

SANDBOURNE HOUSING ASSOCIATION

FINANCIAL STATEMENTS

30 SEPTEMBER 2017

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INFORMATION

Registered Numbers

Community Benefit Society	12740R
Homes England and Regulator Of Social Housing	LH0418
Exempt Charity	403885

Members of the Board

Keith Mallett	Chairman
Elizabeth Lees	Vice Chairman
Graham Ball	
Paul Frith	Chairman of Audit, Finance and Risk Committee
David Hall	
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

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28-30 Wimborne Road
Poole
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Website

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info@sandbourne.org.uk
www.sandbournehousingassociation.org.uk

Auditors

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

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

Cambridge and Counties Bank Ltd
CCLA
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 2017.

Members of the Board

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

Keith Mallett – Chairman

Graham Ball

Albert Barnes

Resigned March 2017

Michael Barrow

Resigned March 2017

Frances Bowen

Resigned June 2016

Paul Frith

David Hall

Co-opted May 2017

Michael Ganderton

Resigned August 2016

David Joicey

Ian Kendall

Elizabeth Lees

Theresa Saunders

Ann Schofield

Joe Waters

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 Regulator of Social Housing.

In February 2016 Sandbourne acquired all the business, assets and liabilities of Ringwood & District Old People's Housing Society Ltd (Ringwood).

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

During the year £903,435 (2016: £581,495) was spent on the purchase and alteration of housing properties for rent.

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 two designated reserves. These were set up to cover expenditure on major repairs for all the rented properties and cyclical repairs for shared ownership properties.

The 2016 Financial Statements also contained a reserve called the W J Guy Memorial Trust. This was used to fund capital expenditure at Guys Close. The reserve was showing a deficit of £4,722 in September 2016. In January 2017 the property owned by the Trust was transferred to the ownership of Sandbourne Housing Association and the reserve is no longer required.

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 aim 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 Regulator of Social Housing (RSH), 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. Opportunities to provide services outside this area will only be undertaken if a real value for money benefit to both the business and the residents can be shown.
- 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 services and 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 2017

The full version of the Value for Money Assessment for 2017 can be found on Sandbourne's website. The following is a summary of that report.

- a) Asset Management Strategy
 - The Board have agreed that leasehold properties in blocks where Sandbourne owns the majority of units will be bought back whenever

possible and sold in those blocks where Sandbourne owns less than 50% of the units. This has a positive impact on the management and repairs costs in these blocks. This resulted in one property being put up for sale in the year and one property being bought back.

- One bungalow was bought on the open market to add to the housing for the 60+ age range in Ringwood.
- The final, difficult to let bedsit in the Ringwood stock was converted to a one bed flat, making it much easier to rent out.

b) Social Benefits

- Installing individual electric meters at one development to enable residents to choose the electricity provider which offers the best service for their needs.
- Reviewing the emergency care line provider to ensure that residents who need the service can access it at an affordable price.

c) Financial Returns

- Renegotiating one of Sandbourne's loans to access new money for development and a lower rate of interest.
- Market renting a small number of new properties to recover the cost of buying properties locally more quickly and to provide a better return to the social housing part of the business.

d) Services to Residents

- Upgrading electric heating systems in a number of developments to provide residents with more efficient heating.
- Replacing communal lighting with more costs effective and longer lasting alternatives – LED lights, motion and light sensors. This reduces the cost of lighting the communal areas and is more environmentally friendly.
- Consulting with residents on the provision of communal services to try to match costs with expectations. This included retaining the use of communal laundries at some of the 60+ sites, as they were rated as the service that residents valued the most.

e) Administrative Improvements

- Regular production of newsletters to keep residents better informed and to move away from frequent single issue notifications.
- Upgrading the IT system to enable all staff to work efficiently both in the office and offsite.
- Employing an Administrative Apprentice in the year to assist with the administration function. The Apprentice has now been employed on a permanent basis as an Administrative Assistant.

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 2016.

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 November 2017 identified the following three principal risks of the business:-

Risk	Comments and mitigation
Major problems encountered with a significant new development.	<ul style="list-style-type: none"> • Use of skilled professionals to set up and manage the contract. • Insurance cover in place. • Problems with several smaller developments taking place at the same time will have less of an impact on the business but could present risks when combined with a larger development. • Expertise and skills from staff of another registered provider will be helpful, but there is still a potential for a significant amount of management time to be taken up with the project.
Proposed merger of Poole, Bournemouth and Christchurch councils.	<ul style="list-style-type: none"> • This is very likely to occur, despite the reluctance of Christchurch. A decision is due in January 2018 with the proposed change to take effect from April 2019. • In the short term the impact could be significant if Housing Benefit or social services departments in the merged authority do not function or payments are seriously delayed. • In the longer term, once the new authority has taken shape, the risk will reduce and may be less than working with three different authorities.
Significant movements in inflation rate – expenditure.	<ul style="list-style-type: none"> • No contractual obligation to offer salary rises or performance related pay, only to review salaries on an annual basis. • Limited ability to delay (or bring forward) planned and major repairs expenditure. • Ongoing review of the use of responsive repairs contractors. • In view of the government policy on rent reductions for the next two years, budgets will be reviewed even more rigorously and any non-necessary expenditure may be suspended in the short term. • Rent rises of CPI plus 1% for five years from 2020 will help to mitigate rising expenditure.

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 K G Mallett

Keith Mallett
Chairman

Date: **February 7 2018**

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 2017 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 9, 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 2017 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 as PKF Francis Clark

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

Date: **21 February 2018**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30
SEPTEMBER 2017

	Notes	2017 £	2016 £
Turnover	2	2,657,760	2,557,164
Operating costs		(1,779,257)	(1,732,403)
Operating surplus		878,503	824,761
Gain on disposal of tangible fixed assets	4	-	61,412
Interest receivable and similar income		48,678	21,343
Interest payable and similar charges		(418,845)	(444,391)
Surplus on ordinary activities for the year		508,336	463,125
Other comprehensive income	17	-	3,786,008
Surplus for the year		508,336	4,249,133

On behalf of the Board

Keith Mallett (Chairman)

Signed by K G Mallett

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

Signed by P Frith

Steven Hayes (Company Secretary)

Signed by S Hayes

SANDBOURNE HOUSING ASSOCIATION
30 SEPTEMBER 2017

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017

	Notes	2017 £	2016 £
Fixed Assets			
Housing properties	8	26,688,183	26,185,806
Other tangible fixed assets	9	71,744	61,922
		<u>26,759,927</u>	<u>26,247,728</u>
Current assets			
Debtors	10	131,405	130,342
Cash at bank and in hand		1,026,206	1,330,823
		<u>1,157,611</u>	<u>1,461,165</u>
Creditors: amounts falling due within one year	11	(595,878)	(522,055)
Net current assets		<u>561,733</u>	<u>939,110</u>
Total assets less current liabilities		27,321,660	27,186,138
Creditors: amounts falling due after more than one year	12	(14,583,342)	(14,956,856)
Total net assets		<u>12,738,318</u>	<u>12,229,982</u>
Reserves			
Called up share capital	14	26	33
Income and expenditure reserve		12,189,932	11,698,534
Designated reserves		548,360	531,415
Total reserves		<u>12,738,318</u>	<u>12,229,982</u>

The financial statements were approved and authorised for issue by the Board on
February 7 2018

Signed on behalf of the Board

Keith Mallett (Chairman)

Signed by K G Mallett

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

Signed by P Frith

Steven Hayes (Company Secretary)

Signed by S Hayes

The notes on pages 17 to 28 form part of these accounts.

SANDBOURNE HOUSING ASSOCIATION
30 SEPTEMBER 2017

STATEMENT OF CHANGES IN EQUITY AND RESERVES FOR THE YEAR ENDED
30 SEPTEMBER 2017

	Called up share capital £	Income and expenditure reserve £	Designated reserves £	Total £
At 1 October 2016 as restated	33	11,698,534	531,415	12,229,982
Surplus/(deficit) for the year	-	508,336	-	508,336
Transfers in the year	-	(16,945)	16,945	-
Share capital issued/(cancelled)	(7)	7	-	-
At 30 September 2017	26	12,189,932	548,360	12,738,318

SANDBOURNE HOUSING ASSOCIATION
30 SEPTEMBER 2017

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	2017 £	2016 £
Cash flow from operating activities	15	1,295,349	1,819,043
Cash flow from investing activities			
Payments to acquire tangible fixed assets		(920,473)	(592,256)
Receipts from sales of tangible fixed assets	4	-	244,316
Interest received		48,678	21,343
Net cash flow from investing activities		<u>(871,795)</u>	<u>(326,597)</u>
Cash flow from financing activities			
Proceeds from issue of shares		2	-
Repayment of long term loans		(308,789)	(295,880)
Repayment of finance lease liabilities	13	(538)	(1,006)
Interest paid		(418,845)	(444,391)
Net cash flow from financing activities		<u>(728,170)</u>	<u>(741,277)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(304,616)</u>	<u>751,169</u>
Cash and cash equivalents at 1 October 2016		<u>1,330,823</u>	<u>579,654</u>
Cash and cash equivalents at 30 September 2017		<u>1,026,207</u>	<u>1,330,823</u>
Cash and cash equivalents consists of:			
Cash at bank and in hand		268,806	387,736
Short term deposits		757,401	943,087
Cash and cash equivalents at 30 September 2017		<u>1,026,207</u>	<u>1,330,823</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 Regulator of Social Housing.

The Association was formed of the merger of Bournemouth Housing Society for the Elderly and Broadway Park Housing Association Ltd in 2015 and the acquisition of Ringwood and District Old People's Housing Society Ltd in 2016.

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.

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 write 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 Homes England 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 three reserves – an Income and Expenditure Reserve, a Major Repairs Reserve and a Cyclical Repairs Reserve. The Cyclical Reserve is restricted to funding cyclical repairs for the leasehold properties which contribute to it. 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:-

- The Board took the view that the properties transferred from Ringwood & District Old People's Housing Society Ltd in February 2016 for no consideration should be included in the accounts of Sandbourne at their fair value at the date of transfer. This decision was based on a professional valuation of the properties and will be reviewed for potential impairment on an annual basis.
- The carrying value of all Sandbourne's housing properties is reviewed for potential impairment on an annual basis. The Board have taken the view that each individual property is a cash generating unit in its own right and that any adjustment for impairment of valuation should be made accordingly. The value of each property to Sandbourne is primarily based on its ability to generate rental income. Thus, the impairment review focuses on void times and void losses for each property over the previous year. In the judgement of the Board, there has been no impairment of the value of Sandbourne's housing properties in the year to 30 September 2017 or in the period up to the signing of these accounts.
- Each of the material leases entered into by Sandbourne were assessed and categorised as either finance or operating leases. In the judgement of the Board, the terms of one lease had transferred most of the risks and rewards of ownership to Sandbourne, making it a finance lease. In this case the asset leased has been included in the balance sheet as a fixed asset and a corresponding loan has been included in creditors. In all other cases the Board considered that most of the risks and rewards of ownership had not been transferred to Sandbourne and only the annual cost of leasing those assets has been included in these accounts.

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

- The carrying value of all fixed assets except for land (net of their estimated residual values) are depreciated over their estimated useful lives. These estimated useful lives and the estimated residual values of assets are reviewed regularly based on internal information and sector averages.
- 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.
- The carrying value of rental debts is reviewed on an annual basis to ensure that all debts are collectable. These accounts include an estimated provision against those rental debts which are deemed to be doubtful.

2. Social housing turnover and costs

	2017 £	2016 £
Rent receivable	2,116,222	2,059,943
Service charges receivable	488,416	440,092
Support income	31,135	29,339
Less: Void losses	(36,543)	(30,741)
	<u>2,599,230</u>	<u>2,498,633</u>
Add: Amortised government grants	58,530	58,531
Net income from social housing activity	<u>2,657,760</u>	<u>2,557,164</u>
Less: Social housing activity expenditure	(1,779,257)	(1,732,403)
Operating surplus from social housing activities	<u>878,503</u>	<u>824,761</u>

3. Accommodation owned and managed

	Number of units at 30 September 2017	Number of units at 1 October 2016
Completed units:		
General needs housing let at social rent	154	153
Housing for older people	252	251
Low cost home ownership	24	24
Leasehold property	35	36
	<u>465</u>	<u>464</u>
Units in development:		
General needs	1	-
	<u>466</u>	<u>464</u>

4. Disposals of housing properties held as tangible fixed assets

	2017	2016
	£	£
Proceeds from the disposal of housing properties	-	250,000
Less: Carrying value of housing properties	-	(182,904)
	<u>-</u>	<u>67,096</u>
Less: Other disposal costs	-	(5,684)
Surplus/(deficit) on disposal of property	<u>-</u>	<u>61,412</u>

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

	2017	2016
	£	£
Auditor's remuneration (including expenses) for audit	8,718	8,000
Auditor's remuneration (including expenses) for non-audit	-	414
Operating lease rentals	<u>46,717</u>	<u>47,747</u>

6. Board and key management personnel remuneration

No Board member received any remuneration in the year (2016: £nil).

Expenses totalling £681 (2016: £239) were paid to Board members in the year.

The total remuneration for key management personnel in the year amounted to £146,748 (2016: £143,616).

The highest paid member of the management team received remuneration of £71,304 (2016; £69,816) 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 2017 Sandbourne made contributions of £3,888 (2016: £3,804) 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 9 employees (2016: 8 employees).

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

	2017	2016
	Number	Number
£60,001 to £70,000	1	2
£70,001 to £80,000	1	-

8. Tangible fixed assets – housing properties

	HOPS Properties £	General Needs Properties £	Shared Ownership Properties £	Under Construction £	Total £
COST					
At 1 Oct 2016	18,354,183	11,269,965	758,518	-	30,382,666
Additions	226,821	107,211	-	11,542	345,574
Acquisition	251,367	221,200	-	85,294	557,861
Disposals	(32,162)	(43,763)	-	-	(75,925)
At 30 Sept 2017	<u>18,800,209</u>	<u>11,554,613</u>	<u>758,518</u>	<u>96,836</u>	<u>31,210,176</u>
DEPRECIATION					
At 1 Oct 2016	2,592,848	1,501,909	102,103	-	4,196,860
Charge for year	266,162	115,652	4,292	-	386,106
Disposals	(18,787)	(42,186)	-	-	(60,973)
At 30 Sept 2017	<u>2,840,223</u>	<u>1,575,375</u>	<u>106,395</u>	<u>-</u>	<u>4,521,993</u>
NET BOOK VALUE					
At 30 Sept 2017	<u>15,959,986</u>	<u>9,979,238</u>	<u>652,123</u>	<u>96,836</u>	<u>26,688,183</u>
At 30 Sept 2016	<u>15,761,335</u>	<u>9,768,056</u>	<u>656,415</u>	<u>-</u>	<u>26,185,806</u>

The income, costs and surplus relating to the shared ownership properties amount to £116,321 (2016: £115,693), £56,714 (2016: £67,715) and £59,607 (2016: £47,978) respectively.

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

Social housing properties with a net book value of £17,636,281 (2016: £18,081,056) have been pledged as security for liabilities of the Association. These assets have restricted title.

9. Tangible fixed assets –other

	Office furniture and equipment £	Equipment in communal lounges £	Total £
COST			
At 1 Oct 2016	137,004	125,250	262,254
Additions	17,968	5,063	23,031
Disposals	(12,085)	-	(12,085)
At 30 Sept 2017	<u>142,887</u>	<u>130,313</u>	<u>273,200</u>
DEPRECIATION			
At 1 Oct 2016	96,804	103,528	200,332
Charge for year	10,050	3,148	13,198
Eliminated on disposals	(12,074)	-	(12,074)
At 30 Sept 2017	<u>94,780</u>	<u>106,676</u>	<u>201,456</u>
NET BOOK VALUE			
At 30 Sept 2017	<u>48,107</u>	<u>23,637</u>	<u>71,744</u>
At 30 Sept 2016	<u>40,200</u>	<u>21,722</u>	<u>61,922</u>

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

Cost	£
	5,994
Accumulated depreciation	-
Net book value of hire purchase asset at 30 September 2017	<u>5,994</u>
Net book value of hire purchase asset at 30 September 2016	<u>651</u>

10. Debtors

	2017 £	2016 £
Trade debtors (gross social housing rent arrears)	39,899	48,910
Less: Provision for doubtful debts	(5,098)	(7,693)
	<u>34,801</u>	<u>41,217</u>
Other debtors	43,033	39,730
Prepayments and accrued income	53,571	49,395
	<u>131,405</u>	<u>130,342</u>

Gross social housing rent arrears includes £0 (2016: £0) to reflect the net present value element adjustment where a repayment schedule is in place.

11. Creditors: amounts falling due within one year

	2017	2016
	£	£
Trade creditors	30,104	39,881
Rents paid in advance	35,951	38,411
Housing loans	317,879	306,678
Social Housing Grant	58,530	58,531
Other tax and social security	9,107	8,978
Finance leases	986	538
Other creditors	84,650	4,256
Accruals and deferred income	58,671	64,782
	<u>595,878</u>	<u>522,055</u>

Details of leasing arrangements are provided in note 13.

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

	2017	2016
	£	£
Bank loans	8,900,255	9,220,245
Social Housing Grant	5,678,079	5,736,611
Finance leases	5,008	-
	<u>14,583,342</u>	<u>14,956,856</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 1.79% 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:-

	2017	2016
	£	£
Not later than one year	1,478	556
Later than one year and not later than five years	5,914	-
	<u>7,392</u>	<u>556</u>
Less finance charges	(1,398)	(18)
	<u>5,994</u>	<u>538</u>
Less: Included in current liabilities	(986)	(538)
	<u>5,008</u>	<u>-</u>

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 up to the break clause in September 2019 is £30,026.

14. Share capital

	2017 £	2016 £
At 1 October 2016	33	41
Issued during the year	2	-
Cancelled during the year	(9)	(8)
At 30 September 2017	<u>26</u>	<u>33</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

	2017 £	2016 £
Surplus for the year	508,336	4,249,133
Interest payable	418,845	444,391
Interest received	(48,678)	(21,343)
Depreciation of tangible fixed assets	399,304	432,882
Loss on disposal of fixed assets	14,962	3,898
Surplus of sale of tangible fixed assets	-	(61,412)
Release of Social Housing Grant	(58,531)	(58,531)
Decrease in debtors	1,532	2,838
(Decrease)/increase in bad debt provision	(2,595)	3,553
Increase in creditors	62,174	23,634
Receipt of donated assets	-	(3,200,000)
Net cash flow from operating activities	<u>1,295,349</u>	<u>1,819,043</u>

16. Pensions

The Association operates a defined contribution pension plan for its employees. The amount recognised as an expense in the period was £13,233 (2016: £10,192).

17. 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>

18. 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.

The Trust has now been merged into the Association and ceased to exist. Guys Close will be managed and maintained as an integral part of the Association with no restriction on any surpluses generated by it.

20. Related Party Transactions

The following tenants served as Board members throughout the year:

Theresa Saunders

Ann Schofield

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 £16,963 in the year to PHP (2016: £17,995) 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 was employed by Bournemouth Borough Council (BBC) for part of the year. Sandbourne received £Nil in Supporting People funding in the year (2016: £14,502) from BBC and paid £39,513 (2016: £36,219) 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.

21. Capital Commitments

As at 30 September 2017, Sandbourne had capital commitments of £76,394 (2016: £nil).

