

Lyng Community Association
Annual report and financial statements
for the year ended 31 March 2020

Company registered number: 3977954

Charity registered number: 1089147

Regulator of Social Housing number: L4420

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Lyng Community Association

Contents

Information	3
Strategic Report	4-8
Board Report	9-11
Independent Auditor's Report	12-14
Statement of Comprehensive Income	15
Statement of Financial Position	16
Statement of Changes in Reserves	17
Statement of Cash Flows	18
Notes to the Financial Statements	19-32

Lyng Community Association

Information

BOARD OF MANAGEMENT

E W Bodenham (Chair)
R F Clough
J Edwards
H Patrick
C J Williams (resigned 9 July 2019)
N Hickson
A Moorhouse
A K Bassi (appointed 12 May 2020)
D Hollis (appointed 28 May 2020)

COMPANY SECRETARY

A Nash

REGISTERED OFFICE

3 Frank Fisher Way
West Bromwich
B70 7AW

REGULATOR OF SOCIAL HOUSING REGISTRATION NUMBER

L4420

COMPANY REGISTRATION NUMBER

3977954

REGISTERED CHARITY NUMBER

1089147

AUDITOR

Mazars LLP
45 Church Street
Birmingham
B3 2RT

BANKERS

Barclays Corporate
PO Box 3333
One Snowhill
Snow Hill Queensway
Birmingham
B3 2WN

Lyng Community Association

Strategic Report

The Board present their strategic report on the affairs of the Association, together with the financial statements and auditors' report, for the year ended 31 March 2020.

Status

The organisation is a public benefit entity and registered as a charity, a company limited by guarantee and as a Registered Provider with the Regulator of Social Housing. The Association is governed by a Board of Management that sets the organisation's Business Strategy and operating policies and procedures.

Background and development history

Lyng Community Association was established in 2000 as a registered Charity to benefit the community in the Lyng estate within the metropolitan borough of Sandwell in the West Midlands. The densely developed 1960's Lyng estate had become crime ridden and suffered from regular incidents of anti-social behaviour. In the mid 1990's disaffected residents joined together to form an action group and during the following few years sought to influence the politicians in their desire to improve the estate. As a result some 1,000 homes were demolished including a number of tower blocks. This created the opportunity to develop a new estate which would be a place where people wanted to live. Sandwell MBC committed to provide significant grant to support the construction of 200 homes for rent by the Lyng Community Association, supplemented by home ownership products to be developed by private sector partners.

To achieve the objectives the first part of the estate was constructed in 2004 providing 47 family homes, followed by a further 39 homes in 2006. These 86 homes have been owned and managed throughout by the Lyng Community Association. There followed a 4 year delay whilst an alternative procurement route was sought, in order to provide the Lyng Community Association with the balance of the commitment of 114 homes for rent and for a private sector partner to develop the rest of the cleared estate to provide approximately 250 homes for sale. Finally in 2010 a contract was signed between Sandwell MBC, Lyng Community Association and Barratts, a national housebuilder, to complete the development of the estate. During the period to March 2014, 104 homes had been constructed for rent and are now managed by the Lyng Community Association. The final 10 homes were completed in 2016 and this completed the obligations entered into with and by the Lyng Community Association.

The Association continues to work with local land owners to try to identify other sites in the area where more homes could be developed.

Financial review

The surplus for the year of £214,933 (2019: £208,256) maintains a similar surplus as previous years. Turnover remained similar to the previous year as 2019/20 was the final year of a four-year period where the Regulator directed that rents should be reduced by 1% each year. The free reserves at March 2020 of £2,853,691 (2019: £2,638,758) provides a solid platform for the Association to weather the difficulties that may arise from the COVID 19 pandemic over the next few years and allow the development of new homes in the Association's operating area should suitable sites become available.

The bank loan provides a strong liquidity position with annual repayments of £208,333 being made.

Stress testing is undertaken in conjunction with the Board to demonstrate the financial resilience of the business.

Principal risks

The principal risk of development was mitigated by significant public subsidy into the estate and the Association has benefitted significantly through this. As a housing management company there are a number of risks which are managed by well documented and rehearsed policies and practices. The following comments are relevant here:

- Rent losses due to voids continue to be low: there continues to be high demand for the Association's homes and very low losses of rent through gaps in tenancies as tenancy turnover remains low.
- Rent arrears remain a challenge, with Housing Benefit and Universal Credit payments being made in arrears and substantial delays in receiving payments. Where legal action becomes necessary the courts are becoming

Lyng Community Association

Strategic Report

increasingly reluctant to order possession on the majority of cases even where arrears are substantial and the Association has made every effort to work with the tenant to tackle their arrears. Despite these challenges, arrears have been contained successfully during the year. An appropriate provision for potential rent losses is made each year based on a pragmatic assessment of the likelihood of recovery of the debt.

- The housing stock is relatively new and is maintained to a high standard with planned programmes now being implemented to replace key components that have reached the end of their useful lives. The use of in-house maintenance staff continues to work very well, however the Association is preparing programmes to upgrade the earliest developed homes over the next few years.
- The COVID-19 pandemic presents a significant threat to the Association and its future viability and this risk is considered more fully in the section titled "Going Concern" below.

In addition to the above, emerging risks connected to continuing social welfare reforms are likely to impact on the Association but preparations have been put into place to address these changes and the Association is confident that it can maintain a strong income management performance.

Risks associated with governance are limited and the Association has clear objectives of engaging with residents across the estate as a whole and encouraging greater involvement including at Board level. This remains a priority of the Board and the Association's Community Development activities are designed to enhance the relationship between residents and the Association.

Financially the Association is in a strong position due to the original support provided via development arrangements, including substantial capital grants from Sandwell MBC. The Association is well equipped to meet any financial challenge and comfortably meets its existing financial covenants.

Governance

The Association prides itself in ensuring the Lyng estate remains a vibrant and thriving community. This is not just in responding to initiatives such as events and activities but in the governance of the Association. The Association has offered regular and continuing opportunities for residents to be part of the governing arrangements, whether as resident forum members or as formal Board members with limited success. We remain committed to strive to attract interested residents, whether drawn from the Association's resident base or from home owners on the estate. At present 3 members of the Board are Association residents but there is provision in the rules for up to 6 resident Board members.

Value for money

The Association is committed to achieving Value for Money (VFM) for its tenants and stakeholders and has adopted a strategy that sets out clear objectives on how VFM will be delivered. The Board recognises that achieving our VFM targets demonstrates to our stakeholders the Association's commitment to economy, efficiency and effectiveness in everything that we do.

Our overarching objectives are to:-

- optimise the use of our assets
- ensure we maintain efficient and effective services that offer excellent value for money to our tenants and other stakeholders
- ensure that our tenants are enabled to fully understand the Association's costs and how they compare with our peer group and make sound judgements on the Association's performance
- invest our surpluses in enhancing our existing homes and developing new social housing for the benefit of our community
- maintaining our financial strength in order to maintain our viability and independence

Our strategy links to our Business Plan ensuring that VFM is embedded throughout the business and sets out measurable targets that are linked to the Association's aims and purpose. The Association aims to provide opportunities for tenants to help shape its services and monitor the delivery and effectiveness of those services.

The Board monitors performance against our VFM targets and objectives throughout the Board meeting cycle and we use comparable data from our peer group to benchmark our performance. The housing benchmark data that we use is

Lyng Community Association

Strategic Report

shown in the column titled "SPBM" below. The data is from similar sized housing associations in the West Midlands and is provided through Housemark Benchmarking which offers the most in depth and robustly validated data in the housing sector.

Our targets for 2019-2020 included:-

1. The Association will seek to ensure that its rent collection achieves 100.31% (upper quartile performance on Housemark Benchmarking)

This target was achieved with a rent collection figure of 101%

We are looking to continue to maintain our progress in reducing rent arrears by setting a challenging rent collection target for 2020/21.

2. The Association will seek to ensure that its occupancy rate is at least 99.7% (upper quartile performance)

This target was achieved with rent loss restricted to 0.24% equal to an occupancy rate of 99.76%

We are looking to maintain our excellent performance in managing rent losses due to voids during 2020/21.

3. The Association will seek to ensure its overall satisfaction rate is at least 96% (upper quartile SPBM Peer Group)

The target was achieved with a 97% satisfaction rate with the Association's services.

We maintain regular satisfaction surveys to give a snapshot of tenant satisfaction and we will look to see where we need to improve during 2020/21.

4. The Association will seek to ensure that its Headline Social Housing Cost per unit is at £3,280 or less (Housemark SPBM Upper Quartile)

This target was not achieved with a headline cost of £3,387 so we appreciate we have to review our target and performance in this area of our work.

-
5. The Association will seek to ensure it delivers new homes at a rate equal to that of the Upper Quartile of the SPBM group 1.97% - with an acceptance that delivery may be consolidated into one scheme every 3 years rather than annually in order to reflect the limitations of having to work within a small area of operation with limited land purchase opportunities.

This target is set for a timescale of 3 years so still in progress.

We are actively seeking suitable sites in or around the Lyng estate area but as the area is already highly developed sites rarely become available and the prices tend to reflect this fact. We have established relationships with valuers and a local developing housing association so that we are able to take a pro-active approach to any development opportunity that meets the Association's criteria.

How Value for Money is Impacting on the Association's Financial Performance.

By reviewing our expenditure, improving performance and seeking better value in our procurement the Association has enhanced its financial position by continuing to generate surpluses over the last 4 year period even though the Association was subject to a 1% rent decrease each year and inflation increased our core costs.

Our Annual Report to tenants allows comparison with other similar sized social landlords on key indicators and performance against our VFM targets. Any areas that require improvement are clearly identified with plans to improve

Lyng Community Association

Strategic Report

performance and targets that will demonstrate our commitment to matching the Upper Quartile performance of comparable providers.

The Association uses the Regulator's Value for Money metrics to further demonstrate how the Association is constantly challenging its performance.

Regulation Metrics

The regulator uses a scorecard for reporting certain financial and non-financial information. The Association's position at 31 March 2020 and comparisons with the previous years is as follows:

	2020	2019	2018	SBPM 2019 Median
Reinvestment	0.14%	0.27%	0.20%	2.65%
New Supply	0	0	0	0
Gearing (as at)	22.24%	33.69%	35.92%	16.94%
EBITDA MIR	239.67%	212.97%	227%	245%
Cost per unit	£3,387	£3,108	£3,049	£4,419
Operating margin	38.51%	42.39%	44.04%	23.27%
Return on capital employed	3.45%	3.72%	3.90%	2.86%

Commentary on our Performance

Re-investment – This metric demonstrates how much the Association is investing in developing new properties and investing in improving existing homes. As the majority of the Association's stock is less than 20 years old the re-investment in our homes is limited until 2024 when our original properties will require new kitchens and this will start a period of regular reinvestment expenditure.

New Supply - the Association did not build any new homes during 2019/20 but is committed to delivering new homes over a 3-year period subject to sites being available in our area of operation and meeting our viability tests.

Gearing – this metric is intended to show the level of debt (usually loans used to pay for developing property) compared to the value of the Association's stock. Our gearing ratio 22.24% reflects the Association reducing its debt each year and improving its financial position.

EBITDA MIR – Earnings Before Interest, Tax, Depreciation, Amortisation – Major Repairs Included

This metric seeks to measure the level of surplus that a registered provider generates compared to interest payable and this result of 239% shows an improving position as our interest costs are decreasing due to both reducing the debt through repayments and reduced interest rates on the Association's loan.

Cost per Unit - this metric measures the Association's management costs and reflects increased maintenance and community development costs, but overall, our cost per unit remains lower than similar sized associations. However, we recognise the need to strive towards top quartile performance and will be looking for improvement in 2020/21.

Operating Margin – this metric measures the profitability of operating assets before exceptional expenses are taken into account. Increasing margins are one way to improve the financial efficiency of a business. In 2019/20 the Association increased its planned repairs and community development expenditure whilst reducing rents by 1% leading to a reduction in our operating margin. However, from 2020/21 rents will increase in line with the regulators new requirements and the Association will look to achieving efficiency gains to improve the position in future years.

Return on Capital Employed - This metric compares the operating surplus to total assets less current liabilities and is a common measure in the commercial sector to assess the efficient investment of capital resources. The figure of

Lyng Community Association

Strategic Report

3.45% compares positively against other benchmark associations but the continued decline in this indicator reflects another year of 1% rent reductions whilst management costs have increased as the Association increased its services.

Approved by the Board and signed on its behalf by:-----

Chair

Ew Bodenham

Date:

14/7/2020.

Lyng Community Association

Board Report

Statement of Board members' responsibilities

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

Housing Association legislation requires the Board to prepare financial statements for each financial year. Under that legislation the Board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Housing Association legislation the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing these financial statements, the Board 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that the financial statements comply with the Companies Act 2006 and Housing Association legislation namely, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Disclosure of information to the auditor

Each of the Board members at the date of approval of this report has confirmed that:

- As far as the Board members are aware, there is no relevant audit information of which the Association's auditor is unaware; and
- The Board members have taken all the steps that they ought to have taken as Board members in order to make themselves aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

Internal Controls

The Association is small and relies on appropriate internal controls which are evidenced routinely. There is a process for updating control policies and processes. Independent support is provided to review matters of internal control, including the annual external audit, however as a small Association the controls are maintained appropriately for the size and nature of the business.

Financial risk management objectives and policies

The Association's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The Association does not use derivative financial instruments for speculative purposes.

Lyng Community Association

Board Report

Brexit

At the date of the Board approving the Financial Statements the final agreed terms of the future relationship with the European Union remain unclear and the potential implications may impact on the Association. This may result in higher borrowing costs, higher rent arrears and/or higher commodity prices. The outcome of the leaving process may involve these risks and indeed others or any combination. The risk management process will review any new risks or acceleration of existing risks as appropriate.

Cash flow risk

The Association's activities expose it primarily to the financial risks of changes in interest rates. Interest bearing liabilities are currently held at a variable rate after the previous fixed period expired. However the Association is in the process of negotiating a new fixed rate to ensure certainty of cash flows after a lengthy delay due to the impact of COVID 19 on the lender's ability to formulate a new offer to the Association.

Credit risk

The Association's principal financial assets are bank balances and cash, rent arrears and other receivables, and investments.

The Association's credit risk is primarily attributable to its rent arrears. The amounts presented in the Statement of Financial Position are net of allowances for bad debts. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Association has no significant concentration of credit risk, with exposure spread over a number of counterparties and tenants.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Association has drawn down all available long-term debt finance.

Further details regarding liquidity risk can be found in the statement of accounting policies in the financial statements.

Going Concern

The current COVID-19 pandemic started to affect the Association's operations in late March 2020 and the Government's lockdown forced a change to our management arrangements

The Association closed its office to visitors, suspended its community development activities and furloughed the sessional staff who facilitated that activity, whilst arranging for the majority of staff to work from home. The Association uses a cloud based housing management system and e-mail system which allowed staff to continue to manage arrears and deal with housing management services from home.

A small number of staff were able to continue to work from the Association's office whilst preserving social distancing. Those staff attended on a rota basis to ensure any staff member developing a COVID -19 illness would not be able to spread it to colleagues nor force them to self-isolate. On occasions where staff were unable to attend for a full working day staff were able to divert all business calls to home based staff when needed. The Association restricted its repairs service to emergency and urgent works only and this was accepted by tenants to the extent that the number of calls to the Association were minimal.

With the dedication and hard work of the staff team the Association has been able to continue to operate with any serious detriment to its services. As the lockdown has been eased the Association has been able to resume its repairs services with appropriate safety measures and staff have continued to work in small teams to meet the increase in demand from tenants.

The Associations planned maintenance programme was suspended for a number of weeks in March and April but as all works were external the contractors were able to restart work although part of the project cost will now appear in 2020/21 expenditure and utilize the spare capacity in that budget.

Lyng Community Association

Board Report

The financial impact of COVID 19 has been limited:-

- rent arrears haven't increased significantly due to pro-active arrears management and welfare benefit advice. Universal Credit roll out has not to date caused any increase in rent arrears and we anticipate this will remain the case in future years.
- tenancy terminations were delayed as there were no removal contractors able to help clear properties but the impact in any case limited as tenancy turnover has remained low (less than 1.5% in last 6 months). Demand for the Association's homes remains high,
- repairs expenditure was significantly reduced although our spend is now increasing as more and more tenants are happy to report repairs and allow access to their homes. The Association undertakes most works using an in-house repairs operative and uses a Schedule of Rates Contract for its gas and electrical works which are procured with another local housing association,
- The price of components have increased by around 10% due to shortages of materials after the lockdown but this may be a temporary blip as many building merchants are anticipating a slump in demand for products in the medium term,
- The Association's component replacement programme only shows significant expenditure from 2024 onwards so the Association can modify its plans to spread spending to respond to any deterioration in the operating environment,
- The 4 sessional staff who work on community projects are currently furloughed but in the worst case scenario can still be funded from the remaining Children in Need Grant. The staff are employed on Fixed Term Contracts and continued employment is linked to the availability of funding from Grant.
- The Association has substantial cash reserves and operates well within its banking covenants, a position which improves significantly year on year particularly from 2019/20 as previously high interest fixes will be replaced with a substantially lower fixed rate. The Board are aware from stress testing exercises the potential impact of adverse changes in the Association's operating environment and how these can be mitigated. The Board consider the Association's key indicators at every Board meeting and are acutely aware of how the Association's development aspirations will impact on the assessment of risk.
- The Board are aware of the latest sector analysis of the value of social housing stock which shows that COVID-19 uncertainty has not had a significant impact to underlying values.
- The Association is looking to use its strong financial position to fund new developments but none are scheduled for the immediate future and the Board are fully aware of the risks that would need to be considered before authorizing any new development project.

The Board are continuing to meet every other month and monitor key indicators to ensure the Association remains on track to meet its financial and operational targets. Therefore the Executive Team and Board are confident that the Association has the capacity and resources to continue to operate as a going concern well into the future.

Code of Governance

The Board have adopted the National Housing Federation's "Code of Governance: Promoting board excellence for housing associations (2015 edition)" and following completion of a self-assessment of compliance and the updating of a number of key documents, the Association confirms that they comply fully with the code.

Compliance with the Regulator of Social Housing Governance and Financial Viability Standard

The Board confirms that the Association is fully compliant with the requirements of the Regulator's Governance and Financial Viability Standard. The Regulator of Social Housing applies a de-minimus level of 1000 units below which regulation is a light touch and compliance gradings are not applied. This applies to the Association.

Approved by the Board and signed on its behalf by:

Chair

E. B. Denham

Date

14/7/2020

Lyng Community Association

Independent auditor's report to the members of Lyng Community Association

Opinion

We have audited the financial statements of Lyng Community Association (the 'association') for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2020 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the 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.

Emphasis of matter – Going concern and the impact of the COVID-19 outbreak on the financial statements

In forming our opinion on the Association's financial statements, which is not modified, we draw your attention to the Boards' view on the impact of the COVID-19 as disclosed on page 5, and the consideration in the going concern basis of preparation on page 10.

During the latter part of the financial year, there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK.

The impact of COVID-19 is still evolving and, based on the information available at this point in time, the Board have assessed the impact of COVID-19 on the Association and reflected the Boards' conclusion that adopting the going concern basis for preparation of the financial statements is appropriate.

Conclusions relating to going concern

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

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

Lyng Community Association

Independent auditor's report to the members of Lyng Community Association

Other information

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

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

We have nothing to report in this regard.

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

Matters on which we are required to report by exception

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

Responsibilities of the Board

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Lyng Community Association

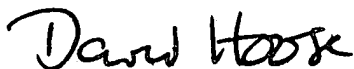
Independent auditor's report to the members of Lyng Community Association

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the association's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and Chapter 4 of Part 2 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume 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.



David Hoose

(Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

45 Church Street

Birmingham

B3 2RT

Date: 24 July 2020

Lyng Community Association
Statement of Comprehensive Income
For the year ended 31 March 2020

	Note	2020 £	2019 £
Turnover	3	1,102,278	1,089,757
Operating expenditure	3	(677,424)	(623,284)
Operating surplus		<u>424,854</u>	<u>466,473</u>
Interest receivable	5	23,557	15,210
Interest and finance costs	4	(233,478)	(273,426)
Surplus for the year	6	<u>214,933</u>	<u>208,256</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u><u>214,933</u></u>	<u><u>208,256</u></u>

The Association's income and expenses all relate to continuing operations.

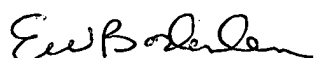
The notes on pages 19 to 32 form an integral part of these financial statements.

Lyng Community Association
Statement of Financial Position
At 31 March 2020

Company registered number: 3977954

	Note	2020 £	2019 £
Fixed assets			
Housing properties	9	9,867,305	10,013,069
Other property, plant and equipment	10	-	-
		<u>9,867,305</u>	<u>10,013,069</u>
Current assets			
Debtors	11	73,927	81,813
Cash and short-term investments		1,282,316	1,288,148
Investments		1,500,000	1,350,000
		<u>2,856,243</u>	<u>2,719,961</u>
Creditors: Amounts falling due within one year	12	(404,323)	(352,818)
Net current assets		<u>2,451,920</u>	<u>2,367,143</u>
Total assets less current liabilities		12,319,225	12,380,212
Creditors: Amounts falling due after more than one year	13	(9,465,534)	(9,741,454)
Net assets		<u>2,853,691</u>	<u>2,638,758</u>
Capital and reserves			
Revenue reserve		2,853,691	2,638,758
Total reserves		<u>2,853,691</u>	<u>2,638,758</u>

The financial statements of Lyng Community Association were approved by the Board of Management on 14 July 2020 and signed on its behalf by:



- E W Bodenham - Board Member



- A Nash – Secretary

Lyng Community Association
Statement of Changes in Reserves
For the year ended 31 March 2020

	Revenue reserve £	Total £
At 1 April 2018	2,430,502	2,430,502
Surplus for the year	<u>208,256</u>	<u>208,256</u>
At 31 March 2019	2,638,758	2,638,758
Surplus for the year	<u>214,933</u>	<u>214,933</u>
At 31 March 2020	<u>2,853,691</u>	<u>2,853,691</u>

Lyng Community Association

Statement of Cash Flows

For the year ended 31 March 2020

	Note	2020 £	2019 £
Net cash generated from operating activities	16	631,571	572,642
Cash flows from investing activities			
Purchase of property, plant and equipment		(71,039)	(33,226)
Interest received		23,557	15,210
Net cash flows from investing activities		<u>(47,482)</u>	<u>(18,016)</u>
Cash flows from financing activities			
Interest paid		(233,478)	(273,426)
Amortisation of loan issue costs		1,890	1,890
Repayments of borrowings		<u>(208,333)</u>	<u>(208,333)</u>
Net cash flows from financing activities		<u>(439,921)</u>	<u>(479,869)</u>
Net increase in cash and cash equivalents		<u>144,168</u>	<u>74,757</u>
Cash and cash equivalents at beginning of year	16	1,288,148	1,563,392
Cash and cash equivalents at end of year	16	1,282,316	1,288,148

Note:

The Association invests surplus funds for terms up to one year in duration. The amount invested at 31 March 2020 is £1,850,000 of which £1,500,000 has maturity dates in excess of three months. £350,000 matured within three months of 31 March 2020 and is reflected in the cash and cash equivalent figures above.

Lyng Community Association

Notes to the financial statements

For the year ended 31 March 2020

1. Accounting policies

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

General information and basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for registered social housing providers 2018 (SORP), the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2019. Lyng Community Association is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102.

Property, plant and equipment - housing properties

Housing properties are stated at historic cost less depreciation less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings, directly attributable development costs and borrowing costs directly attributable to the construction of new housing properties during the development. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight line basis, over their useful economic lives. Freehold land is not depreciated.

New build 100 years

Major components

Major components of housing properties, which have significantly different patterns of consumption of economic benefits, are treated as separate assets and depreciated over their expected useful economic lives at the following annual rates:

Structure	100 years
Roofs	60 years
Doors and windows	30 years
Kitchens	20 years
Bathrooms	25 years
Heating systems	30 years
Rewiring	30 years
Boilers	15 years

Properties held on long leases are depreciated over their estimated useful economic lives or the lease duration if shorter.

Improvements

Where there are improvements to housing properties that are expected to provide incremental future benefits, these are capitalised and added to the carrying amount of the property. Any works to housing properties which do not replace a component or result in an incremental future benefit are charged as expenditure in surplus or deficit in the Statement of Comprehensive Income.

Leaseholders

Where the rights and obligations for improving an housing property reside with the leaseholder or tenant, any works to improve such properties incurred by the Association is recharged to the leaseholder and recognised in surplus or deficit in the Statement of Comprehensive Income along with the corresponding income from the leaseholder or tenant.

Notes to the financial statements
For the year ended 31 March 2020

Non-housing property, plant and equipment is stated at historic cost less accumulated depreciation and any provision for impairment. Depreciation is provided on all non-housing property, plant and equipment, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Office equipment	4 years
Computer hardware	7 years

Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included in surplus or deficit in the Statement of Comprehensive Income.

Where grants are received from government agencies such as Homes England, local authorities, devolved government agencies, health authorities and the European Commission which meet the definition of government grants they are recognised when there is reasonable assurance that the conditions attached to them will be complied with and that the grant will be received.

Government grants are recognised using the accrual model and are classified either as a grant relating to revenue or a grant relating to assets. Grants relating to revenue are recognised in income on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised. Where a grant is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs, it is recognised as revenue in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Grants received for housing properties are recognised in income over the expected useful life of the housing property structure. Where a grant is received specifically for components of a housing property, the grant is recognised in income over the expected useful life of the component.

Grants received from non-government sources are recognised as revenue using the performance model.

Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the Statement of Financial Position to recognise this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the Statement of Financial Position.

No such disposal has taken place.

Properties developed for outright sale and land held for sale are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes materials, direct labour and an attributable proportion of overheads based on normal levels of activity. The Association has not developed any properties for outright sale to date.

Lyng Community Association

Notes to the financial statements

For the year ended 31 March 2020

Interest payable

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are calculated using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument and is determined on the basis of the carrying amount of the financial liability at initial recognition. Under the effective interest method, the amortised cost of a financial liability is the present value of future cash payments discounted at the effective interest rate and the interest expense in a period equals the carrying amount of the financial liability at the beginning of a period multiplied by the effective interest rate for the period.

Taxation

The Association is a Registered Charity and is therefore not subject to Corporation Tax on its surplus arising from charitable activities.

Pensions

The Association commenced contributions to the Social Housing Pension Defined Contribution scheme from April 2017 in accordance with auto enrolment legislation. As a DC scheme there are no long term liabilities which the Association needs to recognise.

Turnover

Turnover represents rent and service charges receivable (net of rent and service charge losses from voids) and disposal proceeds of current assets such as properties developed for outright sale or shared ownership first tranche sales at completion together with revenue grants from local authorities and the Homes and Communities Agency and charitable fees and donations. Service charge income is recognised when expenditure is incurred as this is considered to be the point at which the service has been performed and the revenue recognition criteria met.

Supported housing and other managing agents

Where the Association has ownership of a supported housing or other scheme but also has an agreement with a third party to manage the scheme (including Supporting People funded schemes or services), where there has been a substantial transfer of the risks and benefits attached to the scheme to the third party, any scheme revenue and expenditure is excluded from these financial statements.

Investments

Investments that are publicly traded or whose fair value can be measured reliably are measured at fair value with changes in fair value recognised in surplus or deficit in the Statement of Comprehensive Income. Other investments are measured at amortised cost less impairment.

Financial instruments

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument.

Financial assets carried at amortised cost

Financial assets carried at amortised cost comprise rent arrears, trade and other receivables and cash and cash equivalents. Financial assets are initially recognised at fair value plus directly attributable transaction costs. After initial

Lyng Community Association

Notes to the financial statements

For the year ended 31 March 2020

recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced accordingly.

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

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

Financial liabilities carried at amortised cost

These financial liabilities include trade and other payables and interest bearing loans and borrowings.

Non-current debt instruments which meet the necessary conditions in FRS 102, are initially recognised at fair value adjusted for any directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in the Statement of Comprehensive Income. Discounting is omitted where the effect of discounting is immaterial.

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

Cash and cash equivalents

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

2. Significant management judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant management judgements

The following are management judgements in applying the accounting policies of the Association that have the most significant effect on the amounts recognised in the financial statements

Impairment of social housing properties

The Association has to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP.

The carrying value of the housing developed is the lower of costs and realisable value, i.e. at cost.

Lyng Community Association

Notes to the financial statements

For the year ended 31 March 2020

Depreciation of Housing Properties

The additions for component replacements are depreciated in accordance with previous practice.

Rent arrears

100% of former tenant arrears, 100% of current tenant arrears where collection is deemed unlikely, and 20% of all other current tenant arrears are provided as a possible bad debt.

Estimation uncertainty

The Association makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are reported to the Board regularly through formal stress-testing.

3. Particulars of turnover, operating costs and operating surplus

	2020		
	Turnover £	Operating costs £	Operating surplus £
Social housing lettings (note 3A)	1,089,680	677,424	412,256
Other social housing activities	12,598	-	12,598
Total	1,102,278	677,424	424,854

	2019		
	Turnover £	Operating costs £	Operating surplus £
Social housing lettings (note 3A)	1,077,882	623,284	454,598
Other social housing activities	11,875	-	11,875
Total	1,089,757	623,284	466,473

Lyng Community Association

Notes to the financial statements

For the year ended 31 March 2020

3A. Particulars of Income and Expenditure from social housing lettings

	General Needs Housing £	2020 Total £	2019 Total £
Income			
Rents receivable	976,875	976,875	967,923
Service charge income	43,328	43,328	40,482
Amortised government grant	69,477	69,477	69,477
Turnover from social housing lettings	1,089,680	1,089,680	1,077,882
Expenditure			
Service charge costs	32,777	32,777	35,117
Management	304,180	304,180	250,631
Routine maintenance	90,573	90,573	132,530
Planned maintenance	24,525	24,525	9,386
Bad debts	8,566	8,566	-
Disposal costs	7,374	7,374	-
Depreciation of housing properties	209,429	209,429	195,620
Operating costs	677,424	677,424	623,284
Operating surplus social housing lettings	412,256	412,256	454,598
Void losses	2,277	2,277	1,627

4. Interest and finance costs

	2020 £	2019 £
Bank loans and overdrafts	233,478	273,426
	233,478	273,426

Lyng Community Association

Notes to the financial statements For the year ended 31 March 2020

5. Interest receivable

	2020 £	2019 £
Bank interest receivable	23,557	15,210
	<u>23,557</u>	<u>15,210</u>

6. Surplus for the year

Surplus for the year is stated after charging:

	2020 £	2019 £
Depreciation of property, plant and equipment	209,429	195,620
Government grants	69,477	69,477
Audit fees:		
- Statutory audit (excluding VAT)	<u>6,500</u>	<u>4,120</u>

7. Staff costs

	2020 £	2019 £
Wages and salaries	146,244	109,696
Social security costs	7,082	4,426
Pensions	2,165	847
	<u>155,491</u>	<u>114,969</u>

The average full time equivalent number of employees was: 4.6 (2019: 3.9)

	2020 Number	2019 Number
Staff – absolute numbers	<u>6</u>	<u>6</u>

The basis of the calculation of the full time equivalents was 6 staff working variable part time hours equating to 161 hours per week out of a possible 210.

The staff numbers and pay exclude up to 4 sessional staff employed to facilitate projects, mainly funded by BBC Children in Need grants.

Lyng Community Association

Notes to the financial statements For the year ended 31 March 2020

8. Directors' remuneration and transactions

No directors' remuneration was paid in the year. Non-executive directors are not remunerated.

9. Tangible fixed assets – housing properties

	Completed properties £	Total £
Cost		
At 1 April 2019	12,251,763	12,251,763
Additions	71,039	71,039
Disposals	(54,316)	(54,316)
At 31 March 2020	<u>12,268,486</u>	<u>12,268,486</u>
Depreciation		
At 1 April 2019	2,238,695	2,238,695
Charge for the year	209,429	209,429
Eliminated on disposals	(46,943)	(46,943)
At 31 March 2020	<u>2,401,181</u>	<u>2,401,181</u>
Net book value		
At 31 March 2020	<u>9,867,305</u>	<u>9,867,305</u>
At 31 March 2019	<u>10,013,069</u>	<u>10,013,069</u>

Freehold land and buildings with a carrying amount of £6million (2019: £6million) have been pledged to secure borrowings of the Association. The Association is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

Lyng Community Association

Notes to the financial statements For the year ended 31 March 2020

10. Property, plant and equipment - other

	Fixtures and fittings £	Total £
Cost		
At 1 April 2019	34,699	34,699
Additions	-	-
Disposals	-	-
	<u>34,699</u>	<u>34,699</u>
At 31 March 2020		
Depreciation		
At 1 April 2019	34,699	34,699
Charge for the year	-	-
Disposals	-	-
	<u>34,699</u>	<u>34,699</u>
At 31 March 2020		
Net book value		
At 31 March 2020	-	-
At 31 March 2019	-	-

11. Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Rent arrears	49,388	61,369
Provision for bad debts	(17,923)	(19,631)
Prepayments and accrued income	42,462	40,075
	<u>73,927</u>	<u>81,813</u>

12. Creditors – amounts falling due within one year

	2020 £	2019 £
Bank loans and overdrafts (see note 13)	208,333	208,333
Rents received in advance	17,286	15,707
Trade creditors and after date invoices	51,383	-
Accruals	33,584	33,678
BBC Children in need grant	24,260	25,623
Government grants	69,477	69,477
	<u>404,323</u>	<u>352,818</u>

The BBC Children in Need grant is paid to the Association to provide and manage youth facilities and services to young people in the B70 and B71 postcode areas.

Lyng Community Association

Notes to the financial statements

For the year ended 31 March 2020

13. Creditors – amounts falling due after more than one year

	2020 £	2019 £
Other creditors		
Loans	3,767,129	3,973,572
Government grants	5,698,405	5,767,882
	<u>9,465,534</u>	<u>9,741,454</u>

The loans are secured on 86 freehold housing properties. Interest is payable at LIBOR +2.1% on the balance.

The total accumulated amount of capital grant received or receivable at the balance sheet date is £6,947,748 (2019: £6,947,748).

	2020 £	2019 £
Deferred income - Government grants		
At 1 April 2019	5,837,359	5,906,836
Amortisation to Statement of Comprehensive Income	(69,477)	(69,477)
At 31 March 2020	<u>5,767,882</u>	<u>5,837,359</u>
Due within one year	<u>69,477</u>	<u>69,477</u>
Due after one year	<u>5,698,405</u>	<u>5,767,882</u>

Lyng Community Association

Notes to the financial statements For the year ended 31 March 2020

13. Creditors – amounts falling due after more than one year (continued)

Borrowings are repayable as follows:

	2020 £	2019 £
Bank Loans		
Between one and two years	208,333	208,333
Between two and five years	833,333	833,333
After five years	2,968,750	3,177,083
	<u>4,010,416</u>	<u>4,218,749</u>
Less transaction costs on issue	(34,954)	(36,844)
	<u>3,975,462</u>	<u>4,181,905</u>
Less amounts due on demand or within one year	(208,333)	(208,333)
	<u><u>3,767,129</u></u>	<u><u>3,973,572</u></u>

14. Retirement benefit schemes

Defined contribution schemes

The Association joined a Defined Contribution scheme administered by TPT Retirement Solutions from 1 April 2017 in accordance with auto enrolment legislation. There is no long-term financial commitment associated with the scheme.

Lyng Community Association

Notes to the financial statements For the year ended 31 March 2020

15. Financial instruments

The carrying values of the Association's financial assets and liabilities are summarised by category below:

	2020 £	2019 £
Financial assets		
Measured at undiscounted amount receivable		
• Rent arrears and other debtors (see note 11)	49,388	61,369
• Cash	2,782,316	2,638,148
	<u>2,831,704</u>	<u>2,699,517</u>
Financial liabilities		
Measured at undiscounted amount payable		
• Bank loans (see note 13)	3,767,129	3,973,572
• Trade and other creditors (see note 12)	84,967	33,678
• Rents received in advance (see note 12)	17,286	15,707
	<u>3,869,382</u>	<u>4,022,957</u>

The Association's income, expense, gains and losses in respect of financial instruments are summarised below:

	2020 £	2019 £
Interest income and expense		
Total interest income for financial assets at undiscounted amount receivable	23,557	15,210
Total interest expense for financial liabilities at undiscounted amount payable	<u>(233,478)</u>	<u>(273,426)</u>

Lyng Community Association

Notes to the financial statements For the year ended 31 March 2020

16. Net cash generated from operating activities	2020	2019
	£	£
Surplus for the year	214,933	208,256
<i>Adjustment for non-cash items:</i>		
Depreciation of property, plant and equipment	209,429	195,620
Loss on disposal of assets	7,374	-
(Increase)/decrease in debtors	7,886	(6,005)
(Decrease)/increase in creditors	51,505	(13,968)
<i>Adjustments for investing or financing activities:</i>		
Government grants utilised in the year	(69,477)	(69,477)
Interest payable	233,478	273,426
Interest received	(23,557)	(15,210)
Net cash generated from operating activities	631,571	572,642
Cash and cash equivalents		
Cash at bank and in hand	1,282,316	1,288,148
Cash equivalents included in current assets	-	-
Cash and cash equivalents	1,282,316	1,288,148

17. Financial commitments

Capital commitments are as follows:	2020	2019
	£	£
Contracted for but not provided for	5,000	5,000
	5,000	5,000

18. Housing Stock

	2020	2019
	Units	Units
Owned and managed		
Housing accommodation at affordable rent	200	200
	200	200

Lyng Community Association

Notes to the financial statements

For the year ended 31 March 2020

19. Operating leases

At 31 March total future minimum lease payments under non-cancellable operating leases are as follows;

	2020	2019
	£	£
Photocopier		
< 1 year	551	1,101
< 2-5 years	-	551
> 5 years	-	-
	<u>551</u>	<u>1,652</u>

20. Related party transactions

The Board includes three members who are also tenants of the Association. These members are subject to the same terms and conditions as all tenants in similar properties. At the year-end total rent and service charge paid by Housing Benefit after date for these Board members totalled £Nil (2019: £132). During the year rent and service charge received was £14,823 for 3 Resident Board members (2019: £9,892 – for 2 Resident Board members).

The General Manager's employment costs are charged to the Association by his company 'Flexistore (Cardiff) Limited'. The total cost incurred during the period and charged to the Statement of Comprehensive Income totalled £53,867 (2019: £53,945). At the year-end £9,100 (2019: £4,150) was included in trade creditors (2019: in accruals).

The overall management of the shared areas of those parts of the estate built by Barratt from 2010 - 2016 is undertaken by the Lyng Management Company (LMC), an independent company. The Chair of the Association is a director of that company representing Lyng Community Association. Management responsibility for those shared areas was transferred to Lyng Management Company from September 2017. Lyng Community Association was appointed as managing agent after an open tender exercise conducted by LMC. The Association charges an administration charge of £8,291 per annum to administer the management activity. During the year 2019/20 this charge was levied on the Association and a further £4,982 was accrued to 31 March 2020. The total income of £12,598 (2019: £11,875) is shown as Other Social Housing Activities in the Income and Expenditure account.