

Harrogate Neighbours Housing Association Limited

**Regulator of Social Housing Registration Number H0705
Co-operative and Community Benefit Societies Number 18429R**

Harrogate Neighbours Housing Association Limited

Board's report and financial statements

for the year ended 31 October 2017

Harrogate Neighbours Housing Association Limited

Company information

Board	L Jones	Chairperson	
	S Brook		
	D C Sadler		
	M Hunter		
	M Munroe		
	I Davison		
	G McBride		
	A Parascandolo		
	A Cobb		appointed 21 November 2016
	N Simpson		appointed 23 January 2017
	K Robinson		appointed 11 September 2017
	G Mitchell		appointed 11 September 2017
Chief Executive	S Cawthray		
Secretary	G McBride		
Registered office	40 Wetherby Road		
	Harrogate		
	HG2 7SQ		
Auditors	Howard Matthews Partnership		
	Queensgate House		
	23 North Park Road		
	Harrogate		
	HG1 5PD		
Bankers	Royal Bank of Scotland		
	3 Cambridge Crescent		
	Harrogate		
	HG1 1PE		
	Charity Bank		
	Fosse House		
	182 High Street		
	Tonbridge		
	TN9 1BE		

Harrogate Neighbours Housing Association Limited

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Harrogate Neighbours Housing Association Limited

Report of the Board for the year ended 31 October 2017

The Board present their report and the financial statements of the Association for the year ended 31 October 2017.

Principal activity

The Association is formed for the benefit of older people of the local community to provide them with suitable housing, accommodation, care and support together with amenities for their overall welfare.

Board of Trustees

The Board members who served during the year are as stated below:

L Jones	
S Brook	
D C Sadler	
M Hunter	
M Munroe	
I Davison	
G McBride	
A Parascandolo	
A Cobb	appointed 21 November 2016
N Simpson	appointed 23 January 2017
K Robinson	appointed 11 September 2017
G Mitchell	appointed 11 September 2017

Current structure and management of the Association

The Association is constituted as a Co-operative and Community Benefit Society and is governed by a set of rules and a model constitution drafted by the National Housing Federation.

The Association is governed by a Board, who meet regularly and ensure that the organisation's aims and objectives are upheld and developed. A third of the committee retire at the Annual General Meeting when an election takes place.

In accordance with the direction of the Board, the Association is led by a Chief Executive, Mrs S Cawthray, who ensures that high standards of resident/tenant focused care are maintained. Through the regular resident and tenant meetings, the Focus Group at Greenfield Court and the Senior Management and Operational Teams, the Board oversee and ensure the philosophy of care and the ethos of the Association are upheld.

During the year the Board continued to review and strengthen its approach to governance. The Board appointed two new members who will bring additional skills and experience. We will be implementing the nine year rule regarding retiree's as recommended by the Charity Commission for our existing Board members, with the longest standing members retiring on a phased basis. During the year the Board has invested time into the strategic direction of the organisation to talk about the priorities for the coming 12 months which are reflected in the strategic plan.

Operating and financial review

The plans for the future development of the Association and working in partnership with NYCC, HBC, Engie (Keepmoat) and the Accent consortium resulted in a start on site of the new development of The Cuttings in March 2017. This included the upfront sale of Greenfield Court to Engie (Keepmoat) as part of the business plan and funding of the project. The Chief Executive has continued to ensure communication is maintained with staff, tenants, residents, clients, Board and others so they have been kept up to date with the developments as the building of The Cuttings has evolved and regular site meetings have been held with key partners and stakeholders. We have continued to work with the Charity Bank on ensuring all paperwork was in place ready when we started to draw down the loan in October 2017. Significant work has been done with Accent to ensure a smooth first audit by Saffer Cooper to support the grant money received from Homes England (formerly the HCA).

The Chief Executive has continued to be pro-active in raising the profile of Harrogate Neighbours within Harrogate and North Yorkshire as well as across the country. The Extra Care and Domiciliary Care agency has continued to flourish, providing much needed services to vulnerable people within the local community and we are currently reviewing this service and the charges. Harrogate Food Angels, who provide a hot meals service for the benefit of those in need delivered into their own homes, works out of the kitchens at Greenfield Court. They have continued to be supported by the local community, volunteer delivery drivers and the staff teams. Both these services enable people to remain independent in their own homes for longer. They are offered at a cost that provides value for money and despite the fact that they do not generate significant gross surpluses for the Association the Board believe they are an invaluable service to the recipients and follow our charitable origins. We have benchmarked all our services against other similar organisations during the year as well as reviewed our policies and procedures and we are confident that we, as well as providing value for money, continue to provide consistency and an excellent level of service.

We have actively engaged with residents, tenants and families through regular meetings, newsletters and the Tenant Forum Group. The Home Manager at Heath Lodge, and the Scheme Manager at Greenfield Court are supported by a team of dedicated and skilled staff, who aim to strive towards providing best value service that is effective as well as efficient on both sites, and to ensure that the best level of quality care and support services are provided. The Association maintained the Centre for Assessment Customer Service Award.

The Association employed an HR Officer to support the Senior Management Team as the organisation continues to grow, and has continued with further specialist advice from Alcumus who assist the Chief Executive with the Health and Safety and Employment Laws.

Heath Lodge, 6 Pannal Ash Road, is a registered Residential Home accommodating 28 elderly and elderly mentally infirm residents. We provide 24 hour care and our strategy is to ensure that all residents are fully funded. We have continued to support those long standing residents in need through the care fund and have worked with North Yorkshire County Council to ensure our care costs are met and maintained. Following the retirement of Robert Murphy who had been the manager for over 8 years in October 2017, the Association appointed a new home manager who is supported by a Deputy, Senior Care Assistants, Care Assistants and Support Staff.

Greenfield Court, Wetherby Road, is an Extra Care Scheme comprising of 39 single rooms, all en suite. The Scheme provides 24 hour cover, two meals a day and facilities for the tenants to prepare their own breakfast. There are also 10 bungalows linked to the main house where tenants are supported by the Scheme Manager and the 24 hour cover, as well as 2 extra care apartments which are let and managed by HNHA. The Scheme Manager is supported by the team of staff employed through Greenfield Court Care.

Harrogate Neighbours Housing Association Limited

Repairs & maintenance

Day to day repairs and maintenance are carried out as necessary throughout the year and Heath Lodge, where appropriate and necessary, has undergone some general maintenance to ensure it is fit for purpose. At Greenfield Court we have ensured that the building has been maintained, and due to the age of the lift it has included essential repairs to ensure it continues to provide support to tenants until the move to The Cuttings.

Staffing

The Chief Executive has continued to support staff development as part of the Association's training and development programme. The managers have struggled to maintain the required number of bank staff to cover holidays and sickness and there has been a need to rely on some agency staff to cover this and vacancies. There is a general shortage of staff within the sector and recruitment of the right calibre of staff has become increasingly challenging. The quality of care is provided on both sites by a very hard working and committed team of staff and has been supported by a dedicated team of 53 volunteers. Both sites have achieved good Care Quality Commission inspections with no recommendations.

Financial performance

Financial performance has improved this financial year with the Association achieving a surplus of £103,712 (2016: £6,886), this is partly due to legacies and donations of £55,558 (2016: £1,787) received in the year.

There has been a very successful campaign to raise funds for the costs of keeping the minibus on the road and towards the purchase of a new assisted bath for The Cuttings.

There has been an overall increase in the volume of voids to £92,292 (2016: £58,059). The staff have worked tirelessly to keep empty rooms to a minimum and income from respite care of £23,516 (2016: £8,936) has been received whilst rooms were vacant.

The Association has also invested significant funds into The Cuttings project this year.

Value for money

The Association provides a unique set of services to its customers which includes independent living at Greenfield Court (with support on call and at hand if required) through to full residential care at Heath Lodge. In addition it uses its kitchen facilities to deliver a hot meals on wheels service to those in need in the community and also provides domiciliary care to its tenants and others in the community. With staff, especially those in admin and support, not necessarily only working in relation to one activity, it is impossible to readily benchmark our costs against other similar providers, even if they existed.

Value for money though is always considered in relation to spend where competitive quotes for work are obtained and salary levels are set in relation to the local market.

The Board had recognised that the current accommodation requires significant remodelling to meet the expectations of new customers. The development of The Cuttings was set with a fixed price from Engie (Keepmoat) and the Board agreed the presale of Greenfield Court to support the project. Investment in relation to major repairs and enhancements is being kept to a minimum in the existing scheme which will ultimately be demolished.

The Future

We will be moving the tenants and the office staff to The Cuttings from the Greenfield Court site and anticipate we will be on site from Summer 2018. We will continue to look at the sustainability of the organisation and the future of Heath Lodge.

Harrogate Neighbours Housing Association Limited

Investment powers and restrictions

The trustees have invested the reserves in appropriate investment accounts during the year.

All members of the Board were members of the Association and each held one share of £1 each.

Public benefit entity

Harrogate Neighbours Housing Association Limited as a registered provider of social housing is a public benefit entity.

Governance and Financial Viability

The Board confirms that the Association complies with the Regulator of Social Housing's Governance and Financial Viability Standard. We have taken account of the NHF code in ensuring good governance.

Board responsibilities

The Board are responsible for preparing the financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the Association and the surplus or deficit for that period. In preparing these financial statements the Board is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Statement of Recommended Practice – Accounting by Registered Social Housing Providers 2014 and the Accounting Direction for Private Registered Providers of Social Housing in England 2015. It has general responsibility for taking reasonable steps to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

We, the Board members of the Association who held office at the date of approval of these financial statements as set out above, confirm, in so far as we are aware:

- there is no relevant audit information of which the Association's auditors are unaware; and
- have taken all the steps that we ought to have taken as Board members to make ourselves aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

This report was approved by the Board on 9 April 2018 and signed on its behalf by

Ms L Jones
Chair

Independent auditors' report to the members of Harrogate Neighbours Housing Association Limited

We have audited the financial statements of Harrogate Neighbours Housing Association Limited for the year ended 31 October 2017 which comprise the statement of comprehensive income, statement of total recognised surpluses and deficits, the statement of financial position, the statement of changes in Association's funds, the statement of cash flows and the related notes. 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'.

This report is made solely to the Association's members, as a body, in accordance with Section 75 of the Co-operative and Community Benefit Societies Acts 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 auditors' 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 its' members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Board members and the auditors

As explained more fully in the Statement of Board's Responsibilities set out on page 5, the Board is responsible for the preparation of financial statements and for being satisfied they 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). Those standards require us to comply with the Auditing Practice's Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Board Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:-

- give a true and fair view of the state of the Association's affairs as at 31 October 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with FRS 102, the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, the Statement of Recommended Practice – Accounting by Registered Social Housing Providers 2014 and the Accounting Direction for Private Registered Providers of Social Housing in England 2015.
- the Board report has been prepared in accordance with applicable legal requirements.
- in light of the knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Board report.

Harrogate Neighbours Housing Association Limited

Independent auditors' report to the members of Harrogate Neighbours Housing Association Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014, require us to report to you if, in our opinion:-

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- have not received all the information and explanations we need for our audit.

**Howard Matthews BA FCA (senior statutory auditor)
For and on behalf of Howard Matthews Partnership
Chartered Accountants and Statutory Auditor**

2018

**Queensgate House
23 North Park Road
Harrogate
North Yorkshire
HG1 5PD**

Statement of comprehensive income for the year ended 31 October 2017

	Notes	2017	2016
		£	£
Turnover	3	1,985,341	1,901,584
Operating costs		<u>(1,945,154)</u>	<u>(1,897,540)</u>
Operating surplus (deficit)	5	40,187	4,044
Fees assistance provided from Care Fund		<u>(15,869)</u>	<u>(26,830)</u>
Operating surplus (deficit) on continuing activities		24,318	(22,786)
Legacies and donations received		55,558	1,787
Interest receivable and other income		<u>7,967</u>	<u>1,055</u>
Surplus (deficit) for the financial year		<u>87,843</u>	<u>(19,944)</u>

Statement of total recognised surpluses and deficits for the year ended 31 October 2017

		2017	2016
		£	£
Surplus (deficit) for the financial year		87,843	(19,944)
Fees assistance from Care Fund		<u>15,869</u>	<u>26,830</u>
Total recognised surplus for the year	14	<u>103,712</u>	<u>6,886</u>

The results related to wholly continuing activities.

The financial statements were approved and authorised for issue by the Board on 9 April 2018 and signed on its behalf by

Ms L Jones
Chairman

Mrs S Cawthray
Chief Executive

G McBride
Secretary

The notes on pages 12 to 23 form an integral part of these financial statements.

Harrogate Neighbours Housing Association Limited

Statement of financial position as at 31 October 2017

	Notes	2017	2016
		£	£
Tangible fixed assets			
Housing properties	8	4,456,513	1,222,426
Other tangible fixed assets	9	<u>61,153</u>	<u>63,037</u>
		4,517,666	1,285,463
Current assets			
Stock		7,393	6,980
Debtors	10	154,044	174,067
Cash at bank and in hand		<u>395,772</u>	<u>2,741,592</u>
		557,209	2,922,639
Current liabilities			
Creditors: Amounts falling due within one year	11	<u>466,789</u>	<u>2,647,703</u>
Net current assets		90,420	274,936
Creditors: amounts falling due after more than one year	11	<u>(3,549,030)</u>	<u>(586,854)</u>
Net assets		<u>1,059,056</u>	<u>973,545</u>
Capital and reserves			
Non-equity share capital	13	20	16
Designated reserves	15	140,855	154,562
Revenue reserves	14	918,181	818,967
Association's funds		<u>1,059,056</u>	<u>973,545</u>

The financial statements were approved and authorised for issue by the Board on 9 April 2018 and signed on its behalf by

Ms L Jones
Chairman

Mrs S Cawthray
Chief Executive

G McBride
Secretary

Regulator of Social Housing number H0705
Co-operative and Community Benefit Societies Number 18429R

The notes on pages 12 to 23 form an integral part of these financial statements

Harrogate Neighbours Housing Association Limited

Statement of changes in Association's funds

	Non Equity Share Capital	Designated Reserves	Revenue Reserves	Total
	£	£	£	£
Balance at 1 November 2016	16	154,562	818,967	973,545
Surplus for the year	-	-	103,712	103,712
Total comprehensive income			103,712	103,712
Transfers from designated reserves	-	(18,205)	-	(18,205)
Transfers between reserves	-	4,498	(4,498)	-
Shares issued	4	-	-	4
Balance at 31 October 2017	<u>20</u>	<u>140,855</u>	<u>918,181</u>	<u>1,059,056</u>

The notes on pages 12 to 23 form an integral part of these financial statements

Harrogate Neighbours Housing Association Limited

Statement of cash flows year ended 31 October 2017

	2017	2016
	£	£
Cash flows from operating activities		
Profit for the financial year	103,712	6,886
Transfer from designated reserves	(18,205)	(28,851)
<i>Adjustments for:</i>		
Depreciation of tangible assets	31,279	28,091
Other interest receivable and similar income	(7,967)	(1,055)
Loss/(gain) on disposal of tangible assets	8,322	714
Accrued expenses/(income)	3,193,870	211,087
<i>Changes in:</i>		
Stocks	(413)	475
Trade and other debtors	14,267	(31,926)
Trade and other creditors	(2,506,629)	2,455,034
Net cash from operating activities	<u>818,236</u>	<u>2,640,455</u>
Cash flows from investing activities		
Purchase of tangible assets	(3,272,785)	(100,324)
Proceeds from sale of tangible assets	500	127
Interest received	7,967	1,055
Net cash used in investing activities	<u>(3,264,318)</u>	<u>(99,142)</u>
Cash flows from financing activities		
Secured loan drawn down	150,000	-
Loan issue costs	(49,742)	-
Proceeds from issue of ordinary shares	4	(1)
Net cash (used in)/from financing activities	<u>100,262</u>	<u>(1)</u>
Net increase/(decrease) in cash and cash equivalents	<u>(2,345,820)</u>	<u>2,541,312</u>
Cash and cash equivalents at beginning of year	<u>2,741,592</u>	<u>200,280</u>
Cash and cash equivalents at the end of year	<u>395,772</u>	<u>2,741,592</u>

The notes on pages 12 to 23 form an integral part of these financial statements

1. Legal status

Harrogate Neighbours Housing Association Limited is registered under the Co-operative and Community Benefit Societies Act 2014 and the Regulator of Social Housing as a registered provider of social housing, registered in England and Wales. Its registered office is at 40 Wetherby Road, Harrogate, North Yorkshire, HG2 7SQ.

2. Accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below.

The financial statements have been prepared under the historical cost convention, except for modification to a fair value basis for certain fixed assets, as specified in the accounting policies below.

Compliance with accounting standards

The financial statements are prepared in compliance with the provisions of FRS102, the Co-operative and Community Benefit Societies Act 2014, the Statement of Recommended Practice - Accounting by Registered Social Housing Providers 2014 and with the Accounting Direction for Registered Providers of Social Housing in England 2015.

Revenue recognition of turnover, legacies and donations

Turnover represents rental and service charges income receivable in the year net of rents and service charge losses from voids together with the value of all other income from services provided in the community during the year, including any revenue grants receivable in the year.

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied and for services rendered, net of discounts and of Value Added Tax.

Legacies and donations are taken to the statement of comprehensive income account when the Association becomes entitled to the income and the amount can be quantified with reasonable accuracy.

Tangible fixed assets and depreciation

All fixed assets are initially recorded at cost.

Social Housing Grants and other grants

Social Housing Association Grants (SHG) have been received from the Homes England (previously Homes and Communities Agency). Other grants have been received from local authorities and other organisations.

Grants are recognised using the accrual model.

Capital Grants are recognised in income over the expected useful life of an asset, except for grants relating to properties which are not amortised. Also refer to the disclosure provided in the true and fair view override statement below.

Grants in respect of revenue expenditure are credited to the statement of comprehensive income in the same period as the expenditure to which they relate.

Depreciation of housing properties

Freehold Land is not depreciated. Where a housing property comprises of two or more major components with substantially different economic lives, each component is accounted for separately and depreciated over its individual useful life, on the basis of original cost. Expenditure relating to subsequent replacement or renewal of components is capitalised, as incurred, and any remaining net book value relating to the original component is written off, to the income and expenditure in the year of disposal.

Freehold properties are depreciated by component on a straight-line basis over the estimated useful economic lives of the component categories:-

Building structures	-	no depreciation
Bathrooms	-	30 years
Lifts	-	30 years
Windows & doors	-	25 years
Kitchens	-	20 years
Central Heating systems	-	20 years

True and fair override

There has been no provision for depreciation on the main structure of the properties held. Social Housing and other grants relating to properties are not being amortised in income, therefore depreciation of properties and amortisation of grants relating to properties are being dealt with in the same way. These are departures from the 2014 SORP for the overriding purpose of providing a true and fair view.

The Trustees are of the opinion the current level of any depreciation on the structure would be immaterial because of the high residual values of the properties, based upon their locations.

Depreciation of other tangible assets

Other tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:-

Improvements to leasehold office	-	over term of lease
Fixtures, fittings and equipment	-	20 - 33% straight line basis
Motor vehicles	-	20% straight line basis

Impairment

Housing properties are subject to regular annual impairment reviews. Where there is evidence of impairment, fixed assets are written down to the recoverable amount and any such write down is taken as a cost to the income and expenditure account.

Stock

Stock is valued at the lower of cost and net realisable value.

Loan finance issue costs

These are amortised over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts amortised.

Capitalisation of interest and administration costs

Interest on loans financing development is capitalised up to the date of the scheme and only when development activity is in progress.

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into its intended use. A proportion of employee costs are also being capitalised under FRS15 on the same basis.

Leasing

Tangible assets acquired under finance leases or hire purchase contracts are capitalised and depreciated in the same manner as other tangible fixed assets. The related obligations, net of future finance charges, are included in creditors.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Employee Benefits

Short-term employee benefits, including holiday pay, are recognised as an expense in the Statement of Comprehensive Income in the period in which they are incurred.

The company participates in The Pension Trust's multi employer Social Housing Pension Scheme (SHPS).

Originally the Association ran a defined benefit pension scheme. In 2010 the Association took advantage of the option to change the pension structure to a defined contribution scheme and the existing members' funds were transferred. During 2014, following new pension regulations, the SHPS scheme was reopened and is now available to all employees, as defined contribution members.

The assets of the schemes are held separately from those of the company in an independently administered fund.

The annual contributions payable by the Association are charged to the income and expenditure account in the year they are payable.

Provisions

Provisions are set up only where it is probable that a present obligation exists as a result of an event prior to the balance sheet date and that a payment will be required in settlement that can be estimated reliably. Where material, provisions are calculated on a discounted basis.

Unrestricted reserves

Designated reserves

Designated reserves are part of unrestricted reserves which have been earmarked by the Board for a particular purpose. Such designations may be reversed by future Board decisions. Expenditure cannot be directly set against designated reserves but is taken through the income and expenditure account. A transfer is then made from designated reserves as appropriate. The designated funds held were:-

(i) Amenities Fund

The Amenities Fund has been created from charitable donations received and funds raised by residents and friends of the Association to meet expenditure which falls within the Association's objectives, but where statutory finance is not available.

(ii) Care Fund

The Care Fund has been created from charitable donations and legacies and interest received thereon. This fund is used to provide additional care for the residents where statutory finance is not available or funding was not of a sufficient level to meet needs. The demand for extra care increases with the average age of the residents and the availability of this provision is an important objective of the Association. In so far as donations, legacies and investment income are not used for additional care, it is current policy for the surplus to be left in the fund.

(iii) Building Fund

The Building Fund represents donations received to be used on the maintenance or development of the buildings.

Revenue reserves

The revenue reserve is an accumulation of charitable donations, legacies and interest thereon for expenditure which falls within the organisation's objectives. It also receives the surpluses or funds the deficits from the activities of the Association. These are funds freely available for use by the Association.

Restricted reserves

The Association does not have any restricted reserves.

Harrogate Neighbours Housing Association Limited

3. Turnover	2017		2016	
	£	£	£	£
Social housing lettings (note 4)	593,816		567,715	
Less: Losses from voids	<u>(23,339)</u>	570,477	<u>(17,504)</u>	550,211
Residential care	953,862		892,582	
Less: Losses from voids	<u>(68,953)</u>	884,909	<u>(40,555)</u>	852,027
Net rental income		1,455,386		1,402,238
Other welfare activities				
Domiciliary care	404,486		379,420	
Meals delivery service	84,327		96,315	
Ancillary activities and other income	<u>41,142</u>	<u>529,955</u>	<u>23,611</u>	<u>499,346</u>
		<u>1,985,341</u>		<u>1,901,584</u>

As at 31 October 2017 there were 2 apartments, 10 bungalows and 39 rooms available for social housing letting (2016: 2 apartments, 10 bungalows and 39 rooms).

There were also 28 rooms (2016: 28 rooms) available within the residential care home.

4. Social housing income and expenditure	2017	2016
	£	£
Net rents receivable excluding service charges	186,947	190,481
Service charges receivable	378,583	357,879
Respite Care	<u>4,947</u>	<u>1,851</u>
Social housing lettings, net of voids	570,477	550,211
Social housing operating costs	<u>(535,114)</u>	<u>(517,368)</u>
Operating surplus	<u>35,363</u>	<u>32,843</u>
Social housing voids	<u>23,339</u>	<u>17,504</u>

5. Operating surplus	2017	2016
	£	£
Operating surplus is stated after charging:		
Auditors' remuneration		
In their capacity as auditors	6,070	6,120
In respect of other services	2,785	3,120
Depreciation and amortisation of owned assets	31,279	28,090
Operating leases	6,919	7,098
Revenue costs associated with the Cuttings Development	<u>6,491</u>	<u>21,871</u>

In addition to the above £2,975 of auditors' remuneration in respect of other services have been included in loan issue costs in regards to The Cuttings.

6. Employees **2017** 2016

Average monthly number of employees:

Administration	8	8
Care, welfare & support services	86	88
	<u>94</u>	<u>96</u>

The average number of persons employed during the year (expressed in full time equivalents) was:

Administration	7	7
Care welfare & support services	63	64
	<u>70</u>	<u>71</u>

Staff costs	£	£
Wages & salaries	1,338,835	1,291,857
Social security costs	92,773	87,542
Other pension costs	22,037	37,392
	<u>1,453,645</u>	<u>1,416,791</u>

7. Board members and executive directors

None of the Board members received emoluments or were paid expenses.

The emoluments paid to the highest paid senior officer, the Chief Executive, including pension contributions were £68,432 (2016: £67,819).

The Chief Executive is a member of the Social Housing Pension Scheme. The Chief Executive is an ordinary member of the Scheme and no enhanced or special terms apply. The Association does not make any further contribution to an individual pension arrangement for the Chief Executive.

8. Tangible fixed assets

	Social housing properties for letting £	Residential care property £	Properties under construction £	Total £
Housing Properties – Freehold				
Cost				
At 1 November 2016	1,292,901	241,239	127,726	1,661,866
Additions	-	-	3,249,050	3,249,050
Disposals	(7,545)	-	-	(7,545)
At 31 October 2017	<u>1,285,356</u>	<u>241,239</u>	<u>3,376,776</u>	<u>4,903,371</u>
Depreciation				
At 1 November 2016	329,781	109,659	-	439,440
On disposals	(755)	-	-	(755)
Charge for the year	5,487	2,686	-	8,173
At 31 October 2017	<u>334,513</u>	<u>112,345</u>	<u>-</u>	<u>446,858</u>
Net book values				
At 31 October 2017	<u>950,843</u>	<u>128,894</u>	<u>3,376,776</u>	<u>4,456,513</u>
At 1 November 2016	<u>963,120</u>	<u>131,580</u>	<u>127,726</u>	<u>1,222,426</u>

9. Other tangible fixed assets

	Short Term Leasehold Improvements £	Fixtures, Fittings & Equipment £	Motor Vehicles £	Total £
Cost				
At 1 November 2016	11,894	230,063	35,471	277,428
Additions	-	23,735	-	23,735
Disposals	-	(2,729)	(3,000)	(5,729)
At 31 October 2017	<u>11,894</u>	<u>251,069</u>	<u>32,471</u>	<u>295,434</u>
Depreciation				
At 1 November 2016	11,894	182,897	19,600	214,391
On disposals	-	(1,116)	(2,100)	(3,216)
Charge for the year	-	18,406	4,700	23,106
At 31 October 2017	<u>11,894</u>	<u>200,187</u>	<u>22,200</u>	<u>234,281</u>
Net book values				
At 31 October 2017	<u>-</u>	<u>50,882</u>	<u>10,271</u>	<u>61,153</u>
At 1 November 2016	<u>-</u>	<u>47,166</u>	<u>15,871</u>	<u>63,037</u>

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10. Debtors	2017	2016
	£	£
Residential rents and service charges due	15,917	32,443
Other debtors	36,706	35,112
Prepayments and accrued income	98,561	106,512
Legacies	2,860	-
	<u>154,044</u>	<u>174,067</u>

11. Creditors: amounts falling due within one year	2017	2016
	£	£
Trade creditors	48,654	61,965
Rent and service charges received in advance	7,231	14,658
Taxation and social security	27,851	25,001
Other creditors	16,875	2,490,383
Deferred grant income (note 12)	2,341	688
Accruals and deferred income	363,837	55,008
	<u>466,789</u>	<u>2,647,703</u>

Other creditors in 2016 included £2,476,654 relating to funds received and interest on those funds prior to the start of the development of the Cuttings.

Creditors: amounts falling due after more than one year	2017	2016
	£	£
Loan account	150,000	-
Loan issue costs	(49,742)	-
Total housing finance	<u>100,258</u>	<u>-</u>
Deferred grant income (note 12)	3,384,812	510,511
Other creditors	63,960	76,343
	<u>3,549,030</u>	<u>586,854</u>

Creditors: amounts falling due after one year, include pension creditors of £21,167 (2016: £30,214) and housing finance costs of £90,457 (2016: NIL) both of which are due after more than five years.

The loan is secured by a mortgage over the properties known as The Cuttings and Heath Lodge together with a debenture over the assets and undertakings of the Association. The Loan period is 25 years from 23 October 2017, subject to the break option. The loan interest rate is 2.5% over base rate.

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12. Deferred grant income	2017	2016
	£	£
At 1 November 2016	511,199	511,499
Grant received in the year	2,876,642	-
Released to income in the year	(688)	(300)
At 31 October 2017	<u>3,387,153</u>	<u>511,199</u>
	2017	2016
	£	£
Amounts to be released within one year	2,341	688
Amounts to be released in more than one year	3,384,812	510,511
	<u>3,387,153</u>	<u>511,199</u>

Social Housing Grant and other grants, relating to properties total £3,383,350 are not being amortised as the assets are not being depreciated. Grants may be repayable in certain circumstances (including the sale of the properties).

13. Share capital	2017	2016
	£	£
Ordinary shares of £1 each issued and fully paid		
At 1 November 2016	16	17
Shares issued during the year	4	-
Shares surrendered during the year	-	(1)
At 31 October 2017	<u>20</u>	<u>16</u>

The Association's share capital is raised by the issue of shares. Each share has the nominal value of £1 which will carry no right to interest, dividend or bonus.

Each share confers the right to one vote.

When a shareholder ceases to be a shareholder or is expelled from the Association, his or her share shall be cancelled and the amount paid up becomes the property of the Association.

14. Revenue reserves	£	£
At 1 November 2016		818,967
Surplus for the year	87,843	
Fees assistance from the Care Fund	<u>15,869</u>	
Total recognised surplus for the year	103,712	
Transfers to designated reserves	<u>(4,498)</u>	
Revenue surplus for the year after transfers		99,214
At 31 October 2017		<u>918,181</u>

15. Designated reserves

	Building Fund £	Amenities Fund £	Care Fund £	Total Designated Reserves £
At 1 November 2016	700	65,244	88,618	154,562
Transfers to revenue reserves	-	(2,336)	(15,869)	(18,205)
Transfers from revenue reserves	-	4,498	-	4,498
At 31 October 2017	700	67,406	72,749	140,855

16. Financial commitments, guarantees and contingencies

Operating Leases

The Association had outstanding commitments in respect of operating leases as at 31 October 2017 of £16,080 (2016: £4,167).

Leasing costs in the year totalled £6,919 (2016: £7,098).

Annual commitments	2017 £	2016 £
Equipment rental expiring		
- Within one year	-	150
- One to five years	2,226	1,148
	2,226	1,298

Pension obligations

Harrogate Neighbours Housing Association Limited participates in the Social Housing Pension Scheme (the Scheme). The Scheme provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pension Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions

Tier 1	£40.6m per annum
From 1 April 2016 to 30 September 2020:	(payable monthly and increasing by 4.7% each year on 1 April)
Tier 2	£28.6m per annum
From 1 April 2016 to 30 September 2023:	(payable monthly and increasing by 4.7% each year on 1 April)
Tier 3	£32.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1 April)
Tier 4	£31.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing to 3.0% each year on 1 April)

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement, the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Present values of provision

	31 October 2017 £	31 October 2016 £	31 October 2015 £
Present value of provision	77,797	89,659	82,403

Reconciliation of opening and closing provisions

	Period Ending 31 October 2017 £	Period Ending 31 October 2016 £
Provision at start of period	89,659	82,403
Unwinding of the discount factor (interest expense)	1,304	1,885
Deficit contribution paid	(13,316)	(12,217)
Remeasurements – impact of any change in assumptions	150	2,824
Remeasurements – amendments to the contribution scheme	-	14,764
Provision at end of period	77,797	89,659

Income and expenditure impact

	Period Ending 31 October 2017 £	Period Ending 31 October 2016 £
Pension interest expense	1,304	1,885
Remeasurements – impact of any change in assumptions	150	2,824
Remeasurements – amendments to the contribution schedule	-	14,764
Contributions paid in respect of future service	20,583	17,919
Costs recognised in the statement of comprehensive income	22,037	37,392

Assumptions

	31 October 2017 % per annum	31 October 2016 % per annum	31 October 2015 % per annum
Rate of discount	1.52	1.58	2.47

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

Outstanding pension contributions payable at the year end amounted to £5,538 (2016: £4,124).

Contingent Liabilities

Harrogate Neighbours Housing Association has been notified by The Social Housing Pension Scheme of the estimated employer debt on withdrawal from the Scheme based on the financial position as at 30 September 2016. As of this date the estimated employer debt for the Association was £228,866. However, the Trustees have confirmed that they have no intention of withdrawing from the scheme and therefore do not believe that the liability will crystallise for the Association in the foreseeable future. The present value of the provision has been included in the accounts, set out above.

17. Capital Commitments & Post Balance Sheet Events

The Association continues with the commitment of the development at The Cuttings as noted in the Board Report, the development started in March 2017 and is due to be completed in July 2018. It is being funded by the sale of Greenfield Court, a further grant of £400,000 facilitated by Homes England, together with the bank loan agreed up to an amount of £2.5 million.

A pledge of £10,000 has also been provided by the George A Moore Foundation towards the building of The Cuttings.

