
**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 2020

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

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UNITY HOUSING ASSOCIATION LIMITED

Year ended 31 March 2020

BOARD MEMBERS, EXECUTIVE OFFICERS, ADVISORS AND BANKERS***Board***

Chair	S Bhargava
Other Members	N Ahmed
	W Butt
	E Cook
	E Green
	A Hamied
	D Heels
	J Jeffries
	D Richmond
	N Ruhi-Khan
	R Walker
	A Rashid – Audit Committee Co-optee/ Board observer

Executive Officers

Chief Executive	A Akbor
Operations Director & Deputy Chief Executive	P Sidhu
Regeneration & Development Director	W Noteman
Resources Director	AM Matson

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

REPORT OF THE BOARD

The Board presents its annual report and the Group's audited financial statements for the year ended 31 March 2020, which includes the results 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 Registered Provider 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 1,305 units of mainly general needs accommodation of which 1,294 are directly managed. The Group has 5 Care home bed spaces 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 8 leasehold units. 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 38, 20 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 7 to 24.

Housing property and fixed assets

Details of changes to the Group's tangible fixed assets are shown in notes 13 and 14 to the financial statements. Housing property values are considered in the Operating and Financial Review.

Reserves

The surplus for the year amounted to £1,145k (2019: £947k). There is a gain of £986k through other comprehensive income, leading to the final comprehensive surplus for the year of £2,131k (2019: deficit for the year of £320k). In 2019 there was a change in accounting treatment of the Social Housing Pension Scheme which resulted in a £1,267k loss. At 31 March 2020 the Group's reserves amounted to £18,851k (2019: £16,720k).

Subsequent events

The Group signed a restatement agreement on 6th August 2020 extending the Yorkshire Bank loan revolving credit availability period by a further 4 years with capital repayments now due to start in 2025.

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 13 (2019: 25).

Financial instruments

The Group's approach to financial risk management is outlined in the Operating and Financial Review on pages 7 to 24.

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.

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

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, which allows for 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 of the pension scheme was undertaken in 2019 and with effect from 1 July 2019 the Group moved to a defined benefit Career Average salary scheme, reducing the employer pension contributions. Further details are in note 12.

UNITY HOUSING ASSOCIATION LIMITED
 Year ended 31 March 2020

REPORT OF THE BOARD (cont.)

NHF Code of Governance

The Board has adopted the NHF Code of Governance. We are pleased to report that Unity complies with the requirements of the NHF Code of Governance (2015 edition) having assessed itself against the code.

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 received an assessment against the standard and confirms that they comply with the standard. The Associations governance and viability grading was re-confirmed in November 2019 as G1V1 following an annual stability check assessment.

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 19 complaints, all bar one of which were resolved (2019:21).

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 use for identifying, evaluating and managing the significant risks faced by the Group, is on-going 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.

UNITY HOUSING ASSOCIATION LIMITED*Year ended 31 March 2020***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.

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 a Brexit without a deal, the Group has sufficient liquid resources and suitable mitigating actions available in the short, medium and long term to manage the possible impact of increased inflation, increased interest rates and a significant decline in the housing market.

The financial year finished with the challenges of lockdown and Covid-19. As a result we mobilised services to work remotely and currently have a hybrid arrangement of staff predominately working from home unless there is a need to be in the office to support service delivery. The housing office is currently closed to the public apart from for pre-arranged appointments. The Enterprise Centres, managed by Unity Property Services, are open following social distancing rules albeit there are fewer occupants as businesses similarly make arrangements to work a mixture of from home and the centres. Interest in units has been sustained through this period with new tenant approaches to take advantage of lower rental rates than in the city centre. Stress testing scenarios were expanded to reflect the potential impact of Covid-19 and test the resilience of the business plan and although there is still uncertainty the Group considers that it can comply with its loan agreement obligations for the foreseeable future. The Association has been completing a monthly update to the Regulator of Social Housing covering its health and safety risks. There have been some delays to completion of annual checks due to tenants shielding and contractor availability but no material delays and they have been improving each month with lockdown easing.

Although the Group has a net current liability position for 2019/20 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 during the year. However, in recognition of the potential liquidity risk whilst banks also adjusted to the new arrangements during lockdown, the Group did draw down an additional £1million on 2nd April. 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.

UNITY HOUSING ASSOCIATION LIMITED*Year ended 31 March 2020***REPORT OF THE BOARD (cont.)****Going concern (cont.)**

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. As reported in the subsequent events, the Group signed a restatement agreement on 6th August 2020 extending the Yorkshire Bank loan revolving credit availability period by four years to August 2025, with capital repayments now due to start in 2025. This flexibility will assist mitigate any uncertainty with future development delivery timings. 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 23 September 2020

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

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 1,305 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, with increasing numbers accessing Universal Credit support following the Covid-19 lockdown.

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 are at CPI+1% after the previous four years of 1% rent cuts which were introduced in the Welfare Reform and Work Act 2016.

UNITY HOUSING ASSOCIATION LIMITED*Year ended 31 March 2020***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 and delivery value for money. 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

UNITY HOUSING ASSOCIATION LIMITED
 Year ended 31 March 2020

OPERATING AND FINANCIAL REVIEW (cont.)

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

Development

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 Shared Ownership 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 rented units. Overall, we had completed 111 units by the end of March. A further 30 units completed in June 2020, 44 are on site, 15 are currently going through the planning process and the remaining 20 units are to be identified.

Major repairs

The planned maintenance programme over the last six years (2014/15 to 2019/20) 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 2019/20 has been completed in total with an expenditure of £261k (after capitalisation of components and major works £673k, a total spend of £934k).

The works completed during 2019/20 are as follows:

Type of work	Number of properties
Kitchens	27
Bathrooms (full and partial)	36
Windows	19
Doors	43
Boilers	69
External painting & communal areas	187

A stock condition survey was completed in 2020 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 or Health & Safety Hazard Rating issues within our stock.

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 target RD 73 SAP rating is maintained.

Provide high quality affordable housing services

Key service performance is set out on page 19.

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 are working with both Kirklees and Leeds Local Authorities utilising their waiting lists to ensure that those in need of affordable housing have been allocated homes.

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 have increased our average RD SAP rating to 74.3.

UNITY HOUSING ASSOCIATION LIMITED*Year ended 31 March 2020***OPERATING AND FINANCIAL REVIEW (cont.)****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. Both our Scrutiny and Tenant Panel have been involved in the consultation on the Social Housing Green Paper. They also continue to be involved in Contractor Selection and have been assisting with policy reviews from April 2020.

Unity Housing Association Limited 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.

In the coming year, we are expanding our accreditation review to our Enterprise Centres as well as housing tenants to ensure that all receive excellent customer service.

Work with partners to encourage the regeneration of our target neighbourhoods

Leeds now has 6 Priority Areas to which the majority of its neighbourhood investment is likely to be targeted. Unity's historic priority areas of Chapeltown, Beeston/Holbeck, and Little London still remain in the lower quartiles in the Indices of Multiple Deprivation so require on-going support from the Council and other stakeholders in these areas.

Due to on-going austerity and the current Covid 19 crisis, wider partnership working as we've previously known it has been put on hold with all resources being deployed to support the most vulnerable in our communities. This can be seen in the increase in Food Banks, the support for people who are under threat of losing their employment and support to alleviate loss of financial income and fend off mental illness as a result of Social Isolation.

Working with the likes of New Wortley Housing Association, to support their development aspirations and Holbeck Neighbourhood Forum, Unity continues to play an active role in supporting communities. It is also active on a number of networks including the West Yorkshire Housing Forum and BME National.

Provide and facilitate business support services and encourage local enterprise

Unity Enterprise (UPS) 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 117 people into employment, 251 into accredited training and 20 into voluntary placements.

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

OPERATING AND FINANCIAL REVIEW (cont.)

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, Unity undertook a review of the pension scheme and with effect from 1 July 2019 the Group moved to a defined benefit Career Average salary scheme, reducing the annual employer pension contributions and reducing our exposure to future liabilities.

IT systems have been configured to enable remote working in response to the Covid 19 pandemic, ensuring that customers have been able to make calls and services be delivered as seamlessly as possible whilst retaining controls over data access and integrity. Additional costs have been incurred and will be into 2020/21 as the pandemic continues.

The Group has made an operating surplus of £1,732k, exceeding budget. 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.

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

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 expected 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: In addition to the specific Covid risk, all risks scores have been revisited to reflect additional considerations as a result of the Covid-19 pandemic.

- **Specific Covid Risk**– inability of contractors to deliver maintenance services, no access preventing legally required health & safety checks, possibility of ceasing trading and possibility of cost creep on contracts.
Controls include: continuous review of Government advice; website updates to keep customers informed; risk assessments to facilitate continued working by maintenance staff and contractors; development of appropriate protocols and safe working practices including the use of PPE. In addition, staff are prioritising workstreams to enable the best use of limited labour and material resource.
- **Failure to manage development contractor performance** resulting in delays, overspends or poor quality of work. Poor quality of work may result in potential health and safety risk.
Controls include: robust procurement processes and procedures, regular and robust contractor monitoring and site meetings, use of consultants where required and review of gas installation quality control and audit
- **The transition to Universal Credit** results in significant delays to payments resulting in higher arrears and an impact on cash flow. This risk being heightened due to the impact of Covid-19 on the economy.
Controls include ongoing review of impact of Universal Credit for existing customers and ability to generate reports from Rent Sense system, monitoring of new claims daily on the landlord portal, and additional resources directed to provide support so that claims are in place as quickly as possible.

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 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 identify 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 possible no-deal Brexit economic scenarios. Currency risk is not applicable to the Group.

Access to finance – we have had confirmation from Yorkshire Bank that our £15m loan facility will not be affected and have recently arranged a restatement of the facility including an extension to the availability of the revolving credit facility period.

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.

UNITY HOUSING ASSOCIATION LIMITED

Year ended 31 March 2020

OPERATING AND FINANCIAL REVIEW (cont.)**VALUE FOR MONEY (“VFM”)**

A 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 (in blue). The board refreshed its Strategic approach to VFM in June 2018, agreeing the reporting framework, approach to knowing assets and narrative approach.

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.

Of the six key objectives to deliver this Vision, the table below identifies which indicators are used against each objective.

Business Plan Objectives	Performance/ VFM measure
Provide and continue to develop good quality mixed tenure housing which reflects needs and aspirations	<p>New supply delivered - social housing (%) New home starts</p> <p>New supply delivered - non-social housing (%) New home completions</p> <p>Reinvestment (%)</p>
Provide high quality affordable housing services	<p>Repairs targets for Emergency, Urgent and Routine repairs</p> <p>Appointments kept target</p> <p>Repairs first time fix</p> <p>Gas service target</p> <p>Average SAP rating (an energy rating performance)</p> <p>Rent arrears % - best benefit week</p> <p>Turnover of stock</p> <p>General Needs Relet times (days) and void loss(%)</p> <p>Rent loss from voids - General needs</p>
Involve and work with our tenants and the communities we serve to inform and improve services	<p>Complaints - number received</p> <p>Complaints - % response on time</p> <p>overall maintenance satisfaction</p> <p>Customer Service Excellence accreditation</p>
Work with partners to encourage and support the regeneration of our target neighbourhoods	<p>No. people supported into employment</p> <p>No. people given training</p> <p>No. people helped into volunteering positions</p>
Provide and facilitate business support services and encourage local enterprise	<p>£'s invested into communities</p> <p>Unity Enterprise Void %</p>
Be a progressive and expanding business with a sound resource base	<p>Gearing at cost (%) Operating Margin - social housing lettings (%)</p> <p>EBITDA (Interest cover)(%) Operating Margin - overall (%)</p> <p>Headline Social Housing cost per unit (£) ROCE (%)</p> <p>Income collection % Investors in People accreditation</p> <p>Rent arrears £'s</p>

Blue = VFM metrics, Black = Unity specific

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

OPERATING AND FINANCIAL REVIEW – Value for Money (cont.)

Performance against the Objectives.

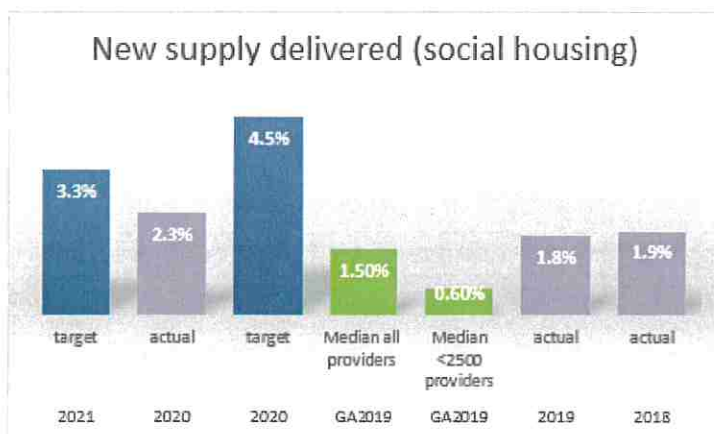
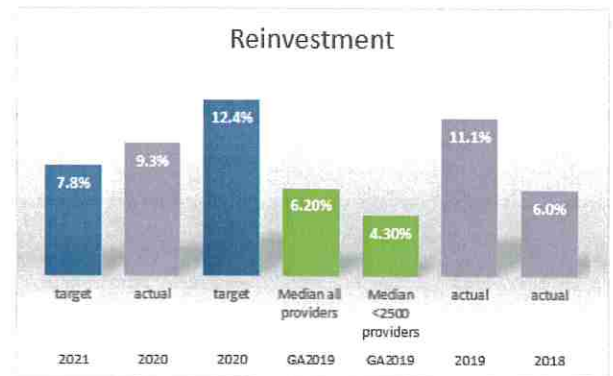
VFM Metrics

The charts below set out the metrics for the Group for the year ended 31 March 2020 and 31 March 2019 showing the Groups’ performance against the budgeted performance for the year and against the 2019 Global Accounts which have been produced, which look at VFM metrics by size of provider.

The Group has been compared against all organisations as well as those with less than 2,500 units which is a comparison against 48 providers as this is more comparable than using all organisations. Performance has then been narrowed further to understand how the Group performs against 4 other similar sized organisations in the region.

Reinvestment %

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. Unity’s **Reinvestment** for 2019 at 11% put it in the upper quartile against all Organisations. 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. There has been reduction in **Re-investment** to 9.3% for 2020 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. Although development activity continued it was at a slightly slower pace than budgeted and expenditure on major repairs was higher than budgeted with the completion of the works to bring long term voids back into management utilising the disposal proceeds fund.

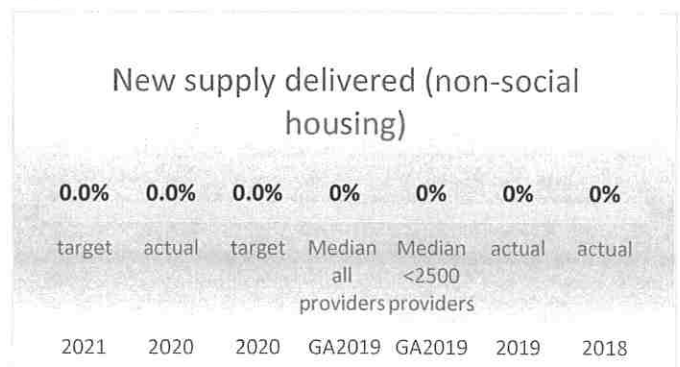


New supply delivered (social housing)

30 new properties were handed over during 2020. 60 had been budgeted but due to site delays and then the Covid pandemic, these were completed at the end of June 2020.

Away days with the Unity board have confirmed the priorities as delivery of affordable housing in the Leeds City Region.

Board decision not to invest currently in non-social housing, so both targets and actuals are nil for this VFM metric. Even though the figures are nil it is part of the metrics to be reported upon and hence shown here.



UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

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

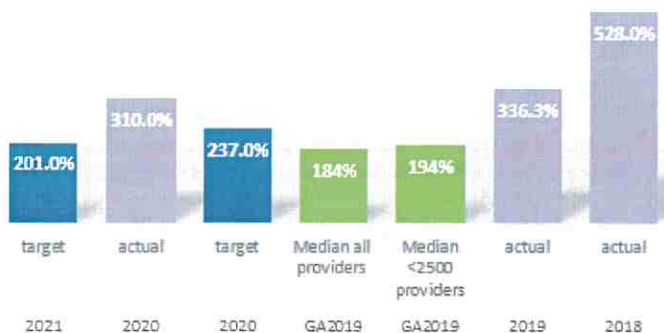
Gearing at cost remains well within our covenant levels of 65%. During the year fewer loans were drawn and hence the actual was below the target for 2020.

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. The increase from 2018 to 2019 was expected due to funds being drawn from Charity Bank of £3.25M before the facility expired.

Gearing at cost



EBITDA MRI Interest Cover %



Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %

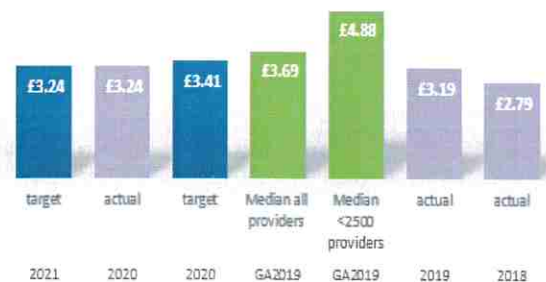
This measure was budgeted to reduce due to the increased cost per unit but exceeded budget as interest payable was lower due to fewer drawdowns and operating surplus was higher

Our **Interest cover** is significantly above covenant levels of 115% 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.

Our **Social Housing cost per unit** remains low in comparison to the sector. The Homes England data published for 2019 showed that Unity's cost per unit was lower than the median of all providers and at £3.19 was just above the lower quartile of all 217 organisations which was £3.18. When compared to the smaller <2,500 Organisations, Unity cost at £3.19 was significantly lower than the average of £4.88.

Our cost per unit increased in 2019/20 to £3.24 (2018/19: £3.19) as a direct result of the Board's decision to invest in additional costs. Historically Unity has had a low cost per unit as the Group strove to minimise costs and be as efficient as possible. However, having additional stock in Kirklees as well as Leeds has increased the travelling time 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. Board also chose to invest in new systems to support the introduction of Universal Credit and to invest in systems to support board meetings to be more efficient but these have a direct impact on economy as it increases the social housing cost per unit.

Headline Social Housing cost per unit



UNITY HOUSING ASSOCIATION LIMITED
 Year ended 31 March 2020

OPERATING AND FINANCIAL REVIEW – Value for Money (cont.)

Operating Margin - social housing lettings%



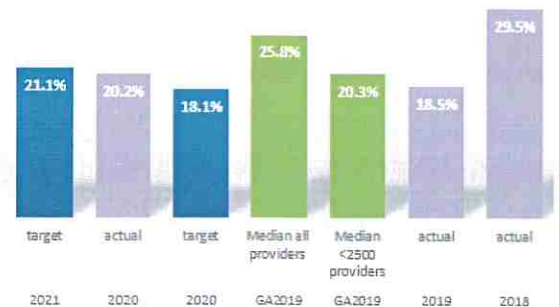
in an additional housing officer (covered within social housing cost per unit). These combined changes explain the reduced targets for 2020 and 2021 in comparison to the actuals from 2018 and 2019

Operating Margin - social housing lettings%

The operating margin was expected to be lower for 2019 and lower still for 2020 with a full year effect of additional costs. Fewer voids and lower operating costs meant the budget was exceeded.

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

Operating Margin - overall %



Operating margin overall was also budgeted to reduce in comparison to 2019. However, the outcome for 2020 has exceeded the position from 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.

Return on capital employed (ROCE)



ROCE%

This measure tracks the movement in total and current fixed assets in comparison to the operating surplus. We are below the median for this measure against Organisations <2500 units. Currently costs are being incurred on developments but no income is being generated whilst they are work in progress. The overall operating surplus for 2020 was artificially high due to the number of unanticipated right to acquire sales during the year which are not budgeted for as they cannot be relied upon. This combined with lower operating costs and voids have contributed to the actual ROCE for 2020 being better than budget.

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

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 4 local associations with less than 2,000 units to see how it compares regionally, utilising the Global accounts data for 2019. As might be expected, those with the higher Operating Margin, have a higher ROCE and a lower social housing cost per unit. Higher reinvestment correlates with higher new supply and lower gearing generates a higher EBITDA MRI. Note, none of the peer organisation had any new supply for non-social housing nor did the median of <2500 organisations.

No	VFM metric	Unity	Median all providers	Median <2500 providers	Arches	L & Y	Manningham	P&F	Unity ranking where 1 is best
1	Reinvestment %	11.1%	6.2%	4.3%	4.1%	12.1%	0.5%	7.2%	2nd
2a	New supply - social housing %	1.8%	1.5%	0.6%	0.8%	2.8%	0.0%	1.6%	2nd
2b	New supply - non-social housing %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	same
3	Gearing at cost %	23.2%	43.4%	34.1%	36.8%	35.9%	41.3%	15.1%	2nd
4	EBITDA MRI Interest Cover %	336.3%	184.0%	194.0%	205.3%	166.0%	146.7%	334.6%	1st
5	Headline Social Housing cost per unit	£ 3.19	£ 3.69	£ 4.88	£ 3.08	£ 3.88	£ 2.80	£ 4.51	3rd
6a	Operating Margin - social housing lettings %**	23.0%	29.2%	23.2%	26.0%	0.1%	37.1%	16.6%	3rd
6b	Operating Margin - overall %	18.5%	25.8%	20.3%	26.9%	6.7%	38.0%	18.9%	4th
7	Return on capital employed (ROCE)	2.2%	3.8%	3.1%	3.1%	1.4%	3.0%	2.0%	3rd

Source: GA2019

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.



UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

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

Social Value Metrics	2018 actual	2019 actual	2020 target	2020 actual	2021 target	Commentary
No. people supported into employment	110	119	115	117 (28)	132	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. As highlighted last year, this year as requested by the Board, the results have been split to track UHA tenants within the overall community members supported. Targets have been set to continue to increase recognising the demand for the services
No. people given training	177	179	200	251 (70)	210	
No. people helped into volunteering positions	30	24	25	20 (4)	25	

Note () = number of Unity HA tenants. This has been added from 2020 at the board request to identify the community impact of the service. This has been identified by splitting out how many Unity tenants from the total number are supported.

Social Value Metrics	2018 actual £	2019 actual £	2020 actual £	Commentary
£'s invested in Communities	81,025	121,210	81,001	These costs include: 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. Unity reports upon this metric to capture the investment in communities as an important part of the social purpose of the Organisation.

UNITY HOUSING ASSOCIATION LIMITED

Year ended 31 March 2020

OPERATING AND FINANCIAL REVIEW (cont.) – VALUE FOR MONEY**Key Performance Indicators (KPIs)**

	Actual 2016-17	Actual 2017-18	2018-19 Actual	2019-20 Target	2019-20 Actual	2020-21 Target	Commentary
COMPLAINTS							
Number received*	20	21	21	n/a	19	n/a	KPI performance was generally good in the year. Repairs and maintenance KPIs were impacted by the pandemic at the year end. The routine repairs and gas performance reflecting access issues at the end of March. First time fixes and appointments kept missed the target and had been included in an annual improvement plan for the contractor. This is still being monitored but the pandemic is having an impact. There has been a reduction in Overall satisfaction but it remains high. Targets were set before the pandemic started. Tenants were communicated with to explain repair arrangements for 2020/21 which focussed initially on emergency and statutory items and as lockdown is easing, routine repairs have been increased.
% response on time	100%	100%	100%	100%	100%	100%	
REPAIRS							
Emergency	99.3%	93.9%	99.2%	99.0%	99.1%	99.0%	
Urgent	98.1%	92.1%	99.1%	99.0%	99.0%	99.0%	
Routine	99.1%	94.0%	99.3%	99.0%	98.9%	99.0%	
Appointments kept	98.8%	93.8%	96.7%	99.0%	95.1%	99.0%	
Repairs First time fix				95.0%	91.3%	95.0%	
Gas Service	100.0%	100.0%	100.0%	100.0%	98.7%	100.0%	
Average SAP rating	74.0	74.2	74.3	73.0	74.4	73.0	
Overall satisfaction	99.0%	97.2%	97.0%	95.0%	95.1%	95.0%	

*no target set for number of complaints

Development metrics	Actual 2016-17	Actual 2017-18	2018-19 Actual	2019-20 Target	2019-20 Actual	2020-21 Target	Commentary
New development start on site	12	84	60	18	14	32	Since the target was set, planning requirements meant that the development had to be altered from 18 units to 14.
New development completed units	46	12	23	60	30	44	Site delays at the year end meant that the remaining 30 units were not delivered before the end of March, they have since completed in June 2020.

Unity primarily chooses to build homes, which meet the space standards, recognising that its tenant base requires family homes as well as homes for over 55's in communities. The areas are often in need of regeneration and therefore may not be as straight forward as some sites to develop. One handover during the year was on a scheme in Kirklees, with a former derelict site close to Cleckheaton town centre transformed into seven brand new two-bed properties. Another twenty three unit development in Kippax was on the site of the old school, enabling people with a local connection to move into either a flat or a house in the town.

We reviewed the development investment appraisal parameters during the year, to ensure that they remained reflective of the costs to deliver new homes.

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

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

Tracking the following Performance Indicators is a clear VFM focus.

	Actual 2016-17	Actual 2017-18	2018-19 Actual	2019-20 Target	2019-20 Actual	2020-21 Target	Commentary
RENTS							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 had been continuing despite Universal Credit rolling out across Leeds since October 2018. Board had set a challenging target of achieving 3.91%. As at week 50 the previous best benefit week, progress was looking promising at 3.88% but then the covid pandemic meant a lot of tenants being switched to universal credit in March and a resulting increase in arrears. The Rentsense software which was bought has assisted with targeted arrears prevention.
Rent Arrears £k *	£285k	£279k	£238k	£237k	£254k	£231k	
Rent arrears % *	4.91%	4.83%	4.12%	3.91%	4.18%	3.71%	
Income collection	100.49%	99.78%	101.01%	100.00%	101.46%	100.00%	
LETTINGS AND VOIDS							
Turnover of stock	4.20%	5.21%	3.48%	<10%	3.98%	<10%	It is important that the Group 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 the performance in 2019 the Board set a challenging target of 20 days for Re-lets excluding new builds for 2020 which would be first quartile performance, acknowledging that it is also important to get the right tenants for future sustainability but also that the low level of turnover would mean that any significant delays would materially affect this measure and should be reported as exceptions. During 2019/20 board were kept informed of performance and a particular property that distorted the relet time. The target has been retained for 2020.
GN Re-let times - excl. new develop		27.8 days	21.2 days	20 days	28.8 days	20 days	
Rent loss from voids - General Needs	0.68%	0.77%	0.40%	<1%	0.56%	<1%	

*management KPI tracking best benefit week

The 2020/21 targets were set before the start of the pandemic. The board have decided to retain them currently but they will be reviewed at the half year given the current levels of uncertainty.

Return on Assets/ Knowing our assets

Net Present Value (NPV) of stock

The housing association identifies any properties with a negative NPV to consider why they were low and what action to be taken. The analysis has been updated in 2019 and again in 2020, with the results shown below. 99.4% of the stock has an NPV >£10k (2019: 99.6%). 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. The units with a negative NPV in 2019 have been addressed. The performance of the other assets has deteriorated with the rent reduction during 2019/20. The overall outcome is encouraging and reflective of the investment in the stock and also the newer stock which has been acquired and developed.

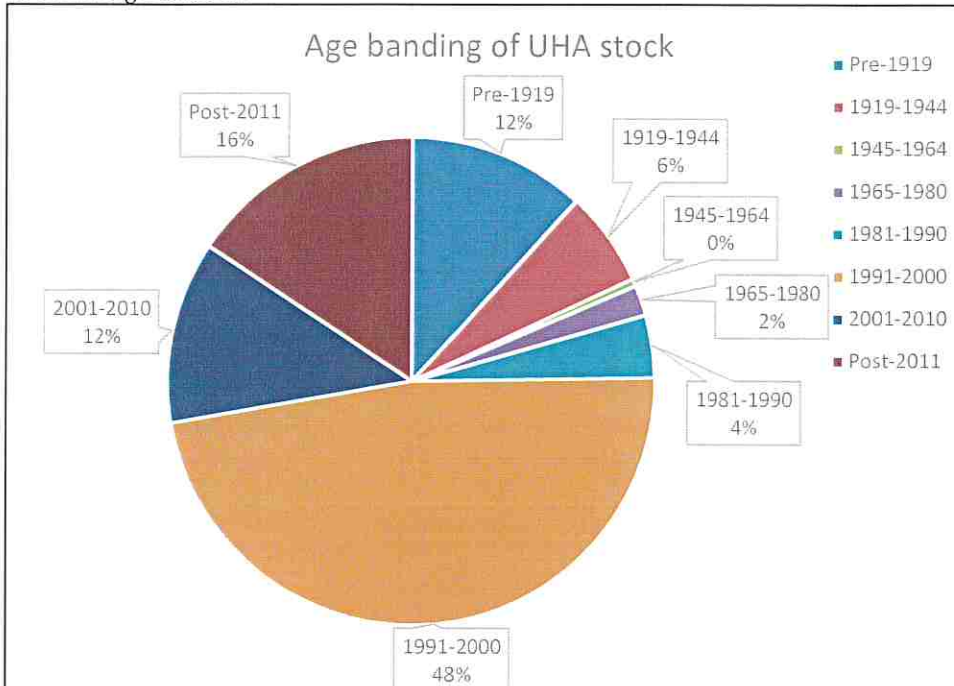
NPV using a 5% discount rate	Number of Props	% of Stock
Less Than -£10,000 Value	0	0.0%
Less Than £0 Greater than -£10,000 Value	0	0.0%
Greater Than £0 less than £5,000 Value	1	0.1%
Greater Than £5,000 less than £10,000 Value	6	0.5%
Greater Than £10,000 less than £20,000 Value	232	18.9%
Greater Than £20,000 Value	988	80.5%
Total Rental Stock Owned	1,227	

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

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

Age of stock

As part of the ongoing improvements in understanding the Association's stock, an age profile has been compiled and is shown in the chart below, such analysis helps understand future repair obligations in conjunction with the stock condition analysis work and as a reason for understanding why the Associations repair costs may be different to other organisations.



Subsidiary assets:

For UE, there are 4 main assets. Each is described below with any action to be taken.

	Current condition *	Ownership	Action identified
Leeds Media Centre	In need of refurbishment	Leased asset from LCC	Application made to European Regional Development Fund (ERDF) to improve the asset with LCC as the applicant. Appraisal feedback has stalled whilst the Council deal with the pandemic.
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' via a 99 year lease from LCC	On-going refurbishment and maintenance plan

*As assessed by the Enterprise Manager

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

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

Performance against VFM targets. Performance against the targets we set for 2019/20 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, identifying those which have been met and those which were not achieved.
Employment Team Targets	See detail above. 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.	Achieved with the exception of volunteering.
Repairs Performance	We have targeted to achieve 99% performance ratings again across all aspects of maintenance bar overall satisfaction, which is set at 95%.	KPI performance targets reported above identifying those which have been met and those which were not achieved.
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.	Rent subsidies given in 2019/20 reflecting the market conditions for some traders and the need to invest in LMC. Bid now submitted and this will not be a future target due to the format of the bid.
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.	Low performing units addressed and the age banding analysis completed.
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.	We have made some progress with the mapping exercise but need to do some further work on this to complete it during 2020/21.

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 mappings, whilst recognising that in order to achieve VFM across the organisation then sometimes additional costs need to be incurred as to improve overall service delivery.

VfM Planned Improvements for 2020-21

The improvements for 2020/21 in terms of KPI targets have been set and are included in this report and will continue to be monitored during the year recognising that they may not all be achievable due to the current uncertainty.

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

UNITY HOUSING ASSOCIATION LIMITED

Year ended 31 March 2020

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 2020.

The Group's financial result for the year ended 31 March 2020 is a Total Comprehensive Profit of £2,131k compared to a Total Comprehensive Loss of £320k in 2018-19. The surplus for the year was £1,145k before surpluses 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 £261k in 2019-20 which compares to £432k in 2018-19. Major repairs of £673k were capitalised, compared to £456k in 2018-19. A stock condition survey was completed in 2019/20 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 £6,522k (2019:£7,348k) on the development and purchase of housing properties during the year. Total grants received in the year were £1,472k (2019:£2,431k), the Group's housing asset base at net book value has increased from £66.0m to £70.3m.

Cash flow and liquidity

The net cash outflow for the Group amounted to £1,682k (2019:£264k) 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 £1,888k as at 31 March 2020 and has sufficient agreed loan facilities to support its business plan until 2022.

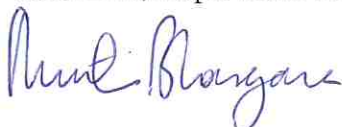
Treasury management

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 2018, the provisions of FRS 102 and the Accounting Direction 2019.



Shruti Bhargava

Chair

16th September 2020

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

OPERATING AND FINANCIAL REVIEW (cont.)

Table 1 – Association only highlights, five-year summary

For the year ended 31 March	2020	2019	2018	2017	2016
Statement of Comprehensive Income (£'000)					
Total turnover	6,794	6,693	6,926	6,841	7,576
Income from Social Housing Lettings	6,709	6,568	6,822	6,376	5,536
Operating surplus	1,782	1,556	2,379	1,827	2,137
Interest Payable	(596)	(575)	(475)	(462)	(554)
Surplus for the year	1,210	1,019	1,933	1,423	1,636
Total Comprehensive Income for the year	2,196	(248)	1,933	1,423	1,636
Statement of Financial Position (£'000)					
Tangible Fixed Assets (excl. L/T debtors)	71,320	66,919	61,755	60,073	56,098
Net current (liabilities)/assets	(1,000)	(310)	689	1,944	5,742
Total Loans	20,621	19,100	17,311	18,321	19,144
Revenue Reserves	18,629	16,433	16,681	14,748	13,325
Total	18,629	16,433	16,681	14,748	13,325
Accommodation figures					
Total housing stock (No of units) excl. 3 leased to third party	1,313	1,287	1,273	1,280	1,217
Statistics					
Surplus for the year as % of turnover	17.80%	15.20%	27.90%	20.80%	21.60%
Comprehensive Income for the year as % of turnover	32.30%	(3.70)%	27.90%	20.80%	21.60%
Surplus for the year as % of social housing lettings	18.00%	15.50%	28.30%	22.30%	29.60%
Voids as a % of social housing lettings	0.57%	0.25%	0.81%	0.69%	1.02%
Bad debts as a % of social housing lettings	0.16%	(0.51)%	0.51%	0.31%	0.41%
Operating surplus per unit housing stock	£1,357	£1,207	£1,869	£1,427	£1,756
Total Reserves per unit housing stock	£14,188	£12,768	£13,104	£11,522	£10,949
Interest Cover (surplus before interest payable divided by interest payable)	2.99	2.71	5.01	5.83	3.65
Liquidity (Current assets divided by current liabilities)	0.73	0.93	1.20	1.80	3.10
Gearing (total loans as a % of SHG plus reserves)	40.28%	39.71%	36.17%	39.82%	36.89%

UNITY HOUSING ASSOCIATION LIMITED
 Year ended 31 March 2020

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 (2019). 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 16 September 2020 and signed on its behalf by:



Shruti Bhargava
 Chair

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

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 2020, 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 2020 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 2019.

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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's and parent society's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's and parent society's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a group and parent society associated with these particular events.

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

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

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

- 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.

In our evaluation of the directors' conclusions, we considered the risks associated with the group's and parent society's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the group and parent society's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group and parent society will continue in operation.

Other information

The board is responsible for the other information. The other information comprises the information included in the Annual Report and Consolidated 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.

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 25, 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.

UNITY HOUSING ASSOCIATION LIMITED*Year ended 31 March 2020***INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNITY HOUSING ASSOCIATION (cont.)****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
Statutory Auditor, Chartered Accountants
Leeds

17 September 2020

UNITY HOUSING ASSOCIATION LIMITED
 Year ended 31 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Turnover			
Operating income	3	7,324	7,170
Operating costs	3	(5,592)	(5,670)
		<u>1,732</u>	<u>1,500</u>
Operating surplus			
Interest receivable	7	9	22
Interest and financing costs	8	(596)	(575)
		<u>1,145</u>	<u>947</u>
Surplus on ordinary activities before taxation			
Tax on surplus on ordinary activities	9	-	-
		<u>1,145</u>	<u>947</u>
Surplus for the year			
Re-measurement of SHPS obligation	11	-	(952)
Actuarial gain/(loss) in respect of pension scheme	11	986	(315)
		<u>2,131</u>	<u>(320)</u>
Total comprehensive income for the year			

The accompanying notes of pages 35 to 62 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.

UNITY HOUSING ASSOCIATION LIMITED
 Year ended 31 March 2020

ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Turnover			
Operating income	3	6,794	6,693
Operating costs	3	(5,012)	(5,137)
		<u>1,782</u>	<u>1,556</u>
Operating surplus			
Interest receivable	7	24	38
Interest and financing costs	8	(596)	(575)
		<u>1,210</u>	<u>1,019</u>
Surplus on ordinary activities before taxation			
Tax on surplus on ordinary activities	9	-	-
		<u>1,210</u>	<u>1,019</u>
Surplus for the year			
Re-measurement of SHPS obligation	11	-	(952)
Actuarial gain/(loss) in respect of pension scheme	11	986	(315)
		<u>2,196</u>	<u>(248)</u>
Total comprehensive income for the year		<u><u>2,196</u></u>	<u><u>(248)</u></u>

The accompanying notes on pages 35 to 62 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.

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

For the year ended 31 March 2020

	Income and expenditure reserve	Total
	£'000	£'000
Balance as at 1 April 2018	17,040	17,040
Total comprehensive income for the year	(320)	(320)
Balance at 31 March 2019	<u>16,720</u>	<u>16,720</u>
Total comprehensive income for the year	2,131	2,131
Balance at 31 March 2020	<u><u>18,851</u></u>	<u><u>18,851</u></u>

ASSOCIATION STATEMENT OF CHANGES IN RESERVES

For the year ended 31 March 2020

	Income and expenditure reserve	Total
	£'000	£'000
Balance as at 1 April 2018	16,681	16,681
Total comprehensive income for the year	(248)	(248)
Balance at 31 March 2019	<u>16,433</u>	<u>16,433</u>
Total comprehensive income for the year	2,196	2,196
Balance at 31 March 2020	<u><u>18,629</u></u>	<u><u>18,629</u></u>

The accompanying notes on pages 35 to 62 form part of the financial statements.

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Housing properties	13	70,334	65,967
Non-housing freehold properties	14	2,675	2,737
Other tangible fixed assets	14	123	187
		<u>73,132</u>	<u>68,891</u>
Current assets			
Debtors due within one year	16	852	353
Cash at bank and in hand		1,888	3,570
		<u>2,740</u>	<u>3,923</u>
Creditors: Amounts falling due within one year	18	<u>(3,945)</u>	<u>(4,466)</u>
Net current liabilities		<u>(1,205)</u>	<u>(543)</u>
Total assets less current liabilities		<u>71,927</u>	<u>68,348</u>
Creditors: Amounts falling due after more than one year	19	(52,132)	(49,580)
Defined Benefit Pension liability	11	(944)	(2,048)
Net assets		<u>18,851</u>	<u>16,720</u>
Reserves			
Non-equity share capital	22	-	-
Income and expenditure reserve		18,851	16,720
Total reserves		<u>18,851</u>	<u>16,720</u>

The accompanying notes on pages 35 to 62 form part of the financial statements.

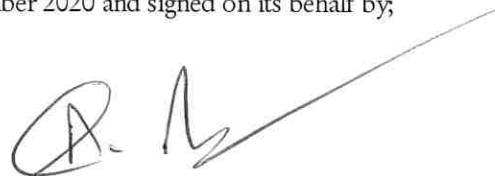
The financial statements were approved by the Board on 16 September 2020 and signed on its behalf by;



Shruti Bhargava
Chair



John Jeffries
Board Member



Ali Akbor
Secretary

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

ASSOCIATION STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Housing properties	13	70,616	66,139
Non-housing freehold properties	14	645	665
Other tangible fixed assets	14	59	115
Investment in subsidiaries	15	-	-
Long term debtors	17	251	283
		<u>71,571</u>	<u>67,202</u>
Current assets			
Debtors due within one year	16	942	497
Cash at bank and in hand		1,784	3,465
		<u>2,726</u>	<u>3,962</u>
Creditors: Amounts falling due within one year	18	<u>(3,726)</u>	<u>(4,272)</u>
Net current liabilities		<u>(1,000)</u>	<u>(310)</u>
Total assets less current liabilities		<u>70,571</u>	<u>66,892</u>
Creditors: Amounts falling due after more than one year	19	(50,998)	(48,411)
Defined Benefit Pension liability	11	(944)	(2,048)
Net assets		<u>18,629</u>	<u>16,433</u>
Reserves			
Non-equity share capital	22	-	-
Income and expenditure reserve		18,629	16,433
Total reserves		<u>18,629</u>	<u>16,433</u>

The accompanying notes on pages 35 to 62 form part of these financial statements.

The financial statements were approved by the Board on 16 September 2020 and signed on its behalf by:



Shruti Bhargava
Chair



John Jeffries
Board Member



Ali Akbor
Secretary

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Net cash generated from operating activities	26	1,747	2,963
Cash flow from investing activities			
Purchase, construction and improvement of housing properties		(6,522)	(7,348)
Social housing grant – received		1,472	2,431
Proceeds from disposal of shared ownership properties		741	531
Purchase of other fixed assets		(56)	(113)
Interest received		9	22
Net cash outflow from investing activities		<u>(4,356)</u>	<u>(4,477)</u>
Cash flow from financing activities			
Interest paid		(594)	(539)
Loan drawdowns		3,000	3,250
Housing loans repaid		(1,479)	(1,461)
Net cash inflow from financing activities		<u>927</u>	<u>1,250</u>
Net change in cash and cash equivalents		(1,682)	(264)
Cash and cash equivalents at the beginning of the year		3,570	3,834
Cash and cash equivalents at the end of the year		<u><u>1,888</u></u>	<u><u>3,570</u></u>

The accompanying notes on pages 35 to 62 form part of these financial statements.

UNITY HOUSING ASSOCIATION LIMITED
 Year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020

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 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

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:

UNITY HOUSING ASSOCIATION LIMITED
 Year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020

2 Accounting policies (continued)

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, ensuring amounts are only capitalised when it is more than likely than not that a particular scheme is to continue. After capitalisation, management monitors the asset and considers whether changes indicate that impairment is required.

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.

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.

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020

2 Accounting policies (continued)

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)

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. FRS 102 Section 28 requires the difference on transition from defined contribution to defined benefit accounting to be presented separately in other comprehensive income. The Group early adopted the amendment made to Section 28 of FRS 102, as issued in May 2019 by the Financial Reporting Council, and therefore recognised the difference on transition to defined benefit accounting in the year ended 31 March 2019.

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 net surplus or deficit is presented separately from other net assets on the statement of financial position. This has been recognised within the defined benefit pension liability on the face of the statement of financial position. The current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account.

Interest is calculated on the net defined benefit liability. Re-measurements are reported in other comprehensive income.

UNITY HOUSING ASSOCIATION LIMITED
 Year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020

2 Accounting policies (continued)

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.

UNITY HOUSING ASSOCIATION LIMITED
 Year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020

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.

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020

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

GROUP – continuing activities

	Turnover	<u>2020</u> Operating costs	Operating surplus
	£'000	£'000	£'000
Social housing activities			
Income & expenditure from lettings	6,709	(5,060)	1,649
	<u>6,709</u>	<u>(5,060)</u>	<u>1,649</u>
Other social housing activities			
Management services	12		12
Letting of workspace units	603	(559)	44
Community Regeneration	-	(194)	(194)
Shared ownership first tranche sales	-	-	-
Administrative expenses	-	(30)	(30)
Gain on disposal of housing properties and other	-	251	251
	<u>7,324</u>	<u>(5,592)</u>	<u>1,732</u>
	<u>7,324</u>	<u>(5,592)</u>	<u>1,732</u>
		<u>2019</u>	
	Turnover	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 fixed assets	-	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>

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020

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

ASSOCIATION – continuing activities

		<u>2020</u>	
	Turnover	Operating costs	Operating surplus
	£'000	£'000	£'000
Social housing activities			
Income & expenditure from lettings	6,709	(5,082)	1,627
	<u>6,709</u>	<u>(5,082)</u>	<u>1,627</u>
Other social housing activities			
Management services	12	-	12
Community Regeneration	-	(194)	(194)
Shared ownership first tranche sales	-	-	-
Gain on disposal of housing properties	-	264	264
	<u>6,721</u>	<u>(5,012)</u>	<u>1,709</u>
Activities other than social housing			
Gift aid	73	-	73
	<u>6,794</u>	<u>(5,012)</u>	<u>1,782</u>
		<u>2019</u>	
	Turnover	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>

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020

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

Particulars of income and expenditure from social housing lettings

GROUP

	2020			2019
	General needs housing	Supported Housing	Low cost home ownership	Total
	£'000	£'000	£'000	£'000
Income from social housing				
Rent receivable, net of identifiable service charges & voids	5,472	57	38	5,567
Service charges receivable net of voids	236	28	25	289
Amortisation of grant	853	-	-	853
Total income from social housing	6,561	85	63	6,709
Expenditure on social housing				
Services	(244)	(10)	(18)	(272)
Management	(2,028)	-	-	(2,028)
Routine maintenance	(685)	-	-	(685)
Planned maintenance & Property Improvements	(261)	-	-	(261)
Changes in bad debt provision and bad debt expense	(9)	-	-	(9)
Depreciation of housing properties	(1,714)	-	-	(1,714)
Depreciation of other fixed assets	(91)	-	-	(91)
Operating costs on social housing lettings	(5,032)	(10)	(18)	(5,060)
Operating surplus on social housing lettings	1,529	75	45	1,649
Void losses	34	-	-	34

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020

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

Particulars of income and expenditure from social housing lettings

ASSOCIATION

	2020			Total £'000	2019 Total £'000
	General needs housing £'000	Supported Housing £'000	Low cost home ownership £'000		
Income from social housing					
Rent receivable, net of identifiable service charges & voids	5,472	57	38	5,567	5,469
Service charges receivable net of voids	236	28	25	289	260
Amortisation of grant	853	-	-	853	839
Total income from social housing	6,561	85	63	6,709	6,568
Expenditure on social housing					
Services	(244)	(10)	(18)	(272)	(279)
Management	(2,050)	-	-	(2,050)	(1,952)
Routine maintenance	(685)	-	-	(685)	(634)
Planned maintenance & Property Improvements	(261)	-	-	(261)	(432)
Changes in bad debt provision and bad debt expense	(9)	-	-	(9)	29
Depreciation of housing properties	(1,714)	-	-	(1,714)	(1,710)
Depreciation of other fixed assets	(91)	-	-	(91)	(91)
Operating costs on social housing lettings	(5,054)	(10)	(18)	(5,082)	(5,069)
Operating surplus on social housing lettings	1,507	75	45	1,627	1,499
Void losses	34	-	-	34	15

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020

4 Accommodation in management– Group and Association

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

	2020 No.	2019 No.
Social housing		
General needs housing:		
Social rent	1,132	1,124
Affordable rent	85	68
Housing for Older People	10	10
Low cost home ownership	67	67
	<u>1,294</u>	<u>1,269</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		
	<u>1,305</u>	<u>1,280</u>
Total owned and managed Social Housing		
Leasehold units (owned 6 (2019: 6), managed 2 (2019:1))	8	7

5 Operating surplus

This is arrived at after charging:

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Depreciation of housing properties	1,714	1,710	1,714	1,710
Depreciation of other tangible fixed assets	169	171	91	91
Surplus on disposal of other tangible fixed assets	251	174	264	178
Auditors' remuneration	30	30	30	17
Auditors' remuneration – non-audit fees (tax compliance)	2	2	2	-
Auditors' remuneration – non-audit fees (VAT advisory)	7	-	2	-
Operating Lease Costs	15	24	12	22
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020

6 Surplus on sale of fixed assets – housing properties & other

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Disposal proceeds	741	531	741	531
Carrying value of fixed assets	(263)	(166)	(250)	(162)
Capital grant recycled (note 24)	(227)	(191)	(227)	(191)
	<u>251</u>	<u>174</u>	<u>264</u>	<u>178</u>

7 Interest receivable and other income

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Interest receivable and similar income	9	22	24	38

8 Interest payable and similar charges

	Group & Association	
	2020 £'000	2019 £'000
Loans and bank overdrafts	(551)	(531)
Pension interest	(45)	(44)
	<u>(596)</u>	<u>(575)</u>

9 Tax

	Group	
	2020 £'000	2019 £'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:		
	2020 £'000	2019 £'000
Surplus on ordinary activities before tax	1,210	1,019
Adjustment in respect of charitable activities	(1,210)	(1,019)
Surplus on ordinary activities subject to tax	-	-
Total tax charge for the period	<u>-</u>	<u>-</u>

UNITY HOUSING ASSOCIATION LIMITED

Year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020**10 Employees**

	Group		Association	
	2020 No.	2019 No.	2020 No.	2019 No.
Average monthly number of employees				
Administration	13	13	9	9
Development	4	5	4	5
Housing management	20	18	20	18
Community Project	1	1	1	1
	<u>38</u>	<u>37</u>	<u>34</u>	<u>33</u>
	<u><u>38</u></u>	<u><u>37</u></u>	<u><u>34</u></u>	<u><u>33</u></u>

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Staff costs				
Wages and salaries	1,330	1,282	1,241	1,196
Social security costs	128	122	120	114
Other pension costs	134	177	130	172
	<u>1,592</u>	<u>1,581</u>	<u>1,491</u>	<u>1,482</u>
	<u><u>1,592</u></u>	<u><u>1,581</u></u>	<u><u>1,491</u></u>	<u><u>1,482</u></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.

11 Social Housing Pension Scheme

The Group participates in the Social Housing Pension Scheme (SHPS), a multi-employer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK. The schemes are subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

These schemes are classified as 'last-man standing arrangement'. Therefore, the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A recovery plan has been put in place with the aim of removing this deficit by 30 September 2026.

For financial years prior to April 18 it was not possible for the company to obtain sufficient information to account for the scheme as a defined benefit scheme therefore, it has been treated as a defined contribution scheme in line with FRS102. For financial years from April 18 onwards sufficient information has been made available.

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020

11 Social Housing Pension Scheme (continued)

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

	2020 £'000	2019 £'000
Fair value of plan assets	6,511	6,084
Present value of defined benefit obligation	7,455	8,132
Defined benefit (liability) to be recognised	(944)	(2,048)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period ended 31 March 2020 £'000	Period ended 31 March 2019 £'000
Defined benefit obligation at start of period	8132	7,247
Current service cost	102	158
Expenses	7	5
Interest expense	189	189
Contributions by plan participants	59	55
Actuarial (gains) due to scheme experience	(89)	(70)
Actuarial (gains)/ losses due to changes in demographic assumptions	(69)	21
Actuarial (gains)/ losses due to changes in financial assumptions	(807)	559
Benefits paid and expenses	(69)	(32)
Defined benefit obligation at end of period	7,455	8,132

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

	Period ended 31 March 2020 £'000	Period ended 31 March 2019 £'000
Fair value of plan assets at start of period	6,084	5,533
Interest income	144	145
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	21	195
Contributions by the employer	272	188
Contributions by plan participants	59	55
Benefits paid and expenses	(69)	(32)
Fair value of plan assets at end of period	6,511	6,084

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £165k

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2020

11 Social Housing Pension Scheme (continued)

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME

	Period from 31 March 2019 to 31 March 2020 £'000	Period from 31 March 2018 to 31 March 2019 £'000
Current service cost	102	158
Expenses	7	5
Net interest expense	45	44
	154	207

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	Period ended 31 March 2020 £'000	Period ended 31 March 2019 £'000
Experience on plan assets (excluding amounts included in net interest cost) - gain	21	195
Experience gains and losses arising on the plan liabilities - gain	89	70
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/ (loss)	69	(21)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/ (loss)	807	(559)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain / (loss)	986	(315)
Total amount recognised in other comprehensive income – gain/ (loss)	986	(315)

ASSETS

	31 March 2020 £'000	31 March 2019 £'000
Absolute Return	339	526
Alternative Risk Premia	455	351
Corporate Bond Fund	371	284
Credit Relative Value	179	111
Distressed Opportunities	125	111
Emerging Markets Debt	197	210
Fund of Hedge Funds	4	27
Global Equity	952	1,024
Infrastructure	485	319
Insurance-Linked Securities	200	174
Liability Driven Investment	2,161	2,225
Liquid Credit	3	-
Long Lease Property	113	89
Net Current Assets	28	12
Opportunistic Illiquid Credit	158	-
Over 15 Year Gilts	-	-
Private Debt	131	82
Property	143	137
Risk Sharing	220	184
Secured Income	247	218
Total assets	6,511	6,084

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2020

11 Social Housing Pension Scheme (continued)

KEY ASSUMPTIONS

	31 March 2020 % per annum	31 March 2019 % per annum
Discount Rate	2.38	2.31
Inflation (RPI)	2.62	3.29
Inflation (CPI)	1.62	2.29
Salary Growth	3.00	2.73
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

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

	Life expectancy at age 65 (Years)
Male retiring in 2020	21.5
Female retiring in 2020	23.3
Male retiring in 2040	22.9
Female retiring in 2040	24.5

12 Board members and executive directors

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

	2020 £'000	2019 £'000
Board member payments	45	39
Expenses Paid	6	7
	<u>51</u>	<u>46</u>

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020

12 Board members and executive directors (continued)

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

	2020	2019
	£'000	£'000
S Bhargava (Chair)	5.9	5.8
S Khan	-	1.9
T Yeardley	-	1.7
N Ahmed	2.9	2.9
W Butt	2.9	2.9
E Cook	3.4	1.1
E Green (Board Member/Subsidiary Chair)	3.4	3.3
A Hamied	2.9	1.0
D Heels (Committee Chair)	3.4	3.3
J Jefferies	2.9	2.9
D Richmond	2.9	1.0
N Ruhi-Khan	2.9	1.0
R Walker (Committee Chair)	3.4	3.3
A Rashid (Committee Co-optee)	-	-
	36.9	32.1

Payments totalling £7.8k (2019: £6.8k) were also made to directors of Unity Property Services Limited.

The aggregate emoluments of the Executive Directors amounted to:

	Basic salary £'000	Benefits in kind £'000	Pension contributions £'000	2020 Total £'000	2019 £'000
Chief Executive- A Akbor	84	8	11	103	101
Operations Director & Deputy CEO - P Sidhu	75	7	9	91	89
Regeneration & Development Director - W Noteman	63	6	6	75	73
Resources Director (from 18/11/18) - AM Matson	69	7	6	82	30
				351	293

The emoluments of the highest paid executive officer, the Chief Executive, excluding pension contributions were; £92,000 (2019: £90,000).

UNITY HOUSING ASSOCIATION LIMITED
 Year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020

12 Board members and executive directors (continued)

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

	2020	2019
	No	No
£70,001 to £80,000	2	2
£80,001 to £90,000	1	1
£90,001 to £100,000	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:

	2020	2019
	£'000	£'000
Basic Salary	335	281
Benefits in kind	29	24
Employers NIC	38	32
Pension contributions	32	27
	<u>434</u>	<u>364</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 (2019: £ nil).

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020

13 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 2019	81,040	2,720	4,592	88,352
Additions	143	-	5,823	5,966
Replacement of Components	556	-	-	556
Transfers	4,232	(226)	(4,006)	-
Disposals	(859)	-	-	(859)
At 31 March 2020	85,112	2,494	6,409	94,015
Depreciation				
At 1 April 2019	22,032	353	-	22,385
Charged in Year	1,670	44	-	1,714
Disposals	(418)	-	-	(418)
At 31 March 2020	23,284	397	-	23,681
Net book value				
At 31 March 2020	61,828	2,097	6,409	70,334
At 31 March 2019	59,008	2,367	4,592	65,967
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 2019	81,212	2,720	4,592	88,524
Additions	253	-	5,823	6,076
Replacement of Components	556	-	-	556
Transfers	4,232	(226)	(4,006)	-
Disposals	(859)	-	-	(859)
At 31 March 2020	85,394	2,494	6,409	94,297
Depreciation				
At 1 April 2019	22,032	353	-	22,385
Charged in Year	1,670	44	-	1,714
Disposals	(418)	-	-	(418)
At 31 March 2020	23,284	397	-	23,681
Net book value				
At 31 March 2020	62,110	2,097	6,409	70,616
At 31 March 2019	59,180	2,367	4,592	66,139

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020

13 Tangible fixed assets – properties (continued)

Social Housing Grants	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Opening balance 1 April	32,871	31,711	31,667	30,472
Additions	1,944	2,431	1,934	2,431
Released to income in the year	(898)	(874)	(853)	(839)
Disposals	(207)	(397)	(207)	(397)
Closing balance 31 March	33,710	32,871	32,541	31,667

Expenditure on works to existing properties

	Group and Association	
	2020 £'000	2019 £'000
Amounts capitalised	673	456
Amounts charged to income and expenditure account	261	432
Total	934	888

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

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020

14 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 2019	2,442	961	3,403	961
Additions	23	-	23	-
Disposals	(20)	-	(20)	-
At 31 March 2020	<u>2,445</u>	<u>961</u>	<u>3,406</u>	<u>961</u>
Depreciation				
At 1 April 2019	370	296	666	296
Charged in year	52	20	72	20
Disposals	(7)	-	(7)	-
At 31 March 2020	<u>415</u>	<u>316</u>	<u>731</u>	<u>316</u>
Net book value				
At 31 March 2020	<u>2,030</u>	<u>645</u>	<u>2,675</u>	<u>645</u>
At 31 March 2019	<u>2,072</u>	<u>665</u>	<u>2,737</u>	<u>665</u>

Other Tangible Fixed Assets - Group	Furniture & Equipment £'000	Computer Equipment £'000	Total £'000
Cost			
At 1 April 2019	325	715	1,040
Additions	18	15	33
Disposals	(1)	-	(1)
At 31 March 2020	<u>342</u>	<u>730</u>	<u>1,072</u>
Depreciation			
At 1 April 2019	268	585	853
Charged in year	17	80	97
Disposals	(1)	-	(1)
At 31 March 2020	<u>284</u>	<u>665</u>	<u>949</u>
Net book value			
At 31 March 2020	<u>58</u>	<u>65</u>	<u>123</u>
At 31 March 2019	<u>57</u>	<u>130</u>	<u>187</u>

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2020

14 Tangible fixed assets – other (cont.)

Other Tangible Fixed Assets - Association	Furniture & Equipment £'000	Computer Equipment £'000	Total £'000
Cost			
At 1 April 2019	172	629	801
Additions	-	15	15
Disposals	-	-	-
At 31 March 2020	<u>172</u>	<u>655</u>	<u>816</u>
Depreciation			
At 1 April 2019	171	515	686
Charged in year	1	70	71
Disposals	-	-	-
At 31 March 2020	<u>172</u>	<u>585</u>	<u>757</u>
Net book value			
At 31 March 2020	<u>-</u>	<u>59</u>	<u>59</u>
At 31 March 2019	<u>1</u>	<u>114</u>	<u>115</u>

15 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

	2020 £	2019 £
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

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020

16 Debtors

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Due within one year				
Arrears of rent and service charges	502	467	489	454
Less: Provision for bad debts	(351)	(344)	(349)	(344)
	<u>151</u>	<u>123</u>	<u>140</u>	<u>110</u>
Prepayments & accrued income	681	193	667	184
Other debtors	16	20	16	20
Other taxation & social security	4	17	-	-
Amounts due from subsidiaries	-	-	119	183
	<u>852</u>	<u>353</u>	<u>942</u>	<u>497</u>

Other debtors include loans to two executive officers as follows:

	£'000
Amount outstanding as at 1 st April 2019	11
Amount outstanding as at 31 st March 2020	5
Maximum outstanding in the year for these loans is £11k	
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 £87k (2019: £151k) is interest free and repayable on demand, the remaining portion is the short term debt of the loan to Unity Property Services Limited which is included in long term debtors.

17 Long term debtors

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Amounts due from subsidiary	-	-	251	283
	<u>-</u>	<u>-</u>	<u>251</u>	<u>283</u>

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

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020

18 Creditors: amounts falling due within one year

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Debt (note 21)	1,497	1,479	1,497	1,479
Grant due in one year (note 20)	938	884	903	849
Disposal Proceeds Fund (note 25)	-	190	-	190
Trade creditors	393	429	132	234
Rent & service charges received in advance	159	129	159	129
Interest accrued on loans	71	69	71	69
Other taxation and social security	46	48	35	36
Accruals and deferred income	732	1,110	678	566
Other creditors	109	128	44	39
Amount due to subsidiary	-	-	207	681
	<u>3,945</u>	<u>4,466</u>	<u>3,726</u>	<u>4,272</u>

19 Creditors: amounts falling due after more than one year

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Debt (note 21)	19,124	17,621	19,124	17,621
Loan issue costs:				
At 1 April	(219)	(255)	(219)	(255)
Additions	-	-	-	-
Amortised during the year	36	36	36	36
	<u>18,941</u>	<u>17,402</u>	<u>18,941</u>	<u>17,402</u>
Recycled Capital Grant Fund (note 25)	390	191	390	191
Deferred grant income	32,801	31,987	31,667	30,818
	<u>52,132</u>	<u>49,580</u>	<u>50,998</u>	<u>48,411</u>

20 Deferred grant income

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
At 1 April	32,871	31,711	31,667	30,472
Grant received in the year	1,976	2,431	1,963	2,431
Released to income in the year	(901)	(874)	(853)	(839)
Disposals	(207)	(397)	(207)	(397)
As at 31 March	<u>33,739</u>	<u>32,871</u>	<u>32,570</u>	<u>31,667</u>

UNITY HOUSING ASSOCIATION LIMITED
Year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020

20 Deferred grant income (continued)

	2020	Group 2019	2020	Association 2019
	£'000	£'000	£'000	£'000
Amounts to be released within one year	938	884	903	849
Amounts to be released in more than one year	32,801	31,987	31,667	30,818
	<u>33,739</u>	<u>32,871</u>	<u>32,570</u>	<u>31,667</u>

21 Debt analysis

	Group and Association 2020	2019
	£'000	£'000
Due within one year		
Bank and Building Society loans	1,497	1,479
	<u>1,497</u>	<u>1,479</u>
Due after more than one year		
Bank and Building Society loans	19,124	17,621
	<u>19,124</u>	<u>17,621</u>
Debt is repayable		
Within one year	1,497	1,479
Between one and two years	1,362	1,497
Between two and five years	4,552	3,943
After five years	13,210	12,181
	<u>20,621</u>	<u>19,100</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 2020, the Group had undrawn loan facilities of £12,000k (2019: £15,000k).

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22 Non-equity share capital

	Group and Association	
	2020	2019
	£	£
Shares of £1 each issued and fully paid		
At 1 April	36	70
Joining during the year	-	4
Leaving during the year	-	(38)
At 31 March	<u>36</u>	<u>36</u>

23 Financial commitments

	Group and Association	
	2020	2019
	£'000	£'000
Capital Expenditure contracted for but not provided in accounts	5,183	9,466
Capital Expenditure authorised but not contracted for	10,272	8,438
	<u>15,455</u>	<u>17,904</u>

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

24 Recycled Capital Grant Fund

	Group and Association	
	2020	2019
	£'000	£'000
At 1 April	191	-
Net sales proceeds recycled	227	191
Interest Accrued	1	-
Withdrawals	(29)	-
	<u>390</u>	<u>191</u>

25 Disposals Proceeds Fund

	Group and Association	
	2020	2019
	£'000	£'000
At 1 April	190	189
Net sales proceeds recycled	-	-
Interest accrued	1	1
Withdrawals	(191)	-
	<u>-</u>	<u>190</u>

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NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020

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

	2020 £'000	2019 £'000
Surplus for the year	1,145	947
Depreciation of housing properties	1,714	1,710
Depreciation of other fixed assets	169	171
Grant Amortisation	(901)	(874)
Loan issue costs amortised	36	36
Surplus on sale of tangible assets	(251)	(161)
Interest receivable	(9)	(22)
Interest payable	596	575
Pension costs less contributions payable	(118)	-
Decrease/ (increase) in debtors	5	(97)
(Decrease)/ increase in creditors	(639)	678
	<u>1,747</u>	<u>2,963</u>
Net cash inflow from operating activities	<u>1,747</u>	<u>2,963</u>

27 Contingent Liability

The Association is currently in dispute with a contractor over the request for an additional payment for a development scheme in the year. After seeking advice from professional advisers, management are contesting the additional payment and are of the opinion that the full payment sought will not be payable. However, it is considered appropriate to disclose a contingent liability in respect of the issue given management have assessed that there is more than a remote possibility of an outflow of resources. At this stage the amount that may be paid cannot be reliably quantified. The maximum amount payable is £252,000. (2019: £nil).

28 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 2020 £'000	2019 £'000	Association 2020 £'000	2019 £'000
In one year	20	25	15	19
Between one and five years	25	47	18	35
	<u>45</u>	<u>72</u>	<u>33</u>	<u>54</u>

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NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2020

29 Categories of financial assets and financial liabilities

	2020 £'000	2019 £'000
Financial assets that are debit instruments measured at amortised cost	2,262	4,409
Financial liabilities measured at amortised cost	22,291	21,864
Total	<u>24,553</u>	<u>26,273</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:

	2020 £'000	2019 £'000
Fixed rate	8,918	9,939
Floating rate	11,703	9,161
Total borrowings	<u>20,621</u>	<u>19,100</u>

Borrowing facilities

As at 31 March 2020 the group had undrawn loan facilities of £12.00m

30 Related parties

During the year, the Association charged Unity Property Services Limited £28k (2019: £25k) and Unity Housing Development Services Limited £6k (2019: £6k) for management services.

At 31 March 2020 there was a loan of £283k due from Unity Property Services Limited (2018: £315k). 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 £14k (2019: £48k) and from Unity Housing Development Services Limited is £73k (2019: £103k).

During the year Unity Housing Development Services charged Unity Housing Association £5,570k (2019: £6,080k) for design and build services of which £207k was outstanding as at 31 March 2020 (2019: £681k).

The amount due from Unity Housing Development Services Limited as at 31 March 2020 in respect of gift aid was £73k (2019: £103k)

There were no other related party transactions identified during the year. Loans to directors have been disclosed in note 16.

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Year ended 31 March 2020

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31 Analysis of changes in net debt

	1 April 2019 £'000	Cash Flows £'000	Other Non cash £'000	31 March 2020 £'000
Cash	3,570	(1,682)	-	1,888
Loans due within one year	(1,479)	1,479	(1,497)	(1,497)
Loans due in more than one year	(17,621)	(3,000)	1,497	(19,124)
Net debt	(15,530)	(3,203)	-	(18,733)