

SANDBOURNE HOUSING ASSOCIATION

FINANCIAL STATEMENTS

30 SEPTEMBER 2016

SANDBOURNE HOUSING ASSOCIATION
30 SEPTEMBER 2016

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INFORMATION

Registered Numbers

Community Benefit Society	12740R
Homes and Communities Agency	LH0418
Exempt Charity	403885

Members of the Board

Keith Mallett	Chairman
Elizabeth Lees	Vice Chairman
Graham Ball	
Albert Barnes	
Michael Barrow	
Paul Frith	Chairman of Audit, Finance and Risk Committee
David Joicey	Chairman of Management and Governance Oversight Committee
Ian Kendall	
Theresa Saunders	
Ann Schofield	
Joe Waters	Chairman of Staffing and Remuneration Committee
Laurie Wright	

Senior Management Team

Steve Hayes FCIH	Chief Executive Officer and Company Secretary
Fiona Ferenczy MA ACA MCIH	Director of Finance

Registered Office

Beech House
28-30 Wimborne Road
Poole
BH15 2BU

Telephone

01202 671222

Email

info@sandbourne.org.uk

Website

www.sandbournehousingassociation.org.uk

Auditors

PKF Francis Clark
Towngate House
2-8 Parkstone Road
Poole
BH15 2PW

SANDBOURNE HOUSING ASSOCIATION
30 SEPTEMBER 2016

Solicitors

Tozers Solicitors LLP
Broadwalk House
Southernhay East
Exeter
EX1 1UA

Capsticks Solicitors LLP
Kings Park House
22 Kings Park Road
Southampton
SO15 2UF

Bankers and Building Societies

Barclays Bank Plc
Cambridge and Counties Bank Ltd
CCLA
Coastal Credit Union Ltd
National Westminster Bank Plc
Nationwide Building Society
Scottish Widows
Secure Trust Bank
Triodos Bank NV
Virgin Money

BOARD REPORT

The Board Members present their report and the audited financial statements for the year ended 30 September 2016.

Members of the Board

The Board members who have served during the year were as follows:-

Keith Mallett – Chairman	
Graham Ball	Appointed February 2016
Albert Barnes	
Michael Barrow	
Frances Bowen	Appointed February 2016, resigned June 2016
Paul Frith	
Michael Ganderton	Resigned August 2016
David Joicey	
Ian Kendall	
Elizabeth Lees	
Theresa Saunders	
Ann Schofield	Co-opted September 2016
Joe Waters	Co-opted April 2016
Laurie Wright	Co-opted November 2016

Review of the Operations of the Association

Sandbourne Housing Association (Sandbourne) is a not for profit organisation governed by a voluntary Board. It is a Community Benefit Society, an Exempt Charity and is registered with the Homes and Communities Agency.

Sandbourne was formed of the merger of Bournemouth Housing Society for the Elderly and Broadway Park Housing Association Ltd, with the formal transfer of engagements taking place on 27 January 2015. This amalgamation was treated as a merger for accounting purposes and the accounts were prepared as if the two entities had always been one.

On 1 February 2016 Sandbourne acquired all the business, assets and liabilities of Ringwood & District Old People's Housing Society Ltd (Ringwood). This amalgamation has been treated as an acquisition for accounting purposes and the assets and liabilities of Ringwood brought into Sandbourne on 1 February 2016 at their fair value. The details of this acquisition are set out in note 18.

The principal activity of Sandbourne is the provision of affordable housing in Poole, Bournemouth, Ringwood and the surrounding area.

During the year £581,495 (2015: £458,766) was spent on the purchase and alteration of housing properties for rent. Properties valued at £3,200,000 were transferred from Ringwood as part of the acquisition of that organisation. Social Housing Grant of £nil (2015: £50,000) was received in the year.

Rent

Rents are set in accordance with government guidance.

Repairs and Maintenance

All of Sandbourne's properties meet the requirements of the government's Decent Homes Standard. Sandbourne carries out a range of planned and responsive maintenance to enable all its properties to be maintained to a high standard and to continue to meet that Standard as a minimum.

Reserves

Sandbourne maintains three designated reserves. Two of them were set up to cover expenditure on major repairs for all the rented properties and cyclical repairs for shared ownership properties. The third is called the W J Guy Memorial Trust reserve and is used to fund capital expenditure at Guys Close. This reserve was transferred as part of the acquisition of Ringwood. All other reserves are classified as free and are used for the general running of the business.

Treasury Matters

The objective of the Board is to ensure that the provision of the financial resources necessary to run Sandbourne's business is adequately maintained. Surplus funds will be invested in interest-bearing cash accounts; loans will be entered into, after due financial appraisal, where additional funds are required for new development and the smooth running of the business.

Value for Money

Strategy

Sandbourne aims to embed value for money in all its thinking. We want to provide the best possible service to our current and future residents while still remaining financially viable. This means that we have to ensure that our services are provided in an effective, efficient and economic way.

Our regulator, the Homes and Communities Agency (HCA), assesses all registered providers of social housing on their commitment to providing value for money within their businesses. It specifically states that all registered providers shall:-

- a) Have a robust approach to making decisions on the use of resources to deliver the provider's objectives, including an understanding of the trade-offs and opportunity costs of its decisions.
- b) Understand the return on its assets, and have a strategy for optimising the future returns on assets – including rigorous appraisal of all potential options for improving value for money including the potential benefits in alternative delivery models – measured against the organisation's purpose and objectives.
- c) Have performance management and scrutiny functions which are effective at driving and delivering improved value for money performance.
- d) Understand the costs and outcomes of delivering specific services and which underlying factors influence these costs and how they do so.

Vision

Sandbourne seeks to be a high quality housing provider of choice in the local area.

Objectives

Sandbourne has a range of objectives as set out in its Business Plan. The objectives and their impact on Value for Money are:-

- a) To remain independent – the Board believe that independence enables them to provide the best service to our residents at the current time. The status of the Association is regularly reviewed and is not set in stone.
- b) To remain ‘SMALL’ – the size of the organisation enables it to really know its residents and to react quickly to new opportunities which offer better value for money or to adapt business procedures to counter threats.
- c) To be locally based and primarily operating in the Poole, Bournemouth, Ringwood areas – the Board believes that by concentrating the business in a defined local area, it can provide the best possible service while limiting the cost of those services.
- d) To provide high quality, affordable homes to enable residents to live independently – high quality homes last longer and require lower levels of maintenance. Affordable homes are available to people in greater financial and social need.
- e) To employ high quality, dedicated staff who can assist residents in benefitting from the quiet enjoyment of their homes and promote all aspects of equality and diversity – investing in staff means that they are more likely to stay with Sandbourne and will offer a better service to our residents.
- f) To seek to continually improve our services and adapt them to the needs and requirements of our residents – Sandbourne regularly reviews the services that it provides to ensure that they meet the needs of each cohort of residents and that they are provided at the most competitive cost possible.
- g) To use local contractors wherever reasonable – local contractors know the area in which we are based and we work together with them to provide services tailored to our residents and stock. There is the added benefit that they are often cheaper than larger national contractors.
- h) To provide new homes as the opportunity arises – any surpluses arising from the business are reinvested into improving existing stock or developing new stock.
- i) To empower residents to have a direct say in the way that their homes and services are managed and to play an active role in the continuous improvement and development of systems and services – residents are encouraged to work with Sandbourne to improve service provision and suggest new ways of working.
- j) To strive to embed Value for Money principles in all its activities – Sandbourne will always seek to ensure that services are provided in an effective, efficient and economic way.

Value for Money in the year to 30 September 2016

The full version of the Value for Money Assessment for 2016 can be found on Sandbourne’s website. The following is a summary of that report.

- a) Asset Management Strategy
 - The Board have revised the Asset Management Strategy to enable better use of Sandbourne’s housing properties and the capital invested

in them.

- The practical application of this strategy in the year resulted in the sale of a property in Ringwood, which was considered to be expensive to manage and unsuitable for social letting.
- Reinvesting some of the funds from the above sale in a bungalow in Ringwood which better fitted the requirements of Sandbourne's tenants and was more cost effective to manage.
- Purchase of a flat in Poole in a block already partly owned by Sandbourne, meaning that management costs can be more effectively controlled.
- Conversion of a former warden's flat in Bournemouth into a new rented flat, limiting wasted space and reducing service charges for existing residents.

b) Services to residents

- Negotiation of a new cleaning contract meaning a better quality service for less money.
- Upgrading a number of electric heating systems to make them more environmentally friendly and cheaper to run.
- Use of local contractors who are not VAT registered, making a 20% instant saving for the business and supporting local businesses.
- Upgrading the lifts in many of the HOPS blocks to extend their useful lives.
- Renegotiating the insurance contract, resulting in reduced insurance costs to the leaseholders and lower overhead cost for the business as a whole.
- Seeking residents' views on alternative consultation and feedback options that are more efficient and better suit the tenants' lifestyles.

c) Administrative improvements

- Improvement of the website, reducing the need for paper copies of everything and offering greater connectivity with residents.
- Regular production of newsletters to keep residents better informed and to move away from frequent single issue notifications.
- Streamlining of management systems and staff roles to ensure better service to residents.

Compliance with Governance and Financial Viability Standard

The Board confirms that Sandbourne complies with the requirements of the revised Governance and Financial Viability Standard applicable for the year from 1 October 2015.

Principal Risks of the Business

The Board of Sandbourne recognises that all business activities carry risk and that these risks need to be managed, mitigated or avoided to safeguard the business and the assets owned by it. Sandbourne has a register of business risks which is reviewed at least twice a year in detail by the Audit, Finance and Risk Committee and at least annually by the full Board.

The latest review in September 2016 identified the following four principal risks of the business:-

Risk	Comments and mitigation
Change in rent increase regulations or significant movements in inflation rate – rents.	<ul style="list-style-type: none"> • Government policy is now to reduce rents by 1% for each of the four years starting from 1 April 2016. The rents on HOPS properties were increased by CPI + 0.5% in 2016, but it was confirmed on 15 September 2016 that the rent reductions would be extended to supported housing from April 2017. There is some uncertainty of what the policy will be from April 2020. • Formula rents will be maximised wherever possible. • There will be close and rigorous scrutiny of all expenditure. Expenditure will be delayed where necessary and possible, and contracts will be renewed to reduce costs where possible.
Major changes in Welfare Reform.	<ul style="list-style-type: none"> • Sandbourne knows its tenants well and works closely with them when there are problems. • Tenants are already encouraged to have Housing Benefit paid directly to them and to pay Sandbourne by DD whenever possible. • Direct payments under Universal Credit have been delayed until March 2022 and currently only apply to working age tenants. • The Board will consider moving all tenancies to monthly in advance to reduce transaction costs and match Welfare Reform payments. • Staff to keep up-to-date with government announcements to ensure that any timing or policy changes are noted and the potential impact on the business assessed.
Breach of loan covenants.	<ul style="list-style-type: none"> • Regular checking of loan terms and minimum weekly monitoring of bank balances. • Review of financial position through management accounts and cash flow reports. Financial covenants are reported on in the management accounts. • Key dates for information required under covenants is included in the Operational Plan and in staff diaries. • Government policy requiring Sandbourne to reduce rents will mean that covenants need to be monitored more closely for the next four years. • Acquisition of Ringwood Housing has significantly eased the covenant situation.
Severe anti-social behaviour (ASB), possibly leading to eviction.	<ul style="list-style-type: none"> • Sandbourne has a close working relationship with local authority ASB Departments and other agencies. • We have an excellent knowledge of current residents enabling quick reactions and more personalised responses. • We have close working relationships with Sandbourne’s legal representatives and colleagues who manage ASB. • Sandbourne now has two members of staff to deal with any reports of ASB. They will take into

	<p>consideration support needs and possible protection of vulnerable adults needs. They will take a reasonable and proportionate approach to all reports of ASB.</p> <ul style="list-style-type: none">• Staff have increasing knowledge and experience in managing ASB and its related matters.• All prospective tenants are interviewed by the Housing Management Team. A history of ASB may result in the offer of housing being withdrawn.• Information leaflets on ASB are available for tenants.• Policy on ASB management is regularly reviewed.
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Internal Controls' Assurance

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

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

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which Sandbourne is exposed and is consistent with Turnbull principles as incorporated in the Tenant Services Authority circular 07/07 Internal Controls Assurance.

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

- Identification and evaluation of key risks;
- Regular monitoring by the Board and taking corrective action;
- Maintaining a control environment and written procedures; and
- Financial and other information reported to and reviewed by the Board.

The internal control framework and the risk management process are subject to regular review by Internal Auditors who are responsible for providing independent assurance to the Board via its Audit, Finance and Risk Committee. The Audit, Finance and Risk Committee considers internal control and risk at each of its meetings during the year.

The Board has received the Director of Finance's annual report, has conducted its annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of the risk management and control process.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Association. This process has been in place throughout the year under review, up to the date of the annual report, and is regularly reviewed by the Board.

Statement of the Board's Responsibilities

The Co-operative and Community Benefit Society Act 2014 and other registered provider legislation require that the Board prepare financial statements for each financial year which give a true and fair view of the state of affairs of Sandbourne and of its income and expenditure for that period. In preparing these financial statements, the Board is required to:

- Select suitable accounting policies and then 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 Sandbourne will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time Sandbourne's financial position and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing in England 2012. It also has general responsibility for taking reasonable steps to safeguard Sandbourne's assets and to prevent and detect fraud and other irregularities.

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

Auditors

The members of the Board confirm that:

- So far as each one is aware, there is no relevant information of which the auditors are unaware; and
- They have taken all the steps that they ought to have taken to make themselves aware of any relevant information which could be required by Sandbourne's auditors and to establish that the auditors are made aware of that information.

By order of the Board

Signed by Keith Mallett

Keith Mallett
Chairman

Date: *Dated 1/2/17*

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SANDBOURNE
HOUSING ASSOCIATION

We have audited the financial statements of Sandbourne Housing Association for the year ended 30 September 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and Reserves, 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 (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to Sandbourne's members as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit has been undertaken so that we might state to Sandbourne'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 Sandbourne and Sandbourne's members as a body, for our audit work, for this report, or for any opinions we have formed.

Respective responsibilities of the Board and auditors

As explained more fully in the Statement of the Board's Responsibilities on page 10, the Board are responsible for the preparation of the financial statements and for being satisfied that 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 and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB) 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 <http://www.frc.org.uk/auditscopeprivate>

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of Sandbourne's affairs as at 30 September 2016 and of the income and expenditure of the Association for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

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 requires us to report if, in our opinion;

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

Signed by PKF Francis Clark

PKF Francis Clark
Towngate House
2-8 Parkstone Road
Poole
BH15 2PW

Date: *Dated 22/2/17*

SANDBOURNE HOUSING ASSOCIATION
30 SEPTEMBER 2016

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30
SEPTEMBER 2016

	Notes	2016	2015
		£	As restated £
Turnover	2	2,557,164	2,333,058
Operating costs		(1,732,403)	(1,743,961)
Operating surplus		824,761	589,097
Gain on disposal of tangible fixed assets	4	61,412	28,258
Interest receivable and similar income		21,343	24,307
Interest payable and similar charges		(444,391)	(458,019)
Surplus on ordinary activities for the year		463,125	183,643
Other comprehensive income	18	3,786,008	-
Surplus for the year		<u>4,249,133</u>	<u>183,643</u>

On behalf of the Board

Keith Mallett (Chairman) *Signed by Keith Mallett*

Paul Frith (Chairman of Audit, Finance and Risk Committee) *Signed by Paul Frith*

Steven Hayes (Company Secretary) *Signed by Steven Hayes*

SANDBOURNE HOUSING ASSOCIATION
30 SEPTEMBER 2016

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016

	Notes	2016 £	2015 As restated £
Fixed Assets			
Housing properties	8	26,185,806	22,967,914
Other tangible fixed assets	9	61,922	107,242
		<u>26,247,728</u>	<u>23,075,156</u>
Current assets			
Debtors	10	130,342	136,733
Cash at bank and in hand		1,330,823	579,654
		<u>1,461,165</u>	<u>716,387</u>
Creditors: amounts falling due within one year	11	<u>(522,055)</u>	<u>(475,478)</u>
Net current assets		939,110	240,909
Total assets less current liabilities		27,186,138	23,316,065
Creditors: amounts falling due after more than one year	12	(14,956,856)	(15,335,216)
Total net assets		<u><u>12,229,982</u></u>	<u><u>7,980,849</u></u>
Reserves			
Called up share capital	14	33	41
Income and expenditure reserve		11,698,534	7,529,909
Designated reserves		531,415	450,899
Total reserves		<u><u>12,229,982</u></u>	<u><u>7,980,849</u></u>

The financial statements were approved and authorised for issue by the Board on
Dated 1 February 2017

Signed on behalf of the Board

Keith Mallett (Chairman)

Signed by Keith Mallett

Paul Frith (Chairman of Audit, Finance and Risk Committee) *Signed by Paul Frith*

Steven Hayes (Company Secretary) *Signed by Steven Hayes*

The notes on pages 17 to 32 form part of these accounts.

SANDBOURNE HOUSING ASSOCIATION
30 SEPTEMBER 2016

STATEMENT OF CHANGES IN EQUITY AND RESERVES FOR THE YEAR ENDED
30 SEPTEMBER 2016

	Called up share capital £	Income and expenditure reserve £	Designated reserves £	Total £
At 1 October 2015 as previously stated	41	7,476,984	450,899	7,927,924
Changes on transition to FRS 102 (note 17)	-	52,925	-	52,925
At 1 October 2015 as restated	41	7,529,909	450,899	7,980,849
Surplus/(deficit) for the year	-	4,249,133	-	4,249,133
Transfers in the year	-	(80,516)	80,516	-
Share capital issued/(cancelled)	(8)	8	-	-
At 30 September 2016	33	11,698,534	531,415	12,229,982

SANDBOURNE HOUSING ASSOCIATION
30 SEPTEMBER 2016

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Notes	2016	2015
		£	As restated £
Cash flow from operating activities	15	1,819,043	857,881
Cash flow from investing activities			
Payments to acquire tangible fixed assets		(592,256)	(472,405)
Social Housing Grant received		-	50,000
Receipts from sales of tangible fixed assets	4	244,316	60,582
Interest received		21,343	24,307
Net cash flow from investing activities		(326,597)	(337,516)
Cash flow from financing activities			
Proceeds from issue of shares		-	14
Repayment of long term loans		(295,880)	(272,220)
Repayment of finance lease liabilities	13	(1,006)	(912)
Interest paid		(444,391)	(458,019)
Net cash flow from financing activities		(741,277)	(731,137)
Net increase/(decrease) in cash and cash equivalents		751,169	(210,772)
Cash and cash equivalents at 1 October 2015		579,654	790,426
Cash and cash equivalents at 30 September 2016		<u>1,330,823</u>	<u>579,654</u>
Cash and cash equivalents consists of:			
Cash at bank and in hand		387,736	122,328
Short term deposits		943,087	457,326
Cash and cash equivalents at 30 September 2016		<u>1,330,823</u>	<u>579,654</u>

NOTES TO THE FINANCIAL STATEMENTS

1. **Summary of significant accounting policies**

a) General information and basis of preparation

Sandbourne Housing Association (the Association) is a not for profit organisation governed by a voluntary Board. The Association is a Community Benefit Society, an Exempt Charity and is registered with the Homes and Communities Agency.

The Association was formed of the merger of Bournemouth Housing Society for the Elderly and Broadway Park Housing Association Ltd. The formal transfer of engagements took place on 27 January 2015, but the amalgamation has been treated as a merger for accounting purposes and these accounts have been prepared as if the two entities had always been one. The Association also acquired the business and assets of Ringwood and District Old People's Housing Society Ltd on 31 January 2016. This transaction has been treated as an acquisition for accounting purposes with the assets and income of the Society being included in these accounts from 31 January 2016. Note 18 to these accounts gives details of the acquisition transactions.

The principal activity of the Association is the provision of affordable housing in the Poole/Bournemouth conurbation, the town of Ringwood and the surrounding area.

The Association constitutes a public benefit entity as defined by FRS 102.

The financial statements have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102)", the Statement of Recommended Practice for Social Housing Providers 2014 and with the Accounting Direction for private registered providers of social housing in England 2015. The financial statements are also prepared under the requirements of the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. The financial statements have been prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The financial statements are prepared in sterling, which is the functional currency of the Association.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated. The Association adopted the SORP in the current year and an explanation of how transition to the SORP has affected the reported financial position and performance is given in note 17.

b) Tangible fixed assets

Tangible fixed assets (including social housing properties) are stated at cost to the Association less accumulated depreciation. Cost includes costs directly attributable to making the asset capable of operating as intended such as expenditure on improvements. Such expenditure will only be capitalised when it results in incremental future benefits such as increasing rental income, reducing maintenance costs or resulting in a significant extension of the useful life of the property.

Depreciation is provided on all tangible fixed assets (except land) at rates calculated to write off the cost, less any residual value, of each asset on a straight line basis over its expected useful life as follows:-

Land	Not depreciated
Housing properties – structure	100 to 125 years
Housing properties – lifts	25 years
Housing properties – kitchens	20 years
Housing properties – bathrooms	30 years
Housing properties – roofs	50 to 60 years
Housing properties – boilers	10 years
Housing properties – windows and doors	30 years
Fixtures and fittings in communal areas	10 years
Office furniture and equipment	5 years
Solar panels	25 years

Housing properties under construction are not depreciated until they are in use. The useful economic lives of all tangible fixed assets are reviewed annually.

- c) Debtors and creditors receivable/payable within one year
Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Comprehensive Income in other administrative expenses.
- d) Investments
Cash investments are recognised at fair value.
- e) Loans and borrowings
Loans and borrowings are initially recognised at the transaction price including transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method, less impairment. If an arrangement constitutes a financing transaction it is measured at present value.
- f) Impairment
Assets not measured at fair value are reviewed for any indication that the asset may be impaired at each balance sheet date. The level at which an impairment is assessed is either on a block basis (for those properties owned in blocks) or on an individual basis (for those properties owned individually). The key indicators considered for impairment are frequency of tenancy change and length of void periods for each cash generating unit.
- If an indication of impairment is identified the carrying value of the property or group of properties will be reduced to the estimated recoverable amount. The associated impairment right down amount will be recognised in expenditure through the Statement of Comprehensive Income.
- g) Leases
Assets acquired under finance leases are capitalised and depreciated over the shorter of the lease term and the expected useful life of the asset. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding lease liability using the effective interest rate method. The

related obligations, net of future finance charges, are included in creditors.

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

h) VAT

The Association is not VAT-registered, so all expenditure is shown inclusive of VAT.

i) Turnover and other income

Turnover is measured at the fair value of the consideration received or receivable in the period. The policies adopted for the recognition of turnover and other income are as follows:-

Turnover represents rental and service charge income receivable in the year (net of rental and service charge losses from void properties) and any revenue grants received or receivable.

Other income is made up predominantly of interest received or receivable on cash investments.

j) Sale of fixed assets

The disposal of any assets held as fixed assets will be accounted for through the Statement of Comprehensive Income in the period in which the disposal takes place. Where the surplus or loss on disposal of such assets is material to the accounts, the net amount will be shown on the face of the Statement of Comprehensive Income, with further details set out in the notes to the financial statements. Otherwise, any surplus or loss will be included in Operating Costs.

Proceeds from the first tranche disposals of shared ownership properties are included in Turnover in the period in which the disposal occurred and the costs of sale are included in Operating Costs. Proceeds from the sale of subsequent tranches are treated as disposals of fixed assets.

k) Government grants

Government grants have been received from the Homes and Communities Agency and from local authorities in respect of many of the Association's housing properties. These grants are recognised at the fair value of the asset received. The assets are accounted for using the cost model and the grant is accounted for using the accruals model. The difference between the fair value of the asset and the consideration is recognised as a liability and amortised over the useful economic life of the asset. This amortisation is recognised within Turnover.

l) Employee benefits - Pensions

The Association operates a defined contribution pension plan for the benefit of its employees. Contributions are expensed as they become payable.

m) Reserves

The Association has four reserves – an Income and Expenditure Reserve, a Major Repairs Reserve, a Cyclical Repairs Reserve and a W J Guy Reserve. The Cyclical Reserve is restricted to funding cyclical repairs for the leasehold properties which contribute to it and the W J Guy Reserve is restricted to funding capital repairs at Guys Close. Neither of the other two reserves is restricted.

n) Merger and Acquisitions

Where Sandbourne joins with another entity of similar size and nature on a voluntary basis, the amalgamation will be accounted for as a merger. The financial statements will be presented as if the two entities had always been one.

Where Sandbourne joins with another entity that is significantly smaller or different in nature, the amalgamation will be accounted for as an acquisition. The assets, liabilities and reserves of the acquired entity will be brought into the Sandbourne financial statements at their fair value on the date of the acquisition. If the amount paid to acquire the entity is greater than the fair value of the net assets and liabilities, the excess will be treated as goodwill and written off over its expected useful life. If the amount paid to acquire the entity is less than the fair value of the net assets and liabilities, the difference will be treated as income in the year of acquisition and accounted for through the Statement of Comprehensive Income.

o) Judgements and key sources of estimation uncertainty

The following judgements have been made in the process of applying the above accounting policies that have had a significant effect on the amounts recognised in the financial statements:-

- A review of the carrying value of Sandbourne's stock for potential impairment was carried out. The Board took the view that there was no impairment to that carrying value in the year.
- In the judgement of the Board, the carrying value of the rental debts owing at the year end was overstated. The provision for bad and doubtful debts was increased accordingly.

The following key sources of estimation have been applied to these financial statements:-

- All fixed assets except for land are depreciated over their estimated useful lives. These estimated useful lives are reviewed regularly based on internal information and sector averages. In the year to 30 September 2016, the useful lives of some windows and doors in Sandbourne's properties was reduced from 40 years to 30 years and the depreciation charge increased accordingly.
- The financial statements contain reserves for major and cyclical repairs. These are regularly reviewed for their completeness based on known levels of replacements and renewals of such assets.

2. Social housing turnover and costs

	2016	2015
	£	As restated £
Rent receivable	2,059,943	1,828,949
Service charges receivable	440,092	393,110
Supporting People income	29,339	79,614
Less: Void losses	(30,741)	(27,146)
	<u>2,498,633</u>	<u>2,274,527</u>
Add: Amortised government grants	58,531	58,531
Net income from social housing activity	<u>2,557,164</u>	<u>2,333,058</u>
Less: Social housing activity expenditure	(1,732,403)	(1,743,961)
Operating surplus from social housing activities	<u>824,761</u>	<u>589,097</u>

3. Accommodation owned and managed

	Number of units at 30 September 2016	Number of units at 1 October 2015
Completed units:		
General needs housing let at social rent	153	152
Housing for older people	251	206
Low cost home ownership	24	24
Leasehold property	36	37
	<u>464</u>	<u>419</u>
Units in development:		
Housing for older people	-	1
	<u>464</u>	<u>420</u>

4. Disposals of housing properties held as tangible fixed assets

	2016	2015
	£	£
Proceeds from the disposal of housing properties	250,000	60,000
Less: Carrying value of housing properties	(182,904)	(30,659)
	<u>67,096</u>	<u>29,341</u>
Less: Other disposal costs	(5,684)	(1,083)
Surplus/(deficit) on disposal of property	<u>61,412</u>	<u>28,258</u>

5. Surplus on ordinary activities is stated after charging/(crediting):

	2016	2015
	£	£
Auditor's remuneration (including expenses) for audit	8,000	9,610
Auditor's remuneration (including expenses) for non-audit	414	984
Operating lease rentals	<u>47,747</u>	<u>46,620</u>

6. Board and key management personnel remuneration

No Board member received any remuneration in the year (2015: £nil). Expenses totalling £239 (2015: £493) were paid to Board members in the year.

The total remuneration for key management personnel in the year amounted to £143,616 (2015: £134,715).

The highest paid member of the management team received remuneration of £69,816 (2015; £64,260) excluding pension contributions.

The Association makes pension contributions on behalf of the Chief Executive into a defined contribution personal pension scheme. The Chief Executive is an ordinary member of this scheme and no special or enhanced terms apply. During the year to 30 September 2016 Sandbourne made contributions of £3,804 (2015: £3,672) into the scheme.

7. Staff costs

The average number of employees, including members of the executive team, calculated on a full time equivalent of 35 hours per week, was 8 employees (2015: 10 employees).

The number of employees who received more than £60,000 as their employee package (excluding pension costs) are as follows:-

	2016	2015
	Number	Number
£60,001 to £70,000	2	2

8. Tangible fixed assets – housing properties

	HOPS Properties £	General Needs Properties £	Shared Ownership Properties £	Under Construction £	Total £
COST					
At 1 Oct 2015 (as restated)	14,987,402	11,070,355	758,518	-	26,816,275
Additions	353,772	227,723	-	-	581,495
Acquisition	3,200,000	-	-	-	3,200,000
Disposals	(186,991)	(28,113)	-	-	(215,104)
At 30 Sept 2016	<u>18,354,183</u>	<u>11,269,965</u>	<u>758,518</u>	-	<u>30,382,666</u>
DEPRECIATION					
At 1 Oct 2015 (as restated)	2,341,411	1,408,894	98,056	-	3,848,361
Charge for year	253,568	119,618	4,047	-	377,233
Disposals	(2,131)	(26,603)	-	-	(28,734)
At 30 Sept 2016	<u>2,592,848</u>	<u>1,501,909</u>	<u>102,103</u>	-	<u>4,196,860</u>
NET BOOK VALUE					
At 30 Sept 2016	<u>15,761,335</u>	<u>9,768,056</u>	<u>656,415</u>	-	<u>26,185,806</u>
At 30 Sept 2015 (as restated)	<u>12,645,991</u>	<u>9,661,461</u>	<u>660,462</u>	-	<u>22,967,914</u>

The income, costs and surplus relating to the shared ownership properties amount to £115,693 (2015: £105,714), £67,715 (2015: £65,412) and £47,978: (2015: £36,398) respectively.

Total accumulated impairments of £0 are recognised in the opening position.

Social housing properties with a net book value of £18,081,056 (2015: £18,046,224) have been pledged as security for liabilities of the Association. These assets have restricted title.

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9. Tangible fixed assets –other

	Office furniture and equipment £	Equipment in communal lounges £	Total £
COST			
At 1 Oct 2015	151,293	119,440	270,733
Additions	4,951	5,810	10,761
Disposals	(19,240)	-	(19,240)
At 30 Sept 2016	<u>137,004</u>	<u>125,250</u>	<u>262,254</u>
DEPRECIATION			
At 1 Oct 2015	89,243	74,248	163,491
Charge for year	26,369	29,280	55,649
Eliminated on disposals	(18,808)	-	(18,808)
At 30 Sept 2016	<u>96,804</u>	<u>103,528</u>	<u>200,332</u>
NET BOOK VALUE			
At 30 Sept 2016	<u>40,200</u>	<u>21,722</u>	<u>61,922</u>
At 30 Sept 2015	<u>62,050</u>	<u>45,192</u>	<u>107,242</u>

Included in the above assets is one hire purchase asset. The net book value of this asset is as follows:-

	£
Cost	4,327
Accumulated depreciation	(3,676)
Net book value of hire purchase asset at 30 September 2016	<u>651</u>
Net book value of hire purchase asset at 30 September 2015	<u>1,516</u>

10. Debtors

	2016 £	2015 £
Trade debtors (gross social housing rent arrears)	48,910	56,971
Less: Provision for doubtful debts	(7,693)	(4,140)
	<u>41,217</u>	<u>52,831</u>
Other debtors	39,730	40,621
Prepayments and accrued income	49,395	43,281
	<u>130,342</u>	<u>136,733</u>

Gross social housing rent arrears includes £0 (2015: £0) to reflect the net present value element adjustment where a repayment schedule is in place.

11. Creditors: amounts falling due within one year

	2016	2015
	£	As restated £
Trade creditors	39,881	23,676
Rents paid in advance	38,411	31,176
Housing loans	306,678	283,267
Social Housing Grant	58,531	58,531
Other tax and social security	8,978	7,931
Finance leases	538	1,006
Other creditors	4,256	7,358
Accruals and deferred income	64,782	62,533
	<u>522,055</u>	<u>475,478</u>

Details of leasing arrangements are provided in note 13.

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

	2016	2015
	£	As restated £
Bank loans	9,220,245	9,539,536
Social Housing Grant	5,736,611	5,795,142
Finance leases	-	538
	<u>14,956,856</u>	<u>15,335,216</u>

Bank loans from lending institutions are secured by specific charges on the Association's housing properties and are repayable at rates of interest between 1.53% and 6.05% over terms of between 25 and 30 years.

Details of leasing arrangements are provided in note 13.

13. Leases (Lessee)

The Association has taken out one finance lease for the acquisition of a photocopier. Total future minimum finance lease payments are as follows:-

	2016	2015
	£	£
Not later than one year	556	1,111
Later than one year and not later than five years	-	556
	<u>556</u>	<u>1,667</u>
Less finance charges	(18)	(123)
	<u>538</u>	<u>1,544</u>
Less: Included in current liabilities	(538)	(1,006)
	<u>-</u>	<u>538</u>

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In 2014 the Association took out a 10 year lease on its offices in Poole. The lease expires in September 2024, but has a possible break clause in September 2019. The amount payable for the lease in the year to 30 September 2017 is £15,013.

14. Share capital

	2016 £	2015 £
At 1 October 2015	41	37
Issued during the year	-	14
Cancelled during the year	(8)	(10)
At 30 September 2016	<u>33</u>	<u>41</u>

The shares have no rights to any interest or share of surpluses. If the Association is dissolved, then the assets can be distributed as decided by a Special General Meeting, but the shareholders are not entitled to anything other than the return of the £1 face value of the share.

15. Reconciliation of operating surplus to cash flow from operating activities

	2016 £	2015 As restated £
Surplus for the year	4,249,133	183,643
Interest payable	444,391	458,019
Interest received	(21,343)	(24,307)
Depreciation of tangible fixed assets	432,882	364,021
Loss on disposal of fixed assets	3,898	-
Surplus of sale of tangible fixed assets	(61,412)	(28,258)
Release of Social Housing Grant	(58,531)	(58,531)
Decrease/(increase) in debtors	2,838	(10,680)
Increase in bad debt provision	3,553	-
Increase/(decrease) in creditors	23,634	(26,026)
Receipt of donated assets	(3,200,000)	-
Net cash flow from operating activities	<u>1,819,043</u>	<u>857,881</u>

16. Pensions

The Association operates a defined contribution pension plan for its employees. The amount recognised as an expense in the period was £10,192 (2015: £9,807).

17. First-time adoption of SORP/FRS 102

This is the first year that Sandbourne has presented its Financial Statements under Financial Reporting Standard 102 (FRS 102). The last Financial Statements prepared under UK GAAP were for the year ended 30 September 2015 and the date of transition to FRS 102 was 1 October 2014. As a consequence of adopting FRS 102 a number of accounting policies have changed to comply with the new standard and this has resulted in a number of changes to the Financial Statements. The details of these changes are set out in the following table and narrative explanations.

Column (a) – Social Housing Grant

Under UK GAAP any Social Housing Grant (SHG) received to help fund the building of social housing properties was held in the balance sheet and deducted from the cost of those assets. FRS 102 requires that such grant is held as a creditor in the accounts and released to the Statement of Comprehensive Income over the useful life of the assets to which it relates.

The adjustments in these accounts show the SHG moving from Fixed Assets to Creditors: amounts falling due within one year (SHG to be released in the following financial year), Creditors: amounts falling due after more than one year (SHG to be released after more than one year) and Revenue Reserves (SHG already released).

Column (b) – Depreciation

Under UK GAAP depreciation on fixed assets was charged after the deduction of any grant received to fund them. As stated above, FRS 102 now requires that grant to be accounted for as a creditor. This has resulted in a higher annual depreciation charge on the assets in the Statement of Comprehensive Income.

The adjustments in these accounts show the higher accumulated depreciation up to the date of the accounts and the higher charge in the comparative figures.

Column (c) – Holiday Pay Accrual

FRS 102 requires an accrual to be included in the accounts for any employee benefits owed at the year end. Outstanding holiday entitlement is the only such benefit that was owing at the 2015 year end (there is no record of any outstanding entitlement at the 2014 year end).

The adjustments to the accounts include an accrual for outstanding holiday entitlement at 30 September 2015 and an associated charge to the Statement of Comprehensive Income for the year ended 30 September 2015.

17. First-time adoption of SORP/FRS 102 continued

Reconciliation of net assets and reserves at 1 October 2014 (date of transition to FRS 102)

	UK GAAP as previously reported	Effect of transition to FRS 102			FRS 102
	£	(a) £	(b) £	(c) £	£
Fixed Assets					
Housing properties at cost	26,333,521	-	-	-	26,333,521
Less: Depreciation	(2,834,967)	-	(707,589)	-	(3,542,556)
Social Housing Grant	(6,615,544)	6,615,544	-	-	-
	16,883,010	6,615,544	(707,589)	-	22,790,965
Other property, plant and equipment	207,441	-	-	-	207,441
	17,090,451	6,615,544	(707,589)	-	22,998,406
Current assets					
Debtors	123,362	-	-	-	123,362
Cash at bank and in hand	790,426	-	-	-	790,426
	913,788	-	-	-	913,788
Creditors: amounts falling due within one year	(436,897)	(58,531)	-	-	(495,428)
Net current assets	476,891	(58,531)	-	-	418,360
Total assets less current liabilities	17,567,342	6,557,013	(707,589)	-	23,416,766
Creditors: amounts falling due after more than one year	(9,815,891)	(5,803,673)	-	-	(15,619,564)
Net assets	7,751,451	753,340	(707,589)	-	7,797,202
Capital and reserves					
Share capital	37	-	-	-	37
Revenue reserves	7,751,414	753,340	(707,589)	-	7,797,165
	7,751,451	753,340	(707,589)	-	7,797,202

17. First-time adoption of SORP/FRS 102 continued

Reconciliation of total comprehensive income for the year ended 30 September 2015

	UK GAAP as	Effect of transition to FRS 102			FRS 102
	previously reported	(a)	(b)	(c)	
	£	£	£	£	£
Turnover	2,274,527	58,531	-	-	2,333,058
Operating costs	(1,692,604)	-	(48,923)	(2,434)	(1,743,961)
Operating surplus	581,923	58,531	(48,923)	(2,434)	589,097
Surplus on disposal of property, plant and equipment	28,258	-	-	-	28,258
Interest receivable and similar income	24,307	-	-	-	24,307
Interest and financing costs	(458,019)	-	-	-	(458,019)
Surplus for the year	176,469	58,531	(48,923)	(2,434)	183,643

17. First-time adoption of SORP/FRS 102 continued

Reconciliation of net assets and reserves at 1 October 2015

	UK GAAP as previously reported	Effect of transition to FRS 102			FRS 102
	£	(a) £	(b) £	(c) £	£
Fixed Assets					
Housing properties at cost	26,816,275	-	-	-	26,816,275
Less: Depreciation	(3,091,849)	-	(756,512)	-	(3,848,361)
Social Housing Grant	(6,665,544)	6,665,544	-	-	-
	17,058,882	6,665,544	(756,512)	-	22,967,914
Other property, plant and equipment	107,242	-	-	-	107,242
	17,166,124	6,665,544	(756,512)	-	23,075,156
Current assets					
Debtors	136,733	-	-	-	136,733
Cash at bank and in hand	579,654	-	-	-	579,654
	716,387	-	-	-	716,387
Creditors: amounts falling due within one year	(414,513)	(58,531)	-	(2,434)	(475,478)
Net current assets	301,874	(58,531)	-	(2,434)	240,909
Total assets less current liabilities	17,467,998	6,607,013	(756,512)	(2,434)	23,316,065
Creditors: amounts falling due after more than one year	(9,540,074)	(5,795,142)	-	-	(15,335,216)
Net assets	7,927,924	811,871	(756,512)	(2,434)	7,980,849
Capital and reserves					
Share capital	41	-	-	-	41
Revenue reserves	7,927,883	811,871	(756,512)	(2,434)	7,980,808
	7,927,924	811,871	(756,512)	(2,434)	7,980,849

18. Other Comprehensive Income

On 1 February 2016 Sandbourne acquired all the assets and liabilities of Ringwood & District Old People's Housing Society Ltd (Ringwood) for no consideration. These assets and liabilities were brought into Sandbourne's accounts at that date at their fair value. Income and expenses in relation to Ringwood have been included in Sandbourne's Statement of Comprehensive Income from 1 February 2016.

Details of the transfer of assets and liabilities on 1 February 2016 are as follows:-

	£
Fixed assets	
Land and buildings	3,200,000
Current assets	
Debtors	3,153
Cash at bank and in hand	607,877
Creditors: amounts falling due within one year	(25,022)
Net assets	<u>3,786,008</u>
Other comprehensive income to Sandbourne	<u>3,786,008</u>

19. W J Guy Memorial Trust

The property at Guys Close, Ringwood was donated by the W J Guy Memorial Trust and must be used in perpetuity for the benefit of the elderly in Ringwood. Sandbourne will ensure that any reserves generated from the properties at Guys Close are restricted for the benefit of those properties. No such reserves were transferred into Sandbourne at the time of the acquisition of Ringwood. In the eight months from 1 February 2016 to 30 September 2016 the properties at Guys Close produced a deficit of £4,722.

20. Related Party Transactions

The following tenants served as Board members during the year:-

Michael Ganderton (resigned August 2016)

Theresa Saunders

Ann Schofield (co-opted September 2016).

Their tenancies are on normal commercial terms similar to all other tenants and they cannot use their position to their advantage.

David Joicey is a Sandbourne Board member and is employed by Poole Housing Partnership (PHP). Sandbourne has a contractual agreement with PHP in relation to the provision of office space. Sandbourne paid £17,995 in the year to PHP (2015: £16,330) as rent for those offices and the provision of sundry other services. All services were provided on an arms-length basis.

Ian Kendall is a Sandbourne Board member and is employed by Bournemouth Borough Council (BBC). Sandbourne received £14,502 in Supporting People funding in the year (2015: £79,614) from BBC and paid £36,219 (2015: £3,805)

for the provision of other services to BBC. Sandbourne also received direct payments of Housing Benefit from BBC in relation to a number of tenants. All payments and receipts were at arms-length.

Keith Mallet is a Sandbourne Board member and was employed by East Dorset and Christchurch Council (EDCC) for part of the year. Sandbourne received direct payments of Housing Benefit from EDCC in relation to a number of tenants. All receipts were at arms-length.

21. Capital Commitments

As at 30 September 2016, Sandbourne had no capital commitments (2015: £76,618).