

ABILITY HOUSING ASSOCIATION

Report and Financial Statements

For the year ended 30th September 2021

Registered Company No 01261380



ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2021

Company registration number 01261380

Regulator of Social Housing registration number: LH2174

Charity number: 271547

Registered office and principal address: The Coach House
Gresham Road
Staines
Middlesex
TW18 2AE

Board: Jane Harrison (Chair) (resigned 10th March 2021)
Sally Reay (Chair) (appointed 10th March 2021)
Nicola Philp (resigned 1st December 2021)
Gina Small
Dominic Wallace
Maureen Osborne (resigned 1st January 2021)
Jai Dosanjh
Dritan Uka (appointed 21st April 2021)
Tim Jennings (appointed 21st April 2021)
Vimal Gaglani (appointed 21st April 2021)
Mandy Dunstan (appointed 21st April 2021)
Lynsey Bradshaw (appointed 21st April 2021)

Chief Executive Jeffrey Skipp

Director of Resources & Deputy Chief Executive Peter Gardiner

Director of Operations (Housing) Lucy Sivasundram

Company Secretary Peter Gardiner

Bankers: Barclays
1 Churchill Place
London
E14 5HP

Solicitors: Devonshires
30 Finsbury Circus
London
EC2M 7DT

Auditors: Beever and Struthers
Statutory Auditor
The Colmore Building
20, Colmore Circus Queensway
Birmingham
B4 6AT

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For the year ended 30 September 2021

Report of the Board

The Board presents its report and audited financial statements for Ability Housing Association ('The Association') for the year ended 30 September 2021.

The financial statements have been drawn up under United Kingdom Generally Accepted Accounting Practice, including FRS 102 ('the financial reporting standard applicable in the UK and Republic of Ireland'). The Association is registered under the Companies Act 2006 as a company limited by guarantee incorporated in England. It is registered with both the Charity Commission and the Regulator of Social Housing (formerly the Homes and Communities Agency) as a Registered Provider.

Principal activities and public benefit

The Association's principal activities are the provision, by construction or conversion, and the management of housing for people with disabilities and others in housing need and the provision of care and support to those individuals.

The Association is classified as a public benefit entity. The Board confirms that it has referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Association's aims and objectives and in formulating future plans.

Business review and future development

Details of the Association's performance for the year and future plans are set out in the Operating and Financial Review that follows this Report.

Reserves

After transfer of the surplus for the year of £359k (2020: £436k), at the year-end reserves amounted to £17,640k (2020: £17,281k).

Employees

The Association is accredited as an Investor in People. Salary levels are set in relation to the market and meet or exceed the requirements of the National Minimum Wage.

We are committed to equality of opportunity for all employees, and we monitor our recruitment processes to ensure that a diverse workforce is recruited and nurtured.

The Association shares information on its objectives, progress and activities through the staff intranet, regular office and departmental meetings.

Health and safety

The Board is aware of its responsibilities on all matters relating to health and safety. The Association has employed an external advisor to prepare detailed health and safety policies, ongoing support and provides staff training and education on health and safety matters.

Board members and executive directors

The present Board members and the executive directors of the Association are set out on page 1. The Board members are drawn from a wide background bringing together professional, commercial and local experience.

The executive directors are the chief executive and the other members of the Association's senior management team. They hold no interest in the Association's shares and act as executives within the authority delegated by the Board.

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Report of the Board (continued)

Board members and executive directors (continued)

Insurance policies indemnify Board members and officers against liability when acting for the Association.

Service contracts

The executive directors are employed on the same terms as other staff, their notice periods being three to six months.

Pensions

The Association contributes to the Social Housing Pension Scheme defined contribution pension for all staff not enrolled in a defined benefit scheme or opted out. This is Ability's auto-enrolment pension scheme. A small number of staff are members of Local Government Pension Scheme, a defined benefit final salary pension scheme. A number of former staff members are enrolled in the defined benefit final salary element of the Social Housing Pension Scheme.

NHF Code of Governance

We are pleased to report that the Association complies with the principal recommendations of the NHF Code of Governance (revised 2015) with the exception that terms of office may be extended by consent of the Board. The NHF Code of Governance 2020 is being reviewed and considered by the Board with a view to adoption.

At last April's Board Meeting held on 21st April 2021, Dritan Uka, Tim Jennings, Vimal Gaglani, Mandy Dunstan and Lynsey Bradshaw were appointed to the Board.

At the AGM on the 10th March 2021, Neil Thorneycroft and Rinat Abdrasilov were co-opted to the Board.

Tenant involvement

We actively encourage tenants' involvement in decision-making by promoting tenant participation; up to one-third of ordinary members may be tenants or service users. The Operating and Financial Review and Strategic Report goes into considerable detail regarding current and future tenant participation initiatives.

Complaints

Our clear and simple complaints policy is issued to all customers. During the year we received no complaints that were referred to the Board for resolution (2020: one).

Fraud

There were no material frauds in the year.

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Report of the Board (continued)

Board and Committee member attendance

Attendance statistics

percentage of
members attending

BOARD ATTENDANCE

Attended meetings / Possible meetings 80%

COMMITTEE ATTENDANCE

Human Resources	100%
Customer Service	50%
Audit, Finance and Risk	91%

Attended meetings / Possible meetings 93%

Number of meetings

Board	8
Audit, Finance and Risk	3
Customer Service Committee	1
Human Resources Committee	1

Internal controls assurance

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

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.

The process for identifying, evaluating and managing the significant risks faced by the Association is continuing, and has been in place throughout the period commencing 1 October 2020 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 at each meeting during the year.

Key elements of the control framework include:

- Board approved terms of reference and delegated authorities for audit, finance and risk, human resources and customer services committees;
- clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- robust strategic and business planning processes;

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Report of the Board (continued)

- detailed financial budgets and forecasts for subsequent years;
- formal recruitment, retention, training and development policies;
- established authorisation and appraisal procedures for all significant new initiatives and commitments;
- regular reporting by senior management to the appropriate committee of key business objectives, targets and outcomes;
- Board approved whistleblowing and anti-theft and corruption policies; and
- detailed policies and procedures in each area of the Association's work.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Audit, Finance & Risk Committee ('The Committee') to review the effectiveness of the system of internal control on a regular basis. The Board receives reports from the Committee together with minutes of meetings.

The means by which the Audit, Finance & Risk Committee reviews the effectiveness of the system of internal control include considering risk reports, internal audit reports, management assurances, the external audit findings report and specialist reviews on areas such as support service contracts, health and safety and housing services. The Committee has received reports from the internal auditor and has reported its findings to the Board. The Board receives regular reviews from the Chief Executive of the effectiveness of the system of internal control for the Association and in turn conducts its own reviews through the year of the effectiveness of the system of internal control.

A fraud register is maintained and is reviewed by the Audit, Finance & Risk Committee at least twice a year.

The Board is therefore satisfied that the systems of internal control are sufficiently robust and have been operating throughout the year.


Statement of compliance

The Board confirms that the Strategic Report has been prepared in accordance with the principles set out in paragraph 4.7 of the 2018 SORP for Registered Social Housing Providers.

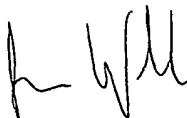
Post balance sheet events

Two months after the balance sheet date Ability was informed that it was not successful in its bid to retain the Care and Support contract it had held in Hampshire. The impact of the loss of this contract will come into effect from the beginning of April 2022, and will reflect in this and future years trading.

The Report of the Board was approved by the Board on 2nd March 2022 and signed on its behalf by:



Sally Reay
Chair



Dominic Wallace
Board Member



Peter Gardiner
Secretary

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For the year ended 30 September 2021

Operating and Financial Review and Strategic Report

Overview of the Financial Year

It has been a challenging year with the ongoing Covid-19 Pandemic, our priority throughout the year has been to maintain the health and wellbeing of our customers, staff and contractors whilst ensuring high levels of service quality. This we have achieved even during the two lockdown periods in the year, through good communication with customers and a focus on their wellbeing. We have maintained welfare calls throughout the year and whilst during lockdown we reverted to emergency and essential repairs, any issues which a customer felt would impair or impact upon their independence were navigated and a mutually accepted way forward agreed.

We have also achieved a great deal in our operational areas of Housing and Care and Support, these achievements are set out below:

Housing, Property and Asset Management

Ability Housing owns and manages 676 properties (657 directly managed) plus some office accommodation across 31 local authority areas in London and the South East, from Hastings to Bournemouth and Essex to Oxfordshire. We provide accessible housing for people who want to live more independently and focus our service improvement plans on achieving this.

We said last year we would develop a Customer Strategy that would identify what our customer offer would be in terms of Housing Management, Repairs and Maintenance, Customer Engagement, and wider Customer Services functions including a contact centre.

During this year we have worked with customers and colleagues to develop this Customer Strategy and as part of the strategy have made the following commitments to delivering an improved Customer Experience:

- We will communicate well and resolve problems
- We will ensure the good state of your home
- We will provide a supportive, proactive, and responsive Housing Management service
- We will have meaningful engagement with our customers
- We will provide a supportive and personalised service to our customers

These commitments provide the basis of the structure of our Customer Offer and one of the outcomes of these commitments was the rollout of the use of an Intensive Housing Management (IHM) Support Plan. This IHM Support Plan is used by Housing and Support Officers to agree and define with Customers how they engage with our Intensive Housing Management Service in a specific and measurable format.

In addition, a comprehensive Tenancy Audit process was commenced by the Housing and Support Officers to allow us to ensure we are engaging with all customers and visiting all our properties to confirm the good state of our homes.

The implementation of further aspects of the Customer Strategy are discussed further in our Plans for the Future.

We have also changed the structure of our Property Services Team to ensure there is greater capacity to both scrutinise the performance of our services and drive any necessary improvements. This has resulted in new structures in monitoring repairs, an enhanced response to repairs issues and resulted in us commencing a process of re-procuring our Repairs and Maintenance Contract in response to this scrutiny.

Within our planned maintenance programme, we replaced all the windows and doors of eight properties, twelve kitchens were completed, one full roof replacement and thirty new boilers were installed. Customers were involved in the selection of the windows, doors, and kitchen features. They were consulted and kept informed by our Property Services Team and provided reports of high levels of satisfaction both during and on completion of the works.

We have also completed a Stock Condition Survey on all our properties which will allow us to review and inform our five-year planned maintenance programme going forward. Property Condition Inspections were also completed on our properties on a risk assessment basis to ensure we could be assured of their condition.

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Operating and Financial Review and Strategic Report (continued)

With the ongoing impact in the last year of Covid on meeting with our customers in person and as a group, the way we engage with Customers and support the continuation of our Customer Panel has evolved. This has largely been in supporting the virtual options available and ensuring these are offered to all customers.

As a result, we have seen the widening of our virtual engagement with customers and the continuation of offering both virtual and in person contact in the delivery of some of our services, and crucially in identifying what support our customers need.

The Customer Panel now also meets virtually and has been working to extend its remit in scrutinising our performance against the standards set in the Customer Strategy.

The rollout of the Pyramid Housing System has further developed with the implementation of the Complaints module and the use of the property and repairs module for Gas Safety. This has allowed access to more accurate data, improved workflows and has greatly enhanced our complaints management offer.

Care and Support

Ability Care and support delivers services in seven local authority areas in England, supporting our customers to live independently in the community. Our services include step down mental health, supported living, community support in peoples own homes and residential care. We support people with learning disabilities, physical disabilities, and mental health.

Covid-19

During the financial year we have continued to prioritise the delivery of safe services for our residents and customers during the Covid-19 pandemic. With the improved infrastructure provided by government such as adequate PPE and clearer guidance for social care, alongside our own organisational learning we have been far better able and prepared to manage and support both residents and staff during the ongoing Covid-19 pandemic. That is not to say that we have not experienced challenges and pinch points during the year, particularly the second national lockdown announced in November 2020 and then after a short hiatus, the third national lockdown at the beginning of January 2021 remaining in place until the end of March. Whilst these lockdowns were essential, they placed residents and staff under periods of greater stress and anxiety, restricting opportunities to socialise with family and friends and the subsequent loneliness and isolation this caused for many residents, alongside the ongoing fears for their own health. For staff, managing and operating services during periods of high national infection rates, seeking to ensure the safety and mental wellbeing of residents whilst also having anxieties about their own health and that of their families, has been beyond challenging. In addition, the need to cover shifts for colleagues self-isolating meant many colleagues were working long hours and the resultant fatigue this can bring. These challenging circumstances have taken their toll on all concerned.

Our Care and Support colleagues have worked tirelessly throughout the pandemic demonstrating dedication, professionalism and flexibility and we are immensely grateful and proud of them. We have brought our Care and Support managers from across the organisation together in a safe working environment, to provide opportunities to share experiences, to evaluate and learn from working through the Covid-19 pandemic and what measures we could collectively take to improve organisational support going forward. On the whole managers were supportive of the organisations approach and how we had managed our response to the pandemic thus far. However, all managers felt it was important to say and for the organisation to hear how difficult and scary it has been working on the frontline in social care throughout the pandemic. The fears and anxieties were not limited to the working environment but heightened when using public transport or having to access community facilities such as supermarkets and other community facilities with or on behalf of residents.

In terms of improvements we could put in place at organisational level, opportunities for staff to meet with the reintroduction of regular in-person team meetings as it becomes safe to do, alongside more frequent managers meeting with the opportunities for networking, sharing challenges and devising solutions. The issue of recognition was considered essential for Support Workers and Managers. It was acknowledged there was limited opportunity to increase wages based on the fees received from local authorities; however, it was felt that relatively small gestures such as a staff meal or take away once or twice a year linked to business functions such as a team meetings or away days, would mean a lot and such relatively small tokens of appreciation would have a significant positive impact to care and support colleagues.

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Operating and Financial Review and Strategic Report (continued)

Funding

The fees we receive from Local Authorities remains constrained, although we have been able to negotiate inflationary fee increases in line with increases to this year's National Living Wage (NLW) increase of 2.2%. We continue to pay our colleagues the "National Living Wage Top Up" for staff undertaking Sleep in's and wish to continue to do so. However, whilst most of the Local Authorities have increased fee levels in line with NLW, sleep-in rates have largely remained fixed with no inflationary increase. With the supreme court ruling on this matter in March 2021 ruling that sleep-ins do not count as working time, we will be working with local authorities to better understand their future commissioning intentions in this regard – Are they willing to fund the current payment for staff Sleep-ins or will they seek to reduce funding over time, moving to an "allowance" per night, reducing the amounts paid to staff.

During the year we handed back a contract on a supported living service to the commissioner. The service had become unviable based on the contract sum being paid. The service was also situated in an area that was extremely challenging to recruit and retain staff which also led to a higher than normal dependency on agency spend.

Another local authority for whom we provide services re-issued their framework agreement at a lower contract value than we are currently being paid. We declined to submit a bid but continue to manage the service at the existing contract value.

The vast majority of our services achieve full cost recovery. We maintain a strong oversight on our fee income, working with local authorities to ensure the funding we receive is adequate to deliver quality services to our residents and customers.

Recruitment and Training

During the lockdown period, through maintaining a strong focus on staff recruitment we were able to achieve 94% of senior and support worker posts filled. However, with the opening up of the economy and strong competition to attract staff from retail, hospitality and other sectors, who are able to pay a higher salary rate, combined with the fatigue and burnout some staff have experienced during lockdown and the pandemic, we have experienced challenges in recruiting and retaining staff, particularly during the second half of the financial year. We are exploring different forms of recruitment looking to target communities and individuals who may not have previously considered a career in care and support. We have for many years focused on a value-based recruitment model, seeking to recruit staff with the right attitudes and behaviours and we will be seeking to promote ourselves to a wider audience. However, and as has been widely discussed in national media and by trade organisations such as VODG, there is a national staffing crisis in care and support and without interventions from government raising the profile of the sector and promoting a career in care and support as a valued occupation with higher pay and improved terms and conditions, the challenges with recruitment and retention are likely to continue for the foreseeable future.

As important as recruiting staff with the right attitudes and behaviour, the training and development of staff and managers to ensure they have the right skills and knowledge to deliver quality interventions with our customers is of equal importance. Our commitment to staff training includes a thorough induction, for staff new to the sector completion of the care certificate in a timely manner, alongside mandatory and bespoke training for all support staff. Our training and development programme seek to maximise the benefits of both e-learning and face to face training, ensuring staff are well trained. We have also enhanced our management and leadership training with an increased focus on supporting managers to gain Level 5 Health and Social Care qualifications and for senior support workers to gain a level 3, further enhancing management and leadership competency across Ability.

Operations and Customer Satisfaction

During the year we have developed and launched a new support planning and risk assessment policy and procedure across care and support. This supports our Ability Positive Values and Behaviours and further focuses services and colleagues on providing personalised support. We have, within the policy developed personal planning tools which will support colleagues in the implementation of this policy and maximise the opportunities and outcomes achieved by our residents and customers, focusing our service offer on customer engagement ensuring the individual is at the centre of the service delivered.

We undertook a customer satisfaction survey during the year and our increased focus on delivering personalised support, and placing the individual at the centre of the service delivered has been reflected in our Customer Satisfaction Survey Responses which are as follows:

Out of a possible 363 surveys Ability received 200 responses. This equates to a 55% return.

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Operating and Financial Review and Strategic Report (continued)

The Questions and Responses

1. Ability staff help me to feel safe in my home

Yes 95.5%; No 4.5% [8 of the 9 people who answered No are customers of our floating support service]

2. There is some flexibility in the way I receive my support as sometimes I don't want to stick to a fixed plan

Yes 93%; No 5%; Unsure 2%

3. I feel that staff listen to me and I feel comfortable discussing and planning my support with them

Yes 96.5%; No 3%; Unsure 0.5%

4. If I am not happy with something I know who to talk to

Yes 94.5%; No 5%; Unsure 0.5%

5. Staff know what is important to me and how I like to live my life

Yes 95%; No 2.5%; Unsure 2.5%

We are rightfully pleased with the survey results. Each manager and service have received the outcome of the satisfaction survey for their service and are developing an action plan based on the outcome, to further improve and focus the service we deliver on the people we serve.

Impairment and asset review

As mentioned in prior years financial statements, an impairment regarding one unit at a scheme in Essex and one unit at a scheme in Berkshire was identified as an impairment charge, but at the time the potential cost of this was still to be established. The impairment was previously quantified at £250k, which represented an impairment charge against the assets of £176k, and a provision for additional costs associated with the anticipated works of £74k. The works at the Berkshire unit will commence in early 2022. The property in Essex is still subject to survey and monitoring. A review of the assets this year has identified no further material impairment.

Risk

We consider and review the main risks that may prevent the Association achieving its objectives every three months. The risks are recorded and assessed in terms of impact and actions to mitigate and manage these risks. Significant risks are reported to the Board quarterly together with key controls and actions taken to mitigate risk.

Plans for the Future

Housing

With the development of the Customer Strategy, one significant outcome was the recognition that to successfully deliver the strategy we needed to bring our call centre in house. Crucially, this will reduce customer effort by providing customers with one point of contact to resolve their queries. In addition, it will allow customers to book appointments with Housing and Support Officers, as well as direct appointments with our Repairs and Maintenance contractors, thus significantly expanding our offer to customers.

The contact centre will also deliver a digital offer to customers in allowing customers to complete functions such as requesting a rent balance and report a repair using their mobile phones.

This enhanced offer of a Contact Centre supports our five customer commitments and will be launched in the next financial year as part of the customer launch of our Customer Strategy.

We will also be appointing and mobilising our new repairs and maintenance contractors to complete the procurement process started this year.

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Operating and Financial Review and Strategic Report (continued)

The Stock Condition Data obtained this year will also be used to refresh and support our Asset Management Strategy, as well as informing our approach in working towards the 2030 EPC C, and 2050 net zero target. Finally, we will be working with our current Customer Panel to develop and expand its role to include scrutiny of our performance.

Care and Support

We will develop a revised Care and Support strategy during the year, complementing the Housing Customer strategy and setting out our future plans - covering:

- Our operational model placing the customers at the centre of everything we do
- Workforce Recruitment and Retention – ensuring a values-based workforce focused on delivering quality outcomes for our customers and how we can retain and recruit in sufficient numbers moving forward.
- Training and Development – ensuring our colleagues and Teams are well trained, embracing our Ability Positive values and behaviours alongside providing personal development opportunities and setting out a career pathway.
- Customer Engagement - ensure customers are fully involved in the development of their service.
- Growth & Development – How we will increase the reach and scale of our services across London and the South of England.

The single largest challenge facing Ability and the care sector over the coming year is the ability to recruit and retain sufficient numbers of staff with the right skills and motivations to maintain and deliver safe, quality services to the people we serve, this is closely followed by funding; both of which are inextricably linked.

The governments social care plan, utilising the NHS and Social Care National Insurance Levy to improve funding in social care, does not move quickly enough. The plan to prioritise funding towards the NHS for the first three years supporting post pandemic recovery within our health services is of course much needed, but social care cannot wait three years for significant investment if we are to maintain safe and quality services for the people we serve. The Health Foundation (2021) estimate that for the existing system just to meet future demand from an ageing population, will cost an additional £6.1 billion by 2030/31.

Our organisational Care and Support expenditure is in excess of 70% on staffing, we are dependent on sufficient numbers of high-quality, well-trained people to deliver the safe, personalised services our residents and customers deserve and are entitled to. With a worsening national staffing crisis in social care this will become even more challenging to deliver without significant investment. In the Care Quality Commission annual report - The State of Health Care and Social Care (CQC, 2020/21) states:

"Workforce planning is a major priority and challenge for local systems and providers. Recruitment and staff retention continue to be severe problems. In adult social care, the situation is serious and deteriorating. There must be a sharp focus on developing a clearly defined career pathway and training, supported by consistent investment that will enable employers to attract and retain the right people".

We will continue to work with local authorities, engage with the Department of Health and Social Care "Made with Care" recruitment campaign alongside seeking to work with local partnerships and explore internally new recruitment channels to maximise our recruitment opportunity; but, without the investment to increase wages and terms and conditions equivalent to those in the retail and hospitality sector(s), recruiting in sufficient numbers to social care will remain an ongoing risk and challenge for the organisation and sector as a whole.

Pension costs

The Association participates in four pension schemes, the Social Housing Pension Scheme (SHPS), the Surrey County scheme (LGPS), the Social Housing growth plan and the Social Housing direct contribution plan which was used as the auto enrolment vehicle from May 2014. The former two are final salary schemes (now closed to new members), the others money purchase. The Association has

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Operating and Financial Review and Strategic Report (continued)

contributed to the schemes in accordance with levels, set by the actuaries, of between 3% and 35.1%. We will continue to contribute to the schemes in line with the advice of independent actuaries and the legislative increases required for all auto enrolment pensions.

Capital structure and treasury policy

By the year end borrowings amounted to £6.95m of which £0.4m falls due to be paid within the next year as shown below.

	2021	2020
	£'000	£'000
Within one year or on demand	396	369
One year or more but less than two years	418	369
Two years or more but less than five years	1,399	1,107
Five years or more	4,733	5,490
	6,946	7,335

The Association borrows, principally from banks, at both fixed and floating rates of interest. At the year-end, 48% of the Association's borrowings were at fixed rates (2020: 48%).

The rates of interest range from 0.537% to 10.68% and in the current market, where long term fixed rates have fallen significantly, this means that the Association is paying interest on part of its borrowing at rates fixed historically which are substantially in excess of current market levels. The amounts on one borrowing stream are small, but on another represent a significant additional cost. However, at present the breakage costs on this borrowing stream significantly exceed the likely benefits. The situation is reviewed regularly with lenders and with the Board. The Association borrows and lends only in Sterling and so is not exposed to currency risk.

Cash flows

Cash inflows and outflows during the year are shown in the statement of cash flow (page 30). The cash inflow from operating activities decreased this year to £747k (2020: £1,944k), largely driven by significant cash out-flows in long-term creditors including a significant RCGF payment and capital repayments on long term finance. Overall cash balances decreased to £4,955k (2020 £5,179k) reflecting strong positive cash flows, but offset by the settlement of the significant RCGF balance outstanding to the GLA.

Future developments

Development plans remain on hold pending resolution of uncertainty over future care and support revenue streams, greater stability and less uncertainty in the property market, and funding availability. At the year end the Association had no undrawn facilities, but is in the process of putting a reduced revolving credit facility in place of £2.0m (2020: £6.5 million).

Statement of compliance

In preparing this Operating and Financial Review, the Board has followed the principles set out in the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers.

The Board also confirms compliance with The Regulator of Social Housing's Governance and Financial Viability standard.

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For the year ended 30 September 2021

Operating and Financial Review and Strategic Report (continued)

Value for Money

The Association has a Value for Money strategy which seeks to ensure that we make best use of the various forms of capital that we have at our disposal (people, property and reputation and financial resources).

The specialist nature of the services delivered by Ability mean that benchmarking our VFM metrics against the majority of social housing providers fails to reflect a true comparison of performance. In order to provide a peer group analysis we have used the VFM metrics calculated in accordance with the Regulator of Social Housing 'Value for Money Metrics Technical Guidance Note June 2020' extracted from the published accounts of four social housing providers operating in the same 'market' and of a similar nature to Ability. Even within the group of organisations operating in a sufficiently similar way and in the same 'market space' as Ability, direct comparatives are not always possible to achieve given the wide range of business models employed.

Ability Housing Association 2020-21 Peer Group VFM comparison

Metric	Ability	Advance	Brunel Care	Framework	Reside
	Units £ 2020-21	Units £ 2020-21	Units £ 2020-21	Units £ 2020-21	Units £ 2020-21
1 Reinvestment	0.81%	3.30%	0.97%	8.32%	8.10%
2a New Supply Delivered Social Housing Stock	0.0%	1.5%	5.4%	2.1%	0.0%
2b New Supply Delivered Non-Social Housing Stock	0.0%	0.0%	0.0%	0.0%	0.0%
3 Gearing	6.48%	-0.90%	13.70%	0.21%	2.80%
Earnings before Interest, Tax, Depreciation, 4 Amortisation, Major Repairs Included (EBITDA-MRI) Interest Cover	220.06%	679.00%	594.40%	1227.65%	1073.00%
5 Headline Social Housing cost per Unit	6,196	13,319	5,617	24,500	10,628
6a Operating Margin on Social Housing Lettings	5.89%	13.50%	12.70%	5.14%	8.20%
6b Operating Margin overall	4.93%	6.90%	6.90%	8.98%	8.30%
7 Return on Capital Employed	0.78%	3.00%	4.30%	3.37%	7.20%

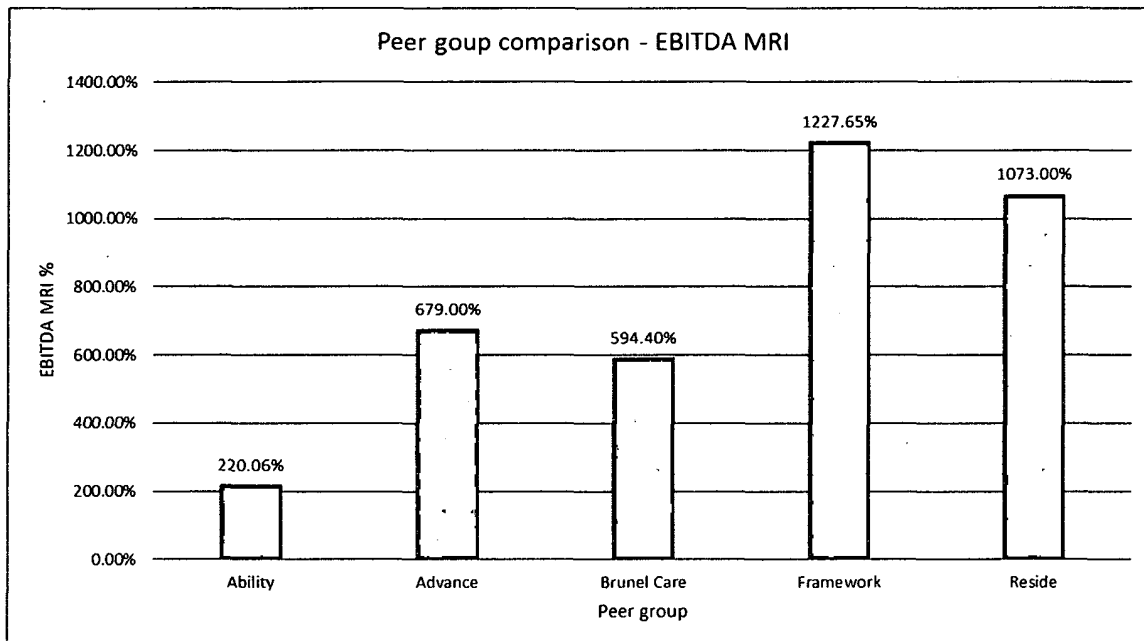
Metrics per the RSH 'Value for Money Metrics Technical Guidance Note June 2020'. Peer group metrics extracted from published 2020-21 financial statements

- Taking a representative sample of similar housing and care providers, the analysis of the metric Earnings before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA-MRI) Interest Cover shows that for this group, where the mean value is 759% due to exceptionally strong performance by Framework and Reside, Ability at 220.06% is still achieving a significantly better performance than the tightest covenant on its portfolio of borrowings, and is ahead of the median point for the sector taken from the 2020-21 Global Accounts of 171%.
- This slight reduction in EBITDA-MRI reflects the re-commencement of investment in major repairs and component replacement as society started to open up again following the impact of the Covid 19 crisis in the second half of the financial year, and works deferred due to the pandemic could be delivered. In the first half of the financial year, the Ability maintenance team continued to focus on providing critical repairs and any health and safety related maintenance in order to minimise the need to enter customers' homes.

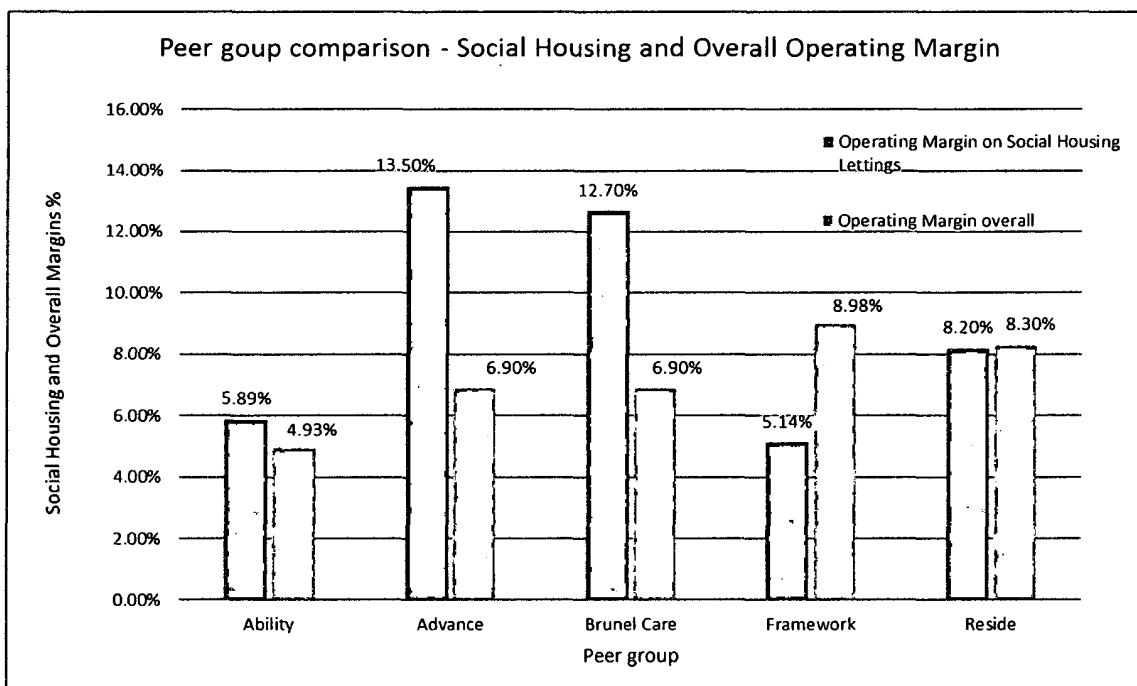
ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2021

Operating and Financial Review and Strategic Report (continued)



- Operating margin at 5.9% is below the peer group average of 9.1% for Social Housing activity, and reflects the increased expenditure in responsive and planned maintenance noted above in response to the Covid 19 crisis. Operating margin on social housing lettings at 5.9% is reduced from last year by 2.8% (2019-20 8.7%) and reflects the return in the second half of 2020-21 to more 'normal' levels of access to residents properties in order to complete current responsive repairs, and such cyclical works as had been delayed through the restrictions of Covid.

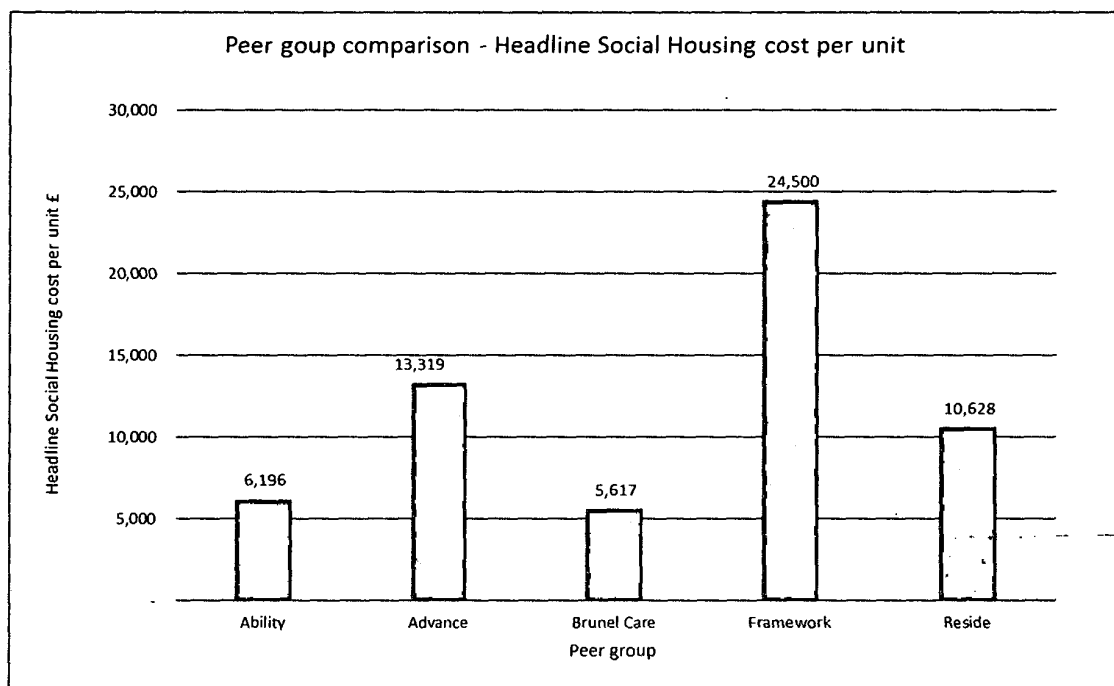


ABILITY HOUSING ASSOCIATION Report and Financial Statements

For the year ended 30 September 2021

Operating and Financial Review and Strategic Report (continued)

- These two factors have also reflected in the increased 'Headline Social Housing' cost per unit at £6,196, an increase over 2019-20 of £555 per unit. However, this level of expenditure remains significantly below the peer group average of £12,052, and a performance that Ability will seek to improve on through more efficient procurement and management of void repairs management and, with the Landlord Health and Safety works now running in the 'normal' cycle, a reduced compliance and consequent repairs spend. In order to progress this efficiency saving, and to strengthen the quality of the service provided to residents, a re-procurement exercise has recently been carried out for two out of the three operating regions of Ability, with the appointment of new contractors.
- The Ability approach to provide intensive tenancy sustainment support through the Housing Support Officers, with significant investment and focus on supporting our customers to manage and retain their tenancy, represents a better outcome for the customer, and a value for money saving for Ability when compared to the cost of tenancy change. This investment supports the target of reducing arrears and bad debt by 0.5% per annum, and enabling our customers to benefit from a stable home environment in the longer term.



Value for money metrics – Ability five year trend

- The application of the rent cutting regime implemented through the Welfare Reform and Work Act 2016 has kept housing revenue (rent plus service charges) flat or slightly reducing over the last four years, but marginally above inflation increases in Care and Support revenues have meant that overall revenue levels had remained largely static. However, with the re-application of the 'up to CPI + 1%' rent settlement from 2020, rental revenues have started to climb again, with increases applied to all April increase units during this financial year.

ABILITY HOUSING ASSOCIATION Report and Financial Statements

For the year ended 30 September 2021

Operating and Financial Review and Strategic Report (continued)

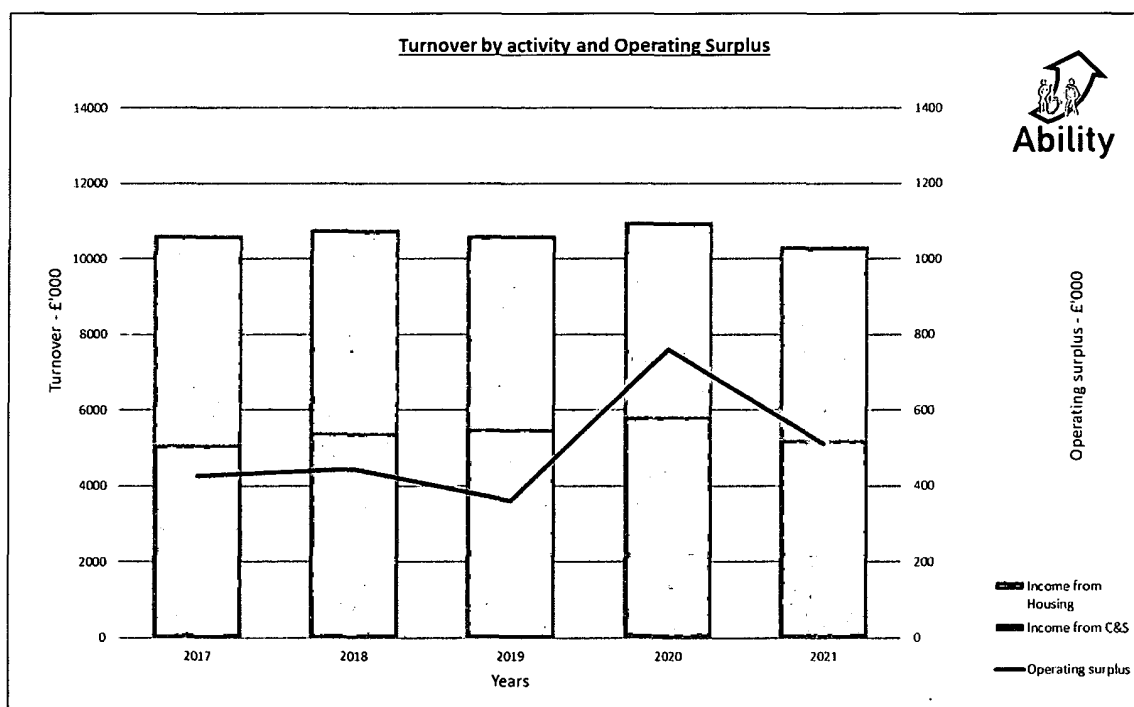
Ability Housing Association 2020-21 VFM table

Metric	Units 2020-21	£ 2019-20	Units 2018-19	£ 2017-18	Units 2016-17	£ 2016-17
1 Reinvestment		0.81%	0.24%	0.05%	0.24%	0.01%
2a New Supply Delivered Social Housing Stock	1	-	-	-	-	-
2b New Supply Delivered Non-Social Housing Stock	-	-	-	-	-	-
3 Gearing		6.48%	6.68%	9.12%	10.45%	11.29%
Earnings before Interest, Tax, Depreciation, 4 Amortisation, Major Repairs Included (EBITDA- MRI) Interest Cover		220.06%	308.17%	258.09%	256.04%	174.70%
5 Headline Social Housing cost per Unit		6,196	5,641	5,795	7,201	5,862
6a Operating Margin on Social Housing Lettings		5.89%	8.73%	1.78%	6.78%	13.63%
6b Operating Margin overall		4.93%	6.93%	3.40%	4.13%	4.02%
7 Return on Capital Employed		0.78%	1.31%	0.78%	0.68%	0.72%

Metrics calculated per the RSH 'Value for Money Metrics Technical Guidance Note June 2020'

Five-year trading summary

- Revenues in both Housing and Care and Support saw a slight reduction last year, with the transfer away of a care and support contract in West London along with the rental revenues from the units occupied by the beneficiaries of that contract, the cessation of two small Care and Support contracts in Surrey, and the return of leased social housing units following the expiry of the lease.



ABILITY HOUSING ASSOCIATION Report and Financial Statements

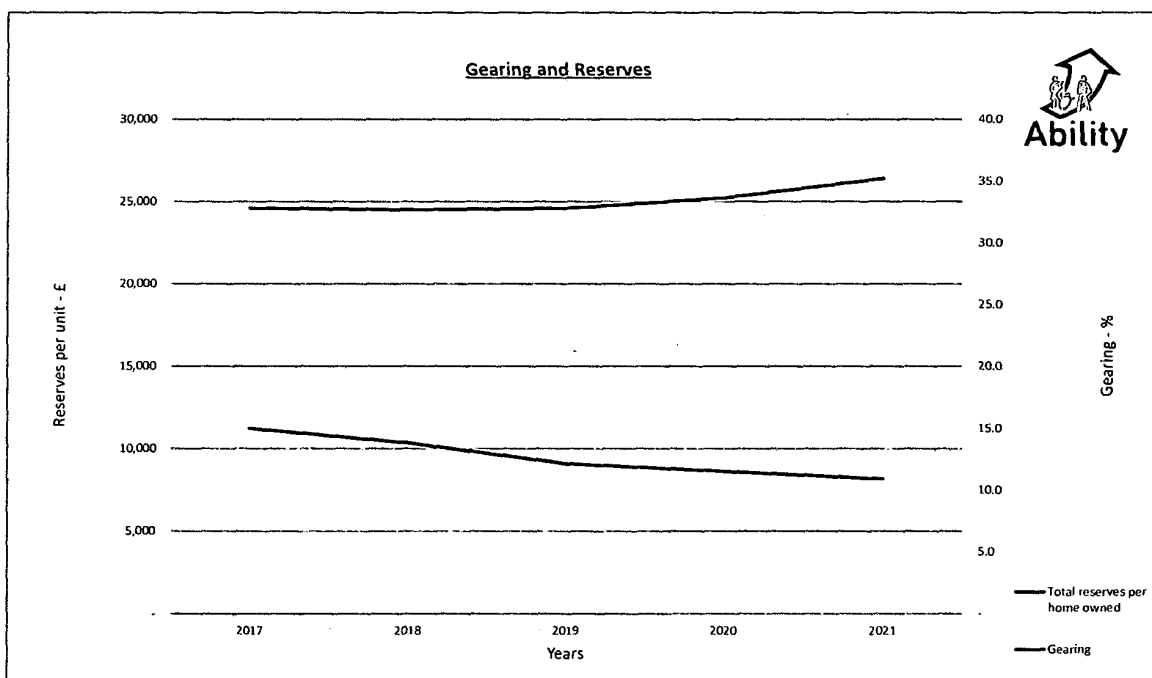
For the year ended 30 September 2021

Operating and Financial Review and Strategic Report (continued)

- The return in the second half of 2020-21 to more 'normal' delivery levels of responsive and planned works in our property stock has impacted on the operating margins compared to last year, with operating margins returning to their previous slower improvement trajectory.
- The additional costs incurred due to Covid continued to benefit from the government measures such as Infection Control Fund and the Furlough scheme, but whilst these payments offset some of the additional expenditure incurred, they did not cover 100% of the additional costs.
- The maintenance programme both in cyclical and responsive repairs continued to experience reduced activity during October to April this year as the impact of Omicron variant of Covid-19 forced the imposition of another lockdown. However, as we approached the end of the financial year, activity levels quickly climbed back to approaching normal as our tenants became more comfortable with the precautions taken by our maintenance staff, and with the idea of letting someone into their homes again.

Five-year financial stability summary

- Growth in reserves per unit reflect the reduced revenue growth and simultaneous non-capital investment in the stock condition. However, close management of indirect costs and the restructuring of both care & support and housing delivery have enabled the trajectory of reserves per unit to remain positive, albeit at a reduced rate.
- Gearing continues to fall as a function of repayment of the loans over time, the winding down of property leasing commitments and the continued strong cash generating performance of the business. The graph reflects our banking covenant gearing calculation.



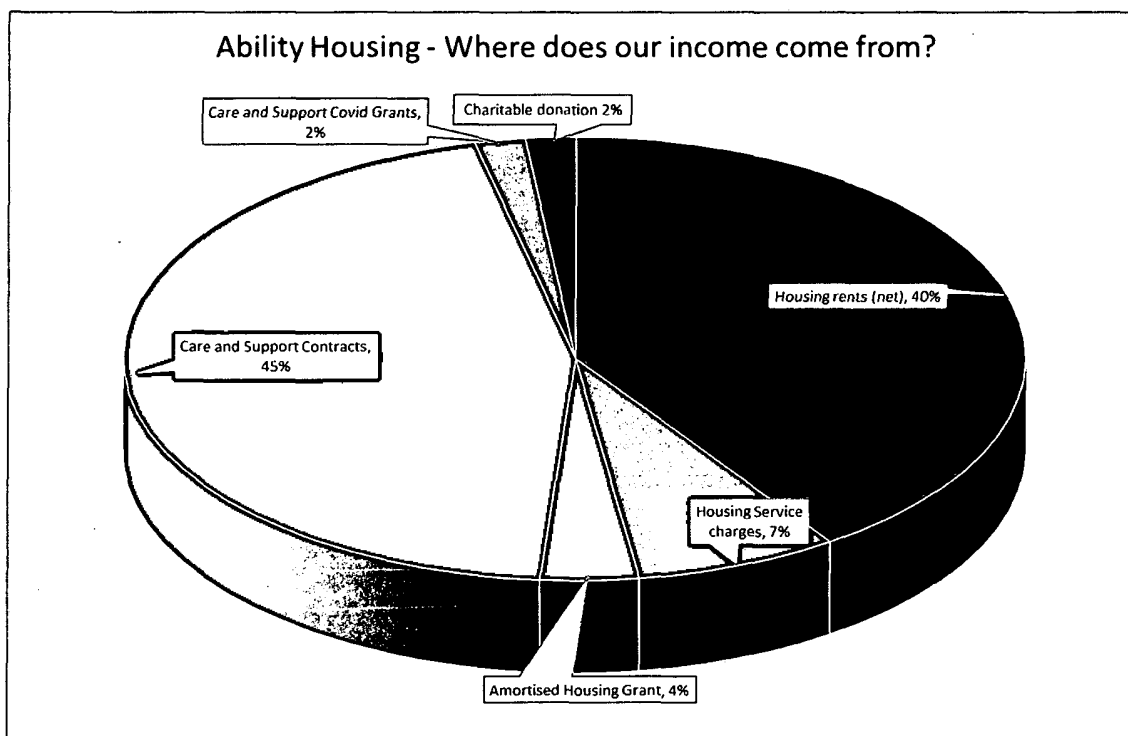
ABILITY HOUSING ASSOCIATION Report and Financial Statements

For the year ended 30 September 2021

Operating and Financial Review and Strategic Report (continued)

Ability performance in 2020-21

- Ability Housing Association comprises two distinct operating streams, generating £5,144 k of revenue from social housing and associated activities (2020 £5,155) and £5,195k from Care and Support activities (2020 £5,834k). In 2020-21 Ability also benefitted from the charitable donation of a social housing flat in Surrey, valued at £201k.

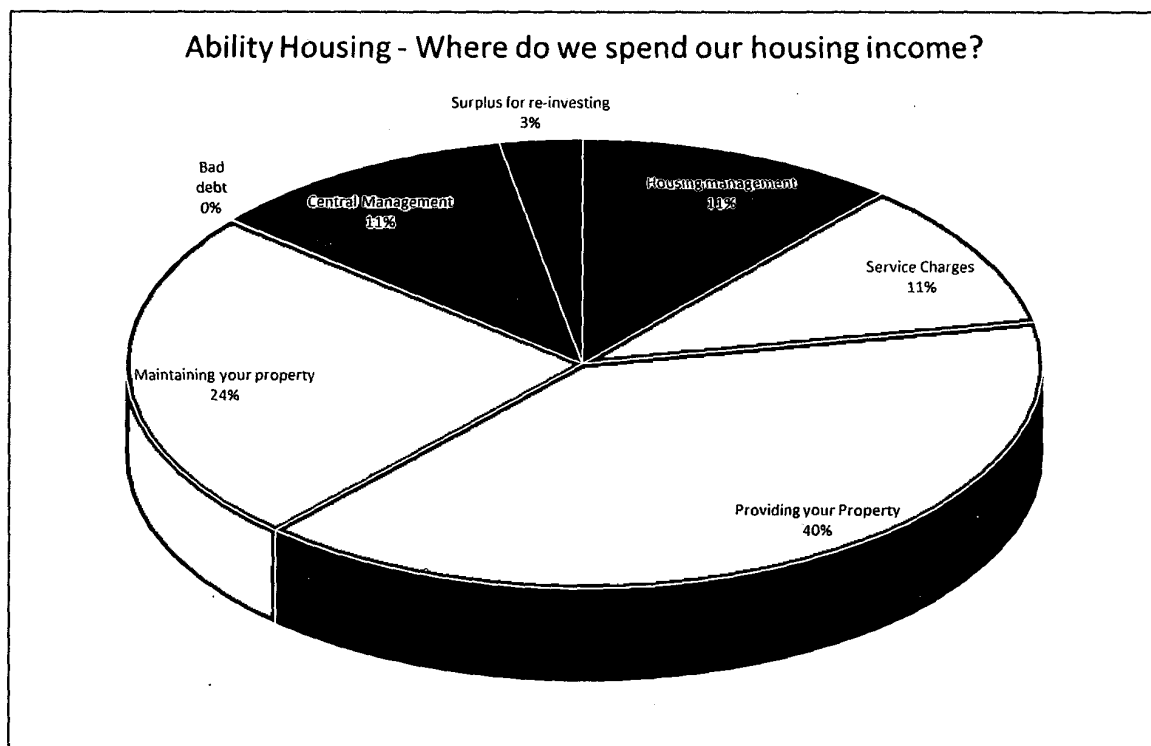


- The majority of the social housing and associated activities revenue is deployed in the cost of providing our housing stock, with 40% deployed between depreciation of the homes that we provide, and the interest payments on the loans used to deliver those homes.
- Keeping our stock in a safe and secure condition for our residents takes another 24% of our revenue, with the cost of providing services to our residents accounting for another 11%
- The full analysis of the cost of the social housing operating stream is illustrated below.

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2021

Operating and Financial Review and Strategic Report (continued)

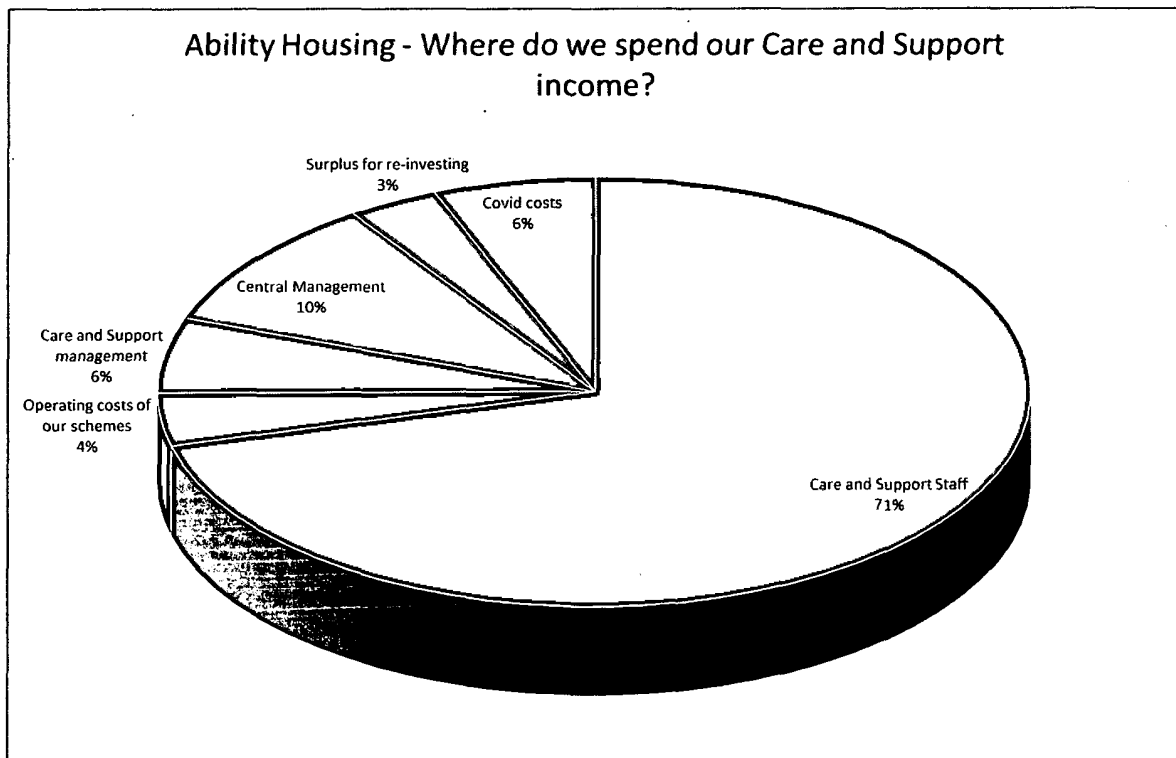


- Where the costs associated with social housing activities are predominantly related to the provision and maintenance of the housing stock, Care and Support is a primarily service based cost structure, being the delivery of Care and Support to people in their home environment.
- As such, the main cost of the Care and Support revenue stream is the people that deliver that service, and their costs make up 71% of the total deployed through that revenue stream, as illustrated below
- The costs of supporting our customers through the Covid pandemic also features this year, accounting for 6% of all the expenditure in Care and Support

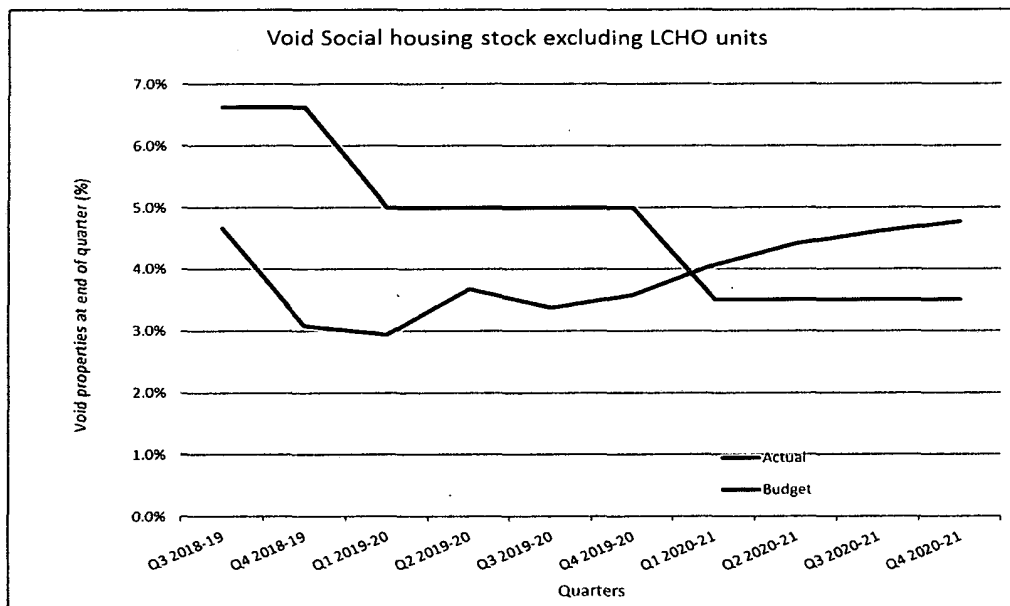
ABILITY HOUSING ASSOCIATION
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For the year ended 30 September 2021

Operating and Financial Review and Strategic Report (continued)



- Voids are a critical area of property management, and as the graph below shows, Ability has performed consistently better than budget over recent quarters. However, as part of the drive to improve performance and enhance margins in the Housing revenue stream, the budget for void costs and properties has been reduced for the third year running to 3.5% for 2020-21.
- This is a challenging target given the nominations issues being caused by Covid, as the response from local authority nomination panels is delayed due to the pandemic restrictions, and the complexities of the nominations process for housing and social care.

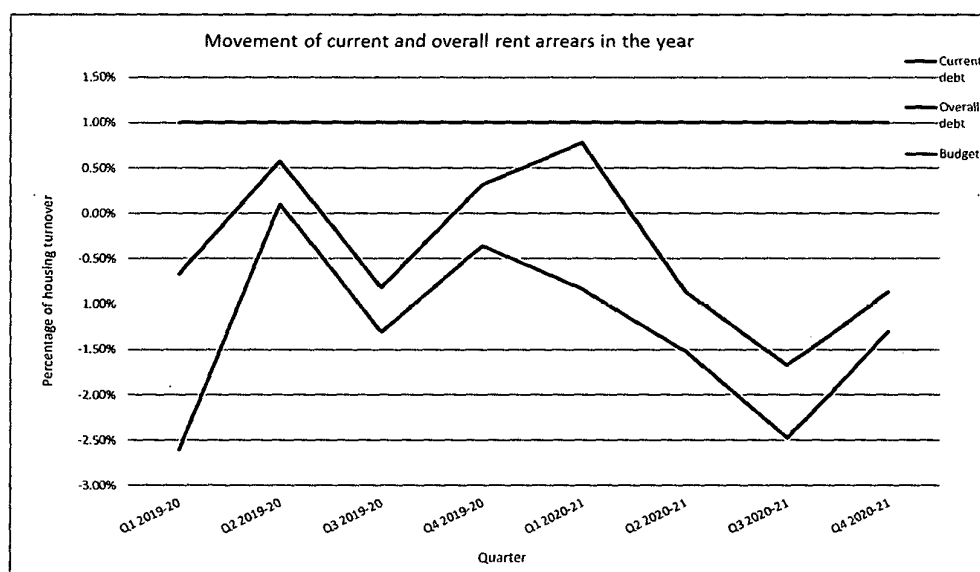


ABILITY HOUSING ASSOCIATION Report and Financial Statements

For the year ended 30 September 2021

Operating and Financial Review and Strategic Report (continued)

- The number of properties void is only part of the void cost equation, with the average duration and the cost of refurbishing the void property forming the cost elements of the measurement, with the complexity of the void works required often having a heavy influence on the period the property is void.
- From 2020-21 Ability is implementing a standardised 'Void Works Standard' which will be applied to all properties coming void in the estate, and which is designed to facilitate more rapid turnaround times and ensure a consistent high standard of properties being offered to new tenants.



- A key measure in the effective management of the housing stock is the collection of rent and service charge due, which at Ability is measured as a percentage of housing turnover including service charges.
- During 2019-20 the movement on the overall amount of rent owed to Ability as a % of our housing turnover increased by 0.31% against a budget of 1%. However, during 2020-21 the amount owed as a percentage of housing turnover fell by just under 1%, in spite of another year in which the ongoing Covid pandemic challenged all aspects of customer interaction.

Statement of the responsibilities of the Board for the report and financial statements

The Board is responsible for preparing the Report of the Board, Operating and Financial Review, Strategic Report and financial statements in accordance with applicable law and regulations.

Company law requires the Board to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The financial reporting standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Association for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers 2018, have been followed, subject to any material departures disclosed and explained in the financial statements; and

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2021

Operating and Financial Review and Strategic Report (continued)

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing (April 2019). It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

The Board members confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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.

Annual general meeting

The annual general meeting will be held on 23rd March 2022 by video conference.

External auditors

A proposal will be made at the AGM to re-appoint Beever and Struthers as auditors for the financial year 2021-22.

The Operating and Financial Review and Strategic Report were approved by the Board on 2nd March 2022 and signed on its behalf by:



Sally Reay
Chair

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2021

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF ABILITY HOUSING ASSOCIATION
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

Opinion

We have audited the financial statements of Ability Housing Association (the 'Association') for the year ended 30 September 2021 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity (Reserves), the Statement of Financial Position, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 30 September 2021 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2021

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF ABILITY HOUSING ASSOCIATION
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

Other information (continued)

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Board and the Operating and Financial review and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Board and the Operating and Financial review and Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Board and the Operating and Financial review and Strategic Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Association, or returns adequate for our audit have not been received from branches not visited by us; or
- the Association's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

In addition, we have nothing to report in respect of the following matter where the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained.

Responsibilities of the Board

As explained more fully in the Statement of the Responsibilities of the Board set out on page 22, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2021

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF ABILITY HOUSING ASSOCIATION
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

Auditor's responsibilities for the audit of the financial statements (continued)

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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of laws, regulations and guidance that affect the Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws, regulations and guidance that we identified included the Companies Act 2006, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019, tax legislation, health and safety legislation, and employment legislation.
- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the regulated nature of the Association's activities.
- We reviewed financial statements disclosures and supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

Use of our report

This report is made solely to the Association's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2021

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF ABILITY HOUSING ASSOCIATION
FOR THE YEAR ENDED 30 SEPTEMBER 2021

Use of our report (continued)

purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers

Lee Cartwright
Senior Statutory Auditor
For and on behalf of
Beever and Struthers
Statutory Auditor
The Colmore Building
20 Colmore Circus Queensway
Birmingham
B4 6AT

Date: 18 March 2022

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2021

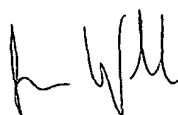
Statement of Comprehensive Income	Note	2021 £'000	2020 £'000
Turnover	2	10,339	10,989
Operating costs	2	(9,829)	(10,228)
Gain/(Loss) on disposal of property, plant & equipment	6	(69)	(10)
Operating surplus	5	441	751
Interest receivable	7	5	14
Interest payable and similar charges	8	(314)	(355)
Charitable donation received	11	201	-
Surplus on ordinary activities before taxation		333	410
Tax on surplus for the year		-	-
Surplus/(deficit) for the year after tax		333	410
Other Comprehensive Income			
Actuarial gains/(losses) in respect of pension scheme		26	26
Total comprehensive income for the year		359	436

The notes on pages 31 to 58 form part of these financial statements.

The financial statements on pages 27 to 58 were authorised and approved for issue by the Directors on 2nd March 2022 and were signed on its behalf by:



Sally Reay
Chair



Dominic Wallace
Board Member



Peter Gardiner
Secretary

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2021

STATEMENT OF CHANGES IN EQUITY (RESERVES)

Income and Expenditure Reserve

	£'000
Balance at 30 th September 2019	16,845
Surplus/(Deficit) for the year	410
Actuarial gains/(losses) in respect of pension scheme	26
Balance at 30 th September 2020	<u>17,281</u>
Surplus/(Deficit) for the year	333
Actuarial gains/(losses) in respect of pension scheme	26
Balance at 30 th September 2021	<u>17,640</u>

The notes on pages 31 to 58 form part of these financial statements.

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2021

Statement of Financial Position at 30 September 2021

	Note	2021 £'000	2020 £'000
Tangible fixed assets			
Housing properties	11	53,290	53,847
Other tangible fixed assets	12	509	543
		<u>53,799</u>	<u>54,390</u>
Current assets			
Trade and other debtors	13	629	857
Cash and cash equivalents		4,955	5,179
		<u>5,584</u>	<u>6,036</u>
Creditors: amounts falling due within one year	14	(2,677)	(3,172)
		<u>2,907</u>	<u>2,864</u>
Net current assets			
		<u>56,706</u>	<u>57,254</u>
Total assets less current liabilities			
		<u>17,640</u>	<u>17,281</u>
Creditors: amounts falling due after more than one year	15	(38,890)	(39,695)
Pension provision	19	(176)	(278)
		<u>17,640</u>	<u>17,281</u>
Total Net Assets			
		<u>17,640</u>	<u>17,281</u>
Capital and reserves			
Income and Expenditure reserve		17,640	17,281
		<u>17,640</u>	<u>17,281</u>
Total Reserves			
		<u>17,640</u>	<u>17,281</u>


Company registration number: 01261380

The notes on pages 31 to 58 form part of these financial statements.

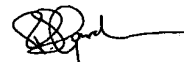
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Sally Reay
Chair



Dominic Wallace
Board Member



Peter Gardiner
Secretary

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2021

Statement of Cash Flows	Note	2021 £'000	2020 £'000
Net cash generated from operating activities	i	747	1,944
Cash flow from investing activities			
Interest received		5	14
Purchase of tangible fixed assets		(273)	(279)
		<u>(268)</u>	<u>(265)</u>
Cash flow from financing activities			
Repayment of borrowings		(389)	(327)
Interest paid		(314)	(355)
		<u>(703)</u>	<u>(682)</u>
Net change in cash and cash equivalents		(224)	997
Cash and cash equivalents at the beginning of the year		5,179	4,182
Cash and cash equivalents at end of the year		<u>4,955</u>	<u>5,179</u>

Note i	2021 £'000	2020 £'000
Cash flow from operating activities		
Operating surplus/(deficit) for the year	441	751
Adjustments for non-cash items		
Depreciation and impairment of tangible fixed assets	995	977
Grant amortisation	(389)	(389)
Decrease/(Increase) in trade and other debtors	228	11
Increase/(Decrease) in trade and other creditors	(522)	659
Defined benefit pension payments	27	22
Pension movements	(102)	(97)
Adjustments for investing or financing activities		
(Gain)/loss on disposal of Tangible Fixed Asset	69	10
Net cash generated from operating activities	<u>747</u>	<u>1,944</u>

The notes on pages 31 to 58 form part of these financial statements.

ABILITY HOUSING ASSOCIATION
Report and Financial Statements

For the year ended 30 September 2021

NOTES TO THE FINANCIAL STATEMENTS

Legal Status

The Association is registered under the Companies Act 2006 as a company limited by guarantee. It is registered with both the Charity Commission and the Regulator of Social Housing as a Registered Provider. The principal activity of the Association is disclosed in the Report of the Board. The registered address is The Coach House, Gresham Road, Staines, Middlesex TW18 2AE.

1. Accounting policies

Basis of accounting

The financial statements of the 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 Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. The financial statements are prepared on the historical cost basis of accounting. As a public benefit entity, the Association has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102.

The financial statements are presented in Sterling (£), the functional and presentational currency of the Association. The figures are presented in £'000 (thousands).

Going concern

The Association's business activities, its current financial position and factors likely to affect its future development including the impact of Covid 19, are set out within the Operating and Financial Review and Strategic Report. The Association is able to meet its commitments in respect of long-term debt facilities used to finance reinvestment and development programmes, along with the Association's day to day operations. The Association also has a business plan, which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants. On this basis, the Board has a reasonable expectation that the Association 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.

Turnover

Turnover comprises rental and service charge income receivable in the year, and other services included at the invoiced value of goods and services supplied in the year and grants receivable in the year. Service charge income is calculated on a variable charge basis.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Charges for support services funded under Care and Support are recognised as they fall due under the contractual arrangements with Administering Authorities.

Value added tax

The Association is not registered for VAT, and therefore all amounts are inclusive of VAT.

Corporation tax

The Association is recognised by HMRC as a charity. During the current year the Association is claiming exemptions from corporation tax on its income and gains. All of the Association's income and gains will be applied to its charitable purposes.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

Interest payable

Interest payable is charged to the statement of comprehensive income in the year. No interest is capitalised.

Financial instruments

Financial assets and financial liabilities are measured at transaction price initially, plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.

Commitments to receive or make a loan to another entity which meet the conditions in paragraph 11.8(c) of FRS 102 are measured at cost less impairment.

Financial instruments held by the Association are classified as follows:

Cash is held at cost; and

Financial assets such as receivables are classified as loans and receivables and held at amortised cost using the effective interest method; and

Financial liabilities such as loans are held at amortised cost using the effective interest method.

Debtors

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

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured at amortised cost, net of transaction costs.

Employee Benefits

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

Retirement benefits

The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services.

Consistent with the guidance in FRED 71 paragraph 4 (FRS 102 paragraph 28.11B), the difference between the deficit funding liability and the net defined benefit deficit for the Social Housing Pension Scheme was recognised in Other Comprehensive Income for the year ending 30 September 2019.

The detailed pensions policy can be seen at the beginning of note 19.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

Housing properties

Housing properties are principally properties held for the provision of social housing or otherwise to provide social benefit and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, and expenditure incurred in respect of improvements. Donated land/assets or assets acquired at below market value are initially recognised at fair value in the Statement of Financial Position, and depreciated by component on a straight-line basis over the estimated UELs of the component categories.

Works to existing properties are works which replace a component that has been 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 are capitalised as improvements.

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 current asset and related sales proceeds included in turnover; and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for impairment.

Government Grants

Government grants include grants receivable from Homes England, 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 (excluding land) under the accruals model.

Grants relating to revenue are recognised in the statement of comprehensive income 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. Grants due from government organisations or received in advance are included as current assets or liabilities.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the Regulator of Social Housing in England and Wales. 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 has been allocated to the component is released to the statement of comprehensive income. Upon disposal of the associated property, the Association 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 which 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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

Depreciation of housing properties

Freehold land is not depreciated. Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

The Association separately identifies the major components which comprise its housing properties and charges depreciation so as to write down the cost of each component to its estimated residual value, on a straight-line basis, over its estimated useful economic life.

The Association depreciates the major components of its housing properties over the following timescales:

Structure	100 years
Roof	60 years
Kitchen	20 years
Bathroom	25 years
Boiler	15 years
Heating System	30 years
Windows & Doors	20 years
Electrics	30 years

Other tangible fixed assets

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

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land.

The principal annual rates used for other assets are:

Freehold offices	1%-2%
Long leasehold property	Over life of lease
Furniture, fixtures and fittings	25%
Computer equipment	33.3%
Vehicles	25%
Office equipment	25%-33.3%
Company CRM/Financial system	10%

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus/deficit for the year.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Association. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring the surplus or deficit. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Association recognises annual rent expense equal to amounts owed to the lessor. The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

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.

Provisions for liabilities

Provisions are recognised when the Association has a present obligation (legal or constructive) as a result of a past event, it is probable that the Association will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as finance cost in profit or loss in the period it arises.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the reporting date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

Significant judgements and estimates:

Preparation of the financial statements requires management to make significant judgements and estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements. The items in the financial statements where these judgements and estimates have been made include:

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NOTES TO THE FINANCIAL STATEMENTS (continued)

Social care contracts

Management judgement is applied in determining the extent to which the risks and benefits are transferred to the Association when considering the income to be recognised. £5,195k (2020: £5,834k) of social care income was recognised in the year. See note 2 for further details.

- **Estimation uncertainty**

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

- **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 more frequent replacement of key components. Accumulated depreciation at 30 September 2021 was £ 12,279k (2020: £11,390k). See notes 11 and 12 for further details.

Impairment

The Association considers whether indicators of impairment exist in relation to tangible assets. Indicators considered include external sources of information such as market value, market interest rates and returns on investment, actual or proposed changes to the technological, economic or legal environment, obsolescence or damage to the asset, operational changes or internal reporting which indicates that the asset is performing worse than expected. The Association also considers expected future performance of the asset. Any impairment loss is charged to the Statement of Comprehensive Income.

Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value less costs to sell or its value in use. A cash generating unit is normally an Association of properties at scheme level whose cash income can be separately identified.

Following a trigger for impairment, the Association performs impairment tests based on a value in use calculation. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the business plan for the next 5 years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes. The Association has identified no additional cash generating units for impairment assessment purposes at a property scheme level during this financial year.

Defined benefit obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses. The liability at 30 September 2021 was £176k (2020: £278k). See note 19 for further details.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Particulars of turnover, cost of sales, operating costs and operating surplus

	Turnover	Operating costs	Operating surplus
	£'000	£'000	£'000
Social housing lettings	5,061	(4,763)	298
Other social housing activities			
Management services	47	(47)	-
Management services - lettings	36	-	36
	<u>5,144</u>	<u>(4,810)</u>	<u>334</u>
Non - social housing activities			
Charges for support services	4,788	(4,411)	377
Care home	205	(295)	(90)
HMRC CJRS grant	59	(59)	-
Covid 19 Local Authority Grants	143	(254)	(111)
	<u>5,195</u>	<u>(5,019)</u>	<u>176</u>
	<u>10,339</u>	<u>(9,829)</u>	<u>510</u>

	Turnover	Operating costs	Operating surplus
	£'000	£'000	£'000
Social housing lettings	5,083	(4,639)	444
Other social housing activities			
Management services	46	(46)	-
Management services - lettings	26	-	26
	<u>5,155</u>	<u>(4,685)</u>	<u>470</u>
Non - social housing activities			
Charges for support services	5,410	(5,094)	316
Care home	286	(321)	(35)
HMRC CJRS grant	91	(91)	-
Covid 19 Local Authority Grants	47	(37)	10
	<u>5,834</u>	<u>(5,543)</u>	<u>291</u>
	<u>10,989</u>	<u>(10,228)</u>	<u>761</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 3. Particulars of income and expenditure from social housing lettings

	2021		2020	
	General Needs Housing £'000	Supported Housing £'000	Total £'000	Total £'000
Rent receivable net of identifiable service charges	590	3,276	3,866	3,912
Service charge income	123	683	806	782
Amortised government grants	59	330	389	389
Turnover from social housing lettings	772	4,289	5,061	5,083
Management	(215)	(1,200)	(1,415)	(1,271)
Services	(88)	(486)	(574)	(628)
Routine maintenance	(100)	(558)	(658)	(573)
Planned maintenance and major repairs	(98)	(543)	(641)	(582)
Bad debt provision	(1)	(3)	(4)	(53)
Property lease charges	(85)	(470)	(555)	(616)
Depreciation of housing properties	(140)	(776)	(916)	(916)
Operating costs on social housing lettings	(727)	(4,036)	(4,763)	(4,639)
Operating (deficit)/surplus on social housing lettings	45	253	298	444
Voids	40	223	263	212

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NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Accommodation in management and development

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

	2021 No	2020 No
Social housing		
General housing	43	42
Supported housing	534	552
Low cost home ownership	2	2
Residential care homes	7	7
Total owned	586	603
Accommodation managed for others	71	71
Total managed	657	674
Non-social housing		
Respite Unit	8	8
Owned but managed by others		
General needs	11	11
Total owned and managed	676	693

5. Operating surplus

The operating surplus is arrived at after charging:

	2021 £'000	2020 £'000
Depreciation of freehold housing properties	665	670
Depreciation of leasehold housing properties	251	246
Depreciation of other tangible fixed assets	79	61
Operating lease rentals		
- office equipment	5	-
- land and buildings	555	616
Auditors' remuneration		
- for audit services	14	14
- for other services - covenant compliance	1	1
- for other services – tax compliance	-	1

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NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Loss on disposal of fixed assets

	2021 £'000 Housing Properties (components)	2021 £'000 Other Property Plant and Equipment	2021 £'000 Total	2020 £'000 Total
Proceeds of sale	-	-	-	-
Cost of sale	69	-	69	10
Surplus/ (Loss) on disposal	(69)	-	(69)	(10)

7. Interest receivable and similar income

	2021 £'000	2020 £'000
Interest receivable and similar income	5	14

8. Interest payable and similar charges

	2021 £'000	2020 £'000
Loans and bank overdrafts	309	350
Defined Benefit pension operating cost	5	5
	314	355

9. Employees

Average monthly number of employees (FTE):

	2021 No	2020 No
Administration	12	12
Housing, support and care	130	156
	142	168
Average monthly number of employees :	179	189

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NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Employees (continued)

The full-time equivalent number of staff who received remuneration (including directors):

	2021	2020
	No.	No.
£60,000-£69,999	-	-
£70,000-£79,999	2	1
£80,000-£89,999	-	-
£90,000-£99,999	1	1

Employee costs:	2021	2020
	£'000	£'000
Wages and salaries	4,442	4,380
Social security costs	395	386
Other pension costs	156	147
	<u>4,993</u>	<u>4,913</u>

10. Directors, members and executive directors

	2021	2020
	£'000	£'000
Aggregate emoluments of directors (including pension contributions)	254	248
Emoluments of the highest paid director (excluding pension contributions and including benefits in kind)	93	92
Total expenses reimbursed to directors not chargeable to UK income tax – Board members	-	-
– Executives	2	1

The Chief Executive is a member of the Social Housing Pension Defined Contribution Scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply. Pension contributions totalled £5k (2020: £5k) in respect of the Chief Executive. The Directors and executive directors are considered to be key management personnel.

Board members

None of the Board members received emoluments (2020: £Nil).

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For the year ended 30 September 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Tangible fixed assets - properties

Housing properties	Freehold Social housing properties held for letting	Leasehold housing properties held for letting	Total housing properties held for letting	Completed shared ownership properties	Total housing properties
Cost	£'000	£'000	£'000	£'000	£'000
At 1 October 2020	47,865	15,513	63,378	188	63,566
Property-acquired	-	201	201	-	201
Works to existing properties	158	70	228	-	228
Disposals	(108)	(68)	(176)	-	(176)
At 30 September 2021	<u>47,915</u>	<u>15,716</u>	<u>63,631</u>	<u>188</u>	<u>63,819</u>
Depreciation and impairment					
At 1 October 2020	7,083	2,636	9,719	-	9,719
Charged in year	665	251	916	-	916
Released on disposal	(79)	(27)	(106)	-	(106)
At 30 September 2021	<u>7,669</u>	<u>2,860</u>	<u>10,529</u>	<u>-</u>	<u>10,529</u>
Net book value					
At 30 September 2021	<u>40,246</u>	<u>12,856</u>	<u>53,102</u>	<u>188</u>	<u>53,290</u>
At 30 September 2020	<u>40,782</u>	<u>12,877</u>	<u>53,659</u>	<u>188</u>	<u>53,847</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Tangible fixed assets – properties (continued)

Expenditure on works to existing properties

	2021	2020
	£'000	£'000
Components capitalised	228	131
Amounts charged to statement of comprehensive income	1,299	1,155
	<u>1,527</u>	<u>1,286</u>

Social housing assistance

	2021	2020
	£'000	£'000
Total accumulated social housing grant received or receivable at 30 September:		
Recognised in the statement of comprehensive income	389	389
Held as deferred income	32,729	33,118
	<u>32,729</u>	<u>33,118</u>

Housing properties book value, net of depreciation

	2021	2020
	£'000	£'000
Freehold land and buildings	40,434	40,970
Long leasehold land and buildings	12,856	12,877
	<u>53,290</u>	<u>53,847</u>

Annually housing properties (cash generating units) 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. An impairment charge was taken in 2018/19 in respect of a property at the Sundial scheme and Masons Close of £74k and £176k respectively. A review of housing properties at the end of 2020/21 concluded that the prior year impairment remained appropriate and no further impairment provisions were needed at this time.

Amounts do not include capitalised interest; all interest charges are written off to expenditure as incurred. At the year end a total of 187 (2020: 187) properties were subject to charges securing loan funding. Of these 119 properties with a Net Book Value of £12,953k (2020: 119 properties with a Net Book Value of £12,952k) secured the total Barclays facility, 58 properties with a Net Book Value of £2,097k (2020: 58 properties with a Net Book Value of £2,138k) secured the Dexia loan and 10 properties with a Net Book Value of £667k (2020: 10 properties with a Net Book Value of £681k) secured the Crown Mortgage loans (Orchardbrook/Fresh PLC).

During 2020-21 Ability benefitted from the charitable donation of a two-bedroom social housing unit in Shepperton, Surrey, valued independently at £200k. The only condition associated with this donation was that the tenancy agreement for the existing tenant be honoured, and this has been complied with.

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For the year ended 30 September 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Tangible fixed assets - other

	Freehold offices £'000	Vehicles & office equipment £'000	Furniture, fixtures and fittings £'000	Long-Life systems and Computer Equipment £'000	Service charge recoverable assets and WIP £'000	Total £'000
Cost						
At 1 October 2020	501	1,011	369	243	90	2,214
Additions	-	-	-	-	45	45
Disposals	-	-	-	-	-	-
At 30 September 2021	<u>501</u>	<u>1,011</u>	<u>369</u>	<u>243</u>	<u>135</u>	<u>2,259</u>
Depreciation						
At 1 October 2020	227	1,011	369	51	13	1,671
Charged in the year	10	-	-	52	17	79
Released on Disposal	-	-	-	-	-	-
At 30 September 2021	<u>237</u>	<u>1,011</u>	<u>369</u>	<u>103</u>	<u>30</u>	<u>1,750</u>
Net book value						
At 30 September 2021	<u>264</u>	<u>-</u>	<u>-</u>	<u>140</u>	<u>105</u>	<u>509</u>
At 30 September 2020	<u>274</u>	<u>-</u>	<u>-</u>	<u>192</u>	<u>77</u>	<u>543</u>

13. Debtors

	2021 £'000	2020 £'000
Due within one year		
Rent and service charges receivable	553	602
Less: provision for bad and doubtful debts	(342)	(342)
	<u>211</u>	<u>260</u>
Other debtors	293	506
Prepayments and accrued income	125	91
	<u>629</u>	<u>857</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Creditors: amounts falling due within one year

	2021	2020
	£'000	£'000
Debt (note 18)	396	369
Trade creditors	341	478
Rent and service charge accounts in credit	225	214
Rent and service charges received in advance	38	52
Taxation and social security	7	32
Recycled Capital Grant Fund (note 16)	35	357
Accruals and deferred income	1,139	1,174
Holiday pay accrual	107	107
Deferred grant income	389	389
	<u>2,677</u>	<u>3,172</u>

15. Creditors: amounts falling due after more than one year

	2021	2020
	£'000	£'000
Debt (note 18)	6,550	6,966
Deferred grant income (note 17)	32,340	32,729
	<u>38,890</u>	<u>39,695</u>

16. Recycled capital grant fund

	2021	2020
	£'000	£'000
At 1 October	357	357
Grants recycled	-	-
Grant utilised	-	-
Grants repaid - GLA	(322)	-
At 30 September	<u>35</u>	<u>357</u>

As the RCGF was generated three years ago and no suitable schemes have been identified to re-deploy the grant, repayment is now due. The GLA invoiced for £322k of grant in September 2020, with payment in October 2020.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Deferred Grant Income

	2021	2020
	£'000	£'000
At 1 October	33,118	33,507
Disposals	-	-
Grant Received	-	-
Released to income	(389)	(389)
At 30 September	<u>32,729</u>	<u>33,118</u>
Due in one year	389	389
Due after one year	<u>32,340</u>	<u>32,729</u>

The gross amount of grant received prior to amortisation was £39,188k (2020: 39,188k).

1.1.

18. Debt analysis

Borrowings		
	2021	2020
	£'000	£'000
Due within one year		
Housing loans	396	369
Due after more than one year		
Housing loans	6,550	6,966
Total loans	<u>6,946</u>	<u>7,335</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Debt analysis (continued)

Security

Housing loans are secured by fixed charges on individual properties.

Terms of repayment and interest rates

The loans are repaid in monthly, quarterly or half yearly instalments over the agreed period of the loan. The final instalments fall to be repaid in the period 2020 to 2037. Interest rates on borrowings range from 0.47% to 10.688%.

At 30 September the Association had undrawn loan facilities of £0m (2020: £6.5m). A new revolving credit facility of £2.0m has been agreed with the associations principal lender, with the legal formalities expected to be completed by early 2022.

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	2021	2020
	£'000	£'000
Within one year or on demand	396	369
One year or more but less than two years	418	369
Two years or more but less than five years	1,399	1,107
Five years or more	4,733	5,490
	<u>6,946</u>	<u>7,335</u>

19. Pension

Pension Provision

The SHPS Defined Benefit obligation is accounted for in accordance with the provisions of FRS102 as adopted by SHPS. The SHPS Growth Plan provision continues to be accounted for as a provision based on the net present value of payments agreed at the year end. The provision will be adjusted following the triennial valuations in the pension scheme, either increasing or decreasing the provision with the opposite entry being shown as operating costs within income and expenditure. The unwinding of the discount is shown as a finance cost.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Pension (continued)

The Association participates in two funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS) and the Local Government pension scheme under a TUPE transfer agreement and one multi employer defined contribution scheme.

Social Housing Pension Scheme

Ability Housing Association participates in the Social Housing Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

The Scheme is 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.

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.

The Scheme is classified as a '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.

For financial years ending on or before 28 February 2019, it has not been possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. A further valuation was carried out in 2021, but the results were not available for these accounts. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus at the accounting period start and end dates.

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For the year ended 30 September 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

The scheme values provided by The Pensions Trust as at 30th September 2021 are as follows:

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

	30 September 2021 (£000s)	30 September 2020 (£000s)
Fair value of plan assets	1,814	2,081
Present value of defined benefit obligation	1,936	2,290
Surplus (deficit) in plan	(122)	(209)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(122)	(209)

RECONCILIATION OF THE IMPACT OF THE ASSET CEILING

	Period from 30 September 2020 to 30 September 2021 (£000s)
Impact of asset ceiling at start of period	-
Effect of the asset ceiling included in net interest cost	-
Actuarial losses (gains) on asset ceiling	-
Impact of asset ceiling at end of period	-

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period from 30 September 2020 to 30 September 2021 (£000s)
Defined benefit obligation at start of period	2,290
Current service cost	-
Expenses	2
Interest expense	36

ABILITY HOUSING ASSOCIATION
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For the year ended 30 September 2021

NOTES TO THE FINANCIAL STATEMENTS
(continued)

Member contributions	-
Actuarial losses (gains) due to scheme experience	(394)
Actuarial losses (gains) due to changes in demographic assumptions	8
Actuarial losses (gains) due to changes in financial assumptions	129
Benefits paid and expenses	(135)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	1,936

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

	Period from 30 September 2020 to 30 September 2021 (£000s)
Fair value of plan assets at start of period	2,081
Interest income	33
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	(231)
Employer contributions	66
Member contributions	-
Benefits paid and expenses	(135)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	1,814

The actual return on plan assets (including any changes in share of assets) over the period from 30 September 2020 to 30 September 2021 was (£198,000).

ABILITY HOUSING ASSOCIATION
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For the year ended 30 September 2021

NOTES TO THE FINANCIAL STATEMENTS
(continued)

**DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF
 COMPREHENSIVE INCOME (SOCl)**

	Period from 30 September 2020 to 30 September 2021 (£000s)
Current service cost	-
Expenses	2
Net interest expense	3
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in Statement of Comprehensive Income (SoCI)	5

**DEFINED BENEFIT COSTS RECOGNISED IN OTHER
 COMPREHENSIVE INCOME (OCI)**

	Period from 30 September 2020 to 30 September 2021 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	(231)
Experience gains and losses arising on the plan liabilities - gain (loss)	394
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(8)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(129)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	26
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in Other Comprehensive Income - gain (loss)	26

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For the year ended 30 September 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

ASSETS

	30 September 2021	30 September 2020
	(£000s)	(£000s)
Global Equity	328	308
Absolute Return	74	104
Distressed Opportunities	59	52
Credit Relative Value	57	56
Alternative Risk Premia	67	77
Fund of Hedge Funds	-	-
Emerging Markets Debt	68	93
Risk Sharing	62	61
Insurance-Linked Securities	41	55
Property	40	42
Infrastructure	117	134
Private Debt	42	50
Opportunistic Illiquid Credit	56	51
High Yield	-	70
Opportunistic Credit	54	52
Cash	7	1
Corporate Bond Fund	104	107
Liquid Credit	9	29
Long Lease Property	41	33
Secured Income	65	71
Over 15 Year Gilts	-	-
Index Linked All Stock Gilts	-	-
Liability Driven Investment	519	629
Net Current Assets	4	6
Total assets	1,814	2,081

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

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For the year ended 30 September 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

KEY ASSUMPTIONS

	30 September 2021	30 September 2020
	% per annum	% per annum
Discount Rate	1.99%	1.61%
Inflation (RPI)	3.50%	3.01%
Inflation (CPI)	3.05%	2.01%
Salary Growth	4.05%	3.01%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 30 September 2021 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2021	21.6
Female retiring in 2021	23.5
Male retiring in 2041	22.9
Female retiring in 2041	25.1

FOR THE PERIOD ENDING 30 September 2021

SCHEME: TPT Retirement Solutions – The Growth Plan

The company participates in the scheme, a multi-employer scheme which provides benefits to some 950 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is 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.

The scheme is classified as a '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.

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For the year ended 30 September 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

A full actuarial valuation for the scheme was carried out at 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2019 to 31 January 2025:	£11,243,000 per annum by 3% each on 1st April)	(payable monthly and increasing
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Unless a concession has been agreed with the Trustee the term to 31 January 2025 applies.

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2014. This valuation showed assets of £793.4m, liabilities of £969.9m and a deficit of £176.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2016 to 30 September 2025:	£12,945,440 per annum by 3% each on 1st April)	(payable monthly and increasing
From 1 April 2016 to 30 September 2028:	£54,560 per annum by 3% each on 1st April)	(payable monthly and increasing

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

The provision currently held is £54k (2020: £69k)

Surrey County Council Pension scheme

The Association makes payments as an Admitted Body to the Surrey County Council Pension Fund for employees who were members of that scheme on 1st April 2008 under the terms of a TUPE transfer. This is a funded defined benefit scheme that covers Surrey County Council employees and Scheduled and Admitted Bodies under the Local Government Pension Scheme Regulations 1997.

The Association has been notified by the Scheme Administrator that they are unable to satisfactorily identify the Association's share of the underlying Scheme assets and liabilities as at 30 September 2021 and accordingly the pension costs are accounted for as defined contribution. The scheme administrator has confirmed that the Association has no liability for past service deficit contributions.

The total employer contribution payable in the year was £18k (2020: £18k). At 30 September 2021 the Association had 3 (2020: 3) active members in the fund. Expected payments in the next financial year amount to approximately £20k.

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For the year ended 30 September 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Reconciliation of net cash flow to movement in net debt

	2021 £'000	2020 £'000
Increase/(Decrease) in cash	(224)	997
Cash inflow/(outflow) from change in debt	389	327
Change in net debt resulting from cash flows	165	1,324
Movement in net debt for the period	165	1,324
Net debt at 1 October	(2,156)	(3,480)
Net debt at 30 September	(1,991)	(2,156)

21. Analysis of changes in net debt

	1 Oct 2020 £'000	Cashflow £'000	30 Sept 2021 £'000
Cash at bank and in hand	5,179	(224)	4,955
Changes in cash	5,179	(224)	4,955
Loans	(7,335)	389	(6,946)
Changes in debt	(7,335)	389	(6,946)
Changes in net debt	(2,156)	165	(1,991)

22. Contingent assets/liabilities

Government Grant

The Association receives capital grant from Homes England (formerly Homes and Communities Agency), which is used to fund the acquisition and development of housing properties and their components. In certain circumstances, upon disposal of grant funded properties, the Association is required to recycle this grant by crediting the Recycled Capital Grant Fund, which if not reassigned, could be subject to repayment (see note 16 for further details).

The Association had no other contingent assets or contingent liabilities at 30 September 2021 (2020: £nil).

ABILITY HOUSING ASSOCIATION
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For the year ended 30 September 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. Leasing commitments

Operating lease payments amounting to £444k (2020: £430k) are due within one year. The leases to which these amounts relate expire as follows:

	2021	2020
	£'000	£'000
Office equipment		
Expiring in one year or less	2	2
Between 1-2 years	2	1
Between 2-3 years	2	2
Between 3-4 years	1	1
Over 4 years	-	2
	<hr/>	<hr/>
Total office equipment	7	8
Land and buildings		
Expiring in one year or less	442	428
Between one and two years	78	78
Between two and five years	216	216
Over five years	720	720
	<hr/>	<hr/>
Total land and buildings	1,456	1,442
	<hr/>	<hr/>
Total operating leases	<u>1,463</u>	<u>1,450</u>

24. Related parties

There are currently no beneficiary members of the directors (2020: nil).

There have been no related party transactions in the year (2020: none)

25. Financial liabilities excluding trade creditors – interest rate risk profile

The Association's financial liabilities are sterling denominated. The interest rate profile of the Association's financial liabilities at 30 September was:

	2021	2020
	£'000	£'000
Floating rate	3,583	3,835
Fixed rate	3,363	3,500
	<hr/>	<hr/>
Total (note 18)	6,946	7,335
	<hr/>	<hr/>

The fixed rate financial liabilities have a weighted average interest rate of 6.69% (2020: 6.69%) and the weighted average period for which it is fixed is 1 year to 19 years (2020: 1 year to 20 years).

The floating rate financial liabilities comprise loans that bear interest at rates based on the monthly LIBOR, and are stated at amortised cost.

The debt maturity profile is shown in note 18.

ABILITY HOUSING ASSOCIATION
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For the year ended 30 September 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

Borrowing facilities

The Association has no undrawn committed borrowing facilities. The facilities available at 30 September in respect of which all conditions precedent had been met were as follows:

	2021 £'000	2020 £'000
Expiring in less than one year	-	6,500
Expiring in 1-2 years	-	-
Greater than 5 years	-	-
	<u>-</u>	<u>6,500</u>

A new revolving credit facility of £2.0m has been agreed with the associations principal lender, with the legal formalities expected to be completed by early 2022.

Financial assets

Other than short term debtors, financial assets held are cash deposits in notice and current accounts, all of which is measured at historic cost. They are sterling denominated and the interest rate profile at 30 September was:

	2021 £'000	2020 £'000
Floating rate on cash deposits	2,450	2,450
Financial assets on which no interest is earned	2,505	2,729
Total	<u>4,955</u>	<u>5,179</u>

26. Share Capital

The Association is a company limited by guarantee and therefore has no share capital. Each member (see numbers below) agrees to contribute £1 in the event of the company winding up.

	2021 No.	2020 No.
At 1 October	33	39
Joining during the year	7	1
Leaving during the year	(18)	(7)
At 30 September	<u>22</u>	<u>33</u>

27. Capital commitments

At the year end the Association had capital commitments of £Nil (2020: £Nil).

ABILITY HOUSING ASSOCIATION
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For the year ended 30 September 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. Financial instruments

	2021	2020
	£000	£000
Financial assets		
<u>Measured at cost</u>		
Cash and cash equivalents	4,955	5,179
<u>Measured at amortised cost</u>		
Rent and service charges receivable	553	602
Other debtors	265	506
Accrued income	95	28
Total financial assets	<u>5,868</u>	<u>6,315</u>
Financial liabilities		
<u>Measured at amortised cost</u>		
Loans	6,946	7,335
Trade creditors	566	692
Total financial liabilities	<u>7,512</u>	<u>8,027</u>