

PROVIDENCE ROW HOUSING ASSOCIATION

**Report and Financial Statements
For the year ended 31 March 2019**

**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 2019

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PROVIDENCE ROW HOUSING ASSOCIATION

EXECUTIVE AND ADVISORS **Year ended 31 March 2019**

BOARD OF MANAGEMENT

Jeff Baker (Chair)
John Giesen (Vice Chair)
Thomas Albohm
Mo Ali
Serena Braggiotti
Andrew Disley
Sue Stevens
Helen New (Appointed 28 November 2018)
Rick Brunwin OBE (Resigned 12 September 2018)
Steve Mendel (Resigned 12 September 2018)
Belinda Porich (Resigned 28 November 2018)
Ian Sealey (Resigned 28 November 2018)

DIRECTORS

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

Karen Stuart BA (Hons)
Director of Operations

SECRETARY AND REGISTERED OFFICE

Fiona Humphrey
458 Bethnal Green Road
London
E2 0EA

REGISTERED NUMBER

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

AUDITOR

BDO LLP
55 Baker Street
London
W1U 7EU

SOLICITORS

Devonshires LLP
30 Finsbury Circus
London
EC2M 7DT

SOLICITORS

Trowers & Hamlins LLP
3 Bunhill Row
London
EC1Y 8YZ

PRINCIPAL BANKER

HSBC Bank plc
Poultry and Princes Street
London
EC2P 2BX

PROVIDENCE ROW HOUSING ASSOCIATION

REPORT OF THE BOARD AND STRATEGIC REVIEW Year ended 31 March 2019

The Board presents their report and the audited financial statements for the year ended 31 March 2019.

PRINCIPAL ACTIVITY

The principal activity of Providence Row Housing Association (PRHA) is the provision of accommodation, ancillary and social care services for single homeless people and others in housing need.

OVERVIEW OF THE BUSINESS

PRHA made an operating surplus for the year of £625,000 (2018: £1,279,000) before net interest charges. Turnover decreased by 2.3% (2018: decrease by 11.7%). During the year there was some decommissioning of smaller contracts for non-residential services and there was a further year of rent decreases as required by Government.

During the year PRHA received contract income, revenue grants and donations from various bodies including the London Borough of Tower Hamlets, the London Borough of Hackney and the Corporation of London.

PRHA borrows from the banks, mainly at fixed rates of interest, to finance our housing development programme. Total housing loans outstanding were £8.0 million at the year end (2018: £8.8 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. This year there was specific spend on fire safety items and refurbishment at Drapers accommodation scheme.

The number of units of owned and managed accommodation at 31 March 2019 were as follows:

	2019	2018
Units of housing stock		
General needs units	89	89
Supported bed spaces	301	301
Hostels bed spaces	83	83
	<hr/>	<hr/>
Total owned	473	473
Accommodation managed for others	40	37
	<hr/>	<hr/>
Total managed accommodation	513	510
Units managed by other associations	44	44
	<hr/>	<hr/>
Total owned and managed accommodation	557	554
	<hr/>	<hr/>

The year under review

Sustained economic uncertainty, welfare reform and Government approaches to housing, in particular the rent reduction directive, all impacted on Registered Providers including PRHA.

As a social landlord we have also been responding to the enhanced requirements around fire safety and started to carry out works on some of our properties as identified in the fire risk assessments. A further programme is planned for next year.

The Government's announcements about the future funding of supported housing brought more certainty for our schemes providing the highest levels of support to extremely vulnerable residents. Rapidly shrinking adult social care budgets however remain a significant concern that will be addressed in the new 5 year strategic plan.

During 2018/19 we took significant steps to adapt to our new economic environment:

- The Board is finalising a re-evaluation of the strategic 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.
- We repaid some of our loan finance following a review.
- We have been preparing to relocate our head office and let out our existing premises.
- We have been restructuring some of our central teams to respond to the requirements of the new strategic plan.
- We have been preparing for the reaccreditation process for Investors in People Gold – an award that reflects our intensive focus on training, development and valuing our staff teams who provide high quality services that support our residents.
- Our Edward Gibbons House service achieved an "Outstanding" rating from the Care Quality Commission in recognition of 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 their 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 but increasing demand.
- The Board is keeping the changes in the external environment under review. This is feeding into the strategic plan review. We will continue to carefully monitor the impact of Brexit.
- We are reviewing the use of our current assets and sustainable business plans for individual properties.
- The fire safety programme 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 tenants and increased complexity of support needs. This is a key focus.

PROVIDENCE ROW HOUSING ASSOCIATION

REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued) Year ended 31 March 2019

- Four Board members retired during the year. The Board has recruited one new member. Additional members are being recruited to meet specific skills gaps.

Financial results

	2019 £'000	2018 £'000
Turnover	8,039	8,232
Operating costs	(7,414)	(6,953)
Operating surplus	625	1,279
Interest receivable	14	8
Interest and financing costs	(456)	(508)
Surplus and total comprehensive Income for the year	183	779

	2019 £'000	2018 £'000
Consolidated balance sheet		
Housing Properties	41,602	41,890
Other property, plant and equipment	858	880
Net current assets	1,924	3,117
	44,384	45,887
Creditors: amounts falling due after more than one year	(34,450)	(36,136)
	9,934	9,751

Capital and reserves

Share capital	-	-
General reserves	9,934	9,751
	9,934	9,751

REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued)
Year ended 31 March 2019

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:

- Turnover decreased by 2.3% or £193,000 during the year
- Surplus on ordinary activities was £183,000
- Reserves increased from £9.751 million in 2018 to £9.934 million
- The net book value of the housing properties totalled £41.6 million (2018: £41.9 m)
- Housing loans stood at £8.0 million at the end of the financial year a decrease of £805,000 or 9.1%
- 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.

PRHA 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

PRHA 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.

PROVIDENCE ROW HOUSING ASSOCIATION

REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued) **Year ended 31 March 2019**

In the strategic plan review for 2019-2024 we are adding a new objective: "to make best use of our assets: Staff, Board, volunteers, housing, offices, finance and partnerships". We will be incorporating objectives in all departmental workplans under this heading.

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 and revised fire safety requirements.

Our Value for Money approach

PRHA 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.

PROVIDENCE ROW HOUSING ASSOCIATION

REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued) Year ended 31 March 2019

Delivery of our Value For Money Strategy

Governance – The Board approves the strategy and reviews 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, treasury and asset management strategies as well as loan financing.

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. Income has been fixed for the past six years under these contracts and will remain fixed in future years whilst costs are rising due to our commitment to pay the London Living Wage.

Like other registered providers we have been reducing rents since 2016 by 1% per year in line with Government requirements (2017 for supported housing).

Regulator of Social Housing – Value for Money metrics

Metrics	PRHA March 2018-19	PRHA March 2017-18	SPBM Median 2017-18
Re-investment %	1.38	1.74	4.14
New supply delivered (Social housing units) %	0.00	0.00	0.00
New supply delivered (Non-social housing units) %	0.00	0.00	0.00
Gearing %	19.26	21.05	19.92
Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest cover %	149.50	170.07	297.48
Headline social housing cost per unit £	7,842	7,191	4,258
Operating Margin (Social housing lettings only) %	8.36	16.51	26.40
Operating Margin (Overall) %	7.77	15.20	22.26
Return on capital employed (ROCE)	1.54	1.88	3.44

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 Smaller Providers Benchmarking (SPBM) data. This is the national smaller housing providers' benchmarking network, facilitated by Acuity in partnership with HouseMark. It is aimed at housing providers with up to 1,000 homes. The SPBM performance and cost benchmarking data enables PRHA to compare against a peer group of similar organisations, facing similar challenges. It should however be noted that the benchmarking group does vary widely in size, type of property and location.

PROVIDENCE ROW HOUSING ASSOCIATION

REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued) Year ended 31 March 2019

The information on medians is based on the complete audited data for the year April 2017 to March 2018.

Re-investment % – PRHA continues to invest heavily in its properties to meet its strategic objectives and to ensure compliance with legislation. Investments are in fire safety, planned maintenance and major repairs. Although we are performing below the SPBM median we plan to continue the investment in improving our properties over the long term in line with our Asset Management Strategy.

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 years whilst staying well within its loan covenants allowing scope for future growth. As we are not currently developing stock for general needs or supported housing, there has not been a need to raise finance. During the 2018-19 year we made principal repayments and also prepaid part of our loans, resulting in the lower gearing percentage. We are below the sector median gearing ratio of 43.60% and the SPBM ratio of 19.26%.

Earnings before interest, tax, depreciation, amortisation, major repairs included (EBITDA MRI)

Interest cover % – Because of the nature of PRHA's business, we operate with very low margins. Although our interest payments have fallen we have also seen a fall in our surplus, resulting in a fall in our EBITDA MRI percentage from the previous year. Our EBITDA MRI of 149.5% is therefore below the sector median of 213.61% and the SPBM median of 297.48%.

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. Although our costs are higher than the SPBM median, they are lower than the peer group median for supported housing members of £8,856 per unit. We however continue to push for efficiencies year on year.

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. Although our operating margins are below the SPBM median we compare favourably with other members of our peer group at 7.57/5.16. The fall in operating margin is as a result of the decommissioning of some smaller contracts and the additional expenditure on the fire safety programme and major repairs.

Return on capital employed (ROCE) % – Our Return on Capital Employed (ROCE) shows a slight fall from the previous year. This is as a result of the fall in our operating surplus despite the additional capital investments.

PROVIDENCE ROW HOUSING ASSOCIATION

REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued) Year ended 31 March 2019

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 most of our key objectives which measure efficiency and economy in our landlord related activities. In particular this year there have been improvements in the void relet performance despite ongoing high levels of turnover in our supported housing schemes.

Our current arrears figure has increased on last year by 1% but has not returned to previous higher levels and is still below target. This is being closely monitored.

Combined general needs and supported	Target	Performance 2018-19	Performance 2017-18	Performance 2016-17
Void levels average	4.45%	3.67%	4.42%	4.42%
Current arrears	7.00%	5.92%	5.01%	8.51%

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

- We have Resident involvement at Board level and Board 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: maintenance, the Value for Money of rent and service charges 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.

Combined general needs and supported	Survey 2019	Survey 2018	Survey 2017
Overall satisfaction with services	88.1%	93.1%	86.8%
Satisfaction that rent provides value for money	86.6%	87.9%	82.7%
Satisfaction with the standard of cleaning	92.0%	86.0%	88.5%
Satisfaction with repairs services	86.1%	85.5%	71.4%
Satisfaction with estate services	88.8%	90.0%	76.9% (GN only)

Reviewing our satisfaction data forms an essential part of ensuring that our services meet the expectations of our residents and this includes the use of benchmark data to compare performance with other organisations within the sector. The data is used as part of the VFM self-assessment process.

PROVIDENCE ROW HOUSING ASSOCIATION

REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued) Year ended 31 March 2019

- Our latest survey shows a lower level of overall satisfaction with our services than the previous year, but the figure of 88.1% is in line with the latest available median figure from HouseMark (88% for supported housing, 86% for general needs). It is also higher than the 2017 figure. The supported housing indicator is taken as the most relevant benchmark for us, for this indicator and for the others, given the weighting of our stock towards supported units.
- Satisfaction that rent provides value for money is also slightly lower than in the previous year. The 86.6% outturn was higher than the HouseMark median figures of 78% for supported residents and 85% for general needs residents. It is also higher than the 2017 figure.
- Satisfaction with the standard of cleaning, with the repairs service and with the estates service provided, have all increased in relation to the previous year. Of these three indicators benchmark data is only available for satisfaction with the repairs service, where the HouseMark median for 2018 was 76% for supported and 79% for general needs residents.

The HouseMark data quoted above is taken from the Acuity 2018 Annual Report for Smaller Housing Provider, published in November 2018.

Repairs Service – Performance in repairs is one of the most important aspects of our service for residents. The 2019 survey figures were not available at the time of publication. The figures will be reported to our residents later in the year.

Repairs performance has improved in all three response priority categories and exceeds target.

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.

	Target	Performance 2018-19	Benchmark 2017-18 (SPBM)	Performance 2017-18
Emergency repairs	100.0%	100.0%	100.0%	100.0%
Urgent repairs	98.0%	99.0%	97.1%	97.9%
Routine repairs	98.0%	98.3%	96.8%	96.9%
Appointments kept as a percentage of those made	95.0%	99.9%	n/a	99.5%

The 2017-18 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). 2018-19 figures were not available at time of publication.

PROVIDENCE ROW HOUSING ASSOCIATION

REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued)

Year ended 31 March 2019

Community Benefit – As a locally based landlord and employer, PRHA aims to benefit its local communities. We have continued to work closely with Tower Hamlets Workpath programme to provide the following for local residents:

- Four work placements
- One new apprenticeship opportunity (when the previous apprentice was successfully recruited to a full time post with PRHA).
- Over 10 trainee and apprenticeship opportunities in total for local residents.

RISK MITIGATION

The Board reviews the risk register annually at the Risk Panel, during Awayday discussions and when any risk issues emerge or circumstances change.

The three highest risks, evaluated as very high impact and very high/high likelihood are:

- **Health and safety:**
This relates to all risks relating to our role as a landlord, employer and support provider including fire, asbestos, legionella, gas safety and risk of assault.

PRHA has an extensive health and safety policy and procedure framework and operational resources are heavily focussed on this. Key components of risk mitigation are the ongoing delivery of the Health and Safety action plan and staff training.

PRHA has been focusing on fire safety improvements and completion of the fire risk assessment/action plan process. This is progressing to plan and the current programme should be completed in 2019-2020 – although we expect new regulations and the annual fire risk assessments will necessitate ongoing investment.

- **Loss of business/erosion of operating surplus and central costs:**
This relates to reducing adult social care contracts and the ongoing impact of the four year rent reduction regime. The strategic plan addresses these by focusing on diversification and specialisation of services based on our existing areas of expertise and social mission. The VFM strategy addresses efficiency.
- **Economic pressures:**
This relates to the continuing uncertainty around the national economy in the face of Brexit. The Board undertakes regular reviews of our global financial model and scenario tests. There are also regular reviews of our Business Continuity Plan.

PROVIDENCE ROW HOUSING ASSOCIATION

REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued)

Year ended 31 March 2019

COMPLIANCE WITH GOVERNANCE AND FINANCIAL VIABILITY STANDARD

Providence Row Housing Association ensures compliance with the requirements of the Regulator of Social Housing's Governance and Financial Viability Standards through regular review of governance arrangements, risk review and financial planning. The Board considers that the Association complies with all requirements of the Regulatory Framework.

THE BOARD AND DIRECTORS

The Board 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.

STATEMENT OF THE BOARD'S RESPONSIBILITIES

The Board 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 of management 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 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 Association will continue in business.

The Board are 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 Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 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 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.

PROVIDENCE ROW HOUSING ASSOCIATION

REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued)

Year ended 31 March 2019

Financial statements are published on the Association'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 Association's website is the responsibility of the Board. The Boards' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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 eliminate 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:

PROVIDENCE ROW HOUSING ASSOCIATION

REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued)

Year ended 31 March 2019

- *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 up until January 2019 when it was agreed to integrate this function within the Finance and Audit Scrutiny Group which is now responsible both for the annual review and for identifying and monitoring key risks throughout the year and ensuring that the Board is aware of these.

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 Commissioning team reviews for vulnerable adults' services, 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 six 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/Finance and Audit Scrutiny Group. 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 National Housing Federation Code of Governance and complies with it.

PROVIDENCE ROW HOUSING ASSOCIATION

REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued)

Year ended 31 March 2019

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.

- *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 a resident 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 2019**

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. There are eleven shares in issue.

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
31st July 2019

PROVIDENCE ROW HOUSING ASSOCIATION

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

Opinion

We have audited the financial statements of Providence Row Housing Association ("the Association") for the year ended 31 March 2019 which comprise the Association statement of comprehensive income, the Association balance sheet, the Association statement of changes in reserves, the statement of cash flow 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 Association's affairs as at 31 March 2019 and of 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 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 of management use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board of management have 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 of management are responsible for the other information. 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 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

PROVIDENCE ROW HOUSING ASSOCIATION

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative and 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 Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the 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 of management

As explained more fully in the statement of the board's responsibilities statement set out on page 11, the board of management 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 of management 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 of management are 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 of management either intend 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.

PROVIDENCE ROW HOUSING ASSOCIATION

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

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

BDO LLP

Statutory Auditor
London,
United Kingdom

Date: **2nd September 2019**

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

PROVIDENCE ROW HOUSING ASSOCIATION

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Turnover	3	8,039	8,232
Operating costs	3	(7,414)	(6,953)
		<hr/>	<hr/>
Operating surplus	3/5	625	1,279
Interest receivable		14	8
Interest and financing costs	8	(456)	(508)
		<hr/>	<hr/>
Surplus and total comprehensive income for the year		183	779
		<hr/>	<hr/>

All amounts relate to continuing activities.

The notes on pages 25 to 46 form part of these financial statements.

PROVIDENCE ROW HOUSING ASSOCIATION


BALANCE SHEET
At 31 March 2019

	Note	2019 £'000	2018 £'000
FIXED ASSETS			
Housing Properties	10	41,602	41,890
Other property, plant and equipment	11	858	880
		<hr/>	<hr/>
		42,460	42,770
CURRENT ASSETS			
Debtors	12	271	343
Cash and cash equivalents		5,664	6,092
		<hr/>	<hr/>
		5,935	6,435
CREDITORS: amounts falling due within one year	13	(4,011)	(3,318)
		<hr/>	<hr/>
NET CURRENT ASSETS		1,924	3,117
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		44,384	45,887
		<hr/>	<hr/>
CREDITORS: amounts falling due after more than one year	14	(34,450)	(36,136)
		<hr/>	<hr/>
NET ASSETS		9,934	9,751
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Share capital	17	-	-
General reserves		9,934	9,751
		<hr/>	<hr/>
		9,934	9,751
		<hr/>	<hr/>

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: 31st July 2019

The notes on pages 25 to 46 form part of these financial statements.

PROVIDENCE ROW HOUSING ASSOCIATION

STATEMENT OF CHANGES IN RESERVES
For the year ended 31 March 2019

	Share Capital £'000	General Reserves £'000	Total £'000
Balance as at 1 April 2017	-	8,972	8,972
Total comprehensive income for the year	-	779	779
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2018	-	9,751	9,751
Total comprehensive income for the year	-	183	183
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2019	-	9,934	9,934
	<hr/>	<hr/>	<hr/>

The notes on pages 25 to 46 form part of these financial statements

PROVIDENCE ROW HOUSING ASSOCIATION**STATEMENT OF CASH FLOWS****Year ended 31 March 2019**

	2019	2018
	£'000	£'000
Cash flows from operating activities		
Surplus for the financial year	183	779
Adjustments for:		
Depreciation of fixed assets – housing properties	449	487
Depreciation of fixed assets - other	22	26
Amortised grant	(368)	(368)
Interest paid and finance costs	456	508
Interest received and income from investments	(14)	(8)
Decrease/(Increase) in debtors	72	(71)
Increase in creditors	180	728
Net cash generated from operating activities	980	2,081
Cash flow from investing activities		
Purchase of tangible fixed assets	(161)	(872)
Interest received	14	8
Net cash (used in) investing activities	(147)	(864)
Cash flow from financing activities		
Interest paid	(456)	(508)
Repayment of borrowings	(805)	(292)
Net cash (used in) financing activities	(1,261)	(800)
Net increase in cash and cash equivalents	(428)	417
Cash and cash equivalents at beginning of year	6,092	5,675
Cash and cash equivalents at end of year	5,664	6,092

The notes on pages 25 to 46 form part of these financial statements.

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").

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

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

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.

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2019

ACCOUNTING POLICIES (Continued)

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.

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 term is the lower of the rates above or the lease term.

Assets are not depreciated in the year of acquisition/completion.

Capital items having a cost of less than £1,000 are immediately expensed to the Statement of Comprehensive Income.

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

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued)

Year ended 31 March 2019

ACCOUNTING POLICIES (Continued)

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).

Recycled Capital Grant Fund

On the occurrence of certain relevant events, primarily the sale of dwellings, the Regulator of Social Housing can direct PRHA to recycle capital grants or to make repayments of the recoverable amount. PRHA 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 supported housing projects are not consolidated in the financial statements where the related risks and rewards are with the agency.

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued) **Year ended 31 March 2019**

ACCOUNTING POLICIES (Continued)

Financial Instruments

Financial assets and liabilities are recognised in the statement of financial position when PRHA 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.

Bad debt provision

The trade debtors balances recorded in the 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.

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued) **Year ended 31 March 2019**

ACCOUNTING POLICIES (Continued)

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 PRHA has adequate resources to continue in operational existence for the foreseeable future. PRHA has in place long term debt facilities which provide adequate resources to finance committed reinvestment along with PRHA's 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.

ACCOUNTING POLICIES (Continued)

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.

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

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 tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset. The Board 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.

ACCOUNTING POLICIES (Continued)

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 and 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 PRHA 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 2019 (Continued)

3 TURNOVER, OPERATING EXPENDITURE AND OPERATING SURPLUS	2019			2018		
	Turnover £'000	Operating Expenditure £'000	Operating Surplus £'000	Turnover £'000	Operating Expenditure £'000	Operating Surplus £'000
Social housing lettings (Note 4)	7,898	(7,238)	660	7,976	(6,660)	1,316
Other social housing activities						
Offenders' services	18	(49)	(31)	133	(173)	(40)
Other social housing activities	123	(127)	(4)	123	(120)	3
TOTAL	8,039	(7,414)	625	8,232	(6,953)	1,279

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued)
Year ended 31 March 2019

4 LETTING ACTIVITIES

	Supported Housing £'000	General Needs £'000	Agency Managed £'000	2019 Total £'000	2018 Total £'000
Income					
Rent receivable net of identifiable service charges	2,052	608	-	2,660	2,678
Service charge income	2,476	194	-	2,670	2,617
Amortised government grants	260	94	14	368	368
Supported housing	1,732	-	-	1,732	1,784
Other	87	16	365	468	529
Turnover from Social Housing Lettings	6,607	912	379	7,898	7,976
Expenditure					
Management	1,011	243	70	1,324	1,250
Service charge costs	1,772	227	309	2,308	1,940
Routine maintenance	549	96	68	713	720
Bad debts	193	-	-	193	135
Depreciation of housing properties	311	127	14	452	467
Supported housing	2,248	-	-	2,248	2,148
Operating expenditure on Social Housing Lettings	6,084	693	461	7,238	6,660
Operating surplus on Social Housing Lettings	523	219	(82)	660	1,316
Void losses	(195)	(8)	-	(203)	(257)

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued)
Year ended 31 March 2019

5 OPERATING SURPLUS

Is stated after charging:

	2019	2018
	£'000	£'000
Depreciation		
- Social housing properties held for lettings	444	458
- Other property, plant and equipment	22	26
- Accelerated depreciation	5	29
	<u>471</u>	<u>513</u>
Auditors' remuneration		
- External – audit services current year (excluding VAT)	25	26
- External – non audit services current year (excluding VAT)	-	13
	<u> </u>	<u> </u>

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2019

6 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 £2,306 (2018: £195) 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:

	2019 £'000	2018 £'000
Gross salary	243	267
Social security costs	29	31
Employer's pension contributions	11	11
	<u>283</u>	<u>309</u>

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

	2019 £'000	2018 £'000
Highest paid Director		
Aggregate remuneration (excluding pension)	90	90
Pension contribution	5	5
	<u>95</u>	<u>95</u>
Emoluments (including pension contributions and benefits in kind)	95	95

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2019

6 DIRECTORS' AND SENIOR EXECUTIVES EMOLUMENTS (CONTINUED)

During the year pension contributions of £4,500 (2018: £4,500) 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 (including pension)

	2019 No.	2018 No.
£90,001 to £100,000	1	1

7 EMPLOYEE INFORMATION

The average number of persons (including the Chief Executive) employed during the year, expressed in full time equivalent members of staff, was 76 (2018: 80).

	2019 £'000	2018 £'000
Staff costs were as follows:		
Wages and salaries	2,598	2,682
Social security costs	245	238
Pension costs (note 20)	69	57
	<u>2,912</u>	<u>2,977</u>

Staff costs of £265,517 (2018: £142,027) were paid to various agencies.

Staff costs include redundancy payments amounting to £78,875 (2018: £3,147).

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 2019

8 INTEREST PAYABLE AND SIMILAR CHARGES

	2019 £'000	2018 £'000
On bank loans	456	508
	<u>456</u>	<u>508</u>

9 TAX

PRHA 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 2019

10 TANGIBLE ASSETS - HOUSING PROPERTIES

	Social housing properties held for letting £'000
Cost	
At 1 April 2018	47,430
Additions	
- replaced components	55
- work to existing properties	106
Disposals	
- replaced components	(23)
At 31 March 2019	<u>47,568</u>
Depreciation	
At 1 April 2018	5,540
Charge for year	444
Disposals	
- replaced components	(18)
At 31 March 2019	<u>5,966</u>
Net book value at 31 March 2019	<u>41,602</u>
Net book value at 31 March 2018	<u>41,890</u>

	2019 £'000	2018 £'000
Expenditure on works to existing properties		
Amount expensed to the income and expenditure account	55	62
(included in routine maintenance as above)		
Amounts capitalised in fixed asset housing properties	161	872
	<u>216</u>	<u>934</u>

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2019

10 TANGIBLE ASSETS - HOUSING PROPERTIES (CONTINUED)

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

	2019 £'000	2018 £'000
Freehold	28,643	28,784
Long Leasehold	9,642	9,731
Short Leasehold	3,317	3,375
	<u>41,602</u>	<u>41,890</u>

Impairment

During the year, PRHA has not recognised any impairment loss (2018 - £Nil) in respect of social housing properties.

PRHA 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, PRHA calculated the Depreciated Replacement Cost (DRC) of each social housing property with a one percent rent reduction in 2018, 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 £25.9 million pledged as security at 31 March 2019 (2018 £26.2m).

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued)
Year ended 31 March 2019

11 OTHER PROPERTY, PLANT AND EQUIPMENT

Cost	Land and Buildings £'000	Computer equipment £'000	Furniture and equipment £'000	Total £'000
At 1 April 2018	921	285	563	1,769
At 31 March 2019	<u>921</u>	<u>285</u>	<u>563</u>	<u>1,769</u>
Depreciation				
At 1 April 2018	69	264	556	889
Charge for year	9	8	5	22
At 31 March 2019	<u>78</u>	<u>272</u>	<u>561</u>	<u>911</u>
Net book value at 31 March 2019	<u>843</u>	<u>13</u>	<u>2</u>	<u>858</u>
Net book value at 31 March 2018	<u>852</u>	<u>21</u>	<u>7</u>	<u>880</u>

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

	2019 £'000	2018 £'000
Freehold	843	852
	<u>843</u>	<u>852</u>

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued)
Year ended 31 March 2019

12 DEBTORS

Amounts receivable within one year:	2019 £'000	2018 £'000
Tenants rent and room charges arrears	333	381
Less: Provision for bad debts	(305)	(298)
	<u>28</u>	<u>83</u>
Other debtors and prepayments	243	260
	<u>271</u>	<u>343</u>

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Bank loan (note 15)	805	292
Rent received in advance	341	283
Trade creditors	518	147
Grants received in advance	525	531
Tax and Social Security	66	58
Accruals and other creditors	1,371	1,622
Deferred capital grant less than 1 year (note 16)	385	385
	<u>4,011</u>	<u>3,318</u>

Grants received in advance relate to social housing grants for works to existing properties. Grants received in advance are transferred to deferred capital grants when the asset starts to be depreciated. Grants will then be amortised and released to income in accordance with the amortisation of Government grants policy.

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued)
Year ended 31 March 2019

14 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2019 £'000	2018 £'000
Loans (note 15)	7,207	8,525
Deferred government grant (note 16)	27,243	27,611
	<u>34,450</u>	<u>36,136</u>

15 LOANS

Loans from Orchardbrook Limited, Cooperative Bank Plc 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 1.24% and 8.75%. (2018: 1.287% to 8.75%).

Instalments are due as follows:

	2019 £'000	2018 £'000
Housing loans repayable by instalments		
Within one year	805	292
Between two and five years	1,354	1,167
Due after five years or more	5,853	7,358
	<u>8,012</u>	<u>8,817</u>

16 DEFERRED GOVERNMENT GRANTS

	2019 £'000	2018 £'000
At 1 April	27,996	28,364
Release to income in the year	(368)	(368)
Grants on disposed properties	-	-
Balance at 31 March	<u>27,628</u>	<u>27,996</u>

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued)
Year ended 31 March 2019

16 DEFERRED GOVERNMENT GRANTS (CONTINUED)

	2019	2018
	£'000	£'000
Classified as:		
Amounts to be released within one year (note 13)	385	385
Amounts to be released in more than one year	27,243	27,611
	<u>27,628</u>	<u>27,996</u>

17 SHARE CAPITAL

	2019	2018
	£	£
At 31 March 2019	<u>11</u>	<u>40</u>

The share capital consists of 11 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 PRHA. Therefore all shareholdings relate to non-equity interests; there are no equity interests in PRHA.

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2019

18 PENSION COSTS

PRHA operates a number of Stakeholders' Pension Schemes where PRHA's liability is limited to the Contracted Employer's contribution rate.

During the year the Association made contributions to individuals' personal pension schemes of £68,894 (2018: £56,817) covering 102 employees (2018: 113).

19 LEGISLATIVE PROVISIONS

PRHA is incorporated under the Co-operative and Community Benefit Societies Act 2014, Registration Number 19322R and is an Exempt charity.

20 UNITS UNDER MANAGEMENT

The number of units of accommodation at 31 March were as follows:

	2019	2018
Units of housing stock		
General needs units	89	89
Supported bed spaces	301	301
Hostels bed spaces	83	83
Total owned	<u>473</u>	<u>473</u>
Accommodation managed for others	40	37
Total managed accommodation	<u>513</u>	<u>510</u>
Units managed by other associations	44	44
Total owned and managed accommodation	<u>557</u>	<u>554</u>

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2019

21 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 £6,611 (2018: £6,426) and the tenant had an arrears balance of £275 at the 31 March 2019 (2018: Arrears balance of £923). The arrears were settled in April.

22 CONTINGENT LIABILITIES

PRHA received grant from the Regulator of Social Housing which is used to fund the acquisition and development of housing properties. PRHA has a future obligation to recycle such grant once the properties are disposed of. At 31 March 2019, the value of grant received in respect of these properties that had not been disposed of was £27.6 million (2018: £28.0 million). Included within the general reserve is £6.9 million (2018: £6.5 million) relating to amortised grants.

23 CAPITAL COMMITMENT

	2019 £'000	2018 £'000
Commitments approved by the Board but not contracted for:		
Construction	225	-
	<u>225</u>	<u>-</u>
Capital commitments will be funded as follows:		
Social Housing Grant	-	-
Existing reserves	225	-
	<u>225</u>	<u>-</u>
Net Commitment	<u>225</u>	<u>-</u>

PROVIDENCE ROW HOUSING ASSOCIATION

NOTES ON THE FINANCIAL STATEMENTS (Continued) 31 March 2019

24 OPERATING LEASES

PRHA had minimum lease receipts under non-cancellable operating leases as set out below:

	2019 £'000	2018 £'000
Amounts receivable as Lessor		
Not later than one year	16	16
Later than one year and not later than five years	65	64
Later than five years	279	292
Total	<u>360</u>	<u>372</u>

25 FINANCIAL INSTRUMENTS

Financial assets comprise trade receivables, cash and cash equivalents, measured at historical costs.

Financial liabilities comprise loans payable measured at historical cost as an approximate for amortised cost as the difference between historical cost and amortised cost is not deemed material and trade creditors and other creditors are measured at historical cost.