assets and Liabilities to be held containing, but not exclusively, key information in relation to its housing properties and liabilities and other such information pertaining to the business.

Annual general meeting

The annual general meeting will be held on 24 September 2019

OPERATING AND FINANCIAL REVIEW

Activities

The Group consists of Unity Housing Association, a registered social landlord, Unity Property Services, a subsidiary trading as Unity Enterprise, which delivers office and workshop space to business start-ups and social enterprise as well as employment support and training and Unity Housing Development Services, a development company. Unity Housing Association and Unity Property Services both have charitable status.

The Group's head office is based in Chapeltown, Leeds and it has properties in Leeds and Kirklees, with the majority of properties being located in Leeds.

The Group operates three key business streams:

- General needs housing for rent to persons who are unable to rent or buy at open market rates;
- Supported housing and Category 1 housing for people who need additional housing-related support; and
- Low-cost home ownership, primarily shared ownership whereby residents purchase a share in the equity of their homes with the potential to staircase to outright ownership.

As well as managing 1,280 properties, the Group is a developer of new affordable housing and is a partner in the Accent Consortium, selected by the Homes England as one of its development partners in the region.

In addition to the above, through its subsidiary Unity Property Services Limited, the Group rents a range of affordable low cost units to encourage local businesses to start up and grow and provides employment services to help create and maintain jobs in the local area.

Unity Housing Development Services Limited a wholly owned subsidiary was set up to manage development activities providing design and build services to Unity Housing Association Limited.

External influences

The operating environment remains challenging from both an economic and strategic context with the unknown impact of Brexit and high levels of political uncertainty. Austerity continues to impact on our tenants.

We have included sensible assumptions about the impact of these factors on our business and feel that with careful management and tight controls we will continue to have a very robust financial position.

The Government is continuing with its transformation of the welfare system and we will continue to support our tenants through this period of change as well as review and improve our processes and levels of support and closely monitor the impact on our financial plans and respond accordingly to these challenges.

Housing has become one of the Government's main areas of focus and takes the view that obstacles have been cleared for the delivery of new housing. Rent increases for the five years commencing 2020 have now been confirmed at CPI+1% after the previous four years of 1% rent cuts. As a result, there is an imperative on the sector to respond positively.

OPERATING AND FINANCIAL REVIEW (cont.)

Objectives and strategy

The Group's objectives and priorities are set out in a business plan that is reviewed and approved by the Board each year. The six key objectives are summarised as follows:

- 1. Provide and continue to develop good quality mixed tenure housing which reflects needs and aspirations** – we will ensure the highest standards of repair and maintenance of our existing stock. Our priority will be to develop new high quality stock in geographic areas of Leeds where members of the Black, Minority and Ethnic (BME) community would want to live. We will also consider opportunities to support BME communities across the wider Leeds City Region. Our new development programme will consist of the type and tenure of unit for which we know there is a current and emerging need.
- 2. Provide high quality affordable housing services** – We aim to achieve the highest level of tenant satisfaction through the delivery of a range of flexible high quality services which respond to the needs of our current tenants. We will take account of emerging needs of new tenants and redesign our services accordingly. We will be sensitive to the needs of existing and new tenants in regard to the current economic climate and the Government's legislative programme.
- 3. Involve and work with our tenants and the communities we serve to inform and improve services** - We will engage with our tenants and BME communities to develop a good evidence base to help us design our services and influence the policy and delivery of services by others. On this basis, we will seek to represent BME communities, and others, in the multi-cultural neighbourhoods within which we work.
- 4. Work with partners to encourage the regeneration of our target neighbourhoods** – We will work in partnership to deliver physical, social and economic regeneration programmes to help create and sustain neighbourhoods where BME communities want to live. We will focus our efforts in those neighbourhoods where our tenants live and where there are high percentages of BME communities. We will aim to deliver and facilitate the delivery of services based on our understanding of current and future needs. We will continue to ensure our tenants have the best advice and access to training and employment opportunities and we will aim to promote and sustain financial inclusion.
- 5. Provide and facilitate business support services and encourage local enterprise** – through Unity Enterprise we will offer affordable managed workspace to support the needs of a wide range of small businesses and other organisations. We will provide and facilitate direct support to encourage local enterprise and we will offer and facilitate business advice to our existing business tenants. Through these services we will aim to support the economic regeneration of our target neighbourhoods.
- 6. Be a progressive and expanding business with a sound resource base** – we will be a strong and forward looking organisation. We will have a robust financial plan to support the delivery of high quality services and new development. Our governance and performance management arrangements will be of the highest standard and we will be a place where people want to work.

Performance and development

The Board agrees targets each year that are designed to manage develop and deliver continuous service improvement. The key indicators used by senior management and the Board are monitored regularly to assess the achievement of the Groups' objectives.

Performance against some of the key objectives is set out on the next page

OPERATING AND FINANCIAL REVIEW (cont.)

Provide and continue to develop good quality mixed tenure housing which reflects needs and aspirations

The planned maintenance programme over the last five years (2014/15 to 2018/19) was developed with reference to the external stock condition survey, internal stock condition surveys, local knowledge and the views of tenants. The planned and cyclical programme for 2018/19 has been completed in total with an expenditure of £432k (after capitalisation of components £456k, a total spend of £888k).

The works completed are as follows:

Type of work	Number of properties
Kitchens	71
Bathrooms (full and partial)	62
Windows	24
Doors	48
Boilers	77
External painting & communal areas	200

This year's gas servicing programme has been fully completed for all properties that require an inspection. We have continued to replace the poorest performing boilers in our properties as identified from stock condition information. We have co-ordinated this with other affordable warmth works to ensure our average RD 73 SAP rating is maintained.

We continue to develop and work on opportunities for growth and regeneration both on our own and with the Local Authority housing partnerships in the areas in which we work.

The Association is progressing well with its delivery of new units through our combined grant allocations from the 2015/18 Affordable Homes Programme (120 new homes with a grant allocation of £3.96m) and 2018/21 Affordable Homes Programme (100 new homes with a grant allocation of £3.5m). The 2018/21 Affordable Homes Programme was originally intended to be for Shared Ownership but has been re-designated as Rent or Shared ownership, with Unity's allocation being delivered via mainly rented units. Overall we have now completed 81 units, 90 are on site and the remaining 49 units are currently going through the planning process and are anticipated to start on site in early 2020.

Provide high quality affordable housing services

Keyservice performance is set out on page 17 as part of our Value for Money summary.

We have reviewed and confirmed our policy on social and affordable rents and our lettings policy. The demand for our stock is sustainable and turnover is managed, minimising void levels and rent losses. We have actively engaged with our tenants to address the effects of welfare reforms and continue to take action to minimise rent loss and void turnover. We have reviewed and introduced new procedures for income collection and arrears management.

We have continued to use the information provided by Energy Performance Certificates to identify energy efficiency measures that will assist with affordable warmth and have developed opportunities within the local community in respect of the delivery of energy advice to our tenants. We introduced a specialist advice service around energy supplier switching to both new and existing tenants.

Involve and work with our tenants and the communities we serve to inform and improve services

We continue to provide a range of ways for our tenants to engage. Our Scrutiny Panel goes from strength to strength, looking at our key performance indicators and to then scrutinise areas where they may have concerns. Both our Scrutiny and Tenant Panel have been involved in the consultation on the Green Paper. They also continue to be involved in Contractor Selection.

OPERATING AND FINANCIAL REVIEW (cont.)

Unity Housing Association has retained its accreditation of Compliance Plus for **Customer Service Excellence** for its efforts:

- a) to identify hard to reach and disadvantaged groups and individuals, developing services in response to their specific needs; and
- b) for its commitment to developing and delivering customer focussed services via recruitment, training and developing policies for staff.

Work with partners to encourage the regeneration of our target neighbourhoods

As a result of the work Unity and its partners have undertaken to date Chapeltown, Beeston, Holbeck and Little London have been identified as emerging spatial priority areas in the Local Investment Plan for Leeds.

This will mean some of the limited resources available for the coming years will be targeted at communities in these areas.

Unity continues to be represented at the Leeds Housing Partnership Forum, is a member of the Leeds Alliance Group and is an active member of BME National.

Unity is leading on identifying practical solutions through the work being developed on an area basis in Chapeltown, Harehills and Beeston.

We continue to support our tenants affected by the impact of welfare reform and wider cost of living issues through the delivery of an up to date Financial Inclusion programme.

Provide and facilitate business support services and encourage local enterprise

Unity Enterprise took over the management of the Leeds Media Centre from July 2008 under a Service Level Agreement with Leeds City Council. We also manage our Unity Business Centre and the Chapeltown Enterprise Centre which together provide quality affordable business units to encourage small local businesses to grow, help create jobs and prosperity with the local area.

Unity Enterprise now provides around eighty small businesses and social enterprises with office or workspace.

As well as successfully running these facilities the focus of Unity Enterprise has been to tackling unemployment, improving training and creating opportunities for local people to establish new businesses and improve their life chances. The employment team continue to make good progress and are continually adding to the network of contacts to ensure an effective employment and training service to our tenants and the community. During the year, the team has helped 119 people into employment, 179 into accredited training and 24 into voluntary placements.

To be a progressive and expanding business with a sound resource base

As a result of the changes during 2018/19 which enabled the Social Housing Pension Scheme, a multi employer pension scheme, to identify each individual organisation's share of liabilities, the Group has made an operating surplus of £1,500k, exceeding budget, but a Total Comprehensive Income loss of £320k. (2018: Group Comprehensive Income surplus £1,945k). We are meeting all lender covenants including interest cover and gearing. The surpluses will be used to part fund our planned development programmes alongside additional debt financing and grant funding.

We meet the requirements set out in Governance and Financial Viability Standard of the Regulator of Social Housing regulatory framework. As referred to in last years' financial statements, recommendations were proposed following an external review of governance. These have now been implemented and as a result the Association's governance and viability was re-graded in January 2019 to G1V1 (previously G2V2).

We have updated the 30-year financial plan based on revised and updated assumptions.

OPERATING AND FINANCIAL REVIEW (cont.)

Risks and uncertainties

The main risks that may prevent the Group achieving its objectives are considered and continuously reviewed by the senior management team and Board as part of the corporate planning processes and regularly throughout the year. The risks are recorded and assessed in terms of their impact and probability. Major risks, presenting the greatest threats to the Group, are reported to the Board together with action taken to manage the risks and the outcome of the action. These risk reports include assessments of key controls used to manage the risks. The Group has identified the major risks to successful achievement of its objectives as part of its business planning process and the areas of risk that carry a high risk score after risk controls are implemented are considered below:

Key risk	Controls / action planned
Failure to manage development contractor performance resulting in delays, overspends or poor quality of work. Poor quality or work may result in potential health and safety risk.	Robust procurement processes and procedures, regular and robust contractor monitoring and site meetings. Use of consultants where required. Review of gas installation quality control and audit
A significant health and safety related breach/event which could be related to failure to maintain 100% compliance for gas servicing certification, failure to maintain safe electrical installations or other factors.	Robust monitoring of safety standards, required inspections, independent audits and inspections and review of processes by the Board. Budget for gas service reviewed to ensure adequate finance for eleven-month cycle. Adequate provision for legal assistance when required.
Safeguarding policies, procedures and knowledge are not sufficiently embedded across the organisation resulting in potential incidents not being noticed or reported.	Staff training, up to date policies and procedures are kept and embedded, reporting systems in place.

The Regulator of Social Housing (RSH) has written to all associations setting out the Regulators expectations of them during the period of uncertainty in the event of a no deal Brexit and to share examples of what associations should consider when stress testing their businesses. The Regulator expects registered providers to have: identified the risks to which their businesses would be exposed; stress tested their business plans to reflect these; and identified specific, deliverable and timely mitigations, to ensure viability is maintained and tenants and social housing assets are protected.

Some of the possible exposures the Regulator has identified are set out below together with the Group's current position in relation to them:

Deteriorating housing market conditions – we are not exposed to market sales and we have sufficient headroom of unencumbered stock for loan security purposes.

Interest, inflation and currency risk – our stress tests on the business plan mirror these no-deal Brexit economic scenarios.

Access to finance – we have had confirmation from Yorkshire Bank that our £15m loan facility will not be affected and forecast that additional loan finance of £7m will not be required until 2024.

Availability of labour – we are not affected by EEA nationals in the workforce and we have stress tested inflationary increases in development costs.

Access to materials and components – increased costs have been stress tested.

Access to data – we have confirmed that all our data and IT support contracts are UK based.

OPERATING AND FINANCIAL REVIEW (cont.)

VALUE FOR MONEY (“VFM”)

A new Value for Money Standard and supporting Code of Practice came into effect on 1 April 2018, together with a suite of metrics which are reported upon below. The board refreshed its Strategic approach to VFM in June 2018, agreeing the reporting framework, approach to knowing assets and narrative approach. This has been further discussed in June 2019 with the first Value for Money report produced for the Unity Enterprise board in addition to the one for the Unity Housing Association board. This Group report consolidates the reports.

The Group has set its VFM strategy as being to optimise the use of its resources to achieve its targeted outcomes, thereby achieving a balance between economy, efficiency and effectiveness in order to support the Vision of:

- **providing housing choice**
- **to improve life opportunities**
- **to address inequalities.**

This VFM report will cover:

1. The VFM metrics and narrative about their results
2. Additional Metrics which the Group is reporting upon including Performance metrics
3. Knowing our assets
4. VFM targets from 2018 and for 2019.

VFM Metrics

The tables below set out the metrics for the Group for the year ended 31 March 2019 and 31 March 2018:

- initially with the Groups’ performance shown against the budgeted performance for the year
- secondly against the 2018 Global Account organisations with less than 2,500 units as this is more comparable than using all organisations before narrowing this further to understand how the Group performs against 4 other similar sized organisations in the region.

No	VFM metric	Commentary	2019 actual	2019 budget	2018 actual restated
1	Reinvestment %	Development activity increased from previous year but at a slightly lower pace than budgeted	11.1%	13.8%	6.0%
2a	New supply delivered - social housing %	23 new units delivered as budgeted	1.8%	1.8%	1.9%
2b	New supply delivered - non-social housing %	Board decision not to invest currently in non- social housing	0%	0%	0%
3	Gearing at cost %	Budgeted to draw down additional £5m but not required due to slowdown in development schemes	23.2%	36.2%	21.7%
4	Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %	Measure budgeted to reduce due to increased cost per unit but exceeded budget as interest payable was lower due to fewer drawdowns and operating surplus was higher	336%	285%	528%
5	Headline Social Housing cost per unit	Board decision to increase the cost per unit – see ‘economy’	£3.19	£3.38	£2.79
6a	Operating Margin - social housing lettings%**	This was budgeted to reduce in comparison to 2018 and lower voids and operating costs meant budget was exceeded.	23.0%	21.7%	29.7%

UNITY HOUSING ASSOCIATION LIMITED

Year ended 31 March 2019

No	VFM metric	Commentary	2019 actual	2019 budget	2018 actual restated
6b	Operating Margin - overall %	This was budgeted to reduce from the previous year	18.5%	20.8%	29.5%
7	Return on capital employed (ROCE)	Slightly higher than budget due to property sales which are not budgeted	2.2%	2.0%	3.7%

The regulator has produced a report on the 2018 Global accounts looking at the VFM metrics results by size of provider. Utilising this, does not include the quartile but does make it easier to see how Unity has performed in comparison to providers with less than 2,500 units – 49 providers in total.

No	VFM metric	2019	2018 restated	2018 Global accounts Quartile <2,500 units results average	Performance compared to providers <2,500 units	Performance measure
1	Reinvestment %	11%	6.0%	4.2%	Above	Efficiency
2a	New supply delivered - social housing %	1.8%	1.9%	0.7%	Above	Effectiveness
2b	New supply delivered - non- social housing %	0%	0%	0%	Same	Effectiveness
3	Gearing at cost %	23.2%	21.7%	30.5%	Below	Efficiency
4	Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %	336%	528%	225%	Above	Efficiency
5	Headline Social Housing cost per unit	£3.19	£2.79	£4.50	Below	Economy
6a	Operating Margin - social housing lettings%	23.0%	29.7%	25.2%	Above	Efficiency
6b	Operating Margin - overall %	18.5%	29.5%	24.6%	Above	Efficiency
7	Return on capital employed (ROCE)	2.2%	3.7%	3.3%	Below	Efficiency

Commentary on the metrics is grouped by performance measure.

Value for Money - Economy

No.	Comment
5	<p>Our Social Housing cost per unit remains low in comparison to the sector. The Homes England data published for 2018 showed that Unity's cost per unit was in the lowest quartile of the 230 organisations. For the smaller <2,500 Organisations the cost per unit was still significantly lower than the average at £2.79 versus £4.50.</p> <p>Our cost per unit increased in 2018/19 to £3.19 (2017/18: £2.79) as a direct result of the Board's decision to invest in additional staffing for the following reasons:</p> <ol style="list-style-type: none"> increase in stock numbers as a result of the development programme. Unity has had a historically low cost per unit as the Group strove to minimise costs and be as efficient as possible. However, with the challenges of additional stock in Kirklees now as well as Leeds then the travelling time has increased for staff as well as the physical number of units. The board wanted to ensure that service levels to tenants were not reduced and hence chose to appoint an additional Housing Officer; investment in new systems to support the introduction of Universal Credit. More detail is included in the Efficiency section due to the impact on the operating margin; and as referred to in the Effectiveness measures, investment in systems to support board meetings to be more efficient have a direct impact on economy as it increases the social housing cost per unit.

OPERATING AND FINANCIAL REVIEW – VALUE FOR MONEY (cont.)

Value for Money - Efficiency

No.	Comment
1	There has been an increase in Re-investment to 11% (2018: 6%) reflecting a stage of the overall development programme where a number of sites are reaching completion whilst others are in the planning and design stage. We reported last year that we expected this to increase. Unity has a significant development programme currently on site or in the pipeline which is reflected in current investment being above the average for other Organisations of a similar size. Even against larger Organisations Re-investment was at median for this reason. The Group is committed to reducing inequalities and ensures that existing stock is well maintained as well as providing new stock to ensure equality of service provision and offer for all tenants.
3	Gearing at cost remains well within our covenant levels (65%). The increase from 2018 to 2019 is due to the additional loan which was drawn from Capital Bank of £3.25M before the facility expired. We recognise that this measure will increase over the next two years in particular as we draw down agreed loans to fund the remainder of our development programme.
4	Our Interest cover [EBITDA-MRI] is significantly above covenant levels (of 120%) and is forecast to remain at comfortable levels even as we draw down further loans over the next few years. We have conducted multiple combinations of stress tests to ensure our plans are robust enough to cope with financial shocks and adverse events.
6a	Operating Margin - social housing lettings% was above the average for smaller organisations in 2018. However, recognising the challenges of Universal Credit which was rolled out in Leeds from October 2018, in addition to the increased unit numbers in the past few years, the Board took the decision to invest in some additional software to assist the Income Management Team be more efficient in targeting their scarce resources. The software highlights payments which are about to be missed enabling officers to proactively approach tenants before they miss rather than afterwards. It also means that if payments are being received as and when expected then officers do not need to check an account so they can be more focussed. The board also chose to invest in an additional housing officer (covered within social housing cost per unit). The impact of these changes has been to reduce the operating margin from 29.7% to 23%.
6b	Operating margin overall increased to 29.5% in 2018 but reduced to 18.5% in 2019. As referred to above the Board has made some conscious decisions in the interests of the balance of economy, efficiency and effectiveness. Depreciation has also increased due to more investment.
7	ROCE for 2019 is 2.2% (2018: 3.7%) The overall operating surplus for 2018 was artificially high due to the number of unanticipated sales during the year which are not budgeted for as they cannot be relied upon. Sales have also occurred during 2019 but to a lesser extent. This measure tracks the movement in total and current fixed assets in comparison to the operating surplus. Currently costs are being incurred on developments but no income is being generated whilst they are work in progress.

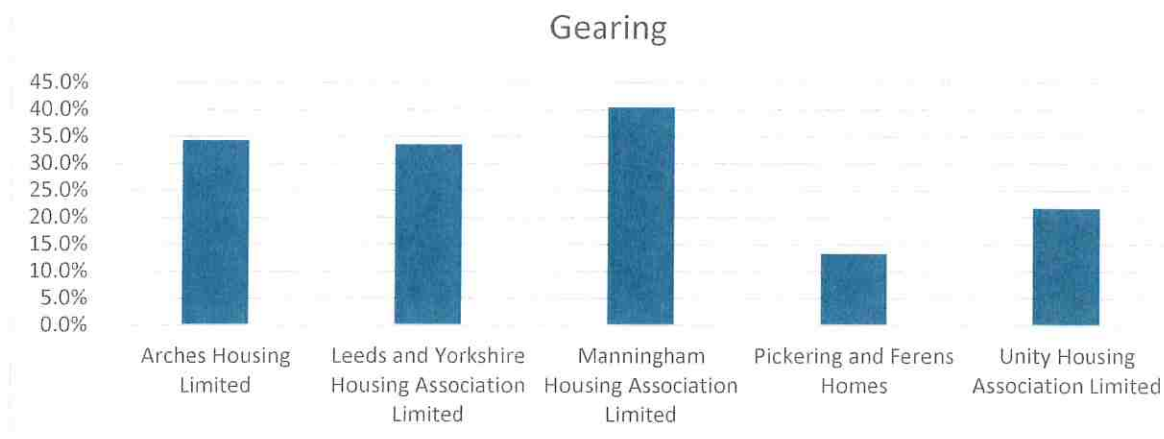
Value for Money - Effectiveness

No.	Comment
2a	New supply delivered - social housing % Unity housing is part way through its biggest development programme, delivering 220 new social homes by 2021, 23 of which were handed over during 2018/19. Away days with the Unity board have confirmed the priorities as delivery of affordable housing in the Leeds City Region.
2b	New supply delivered - non- social housing % Away days with the Unity board have confirmed the priorities as delivery of affordable housing in the Leeds City Region and hence no delivery of non-social housing at this time.

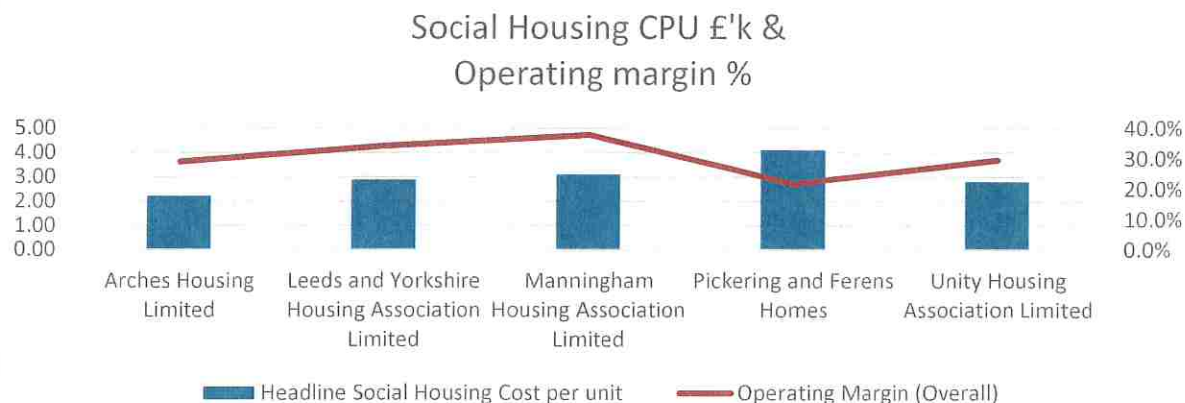
OPERATING AND FINANCIAL REVIEW (cont.) – VALUE FOR MONEY

Local, Regional Comparison

Having understood how the Group performs compared to the average <2,500 unit organisations, The Group has then compared itself to 5 local associations with less than 2,000 units to see how it compares regionally.



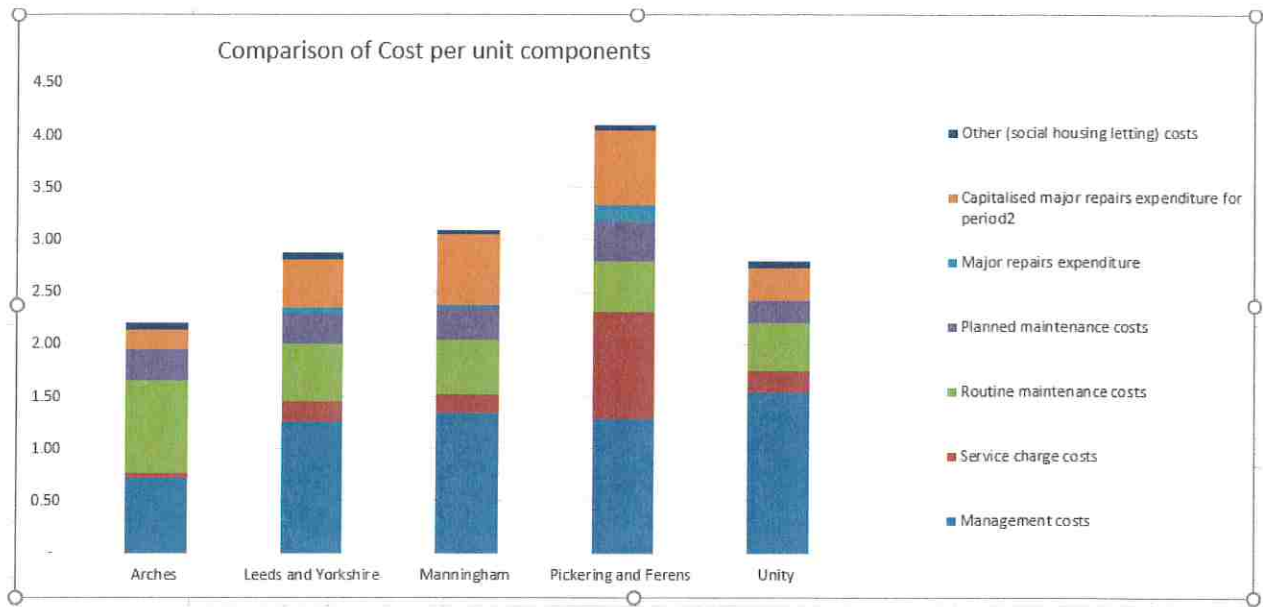
Unity currently has the lowest Gearing other than Pickering and Ferens, but is in the middle of its development programme and Gearing will increase significantly in the next 2 years as a £15million facility is drawn upon.



	Ratio of Operating Margin to cost per unit
Arches Housing Limited	13%
Leeds and Yorkshire Housing Association Limited	12%
Manningham Housing Association Limited	12%
Pickering and Ferens Homes	5%
Unity Housing Association Limited	11%

The ratio of Operating margin (overall) to cost per unit for each organisation is very comparable – Unity is fractionally less than 3 others. Pickering and Ferens is an outlier as their cost per unit is significantly higher – the comparison in the chart below shows that service charges affect their cost per unit significantly and reflects their volume of supported housing.

OPERATING AND FINANCIAL REVIEW (cont.) – VALUE FOR MONEY



The Unity Group has set a VFM target for 2019/20 to review its cost per unit analysis using Housemark to map costs. This analysis will be invaluable to understand why there are differences between the components of this cost. The Group is also aware that having increased its costs during 2018/19 that it may be higher than the other Organisations when the 2019 metrics are published.

Arches have the lowest social housing cost per unit for 2018 and as a BME provider as Unity is, the organisations are going to undertake some more detailed benchmarking together during 2019/20.

Other metrics

Social Value - the Group is committed to delivering social value via services that complement housing management and development. The following metrics are tracked monthly with the exception of £'s invested in communities which is an annual measure. Unity not only builds homes, but also brings on board and works with partners to improve local community facilities leading to increased well-being.



OPERATING AND FINANCIAL REVIEW (cont.)

Social Value Metrics	2019 actual	2019 target	2018 actual	2018 target	Commentary
No. people supported into employment	119	115	110	115	Finding jobs and volunteering opportunities alongside upskilling and training. The benefits of employment stretch far beyond the monetary aspect, often creating a sense of worth and well-being alongside increased confidence. The Volunteering target was not met in 2019 mainly due to the new GDPR rules and it being more difficult to send details to tenants who haven't requested it. Previously a number of referrals came from cold calling following internal signposting.
No. people given training	179	175	177	175	
No. people helped into volunteering positions	24	30	30	30	

Future action - For 2020 the Board have asked that this is split into tenants and community so that they can see the impact of the investment.

Social Value Metrics	2019 actual £	2019 target	2018 actual	2018 target	Commentary
£'s invested in Communities	121,210	New measure	81,025	n/a	<p>These costs include:</p> <ul style="list-style-type: none"> • Business support sessions provided for UE tenants – breakfast briefings – marketing & other business focused consultants. • Donations/ support and attendance to community groups with a BME focus/ operating in an area where there is stock • Costs of staffing to deliver employment skills, training and volunteering support. • Rent grants/ subsidies to new start-up businesses and social enterprises.

OPERATING AND FINANCIAL REVIEW (cont.)

Key Performance Indicators (KPIs)

	Actual 2016-17	Actual 2017-18	2018-19 Actual	2018-19 Target	Commentary
COMPLAINTS					
Number received*	20	21	21	n/a	KPI performance was generally good in the year. Repairs and maintenance KPIs that had been impacted by the procurement exercise for the new maintenance contractor during 2017/18 have been resolved during 2018/19 with the new Contractor starting. With the exception of appointments kept (reflecting 3 appointments missed per month), targets have been achieved. There has been a slight reduction in Overall satisfaction but it remains high and tenants were communicated with and involved throughout the process of the switch over in Contractor.
% response on time	100%	100%	100%	100%	
REPAIRS					
Emergency	99.3%	93.9%	99.2%	99.0%	
Urgent	98.1%	92.1%	99.1%	99.0%	
Routine	99.1%	94.0%	99.3%	99.0%	
Appointments kept	98.8%	93.8%	96.7%	99.0%	
Gas Service	100.0%	100.0%	100.0%	95.0%	
Average SAP rating	74.0	74.2	74.3	73.0	
Overall satisfaction	99.0%	97.2%	97.0%	95.0%	

*no target set for number of complaints

Future action - include repairs right first time within the efficiency measures.

Tracking the following PIs is a clear VFM focus.

	Actual 2016-17	Actual 2017-18	2018-19 Actual	2018-19 Target	Commentary
RENTS					
Rent Arrears £k *	£285k	£279k	£238k	£226k	The reduction in arrears did not meet target. Further reductions have been targeted for the next year as this remains a key area of focus. The downward trend in arrears continued despite Universal Credit rolling out across Leeds in October 2018. Board have set a challenging target of achieving 3.91% in the coming year. In recognition of these challenges the Association has invested in the Rentsense software to assist with targeted arrears prevention.
Rent arrears % *	4.91%	4.83%	4.12%	3.91%	
Income collection	100.49%	99.78%	101.01%	100.00%	
LETTINGS AND VOIDS					
Turnover of stock	4.20%	5.21%	3.48%	<10%	It is important that the Groups uses its resources efficiently and for this reason the lower that stock turnover can be kept through sustaining tenancies the more economical it is for the group as fewer resources are needed to let tenancies. Also having low Re-let times minimises void loss. Given recent performance the Board have set a challenging target of 20 days for Re-lets excluding new builds for 2019 which would be first quartile performance, acknowledging that it is also important to get the right tenants for future sustainability.
GN Re-let times - excl. new develop	34.1 days	27.8 days	21.2 days	28 days	
Rent loss from voids - General Needs	0.68%	0.77%	0.40%	<1%	

*management KPI tracking best benefit week

OPERATING AND FINANCIAL REVIEW (cont.)

Return on Assets/ Knowing our assets

Net Present Value (NPV) of stock

The housing association refreshed its approach in 2017, to identify any properties with a negative NPV and to consider why they were low and what action to be taken. The analysis has been updated in 2019, the results of which are shown below. Over 99.6% of the stock has an NPV >£10k. Shared ownership assets are not included in this analysis as leaseholders are responsible for their own maintenance. Assets managed by others are also not included as the management agreements cover repairs and maintenance.

NPV using a 5% discount rate	Number of Props	% of Stock
Less Than -£10,000 Value	3	0.2%
Less Than £0 Greater than -£10,000 Value	0	0.0%
Greater Than £0 less than £5,000 Value	1	0.1%
Greater Than £5,000 less than £10,000 Value	0	0.0%
Greater Than £10,000 less than £20,000 Value	69	5.7%
Greater Than £20,000 Value	1,129	93.9%
Total Rental Stock Owned	1,202	

The outcome is encouraging and reflective of the investment in the stock and also the newer stock which has been acquired and developed. There are three properties with a negative NPV. Two of these are long term voids and one is a void between 6 weeks and 6 months – action on these is reported below. The one which has a value less than £5k will be investigated in the coming year. The Association will also be undertaking a tender to commence a new stock condition survey to ensure that the condition of properties continues to be regularly independently assessed.

Number of Properties void at 31 March 2019

The position with respect to void properties as at 31st March 2019 and reported in the Statistical Data Return (SDR) was as follows:

Category of stock	Void 6 weeks or less	Void between 6 weeks and 6 months	Void over 6 months	Total
General needs vacant and available	1	-	-	1
General needs vacant and not available	-	1	2	3
Total	1	1	2	4
Notes	a	b	c	

Action being taken:

- Void due to tenancy termination and being re-let.
- This property became void on 29 October 2018 and damp issues have been addressed. There are currently problems letting the property due to ASB which the Association are working on with the Council
- A detailed option appraisal was undertaken on the two properties which were void over 6 months and was considered by SMT looking at demand for the units, housing management support, investment needed and an impairment review. The major works which are required are being funded through the Disposal Proceeds Fund, an approved use for which is bringing long term voids back into management. The work is due to be completed by the end of the 2nd quarter of 2019/20.

Subsidiary assets:

For UE, there are 3 main assets. Each is described below with any action to be taken.

OPERATING AND FINANCIAL REVIEW (cont.)

	Current condition *	Ownership	Action identified
Leeds Media Centre	In need of refurbishment	Leased asset from LCC	Potential European Regional Development Fund (ERDF) bid to improve the asset - options currently being appraised
Unity Business Centre 1	ERDF grant used to refurbish the communal areas – units need some work	Building owned	On-going refurbishment and maintenance plan
Unity Business Centre 2	In need of some attention. Looking tired	Building owned	On-going refurbishment and maintenance plan
Chapelton Enterprise Centre	ERDF grant used to refurbish communal areas	Building owned	On-going refurbishment and maintenance plan

*As assessed by the Enterprise Manager

Performance against VFM targets. Performance against the targets we set for 2018/19 are summarised below.

Targets	Comments	Outcomes
KPI targets	See detail above. Targets were reviewed and approved by both the Board and Operations Committee.	KPI performance targets reported above – achieved with the exception of rent arrears
Employment Team Targets	See detail above. Targets were reviewed and approved by both the UE and UHA Boards.	Achieved with the exception of volunteering.
Repairs Performance	Whilst there remains, a focus on cost efficiency there is an equal focus on repairs performance, which having dipped in the second half of 2017/18 as we conducted a procurement process for our main contractor was targeted for improvement in 2018/19.	KPI performance targets reported above – achieved with the exception of appointments kept
Budget saving of £100k	We are aiming to save £100k against our operating costs for year. This target is aimed to add an organisation wide focus on saving where possible.	Achieved. Staff continue to be focussed on contractual savings where possible upon contract renewal and obtaining ‘free’ training. A VFM log continues to be maintained. £66k was saved from a combination of contract renewals on photocopiers, insurance and IT modules and operational savings in loan interest, tipping costs, legal costs and tablet purchases. £73k was saved in VAT charges by utilising the Development subsidiary. Against this saving of £139k, excluding profits on disposal, depreciation and release of bad debt provision, Unity spent £71k more than planned on Operating costs due to changes which were made after the budget was set, including additional staff employed to assist with the increased unit numbers and arrears and additional maintenance spend.
UE rent subsidies	These are set on an ad hoc basis subject to the financial performance of UE and we are committed to maintaining them but have not set a specific target.	Additional rent subsidies given in 2018/19 reflecting the market conditions for some traders and the need to invest in LMC.

Targets	Comments	Outcomes
Know your assets	We will further review our stock and look to understand and address any low or negative value assets.	Option appraisal undertaken on 2 long terms voids, resulting in decision to invest in them to bring them back into management. NPV analysis updated.

Unity has been successful in achieving a good number of its VFM targets for the year. There remains a strong focus on those areas, which have missed target – arrears, appointment times and cost savings, whilst recognising that in order to achieve VFM across the organisation then sometimes additional costs need to be incurred as during the 2018/19 year to improve overall service delivery.

VfM Targets for 2019-20

The targets for 2019-20 are as follows.

Targets	Comments
KPI targets	See 2019 Business Plan on website. Targeting improvements in arrears, re-let times and void costs and sustaining maintenance targets. They have been reviewed and approved by both the Board and Operations Committee.
Employment Team Targets	See 2019 Business Plan on website. Continued targets to deliver outcomes without the significant increases of more recent years, recognising the limitations without increasing the staff team further. They have been reviewed and approved by both the Board and the UE Board.
Repairs Performance	We have targeted to achieve 99% performance ratings again across all aspects of maintenance bar overall satisfaction, which is set at 95%.
UE rent subsidies	These are set on an ad hoc basis subject to the financial performance of UE and we are committed to maintaining them but have not set a specific target. This is subject to the outcome of the LMC ERDF bid and how rent subsidies are shown in future.
Know your assets	We will further review our stock and look to understand the property below £5k in value and undertake the new age banding optional category within the SDR to understand the composition of the whole stock.
Know the split of costs	We will work with Housemark to complete the cost mapping exercise to understand the true composition of the overall social housing cost per unit so that more complete comparisons can be made to other organisations.

The Group considers this a robust review of its approach to meeting the Value for Money regulatory standard.

OPERATING AND FINANCIAL REVIEW (cont.)

Financial position

The Association's Statement of Comprehensive Income and Statement of Financial Position are summarised in Table 1 on page 22 and the following paragraphs highlight key features of the Group's financial position at 31 March 2019.

The Group's financial result for the year ended 31 March 2019 is a Total Comprehensive Loss of £320k compared to a Total Comprehensive Surplus of £1,945k in 2017-18. The surplus for the year was £947k before charges related to the changes in pension scheme accounting were included. The Group exceeded its budgeted surplus during the year as some good performance was delivered.

Planned maintenance and improvements

Expenditure on major repairs and improvements to properties was £432k in 2018-19 which compares to £400k in 2017-18. A stock condition survey was completed in 2016 and the result of this informed the forecasts included in our long term plan. The stock condition survey did not reveal anything which would suggest that there are any major Decent Homes Standard issues.

Housing properties and other fixed assets

The Group spent some £7,348k (2018:£3,670k) on the development and purchase of housing properties during the year. Total grants received in the year were £2,431k (2018:£1,277k), the Group's housing asset base at net book value has increased from £60.9m.to £66.0m.

Cash flow and liquidity

The net cash outflow for the Group amounted to £264k (2018:£1,075k) and is shown in the consolidated statement of cash flows on page 31. Compared to the previous year, both capital investment in housing and grants received are higher due to the number of developments being progressed during the year. The Group had liquid resources of £3,570k as at 31 March 2019 and has sufficient agreed loan facilities to support its business plan until 2023.

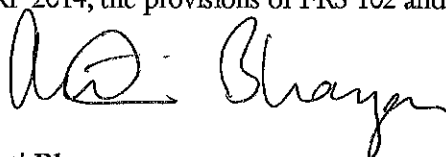
Treasury management

Treasury management is actioned within a policy approved by the Board. The Group's existing loans, covenant compliance and future borrowing requirements are reviewed by the Board on a quarterly basis. Investments are made only with counterparties on an approved list.

The Group has funding in place at the year-end to cover cash flow requirements for the next financial year.

Statement of compliance

In preparing this Operating and Financial Review, the Board has followed the principles set out in the Housing SORP 2014, the provisions of FRS 102 and the Accounting Direction 2015.



Shrutti Bhargava
Chair

11th September 2019

OPERATING AND FINANCIAL REVIEW (cont.)

Table 1 – Association only highlights, five-year summary

For the year ended 31 March	2019	Restated 2018	2017	2016	2015
Statement of Comprehensive Income (£'000)					
Total turnover	6,693	6,926	6,841	7,576	5,945
Gross rents receivable	6,568	6,822	6,376	5,536	5,173
Operating surplus	1,556	2,379	1,827	2,137	1,937
Interest Payable	(575)	(475)	(462)	(554)	(627)
Surplus for the year	1,019	1,933	1,423	1,636	1,406
Total Comprehensive Income for the year	(248)	1,933	1,423	1,636	1,406
Statement of Financial Position (£'000)					
Tangible Fixed Assets (excl. L/T debtors)	66,919	61,755	60,073	56,098	55,709
Net current (liabilities)/assets	(310)	689	1,944	5,742	5,066
Loans (Total)	19,100	17,311	18,321	19,144	19,917
Reserves: Designated	-	-	-	-	-
Revenue	16,433	16,681	14,748	13,325	11,678
Total	16,433	16,681	16,681	13,325	11,678
Accommodation figures					
Total owned housing stock (No of units) incl. 3 leased to third party	1,289	1,273	1,280	1,217	1,192
Statistics					
Surplus for the year as % of turnover Comprehensive Income for the year as % of turnover	15.20%	27.90%	20.80%	21.60%	23.70%
	(3.70)%	28.30%	20.80%	21.60%	23.70%
Surplus for the year as % of gross rents receivable	15.5%	28.3%	22.30%	29.60%	27.20%
Voids as a % of gross rents receivable	0.25%	0.81%	0.69%	1.02%	0.97%
Bad debts as a % of gross rents receivable	(0.51)%	0.51%	0.31%	0.41%	1.94%
Operating surplus per unit managed	£1,207	£1,869	£1,427	£1,756	£1,625
Total Reserves per unit managed	£12,749	£13,104	£11,522	£10,949	£9,797
Interest Cover (surplus before interest payable divided by interest payable)	5.66	7.88	5.83	3.65	3.41
Liquidity (Current assets divided by current liabilities)	0.90	1.20	1.80	3.10	2.80
Gearing (total loans as a % of SHG plus reserves)	36.07%	36.17%	39.82%	36.89%	38.82%

STATEMENT OF RESPONSIBILITIES OF THE BOARD

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

Co-operative and Community Benefit Society legislation requires the Board to prepare financial statements for each financial year. Under that law, the Board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under the Co-operative and Community Benefit Society legislation, the Board 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 and Group for that period. In preparing these financial statements, the Board are required to:

- select suitable accounting policies and apply them consistently;
- make judgements 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 2014, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a 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 Group and association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing (April 2015). It is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The 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.

Disclosure of information to auditors

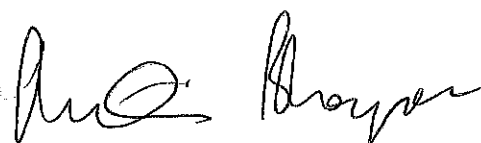
At the date of making this report each of the Group's Board members, as set out on page 1, confirm the following:

- so far as each Board member is aware, there is no relevant audit information which the Group's auditors are unaware, and
- each Board member has taken all the steps that he ought to have taken as a Board member in order to make themselves aware of any relevant information needed by the Group's auditors to establish that the Group's auditors are aware of that information.

External Auditors

A resolution to re-appoint Grant Thornton UK LLP will be proposed at the forthcoming annual general meeting.

The report of the Board and Operating and Financial Review was approved by the Board on 11 September 2019 and signed on its behalf by:



Shruti Bhargava
Chair

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNITY HOUSING ASSOCIATION

Opinion

We have audited the financial statements of Unity Housing Association Limited (the 'parent society') and its subsidiaries (the 'group') for the year ended 31 March 2019, which comprise the Consolidated Statement of Comprehensive Income, the Association Statement of Comprehensive Income, the Consolidated Statement of changes in Reserves, the Association Statement of Changes in Reserves, the Consolidated Statement of Financial Position, the Association Statement of Financial Position, the Consolidated 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 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's and parent society's affairs as at 31 March 2019 and of the group's and parent society's income and expenditure for the year then ended;
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with regulations made under that Act. 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 society 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 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 group's or parent society'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 board is responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNITY HOUSING ASSOCIATION (Cont.)

Matters on which we are required to report by exception

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

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

Responsibilities of the board for the financial statements

As explained more fully in the Statement of Board's Responsibilities set out on page 23, 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 group's and parent society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the group or parent society 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 our report

This report is made solely to the society's members, as a body, in accordance with regulations made under Sections 87 and 98(7) of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the society and the society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
16 September 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Turnover			
Operating income	3	7,170	7,440
Operating costs	3	(5,670)	(5,033)
		<u>1,500</u>	<u>2,407</u>
Operating surplus			
Interest receivable	8	22	13
Interest and financing costs	9	(575)	(475)
		<u>947</u>	<u>1,945</u>
Surplus on ordinary activities before taxation			
Tax on surplus on ordinary activities	10	-	-
		<u>947</u>	<u>1,945</u>
Surplus for the year			
Re-measurement of SHPS obligation	12	(952)	-
Actuarial loss in respect of pension scheme	12	(315)	-
		<u>(320)</u>	<u>1,945</u>
Total comprehensive income for the year			

The accompanying notes of pages 32 to 58 form part of the financial statements.

There were no gains and losses of the Group other than those included in the Statement of Comprehensive Income.

The consolidated results relate wholly to continuing activities.

ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Turnover			
Operating income	3	6,693	6,926
Operating costs	3	(5,137)	(4,547)
		<u>1,556</u>	<u>2,379</u>
Operating surplus			
Interest receivable	8	38	29
Interest and financing costs	9	(575)	(475)
		<u>1,019</u>	<u>1,933</u>
Surplus on ordinary activities before taxation			
Tax on surplus on ordinary activities	10	-	-
		<u>1,019</u>	<u>1,933</u>
Surplus for the year			
Re-measurement of SHPS obligation	12	(952)	-
Actuarial loss in respect of pension scheme	12	(315)	-
		<u>(248)</u>	<u>1,933</u>
Total comprehensive income for the year		<u><u>(248)</u></u>	<u><u>1,933</u></u>

The accompanying notes on pages 32 to 58 form part of the financial statements.

There were no gains and losses of the Association other than those included in the Statement of Comprehensive Income. The Association's results relate wholly to continuing activities.

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

For the year ended 31 March 2019

	Income and expenditure reserve	Total
	£'000	£'000
Balance as at 1 April 2017	15,095	15,095
Total comprehensive income for the year	1,945	1,945
Balance at 31 March 2018	<u>17,040</u>	<u>17,040</u>
Total comprehensive income for the year	(320)	(320)
Balance at 31 March 2019	<u><u>16,720</u></u>	<u><u>16,720</u></u>

ASSOCIATION STATEMENT OF CHANGES IN RESERVES

For the year ended 31 March 2019

	Income and expenditure reserve	Total
	£'000	£'000
Balance as at 1 April 2017	14,748	14,748
Total comprehensive income for the year	1,933	1,933
Balance at 31 March 2018	<u>16,681</u>	<u>16,681</u>
Total comprehensive income for the year	(248)	(248)
Balance at 31 March 2019	<u><u>16,433</u></u>	<u><u>16,433</u></u>

The accompanying notes on pages 32 to 58 form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

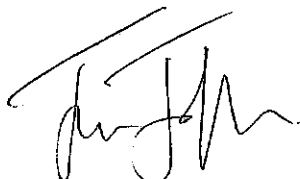
	Note	2019 £'000	2018 £'000
Fixed assets			
Housing properties	14	65,967	60,881
Non-housing freehold properties	15	2,737	2,778
Other tangible fixed assets	15	187	209
		<u>68,891</u>	<u>63,868</u>
Current assets			
Debtors due within one year	17	353	256
Cash at bank and in hand		3,570	3,834
		<u>3,923</u>	<u>4,090</u>
Creditors: Amounts falling due within one year	19	(4,466)	(3,636)
Net current (liabilities)/assets		<u>(543)</u>	<u>454</u>
Total assets less current liabilities		<u>68,348</u>	<u>64,322</u>
Creditors: Amounts falling due after more than one year	20	(49,580)	(47,282)
Defined Benefit Pension liability	12	(2,048)	-
Net assets		<u>16,720</u>	<u>17,040</u>
Reserves			
Non-equity share capital	23	-	-
Income and expenditure reserve		16,720	17,040
Total reserves		<u>16,720</u>	<u>17,040</u>

The accompanying notes on pages 32 to 58 form part of the financial statements.


The financial statements were approved by the Board on 11 September 2019 and signed on its behalf by;



Shruti Bhargava
Chair



Board Member



Ali Akbor
Secretary

ASSOCIATION STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Housing properties	14	66,139	60,934
Non-housing freehold properties	15	665	676
Other tangible fixed assets	15	115	145
Investment in subsidiaries	16	-	-
Long term debtors	18	283	315
		<u>67,202</u>	<u>62,070</u>
Current assets			
Debtors due within one year	17	497	388
Cash at bank and in hand		3,465	3,763
		<u>3,962</u>	<u>4,151</u>
Creditors: Amounts falling due within one year	19	(4,272)	(3,462)
Net current (liabilities)/assets		<u>(310)</u>	<u>689</u>
Total assets less current liabilities		<u>66,892</u>	<u>62,759</u>
Creditors: Amounts falling due after more than one year	20	(48,411)	(46,078)
Defined Benefit Pension liability	12	(2,048)	-
Net assets		<u>16,433</u>	<u>16,681</u>
Reserves			
Non-equity share capital	23	-	-
Income and expenditure reserve		16,433	16,681
Total reserves		<u>16,433</u>	<u>16,681</u>

The accompanying notes on pages 32 to 58 form part of these financial statements.

The financial statements were approved by the Board on 11 September 2019 and signed on its behalf by:



Shruti Bhargava
Chair



Board Member



Ali Akbor
Secretary

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Net cash generated from operating activities	27	2,963	2,403
Cash flow from investing activities			
Purchase, construction and improvement of housing properties		(7,348)	(3,670)
Social housing grant – received		2,431	1,277
Proceeds from disposal of shared ownership properties		531	730
Purchase of other fixed assets		(113)	(169)
Interest received		22	13
Net cash outflow from investing activities		<u>(4,477)</u>	<u>(1,819)</u>
Cash flow from financing activities			
Interest paid		(539)	(475)
Loan drawdowns		3,250	-
Housing loans repaid		(1,461)	(1,010)
Disposal Proceeds Fund		-	(105)
Loan Issue Costs Incurred		-	(69)
Net cash inflow/(outflow) from financing activities		<u>1,250</u>	<u>(1,659)</u>
Net change in cash and cash equivalents		(264)	(1,075)
Cash and cash equivalents at the beginning of the year		3,834	4,909
Cash and cash equivalents at the end of the year		<u>3,570</u>	<u>3,834</u>

The accompanying notes on pages 32 to 58 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2019

1. Legal status

The Association and its subsidiary, Unity Property Services Limited, are registered under the Co-operative and Community Benefit Societies Act 2014, incorporated in England and Wales. Only the Association is registered with the Regulator of Social Housing as a social landlord. The subsidiary, Unity Housing Development Services Limited is registered under the Companies Act 2006.

The principal activities are the development and management of social housing. Unity Housing Association Limited is a public benefit entity as defined by FRS 102.

2. Accounting policies

Basis of accounting

The financial statements of the group and association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

The financial statements are presented in Sterling (£'000).

Disclosure exemptions

FRS 102 allows a qualifying entity certain disclosures exemptions, subject to certain conditions, which have been complied with, including notification of and no objection to, the use of exemptions by the society's shareholders.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

Going concern

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

On this basis, the Board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. In addition, in the event of Brexit and in particular a disorderly Brexit the Group has sufficient liquid resources and suitable mitigating actions available in the short, medium and long term to manage the impact of increased inflation, increased interest rates and a significant decline in the housing market. For this reason, it continues to adopt the going concern basis in the financial statements.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2019

2. Accounting policies (continued)

Impairment

Rents are reducing by 1% per annum for the four years to 2019/20 in accordance with the Housing and Planning Act 2016. In addition, the Association has reduced some rents further in order to converge fully with target rents. Despite cost efficiency savings and other changes to the business, compliance with the new rent regime has resulted in a loss of net income for certain social housing property. This is a potential trigger for impairment. As a result and as part of our annual process, we calculated the net present value (NPV) for each of our properties to identify those assets which may require further investigation and potential impairment. We also reviewed our list of properties with long term voids. The results of the review are included within the Value for Money section in the Operating and Financial review.

Capitalisation of property development costs

Distinguishing the point at which a project is more likely than not to continue, allowing capitalisation of associated development costs, which are a percentage of salaries directly attributable to these developments, requires judgement. After capitalisation, management monitors the asset and considers whether changes indicate that impairment is required. The total amount capitalised in the year was £88k relating to the Affordable Housing 2015-18 scheme and £20k relating to the Affordable Housing Scheme 2018-21.

Loans

The association has examined all its lender loans, reviewed any two-way break clauses and considers them all to be basic. A basic loan is one that has some combination of a fixed or variable rate of interest over its whole life, there are no contractual provisions that result in the holder losing the principal amount and attributable interest, nor are there any swaps, collars or caps in relation to the interest rate.

Estimation uncertainty

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

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 technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require frequent replacement of key components.

Basis of consolidation

The group accounts consolidate the accounts of the Association and its subsidiaries at 31 March using the purchase method.

Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the Association and its wholly owned subsidiaries.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Turnover and income recognition

Turnover comprises rental income receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale and other services included at the invoiced value (excluding VAT where recoverable) of goods and services supplied in the year and grants receivable or amortised in the year.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2019

2. Accounting policies (continued)

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Taxation

As charitable entities, neither Unity Housing Association Limited nor Unity Property Services Limited, are liable to tax. The subsidiary Unity Housing Development Services Limited is liable to taxation, however due to a deed of covenant in place gift aid relief is available against this charge and therefore the charge processed in these financial statements is nil.

Value added tax

The Group charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue & Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Interest payable

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

- a) interest on borrowings specifically financing the development programme after deduction of interest on social housing grant (SHG) in advance; or
- b) interest on borrowings of the Group as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to the income and expenditure account in the year.

Pensions

The Group participated in a funded multi-employer defined benefit scheme, the Social Housing Pension Scheme (SHPS-DB). In addition, the Group contributes to a money purchase scheme (Social Housing Pension Scheme (SHPS-DC), the Auto Enrolment option for staff) for those employees who are not members of the defined benefit scheme and the charge to the financial statements is based on contributions paid.

Social Housing Pension Scheme (SHPS-DB)

In respect of SHPS-DB in the prior year, the Group was unable to recognise its share of the scheme assets and scheme liabilities and therefore had applied defined contribution accounting in respect of SHPS-DB. For the year ended 31 March 2018 the association had recognised as a past service deficit liability of £762k, within creditors, based on the present value of the Group's deficit funding agreement.

For the year ended 31 March 2019, the Group is able to identify its share of the scheme assets and scheme liabilities from 1 April 2018 and therefore has applied defined benefit accounting from this date onwards. For accounting purposes the relevant date for accounting for this change from defined contribution to defined benefit accounting is 1 April 2018. The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates.

The deficit funding agreement liability that was previously recognised within creditors of £762k was derecognised on 1 April 2018, and an initial net defined benefit pension liability of £1,714k was recognised at this date in the statement of financial position. The resulting net difference of

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2019

2. Accounting policies (continued)

£952k on initial recognition of the SHPS obligation was recognised in other comprehensive income. As at the year ended 31 March 2019, the net defined benefit pension deficit liability in respect of SHPS-DB was £2,048k which has been recognised in full and presented on the face of the statement of financial position for each group company participating in the scheme. The movement in the scheme deficit is charged or credited to either the operating surplus or the actuarial gain or loss reported on the face of the statement of comprehensive income.

Housing properties

Housing properties for rent are stated at cost less depreciation. 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.

Works to existing properties which replace a component are treated separately for depreciation purposes along with those 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 of the useful economic life of the property in the business. Only directly attributable development administration costs associated with new developments or improvements are capitalised.

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover and the remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

Government grants

Government grants include grants receivable from Homes England (HE), local authorities, and other government organisations. Government grants received for housing properties 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 once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received.

Government grants due or received in advance are included as current assets or liabilities. Those received for housing properties are subordinated to the repayment of loans by agreement with HE. Government 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.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in income and expenditure.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which is allocated to the component is released to income and expenditure. Upon disposal of the associated property, the group is required to recycle these proceeds and recognise them as a liability.

Other grants

Grants received from non-government sources are recognised using the performance model. A grant that does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2019

2 Accounting policies (continued)

Depreciation of housing properties

Freehold land is not depreciated. The Group separately identifies the major components which comprise its housing properties for rent and charges depreciation so as to write-down the cost of each component on a straight-line basis, over its estimated useful economic life.

The Group depreciates the major components of its housing properties over their estimated useful lives as follows:

Structure	Between 50 and 60 years
Roofs	50 years
Boiler, Electric & Gas Fires	15 years
Doors	20 years
Kitchens	25 years
Solar Panels	25 years
Bathrooms, Central Heating & Electrical Systems	30 years
Windows	40 years

Impairment

Annually housing properties are assessed for impairment indicators. Where indicators are identified, an 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. The resulting impairment loss is recognised as operating expenditure. Where a scheme is currently deemed not to be providing service potential to the association, its recoverable amount is its fair value less costs to sell.

Operating leases

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Other tangible fixed assets

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 buildings	2%
Leasehold buildings	4%
Furniture, equipment, plant & machinery	20%
Office equipment	20%
Computers	35%

Properties for sale

Shared ownership first tranche sales, completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Investments

Investments are valued at the lower of cost and net realisable value.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2019

3 Turnover, cost of sales, operating costs and operating surplus

GROUP – continuing activities

	Turnover	<u>2019</u> Operating costs	Operating surplus
	£'000	£'000	£'000
Social housing activities			
Income & expenditure from lettings	6,568	(5,057)	1,511
	<u>6,568</u>	<u>(5,057)</u>	<u>1,511</u>
Other social housing activities			
Management services	22	-	22
Letting of workspace units	580	(531)	49
Community Regeneration	-	(246)	(246)
Shared ownership first tranche sales	-	-	-
Administrative expenses	-	(10)	(10)
Gain on disposal of housing properties and other	-	174	174
	<u>7,170</u>	<u>(5,670)</u>	<u>1,500</u>
	<u>7,170</u>	<u>(5,670)</u>	<u>1,500</u>
		<u>2018</u>	
	Turnover	Operating costs	Operating surplus
	£'000	£'000	£'000
Social housing activities			
Income & expenditure from lettings	6,822	(4,584)	2,238
	<u>6,822</u>	<u>(4,584)</u>	<u>2,238</u>
Other social housing activities			
Management services	75	-	75
Letting of workspace units	541	(450)	91
Community Regeneration	-	(209)	(209)
Shared ownership first tranche sales	-	-	-
Administrative expenses	2	(5)	(3)
Gain on disposal of housing properties and other fixed assets	-	215	215
	<u>7,440</u>	<u>(5,033)</u>	<u>2,407</u>
	<u>7,440</u>	<u>(5,033)</u>	<u>2,407</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2019

3 Turnover, cost of sales, operating costs and operating surplus (continued)

ASSOCIATION – continuing activities

	Turnover	<u>2019</u> Operating costs	Operating surplus
	£'000	£'000	£'000
Social housing activities			
Income & expenditure from lettings	6,568	(5,069)	1,499
	<u>6,568</u>	<u>(5,069)</u>	<u>1,499</u>
Other social housing activities			
Management services	22	-	22
Community Regeneration	-	(246)	(246)
Shared ownership first tranche sales	-	-	-
Gain on disposal of housing properties	-	178	178
	<u>6,590</u>	<u>(5,137)</u>	<u>1,453</u>
Activities other than social housing			
Gift aid	103	-	103
	<u>6,693</u>	<u>(5,137)</u>	<u>1,556</u>

	Turnover	<u>2018</u> Operating costs	Operating surplus
	£'000	£'000	£'000
Social housing activities			
Income & expenditure from lettings	6,822	(4,553)	2,269
	<u>6,822</u>	<u>(4,553)</u>	<u>2,269</u>
Other social housing activities			
Management services	75	-	75
Community Regeneration	-	(209)	(209)
Shared ownership first tranche sales	-	-	-
Gain on disposal of housing properties	-	215	215
	<u>6,897</u>	<u>(4,547)</u>	<u>2,350</u>
Activities other than social housing			
Gift aid	29	-	29
	<u>6,926</u>	<u>(4,547)</u>	<u>2,379</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2019

3 Turnover, cost of sales, operating costs and operating surplus (continued)
Particulars of income and expenditure from social housing lettings

GROUP

	2019			Restated	
	General needs housing	Supported Housing	Low cost home ownership	Total	Total
	£'000	£'000	£'000	£'000	£'000
Income from social housing					
Rent receivable, net of identifiable service charges & voids	5,373	38	58	5,469	5,541
Service charges receivable net of voids	211	25	24	260	249
Amortisation of grant	839	-	-	839	1,032
Total income from social housing	6,423	63	82	6,568	6,822
Expenditure on social housing					
Services	(252)	(15)	(12)	(279)	(253)
Management	(1,860)	-	-	(1,860)	(1,694)
Routine maintenance	(634)	-	-	(634)	(587)
Planned maintenance & Property Improvements	(432)	-	-	(432)	(289)
Changes in bad debt provision and bad debt expense	29	-	-	29	(30)
Depreciation of housing properties	(1,710)	-	-	(1,710)	(1,587)
Depreciation of other fixed assets	(171)	-	-	(171)	(144)
Operating costs on social housing lettings	(5,030)	(15)	(12)	(5,057)	(4,584)
Operating surplus on social housing lettings	1,393	48	70	1,511	2,238
Void losses	15	-	-	15	47

The management figures for 2018 have been restated to remove the Community Regeneration values which are shown in Note 3 Other Social Housing Activities. This restatement has no impact on the surplus for the year.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2019

3 Turnover, cost of sales, operating costs and operating surplus (continued)

Particulars of income and expenditure from social housing lettings

ASSOCIATION

	2019			Restated 2018
	General needs housing £'000	Supported Housing £'000	Low cost home ownership £'000	Total £'000
Income from social housing				Total £'000
Rent receivable, net of identifiable service charges & voids	5,373	38	58	5,469
Service charges receivable net of voids	211	25	24	260
Amortisation of grant	839	-	-	839
Total income from social housing	6,423	63	82	6,568
Expenditure on social housing				
Services	(252)	(15)	(12)	(279)
Management	(1,952)	-	-	(1,952)
Routine maintenance	(634)	-	-	(634)
Planned maintenance & Property Improvements	(432)	-	-	(432)
Changes in bad debt provision and bad debt expense	29	-	-	29
Depreciation of housing properties	(1,710)	-	-	(1,710)
Depreciation of other fixed assets	(91)	-	-	(91)
Operating costs on social housing lettings	(5,042)	(15)	(12)	(5,069)
Operating surplus on social housing lettings	1,381	48	70	1,499
Void losses	15	-	-	15

The management figures for 2018 have been restated to remove the Community Regeneration values which are shown in Note 3 Other Social Housing Activities. This restatement has no impact on the surplus for the year.

4 Average weekly rent – Group and Association

	2019 £	2018 £
Average weekly gross rent per unit	93	88

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2019

5 Accommodation in management– Group and Association

At the end of the year, accommodation in management for each class of accommodation was as follows:

	2019	2018
	No.	restated No.
Social housing		
General needs housing:		
Social rent	1,124	1,118
Affordable rent	68	53
Housing for Older People	10	10
Low cost home ownership	67	71
	<u>1269</u>	<u>1252</u>
Total owned and managed		
Managed by others:		
Care Home	5	5
Agency managed supported	6	6
	<u>11</u>	<u>11</u>
Total owned and managed by others		
Total owned and managed Social Housing	<u>1280</u>	<u>1263</u>
Leasehold units (owned 6, managed 1)	7	7

The 2018 numbers have been restated to reflect the Statistical Data Return categories. Unity Property Services manages 145 low cost non-residential spaces.

6 Operating surplus

This is arrived at after charging:

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Depreciation of housing properties	1,710	1,587	1,710	1,587
Depreciation of other tangible fixed assets	171	144	91	69
Surplus on disposal of other tangible fixed assets	174	215	178	215
Auditors' remuneration	23	23	17	17
Auditors' remuneration – non-audit fees (tax compliance)	2	2	-	-
Operating Lease Costs	24	20	22	20
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2019

7 Surplus on sale of fixed assets – housing properties

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Disposal proceeds	531	723	531	723
Carrying value of fixed assets	(166)	(508)	(162)	(508)
Capital grant recycled (note 25)	(191)	-	(191)	-
	<u>174</u>	<u>215</u>	<u>178</u>	<u>215</u>

8. Interest receivable and other income

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Interest receivable and similar income	22	13	38	29
	<u>22</u>	<u>13</u>	<u>38</u>	<u>29</u>

9 Interest payable and similar charges

	Group & Association	
	2019 £'000	2018 £'000
Loans and bank overdrafts	(531)	(475)
Pension interest	(44)	-
	<u>(575)</u>	<u>(475)</u>

10 Tax

	Group	
	2019 £'000	2018 £'000
Current tax on surplus on ordinary activities	-	-

Factors affecting tax charge for the year

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 19%. The differences are explained below:

	2019 £'000	2018 £'000
Surplus on ordinary activities before tax	1,019	1,933
Adjustment in respect of charitable activities	(1,019)	(1,933)
Surplus on ordinary activities subject to tax	<u>-</u>	<u>-</u>
Total tax charge for the period	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2019

11 Employees

	Group		Association	
	2019 No.	2018 No.	2019 No.	2018 No.
Average monthly number of employees				
Administration	13	12	9	9
Development	5	5	5	5
Housing management	18	18	18	18
Community Project	1	1	1	1
	<u>37</u>	<u>36</u>	<u>33</u>	<u>33</u>

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Staff costs				
Wages and salaries	1,282	1,125	1,196	1,048
Social security costs	122	111	114	104
Other pension costs	177	102	172	96
	<u>1,581</u>	<u>1,338</u>	<u>1,482</u>	<u>1,248</u>

The average number of employees is calculated based on a working week of 35 hours. Any employee working less than 35 hours is included on a pro-rata basis.

12. Social Housing Pension Scheme

The company participates in the Social Housing Pension Scheme. For the year ended 31 March 2018, the SHPS obligation was being accounted for as a defined contribution as there was not sufficient information available to identify each employer's share of assets and liabilities in the scheme. Therefore for 31 March 2018, the contributions payable from the association to the SHPS under the terms of its funding agreement for past deficits was recognised as a liability within creditors in the association's financial statements. The net present value of £762k was recognised within creditors for this contractual obligation.

For the year ended 31 March 2019, sufficient information is available for the association in respect of SHPS to account for its obligation on a defined benefit basis. The most recent formal actuarial valuation was completed as at 30 September 2017 and rolled forward, allowing for the different financial assumptions required under FRS 102, to 31 March 2019 by a qualified independent actuary.

Under the defined benefit pension accounting approach, the SHPS net deficit as at 1 April 2018 is £1,714k and £2,048k as at 31 March 2019.

The proposals set out in FRED 71 requires the difference on transition from defined contribution to defined benefit accounting to be presented separately in other comprehensive income. The change on transition has resulted in a re-measurement difference of £952k, which has been recognised at the relevant date of application, 1 April 2018, in other comprehensive income.

	2018 £'000
Past service deficit liability as at 1 April de-recognised	762
Net pension scheme deficit under defined benefit accounting as at 1 April	(1,714)
Loss recognised in other comprehensive income on initial recognition as at 1 April	(952)

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2019

12. Social Housing Pension Scheme (continued)

PRESENT VALUES OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF ASSETS AND DEFINED BENEFIT ASSET (LIABILITY)

	31 March 2019 £'000	31 March 2018 £'000
Fair value of plan assets	6,084	5,533
Present value of defined benefit obligation	8,132	7,247
Defined benefit asset (liability) to be recognised	(2,048)	(1,714)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period ended 31 March 2019 £'000
Defined benefit obligation at start of period	7,247
Current service cost	158
Expenses	5
Interest expense	189
Contributions by plan participants	55
Actuarial (gains) due to scheme experience	(70)
Actuarial losses due to changes in demographic assumptions	21
Actuarial losses due to changes in financial assumptions	559
Benefits paid and expenses	(32)
Defined benefit obligation at end of period	8,132

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS

	Period ended 31 March 2019 £'000
Fair value of plan assets at start of period	5,533
Interest income	145
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	195
Contributions by the employer	188
Contributions by plan participants	55
Benefits paid and expenses	(32)
Fair value of plan assets at end of period	6,084

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £340k

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2019

12. Social Housing Pension Scheme (continued)

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME

	Period from 31 March 2018 to 31 March 2019 £'000
Current service cost	158
Expenses	5
Net interest expense	44
Defined benefit costs recognised in Statement of Comprehensive Income	207

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	Period ended 31 March 2019 £'000
Experience on plan assets (excluding amounts included in net interest cost) - gain	195
Experience gains and losses arising on the plan liabilities - gain	70
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - (loss)	(21)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - (loss)	(559)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - (loss)	(315)
Total amount recognised in other comprehensive income - (loss)	(315)

ASSETS

	31 March 2019 £'000	31 March 2018 £'000
Absolute Return	526	676
Alternative Risk Premia	351	210
Corporate Bond Fund	284	227
Credit Relative Value	111	-
Distressed Opportunities	111	53
Emerging Markets Debt	210	223
Fund of Hedge Funds	27	182
Global Equity	1,024	1,093
Infrastructure	319	142
Insurance-Linked Securities	174	145
Liability Driven Investment	2,225	2,017
Long Lease Property	89	-
Net Current Assets	12	5
Over 15 Year Gilts	-	-
Private Debt	82	49
Property	137	255
Risk Sharing	184	51
Secured Income	218	205
Total assets	6,084	5,533

Impact of GMP calculated to be 0.1% of liabilities, approximately £8k. This is included in the liability

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2019

12. Social Housing Pension Scheme (continued)

KEY ASSUMPTIONS

	31 March 2019 % per annum	31 March 2018 % per annum
Discount Rate	2.31	2.58
Inflation (RPI)	3.29	3.18
Inflation (CPI)	2.29	2.18
Salary Growth	2.73	2.59
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2019	21.8
Female retiring in 2019	23.5
Male retiring in 2039	23.2
Female retiring in 2039	24.7

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2019

13 Board members and executive directors

Board members received the following emoluments and expenses in the year:

	2019 £'000	2018 £'000
Board member payments	39	18
Expenses Paid	7	6
	46	24
	46	24

Emoluments paid to Unity Housing Association Board members, including Chair were:

	2019 £'000	2018 £'000
S Bhargava (Chair)	5.8	4.0
S Khan	1.9	1.6
T Yeardley	1.7	1.6
N Ahmed	2.9	1.6
W Butt	2.9	1.6
E Cook	1.1	n/a
E Green (Board Member/Subsidiary Chair)	3.3	2.0
A Hamied	1.0	n/a
D Heels (Committee Chair)	3.3	2.0
J Jefferies	2.9	1.6
D Richmond	1.0	n/a
N Ruhi-Khan	1.0	n/a
R Walker (Committee Chair)	3.3	2.0
A Rashid (Committee Co-optee)	-	n/a
	32.1	18.0
	32.1	18.0

Payments totalling £6.8k (2018: £3.2k) were also made to directors of Unity Property Services Ltd.

The aggregate emoluments of the Executive Directors amounted to:

	Basic salary £'000	Benefits in kind £'000	Pension contributions £'000	2019 Total £'000	2018 £'000
Chief Executive- A Akbor	82	8	10	101	98
Operations Director & Deputy CEO - P Sidhu	73	7	9	89	88
Regeneration & Development Director - W Noteman	62	6	5	73	72
Resources Director (from 18/11/18) -AM Matson	25	3	2	30	-
				293	258
				293	258

The emoluments of the highest paid executive officer, the Chief Executive, excluding pension contributions were; £90,000 (2018: £88,000).

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2019

13 Board members and executive directors (continued)

Staff who fell in the following bands are all executive officers of the Association:

	2019	2018
	No	No
£60,001 to £70,000	1	1
£70,001 to £80,000	1	1
£80,001 to £90,000	1	1

Key management personnel

The aggregate remuneration for key management personnel, which includes the executive officers and board members, charged in the year is:

	2019	2018
	£'000	£'000
Basic Salary	281	231
Benefits in kind	24	21
Employers NIC	32	28
Pension contributions	27	24
	<u>364</u>	<u>304</u>

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

During the year, the aggregate compensation for loss of office of key management personnel was £nil (2018: £nil).

UNITY HOUSING ASSOCIATION LIMITED

Year ended 31 March 2019

14 Tangible fixed assets – properties

GROUP	Social housing properties held for letting £'000	Completed shared ownership housing properties £'000	Social housing properties under construction £'000	Total £'000
Cost				
At 1 April 2018	77,125	2,720	2,487	82,332
Additions	417	-	6,471	6,888
Replacement of Components	460	-	-	460
Transfers	4,366	-	(4,366)	-
Disposals	(1,328)	-	-	(1,328)
At 31 March 2019	81,040	2,720	4,592	88,352
Depreciation				
At 1 April 2018	21,125	326	-	21,451
Charged in Year	1,665	45	-	1,710
Disposals	(758)	(18)	-	(776)
At 31 March 2019	22,032	353	-	22,385
Net book value				
At 31 March 2019	59,008	2,367	4,592	65,967
At 31 March 2018	56,000	2,394	2,487	60,881
ASSOCIATION				
	Social housing properties held for letting £'000	Completed shared ownership housing properties £'000	Social housing properties under construction £'000	Total £'000
Cost				
At 1 April 2018	77,178	2,720	2,487	82,385
Additions	536	-	6,471	7,007
Replacement of Components	460	-	-	460
Transfers	4,366	-	(4,366)	-
Disposals	(1,328)	-	-	(1,328)
At 31 March 2019	81,212	2,720	4,592	88,524
Depreciation				
At 1 April 2018	21,125	326	-	21,451
Charged in Year	1,665	45	-	1,710
Disposals	(758)	(18)	-	(776)
At 31 March 2019	22,032	353	-	22,385
Net book value				
At 31 March 2019	59,180	2,367	4,592	66,139
At 31 March 2018	56,053	2,394	2,487	60,934

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2019

14 Tangible fixed assets – properties (continued)

Social Housing Grants	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Opening balance 1 April	31,711	31,501	30,472	30,227
Additions	2,431	1,277	2,431	1,277
Released to income in the year	(874)	(860)	(839)	(825)
Disposals	(397)	(207)	(397)	(207)
Closing balance 31 March	<u>32,871</u>	<u>31,711</u>	<u>31,667</u>	<u>30,472</u>

Expenditure on works to existing properties

	Group and Association	
	2019 £'000	2018 £'000
Amounts capitalised	456	396
Amounts charged to income and expenditure account	432	400
Total	<u>888</u>	<u>796</u>

There are no finance costs included in the cost of housing properties.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2019

15 Tangible fixed assets – other

GROUP AND ASSOCIATION

	Group Non- housing properties for letting £'000	Group Freehold offices £'000	Group Total £'000	Association Freehold offices £'000
Cost				
At 1 April 2018	2,420	956	3,376	956
Additions	22	5	27	5
At 31 March 2019	<u>2,442</u>	<u>961</u>	<u>3,403</u>	<u>961</u>
Depreciation				
At 1 April 2018	318	280	598	280
Charged in year	52	16	68	16
At 31 March 2019	<u>370</u>	<u>296</u>	<u>666</u>	<u>296</u>
Net book value				
At 31 March 2019	<u>2,072</u>	<u>665</u>	<u>2,737</u>	<u>665</u>
At 31 March 2018	<u>2,102</u>	<u>676</u>	<u>2,778</u>	<u>676</u>
Other Tangible Fixed Assets - Group		Furniture & Equipment £'000	Computer Equipment £'000	Total £'000
Cost				
At 1 April 2018		299	711	1,010
Additions		31	55	86
Disposals		(5)	(51)	(56)
At 31 March 2019		<u>325</u>	<u>715</u>	<u>1,040</u>
Depreciation				
At 1 April 2018		248	553	801
Charged in year		20	83	103
Disposals		-	(51)	(51)
At 31 March 2019		<u>268</u>	<u>585</u>	<u>853</u>
Net book value				
At 31 March 2019		<u>57</u>	<u>130</u>	<u>187</u>
At 31 March 2018		<u>51</u>	<u>158</u>	<u>209</u>

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2019

15 Tangible fixed assets – other (cont.)

Other Tangible Fixed Assets - Association	Furniture & Equipment £'000	Computer Equipment £'000	Total £'000
Cost			
At 1 April 2018	171	636	807
Additions	1	44	45
Disposals	-	(51)	(51)
At 31 March 2019	<u>172</u>	<u>629</u>	<u>801</u>
Depreciation			
At 1 April 2018	166	496	662
Charged in year	5	70	75
Disposals	-	(51)	(51)
At 31 March 2019	<u>171</u>	<u>515</u>	<u>(51)</u>
Net book value			
At 31 March 2019	<u>1</u>	<u>114</u>	<u>115</u>
At 31 March 2018	<u>5</u>	<u>140</u>	<u>145</u>

16 Investment in subsidiaries

The financial statements consolidate the results of Unity Property Services Limited and Unity Housing Development Services Limited, which are wholly owned subsidiaries of the Association at the end of the year. The Association has the right to appoint members to the Board of the subsidiaries and thereby exercise control over them. Unity Housing Association Limited is the ultimate parent undertaking.

Fixed Asset Investments - Association

	2019	2018
	£	£
Shares in subsidiary and undertakings	104	104

Subsidiary Undertaking	Country of Incorporation	Class of Share Capital Held	Proportion Held by Association	Nature of the Business
Unity Property Services Limited	England and Wales	Ordinary Shares £4	100%	Low cost commercial office and workshop lettings
Unity Housing Development Services Limited	England and Wales	Ordinary Shares £100	100%	Development Company

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2019

17 Debtors

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Due within one year				
Arrears of rent and service charges	467	537	454	528
Less: Provision for bad debts	(344)	(408)	(344)	(408)
	<u>123</u>	<u>129</u>	<u>110</u>	<u>120</u>
Prepayments & accrued income	193	87	184	78
Other debtors	20	31	20	31
Other taxation & social security	17	9	-	-
Amounts due from subsidiaries	-	-	183	159
	<u>353</u>	<u>256</u>	<u>497</u>	<u>388</u>

Other debtors include loans to two executive officers as follows:

	£'000
Amount outstanding as at 1 st April 2018	16
Amount outstanding as at 31 st March 2019	11
Maximum outstanding in the year	

The loans carry interest rates of 1.26% and 2.29% and are both due for repayment within 4 years.

Of the amounts due from subsidiaries £151k (2018: £127k) is interest free and repayable on demand, the remaining portion is the balance of the loan to Unity Property Services Limited which is included in long term debtors.

18 Long term debtors

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Amounts due from subsidiary	-	-	283	315
	<u>-</u>	<u>-</u>	<u>283</u>	<u>315</u>

The amount due from Unity Property Services Limited is a loan which carries interest at 4% above base rate and is repaid monthly.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2019

19 Creditors: amounts falling due within one year

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Debt (note 22)	1,479	1,461	1,479	1,461
Grant due in one year (note 21)	884	860	849	825
Disposal Proceeds Fund (note 26)	190	-	190	-
Pension payments due in one year	-	115	-	115
Trade creditors	429	344	234	164
Rent & service charges received in advance	129	92	129	92
Interest accrued on loans	69	33	69	33
Other taxation and social security	48	45	36	31
Accruals and deferred income	1,110	586	566	555
Other creditors	128	100	39	19
Amount due to subsidiary	-	-	681	168
	<u>4,466</u>	<u>3,636</u>	<u>4,272</u>	<u>3,462</u>

20 Creditors: amounts falling due after more than one year

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Debt (note 22)	17,621	15,850	17,621	15,850
Loan issue costs:				
At 1 April	(255)	(225)	(255)	(225)
Additions		(69)		(69)
Amortised during the year	36	39	36	39
	<u>17,402</u>	<u>15,595</u>	<u>17,402</u>	<u>15,595</u>
Recycled Capital Grant Fund (note 25)	191	-	191	-
Disposal Proceeds Fund (note 26)	-	189	-	189
Pension payments due after one year	-	647	-	647
Deferred grant income	31,987	30,851	30,818	29,647
	<u>49,580</u>	<u>47,282</u>	<u>48,411</u>	<u>46,078</u>

21 Deferred grant income

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
At 1 April	31,711	31,501	30,472	30,227
Grant received in the year	2,431	1,277	2,431	1,277
Released to income in the year	(874)	(860)	(839)	(860)
Disposals	(397)	(207)	(397)	(207)
As at 31 March	<u>32,871</u>	<u>31,711</u>	<u>31,667</u>	<u>30,472</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

21 Deferred grant income (continued)

	2019	Group 2018	2019	Association 2018
	£'000	£'000	£'000	£'000
Amounts to be released within one year	884	860	849	825
Amounts to be released in more than one year	31,987	30,851	30,818	29,647
	<u>32,871</u>	<u>31,711</u>	<u>31,667</u>	<u>30,472</u>

22 Debt analysis

	Group and Association 2019	2018
	£'000	£'000
Due within one year		
Bank and Building Society loans	1,479	1,461
	<u>1,479</u>	<u>1,461</u>
Due after more than one year		
Bank and Building Society loans	17,621	15,850
	<u>17,621</u>	<u>15,850</u>
Debt is repayable		
Within one year	1,479	1,461
Between one and two years	1,497	1,479
Between two and five years	3,943	3,875
After five years	12,181	10,496
	<u>19,100</u>	<u>17,311</u>

The bank and building society loans are secured by fixed charges on individual properties.

The bank and building society loans are repayable by instalments up until 2043. The interest rates on the loans are fixed for terms ranging from one month to 9 years at rates ranging from 2.28% to 5.85%. At the end of the fixed terms, the interest rates on these loans may be fixed for further terms up to the maturity of the loans, as judged appropriate. In the opinion of the Association all its loans are classed as basic.

At 31st March 2019, the Group had undrawn loan facilities of £15,000k (2018: £18,250k).

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

23 Non-equity share capital

	Group and Association	
	2019	2018
	£	£
Shares of £1 each issued and fully paid		
At 1 April	70	70
Joining during the year	4	-
Leaving during the year	(38)	-
At 31 March	<u>36</u>	<u>70</u>

As part of a review of the number of Shareholders, in accordance with the Rules, those Shareholders who had not attended or sent apologies to the AGM for the last 5 years were contacted and asked if they wanted to remain or be removed. 38 have been removed on this basis.

24 Financial commitments

	Group and Association	
	2019	2018
	£'000	£'000
Capital Expenditure contracted for but not provided in accounts	9,466	18,435
Capital Expenditure authorised but not contracted for	8,438	7,200
	<u>17,904</u>	<u>23,634</u>

Capital expenditure will be financed out of existing cash balances, grants to be received and new funding currently subject to negotiation.

25 Recycled Capital Grant Fund

	Group and Association	
	2019	2018
	£'000	£'000
At 1 April	-	-
Net sales proceeds recycled	191	-
Withdrawals	-	-
	<u>191</u>	<u>-</u>

26 Disposals Proceeds Fund

	Group and Association	
	2019	2018
	£'000	£'000
At 1 April	189	294
Net sales proceeds recycled	-	-
Interest accrued	1	-
Withdrawals	-	(105)
	<u>190</u>	<u>189</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

27 Reconciliation of operating surplus to net cash inflow from operating activities

	2019 £'000	2018 £'000
Surplus for the year	947	1,945
Depreciation of housing properties	1,710	1,587
Depreciation of other fixed assets	171	144
Grant Amortisation	(874)	(1,067)
Loan issue costs amortised	36	39
Surplus on sale of tangible assets	(161)	(215)
Interest receivable	(22)	(13)
Interest payable	575	475
(Increase) / decrease in debtors	(97)	49
Increase / (decrease) in creditors	678	(541)
	<u>2,963</u>	<u>2,403</u>
Net cash inflow from operating activities	<u><u>2,963</u></u>	<u><u>2,403</u></u>

28 Contingent Liability

There are no contingent liabilities at the year-end (2018: £ nil).

29 Operating Leases

Rentals under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term.

Leasing commitments

The total future minimum payments on the leases are set out below. These relate to payments for office equipment, computers and a contract hire vehicle.

The leases, including Contract Hire, to which these amounts relate expire as follows:-

	Group 2019 £'000	2018 £'000	Association 2019 £'000	2018 £'000
In one year	25	36	19	32
Between one and five years	47	30	35	19
	<u>72</u>	<u>66</u>	<u>54</u>	<u>51</u>
	<u><u>72</u></u>	<u><u>66</u></u>	<u><u>54</u></u>	<u><u>51</u></u>

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2019

30 Categories of financial assets and financial liabilities

	2019 £'000	2018 £'000
Financial assets that are debit instruments measured at amortised cost	4,409	4,160
Financial liabilities measured at fair value through surplus or deficit		-
Financial liabilities measured at amortised cost	21,864	18,790
Total	<u>26,273</u>	<u>22,950</u>

Financial liabilities excluding trade creditors - interest rate risk profile

The group's financial liabilities are sterling denominated. The interest rate profile of the group's financial liabilities at 31 March was:

	2019 £'000	2018 £'000
Fixed rate	9,939	8,920
Floating rate	9,161	8,391
Total borrowings	<u>19,100</u>	<u>17,311</u>

Borrowing facilities

As at 31 March 2019 the group had undrawn loan facilities of £15.00m

31 Related parties

During the year, the Association charged Unity Property Services £25k (2018: £24k) and Unity Housing Development Services Limited £6k (2018:£6k) for management services.

At 31 March 2019, there was a loan of £315k due from Unity Property Services Limited (2018: £347k). The total amount of the loan is to be repaid by 31 March 2029. The loan carries interest at 4 per cent above base rate which is to be repaid monthly. The loan is secured on the freehold property of the Society.

The year-end parent entity debtor receivable due from Unity Property Services Limited is £48k (2018: £98k) - Note 17 and from Unity Housing Development Services Limited is £103k (2018: nil).

During the year Unity Housing Development Services charged Unity Housing Association £6,080k for design and build services of which £681k was outstanding as at 31 March 2019.

The amount due from Unity Housing Development Services Limited as at 31 March 2019 in respect of gift aid was £103k (2018: £29k) - Note 17.

There were no other related party transactions identified during the year. Loans to directors have been disclosed in note 17.