

# **PROVIDENCE ROW HOUSING ASSOCIATION**

**Report and Financial Statements  
For the year ended 31 March 2020**

**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 2020

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# **PROVIDENCE ROW HOUSING ASSOCIATION**

## **EXECUTIVE AND ADVISORS**

**Year ended 31 March 2020**

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### **BOARD OF MANAGEMENT**

Jeff Baker (Chair)  
John Giesen (Vice Chair)  
Thomas Albohm  
Mo Ali  
Serena Braggiotti  
Andrew Disley  
Sue Stevens  
Helen New

### **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**

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 & Hamblins 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 2020

The Board presents their report and the audited financial statements for the year ended 31 March 2020.

#### 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 £580,000 (2019: £625,000) before net interest charges, a surplus and total comprehensive income for the year of £171,000 (2019: £183,000) and generated a turnover of £8.043 million (2019: £8.039 million). The reduction in operating surplus was mainly due to the decommissioning of some of our smaller contracts for non-residential services and the 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 £7.7 million at the year end (2019: £8.0 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 and 2020 were as follows:

|  | 2019 | Disposals | 2020 |
|--|------|-----------|------|
| <b>Units of housing stock</b>                |      |           |      |
| General needs housing                        |      |           |      |
| - social                                     | 89   | -         | 89   |
| - affordable                                 | -    | -         | -    |
| Supported housing                            | 384  | -         | 384  |
| Total social housing units                   | 473  | -         | 473  |
| <b>Total owned</b>                           | 473  | -         | 473  |
| Accommodation managed for others             | 40   | (12)      | 28   |
| <b>Total managed accommodation</b>           | 513  | (12)      | 501  |
| Units managed by other associations          | 44   | -         | 44   |
| <b>Total owned and managed accommodation</b> | 557  | (12)      | 545  |

## **PROVIDENCE ROW HOUSING ASSOCIATION**

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

**Year ended 31 March 2020**

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#### **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 during the year.

As a social landlord we have also been responding to the enhanced requirements around fire and building 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.

As the Coronavirus pandemic started to take hold at the end of the year rapid adjustments were made to secure the financial and organisational stability of PRHA. Our core activities of housing and social care had to continue and the hostels for homeless people had to be staffed 24 hours a day. Non-essential expenditure was suspended whilst urgent expenditure was prioritised (staffing to backfill absences, Personal Protective Equipment and equipment to enable remote working). PRHA's teams responded well to the challenge. Our intensive housing management team started to contact all of our residents to ensure that anyone suffering financial hardship would receive support to access Government funding. The supported housing services continued to provide intensive support to the residents. Our property services team and contractors continued to respond to emergency and urgent repairs and statutory compliance inspections although Covid-19 social distancing requirements meant that non-urgent repairs were suspended.

By the end of the financial year the central functions of the organisation were all running smoothly through remote working and a plan was in place to address the inevitable financial challenges of the pandemic. This plan is evolving as the implications of the pandemic become clearer. It is being scrutinised regularly by the Board who have increased oversight of key financial and risk matters.

During 2019/20 we also took significant steps to adapt to the economic environment as it was before the pandemic:

- The Board approved a revised strategic plan (2019-2024). This includes reshaping some of our business activities to ensure that we continue to focus on our aims and mission within this very challenging environment. We have kept our loan finance under review.
- We have relocated our head office to smaller premises and once the pandemic situation stabilises we are looking to let out the old premises in 2020-2021.
- We have been developing a new business strategy to include more diverse forms of income, including social enterprise.
- We were reaccredited as Gold standard for Investors in People "We invest in People" award.
- We were awarded the Laing Buisson award for Supported Living for the work at Edward Gibbons House in supporting some of London's most vulnerable former Rough Sleepers.

### **The year ahead – challenges and opportunities**

The obvious and overriding challenge is to ensure organisational and financial stability following the Covid-19 pandemic. In this report we describe some of the measures we have already taken and will in the future be taking to ensure that this is achieved. The Board is keeping the changes in the external environment under review. This is feeding into ongoing strategic plan review. We will continue to carefully monitor the impact of Brexit as well as that of the pandemic.

The Board has reaffirmed our values and our core social purpose (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 economic constraints and reducing adult social care funding but increasing demand.

- We are reviewing the use of our current assets and sustainable business plans for individual properties.
- The fire and building 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.
- The Board has been stable with 8 members and meeting more frequently during the pandemic to provide additional strategic oversight and governance. New members will be recruited in 2020-21 to meet specific skills gaps.

### **Financial results**

PRHA demonstrates strong financial management. Our substantial reserves built over the years have 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 increased to £8.043 million from £8.039 million in 2019;
- Operating surplus fell from £625,000 in 2019 to £580,000;
- Surplus and total comprehensive income for the year was £171,000 (2019: £183,000);
- Reserves increased from £9.934 million in 2019 to £10.105 million;
- The net book value of the housing properties totalled £40.4 million (2019: £41.6 m), with the reduction due to the transfer of assets between asset categories;
- Housing loans stood at £7.7 million at the end of the financial year a decrease of £270,000 or 3.4%;
- 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.

**PROVIDENCE ROW HOUSING ASSOCIATION**

**REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued)**  
**Year ended 31 March 2020**

|  | <b>2020</b><br><b>£'000</b> | <b>2019</b><br><b>£'000</b> |
|--|-----------------------------|-----------------------------|
| <b>Turnover</b>  | 8,043                       | 8,039                       |
| Operating costs  | (7,463)                     | (7,414)                     |
| <b>Operating surplus</b>                                   | 580                         | 625                         |
| Interest receivable  | 16                          | 14                          |
| Interest and financing costs                               | (425)                       | (456)                       |
| <b>Surplus and total comprehensive income for the year</b> | <b>171</b>                  | <b>183</b>                  |

|   | <b>2020</b><br><b>£'000</b> | <b>2019</b><br><b>£'000</b> |
|---|-----------------------------|-----------------------------|
| <b>Consolidated balance sheet</b>                       |                             |                             |
| Housing Properties                                      | 40,424                      | 41,602                      |
| Other property, plant and equipment                     | 2,376                       | 858                         |
| Net current assets                                      | 2,181                       | 1,924                       |
|   | 44,981                      | 44,384                      |
| Creditors: amounts falling due after more than one year | (34,876)                    | (34,450)                    |
|   | <b>10,105</b>               | <b>9,934</b>                |
| <b>Capital and reserves</b>                             |                             |                             |
| Share capital   | -                           | -                           |
| General reserves  | 10,105                      | 9,934                       |
|   | <b>10,105</b>               | <b>9,934</b>                |

## **VALUE FOR MONEY**

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

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

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 seven key objectives of the organisation to:

- Ensure that we provide safe, decent homes for our residents;
- Help more people to avoid or survive homelessness and recover from the causes/effects of homelessness;
- Develop areas of specialism/expertise for our core resident groups to ensure our services provide the best possible outcomes;
- Ensure we listen to our residents and continue to involve them in the running of PRHA;
- Develop more services that contribute to strengthening the local community especially around employment, training and volunteering for excluded groups;
- Diversify our financial base to increase our resilience to changing financial pressures; and
- Make best use of our assets: staff, housing, offices, finance, partnerships.

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.

### **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 27% 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 seven years under these contracts and is likely to remain fixed or reduce in future years whilst costs are rising due to the concomitant 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). This is due to end in the financial year 2020-2021.

## PROVIDENCE ROW HOUSING ASSOCIATION

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

Year ended 31 March 2020

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

| Metrics   | PRHA March<br>2019-20 | PRHA March<br>2018-19 | RSH<br>Supported<br>Housing<br>Providers<br>2019 |
|---|-----------------------|-----------------------|--|
| Re-investment %   | 0.21                  | 1.38                  | 4.2  |
| New supply delivered (Social housing units)<br>%  | 0.00                  | 0.00                  | 0.8  |
| New supply delivered (Non-social housing<br>units) %  | 0.00                  | 0.00                  | 0.00   |
| Gearing %   | 18.81                 | 19.26                 | 13.30  |
| Earnings Before Interest, Tax, Depreciation,<br>Amortisation, Major Repairs Included<br>(EBITDA MRI) Interest cover % | 161.36                | 149.50                | 228.00   |
| Headline social housing cost per unit £   | 7,915                 | 7,842                 | 8,460  |
| Operating Margin (Social housing lettings<br>only) %  | 7.22                  | 8.36                  | 12.90  |
| Operating Margin (Overall) %  | 7.22                  | 7.77                  | 8.00   |
| Return on capital employed (ROCE)   | 1.52                  | 1.54                  | 3.4  |

The Board regularly reviews all of its key performance indicators and its strategy for managing its finances and assets as efficiently as possible. PRHA has a strong balance sheet with a low gearing ratio.

We have included the Regulator of Social Housing's 2019 data for supported housing providers (those with over 1/3<sup>rd</sup> supported housing stock). These figures are extracted from the Regulator of Social Housing (RSH) "Value for money metrics and reporting 2019: Annex to 2019 Global accounts". Although this predominantly reflects returns from larger providers (over 1000 units) it does provide a good comparison for supported housing focussed organisations. We have previously used SPBM Smaller Housing Association benchmark information. However this hasn't accounted sufficiently for the particular business profile of supported housing.

**Re-investment %** – PRHA continues to make significant investment in its properties to meet its strategic objectives and to ensure compliance with legislation. Over the past two years PRHA has increased its focus on fire safety, planned maintenance and major repairs. We have delivered a year's programme of kitchens, bathrooms, voids and fire safety actions. Although our re-investment percentage is down on the previous year and is below the RSH supported housing median we are committed to continuing the investment in improving our properties and maximising our returns over the long term in line with our Asset Management Strategy.

Although the level of investment at 0.21% seems low against the RSH median, the latter figure includes investment in new development. If investment in existing properties is separated out this figure reduces to 1.34% (across all providers over 1000 units).

**New supply delivered %** – PRHA has not developed any new properties this year. This is consistent with other providers who focus on supported housing. The higher costs and lower operating margins associated with supported housing mean that the levels of subsidy required and risk associated with new development are generally unsustainable. This is combined with the fact that smaller providers in London find it difficult to develop because of high land and labour costs. Nevertheless the Board continues to appraise 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 further finance. During the 2018-19 year we made principal repayments and also prepaid part of our loans. We continue to show the benefits of that loan repayment in our gearing in 2019-2020, resulting in a lower gearing percentage. Although at 18.81% we are slightly above the RSH supported housing gearing median of 13.3%, we are well below the overall sector median of 43.4%. This will enable us to borrow funds for any future development if our development strategy changes.

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

**Interest cover %** – PRHA closely monitors its performance, focusing on its ability to remain within borrowing covenants as set out in its loan agreements. Although our EBITDA MRI of 161% is below the sector median of 194% and the RSH supported housing median of 228%, we continue to show improvements to our interest cover. With the fall of our interest payments we have seen a year on year improvement to our interest cover. The interest cover metric in our loan agreements differs from the RSH measure. We however continue to have comfortable headroom.

**Headline social housing cost per unit** – PRHA's outturn of £7,915 per unit compares favourably with The Regulator of Social Housing's supported housing median for 2019 of £8,460.

We have compared to other supported housing providers as their costs typically run higher than those of general needs providers. In PRHA's case this is because we provide predominantly temporary supported housing 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. This year we have focussed on budget controls for void properties and minor /tenant-like repairs through the direct employment of maintenance operatives. This has resulted in savings and quality improvements.

**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. The overall percentage at 7.22% is broadly comparable with the RSH supported housing providers figure of 8%. However it is lower than the median for social housing lettings only (12.9%). 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.

## PROVIDENCE ROW HOUSING ASSOCIATION

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

Year ended 31 March 2020

**Return on capital employed (ROCE) %** – Our Return on Capital Employed (ROCE) fell slightly from 1.54% to 1.52%. Our results reflect the fact that although we have a strong asset base we are a provider of lower margin support services.

#### 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.

Our key objectives which measure efficiency and economy in our landlord related activities relate to voids and arrears. There have been a number of challenges this year in relation to voids performance including changes within our supported housing stock and high levels of turnover in some of our supported housing schemes. In the last 2 weeks of 2019-2020 the Covid-19 pandemic resulted in a sudden freeze on referrals. This affected voids performance slightly in 2019-2020 but the main impact was in 2020-2021 when a decant programme for some of the shared accommodation was in place.

While the performance in relation to arrears was 0.27% above target, there have been significant issues with benefit sanctions and long delays in Court proceedings even for significant levels of arrears. Again the impact of the Covid-19 pandemic has had a slight impact in the last 2 weeks of the year.

There is ongoing management focus on improving these areas of performance. In particular we are providing intensive support to residents where their financial circumstances have been affected by the pandemic.

| <b>Combined general needs and supported</b> | <b>Target</b> | <b>Performance 2019-20</b> | <b>Performance 2018-19</b> | <b>Performance 2017-18</b> |
|---|---------------|----------------------------|----------------------------|----------------------------|
| Void levels average                         | 4.10%         | 5.80%                      | 3.67%                      | 4.42%                      |
| Current arrears                             | 6.00%         | 6.27%                      | 5.92%                      | 5.01%                      |

#### 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 PRHA.

The residents' selected priority areas for 2019 were: maintenance, how well PRHA listens to the views of our residents, and how well we keep our residents informed. We have been looking specifically at communication in relation to this and have relaunched our website.

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 2020

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 review process and improvements are targeted through departmental work plans.

We were due to undertake our 2020 Annual Satisfaction survey in late April this year, unfortunately due to the situation with Covid-19 it was not possible to run the Survey. We have postponed it until later in the year. The last Survey data available is from our 2019 Survey and is given below.

| <b>General needs and supported</b>              | <b>Survey 2019</b> | <b>Survey 2018</b> | <b>Survey 2017</b> |
|---|--------------------|--------------------|--------------------|
| 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)    |

The outcomes of the 2020 survey will be discussed with residents and recommendations incorporated into the departmental work plans.

- Our last available survey shows a slightly lower level of overall satisfaction with our services than the previous year. The figure of 88.1% sits between the benchmark figures for supported and general needs housing (the latest available median figures from HouseMark are 90% 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 however higher than the HouseMark median figures of 79% for supported residents and 85% for general needs residents. It is also higher than the 2017 figure.
- Satisfaction with the standard of cleaning and with the repairs service increased in relation to the previous year. Benchmark data is only available for satisfaction with the repairs service, where our outturn exceeds the HouseMark median for 2018 -19 (77% for supported and 78% for general needs residents).
- Satisfaction with estate services has reduced marginally from the previous year. No benchmarking data is available for this metric.

The HouseMark data quoted above is taken from the Acuity 2019 Annual Report for Smaller Housing Providers, published in November 2019.

**REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued)**  
**Year ended 31 March 2020**

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**Repairs Service**

Performance in repairs is one of the most important aspects of our service for residents. Repairs performance met the target for 3 of the 4 indicators with one category (urgent repairs) showing a decrease in performance.

Our performance for emergency and routine repairs is 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.

The 2020 satisfaction survey figures were not available at the time of publication due to the postponement of the survey necessitated by the Covid-19 situation. The figures will be reported to our residents later in the year.

|   | Target  | Performance<br>2019-20 | Benchmark<br>2018-19<br>(SPBM) | Performance<br>2018-19 |
|---|---------|------------------------|--------------------------------|------------------------|
| Emergency repairs                               | 100.00% | 100.0%                 | 100.0%                         | 100.0%                 |
| Urgent repairs                                  | 98.00%  | 95.9%                  | 97.2%                          | 99.0%                  |
| Routine repairs                                 | 98.00%  | 99.1%                  | 97.0%                          | 98.3%                  |
| Appointments kept as a percentage of those made | 98.00%  | 98.3%                  | n/a                            | 99.9%                  |

The 2018-2019 benchmarking figures in the table above show median performance data from all contributing Housing Associations to SPBM via Acuity.

**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:

- One work placement;
- One new apprenticeship opportunity; and
- 7 local residents in traineeship posts – 2 of these successfully progressed to more senior roles within their services during the year.

## **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.

For the majority of the year the three highest risks, as evaluated in July 2019 as very high impact and very high/high likelihood, were:

- 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 experienced some delays at the end of the financial year when Covid-19 pandemic measures slowed down progress. The new building safety requirements will be the focus of 2020-2021 alongside the actions stipulated in the annual fire risk assessments.

- 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.

## **Covid 19 Risk mitigation**

At the end of the financial year the Covid-19 pandemic brought a new raft of very high risks to the fore. The organisation implemented its Pandemic (Covid-19) Business Continuity Plan in March 2020 and re-evaluated the risks weekly as the impact of the pandemic became clearer. All central services were enabled to work effectively remotely. All of our adult social care and housing /property services continued to operate essential services for our residents.

A financial risk mitigation strategy was agreed by the Board in April 2020 and implemented immediately. They also increased the frequency of Board meetings to keep this under regular review. The strategy identified key risk areas (e.g. staffing costs and voids losses) and mitigation included accessing Government funding (including furlough job retention schemes), advice/support to residents in financial difficulties and reallocating non-essential expenditure.

The Board also carried out the full annual risk review in June 2020 and revised the risk register in conjunction with the Covid-19 Business Continuity Plan.

The risk register review identified 9 key areas of risk all of which were graded as level 1: very high likelihood and very high impact as a result of the impact of the pandemic. All of these areas of risk have potential financial and operational impacts as well as legal, regulatory and reputational risks:

- Health and safety
- Staff
- Loss of business /erosion of operating surplus & central costs
- Income maximisation
- Support services
- Economic pressures
- Disaster recovery
- Government policy in relation to funding streams
- Regulatory compliance and governance including GDPR

Each of these areas is broken down into key components and then assigned mitigating actions. These actions, which aim to minimise the impact on residents and other stakeholders, are a priority for the Senior Management Team.

Given the prolonged period of uncertainty around the pandemic the Board recognises that this will need to be kept under regular review. It is not yet possible to quantify the financial impact but PRHA has developed a strategy for managing the known risks and a process for responding to emerging risk.

## **COMPLIANCE WITH GOVERNANCE AND FINANCIAL VIABILITY STANDARD**

PRHA 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 PRHA 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 PRHA will continue in business.

The Board are responsible for keeping adequate accounting records that are sufficient to show and explain PRHA's transactions and disclose with reasonable accuracy at any time the financial position of PRHA 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 2019. They are also responsible for safeguarding the assets of 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 2018.

Financial statements are published on 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 PRHA'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 in March 2020, the Board considered that PRHA has adequate resources to continue in operational existence for the foreseeable future. Given the financial impact of the Covid-19 pandemic, further work has been undertaken subsequently to review revised budgets for the current year as well as projections for the period up to 2025. These projections include annual outturns, cashflow and stress testing for scenarios relating to voids and bad debts and adult social care contracts. This included considering the potential impact of a Covid-19 2<sup>nd</sup> wave during the winter 2020/21 period. After factoring into account these possible scenarios, PRHA remains compliant with loan covenants and that sufficient funds are in place for the ongoing running of the business. PRHA does not currently have an active development or sales programme with their associated risks.

The financial impact of the pandemic and related Government decisions on social distancing has been an estimated £44k reduction in operating surplus for 2021. This will not cause PRHA to breach our bank covenants. The reduction stems from a number of areas of additional operating costs (staffing and PPE) and income reduction (voids and bad debts). A financial mitigation strategy is in place to ensure that the revised projections are met and this is being monitored closely. Should the pandemic worsen we will gauge the effect and take necessary mitigation action.

The Board and Senior Management team will continue to closely monitor the external environment and review the financial implications of any new events. They will also regularly review performance against the revised budget and stress test any emerging risks.

Given the strength of the balance sheet and cashflow projections the Board believe that, while uncertainty exists, this does not pose a material uncertainty that would cast doubt on PRHA's ability to continue as a going concern. The Board, therefore, consider it appropriate for the accounts to be prepared on a going concern basis.

## **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.

## PROVIDENCE ROW HOUSING ASSOCIATION

### REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued) Year ended 31 March 2020

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#### STATEMENT ON INTERNAL CONTROLS ASSURANCE

##### INTERNAL CONTROLS STATEMENT

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

The Board recognises that no system of internal controls can provide absolute assurance or eliminate all risk. The system of internal controls 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 controls, together with some of the key elements of the controls 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). The Finance and Audit Scrutiny Group is also responsible for the annual Risk Panel 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 controls procedures are working. The internal controls 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 controls 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.

## PROVIDENCE ROW HOUSING ASSOCIATION

### REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued) Year ended 31 March 2020

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- *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 controls areas within the six main controls 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 controls 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.

- *Controls environment and controls procedures*

The Board retains responsibility for a defined range of issues covering strategic, operational, and 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.

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 probationary 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 residents of a set of service standards. Residents are also involved in inspection and audit processes across PRHA's activities.

## PROVIDENCE ROW HOUSING ASSOCIATION

### REPORT OF THE BOARD AND STRATEGIC REVIEW (Continued) Year ended 31 March 2020

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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 controls process.

## 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 reappoint 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

28 08 2020

**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") for the year ended 31 March 2020 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 2020 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



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

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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 16, 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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

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**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: 3 September 2020

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 2020**

|  | <b>Note</b> | <b>2020<br/>£'000</b> | <b>2019<br/>£'000</b> |
|--|-------------|-----------------------|-----------------------|
| <b>Turnover</b>  | 3           | 8,043                 | 8,039                 |
| Operating costs  | 3           | (7,463)               | (7,414)               |
| <b>Operating surplus</b>                                       | 3/5         | 580                   | 625                   |
| Interest receivable  |             | 16                    | 14                    |
| Interest and financing costs                                   | 8           | (425)                 | (456)                 |
| <b>Surplus and total comprehensive<br/>income for the year</b> |             | 171                   | 183                   |

All amounts relate to continuing activities.

The notes on pages 28 to 50 form part of these financial statements.

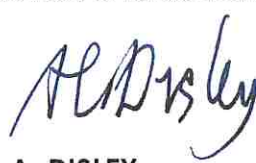
# PROVIDENCE ROW HOUSING ASSOCIATION

## BALANCE SHEET At 31 March 2020

|  | Note | 2020<br>£'000 | 2019<br>£'000 |
|--|------|---------------|---------------|
| <b>FIXED ASSETS</b>  |      |               |               |
| Housing Properties   | 10   | 40,424        | 41,602        |
| Other property, plant and equipment                            | 11   | 2,376         | 858           |
|  |      | <u>42,800</u> | <u>42,460</u> |
| <b>CURRENT ASSETS</b>  |      |               |               |
| Debtors  | 12   | 481           | 271           |
| Cash and cash equivalents                                      |      | 4,155         | 5,664         |
|  |      | <u>4,636</u>  | <u>5,935</u>  |
| <b>CREDITORS:</b> amounts falling due within one year          | 13   | (2,455)       | (4,011)       |
|  |      | <u>2,181</u>  | <u>1,924</u>  |
| <b>NET CURRENT ASSETS</b>                                      |      |               |               |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |      | 44,981        | 44,384        |
| <b>CREDITORS:</b> amounts falling due after more than one year | 14   | (34,876)      | (34,450)      |
|  |      | <u>10,105</u> | <u>9,934</u>  |
| <b>NET ASSETS</b>  |      |               |               |
| <b>CAPITAL AND RESERVES</b>                                    |      |               |               |
| Share capital  | 17   | -             | -             |
| General reserves   |      | 10,105        | 9,934         |
|  |      | <u>10,105</u> | <u>9,934</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: 28/08/2020

The notes on pages 28 to 50 form part of these financial statements.

# PROVIDENCE ROW HOUSING ASSOCIATION

## STATEMENT OF CHANGES IN RESERVES For the year ended 31 March 2020

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|   | Share<br>Capital<br>£'000 | General<br>Reserves<br>£'000 | Total<br>£'000 |
|---|---------------------------|------------------------------|----------------|
| Balance as at 1 April 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          |
| Total comprehensive income for the year | -                         | 171                          | 171            |
|   | <hr/>                     | <hr/>                        | <hr/>          |
| Balance at 31 March 2020                | -                         | 10,105                       | 10,105         |
|   | <hr/>                     | <hr/>                        | <hr/>          |

The notes on pages 28 to 50 form part of these financial statements

**PROVIDENCE ROW HOUSING ASSOCIATION**

**STATEMENT OF CASH FLOWS**

**Year ended 31 March 2020**

|   | <b>2020</b>    | <b>2019</b>    |
|---|----------------|----------------|
|   | <b>£'000</b>   | <b>£'000</b>   |
| <b>Cash flows from operating activities</b>                   |                |                |
| Surplus for the financial year                                | 171            | 183            |
| Adjustments for:  |                |                |
| Depreciation of fixed assets – housing properties             | 459            | 449            |
| Depreciation of fixed assets - other                          | 21             | 22             |
| Amortised grant   | (363)          | (368)          |
| Interest paid and finance costs                               | 425            | 456            |
| Interest received and income from investments                 | (16)           | (14)           |
| (Increase)/Decrease in debtors                                | (210)          | 72             |
| (Decrease)/Increase in creditors                              | (1,021)        | 180            |
| <b>Net cash (used in)/generated from operating activities</b> | <b>(534)</b>   | <b>980</b>     |
| <b>Cash flow from investing activities</b>                    |                |                |
| Purchase of tangible fixed assets                             | (821)          | (161)          |
| Receipt of grant  | 525            | -              |
| Interest received   | 16             | 14             |
| <b>Net cash (used in) investing activities</b>                | <b>(280)</b>   | <b>(147)</b>   |
| <b>Cash flow from financing activities</b>                    |                |                |
| Interest paid   | (425)          | (456)          |
| Repayment of borrowings                                       | (270)          | (805)          |
| <b>Net cash (used in) financing activities</b>                | <b>(695)</b>   | <b>(1,261)</b> |
| <b>Net decrease in cash and cash equivalents</b>              | <b>(1,509)</b> | <b>(428)</b>   |
| <b>Cash and cash equivalents at beginning of year</b>         | <b>5,664</b>   | <b>6,092</b>   |
| <b>Cash and cash equivalents at end of year</b>               | <b>4,155</b>   | <b>5,664</b>   |

The notes on pages 28 to 50 form part of these financial statements.

**NOTES ON THE FINANCIAL STATEMENTS**

**Year ended 31 March 2020**

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**1 LEGAL STATUS**

PRHA is a regulated charitable housing association registered under the Co-operative and Community Benefit Societies Act 2014 (No. 19322R). PRHA is registered with the Regulator of Social Housing as a social landlord (No. L0695) and 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 2018) under the historic cost convention and comply with the Accounting Direction for private registered providers of social housing 2019 ("the Direction").

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

The principal accounting policies of PRHA 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 2020

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#### 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 buildings, development costs, interest capitalised during the development period and directly attributable administration costs.

##### *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 2020**

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#### **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. The use of depreciated replacement cost is taken as a suitable measurement model.

##### **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.

##### **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 2020**

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#### **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. PRHA loans meet the definition of basic financial instruments.

##### **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 bad debt provision is based on 100% of former tenant rent arrears and between 5% - 100% of current tenant rent arrears. We deem this as reasonable. We will however consider reviewing this policy if we see a considerable rise in rental debtors.



**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 in March 2020, the Board considered that PRHA has adequate resources to continue in operational existence for the foreseeable future. Given the financial impact of the Covid-19 pandemic, further work has been undertaken subsequently to review revised budgets for the current year as well as projections for the period up to 2025. These projections include annual outturns, cashflow and stress testing for scenarios relating to voids and bad debts and adult social care contracts. This included considering the potential impact of a Covid-19 2<sup>nd</sup> wave during the winter 2020/21 period. After factoring into account these possible scenarios, PRHA remains compliant with loan covenants and that sufficient funds are in place for the ongoing running of the business. PRHA does not currently have an active development or sales programme with their associated risks.

The financial impact of the pandemic and related Government decisions on social distancing has been an estimated £44k reduction in operating surplus for 2021. This will not cause PRHA to breach our bank covenants. The reduction stems from a number of areas of additional operating costs (staffing and PPE) and income reduction (voids and bad debts). A financial mitigation strategy is in place to ensure that the revised projections are met and this is being monitored closely. Should the pandemic worsen we will gauge the effect and take necessary mitigation action.

The Board and Senior Management team will continue to closely monitor the external environment and review the financial implications of any new events. They will also regularly review performance against the revised budget and stress test any emerging risks.

Given the strength of the balance sheet and cashflow projections the Board believe that, while uncertainty exists, this does not pose a material uncertainty that would cast doubt on PRHA's ability to continue as a going concern. The Board, therefore, consider it appropriate for the accounts to be prepared on a going concern basis.

**ACCOUNTING POLICIES (Continued)**

**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**

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

**Operating leases**

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

**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.

*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.

**ACCOUNTING POLICIES (Continued)**

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.

- *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 year ended 31 March 2020 (Continued)

3 TURNOVER, OPERATING EXPENDITURE AND OPERATING SURPLUS

|  | 2020              |                                   |                               | 2019              |                                   |                               |
|--|-------------------|-----------------------------------|-------------------------------|-------------------|-----------------------------------|-------------------------------|
|  | Turnover<br>£'000 | Operating<br>Expenditure<br>£'000 | Operating<br>Surplus<br>£'000 | Turnover<br>£'000 | Operating<br>Expenditure<br>£'000 | Operating<br>Surplus<br>£'000 |
| Social housing lettings (Note 4)       | 7,828             | (7,263)                           | 565                           | 7,898             | (7,238)                           | 660                           |
| <b>Other social housing activities</b> |                   |                                   |                               |                   |                                   |                               |
| Offenders' services                    | -                 | -                                 | -                             | 18                | (49)                              | (31)                          |
| Other social housing activities        | 215               | (200)                             | 15                            | 123               | (127)                             | (4)                           |
| <b>TOTAL</b>                           | <b>8,043</b>      | <b>(7,463)</b>                    | <b>580</b>                    | <b>8,039</b>      | <b>(7,414)</b>                    | <b>625</b>                    |

**PROVIDENCE ROW HOUSING ASSOCIATION**

**NOTES ON THE FINANCIAL STATEMENTS (Continued)**  
**Year ended 31 March 2020**

**4 LETTING ACTIVITIES**

|   | <b>Supported<br/>Housing<br/>£'000</b> | <b>General<br/>Needs<br/>£'000</b> | <b>Agency<br/>Managed<br/>£'000</b> | <b>2020<br/>Total<br/>£'000</b> |
|---|--|------------------------------------|-------------------------------------|---------------------------------|
| <b>Income</b>   |  |                                    |                                     |                                 |
| Rent receivable net of<br>identifiable service<br>charges   | 1,878                                  | 637                                | -                                   | 2,515                           |
| Service charge income                                       | 2,564                                  | 203                                | -                                   | 2,767                           |
| Amortised government<br>grants                              | 255                                    | 94                                 | 14                                  | 363                             |
| Supported housing   | 1,683                                  | -                                  | -                                   | 1,683                           |
| Other   | 87                                     | 13                                 | 400                                 | 500                             |
| <b>Turnover from Social<br/>Housing Lettings</b>            | <b>6,467</b>                           | <b>947</b>                         | <b>414</b>                          | <b>7,828</b>                    |
| <b>Expenditure</b>  |  |                                    |                                     |                                 |
| Management  | 1,112                                  | 230                                | 76                                  | 1,418                           |
| Service charge costs  | 1,935                                  | 139                                | 95                                  | 2,169                           |
| Routine maintenance   | 391                                    | 75                                 | 48                                  | 514                             |
| Major repairs expenditure                                   | 142                                    | 84                                 | 24                                  | 250                             |
| Bad debts   | 112                                    | 3                                  | -                                   | 115                             |
| Depreciation of housing<br>properties                       | 311                                    | 127                                | 17                                  | 455                             |
| Supported housing   | 2,342                                  | -                                  | -                                   | 2,342                           |
| <b>Operating expenditure<br/>on Social Housing Lettings</b> | <b>6,345</b>                           | <b>658</b>                         | <b>260</b>                          | <b>7,263</b>                    |
| <b>Operating surplus on<br/>Social Housing Lettings</b>     | <b>122</b>                             | <b>289</b>                         | <b>154</b>                          | <b>565</b>                      |
| Void losses   | (330)                                  | (1)                                | -                                   | (331)                           |

**PROVIDENCE ROW HOUSING ASSOCIATION**

**NOTES ON THE FINANCIAL STATEMENTS (Continued)**  
**Year ended 31 March 2020**

**4 LETTING ACTIVITIES (CONTINUED)**

|   | <b>Supported<br/>Housing<br/>£'000</b> | <b>General<br/>Needs<br/>£'000</b> | <b>Agency<br/>Managed<br/>£'000</b> | <b>2019<br/>Total<br/>£'000</b> |
|---|--|------------------------------------|-------------------------------------|---------------------------------|
| <b>Income</b>   |  |                                    |                                     |                                 |
| Rent receivable net of<br>identifiable service<br>charges   | 2,052                                  | 608                                | -                                   | 2,660                           |
| Service charge income                                       | 2,476                                  | 194                                | -                                   | 2,670                           |
| Amortised government<br>grants                              | 260                                    | 94                                 | 14                                  | 368                             |
| Supported housing   | 1,732                                  | -                                  | -                                   | 1,732                           |
| Other   | 87                                     | 16                                 | 365                                 | 468                             |
| <b>Turnover from Social<br/>Housing Lettings</b>            | <b>6,607</b>                           | <b>912</b>                         | <b>379</b>                          | <b>7,898</b>                    |
| <b>Expenditure</b>  |  |                                    |                                     |                                 |
| Management  | 1,011                                  | 243                                | 70                                  | 1,324                           |
| Service charge costs  | 1,772                                  | 227                                | 309                                 | 2,308                           |
| Routine maintenance   | 502                                    | 90                                 | 66                                  | 658                             |
| Major repairs expenditure                                   | 47                                     | 5                                  | 3                                   | 55                              |
| Bad debts   | 193                                    | -                                  | -                                   | 193                             |
| Depreciation of housing<br>properties                       | 311                                    | 127                                | 14                                  | 452                             |
| Supported housing   | 2,248                                  | -                                  | -                                   | 2,248                           |
| <b>Operating expenditure<br/>on Social Housing Lettings</b> | <b>6,084</b>                           | <b>693</b>                         | <b>461</b>                          | <b>7,238</b>                    |
| <b>Operating surplus on<br/>Social Housing Lettings</b>     | <b>523</b>                             | <b>219</b>                         | <b>(82)</b>                         | <b>660</b>                      |
| Void losses   | (195)                                  | (8)                                | -                                   | (203)                           |

# PROVIDENCE ROW HOUSING ASSOCIATION

## NOTES ON THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2020

### 5 OPERATING SURPLUS

Is stated after charging:

|  | 2020<br>£'000 | 2019<br>£'000 |
|--|---------------|---------------|
| Depreciation   |               |               |
| - Social housing properties held for lettings            | 444           | 444           |
| - Other property, plant and equipment                    | 21            | 22            |
| - Accelerated depreciation                               | 15            | 5             |
|  | <hr/> 480     | <hr/> 471     |
| Auditors' remuneration                                   |               |               |
| - External – audit services current year (excluding VAT) | 29            | 25            |
|  | <hr/>         | <hr/>         |

## PROVIDENCE ROW HOUSING ASSOCIATION

### NOTES ON THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2020

#### 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 £1,944 (2019: £2,306) 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:

|                                  | 2020<br>£'000 | 2019<br>£'000 |
|----------------------------------|---------------|---------------|
| Gross salary                     | 254           | 243           |
| Social security costs            | 30            | 29            |
| Employer's pension contributions | 12            | 11            |
|                                  | <u>296</u>    | <u>283</u>    |

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

|   | 2020<br>£'000 | 2019<br>£'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) |               |               |



## PROVIDENCE ROW HOUSING ASSOCIATION

### NOTES ON THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2020

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

During the year pension contributions of £4,500 (2019: £4,500) were paid by PRHA 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)

|                     | 2020<br>No. | 2019<br>No. |
|---------------------|-------------|-------------|
| £60,000 to £70,000  | 1           | 0           |
| £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 89 (2019: 92).

|                              | 2020<br>£'000 | 2019<br>£'000 |
|------------------------------|---------------|---------------|
| Staff costs were as follows: |               |               |
| Wages and salaries           | 2,690         | 2,598         |
| Social security costs        | 254           | 245           |
| Pension costs (note 18)      | 85            | 69            |
|                              | <u>3,029</u>  | <u>2,912</u>  |

Staff costs of £284,139 (2019: £265,517) were paid to various agencies.

Staff costs include redundancy payments amounting to £53,418 (2019: £78,875).

Full time equivalents are calculated for full time and part time staff based on a standard working week of 35 – 40 hours.

# PROVIDENCE ROW HOUSING ASSOCIATION

## NOTES ON THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2020

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### 8 INTEREST PAYABLE AND SIMILAR CHARGES

|               | 2020<br>£'000 | 2019<br>£'000 |
|---------------|---------------|---------------|
| On bank loans | 425           | 456           |
|               | <u>425</u>    | <u>456</u>    |

### 9 TAX

PRHA is a charity within the meaning of Para 1 Schedule 6 Finance Act 2010. Accordingly PRHA 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 2020**

**10 TANGIBLE ASSETS – HOUSING PROPERTIES**

| <b>Cost</b>   | <b>Social housing properties held for letting<br/>£'000</b> |                       |
|---|---|-----------------------|
| At 1 April 2019                                       | 47,568  |                       |
| Additions   |   |                       |
| - replaced components                                 | 83  |                       |
| - work to existing properties                         | (15)  |                       |
| - Transfers between categories                        | (919)   |                       |
| Disposals   |   |                       |
| - replaced components                                 | (76)  |                       |
| <b>At 31 March 2020</b>                               | <b>46,641</b>   |                       |
| <b>Depreciation</b>                                   |   |                       |
| At 1 April 2019                                       | 5,966   |                       |
| Charge for year                                       | 444   |                       |
| Disposals   |   |                       |
| - replaced components                                 | (60)  |                       |
| - Transfers between categories                        | (133)   |                       |
| <b>At 31 March 2020</b>                               | <b>6,217</b>  |                       |
| <b>Net book value at 31 March 2020</b>                | <b>40,424</b>   |                       |
| Net book value at 31 March 2019                       | 41,602  |                       |
|   | <b>2020<br/>£'000</b>                                       | <b>2019<br/>£'000</b> |
| <b>Expenditure on works to existing properties</b>    |   |                       |
| Amount expensed to the income and expenditure account | 250   | 55                    |
| (included in routine maintenance as above)            |   |                       |
| Amounts capitalised in fixed asset housing properties | 83  | 161                   |
|   | <b>333</b>  | <b>216</b>            |

## PROVIDENCE ROW HOUSING ASSOCIATION

### NOTES ON THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2020

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#### 10 TANGIBLE ASSETS – HOUSING PROPERTIES (CONTINUED)

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

|                 | 2020<br>£'000 | 2019<br>£'000 |
|-----------------|---------------|---------------|
| Freehold        | 27,613        | 28,643        |
| Long Leasehold  | 9,554         | 9,642         |
| Short Leasehold | 3,257         | 3,317         |
|                 | <u>40,424</u> | <u>41,602</u> |

#### Impairment

During the year, PRHA has not recognised any impairment loss (2019 - £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 2019, 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 £25.7 million pledged as security at 31 March 2020 (2019 £25.9m).

**PROVIDENCE ROW HOUSING ASSOCIATION**

**NOTES ON THE FINANCIAL STATEMENTS (Continued)**  
**Year ended 31 March 2020**

**11 OTHER PROPERTY, PLANT AND EQUIPMENT**

| <b>Cost</b>                                | <b>Office<br/>Buildings<br/>£'000</b> | <b>Computer<br/>equipment<br/>£'000</b> | <b>Furniture and<br/>equipment<br/>£'000</b> | <b>Total<br/>£'000</b> |
|--|---------------------------------------|---|--|------------------------|
| At 1 April 2019                            | 921                                   | 285                                     | 563  | 1,769                  |
| Additions                                  | 719                                   | -                                       | 34   | 753                    |
| Transfers between<br>categories            | 919                                   | -                                       | -  | 919                    |
| <b>At 31 March 2020</b>                    | <b>2,559</b>                          | <b>285</b>                              | <b>597</b>                                   | <b>3,441</b>           |
| <b>Depreciation</b>                        |                                       |   |  |                        |
| At 1 April 2019                            | 78                                    | 272                                     | 561  | 911                    |
| Charge for year                            | 10                                    | 7                                       | 4  | 21                     |
| Transfers between<br>categories            | 133                                   | -                                       | -  | 133                    |
| <b>At 31 March 2020</b>                    | <b>221</b>                            | <b>279</b>                              | <b>565</b>                                   | <b>1,065</b>           |
| <b>Net book value at 31<br/>March 2020</b> | <b>2,338</b>                          | <b>6</b>                                | <b>32</b>                                    | <b>2,376</b>           |
| <b>Net book value at 31<br/>March 2019</b> | <b>843</b>                            | <b>13</b>                               | <b>2</b>                                     | <b>858</b>             |

The net book value of office buildings may be further analysed as:

|          | <b>2020<br/>£'000</b> | <b>2019<br/>£'000</b> |
|----------|-----------------------|-----------------------|
| Freehold | 2,338                 | 843                   |
|          | <b>2,338</b>          | <b>843</b>            |

PRHA relocated its head office to other premises during the year. Both offices are currently in use for office purposes. Once the pandemic situation stabilises all staff will relocate to the new head office.

**PROVIDENCE ROW HOUSING ASSOCIATION**

**NOTES ON THE FINANCIAL STATEMENTS (Continued)**  
**Year ended 31 March 2020**

**12 DEBTORS**

**Amounts receivable within one year:**

|                               | <b>2020</b>  | <b>2019</b>  |
|-------------------------------|--------------|--------------|
|                               | <b>£'000</b> | <b>£'000</b> |
| Gross rental debtors          | 366          | 333          |
| Less: Provision for bad debts | (340)        | (305)        |
|                               | <u>26</u>    | <u>28</u>    |
| Other debtors and prepayments | 455          | 243          |
|                               | <u>481</u>   | <u>271</u>   |

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

|   | <b>2020</b>  | <b>2019</b>  |
|---|--------------|--------------|
|   | <b>£'000</b> | <b>£'000</b> |
| Bank loan (note 15)                               | 270          | 805          |
| Rent received in advance                          | 112          | 341          |
| Trade creditors                                   | 298          | 518          |
| Grants received in advance                        | 32           | 525          |
| Tax and Social Security                           | 72           | 66           |
| Accruals and other creditors                      | 1,286        | 1,371        |
| Deferred capital grant less than 1 year (note 16) | 385          | 385          |
|   | <u>2,455</u> | <u>4,011</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 2020****14 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR**

|  | <b>2020</b><br><b>£'000</b> | <b>2019</b><br><b>£'000</b> |
|--|-----------------------------|-----------------------------|
| Loans (note 15)                        | 7,472                       | 7,207                       |
| Deferred government grant<br>(note 16) | 27,404                      | 27,243                      |
|  | <u>34,876</u>               | <u>34,450</u>               |

**15 LOANS**

Loans from Orchardbrook Limited, Cooperative Bank Plc and Lloyds Bank Plc are secured by specific charges on PRHA's housing properties and are repayable at varying rates of interest in instalments. The loans bear interest at various rates ranging from 1.49% and 8.75%. (2019: 1.24% to 8.75%).

Instalments are due as follows:

|   | <b>2020</b><br><b>£'000</b> | <b>2019</b><br><b>£'000</b> |
|---|-----------------------------|-----------------------------|
| <b>Housing loans repayable by instalments</b> |                             |                             |
| Within one year                               | 270                         | 805                         |
| Between two and five years                    | 1,420                       | 1,354                       |
| Due after five years or more                  | 6,052                       | 5,853                       |
|   | <u>7,742</u>                | <u>8,012</u>                |

**16 DEFERRED GOVERNMENT GRANTS**

|                               | <b>2020</b><br><b>£'000</b> | <b>2019</b><br><b>£'000</b> |
|-------------------------------|-----------------------------|-----------------------------|
| At 1 April                    | 27,628                      | 27,996                      |
| Release to income in the year | (363)                       | (368)                       |
| Grants recognised in the year | 525                         | -                           |
| <b>Balance at 31 March</b>    | <u>27,790</u>               | <u>27,628</u>               |

# PROVIDENCE ROW HOUSING ASSOCIATION

## NOTES ON THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2020

### 16 DEFERRED GOVERNMENT GRANTS (CONTINUED)

|  | 2020<br>£'000 | 2019<br>£'000 |
|--|---------------|---------------|
| Classified as:                                   |               |               |
| Amounts to be released within one year (note 13) | 385           | 385           |
| Amounts to be released in more than one year     | 27,405        | 27,243        |
|  | <u>27,790</u> | <u>27,628</u> |

### 17 SHARE CAPITAL

|                  | 2020<br>£ | 2019<br>£ |
|------------------|-----------|-----------|
| At 31 March 2020 | <u>11</u> | <u>11</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 PRHA made contributions to individuals' personal pension schemes of £84,540 (2019: £68,894) covering 100 employees (2019: 102).

#### 19 LEGISLATIVE PROVISIONS

PRHA is incorporated under the Co-operative and Community Benefit Societies Act 2014, Registration Number 19322R. PRHA is an exempt charity and is registered with the Regulator of Social Housing, Number L0695.

#### 20 UNITS UNDER MANAGEMENT

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

|  | 2019 | Disposals | 2020 |
|--|------|-----------|------|
| <b>Units of housing stock</b>                |      |           |      |
| General needs housing                        |      |           |      |
| - social                                     | 89   | -         | 89   |
| - affordable                                 | -    | -         | -    |
| Supported housing                            | 384  | -         | 384  |
| Total social housing units                   | 473  | -         | 473  |
| <b>Total owned</b>                           | 473  | -         | 473  |
| Accommodation managed for others             | 40   | (12)      | 28   |
| <b>Total managed accommodation</b>           | 513  | (12)      | 501  |
| Units managed by other associations          | 44   | -         | 44   |
| <b>Total owned and managed accommodation</b> | 557  | (12)      | 545  |

## PROVIDENCE ROW HOUSING ASSOCIATION

### NOTES ON THE FINANCIAL STATEMENTS (Continued) Year ended 31 March 2020

#### 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 £6,693 (2019: £6,611) and the tenant had an arrears balance of £1,399 at the 31 March 2020 (2019: Arrears balance of £275).

#### 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 2020, the value of grant received in respect of these properties that had not been disposed of was £27.8 million (2019: £27.6 million). Included within the general reserve is £7.3 million (2019: £6.9 million) relating to amortised grants.

#### 23 CAPITAL COMMITMENT

|   | 2020<br>£'000 | 2019<br>£'000 |
|---|---------------|---------------|
| Commitments approved by the Board but not contracted for: |               |               |
| Construction  | 175           | 225           |
|   | <u>175</u>    | <u>225</u>    |
| Capital commitments will be funded as follows:            |               |               |
| Social Housing Grant                                      | -             | -             |
| Existing reserves   | 175           | 225           |
| Net Commitment  | <u>175</u>    | <u>225</u>    |

## PROVIDENCE ROW HOUSING ASSOCIATION

### NOTES ON THE FINANCIAL STATEMENTS (Continued)

31 March 2020

#### 24 OPERATING LEASES

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

|   | 2020<br>£'000 | 2019<br>£'000 |
|---|---------------|---------------|
| <b>Amounts receivable as Lessor</b>               |               |               |
| Not later than one year                           | 16            | 16            |
| Later than one year and not later than five years | 66            | 65            |
| Later than five years                             | 268           | 279           |
| Total   | <u>350</u>    | <u>360</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.

#### 26 NET DEBT RECONCILIATION

|                                  | 1 April<br>2019<br>£'000 | Cashflows<br>£'000 | 31 March<br>2020<br>£'000 |
|----------------------------------|--------------------------|--------------------|---------------------------|
| Cash at bank and in hand         | 5,664                    | (1,509)            | 4,155                     |
| Bank overdrafts                  | -                        | -                  | -                         |
| Obligations under finance leases | -                        | -                  | -                         |
| Bank loans                       | (8,012)                  | 270                | (7,742)                   |
| Convertible loan                 | -                        | -                  | -                         |
| Net Debt                         | <u>(2,348)</u>           | <u>(1,239)</u>     | <u>(3,587)</u>            |