

**PROVIDENCE ROW HOUSING ASSOCIATION**

**Report and Financial Statements  
For the year ended 31 March 2018**

**The Regulator of Social Housing: Number L0695  
Co-operative and Community Benefit Societies Act  
2014: Number 19322R**

# PROVIDENCE ROW HOUSING ASSOCIATION

## REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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# PROVIDENCE ROW HOUSING ASSOCIATION

## EXECUTIVE AND ADVISORS

Year ended 31 March 2018

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### BOARD OF MANAGEMENT

Jeff Baker (Chair)  
Rick Brunwin OBE (Vice Chair)  
Mo Ali  
Thomas Albohm  
Serena Braggiotti  
Andrew Disley  
John Giesen  
Steve Mendel  
Belinda Porich  
Ian Sealey  
Sue Stevens  
Maryann McKeever (until 3<sup>rd</sup> September 2017\*)

### AUDITOR

BDO LLP  
2 City Place  
Beehive Ring Road  
Gatwick  
West Sussex RH6 0PA

### SOLICITORS

Devonshires LLP  
30 Finsbury Circus  
London  
EC2M 7DT

### DIRECTOR

Fiona Humphrey BA (Hons) MCIH Dip (Housing)  
Chief Executive

### SOLICITORS

Trowers & Hamblins LLP  
3 Bunhill Row  
London  
EC1Y 8YZ

### SECRETARY AND REGISTERED OFFICE

Fiona Humphrey  
458 Bethnal Green Road  
London  
E2 0EA

### PRINCIPAL BANKER

HSBC Bank plc  
Poultry and Princes Street  
London  
EC2P 2BX

### REGISTERED NUMBER

The Regulator of Social Housing: Number L0695  
Co-operative and Community Benefit Societies Act 2014:  
Number 19322R

\* On 3<sup>rd</sup> September 2017 Maryann McKeever sadly passed away.

# PROVIDENCE ROW HOUSING ASSOCIATION

## REPORT OF THE BOARD AND STRATEGIC REVIEW

Year ended 31 March 2018

The Board presents their report and the audited financial statements for the year ended 31 March 2018.

### PRINCIPAL ACTIVITY

The principal activity of Providence Row Housing Association (PRHA) is the provision of accommodation and ancillary services for single homeless people.

During the year The Kipper Project was wound up as a subsidiary of PRHA, with all of its activities, assets and liabilities transferring to PRHA.

### OVERVIEW OF THE BUSINESS

The Group made an operating surplus for the year of £1,308,000 (2017: £1,045,000) before net interest charges. Turnover decreased by 11.7% (2017: decrease by 4.3%). During the recent commissioning round, through competitive tendering, PRHA was successful in gaining and retaining a number of adult social care contracts. It was however unsuccessful in winning some other contracts. One service was also decommissioned during the year due to a change in commissioning strategy for offender services. During the year PRHA received contract income, revenue grants and donations from various bodies including London Borough of Tower Hamlets, London Borough of Hackney, and Corporation of London.

PRHA borrows from the banks, mainly at fixed rates of interest, to finance our housing development programme. Total housing loans outstanding are £8.8 million as at the year end (2017: £9.1 million). PRHA has unencumbered assets which are available for use as security if it decides to pursue any development projects. PRHA continues to fund its major repairs programme and planned maintenance through operational surpluses.

The number of units of accommodation in permanent management and managed by the agencies at 31 March 2018 were as follows:

Units of housing stock	2018		2017	
	Group	PRHA	Group	PRHA
General needs units	89	89	89	89
Supported bed spaces	301	301	301	301
Hostels bed spaces	83	83	83	83
<b>Total owned</b>	<b>473</b>	<b>473</b>	<b>473</b>	<b>473</b>
Accommodation managed for others	37	37	97	92
<b>Total managed accommodation</b>	<b>510</b>	<b>510</b>	<b>570</b>	<b>565</b>
Units managed by other associations	44	44	44	44
<b>Total owned and managed accommodation</b>	<b>554</b>	<b>554</b>	<b>614</b>	<b>609</b>

## PROVIDENCE ROW HOUSING ASSOCIATION

### REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued)

Year ended 31 March 2018

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#### The year under review

Continuing economic uncertainty, welfare reform and changes in Government approaches to housing, in particular the rent reduction directive and focus on home ownership rather than social rented housing, all impacted on Registered Providers including PRHA.

As a social landlord we have been responding to the enhanced requirements around fire safety and carried out fire risk assessments on all of our properties last year. We are preparing to respond to further direction from Government as the outcomes of the Grenfell Tower inquiry and Hackett review are published.

The continuing uncertainty about the future funding of supported housing has been of particular concern for PRHA, especially for our schemes providing the highest levels of support to extremely vulnerable residents. The other key concern is the rapidly shrinking adult social care budgets. Nevertheless we were able to complete a refurbishment of Edward Gibbons House, our residential support and recovery service for formerly homeless men with complex support and care needs. The works (funded by the Greater London Authority (GLA)/Department of Health and by PRHA) have created improved facilities for medical interventions and life skills training and an enhanced environment that supports the recovery process.

During 2017/18 we took significant steps to adapt to our new economic environment:

- The Board is undertaking an ongoing and extensive re-evaluation of the business plan. We are looking to reshape some of our business activities to ensure that we continue to focus on our aims and mission within this very challenging environment. As part of this we have wound up our subsidiary, The Kipper Project and are taking forward its activities within PRHA, successfully winning the contract to provide young persons' support and accommodation.
- We have undergone commissioning for support contracts. We were pleased to win the support contract for the Dellow centre and are working in close partnership with our sister charity, Providence Row, to provide innovative services to the residents there, most of whom were previously homeless and have complex support needs.
- We achieved Investors in People Gold – an award that reflects our intensive focus on training, development and valuing our staff team which provides high quality services that support our residents.
- We have lobbied with other providers against some of the supported housing funding proposals which we feel would be damaging to the safety net provision that so many of our residents rely upon.
- Our Edward Gibbons House Service achieved an “Outstanding” rating from the Care Quality Commission. The report recognised the quality of the personalised services provided to some of our most vulnerable residents.

#### The year ahead – challenges and opportunities

- The Board has reaffirmed our core social purpose as providing housing for vulnerable and homeless people alongside the necessary support to recover and sustain accommodation. We aim to ensure that we are ready to face the challenge of doing this in a way that is sustainable in an environment of austerity and reducing adult social care funding.
- The Board is keeping the changes in the external environment (outlined above) under review. This is feeding into the strategic plan review.
- We are reviewing the use of our current assets and sustainable business plans for individual properties.
- Fire safety improvements will remain a key focus for the year in terms of human and financial resources.
- PRHA remains committed to ensuring that its service delivery is high quality but cost effective. This is a challenge when supported housing costs are increasing due to the increased turnover of accommodation and increased complexity of support needs. This is a key focus for the year ahead.
- The Board has been stable following a previous period of planned turnover. The succession plan is being refreshed.

**PROVIDENCE ROW HOUSING ASSOCIATION**

**REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued)**  
**Year ended 31 March 2018**

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**Group financial results**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Turnover</b>	8,232	9,321
Operating costs	(6,953)	(8,276)
<b>Operating surplus</b>	<u>1,279</u>	<u>1,045</u>
Surplus on disposal of fixed assets	-	312
Interest receivable	8	9
Interest and financing costs	(508)	(470)
<b>Surplus and total comprehensive income for the year</b>	<u><u>779</u></u>	<u><u>896</u></u>

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Consolidated balance sheet</b>		
Housing Properties	41,890	41,505
Other property, plant and equipment	880	906
Net current assets	3,117	3,357
	<u>45,887</u>	<u>45,768</u>
Creditors: amounts falling due after more than one year	(36,136)	(36,796)
	<u><u>9,751</u></u>	<u><u>8,972</u></u>
<b>Capital and reserves</b>		
Share capital	-	-
General reserves	9,751	8,972
	<u><u>9,751</u></u>	<u><u>8,972</u></u>

## **PROVIDENCE ROW HOUSING ASSOCIATION**

### **REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued)**

**Year ended 31 March 2018**

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PRHA demonstrates strong financial management. Our substantial reserves built over the years has allowed us to make significant investments in our housing stock and in the provision of services to our residents. A summary of the results for the year are as follows:

- Group turnover decreased by 11.7% or £1.1 million during the year
- Group surplus on ordinary activities was £779,000
- Group reserves increased from £8.972 million in 2017 to £9.751 million
- The net book value of the Group's housing properties totalled £41.9 million (2017: £41.5 m)
- The Group's housing loan's stood at £8.8 million as at the end of the financial year a decrease of £293,000 or 3.2%
- Loan covenants for the loan facilities, primarily determined by interest cover, gearing ratios and asset cover were met throughout the year and at year end

## **VALUE FOR MONEY**

### **Our commitment to Value For Money**

Based on the regulatory framework for the sector we carried out a Value for Money assessment during the year. Achieving Value for Money remains a fundamental business strategy for PRHA, ensuring we provide an efficient, cost-effective service to our residents.

The Group aims to meet its strategic and business objectives in the most efficient manner at the best possible price.

This means aiming to achieve high levels of resident satisfaction and being cost-effective whilst also fully contributing to the achievement of wider outcomes for the community and maintaining financial stability.

### **Meeting our strategic objectives**

The Group aims to strike a balance through its Value for Money decision making which takes into account the six key objectives of the organisation:

- To improve the quality of life of our tenants and service users;
- To provide good quality housing and property related services;
- To support the personal and professional development of our staff;
- To be a provider of choice;
- To manage growth, diversify and remain viable; and
- To celebrate our diversity and to share knowledge and expertise.

The Board has reaffirmed its commitment to providing accommodation particularly for people who are vulnerable and need ongoing social care/support. This reflects our long history of providing these services to our local communities, the skills of our staff team and the increasing demand for these services. Whilst we have not delivered any new homes this year we have invested in developing our current stock to meet changing needs.

## PROVIDENCE ROW HOUSING ASSOCIATION

### REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued)

Year ended 31 March 2018

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#### **Our Value for Money approach**

The Group aims to deliver a robust Value for Money approach in order to meet its overall strategic objectives, provide good quality services to its residents and to meet the requirements of its commissioners and regulators. It also enables us to maintain financial viability and manage risk within an uncertain and challenging external environment. This strategy is embedded in a number of other PRHA strategies including those for procurement, asset management, human resources and quality. We aim to deliver our strategy by achieving the following objectives:

- Involving residents in decisions about service provision and scrutiny of services;
- Ensuring that Value for Money is a key focus of continuing Board and staff review and that both quality and cost are monitored and reported on;
- Understanding our costs and managing our assets effectively;
- Benchmarking costs internally and externally;
- Managing our resources efficiently through effective cost controls and monitoring;
- Ensuring our business plans and departmental/service/staff work plans deliver value for money and quality services and that staff understand the role they can play in delivering value for money;
- Ensuring that we meet the requirements and standards of our commissioners;
- Ensuring that we maintain organisational cohesion and positive staff relations;
- Challenging how we deliver services and understanding how this relates to quality and cost, and
- Recycling cost savings to further improve services.

#### **Delivery of our Value For Money Strategy**

**Governance** – The Board approves the strategy and review's the efficiency of our operations through key performance indicators. It keeps a number of key strategies under ongoing review in the light of changes to funding and economic factors. These include development and asset management strategies as well as loan financing.



## PROVIDENCE ROW HOUSING ASSOCIATION

### REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued) Year ended 31 March 2018

**Financial** – We are committed to produce efficiency savings and quality gains which will translate into value for money. Approximately 23% of our turnover relates directly to support service contracts and the majority of this is spent directly on the costs of staffing. Both costs and income have been fixed for the past 2 to 3 years through these contracts and will remain fixed in future years.

#### Regulator of Social Housing – Value for Money metrics

Metrics	PRHA March 2017-18	SPBM Median 2016-17
Re-investment %	1.74	1.90
New supply delivered (Social housing units) %	0.00	0.00
New supply delivered (Non-social housing units) %	0.00	0.00
Gearing %	21.05	26.94
Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest cover %	170.07	244.00
Headline social housing cost per unit £	5,825.22	4,417.00
Operating Margin (Social housing lettings only) %	16.51	25.87
Operating Margin (Overall) %	15.20	25.38
Return on capital employed (ROCE)	1.88	3.70

The Board regularly reviews all of its key performance indicators and its strategy for managing its finances and assets as efficiently as possible.

We have included the benchmarks with the Skills and Projects Benchmarking (SPBM) group. This has advantages in relation to being smaller providers including many with supported housing stock. However the group does vary widely in size, type of property and location.

The information on medians is based on the complete audited 2016-17 data for the sector scorecard pilot project.

**Re-investment %** – PRHA has invested heavily in its properties especially the Edward Gibbons House refurbishment project which has transformed the facilities available to vulnerable residents. We have also replaced the majority of our commercial boilers and several of our lifts.

**New supply delivered %** – PRHA has not developed any new properties this year. It has appraised potential opportunities and continues to be open to future development.

**Gearing %** – PRHA's Board closely monitors its key financial performance indicators including the gearing ratio. PRHA has used loan finance to develop and refurbish properties over the past 15 year whilst staying well within its loan covenants. This allows PRHA scope for future growth.

**Earnings before interest, tax, depreciation, amortisation, major repairs included (EBITDA MRI) Interest cover %** – PRHA has built up cash reserves in order to ensure its stability and to develop properties. The Board has reviewed its loan financing this year and is looking at the most efficient way to utilise our reserves sustainably.

## PROVIDENCE ROW HOUSING ASSOCIATION

### REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued)

Year ended 31 March 2018

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**Headline social housing cost per unit** – PRHA’s costs typically run higher than those of larger general needs providers. This is because we provide predominantly temporary accommodation with high turnover rates, significant wear and tear and extensive services. We also provide higher levels of housing management in order to ensure that tenancies are sustained and bad debts minimised.

**Operating margin (social housing lettings only) and (overall) %** – PRHA’s operating margin is appropriate to its business type, predominantly specialist supported housing and social purpose. It enables PRHA to maintain its financial covenants and demonstrates an improving level of financial efficiency. It is broadly comparable to the 18% median for our SPBM peer group, a small group of supported housing providers.

**Return on capital employed (ROCE) %** – PRHA’s ratio reflects the fact that PRHA has borrowed loan finance to develop properties and predominantly operates supported housing which cost more to repair and re-let than general needs housing. It also has no historic stock which no longer has any loan or other associated debt.

**Managing Performance** – We continually review our performance and benchmark ourselves against similar sized organisations working in social housing and support services. We also provide performance information to our tenants and review it with them.

We have met some of our key objectives which measure efficiency and economy in our landlord related activities. However we have also faced challenges especially where external factors have impacted, for instance all of our properties are restricted to 100% nominations from the Local Authority. This has caused an increase in void losses in some supported housing schemes in particular.

<b>Combined general needs and supported</b>	<b>Target</b>	<b>Performance 2017-18</b>	<b>Performance 2016-17</b>	<b>Performance 2015-16</b>
Void levels average	4.26%	4.42%	4.42%	5.70%
Current arrears	7%	5.01%	8.51%	9.10%

**Tenant focus** – Improved Resident satisfaction with our services is a key objective in our strategic plan.

- We have Resident involvement at Board level and members also meet regularly with the Service Users Advisory Panel. This group reviews policies and key initiatives. It also sets the standards that residents expect from PRHA and then monitors the performance of the association. The residents selected priority areas are: Customer services, maintenance and managing anti-social behaviour. Our Maintenance Advisory Panel consisting of PRHA residents meet throughout the year to review all aspects of the repairs and maintenance service and carries out inspections of our properties.

**PROVIDENCE ROW HOUSING ASSOCIATION**

**REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued)**

**Year ended 31 March 2018**

<b>Combined general needs and supported</b>	<b>Performance 2017-18</b>	<b>Performance 2016-17</b>	<b>Performance 2015-16</b>
Overall satisfaction with services	93.1%	86.8%	84.5%
Satisfaction that rent provides value for money	87.9%	82.7%	81.0%
Satisfaction with the standard of cleaning	86.0%	88.5%	87.8%
Satisfaction with repairs services	85.5%	71.4%	79.7%
<b>General Needs</b>			
Satisfaction with estate services	90.0%	76.9%	70.0%

**Repairs Service** – Performance in repairs is one of the most important aspects of our service for residents. Satisfaction with the repairs service increased from 71.4% in the previous year to 85.5%. This compares with the SPBM median of 79%.

Performance however dipped slightly in all three categories set out below and this is the focus of an improvement plan for the year ahead.

Our performance is on the whole benchmarked as a median to upper quartile, (compared to previous years SPBM benchmark figures), with our figures including repairs to both supported housing and general needs.

	<b>Target</b>	<b>Performance 2017-18</b>	<b>Benchmark 2016-17 (SPBM)</b>	<b>Performance 2016-17</b>
Emergency repairs	100%	100%	100%	100%
Urgent repairs	98%	97.9%	97.1%	98%
Routine repairs	98%	96.9%	96.8%	98%
Appointments kept as a percentage of those made	95%	99.5%	No longer benchmarked by SPBM	98%

**Community Benefit** – As a locally based landlord and employer, PRHA aims to benefit its local communities. In 2017-18 we provided 12 traineeships, 67% of these were filled by people from our local communities.

Also 75% of all new staff recruits were from our local communities.

- The 2016-17 benchmarking figures in the table above show median performance data from all contributing Housing Associations to SPBM via Acuity and were obtained from the Report of the Supported Housing Benchmarking Club (a subset of contributing providers to the SPBM focused on supported housing). 2017-18 figures were not available at time of publication.

## **PROVIDENCE ROW HOUSING ASSOCIATION**

### **REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued)**

**Year ended 31 March 2018**

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#### **BOARD OF MANAGEMENT AND DIRECTORS**

The Board of Management and Directors of PRHA are listed on page 1. Each member of the Board holds one fully paid share of £1 in PRHA. The Directors hold no interest in PRHA's share capital.

Maryann McKeever a Board member for many years and a former tenant, sadly died during this year.

#### **STATEMENT OF THE BOARD'S RESPONSIBILITIES**

The board members are responsible for preparing the report of the board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law and social housing legislation require the board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the board members 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 and the Statement of Recommended Practice: Accounting by registered social housing providers 2014 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 group and association will continue in business.

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the group and PRHA's transactions and disclose with reasonable accuracy at any time the financial position of the group and PRHA and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, 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 group and PRHA and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2014.

Financial statements are published on the group and PRHA's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group and PRHA's website is the responsibility of the board members. The board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

## **PROVIDENCE ROW HOUSING ASSOCIATION**

### **REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued)** **Year ended 31 March 2018**

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#### **GOING CONCERN**

After reviewing the Annual Budget and Business Plan, the Board considers that PRHA has adequate resources to continue in operational existence for the foreseeable future. Accordingly, we continue to adopt the going concern basis in preparing the accounts.

#### **CORPORATE GOVERNANCE**

The National Housing Federation's (NHF) "Code of Governance – Promoting board excellence for housing associations" was issued in 2015. It is intended for the guidance of housing associations, so that they can continue to follow the highest standards of governance, accountability and probity while responding to an environment of change and risk. The Code is the embodiment of the values underlying the voluntary housing movement.

The Code aims to assist associations to be competent, accountable, independent and diverse. Its recommendations are meant as guidance to best practice and are not mandatory.

The Board has fully adopted and complies with the Code of Governance.

#### **STATEMENT ON INTERNAL CONTROLS ASSURANCE**

##### **INTERNAL CONTROLS STATEMENT**

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

The Board recognises that no system of internal control can provide absolute assurance or eliminates all risk. The system of internal control is designed to manage risk and to provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of PRHA's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the PRHA is exposed.

The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework includes:

- *Identification and evaluation of key risks*

The Board is responsible for overseeing the process of identifying, managing and evaluating risks. It reviews PRHA's risk map and action plan annually (and whenever necessitated by external or internal change). It also appoints a lead member to carry out the annual review of risk management including the internal controls report, action plan and statement. This process has been in place throughout the year under review, up to the date of the annual report, and is regularly reviewed by the Board. The Finance and Audit scrutiny group has an ongoing responsibility for identifying and monitoring key risks throughout the year and ensuring that the Board is aware of these.

## PROVIDENCE ROW HOUSING ASSOCIATION

### REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued)

Year ended 31 March 2018

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The Board also receives information from a range of sources to gain assurance that risks are being identified and that control procedures are working. The internal control framework and risk management process are subject to regular review by The Internal Audit Association, who are employed to provide independent assurance to the Board. Other sources of assurance include: the external auditors report, the Chief Executive's annual internal controls assurance report, regular performance indicator reporting, reports from external regulators, Health and Safety consultants reviews and quality assurance reviews, in particular Vulnerable Adults Commissioning, Care Quality Commission and Investors in People reviews.

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of PRHA's activities. This process is co-ordinated through a regular reporting framework by the Senior Management Team. The Senior Management Team regularly consider reports on significant specific risks facing PRHA and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

- *Monitoring and corrective action*

PRHA has instigated a continuous improvement process for strengthening internal controls. This takes the form of an internal controls action plan outlining key control areas within the 6 main control framework areas: Procedures; Regular Internal Auditing; Separation of functions; Monitoring of authorisation and expenditure; Training, induction and supervision of staff and review by the Senior Management Team and Management Board. This is monitored by the Senior Management Team and the Risk Panel. This ensures that corrective action is taken in relation to any significant control issues, particularly those with a material impact on the financial statements. Work is continuing on maintaining awareness of internal controls at all levels of staff teams.

- *Control environment and control procedures*

The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury strategy and new investment projects. The Board has adopted the NHF Code of Governance and complies with it.

The Board disseminates its requirements to all employees through PRHA's policies with regard to the quality, integrity and ethics of its employees. It is supported by a framework of policies and procedures with which all employees must comply. These cover issues including delegated authority, tendering and procurement, Disclosure & Barring Service checks, treasury management, health and safety, protection of service users from abuse, data and asset protection, whistleblowing and fraud prevention and detection. All new staff are required to acknowledge understanding of key policies during their probation period.

## PROVIDENCE ROW HOUSING ASSOCIATION

### REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued) Year ended 31 March 2018

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- *Regulator of Social Housing (RSH)*

The Board has responsibility for ensuring that PRHA complies with its regulatory obligations. RSH generally focus on the robustness of the PRHA's finance and risk strategies and the effectiveness of its corporate governance. PRHA has less than 1,000 properties and therefore is not subject to the same level of scrutiny as larger Registered Providers. Nevertheless the Board has taken the view that the standards as previously applied constitute good practice which PRHA will continue to aim to comply with. The Board of PRHA are subject to the Regulatory Framework for Social Housing in England 2015 (as updated in 2017).

PRHA has a significant commitment to co-regulation with residents on the Board and involved in a range of decision making and management roles. This is supported by the annual performance report and the agreement with tenants of a set of service standards. Tenants are also involved in inspection and audit process across PRHA's activities.

PRHA has complied with the revised Value for Money standard in the text of these accounts.

- *Information and financial reporting systems*

Financial reporting procedures for PRHA include detailed budgets for the year ahead and forecasts for the subsequent years. These are reviewed and approved by the Board. A detailed 10 year financial model is being used to enable more accurate forecasting and scenario planning given the particular risks inherent in managing a large number of social care contracts. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

The Board has received the Chief Executive's annual report and has taken account of any changes needed to maintain the effectiveness of the risk management and control process.

## PROVIDENCE ROW HOUSING ASSOCIATION

### REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued)

Year ended 31 March 2018

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#### SHAREHOLDING MEMBERSHIP

The shareholding membership consists mainly of current and past Board and Committee members, but not any of the senior staff. Each member holds one fully paid share of £1 of PRHA. The holding of shares confers no beneficial entitlement.

#### APPOINTMENT OF AUDITORS

A resolution to appoint BDO LLP as auditors of PRHA will be put to the Annual General Meeting.

By order of the Board



**F. HUMPHREY**  
Secretary and Chief Executive  
25<sup>th</sup> July 2018



## PROVIDENCE ROW HOUSING ASSOCIATION

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROVIDENCE ROW HOUSING ASSOCIATION

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#### Opinion

We have audited the financial statements of Providence Row Housing Association ("the Association") and its subsidiary ("the Group") for the year ended 31 March 2018 which comprise the Consolidated and Association statement of comprehensive income, the Consolidated and Association statement of financial position, the Consolidated and Association statement of changes in equity, the Consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2018 and of the Group's and the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, 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 Group and 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 members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or 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 are responsible for the other information. Other information comprises the information included in the Consolidated Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information 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, being the Report of the board and strategic review 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.

## PROVIDENCE ROW HOUSING ASSOCIATION

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROVIDENCE ROW HOUSING ASSOCIATION (Continued)

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#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the parent Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the parent Association financial statements are not in agreement with the accounting records and returns; 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 11), 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 members determine 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 are responsible for assessing the Group and 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 intend to liquidate the Group or 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### Use of our report

This report is made solely to the members of the Association, as a body, in accordance with in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Elizabeth Kulczycki (senior statutory auditor)  
BDO LLP  
Statutory Auditor  
Gatwick

Date 27 July 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**PROVIDENCE ROW HOUSING ASSOCIATION**

**CONSOLIDATED AND ASSOCIATION STATEMENTS OF COMPREHENSIVE INCOME**  
**Year ended 31 March 2018**

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	<b>Note</b>	<b>2018 Group £'000</b>	<b>2018 PRHA £'000</b>	<b>2017 Group £'000</b>	<b>2017 PRHA £'000</b>
<b>Turnover</b>	3	8,232	8,645	9,321	9,041
Operating costs	3	(6,953)	(6,953)	(8,276)	(7,997)
<b>Operating surplus</b>	3/5	1,279	1,692	1,045	1,044
Surplus on disposal of fixed assets	6	-	-	312	312
Interest receivable		8	8	9	9
Interest and financing costs	10	(508)	(508)	(470)	(470)
<b>Surplus and total comprehensive income for the year</b>		<u>779</u>	<u>1,192</u>	<u>896</u>	<u>895</u>

All amounts relate to continuing activities.

The notes on pages 22 to 43 form part of these financial statements.

**PROVIDENCE ROW HOUSING ASSOCIATION**

**CONSOLIDATED AND ASSOCIATION BALANCE SHEETS**  
**At 31 March 2018**

	Note	2018		2017	
		Group £'000	PRHA £'000	Group £'000	PRHA £'000
<b>FIXED ASSETS</b>					
Housing Properties	12	41,890	41,890	41,505	41,505
Other property, plant and equipment	13	880	880	906	906
		<u>42,770</u>	<u>42,770</u>	<u>42,411</u>	<u>42,411</u>
<b>CURRENT ASSETS</b>					
Debtors	14	65	65	272	275
Cash and cash equivalents		6,092	6,092	5,675	5,229
		<u>6,157</u>	<u>6,157</u>	<u>5,947</u>	<u>5,504</u>
<b>CREDITORS: amounts falling due within one year</b>	15	<u>(3,040)</u>	<u>(3,040)</u>	<u>(2,590)</u>	<u>(2,560)</u>
<b>NET CURRENT ASSETS</b>		<u>3,117</u>	<u>3,117</u>	<u>3,357</u>	<u>2,944</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>45,887</u>	<u>45,887</u>	<u>45,768</u>	<u>45,355</u>
<b>CREDITORS: amounts falling due after more than one year</b>	16	<u>(36,136)</u>	<u>(36,136)</u>	<u>(36,796)</u>	<u>(36,796)</u>
<b>NET ASSETS</b>		<u>9,751</u>	<u>9,751</u>	<u>8,972</u>	<u>8,559</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	19	-	-	-	-
General reserves		9,751	9,751	8,972	8,559
		<u>9,751</u>	<u>9,751</u>	<u>8,972</u>	<u>8,559</u>

These financial statements were approved and authorised for issue by the Board and signed on its behalf by:

  
**J. BAKER**  
 Chairman

  
**A. DISLEY**  
 Board Member

  
**F. HUMPHREY**  
 Secretary and Chief Executive

Date of approval: 25<sup>th</sup> July 2018  
 The notes on pages 22 to 43 form part of these financial statements.

## PROVIDENCE ROW HOUSING ASSOCIATION

### CONSOLIDATED AND ASSOCIATION STATEMENTS OF CHANGES IN RESERVES For the year ended 31 March 2018

#### GROUP

	Share Capital £'000	General Reserves £'000	Total £'000
Balance as at 1 April 2016	-	8,076	8,076
Total comprehensive income for the year	-	896	896
<b>Balance at 31 March 2017</b>	-	8,972	8,972
Total comprehensive income for the year	-	779	779
<b>Balance at 31 March 2018</b>	-	9,751	9,751

#### PRHA

	Share Capital £'000	General Reserves £'000	Total £'000
Balance as at 1 April 2016	-	7,664	7,664
Total comprehensive income for the year	-	895	895
<b>Balance at 31 March 2017</b>	-	8,559	8,559
Total comprehensive income for the year	-	1,192	1,192
<b>Balance at 31 March 2018</b>	-	9,751	9,751

The notes on pages 22 to 43 form part of these financial statements

**PROVIDENCE ROW HOUSING ASSOCIATION****CONSOLIDATED STATEMENT OF CASH FLOWS**  
**Year ended 31 March 2018**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cash flows from operating activities</b>		
Surplus for the financial year	779	896
Adjustments for:		
Depreciation of fixed assets – housing properties	487	425
Depreciation of fixed assets - other	26	28
Amortised grant	(368)	(391)
Interest paid and finance costs	508	470
Interest received and income from investments	(8)	(9)
(Surplus) on disposal of fixed assets – housing properties	-	(312)
Decrease in debtors	207	272
Increase in creditors	450	191
<b>Net cash generated from operating activities</b>	<u>2,081</u>	<u>1,570</u>
<b>Cash flow from investing activities</b>		
Purchase of tangible fixed assets	(872)	(43)
Interest received	8	9
<b>Net cash (used in) investing activities</b>	<u>(864)</u>	<u>(34)</u>
<b>Cash flow from financing activities</b>		
Interest paid	(508)	(470)
Repayment of borrowings	(292)	(291)
<b>Net cash (used in) financing activities</b>	<u>(800)</u>	<u>(761)</u>
<b>Net increase in cash and cash equivalents</b>	417	775
<b>Cash and cash equivalents at beginning of year</b>	<u>5,675</u>	<u>4,900</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>6,092</u></u>	<u><u>5,675</u></u>

The notes on pages 22 to 43 form part of these financial statements.

# PROVIDENCE ROW HOUSING ASSOCIATION

## NOTES ON THE FINANCIAL STATEMENTS

Year ended 31 March 2018

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### 1 LEGAL STATUS

Providence Row Housing Association (“the Association”) is registered in the United Kingdom under the Co-operative and Community Benefit Societies Act 2014 (No. 19322R) and is registered with the Regulator of Social Housing as a social housing provider (No. L0695). The Association is a public benefit entity.

The Registered office address and principal place of business is Providence House, 458 Bethnal Green Road, London E2 0EA.

### 2 ACCOUNTING POLICIES

#### Basis of preparation

The financial statements are prepared in accordance with applicable law and UK accounting standards and the Statement of Recommended Practice for Accounting by Registered Social Housing Providers (SORP 2014) under the historic cost convention and comply with the Accounting Direction for private registered providers of social housing 2015 (“the Direction”).

In preparing these financial statements, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow has been presented for the parent company;
- Disclosures in respect of the parent company’s financial instruments have not been presented as equivalent disclosures have been given for the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

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

The principal accounting policies of the Association are set out below.

#### Basis of consolidation

The group financial statements incorporate the financial statements of the Association and entity controlled by the Association (its subsidiary) prepared to 31 March each year. Control is achieved where the Association has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

During the year the subsidiary (The Kipper Project) was wound up and its trade and assets transferred to PRHA (note 7).

## PROVIDENCE ROW HOUSING ASSOCIATION

### NOTES ON THE FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2018

---

#### ACCOUNTING POLICIES (Continued)

All intra-group transactions and balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

#### Turnover

Turnover represents rental income receivable, fees receivable and grants from local authorities, The Regulator of Social Housing and other agencies.

Turnover is recognised as follows:

- Rental income and service charges are recognised in the period to which it relates net of rent and service charge losses from voids.
- Revenue grants are recognised in the Statement of Comprehensive Income in the same period as the expenditure to which they relate.
- Capital grants received are initially deferred and then credited to turnover in the Statement of Comprehensive Income on a straight line basis over the expected life of the asset which they have funded.
- Charges for support services funded under Supporting People are recognised as they fall due under the contractual agreement with Administering Authorities.

#### Property, plant and equipment

##### Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefits. Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and building, development cost and interest charges incurred during the development period.

##### *Depreciation of housing property*

Housing land and property is split between land, structure and other major components that are expected to require replacement over time.



## PROVIDENCE ROW HOUSING ASSOCIATION

### NOTES ON THE FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2018

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#### ACCOUNTING POLICIES (Continued)

Depreciation is calculated on the cost of properties and their major components and is charged on a straight line basis over their expected useful economic lives as shown below. Freehold land is not depreciated.

• Structure	100 years
• Roof and coverings	70 years
• Electrics	40 years
• Bathroom	30 years
• Mechanical systems	30 years
• Windows and Doors	30 years
• Lift	25 years
• Kitchen	20 years
• Boilers	15 years

Where assets are leased the depreciation rate is the lower of the rates above or the lease term.

#### Other property, plant and equipment and depreciation

Other property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected useful lives of the assets at the following rates:

Furniture	-	20% per annum on cost
Computer equipment	-	20% per annum on cost

#### Impairment

Annually housing properties are assessed for impairment indicators. For the purposes of impairment assessments, units and bed spaces are grouped together into properties.

At each statement of financial position date, each property is assessed to determine if there are indicators that the property may be impaired in value; if there are such indicators of impairment, then a comparison of the property's carrying value is made to its recoverable amount. Any excess over the recoverable amount is recognised as an impairment loss and charged as expenditure in the Statement of Comprehensive Income; the carrying value is reduced appropriately.

The assessment of the recoverable amount takes account of the service potential of the assets or the present value of future cash flows to be derived from them adjusting for any costs or restrictions.

#### Amortisation of Government grants

Government grants received for housing properties are recognised in income over the useful life (as identified for the depreciation charge) of the housing property structure and its individual components (excluding land).

## **PROVIDENCE ROW HOUSING ASSOCIATION**

### **NOTES ON THE FINANCIAL STATEMENTS (Continued)**

**Year ended 31 March 2018**

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#### **ACCOUNTING POLICIES (Continued)**

##### **Recycled Capital Grant Fund**

On the occurrence of certain relevant events, primarily the sale of dwellings, the Regulator of Social Housing can direct the Association to recycle capital grants or to make repayments of the recoverable amount. The Group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three year period, it will be repayable to the Regulator of Social Housing with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

Where there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the income and expenditure account.

##### **Agencies**

The transactions incurred directly by agencies managing the Group's supported housing projects are not consolidated in the financial statements where the related risks and rewards are with the agency.

##### **Financial Instruments**

Financial assets and liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Trade (including rental) and other debtors and creditors are classified as basic financial instruments and measured at initial recognition at transaction price.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank and short-term bank deposits with an original maturity of three months or less.

Interest bearing bank loans which meet the criteria to be classified as basic financial instruments are initially recorded at the value of the cash payable to the bank, which is ordinarily equal to the proceeds, received net of direct issue costs. Subsequent measurement of the bank loans are recorded at the value of the cash payable to the bank.

##### **Contingent liabilities**

A contingent liability is recognised for a possible obligation, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources; or for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made.

A contingent liability exists on grant repayment which is dependent on the disposal of related property.

##### **Management of units owned by others**

Management fees receivable and reimbursed expenses are shown as income and included in management fees receivable. Costs of carrying out the management contracts and rechargeable expenses are included in operating costs.

## **PROVIDENCE ROW HOUSING ASSOCIATION**

### **NOTES ON THE FINANCIAL STATEMENTS (Continued)**

**Year ended 31 March 2018**

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#### **ACCOUNTING POLICIES (Continued)**

##### **Bad debt provision**

The trade debtors balances recorded in the Group's statement of financial position comprise a relatively large number of small balances. A full line by line review of trade debtors is carried out at the end of each month. Whilst every attempt is made to ensure that the bad debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectible.

##### **Social housing grant**

Social Housing Grant (SHG) is a capital grant made towards the cost of acquiring and/or building additional housing for rent or sale.

SHG is repayable unless formally abated or waived. On the occurrence of certain relevant events, primarily following the sale of property, the SHG repayable or to be recycled will be restricted to the net proceeds of sale where appropriate. In recognition of this, external lenders seek the subordination of the Regulator of Social Housing's right to recover SHG to their own loans.

Social housing grant (SHG) is receivable from the Regulator of Social Housing and is recognised in income over the expected useful life of the housing property structure under the accruals model. SHG due from the Regulator of Social Housing or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

##### **Going Concern**

After reviewing the Annual Budget and Business Plan, the Board considers that the Association has adequate resources to continue in operational existence for the foreseeable future. The Association has in place long term debt facilities which provide adequate resources to finance committed reinvestment along with the Associations day to day operations. Its Business plan shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants. Accordingly, we continue to adopt the going concern basis in preparing the accounts.

##### **Apportionment of management expenses**

Direct employee, administration and operating costs have been apportioned to the relevant sections of the income and expenditure account on the basis of costs of the staff directly engaged on the operations dealt with in these financial statements.

##### **Pension costs**

The Association operates a number of Stakeholders' Pension Schemes where the Association's liability is limited to the contracted Employer's contribution rate.

##### **Leased assets: Lessee**

Where assets are financed by leasing agreements that give rights approximately to ownership (finance leases), the assets are treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

## PROVIDENCE ROW HOUSING ASSOCIATION

### NOTES ON THE FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2018

---

#### ACCOUNTING POLICIES (Continued)

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

#### Supporting People grant accounting policy

The turnover includes Supporting People (SP) grant income received from administering authorities, plus support charges to individual tenants. The related expenditure is included in operating cost.

#### Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the key judgements have been made in respect of the following:

- Whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset. The members have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on Existing Use Value – Social Housing (EUV-SH) or depreciated replacement cost.

#### *Other key sources of estimation uncertainty*

- *Tangible fixed assets*

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual value are assessed annually and may vary depending on factors such as future market conditions, the remaining life of the asset and the disposal values.

In assessing impairment of assets an estimate of the rebuild cost is applied, depreciation is calculated based on the age of the existing property to arrive at a depreciated replacement cost.

- *Rental and other trade receivables (debtors)*

The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

- *Revenue recognition around particular contracts – for example, supporting people*

Charges for services provided and Supporting People income are recognised as income when the Group has provided the service concerned. Grants made as contributions to revenue expenditure are credited to income in the period in which the related expenditure is incurred.

**PROVIDENCE ROW HOUSING ASSOCIATION**

**NOTES ON THE FINANCIAL STATEMENTS year ended 31 March 2018 (Continued)**

**3 TURNOVER, OPERATING EXPENDITURE AND OPERATING SURPLUS - (GROUP)**

	2018		2017	
	Turnover £'000	Operating Expenditure £'000	Operating Expenditure £'000	Operating Surplus £'000
Social housing lettings (Note 4)	7,976	(6,660)	(7,574)	976
<b>Other social housing activities</b>				
Offenders' services	133	(173)	(307)	3
Agency services	-	-	-	10
Other social housing activities	123	(120)	(395)	56
<b>TOTAL</b>	<b>8,232</b>	<b>(6,953)</b>	<b>(8,276)</b>	<b>1,045</b>

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS year ended 31 March 2018 (Continued)

3 TURNOVER, OPERATING EXPENDITURE AND OPERATING SURPLUS - (PRHA)

	2018			2017		
	Turnover £'000	Operating Expenditure £'000	Operating Surplus £'000	Turnover £'000	Operating Expenditure £'000	Operating Surplus £'000
Social housing lettings (Note 4)	7,976	(6,660)	1,316	8,550	(7,574)	976
<b>Other social housing activities</b>						
Offenders' Services	133	(173)	(40)	310	(307)	3
Agency services	-	-	-	10	-	10
Other social housing activities	123	(120)	3	171	(116)	55
Transfer from subsidiary undertaking (note 7)	413	-	413	-	-	-
<b>TOTAL</b>	<b>8,645</b>	<b>(6,953)</b>	<b>1,692</b>	<b>9,041</b>	<b>(7,997)</b>	<b>1,044</b>

**PROVIDENCE ROW HOUSING ASSOCIATION**

**NOTES ON THE FINANCIAL STATEMENTS (Continued)**

**Year ended 31 March 2018**

**4 LETTING ACTIVITIES – (GROUP AND PRHA)**

	<b>Supported Housing</b>	<b>General Needs</b>	<b>Agency Managed</b>	<b>2018 Total</b>	<b>2017 Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Income</b>					
Rent receivable net of identifiable service charges	2,069	609	-	2,678	2,874
Service charge income	2,439	178	-	2,617	2,713
Amortised government grants	261	94	14	369	391
Supported housing	1,783	-	-	1,783	2,168
Other	97	21	411	529	404
<b>Turnover from Social Housing Lettings</b>	<b>6,649</b>	<b>902</b>	<b>425</b>	<b>7,976</b>	<b>8,550</b>
<b>Expenditure</b>					
Management	962	218	70	1,250	1,576
Service charge costs	1,628	208	104	1,940	2,181
Routine maintenance	571	85	64	720	702
Bad debts	128	7	-	135	141
Depreciation of housing properties	323	132	12	467	425
Supported housing	2,148	-	-	2,148	2,549
<b>Operating expenditure on Social Housing Lettings</b>	<b>5,760</b>	<b>650</b>	<b>250</b>	<b>6,660</b>	<b>7,574</b>
<b>Operating surplus on Social Housing Lettings</b>	<b>889</b>	<b>252</b>	<b>175</b>	<b>1,316</b>	<b>976</b>
Void losses	(250)	(7)	-	(257)	(313)

## PROVIDENCE ROW HOUSING ASSOCIATION

### NOTES ON THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2018

#### 5 OPERATING SURPLUS

Is stated after charging:

	2018		2017	
	Group £'000	PRHA £'000	Group £'000	PRHA £'000
Depreciation				
- Social housing properties held for lettings	458	458	425	425
- Other property, plant and equipment	26	26	28	28
- Accelerated depreciation	29	29	-	-
	<u>513</u>	<u>513</u>	<u>453</u>	<u>453</u>
Auditors' remuneration				
- parent – external -audit services current year (excluding VAT)	26	26	22	22
- parent – external – non audit services current year (excluding VAT)	13	13	23	-
- subsidiary – audit services current year (excluding VAT)	-	-	10	-
	<u>-</u>	<u>-</u>	<u>10</u>	<u>-</u>

#### 6 SURPLUS ON DISPOSAL OF FIXED ASSETS

	2018 £'000	2017 £'000
Proceeds	-	412
Cost	-	(876)
Depreciation	-	135
	<u>-</u>	<u>(329)</u>
Grant release	-	641
Surplus on disposal of Fixed Asset	<u>-</u>	<u>312</u>



## PROVIDENCE ROW HOUSING ASSOCIATION

### NOTES ON THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2018

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#### 7 TRANSFER FROM SUBSIDIARY UNDERTAKING

On the 20<sup>th</sup> March 2018 The Kipper Project, the wholly owned subsidiary of PRHA, was dissolved. All of its activities, assets and liabilities transferred to PRHA on 28<sup>th</sup> September 2017. The assets and liabilities at this date comprised only of cash (totalling £413k). This income is shown within note 3.

The Kipper Project was a full subsidiary of PRHA with PRHA exercising control over Kipper Project Board appointments. The Kipper Project was registered in England under the Companies Act 2006, no. 3208902 as a company limited by guarantee and was also a registered charity. The Kipper Project existed to help homeless and vulnerable young people in East London, to fulfil their potential and achieve independence. This work is now continued by PRHA.

#### 8 DIRECTORS' AND SENIOR EXECUTIVES EMOLUMENTS

The key management personnel are defined as the Board of Management, the Chief Executive and the Executive Management Team. None of the Board members received any emoluments in either year. The Board members, received £195 (2017: £4,080) for board expenses during the year.

The total emoluments paid to Directors (who for the purpose of this note include the members of the Board and the executive management team) received the following emoluments:

	<b>2018</b>	<b>2017</b>
	<b>Group</b>	<b>Group</b>
	<b>£'000</b>	<b>£'000</b>
Gross salary	267	270
Social security costs	31	32
Employer's pension contributions	11	12
	<u>309</u>	<u>314</u>

The total amount payable to the Chief Executive, who was also the highest paid director in respect of emoluments was as follows:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Highest paid Director		
Aggregate remuneration (excluding pension)	101	96
Pension contribution	5	4
	<u>106</u>	<u>100</u>

## PROVIDENCE ROW HOUSING ASSOCIATION

### NOTES ON THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2018

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#### 8 DIRECTORS' AND SENIOR EXECUTIVES EMOLUMENTS (CONTINUED)

During the year pension contributions of £4,500 (2017: £4,250) were paid by the Association for the benefit of the Chief Executive. The chief executive is an ordinary member of the scheme. The scheme to which they were paid is the Legal and General Assurance Society Stakeholders Pension.

Salary bandings for all employees earning over £60,000

	<b>2018</b>	<b>2017</b>
	<b>Group</b>	<b>Group</b>
	<b>No.</b>	<b>No.</b>
£100,001 to £120,000	<b>1</b>	<b>1</b>

#### 9 EMPLOYEE INFORMATION

The average number of persons (including the Chief Executive) employed during the year, expressed in full time equivalent members of staff, was 80 (2017: 104).

	<b>2018</b>		<b>2017</b>	
Staff costs were as follows:	<b>Group</b>	<b>PRHA</b>	<b>Group</b>	<b>PRHA</b>
	<b>£'000</b>	<b>£000</b>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	2,682	2,682	3,275	3,060
Social security costs	238	238	295	279
Pension costs (note 20)	57	57	64	63
	<u>2,977</u>	<u>2,977</u>	<u>3,634</u>	<u>3,402</u>

Staff costs of £142,027 (2017: £110,113) were paid to various agencies.

Full time equivalents are calculated based on a standard working week of 35 – 40 hours.

**PROVIDENCE ROW HOUSING ASSOCIATION**

**NOTES ON THE FINANCIAL STATEMENTS (Continued)**

**Year ended 31 March 2018**

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**10 INTEREST PAYABLE AND SIMILAR CHARGES**

	2018		2017	
	Group £'000	PRHA £'000	Group £'000	PRHA £'000
On bank loans	508	508	470	470
	<u>508</u>	<u>508</u>	<u>470</u>	<u>470</u>

**11 TAX**

The Association is a charity within the meaning of Para 1 Schedule 6 Finance Act 2010. Accordingly the Association is potentially exempt from taxation in respect of income or capital gains within categories covered by Chapter 3 of Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

No tax charge arose in the period.

**PROVIDENCE ROW HOUSING ASSOCIATION**

**NOTES ON THE FINANCIAL STATEMENTS (Continued)**

**Year ended 31 March 2018**

**12 TANGIBLE ASSETS - HOUSING PROPERTIES (GROUP AND PRHA)**

<b>Cost</b>	<b>Social housing properties held for letting £'000</b>	
At 1 April 2017	46,702	
Additions		
- replaced components	181	
- work to existing properties	691	
Disposals		
- replaced components	(144)	
<b>At 31 March 2018</b>	<u>47,430</u>	
<b>Depreciation</b>		
At 1 April 2017	5,197	
Charge for year	458	
Disposals		
- replaced components	(115)	
<b>At 31 March 2018</b>	<u>5,540</u>	
<b>Net book value at 31 March 2018</b>	<u>41,890</u>	
Net book value at 31 March 2017	<u>41,505</u>	
	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Expenditure on works to existing properties</b>		
Amount expensed to the income and expenditure account (included in routine maintenance as above)	62	702
Amounts capitalised in fixed asset housing properties	872	41
	<u>934</u>	<u>743</u>

## PROVIDENCE ROW HOUSING ASSOCIATION

### NOTES ON THE FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2018

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#### 12 TANGIBLE ASSETS - HOUSING PROPERTIES (GROUP AND PRHA) (CONTINUED)

The net book value of housing properties may be further analysed as:

	2018 £'000	2017 £'000
Freehold	28,784	28,642
Long Leasehold	9,731	9,824
Short Leasehold	3,375	3,039
	<u>41,890</u>	<u>41,505</u>

#### Impairment

During the year, the Group and Association have not recognised any impairment loss (2017 - £Nil) in respect of social housing properties.

The Group estimated the recoverable amount of its housing properties as follows:

- Determined the level at which the recoverable amount is to be assessed;
- Estimated the recoverable amount of the properties;
- Calculated the carrying amount of the properties; and
- Compared the carrying amount to the recoverable amount to determine if an impairment loss has occurred.

Based on this assessment, the Group calculated the Depreciated Replacement Cost (DRC) of each social housing property with a one percent rent reduction in 2017, using the rebuild costs and land prices depreciated based on the age of the existing property. This was then compared to the carrying amount of each asset. There was no impairment of social housing properties.

#### Properties held for security

PRHA had property with a net book value of £26.2 million pledged as security at 31 March 2018 (2017 £26.5m).

**PROVIDENCE ROW HOUSING ASSOCIATION**

**NOTES ON THE FINANCIAL STATEMENTS (Continued)**

**Year ended 31 March 2018**

**13 OTHER PROPERTY, PLANT AND EQUIPMENT – (GROUP AND PRHA)**

<b>Cost</b>	<b>Land and Buildings £'000</b>	<b>Computer equipment £'000</b>	<b>Furniture and equipment £'000</b>	<b>Total £'000</b>
At 1 April 2017	921	304	589	1,814
Disposals	-	(19)	(26)	(45)
<b>At 31 March 2018</b>	<b>921</b>	<b>285</b>	<b>563</b>	<b>1,769</b>
<b>Depreciation</b>				
At 1 April 2017	60	272	576	908
Charge for year	9	11	6	26
Disposals	-	(19)	(26)	(45)
<b>At 31 March 2018</b>	<b>69</b>	<b>264</b>	<b>556</b>	<b>889</b>
<b>Net book value at 31 March 2018</b>	<b>852</b>	<b>21</b>	<b>7</b>	<b>880</b>
<b>Net book value at 31 March 2017</b>	<b>861</b>	<b>32</b>	<b>13</b>	<b>906</b>

**The net book value other properties may be further analysed as:**

	<b>2018 £'000</b>	<b>2017 £'000</b>
Freehold	852	861
	<b>852</b>	<b>861</b>

**PROVIDENCE ROW HOUSING ASSOCIATION**

**NOTES ON THE FINANCIAL STATEMENTS (Continued)**

**Year ended 31 March 2018**

**14 DEBTORS**

Amounts receivable within one year:	2018		2017	
	Group £'000	PRHA £'000	Group £'000	PRHA £'000
Tenants rent and room charges arrears	103	103	504	489
Less: Provision for bad debts	(298)	(298)	(375)	(362)
	<u>(195)</u>	<u>(195)</u>	<u>129</u>	<u>127</u>
Amount due from The Kipper Project	-	-	-	7
Other debtors and prepayments	260	260	143	141
	<u>65</u>	<u>65</u>	<u>272</u>	<u>275</u>

**15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2018		2017	
	Group £'000	PRHA £'000	Group £'000	PRHA £'000
Bank loan (note 17)	292	292	293	293
Rent received in advance	5	5	3	-
Trade creditors	147	147	116	116
Grants received in advance	531	531	15	15
Tax and Social Security	58	58	76	76
Accruals and other creditors	1,622	1,622	1,702	1,675
Deferred capital grant less than 1 year (note 18)	385	385	385	385
	<u>3,040</u>	<u>3,040</u>	<u>2,590</u>	<u>2,560</u>

**PROVIDENCE ROW HOUSING ASSOCIATION**

**NOTES ON THE FINANCIAL STATEMENTS (Continued)**

**Year ended 31 March 2018**

**16 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR**

	2018		2017	
	Group £'000	PRHA £'000	Group £'000	PRHA £'000
Housing loans (note 17)	8,525	8,525	8,817	8,817
Deferred government grant (note 18)	27,611	27,611	27,979	27,979
	<u>36,136</u>	<u>36,136</u>	<u>36,796</u>	<u>36,796</u>

**17 HOUSING LOANS**

Housing loans from Orchardbrook Limited, Cooperative Bank and Lloyds Bank Plc are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments. The loans bear interest at various rates ranging from 1.287% and 8.75%. (2017: 1.287% to 8.75%).

Instalments are due as follows:

Housing loans repayable by instalments	2018		2017	
	Group £'000	PRHA £'000	Group £'000	PRHA £'000
Within one year	292	292	293	293
Between two and five years	1,167	1,167	1,172	1,172
Due after five years or more	7,358	7,358	7,645	7,645
	<u>8,817</u>	<u>8,817</u>	<u>9,110</u>	<u>9,110</u>

**18 DEFERRED GOVERNMENT GRANTS**

	2018		2017	
	Group £'000	PRHA £'000	Group £'000	PRHA £'000
At 1 April	28,364	28,364	29,396	29,396
Release to income in the year	(368)	(368)	(391)	(391)
Grants on disposed properties	-	-	(641)	(641)
<b>Balance at 31 March</b>	<u>27,996</u>	<u>27,996</u>	<u>28,364</u>	<u>28,364</u>



**PROVIDENCE ROW HOUSING ASSOCIATION**

**NOTES ON THE FINANCIAL STATEMENTS (Continued)**

**Year ended 31 March 2018**

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**18 DEFERRED GOVERNMENT GRANTS (CONTINUED)**

	2018		2017	
	Group £'000	PRHA £'000	Group £'000	PRHA £'000
Classified as:				
Amounts to be released within one year (note 15)	385	385	385	385
Amounts to be released in more than one year	27,611	27,611	27,979	27,979
	<u>27,996</u>	<u>27,996</u>	<u>28,364</u>	<u>28,364</u>

**19 SHARE CAPITAL**

	2018		2017	
	Group £	PRHA £	Group £	PRHA £
At 31 March 2018	<u>40</u>	<u>40</u>	<u>40</u>	<u>40</u>

The share capital in both years of the Association consists of 40 shares with a nominal value of £1 each which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. Where a shareholder ceases to be a member, that person's share is cancelled and the amount paid up thereon becomes the property of the Association. Therefore all shareholdings relate to non-equity interests; there are no equity interests in the Association.

## PROVIDENCE ROW HOUSING ASSOCIATION

### NOTES ON THE FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2018

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#### 20 PENSION COSTS

The Association operates a number of Stakeholders' Pension Schemes where the Association's liability is limited to the contracted Employer's contribution rate.

During the year the Association made contributions to individuals' personal pension schemes of £56,817 (2017: £63,852) covering 113 employees (2017: 131).

#### 21 LEGISLATIVE PROVISIONS

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 and is an Exempt charity, Registered Number 19322R.

#### 22 UNITS UNDER MANAGEMENT

The number of units of accommodation in permanent management and managed by the agencies at 31 March are as following:

Units of housing stock	2018		2017	
	Group	PRHA	GROUP	PRHA
General needs units	89	89	89	89
Supported bed spaces	301	301	301	301
Hostels bed spaces	83	83	83	83
Total owned	473	473	473	473
Accommodation managed for others	37	37	97	92
Total managed accommodation	510	510	570	565
Units managed by other associations	44	44	44	44
<b>Total owned and managed accommodation</b>	<b>554</b>	<b>554</b>	<b>614</b>	<b>609</b>

The Group owns 44 properties (2017: 44) that are managed on its behalf, under management agreements by other bodies.

## PROVIDENCE ROW HOUSING ASSOCIATION

### NOTES ON THE FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2018

#### 23 RELATED PARTY TRANSACTIONS

The Board includes one tenant member who holds a tenancy agreement on normal terms and cannot use their position to their advantage. The rent charged for the year was £6,426 (2017: £6,631) and the tenant had an arrears balance of £923 at the 31 March 2018 (2017: Arrears balance of £735). The arrears were settled in April.

#### 24 CONTINGENT LIABILITIES

The group received grant from the Regulator of Social Housing which is used to fund the acquisition and development of housing properties. The Group has a future obligation to recycle such grant once the properties are disposed of. At 31 March 2018, the value of grant received in respect of these properties that had not been disposed of was £28.0 million (2017: £28.3 million). Included within the general reserve is £6.5 million (2017: £6.2 million) relating to amortised grants.

#### 25 CAPITAL COMMITMENT

	2018 Group £'000	2018 PRHA £'000	2017 Group £'000	2017 PRHA £'000
Commitments approved by the Board but not contracted for:				
Construction	-	-	675	675
	<u>-</u>	<u>-</u>	<u>675</u>	<u>675</u>
Capital commitments for the group and association will be funded as follows:				
Social Housing Grant	-	-	525	525
Existing reserves	-	-	150	150
	<u>-</u>	<u>-</u>	<u>675</u>	<u>675</u>
Net Commitment	<u>-</u>	<u>-</u>	<u>675</u>	<u>675</u>

## PROVIDENCE ROW HOUSING ASSOCIATION

### NOTES ON THE FINANCIAL STATEMENTS (Continued)

31 March 2018

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#### 26 OPERATING LEASES

The Group and the Association had minimum lease receipts under non-cancellable operating leases as set out below:

	2018 Group £'000	2017 Group £'000	2018 PRHA £'000	2017 PRHA £'000
<b>Amounts receivable as Lessor</b>				
Not later than one year	16	16	16	16
Later than one year and not later than five years	64	64	64	64
Later than five years	292	292	309	309
Total	<u>372</u>	<u>372</u>	<u>389</u>	<u>389</u>

#### 27 FINANCIAL INSTRUMENTS

The group's financial assets comprise of trade receivables, cash and cash equivalents, measured at historical costs.

The group's financial liabilities comprise of loans payable measured at historical cost as an approximate for amortised cost as the difference between them is not deemed material and trade creditors and other creditors are measured at historical cost.