ABILITY HOUSING ASSOCIATION

Report and Financial Statements

For the year ended 30 September 2015

Registered Company No 1261380

Company registration number	1261380
Homes & Communities Agency registration number:	LH2174
Charity number:	271547
Registered office and principal address:	The Coach House Gresham Road Staines TW18 2AE
Board:	John Daley Wendy Crichlow Adrian Polisano Vince Mewett Jane Harrison (Chair) Jane Minter Karen Hillhouse Ian Lines (Appointed 25.03.2015) Sally Reay (Appointed 25.03.2015) Nicola Philp (Appointed 25.03.2015)
Chief Executive	David Williams BSc
Finance Director & Secretary	Donna Marshall BA ACA
Operations Director	Tim Hall (Appointed 1st July 2015)
Bankers:	Barclays 1 Churchill Place London E14 8HP
Solicitors:	Devonshires Salisbury House London EC2M 5QY
Auditors:	Grant Thornton UK LLP Registered Auditors Chartered Accountants 202 Silbury Boulevard Central Milton Keynes MK9 1LW

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Report of the Board

The board presents its report and audited financial statements of Ability Housing Association (the association) for the year ended 30 September 2015.

Principal activities and public benefit
The association's principal activities are the provision, by construction or conversion, and the management of housing for people with disabilities and others in housing need.

The board confirms that it has referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the association's aims and objectives and in formulating future plans.

Business review and future development
Details of the association's performance for the year and future plans are set out in the Operating and Financial Review that follows this board report.

Reserves
After transfer of the surplus for the year of £797,163 (2014: £411,976), at the year-end reserves amounted to £12,885,125 (2014: £12,087,962).

Employees
The association is accredited as an Investor in People and has established an Information & Consultation Committee of elected staff representatives, who meet quarterly with executive directors to discuss issues relevant to employment. Salary levels are set in relation to the market and meet the requirements of the Government's National living wage.

We are committed to equality of opportunity for all employees. We have a diverse workforce and have in place systems for monitoring the effectiveness of our diversity & inclusion policies.

The association shares information on its objectives, progress and activities through the staff intranet, regular office and departmental meetings.

Health and safety
The board is aware of its responsibilities on all matters relating to health and safety. The association has employed an external advisor to prepare detailed health and safety policies, on-going support and provide staff training and education on health and safety matters.

Board members and executive directors
The present board members and the executive directors of the association are set out on page 1. The board members are drawn from a wide background bringing together professional, commercial and local experience.

The executive directors are the chief executive and the other members of the association's senior management team. They hold no interest in the association's shares and act as executives within the authority delegated by the board.

Insurance policies indemnify board members and officers against liability when acting for the association.

Service contracts
The executive directors are employed on the same terms as other staff, their notice periods being three months.

Pensions
Two executive directors are members of the Social Housing Pension Scheme, a defined benefit final salary pension scheme. They participate in the scheme on the same terms as all other eligible staff. The Association contributes to the scheme on behalf of its eligible employees and offers a defined contribution scheme to all staff.

NHF Code of Governance
We are pleased to report that the association complies with the principal recommendations of the NHF Code of Governance (revised 2010) with the exception that terms of office may be extended by consent of the Board. The association also acknowledges the new NHF Code of Governance 2015 which is effective from 1 April 2015 and will prepare an annual statement of compliance in the financial statements for 30 September 2016. The revised NHF Code of Governance has been updated in a number of areas, with greater emphasis on role of the parent, board composition, board skills and terms of office and the chief executive's contract and severance payments amongst other areas of focus. Currently the association has no issue of non-compliance to report in respect of the NHF Code of Governance 2015.

At last year's Annual General Meeting held on 25 March 2015, Jane Harrison was-elected as Chair, after John Daley stood down from the post. Ian Lines, Sally Reay and Nicola Philp were co-opted to the Board in September 2014 and their appointments were confirmed at the AGM.

Tenant involvement
We actively encourage tenants' involvement in decision-making by promoting tenant participation; up to one-third of ordinary members may be tenants or service users. A customer panel and customer services committee have been established to report to the Board and a customer engagement co-ordinator appointed.

Complaints
Our clear and simple complaints policy is issued to all customers. During the year we received two complaints that reached level 2 (formal resolution) both of which have been resolved.

Internal controls assurance
The board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the association is continuing, and has been in place throughout the period commencing 1 October 2014 up to the date of approval of the annual report and financial statements. The board receives and considers reports from management on these risk management and control arrangements at each meeting during the year.

Key elements of the control framework include:

- board approved terms of reference and delegated authorities for finance, audit and risk, human resources and customer services committees;
- clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- robust strategic and business planning processes;
- biannual review of the risk map by the board;
- detailed financial budgets and forecasts for subsequent years;
- formal recruitment, retention, training and development policies;
- established authorisation and appraisal procedures for all significant new initiatives and commitments;
- regular reporting by senior management to the appropriate committee of key business objectives, targets and outcomes;
- board approved whistleblowing and anti-theft and corruption policies; and
- detailed policies and procedures in each area of the association's work.

The board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the finance, audit & risk committee to regularly review the effectiveness of the system of internal control on a regular basis. The board receives reports from the committee together with minutes of meetings.

Internal controls assurance (continued)

The means by which the finance, audit & risk committee reviews the effectiveness of the system of internal control include; considering risk reports, internal audit reports, management assurances, the external audit key issues memorandum and specialist reviews on areas such as support service contracts, health and safety, housing services and property development. The committee has received reports from the internal auditor, and has reported its findings to the board. The board has received the chief executive's annual review of the effectiveness of the system of internal control for the association and in turn conducted its own annual review of the effectiveness of the system of internal control.

A fraud register is maintained and is reviewed by the finance, audit and risk committee on a six monthly basis.

The board is therefore satisfied that the systems of internal control are sufficiently robust and have been operating throughout the year.

The report of the board was approved by the board on 4th March 2016 and signed on its behalf by:

		Donna Marshall
Jane Harrison	**Adrian Polisano**	**Donna Marshall**
Chairman	Board Member	Secretary

Operating and Financial Review and Strategic Report

Activities
Ability Housing Association is a Registered Provider (RP) and a registered charity that specialises in providing people with housing and support services tailored to their individual needs to enable them to live more independent lives. These services include the provision of affordable, high quality accommodation for rent and shared ownership, including supported housing, floating support services, disability housing registers and adaptations services.

Ability Housing Association aims to work strategically with local authorities and other Registered Providers in the South of England to help meet the local needs of disabled people, where the Association's expertise can assist with promoting independent living. Our pursuit of this aim is underpinned by the following values:

We focus on ability not disability
- we focus on what each person can do rather than what they cannot do. We work together with our customers to help them overcome barriers to their own personal independent living goals.

We engage actively for feedback
– we engage actively with our customers, colleagues and partners to seek feedback that helps us to understand how we can improve what we do and how we do it.

We value differences
– we respect and value the individuality of each person; we believe that differences are strengths and that diversity enriches our lives and communities.

We demonstrate integrity
– we encourage a culture of openness, honesty and personal accountability; we respond to a challenge by asking ourselves what we can do to help and always delivering on our promises.

We commit ourselves to:
- listening in order to gain the best possible understanding
- focussing on what is possible and thinking about what we can do
- working to agree a positive outcome without excuse or blame and
- taking full responsibility to ensure the agreed outcome is achieved.

The registered office is based in Staines and our properties are primarily located in the South-East of England.

External influences
Nationally the level of Government subsidy for social care activities will diminish substantially over the next few years and the wider reforms to the benefits system will also have an impact. Within this climate, opportunities to develop new supported housing will be constrained by uncertainty about the availability of revenue funding.

Existing services have and will continue to come under pressure as administrative authorities seek cost savings. Services provided will need to demonstrate quality, value for money and strategic relevance. As a result we will need to identify efficiency savings in order to maintain operating margins and ensure service viability.

Housing associations are also expected to contribute to improved efficiency and value for money within the sector, and we are therefore faced with the challenging objectives of improving efficiency and quality of services within increasingly constrained resources.

We have been monitoring the effects of the welfare reform and so far the impact has been minimal as many of our customers live in exempt accommodation or are in receipt of discretionary housing payments. We will continue to keep the position under review.

Strategic Report

Objectives and strategy

The association's objectives and strategy are set out in a five year business plan that is updated, reviewed and approved by the board each year. The key objectives underpinning the 2015-2020 plan are summarised as follows:

- To invest in increasing the supply of supported living in our core areas.
- To review our existing housing assets to ensure these are applied wherever possible for a supported living purpose.
- To invest in our homes to ensure these meet our Ability Home Standard, are sustainable for the long term and offer value for money.
- To optimise housing revenue to provide a more localised and responsive Intensive Housing Management service.
- To establish a sustainable model of Supported Living that matches the aspirations of our customers and is affordable to commissioners and purchasers of services.

By 2020 we aim to have:

- 750 homes in management, of which at least:
    - 90% will be owned by Ability Housing Association (up from 84%)
    - 90% will be in *core areas*, where Ability Care & Support operates
    - 75% will provide *Supported Living*.

Performance and development

The key indicators used by senior management and the board to monitor achievement of the association's objectives are set out below. The board agrees targets each year that are designed to manage development and deliver continuous service improvement.

	Objective	**Indicator**
Finance	• achieve planned operating surplus • meet lenders' covenants	• results compared to budget • performance against loan covenants
Development	• achieve 750 decent, self-contained homes by 2020	• new units into management
Environment	• achieve average SAP ratings of at least 82	• results compared to target
Asset management	• reduction in the proportion of shared housing	• number of shared units
Customer service	• continuous improvement in standards of customer service	• rent losses from voids/bad debts • rent arrears • repair response times • tenant satisfaction
Value for money (VFM)	• achieve reductions in overhead costs • identify the true costs of services provided • assess the social impact of services delivered	• revised and updated VFM strategy • benchmarked performance indicators • identify service improvements • customer consultation

Performance against the key indicators for the financial year ended 30th September 2015 is set out below.

Finance

Turnover from rents and service charges has increased by £108,892. The increase arises from the addition of a net total of 32 housing units during the year and offsets the reduction in Social Care contract income of £257,238. Total operating costs of lettings activity have decreased by £287,287.

Finance (continued)

The operating surplus for the year was £1,262,053, compared to a budget surplus of £801,487. This is in line with revised expectations arising from the postponement of the planned maintenance programme as a result of the liquidation of our principal contractor and the need to put contingency plans in place.

Other income and expenditure activities resulted in a net cost of £119,935 (2014: £129,904). This is in line with expectations and is attributable to development activities. Management services and sundry items contributed a surplus of £48,499 (2014: £42,763)

Cash balances have increased during the year from £696,788 to £706,529. Additional drawdowns of £0.5m were made during the year and these funds were used for development activities. Performance monitoring against our loan covenants has been undertaken with all requirements met.

Our development position at the year-end is summarised as:

- A capital development programme of up to 16 new homes is in progress.
- The number of owned self-contained and decent homes in management has increased to 570 from 541 exceeding the annual target for 2015 of 82%.
- The total number of homes in management has increased to 709 from 677, below the annual target of 720, however completion of the units currently in development will bring the total to 723.

Environment

- The average SAP (energy efficiency) rating of our housing stock has remained at 85 (2014: 85), exceeding an original target of 82.

Asset management

- All homes met the decent homes standard by 31st March 2010; a programme of further investment is underway to ensure all homes meet the enhanced *Ability* standard.
- The number of shared housing units in management has remained at 61 (9%). Further remodelling or disposal of owned units is planned under the asset management strategy.
- The care home closed in 2014 is currently being remodelled to provide self contained supported accommodation.

Customer service

Our performance is summarised below.

Rent losses from voids and bad debts

- Rent loss due to lettable voids has increased to 4.24% from 2.32% in 2014, compared with a target of 2%.

Rent arrears

- Rent arrears have increased to 5.05% from 4.03% in 2014 against a target of 3.5%, largely a result of outstanding benefit claims and benefit cycle position at the year end. Given the underlying upward trend work is under way to improve performance in this area.

Value for Money (VFM)

Following the development of our VFM strategy we have taken a number of actions to deliver the plan and to meet the regulatory standard. A revised strategy was agreed for the forthcoming financial year. The table below outlines the principal actions from the strategy and progress to date. The detailed VFM self-assessment report can be found on the website www.ability-housing.co.uk.

Action from Strategy	Progress to date	Next steps
Active Asset Management Strategy, replace, repurpose or dispose of low demand / high voids shared supported housing schemes	Redundant hostel in Wimbledon – planning permission and disposal to developer price agreed (£4.6 million) Low demand hostel in Oxfordshire – remodelled for high care group. Void cover agreement with local authority Residential care home in Farnham – decanted and planning granted for remodelling to self-contained homes Shared flat in Dorking – sale agreed for £222,000	Disposal completed October 2015. Fully let, void cover agreement for 5 years. Contract for 4 supported living homes, completion expected April 2016. Completion February 2016.
Quarterly VFM reports	Quarterly drafts produced and agreed by the Board. Updated and revised VFM strategy approved at September 2015 Board meeting.	Publication of performance report and trends. Adoption of revised strategy and performance targets from 2015-16. VFM impact assessment undertaken and included in minuted management team and board decisions.
Quarterly performance reports issued to Board	September Quarter produced for senior management team and board with comparative data, shows a decrease in rates and cost per unit despite inflation. The report also shows the housing unit cost reduction target not met.	Further data analysis to be undertaken for comparison with the following period in addition to monitoring against 2015-16 targets.
Identify costs of service delivery	Service delivery costs identified and compared with local authority framework rates where possible. Successful inclusion on frameworks and winning tenders indicates that prices are in line with authority expectations.	Review individual service costs with Head of Care and Support / Service Managers. Form a strategic cost reduction plan. Undertake project on alternative service delivery methods. Review overhead apportionment.

Action from Strategy	Progress to date	Next steps
Identify cost reduction targets	Report on performance against the 14-15 budgets of cost per unit / hour targets on housing (10%) and support (1%). Direct support costs pre central attribution at 87%. Central overheads held at 11% of turnover.	Monitor cost trends. Process continues into 2015-16 budget year. 2015-16 target cost reduction of 5% overall.
Gather benchmarking data from selected peer group and compare costs / outcomes. **Data from published sources**	Data obtained on support service costs and local authority expectations. Tendering price matrices used where available. Tendering results suggest we are at the market rate for the services provided. Hourly support average costs have been reduced by 5% in 2014-15.	Benchmarking targets written into 2015-16 objectives. Further data on types of support service, housing and development. Further cost reduction exercises built into 2015-16 updated VFM strategy with aim of £1 per hour reduction on support hourly cost and 5% overall cost savings.
Assess & evaluate social and environmental impact of business activities	Support outcomes recorded. Social impact data being gathered. Comparative costs of long term residential care / hospitalisation vs cost of tenancy support. For example care fees approximately £1,000 per week per person vs 24/7 support costing under £600 for comparable numbers of customers. Research data via the DCLG benefits tool suggests that for each £1 invested in supported living saves £3.29 in health and other social benefit costs.	Further assessment across all activities including energy efficiency, social inclusion. Raise profile of services provided, education and lobbying at government level. Quantify and publish savings achieved by our services.
Review social benefits of services and investments	Social impact data being gathered. Participation in community and social activity by supported customers, including attending concerts and participation in sport.	Assess preventive aspects of housing support – e.g. enhanced quality of life vs cost of residential care / hospitalisation. Assess and publish social benefits of high standard housing.

Action from Strategy	Progress to date	Next steps
Evaluate impact of higher levels of investment in property **Energy efficiency** - **Responsive repairs cost and number** - **Customer satisfaction**	Customer feedback sought. Quarterly repairs review meeting held. Interim procurement exercise following liquidation of principal contractor delivered savings of approximately 18%. Scrutiny panel reports commenced.	Comparison of data on repairs undertaken, energy ratings. OJEU procurement process in respect of the new repairs contract. Awarded from April 2016, with expected annual savings of 10%. Scrutiny panel reports on repairs & voids scheduled for 2015-16.
Provide VFM training to colleagues and Customer panel members	Standing agenda item at customer panel (CP) meetings.	Research options available. Develop in house training resource. Encourage attendance at suitable seminars / courses.
Involve customer panel in VFM consultation	VFM issues discussed at CP meeting. Members invited to define their idea of VFM. Opinions sought on cost and service levels of repairs, rents and service charges. Energy contract management so far saving approximately £15,000 per year.	Ongoing outcomes report to board and committees. Production & monitoring of associated action plan.
Include on Customer Service Committee agendas	Customer scrutiny roadmap developed and project on voids undertaken. Customer panel met with repairs contractor. Panel input into rent setting policy. Quarterly tenant/ customer surveys.	CS meetings to consider feedback on VFM from customer panel.
Reduce central overheads	Included in 2016 budget setting process. Target of £50,000 p.a. savings. Review of business staffing requirements undertaken with 2 posts disestablished and external communications outsourced. Net saving of approximately £40k p.a.	Data gathering from activities above. Undertake review of central services team to identify further overhead cost reductions.
Build savings into 2015-16 budget	Included in 2016 budget setting process. Target of £50,000 p.a. savings.	Employment costs held to current levels. Central cost budget reduced by 10%. Working groups to form local business plans.

Risks and uncertainties

The main risks that may prevent the association achieving its objectives are considered and reviewed six monthly by the senior management team and board as part of the corporate planning processes. The risks are recorded and assessed in terms of their impact and probability. Major risks, presenting the greatest threats to the association, are reported to the board six monthly together with action taken to manage the risks and the outcome of the action. These risk reports include assessments of key controls used to manage the risks. The association has identified the major risks to achievement of its objectives and these are considered below.

Key risk area	How managed	Impact on strategic objectives
Dependency on social care and revenue contracts	Identification of other funding sources, social care funding and other business opportunities. Increase housing stock to reduce proportion of turnover that is dependent upon short term contracts.	Development Finance
Change in government / regulatory policy	Accept the risk and monitor policy trends. Build flexibility into plans. Assessment of financial impact. Revision of business plans. Stress testing of business plans.	Development Customer services
Corporate Operations	Proactive relationship and communications strategy. Evaluation of investment & business options.	Asset management Development
Operating surplus deterioration	Reduce the risk by maintaining financial plan minimum. Seek out new business opportunities meeting strategic criteria.	Development Finance
Loan Funding	Implementation of interest rate & treasury strategy. Monitoring of covenants.	Development Finance
Property Development	Evaluation of development opportunities for sustainability. Assessment of opportunities to maximise capacity in light of declining grant rates.	Development Finance

Financial position

The association's income and expenditure account and balance sheet are summarised in Table 1 (page 14) and the following paragraphs highlight key features of the association's financial position at 30 September 2015.

Accounting policies

The association's principal accounting policies are set out on pages 21 to 23 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and include deduction of capital grant from the cost of assets and housing property depreciation.

Housing properties

At 30 September 2015 the association owned 587 housing properties (2014: 558). The properties were carried in the balance sheet at cost (after depreciation and capital grant) of £23,409,475 (2014: £21,876, 402).

Our investment in housing properties this year was funded through a mixture of social housing grant, loan funding and cash resources where we continue to show a strong current asset balance, an important indicator of liquidity.

Pension costs

The association participates in four pension schemes, the Social Housing Pension Scheme (SHPS), the Surrey County scheme (LGPS), the Social Housing growth plan and the Social Housing direct contribution plan which was used as the auto enrolment vehicle from May 2014. The former two are final salary schemes, the others money purchase. The group has contributed to the schemes in accordance with levels, set by the actuaries, of between 1% and 21%.

Pension costs (continued)
The last actuarial valuation of the SHPS was at 30 September 2011. The past service funding level has been assessed at 67%. We anticipate that our contributions to the scheme will increase beyond 16% of pensionable salaries in accordance with the pension trustees' recovery plan. We will continue to contribute to the scheme in line with the advice of independent actuaries.

Capital structure and treasury policy
The association borrowed a further £0.5 million during the year, to develop housing. By the year end borrowings amounted to £11.907m of which £0.1m falls due to be paid within the next year as shown below.

Maturity	2015	2014
	£	£
Within one year	122,815	116,607
Between one and two years	122,815	116,607
Between two and five years	3,368,445	2,849,820
After five years	8,670,594	8,824,451
	12,284,669	11,907,485

The association borrows, principally from banks, at both fixed and floating rates of interest. At the year-end, 56% of the association's borrowings were at fixed rates.

The fixed rates of interest range from 1.765% to 10.68% and in the current market, where long term fixed rates have fallen to around 4%, this means that the association is paying interest on part of its borrowing at rates substantially in excess of market levels. The amounts are small however and at present the breakage costs exceed the likely benefits. The situation is reviewed regularly. The association borrows and lends only in sterling and so is not exposed to currency risk.

The trend information in Table 1 (page 14) shows that gearing, calculated as total loans as a percentage of capital grants and reserves, has remained stable, decreasing slightly from this year from 23.9% to 23.8%.

Cash flows
Cash inflows and outflows during the year are shown in the cash flow statement (page 20). The cash inflow from operating activities increased this year to £1,541,255 (2014: £1,259,668), reflecting cash used for property construction and operating surplus together with changes in working capital arising from the timing of invoice and grant receipts.

Future developments
A key influence on the timing of borrowings is the rate at which development activity takes place. The board has approved plans to spend approximately £4 million during the next three years to develop housing accommodation. We have undrawn facilities of £2.5 million and in October 2015 completed the sale of a former hostel in the sum of £4.6million.

Statement of compliance
In preparing this Operating and Financial Review, the board has followed the principles set out in the SORP 2010.

Table 1 –highlights, five-year summary

For the year ended 30 September	2015	2014	2013	2012	2011
Income and Expenditure account (£'000)					
Total turnover	8,871	8,754	8,732	8,838	8,577
Income from lettings	8,799	8,690	8,679	8,785	8,468
Operating surplus	1,262	851	1,332	1,203	1,239
Surplus for the year transferred to reserves	797	412	894	922	1,438
Balance Sheet (£'000)					
Housing properties net of depreciation and grants	23,409	21,876	19,790	18,874	16,713
Other fixed assets	1,098	1,135	1,150	1,081	1,072
Fixed assets	24,507	23,011	20,940	19,955	17,785
Net current assets	575	903	686	756	209
Total assets less current liabilities	25,082	23,914	21,626	20,711	17,995
Loans (due over one year)	12,163	11,792	9,916	9,532	7,738
Other long term liabilities	34	34	34	398	398
Reserves : designated	-	-	-	1,723	1,690
: revenue	-	-	-	9,058	8,479
: total	12,885	12,088	11,676	10,781	9,859
	25,082	23,914	21,626	20,711	17,995
Accommodation figures					
Total housing stock owned at year end *(number of dwellings)*:	595	566	556	529	513
Social housing	587	558	548	521	505
Non-social housing	8	8	8	8	8
Statistics					
Surplus for the year as % of turnover	8.9	4.7	10.2	13.6	14.4
Surplus for the year as % of income from lettings	9.01	4.8	10.3	13.7	14.6
Rent losses *(voids and bad debts as % of rent and service charges receivable)*	3.8	2.47	1.67	1.89	1.92
Rent arrears *(gross arrears as % of rent and service charges receivable)*	5.05	4.03	3.5	2.94	3.53
Interest cover *(surplus before interest payable divided by interest payable)*	2.71	1.96	3.07	3.36	5.42
Liquidity *(current assets divided by current liabilities)*	1.54	1.77	1.67	1.65	1.15
Gearing *(total loans as % of capital grants plus reserves)*	22.4	23.9	21.0	21.3	19.0
Total reserves per home owned	£21,656	£21,741	£21,306	£20,380	£19,218

Statement of the responsibilities of the board for the report and financial statements
The board is responsible for preparing the report and financial statements in accordance with applicable law and regulations.

Company law requires the board to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company. In preparing these financial statements the directors 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 United Kingdom Accounting Standards and the Statement of Recommended Practice (SORP): Accounting by registered housing providers, have been followed, subject to any material departures disclosed and explained in the financial statements.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Annual general meeting
The annual general meeting will be held on 23 March 2016 at the Thames Club, Staines.

External auditors
Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed appointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

The report of the board was approved by the board on 4th March 2016 and signed on its behalf by:

Jane Harrison

Jane Harrison
Chairman

Independent auditor's report to the members of Ability Housing Association
We have audited the financial statements of Ability Housing Association for the year ended 30 September 2015 which comprise the income and expenditure account, the balance sheet, the cash flow statement, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company'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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and the auditor
As explained more fully in the Statement of Board's Responsibilities set out on page 15, the board is responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 30 September 2015 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and Report of the Board for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Laura Brierley

Laura Brierley
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Milton Keynes
Date 30 March 2016

Income and Expenditure Account

	Note	2015 £	2014 £
Turnover: continuing activities	1	8,871,201	8,753,596
Operating costs	1	(7,609,148)	(7,902,527)
Operating surplus: continuing activities	1	1,262,053	851,069
Profit / (loss) on disposal of fixed assets	5	-	(3,977)
Interest payable and similar charges	6	(464,890)	(435,116)
Surplus on ordinary activities before taxation		797,163	411,976
Tax on surplus for the year		-	-
Surplus for the financial year		797,163	411,976

The accompanying notes form part of these financial statements.

Historical cost surpluses and deficits were identical to those shown in the income and expenditure account.

Donna Marshall

Jane Harrison
Chairman

Adrian Polisano
Board Member

Donna Marshall
Secretary

4th March 2016

RECONCILIATION OF MOVEMENTS IN COMPANY'S FUNDS

	Note	2015	2014
		£	£
Opening total funds	17	12,087,962	11,675,986
Total recognised surpluses and deficits relating to the year	17	797,163	411,976
Closing total funds	17	12,885,125	12,087,962

The accompanying notes form part of these financial statements.

Company number 1261380

Balance Sheet at 30 September 2015

	Note	2015	2014
		£	£
Tangible fixed assets			
Housing properties	9	62,011,425	59,518,352
Social housing grant	9	(29,638,800)	(28,678,800)
Other grants	9	(8,963,150)	(8,963,150)
	9	23,409,475	21,876,402
Other tangible fixed assets	11	1,097,746	1,134,204
		24,507,221	23,010,606
Current assets			
Debtors	12	935,971	1,548,282
Cash at bank and in hand		706,529	696,788
		1,642,500	2,245,070
Creditors: amounts falling due within one year	13	(1,067,742)	(1,341,836)
Net current assets		574,758	903,234
Total assets less current liabilities		25,081,979	23,913,840
Creditors: amounts falling due after more than one year	14	12,196,854	11,825,878
Capital and reserves			
Revenue reserve	17	12,885,125	12,087,962
Company's funds	17	12,885,125	12,087,962
		25,081,979	23,913,840

The accompanying notes form part of these financial statements.

The financial statements were authorised and approved by the board on 4th March 2016

Jane Harrison — Adrian Polisano — Donna Marshall

Jane Harrison
Chairman

Adrian Polisano
Board Member

Donna Marshall
Secretary

Cash Flow Statement

	Note	2015 £	2014 £
Net cash inflow from operating activities	18	1,541,255	1,259,668
Returns on investments and servicing of finance			
Interest paid		(464,890)	(435,116)
Net cash outflow from returns on investments and servicing of finance		(464,890)	(435,116)
Capital expenditure and financial investment			
Purchase and construction of housing properties		(2,637,222)	(3,933,279)
Social housing grant - received		1,296,249	1,061,590
Other capital grant - received		-	205,000
Purchase of other fixed assets		(102,835)	(116,014)
Net cash outflow from capital expenditure and financial investment		(1,443,808)	(2,782,703)
Net cash flow before financing			
Financing			
Loans received		500,000	2,000,000
Housing loans repaid		(122,816)	(116,607)
Net cash inflow from financing		377,184	1,883,393
Increase / (decrease) in cash	19	9,741	(74,758)

The accompanying notes form part of these financial statements.

Principal Accounting policies

Legal status
The association is registered under the Companies Act 2006 as a company limited by guarantee. It is registered with both the Charity Commission and the Homes and Communities Agency as a Registered Provider.

Basis of accounting
The financial statements of the association are prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP) and the Statement of Recommended Practice: Accounting by registered social landlords housing providers' update and comply with the Accounting Requirements for registered social landlords Accounting Directive 2012. Under the requirements of the SORP, capital grants are shown as a deduction from the cost of housing properties on the balance sheet (see note 9). This is a departure from the rules under the Companies Act 2006 but in the opinion of the Directors is a relevant accounting policy, comparable to that adopted by other registered social landlords and has been adopted in order to present a true and fair view.

Going concern
After making enquiries, the board has a reasonable expectation that the association equate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Turnover
Turnover compromises rental income receivable in the year, service charges receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale and other services included at the invoiced value of goods and services supplied in the year and revenue grants receivable in the year. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

Value added tax
The association is not registered for VAT, and therefore all amounts are inclusive of VAT.

Corporation tax
The association is recognised by HMRC as a charity. During the current year the Association is claiming exemptions from corporation tax on its income and gains. All of the association's income and gains will be applied to its charitable purposes.

Interest payable
Interest payable is charged to the income and expenditure account in the year. No interest is capitalised.

Derivatives
The association does not currently employ derivatives in the management of interest rates.

Pensions
The group participates in two funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS) and the Local Government pension scheme under a TUPE transfer agreement and one multi-employer defined contribution scheme.
For each of the schemes, it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The income and expenditure charge represents the employer contribution payable to the scheme for the accounting period.

Supporting people income
Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Housing properties
Housing properties are principally properties available for rent and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, and expenditure incurred in respect of improvements.

Works to existing properties are works which replace a component that has been treated separately for depreciation purposes along with those works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business are capitalised as improvements.

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover; and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

Donated land
Land donated by local authorities and others is added to cost at the market value of the land at the time of the donation. Where the land is not related to a specific development and is donated by a public body an amount equivalent to the increase in value between market value and cost is added to other grants. Where the donation is from a non-public source, the value of the donation is included as income.

Social housing grant
Social housing grant (SHG) is receivable from the Homes & Communities Agency (the HCA) and is utilised to reduce the capital costs of housing properties, including land costs. It is allocated to the land and structure components of the associated asset in proportion to their cost. Grant receivable in respect of identifiable components is allocated to those components. SHG due from the HCA 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. SHG is subordinated to the repayment of loans by agreement with the HCA. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors.
Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to the income and expenditure account. Upon disposal of the associated property, the association is required to recycle these proceeds; as such a contingent liability is disclosed to reflect this.

Other grants
Other grants are receivable from local authorities and other organisations. Capital grants are utilised to reduce the capital costs of housing properties, including land costs. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

Depreciation of housing properties
Freehold land is not depreciated. Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

The association separately identifies the major components which comprise its housing properties and charges depreciation so as to write down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.
Where SHG has been allocated to a component, the depreciable amount is arrived at on the basis of original cost, less the proportion of SHG and other grants attributable to the component, less residual value.

The association depreciates the major components of its housing properties over the following timescales

Structure	100 years
Roof	60 years
Kitchen	20 years
Bathroom	25 years
Boiler	15 years
Heating System	30 years
Windows & Doors	20 years
Electrics	30 years

Impairment
Housing properties, including those with individual components which are depreciated over a period in excess of 50 years are subject to impairment reviews annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down is charged to operating surplus.

Component Accounting
The association adopted the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers 2010 at 30th September 2012. This has required the association to identify the major components which make up its housing property assets and depreciate these over individual useful economic lives.

Other tangible fixed assets
Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land.

The principal annual rates used for other assets are:

Freehold offices	1%-2%
Long leasehold property	Over life of lease
Furniture, fixtures and fittings	25%
Computers	33.3%
Motor vehicles	25%

Leased assets
Assets held under finance leases are included in the balance sheet and depreciated in accordance with the group's normal accounting policies. The present value of future rentals is shown as a liability.
The interest element of rental obligations is charged to the income and expenditure account over the period of the lease in proportion to the balance of capital repayments outstanding.
Rentals payable under operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

Properties for sale
Shared ownership first tranche sales, completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Liquid resources
Liquid resources are readily disposable current asset investments. They may include some money market deposits, held for more than 24 hours that can only be withdrawn without penalty on maturity or by giving notice of more than one working day.

NOTES TO THE FINANCIAL STATEMENTS

1. Particulars of turnover, cost of sales, operating costs and operating surplus

	2015 Turnover	2015 Operating costs	2015 Operating surplus
	£	£	£
Social housing lettings			
	8,798,800	(7,465,311)	1,333,489
Other social housing activities			
Development costs not capitalised	-	(119,935)	(119,935)
Management services	72,401	(23,902)	48,499
	72,401	(143,837)	(71,436)
	8,871,201	(7,609,148)	1,262,053

	2014 Turnover	2014 Operating costs	2014 Operating surplus
	£	£	£
Social housing lettings	8,689,908	(7,752,598)	937,310
Other social housing activities			
Development costs not capitalised	-	(129,004)	(129,004)
Management services	63,500	(20,925)	42,575
Donation	188	-	188
	63,688	(149,929)	(86,241)
	8,753,596	(7,902,527)	851,069

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Particulars of income and expenditure from social housing lettings

	2015					2014
	General needs housing	Supported housing	Care homes	Low cost home ownership	Total	Total
	£	£	£	£	£	£
Rent receivable net of identifiable service charges	1,071,355	2,461,140	19,335	12,857	3,564,687	3,309,209
Service income	137,610	689,859	-	-	827,469	716,817
Charges for support services	273,609	3,445,997	338,750	-	4,058,356	4,248,793
Net rental income	1,482,574	6,596,996	358,085	12,857	8,450,512	8,274,819
Other revenue grants	-	348,288	-	-	348,288	415,089
Turnover from social housing lettings	1,482,574	6,945,284	358,085	12,857	8,798,800	8,689,908
Management	(271,898)	(693,288)	(5,099)	(3,326)	(973,611)	(790,729)
Services	(91,348)	(452,847)	(29,722)	-	(573,917)	(482,423)
Routine maintenance	(110,885)	(485,358)	-	-	(596,243)	(862,874)
Planned maintenance & major repairs	(66,777)	(316,057)	(3,614)	-	(386,448)	(597,256)
Care & Support costs	(251,855)	(3,670,343)	(251,083)	-	(4,173,281)	(4,290,733)
Bad debts	-	-	-	-	-	(6,165)
Property lease charges	(193,714)	(376,486)	-	-	(570,200)	(530,808)
Depreciation of housing properties	(76,329)	(114,738)	(544)	-	(191,611)	(191,610)
Operating costs on social housing lettings	(1,062,806)	(6,109,117)	(290,062)	(3,326)	(7,465,311)	(7,752,598)
Operating surplus on social housing lettings	419,768	836,117	68,023	9,531	1,333,489	937,310
Void losses	21,775	164,460	-	-	186,235	93,456

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Accommodation in management and development

At the end of the year accommodation in management for each class of accommodation was as follows:

	2015 No	2014 No
Social housing		
General housing	213	212
Supported housing	363	334
Low cost home ownership	4	5
Residential care homes	7	7
Total owned	587	558
Accommodation managed for others	114	111
Total managed	701	669
Non-social housing		
Respite Unit	8	8
Total owned and managed	709	677
Accommodation in development at the year end	16	43

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Operating surplus

The operating surplus is arrived at after charging:

	2015	2014
	£	£
Depreciation of freehold housing properties	147,000	146,999
Depreciation of leasehold housing properties	44,611	44,611
Depreciation of other tangible fixed assets	139,293	131,626
Operating lease rentals		
- office equipment	5,324	451
- land and buildings	570,200	530,808
Auditors' remuneration (excluding VAT)		
- for audit services	13,930	13,200

5. Loss on Disposal of fixed assets – housing properties

	2015	2014
	£	£
Disposal proceeds – housing components	-	-
Carrying value	-	(3,977)
Loss on disposal	-	(3,977)

6. Interest payable and similar charges

	2015	2014
	£	£
Loans and bank overdrafts	464,890	435,116

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Employees

Average monthly number of employees expressed as full time equivalents:

	2015	**2014**
	No	**No**
Administration	10	10
Development	1	1
Housing, support and care	110	131
	121	142

Employee costs:

	2015	**2014**
	£	**£**
Wages and salaries	3,338,095	3,477,286
Social security costs	281,803	295,544
Other pension costs	92,153	84,290
	3,712,051	3,857,120

Social Housing Pension Scheme

Ability Housing Association participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to address the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67.0%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The market value of the Scheme's assets at the date of the Actuarial Report was £2,718 million. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,151 million, equivalent to a past service funding level of 70%.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Employees (continued)

The Scheme is closed to new members and at the balance sheet date there were two active members of the Scheme. Contributions of £20,880 (2014: £19,047) were made in the year, we expect to make contributions of approximately £21,000 during the next financial year.

Pensions Trust's Growth Plan

Ability Housing Association participates in The Pensions Trust's Growth Plan (the Plan). The Plan is funded and is not contracted-out of the State scheme. The Plan is a multi-employer pension plan.

Contributions paid into the Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Plan or by the purchase of an annuity.

The rules of the Plan allow for the declaration of bonuses and/or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses/investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The Trustee commissions an actuarial valuation of the Plan every three years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Plan state that the proportion of obligatory contributions to be borne by the member and the member's employer shall be determined by agreement between them. Such agreement shall require the employer to pay part of such contributions and may provide that the employer shall pay the whole of them.

The Association paid contributions at the rate of 5% during the accounting period. Members paid contributions at the rate of 5% during the accounting period.

As at the balance sheet date there were 34 active members of the Plan employed by the Association, which has closed the plan to new members.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Plan is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of the Plan's total assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Employees (continued)

The valuation results at 30 September 2011 were completed in 2012 and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%.

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

	% p.a.
Rate of return pre retirement	4.9
Rate of return post retirement: Active/Deferred Pensioners	 4.2 4.2
Bonuses on accrued benefits	0.0
Inflation: Retail Prices Index (RPI)	2.9
Inflation: Consumer Prices Index (CPI)	2.4

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

The Scheme Actuary is currently finalising the 2014 valuation and results will be communicated in due course. At 30 September 2013 the market value of the Plan's assets was £772 million and the Plan's Technical Provisions (i.e. past service liabilities) was £927 million. The update, therefore, revealed a shortfall of assets compared with the value of liabilities of £155 million, equivalent to a funding level of 83%.

If an actuarial valuation reveals a shortfall of assets compared to liabilities, the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

The Pensions Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example, the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2011 valuation was forwarded to The Pensions Regulator on 2 October 2012, as is required by legislation.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan and The Pensions Act 2011 has more recently altered the definition of Series 3 of the Growth Plan so that a liability arises to employers from membership of any Series except Series 4.The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Employees (continued)

The leaving employer's share of the buy-out debt is the proportion of the Plan's liability attributable to employment with the leaving employer compared to the total amount of the Plan's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

When an employer withdraws from a multi-employer defined benefit pension scheme which is in deficit, the employer is required by law to pay its share of the deficit, calculated on a statutory basis (known as the buy-out basis). The calculation basis that applies to the Growth Plan was amended due to a change in the definition of money purchase contained in the Pensions Act 2011 the calculation basis that applies to the Growth Plan will be amended to include Series 3 liabilities in the calculation of the employer's debt on withdrawal.

The Growth Plan is a "last man standing" multi employer scheme. This means that if a withdrawing employer is unable to pay its debt on withdrawal the liability is shared amongst the remaining employers. The participating employers are therefore, jointly and severally liable for the deficit in the Growth Plan. As at September 2013 the total deficit calculated for the buy- out basis was £219.9m.

Surrey County Council Pension scheme

The association makes payments as an Admitted Body to the Surrey County Council Pension Fund for employees who were members of that scheme on 1st April 2008 under the terms of a TUPE transfer. This is a funded defined benefit scheme that covers Surrey County Council employees and Scheduled and Admitted Bodies under the Local Government Pension Scheme Regulations 1997.

The association has been notified by the Scheme Administrator that they are unable to satisfactorily identify the association's share of the underlying Scheme assets and liabilities as at 30 September 2015 and accordingly the pension costs are accounted for as defined contribution.

The total employer contribution payable in the year was £15,956 (2014: £20,740). At 30 September 2015 the association had 3 active members in the fund. Expected payments in the next financial year amount to approximately £17,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Directors, members and executive directors

	2015 £	2014 £
Aggregate emoluments of directors (including pension contributions)	188,221	189,852
Emoluments of the highest paid director (excluding pension contributions and including benefits in kind)	100,793	102,173
Total expenses reimbursed to directors not chargeable to UK income tax – Board members	164	1,006
– Executives	2,961	2,551

Executive salary bands	2015	2014
£50,000 - £60,000	1	-
£60,000 - £70,000	1	-
£70-000-£80,000	-	-
£80,000-£90,000	1	1

The Chief Executive is a member of the Social Housing Pension Scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply. Pension contributions of £13,032 (2014: £ 11,687) were made during the year. The association does not make any further contribution to an individual pension arrangement for the Chief Executive.

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Tangible fixed assets – properties

Housing properties	Freehold Social housing properties held for letting	Leasehold housing properties held for letting	Total housing properties held for letting	Housing properties for letting under construction	Completed shared ownership housing properties	Total housing properties
Cost	£	£	£	£	£	£
At 1 October 2014	41,372,799	15,581,007	56,953,806	3,335,432	366,774	60,656,012
Additions	163,492	-	163,492	2,368,966	-	2,532,458
Works to existing properties	152,017	209	152,226	-	-	152,226
Schemes completed	4,349,632	-	4,349,632	(4,349,632)	-	-
Disposals	-	-	-	-	-	-
At 30 September 2015	46,037,940	15,581,216	61,619,156	1,354,766	366,774	63,340,696
Depreciation and impairment						
At 1 October 2014	758,570	379,090	1,137,660	-	-	1,137,660
Charged in year	147,000	44,611	191,611	-	-	191,611
Released on disposal	-	-	-	-	-	-
At 30 September 2015	905,570	423,701	1,329,271	-	-	1,329,271
Social housing grant						
At 1 October 2014	18,057,822	9,455,640	27,513,462	930,002	235,336	28,678,800
Additions	-	-	-	960,000	-	960,000
Schemes completed	1,590,000	-	1,590,000	(1,590,000)	-	-
At 30 September 2015	19,647,822	9,455,640	29,103,462	300,002	235,336	29,638,800
Other capital grant						
At 1 October 2014	7,517,293	1,190,007	8,707,300	205,000	50,850	8,963,150
Additions	205,000	-	205,000	(205,000)	-	-
At 30 September 2015	7,722,293	1,190,007	8,912,300	-	50,850	8,963,150
Net book value						
At 30 September 2015	17,762,255	4,511,868	22,274,123	1,054,764	80,588	23,409,475
At 30 September 2014	15,039,114	4,556,270	19,595,384	2,200,430	80,588	21,876,402

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Tangible fixed assets - properties

Expenditure on works to existing properties

	2015	2014
	£	£
Components capitalised	-	153,636
Amounts charged to the income and expenditure account	386,448	597,256
	386,448	750,892

Social housing grant

	2015	2014
	£	£
Total accumulated social housing grant received or receivable at 30 September:		
Capital grant	29,638,800	28,678,800

Housing properties book value, net of depreciation and grants

	2015	2014
	£	£
Freehold land and buildings	17,762,255	15,039,114
Long leasehold land and buildings	4,511,868	4,556,270
	22,274,123	19,595,384

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Tangible fixed assets - other

	Freehold offices £	Vehicles & office equipment £	Furniture, fixtures and fittings £	Total £
Cost				
At 1 October 2014	1,150,894	752,208	289,404	2,192,506
Additions	-	76,831	26,004	102,835
At 30 September 2015	1,150,894	829,039	315,408	2,295,341
Depreciation				
At 1 October 2014	169,542	682,942	205,818	1,058,302
Charged in the year	18,704	81,273	39,316	139,293
At 30 September 2015	188,246	764,215	245,134	1,197,595
Net book value				
At 30 September 2015	962,648	64,824	70,274	1,097,746
At 30 September 2014	981,352	69,266	83,586	1,134,204

12. Debtors

	2015 £	2014 £
Due within one year		
Rent and service charges receivable	225,464	201,690
Less: provision for bad and doubtful debts	(9,227)	(9,227)
	216,237	192,463
Other debtors	360,970	656,737
Prepayments and accrued income	358,764	699,082
	935,971	1,548,282

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Creditors: amounts falling due within one year

	2015	2014
	£	£
Debt (note 16)	122,815	116,607
Trade creditors	234,636	757,644
Rent and service charges received in advance	88,255	93,982
Other taxation and social security	81,444	74,615
Other creditors	940	17,382
Accruals and deferred income	539,652	281,606
	1,067,742	1,341,836

14. Creditors: amounts falling due after more than one year

	2015	2014
	£	£
Debt (note 16)	12,161,854	11,790,878
Recycled capital grant fund (note 15)	35,000	35,000
	12,196,854	11,825,878

15. Recycled capital grant fund

	2015	2014
	£	£
At 1 October and 30th September Local authority grant	35,000	35,000

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Debt analysis

Borrowings

	2015	2014
	£	£
Due within one year		
Housing loans	122,815	116,607
Due after more than one year		
Housing loans	12,161,854	11,790,878
Total loans	12,284,669	11,907,485

Security
Housing loans are secured by fixed charges on individual properties.

Terms of repayment and interest rates
The loans are repaid in monthly, quarterly or half yearly instalments over the agreed period of the loan. The final instalments fall to be repaid in the period 2014 to 2045. Interest rates on borrowings range from 0.91% to 10.688%.

At 30 September the association had undrawn loan facilities of £2.5 m (2014: £3m).

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	2015	2014
	£	£
Within one year or on demand	122,815	116,607
One year or more but less than two years	122,815	116,607
Two years or more but less than five years	3,368,445	2,849,820
Five years or more	8,670,594	8,824,451
	12,284,669	11,907,485

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Reserves

	Revenue reserve	Total reserves
	£	£
At 1 October 2014	12,087,962	12,087,962
Surplus for the year	797,163	797,163
At 30 September 2015	12,885,125	12,885,125

18. Net cash inflow from operating activities

	30 September 2015	30 September 2014
	£	£
Operating surplus	1,262,053	851,069
Depreciation of tangible fixed assets	330,904	323,236
	1,592,957	1,174,305
Working capital movements		
Debtors	276,062	(284,000)
Creditors	(327,764)	369,363
Net cash inflow from operating activities	1,541,255	1,259,668

19. Reconciliation of net cash flow to movement in net debt

	30 September 2015	30 September 2014
	£	£
Increase / (Decrease) in cash	9,741	(74,758)
Cash inflow from increase in debt	(377,184)	(1,883,393)
Change in net debt resulting from cash flows	(367,443)	(1,958,151)
Movement in net debt for the period	(367,443)	(1,958,151)
Net debt at 1 October	(11,210,697)	(9,252,546)
Net debt at 30 September	(11,578,140)	(11,210,697)

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. Leasing commitments

Operating lease payments amounting to £588,055 (2014: £568,615) are due within one year. The leases to which these amounts relate expire as follows:

	2015 £	2014 £
Office equipment		
Between one and five years	5,324	7,129
	5,324	7,129
Land and buildings		
Between one and five years	390,763	396,706
Over five years	204,817	164,780
Total	595,580	568,615

24. Related parties

There are currently no beneficiary members of the directors.

25. Financial liabilities excluding trade creditors – interest rate risk profile

The association's financial liabilities are sterling denominated. The interest rate profile of the Association's financial liabilities at 30 September was:

	2015 £	2014 £
Floating rate	5,441,472	4,984,725
Fixed rate	6,843,197	6,922,760
Total (note 16)	12,284,669	11,907,485

The fixed rate financial liabilities have a weighted average interest rate of 3.71% (2014: 3.71%) and the weighted average period for which it is fixed is 1 year to 25 years (2014: 1 year to 39 years).
The floating rate financial liabilities comprise loans that bear interest at rates based on the monthly LIBOR.

The debt maturity profile is shown in note 16.

Borrowing facilities
The association has undrawn committed borrowing facilities. The facilities available at 30 September in respect of which all conditions precedent had been met were as follows:

	2015 £	2014 £
Expiring in more than two years	2,500,000	3,000,000
	2,500,000	3,000,000

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. Share Capital

The association is a company limited by guarantee and therefore has no share capital. Each member (see numbers below) agrees to contribute £1 in the event of the company winding up.

	2015 No.	2014 No.
At 1st October	38	40
Joining during the year	3	1
Leaving during the year	-	(3)
At 30 September	41	38