

Lyng Community Association
Annual report and financial statements
for the year ended 31 March 2018

Company registered number: 3977954

Charity registered number: 1089147

Homes and Communities Agency number: L4420



Lyng Community Association

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Lyng Community Association

Information

BOARD OF MANAGEMENT

E W Bodenham (Chair)
R F Clough
J Edwards
H Patrick
C J Williams
N Hickson
E J Neads
A Moorhouse

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

1089417

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 2018.

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.

Background and development history

The 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 estate had become crime ridden and anti-social and disaffected residents joined to form an action group in the mid 1990's 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 by 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 developing the rest of the cleared estate to provide approximately 250 homes for sale. Finally a contract was signed in 2010 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. Barratts have completed their building and selling of home ownership homes on the estate.

The Association continues to work with developers to acquire more homes should the prospect become possible, there are no other development considerations at present.

Financial review

The surplus for the year of £219,204 maintains a similar surplus as previous years. The free reserves at March 2018 of £2,430,502 provides a solid platform for the Association to mitigate the continuing impact of the 1% reduction in rents in each of the next 2 years.

The bank loan provides a strong liquidity position with annual repayments of £208,333 now 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 has been 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:

- Voids, there is high demand and very low losses of rent through gaps in tenancies.
- Arrears are a challenge, with housing benefit payments in arrears and courts unwilling to give possession on cases particularly where children are concerned. However arrears have been contained successfully during the year. An appropriate provision for potential rent losses is made each year.
- The housing stock is new and is maintained as required with planned programmes now being implemented where necessary. The use of in-house maintenance staff has worked very well, however there will be challenges particularly on the earlier developed homes over the next few years.

Lyng Community Association

Strategic Report

In addition to the above, emerging risks connected to social welfare reform are imminent however details remain limited at this stage, the Association has prepared for this by profiling its resident base.

Risks associated with governance are limited to the objective 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.

Financially the Association is very strong due to the 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.

Value for money

The Association owns and manages 200 homes and as a registered provider complies with the Regulator of Social Housing standards which includes the 2018 Value for Money Standard. The Association participated in the 2017 Sector Scorecard pilot and has been able to extract comparison data from that report against the relevant metric below.

The data for the Sector Scorecard report was extracted in August 2017. In total, 315 housing associations took part in the pilot exercise of which 74 were smaller associations and 241 medium and large associations from across the UK. Together, these organisations manage almost 2.4m properties, over 80% of UK housing association stock.

The specific peer group comparison refers to associations with 1,000 units or less where such data was available. The median data for all Associations that participated in the data collection in 2017 is quoted to give an indicator of how the Association compares with the wider group of larger housing associations.

The performance metrics are as follows:

	2018	2017	2016	Peer Group	Note
Reinvestment	0.20%	4.00%	0.20%	5.30%	1
New supply – social housing	0.00%	5.30%	0.00%	1.10%	2
New supply – non-social housing	N/A	N/A	N/A	N/A	3
Gearing	35.92%	37.70%	41.00%	41.60%	4
EBITDA MIR (Interest cover)	227.00%	214.00%	225.00%	228.30%	5
Headline social housing cost per unit	£3,049	£2,945	£3,009	£4,347	6
Operating margin – SH lettings	44.04%	45.40%	45.70%	31.60%	7
Operating margin – overall	44.00%	45.50%	45.70%	30.30%	8
Return on capital employed	3.90%	3.90%	3.80%	4.00%	9

Notes and Commentary

- Note 1 5.3% - this is a comparison from the 2016 Global Financial Statements
Commentary - In 2016/17 the Association completed 10 new homes which is illustrated in a one off rise in the performance data
- Note 2 The median for all housing associations 2017 was 1.1%
Commentary - In 2016/17 the Association completed 10 new homes and will look to develop more within its core area in future.
- Note 3 The Association has not developed any non-social housing.
- Note 4 The median for all housing associations 2017 was 41.6%
- Note 5 The median for all housing associations 2017 was 228.3%

Lyng Community Association

Strategic Report

- Note 6 Small Housing Associations (under 1,000 units) - £4,347 (median)
 All Housing Associations £3,306 (median)
 Commentary – the Association costs are less than the median for all housing associations and compares favourably with smaller associations in its peer group
- Note 7 The median for all housing associations 2017 was 31.6%
- Note 8 The median for all housing associations 2017 was 30.3%
- Note 9 The median for all housing associations 2017 was 4%

The Association is committed to the principles of the VFM standard and will continue to compare itself, where appropriate, with similar providers with a view to ensuring its performance improves year on year. The Board will use the above data and comparisons to develop new targets and shape the VFM strategy for next 3 years.

Governance

The Association prides itself in ensuring the Lyng estate is a thriving community. This is not just in responding to initiatives such as events and activities but in the governance of the Association. Despite attempts to attract residents from the estate there has been a disappointing response to opportunities for residents to be part of the governing arrangements, whether as resident forum members or as formal Board members. We continue 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.

Approved by the Board and signed on its behalf by:

Chair



Date:

10/7/18

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 judgments 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 2015. 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.

Cash flow risk

The Association's activities expose it primarily to the financial risks of changes in interest rates. Interest bearing liabilities are primarily held at fixed rate to ensure certainty of cash flows.

Lyng Community Association

Board Report

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 Association's activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to credit, liquidity and cash flow risk are described above and in the Strategic Report.

The Association has considerable financial resources and, as a consequence, the Board believe that the Association is well placed to manage its business risks successfully despite current uncertainties in the social housing sector.

After making enquiries, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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 RSH Governance and Financial Viability Standard

The Board confirms that the Association is fully compliant with the requirements of the revised Governance and Financial Viability Standard applicable from April 2015. The RSH apply 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



Date:

10/7/18

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 2018 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 2018 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 2015.

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

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.

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.

Lyng Community Association

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

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 6, 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. 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.

Lyng Community Association

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

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.



Lee Cartwright
(Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
45 Church Street
Birmingham
B3 2RT
Date: 19 July 2019

Lyng Community Association
Statement of Comprehensive Income
For the year ended 31 March 2018

	Note	2018 £	2017 £
Turnover	3	1,089,817	1,078,314
Operating expenditure	3	(609,809)	(588,982)
Operating surplus		480,008	489,332
Interest receivable	5	11,596	12,758
Interest and finance costs	4	(272,400)	(280,579)
Surplus before taxation		219,204	221,511
Taxation		-	-
Surplus for the year	6	219,204	221,511
Other comprehensive income		-	-
Total comprehensive income for the year		219,204	221,511


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

The notes on pages 16 to 29 form an integral part of these financial statements.

Lyng Community Association
Statement of Financial Position
At 31 March 2018

	Note	2018 £	2017 £
Fixed assets			
Housing properties	9	10,175,462	10,341,573
Other property, plant and equipment	10	-	1,524
		<u>10,175,462</u>	<u>10,343,097</u>
Current assets			
Debtors	11	75,807	78,317
Cash		2,563,392	2,433,709
		<u>2,639,199</u>	<u>2,512,026</u>
Creditors: Amounts falling due within one year	12	(366,786)	(350,531)
Net current assets		<u>2,272,413</u>	<u>2,161,495</u>
Total assets less current liabilities		12,447,875	12,504,592
Creditors: Amounts falling due after more than one year	13	(10,017,373)	(10,293,294)
Net assets		<u>2,430,502</u>	<u>2,211,298</u>
Capital and reserves			
Revenue reserve		2,430,502	2,211,298
Total reserves		<u>2,430,502</u>	<u>2,211,298</u>

The financial statements of Lyng Community Association were approved by the Board of Management on 10 July 2018 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 2018

	Revenue reserve £	Total £
At 1 April 2016	1,989,787	1,989,787
Surplus for the year	221,511	221,511
	<hr/>	<hr/>
At 31 March 2017	2,211,298	2,211,298
Surplus for the year	219,204	219,204
	<hr/>	<hr/>
At 31 March 2018	<u>2,430,502</u>	<u>2,430,502</u>

Lyng Community Association
Statement of Cash Flows
For the year ended 31 March 2018

	Note	2018 £	2017 £
Net cash generated from operating activities	17	625,908	657,781
Cash flows from investing activities			
Purchase of property, plant and equipment		(28,978)	(490,365)
Interest received		11,596	12,758
Net cash flows from investing activities		(17,382)	(477,607)
Cash flows from financing activities			
Interest paid		(272,400)	(280,579)
Amortisation of loan issue costs		1,890	1,890
Repayments of borrowings		(208,333)	(208,333)
Net cash flows from financing activities		(478,843)	(487,022)
Net increase/(decrease) in cash and cash equivalents		129,683	(306,848)
Cash and cash equivalents at beginning of year	17	2,433,709	2,740,557
Cash and cash equivalents at end of year	17	2,563,392	2,433,709

Lyng Community Association

Notes to the financial statements

For the year ended 31 March 2018

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 2014 (SORP), the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2015. 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 a 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.

Lyng Community Association

Notes to the financial statements

For the year ended 31 March 2018

Non-housing property, plant and equipment

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

Impairment of social housing properties

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

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in surplus or deficit in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model.

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.

Social Housing Grant and other Government grants

Where grants are received from government agencies such as the Homes and Communities Agency, 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.

Recycling of grants

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 for outright sale

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 2018

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 2018

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 judgments, 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 judgments 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 2018

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 addressed below.

3. Particulars of turnover, operating costs and operating surplus

	2018		
	Turnover £	Operating costs £	Operating surplus £
Social housing lettings (note 3A)	1,089,817	609,809	480,008
Other social housing activities	-	-	-
Total	1,089,817	609,809	480,008

	2017		
	Turnover £	Operating costs £	Operating surplus £
Social housing lettings (note 3A)	1,078,314	588,982	489,332
Other social housing activities	-	-	-
Total	1,078,314	588,982	489,332

Lyng Community Association

Notes to the financial statements

For the year ended 31 March 2018

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

	General Needs Housing £	2018 Total £	2017 Total £
Income			
Rents receivable	981,361	981,361	971,597
Service charge income	38,979	38,979	37,240
Amortised government grant	69,477	69,477	69,477
	<hr/>	<hr/>	<hr/>
Turnover from social housing lettings	1,089,817	1,089,817	1,078,314
	<hr/>	<hr/>	<hr/>
Expenditure			
Service charge costs	18,522	18,522	18,777
Management	262,802	262,802	254,429
Routine maintenance	103,631	103,631	82,990
Planned maintenance	29,765	29,765	30,697
Bad debts	-	-	7,462
Depreciation of housing properties	195,089	195,089	194,627
	<hr/>	<hr/>	<hr/>
Operating costs	609,809	609,809	588,982
	<hr/>	<hr/>	<hr/>
Operating surplus social housing lettings	480,008	480,008	489,332
	<hr/>	<hr/>	<hr/>
Void losses	192	192	4,703
	<hr/>	<hr/>	<hr/>

4 Interest and finance costs

	2018 £	2017 £
Bank loans and overdrafts	272,400	280,579
	<hr/>	<hr/>
	272,400	280,579
	<hr/>	<hr/>

Lyng Community Association

Notes to the financial statements

For the year ended 31 March 2018

5. Interest receivable

	2018 £	2017 £
Bank interest receivable	11,596	12,578
	<u>11,596</u>	<u>12,578</u>

6. Surplus for the year

Surplus for the year is stated after charging/(crediting):

	2018 £	2017 £
Depreciation of property, plant and equipment	196,613	199,584
Government grants	69,477	69,477
Audit fees:		
- Statutory audit (excl VAT)	<u>4,000</u>	<u>4,000</u>

7. Staff costs

	2018 £	2017 £
Wages and salaries	107,002	89,457
Social security costs	5,103	3,575
Pensions	460	-
	<u>112,565</u>	<u>93,032</u>

No staff received emoluments, including pension contribution, in excess of £60,000 during the year (2017: nil).

The average full time equivalent number of employees was: 3.9 (2017: 3.7)

	2018 Number	2017 Number
Staff – absolute numbers	<u>5</u>	<u>5</u>

The basis of the calculation of the full time equivalents was 6 staff working variable part time hours equating to 146 hours per week out of a possible 175.

Lyng Community Association

Notes to the financial statements

For the year ended 31 March 2018

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 2017	12,189,559	12,189,559
Components capitalised	28,978	28,978
Disposals	-	-
At 31 March 2018	<u>12,218,537</u>	<u>12,218,537</u>
Depreciation		
At 1 April 2017	1,847,986	1,847,986
Charge for the year	195,089	195,089
Eliminated on disposals	-	-
At 31 March 2018	<u>2,043,075</u>	<u>2,043,075</u>
Net book value		
At 31 March 2018	<u>10,175,462</u>	<u>10,175,462</u>
At 31 March 2017	<u>10,341,573</u>	<u>10,341,573</u>

Freehold land and buildings with a carrying amount of £6million (2017: £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 2018

10. Property, plant and equipment - other

	Fixtures and fittings £	Total £
Cost		
At 1 April 2017	34,699	34,699
Additions	-	-
Disposals	-	-
	<u>34,699</u>	<u>34,699</u>
At 31 March 2018		
Depreciation		
At 31 March 2017	33,175	33,175
Charge for the year	1,524	1,524
Disposals	-	-
	<u>34,699</u>	<u>34,699</u>
At 31 March 2018		
Net book value		
At 31 March 2018	-	-
At 31 March 2017	<u>1,524</u>	<u>1,524</u>

11. Debtors

	2018 £	2017 £
Amounts falling due within one year:		
Rent arrears	65,845	91,427
Net present value adjustment	-	-
Provision for bad debts	(19,631)	(30,027)
Prepayments and accrued income	29,593	16,917
	<u>75,807</u>	<u>78,317</u>

12. Creditors – amounts falling due within one year

	2018 £	2017 £
Bank loans and overdrafts (see note 13)	208,333	208,333
Rents received in advance	15,510	13,865
Accruals	43,560	31,457
BBC Children in need grant	29,905	27,399
Government grants	69,477	69,477
	<u>366,786</u>	<u>350,531</u>

The BBC children in need grant is to provide and manage youth facilities

Lyng Community Association

Notes to the financial statements

For the year ended 31 March 2018

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

	2018 £	2017 £
Other creditors		
Loans	4,180,014	4,386,458
Government grants	5,837,359	5,906,836
	<u>10,017,373</u>	<u>10,293,294</u>

The loans are secured on freehold housing properties. Interest is payable at a fixed rate of 7.4% on the majority of the loan and (at 31 March 2018) LIBOR +2.2% on the balance.

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

	2018 £	2017 £
Deferred income - Government grants		
At 1 April 2017	5,976,313	6,045,790
Amortisation to Statement of Comprehensive Income	(69,477)	(69,477)
At 31 March 2018	<u>5,906,836</u>	<u>5,976,313</u>
Due within one year	<u>69,477</u>	<u>69,477</u>
Due after one year	<u>5,837,359</u>	<u>5,906,836</u>

Lyng Community Association

Notes to the financial statements

For the year ended 31 March 2018

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

Borrowings are repayable as follows:

	2018 £	2017 £
Bank Loans		
Between one and two years	208,333	208,333
Between two and five years	833,333	833,333
After five years	3,385,416	3,593,750
	<u>4,427,082</u>	<u>4,635,416</u>
Less transaction costs on issue	(38,735)	(40,625)
	<u>4,388,347</u>	<u>4,594,791</u>
Less amounts due on demand or within one year	(208,333)	(208,333)
	<u><u>4,180,014</u></u>	<u><u>4,386,458</u></u>

15. Retirement benefit schemes

Defined contribution schemes

The Association has 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 2018

16. Financial instruments

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

	2018 £	2017 £
Financial assets		
Measured at undiscounted amount receivable		
• Rent arrears and other debtors (see note 11)	65,845	91,427
• Cash	2,563,392	2,433,709
	<u>2,629,237</u>	<u>2,525,136</u>
Financial liabilities		
Measured at undiscounted amount payable		
• Bank loans (see note 13)	4,388,347	4,594,791
• Trade and other creditors (see note 12)	43,560	58,856
• Rents received in advance (see note 12)	15,510	13,865
	<u>4,447,417</u>	<u>4,667,512</u>

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

	2018 £	2017 £
Interest income and expense		
Total interest income for financial assets at undiscounted amount receivable	11,596	12,758
Total interest expense for financial liabilities at undiscounted amount payable	<u>(272,400)</u>	<u>(290,358)</u>

Lyng Community Association

Notes to the financial statements For the year ended 31 March 2018

	2018 £	2017 £
17. Net cash generated from operating activities		
Surplus for the year	219,204	221,511
<i>Adjustment for non-cash items:</i>		
Depreciation of property, plant and equipment	196,613	199,584
Decrease in debtors	2,510	21,091
Increase in creditors	16,254	17,251
<i>Adjustments for investing or financing activities:</i>		
Government grants utilised in the year	(69,477)	(69,477)
Interest payable	272,400	280,579
Interest received	(11,596)	(12,758)
Net cash generated from operating activities	625,908	657,781
Cash and cash equivalents		
Cash at bank and in hand	2,563,392	2,433,709
Cash equivalents included in current asset investments	-	-
Cash and cash equivalents	2,563,392	2,433,709
18. Financial commitments		
Capital commitments are as follows:	2018 £	2017 £
Contracted for but not provided for	5,000	-
	5,000	-
19. Housing Stock		
	2018 Units	2017 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 2018

20. Operating leases

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

	2018	2017
	£	£
Less than 1 year	1,101	237
Between 2 and 5 years	1,652	-
Greater than 5 years	-	-
	<hr/>	<hr/>
	2,753	237
	<hr/>	<hr/>

21. Related party transactions

The Board includes 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 arrears for these Board members totalled £nil (2017: £nil). During the year rent and service charge received was £14,833 (2017: £14,739).

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 £47,880 (2017: £47,401). At the year-end £nil (2017: £4,468) was included in accruals.

The overall management of the estate is undertaken by the Lyng Management Company, an independent company. The Chair of the Association is a director of the company. The full responsibility for the overall estate was transferred to the Management Company in late 2017. The Lyng Community Association has been appointed as managing agent, initially for one year.

22. Accrual for untaken holiday

In accordance with FRS 102 the Association is required to accrue for any untaken staff holiday at the year end. At 31st March 2018 this totalled £2,438 (2017: £1,401) No adjustment has been made to the accounts on the grounds of this amount being immaterial to the financial statements.

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