

SANDBOURNE HOUSING ASSOCIATION

FINANCIAL STATEMENTS

FOR THE 18 MONTHS ENDED

31 MARCH 2019

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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

Elizabeth Lees	Chair
Keith Mallett	Vice Chair
Paul Frith	Chair of Audit, Finance and Risk Committee
David Hall	
David Joicey	Chair of Management and Governance Oversight Committee
Jan Lewis	
Theresa Saunders	
Ann Schofield	
Henry Taylor	
Yogesh Vadgama	
Joe Waters	Chair of Staffing and Remuneration Committee
Laurie Wright	Chair of Development Committee

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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Auditors

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Solicitors

Tozers Solicitors LLP
Broadwalk House
Southernhay East
Exeter
EX1 1UA

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

Humphries Kirk LLP
Trevanion House
15 Church Road
Poole
BH14 8UF

Bankers and Building Societies

Cambridge and Counties Bank Ltd
National Westminster Bank Plc
Nationwide Building Society
Secure Trust Bank
Triodos Bank NV
Virgin Money

BOARD REPORT

The Board Members present their report and the audited financial statements for the 18 months ended 31 March 2019.

Members of the Board

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

Elizabeth Lees – Chair	
Graham Ball	Resigned September 2018
Paul Frith	
David Hall	
David Joicey	
Ian Kendall	Resigned April 2018
Jan Lewis	Co-opted September 2018
Keith Mallett	
Theresa Saunders	
Ann Schofield	
Henry Taylor	Co-opted July 2018
Yogesh Vadgama	Co-opted November 2018
Joe Waters	
Laurie Wright	

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 2019 Sandbourne acquired all the business, assets and liabilities of Bournemouth Ace Housing Association Ltd (Ace). The main asset, Ace Court, is shown as an acquisition valued at £200,000 in note 8 to these accounts.

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

During the year £1,106,203 (2017: £903,435) 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, with the exception of the 12 units acquired from Ace. These are being brought up to the required Standard, with the work expected to be completed by the end of 2019. 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.

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 and other stakeholders 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 must demonstrate:

- (a) A robust approach to achieving value for money – this must include a robust approach to decision making and a rigorous appraisal of potential options for improving performance.
- (b) Regular and appropriate consideration by the Board of potential value for money gains – this must include full consideration of costs and benefits of alternative commercial, organisational and delivery structures.
- (c) Consideration of value for money across their whole business and, where they invest in non-social housing activity, they should consider whether this generates returns commensurate to the risk involved and justification where this is not the case.
- (d) That they have appropriate targets in place for measuring performance in achieving value for money in delivering strategic objectives, and that they regularly monitor and report their performance against these targets.

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 current Business Plan, which was reviewed in June 2018. The objectives and their impact on Value for Money are:

- (a) To be locally based and primarily operating in the Poole, Bournemouth and Ringwood areas.

The Board believes that by concentrating the business in a defined local area, which it knows well, it can provide the best possible service while containing the cost of that service.

Opportunities which arise to provide services outside of this area will only be undertaken if a real value for money benefit to both the business and the residents can be shown.

- (b) To provide high quality, affordable homes to enable residents to live independently.

High quality homes last longer, require less maintenance and are more comfortable to live in. However, expenditure on quality must be tempered against affordability to ensure that our homes are available to those in greater financial and housing need.

- (c) To provide additional homes as the opportunity arises.

Surpluses generated by the business are retained within the business and used to improve existing homes or provide new ones.

- (d) 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. Sandbourne currently has two resident Board members who contribute to the strategy and direction of the business. Other residents have opportunities to contribute to the business through regular meetings with staff, surveys on specific topics and concerns, feedback forms on the website and in each newsletter and directly by phone, letter or email.

- (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, will be more motivated in their work and will, thus, 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 and aspirations of each cohort of residents and that they provide value for money to the business as a whole.

- (g) To use local contractors wherever reasonable.
Local contractors know the area in which we are based and we work with them to provide services tailored to our residents and our stock.
Sandbourne is also often a significant customer for these contractors, which means that we can benefit from a cost effective, more personalised service from them.
- (h) To strive to embed Value for Money principles in all its activities.
Sandbourne is constantly seeking to provide the best possible service to all its current and future residents at a price which is affordable and financially viable.
- (i) To remain 'SMALL' (defined as less than 1,000 homes by the Regulator)
The size of the organisation enables us to really know our residents and to react quickly to new opportunities which offer better value for money or to adapt business procedures to counter threats.
- (j) To remain independent
The Board believes that independence enables us to provide the best service to our residents at the current time. However, the status of the Association is not set in stone and is reviewed regularly.

Value for Money in the 18 months to 31 March 2019

The full version of the Value for Money Assessment for 2019 can be found on Sandbourne's website. The following is a summary of that report.

- (a) Financial Returns
- Sandbourne refinanced its existing loan of £850,000 with Triodos Bank NV reducing the minimum interest rate and making an annual saving of £16,585. The refinancing also released an additional borrowing facility of £2,000,000.
 - Three of Sandbourne's leaseholders extended their leases in the period generating income of £21,320, which will be used for capital projects within the business.
 - Acquisition of Bournemouth Ace Housing Association (Ace). Sandbourne are refurbishing the block to bring it up to Decent Homes Standard. It will then generate annual rental income of £46,080, contributing to the overhead costs of the business without incurring significant expenditure.
- (b) Social Benefits
- Providing two further flats for 60+ residents by the conversion of an underused communal lounge.
- (c) Environmental Returns
- Continuing the upgrade of electric heating systems. In the 18 month period the electric heating was upgraded in 19 properties at a cost of £29,481.

- Replacing the communal boiler at Harling House and Milne Court to provide a new boiler which is more efficient and environmentally friendly than the old one.

(d) Asset Management Strategy

- The sale of two empty properties that did not fit well with Sandbourne's housing stock. The proceeds from these sales amounted to £384,156.
- Using the cash generated above to buy two new properties for social housing rent that better fit the Sandbourne stock profile.

(e) Services to Residents

- Installation of individual electric meters in one block enabling the residents to monitor their own energy usage and select the energy provider which gives them the best value for money.
- Survey all tenants asking about the value they place on the services provided in communal areas. This was to enable tenants to better understand the cost of those services and prioritise those which are most important to them.
- Introduction of a text messaging service for repairs communications purposes.

(f) Other Improvements

- Merging the three housing management systems into one, reducing costs and administration time and making data processing easier.
- Using a legacy of £37,387, left to Sandbourne by a local benefactor, to part fund the provision of two new flats for 60+ tenants in Bournemouth.

Value for Money Metrics	2019 (annualised where appropriate)	2017
Metric 1 – Reinvestment %	2.79%	2.97%
Metric 2 – New supply delivered %	0.72% for social housing units. 0% for non-social housing units.	0.25% for social housing units. 1.67% for non-social housing units.
Metric 3 – Gearing %	30.25%	29.55%
Metric 4 – Earnings before interest, tax, depreciation, amortisation, major repairs included (EBITDA MRI) Interest Cover %	204.6%	212.2%
Metric 5 – Headline social housing cost per unit	£3,257	£3,260
Metric 6 – Operating Margin %	29.9%	33.05%
Metric 7 – Return on capital employed (ROCE) %	3.5%	3.22%

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 period from 1 October 2017.

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 2018 identified the following three principal risks of the business:

Risk	Comments and mitigation
Merger of Poole, Bournemouth and Christchurch councils (LGR).	<ul style="list-style-type: none"> • This risk has mostly been overtaken by circumstances. There were no major problems encountered at the time of the merger. • Administrative problems may occur as the three councils look to rationalise systems and policies.
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. • Suspension of any non-necessary expenditure in the short term, while rents are still reducing. • Rents due to rise by CPI plus 1% from 2020, which will reduce pressure on expenditure.
Major problems encountered with a significant new development.	<ul style="list-style-type: none"> • Use of skilled professionals to set up and manage contract. • Insurance cover in place. • Problems with other 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. • Significant amount of management time could be taken up with projects. • A Development Committee will hold regular meetings while development work is underway. The Board member with relevant expertise is chairing those meetings.

Internal Controls' Assurance

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

The Board recognises that no system of internal controls can provide absolute assurance or eliminate all risk. The system of internal controls is designed to manage risk and to provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of 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 controls 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 controls and risk at each of its meetings during the period.

The Board has received the Director of Finance's annual report, has conducted its annual review of the effectiveness of the system of internal controls 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 period 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 period 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 2015. 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 E Lees

Elizabeth Lees
Chair

Date: **July 24 2019**

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

Opinion

We have audited the financial statements of Sandbourne Housing Association ('the Association') for the period ended 31 March 2019 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, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- Give a true and fair view of the state of the association's affairs as at 31 March 2019 and of its income and expenditure for the period then ended;
 - Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 in England 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- The Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Board is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception.

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

- The association has not kept proper books of account, and not maintained a satisfactory system of control over its transactions, in accordance with the requirements of the legislation; or
- The revenue account, any other accounts to which our report relates, and the balance sheet are not in agreement with the association's books of account; or
- We have not obtained all the information and explanations necessary for the purposes of our audit.

Responsibilities of the Board

As explained more fully in the Board's responsibilities statement set out on pages 10 and 11, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal controls as the Board determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:
www.frc.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the association's members, as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signed P K F Francis Clark

PKF Francis Clark
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Date: **15/08/2018**

STATEMENT OF COMPREHENSIVE INCOME FOR THE 18 MONTHS ENDED 31
MARCH 2019

	Notes	18 Months 2019 £	2017 £
Turnover	2	3,996,420	2,657,760
Operating costs		(2,802,613)	(1,779,257)
Operating surplus		1,193,807	878,503
Gain on disposal of tangible fixed assets	4	359,476	-
Interest receivable and similar income		50,277	48,678
Interest payable and similar charges		(615,046)	(418,845)
Surplus on ordinary activities for the period		988,514	508,336
Other comprehensive income	17	277,148	-
Surplus for the period		1,265,662	508,336

Signed on behalf of the Board

Elizabeth Lees (Chair)

Signed by E Lees

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

Signed by P Frith

Signed by S Hayes

Steven Hayes (Company Secretary)

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Notes	2019 £	2017 £
Fixed Assets			
Housing properties	8	27,280,211	26,688,183
Other tangible fixed assets	9	54,300	71,744
		<u>27,334,511</u>	<u>26,759,927</u>
Current assets			
Debtors	10	183,172	131,405
Cash at bank and in hand		2,157,174	1,026,206
		<u>2,340,346</u>	<u>1,157,611</u>
Creditors: amounts falling due within one year	11	<u>(568,825)</u>	<u>(595,878)</u>
Net current assets		1,771,521	561,733
Total assets less current liabilities		29,106,032	27,321,660
Creditors: amounts falling due after more than one year	12	(15,102,047)	(14,583,342)
Total net assets		<u>14,003,985</u>	<u>12,738,318</u>
Reserves			
Called up share capital	14	29	26
Income and expenditure reserve		13,357,270	12,189,932
Designated reserves		646,686	548,360
Total reserves		<u>14,003,985</u>	<u>12,738,318</u>

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

July 24 2019

Signed on behalf of the Board

Elizabeth Lees (Chair)

Signed by E Lees

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

Signed by P Frith

Steven Hayes (Company Secretary)

Signed by S Hayes

The notes on pages 19 to 29 form part of these accounts.

STATEMENT OF CHANGES IN EQUITY AND RESERVES FOR THE 18 MONTHS
ENDED 31 MARCH 2019

	Called up share capital £	Income and expenditure reserve £	Designated reserves £	Total £
At 1 October 2017	26	12,189,932	548,360	12,738,318
Surplus for the period	-	1,265,662	-	1,265,662
Transfers in the period	-	(98,326)	98,326	-
Share capital issued	3	2	-	5
At 31 March 2019	<u>29</u>	<u>13,357,270</u>	<u>646,686</u>	<u>14,003,985</u>

STATEMENT OF CASH FLOWS FOR THE 18 MONTHS ENDED 31 MARCH 2019

	Notes	18 months 2019 £	2017 £
Cash flow from operating activities	15	1,804,508	1,295,349
<u>Cash flow from investing activities</u>			
Payments to acquire tangible fixed assets		(1,112,196)	(920,473)
Receipts from sales of tangible fixed assets	4	452,083	-
Interest received		50,277	48,678
Net cash flow from investing activities		(609,836)	(871,795)
<u>Cash flow from financing activities</u>			
Proceeds from issue of shares		5	2
Repayment of long term loans		(447,126)	(308,789)
New loan drawn down		999,980	-
Repayment of finance lease liabilities	13	(1,517)	(538)
Interest paid		(615,046)	(418,845)
Net cash flow from financing activities		(63,704)	(728,170)
Net increase/(decrease) in cash and cash equivalents		1,130,968	(304,616)
Cash and cash equivalents at 1 October 2017		1,026,206	1,330,822
Cash and cash equivalents at 31 March 2019		<u>2,157,174</u>	<u>1,026,206</u>
<u>Cash and cash equivalents consists of:</u>			
Cash at bank and in hand		1,394,208	268,806
Short term deposits		762,966	757,400
Cash and cash equivalents at 31 March 2019		<u>2,157,174</u>	<u>1,026,206</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, the acquisition of Ringwood and District Old People's Housing Society Ltd in 2016 and the acquisition of Bournemouth Ace Housing Association Ltd in 2019.

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 periods 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 period (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 Bournemouth Ace Housing Association in February 2019 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 18 months to 31 March 2019 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

	18 months 2019	2017
	£	£
Rent receivable	3,155,041	2,116,222
Service charges receivable	729,486	488,416
Support income	58,199	31,135
Less: Void losses	(25,110)	(36,543)
	<hr/> 3,917,616	<hr/> 2,599,230
Add: Amortised government grants	78,804	58,530
Net income from social housing activity	<hr/> 3,996,420	<hr/> 2,657,760
Less: Social housing activity expenditure	<hr/> (2,802,613)	<hr/> (1,779,257)
Operating surplus from social housing activities	<hr/> <hr/> 1,193,807	<hr/> <hr/> 878,503

3. Accommodation owned and managed

	Number of units at 31 March 2019	Number of units at 1 October 2017
Completed units:		
General needs housing let at social rent	155	154
Housing for older people	264	252
Low cost home ownership	22	24
Leasehold property	37	35
	<hr/> 478	<hr/> 465
Units in development	3	1
	<hr/> 481	<hr/> 466

4. Disposals of housing properties held as tangible fixed assets

	18 months	
	2019	2017
	£	£
Proceeds from the disposal of housing properties	463,700	-
Less: Carrying value of housing properties	(92,607)	-
	<hr/> 371,093	<hr/> -
Less: Other disposal costs	(11,617)	-
Surplus on disposal of property	<hr/> 359,476	<hr/> -

5. Surplus on ordinary activities is stated after charging:

	18 months	
	2019	2017
	£	£
Auditor's remuneration (including expenses) for audit	8,400	8,718
Auditor's remuneration (including expenses) for non-audit	-	-
Operating lease rentals	<hr/> 70,789	<hr/> 46,717

6. Board and key management personnel remuneration

No Board member received any remuneration in the period (2017: £nil). Expenses totalling £514 (2017: £681) were paid to Board members in the period.

The total remuneration for key management personnel in the 18-month period amounted to £231,640 (2017: £146,748).

The highest paid member of the management team received remuneration for the 18-month period of £112,211 (2017: £71,304) 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 18-month period to 31 March 2019 Sandbourne made contributions of £6,432 (2017: £3,888) into the scheme.

In all cases the figures for 2017 relate to a 12 month period.

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 (2017: 9 employees).

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

	2019 Number	2017 Number
£60,001 to £70,000	-	1
£70,001 to £80,000	2	1

8. Tangible fixed assets – housing properties

	60+ Properties	18+ Properties	Shared Ownership Properties	Under Construction	Total
	£	£	£	£	£
COST					
At 1 Oct 2017	18,800,209	11,554,613	758,518	96,836	31,210,176
Additions	344,017	152,259	-	55,589	551,865
Acquisition	200,000	478,055	76,283	-	754,338
Disposals	(52,886)	(110,761)	(30,658)	(4,769)	(199,074)
Transfers	8,246	76,283	(76,283)	(8,246)	-
At 31 Mar 2019	<u>19,299,586</u>	<u>12,150,449</u>	<u>727,860</u>	<u>139,410</u>	<u>32,317,305</u>
DEPRECIATION					
At 1 Oct 2017	2,840,223	1,575,375	106,395	-	4,521,993
Charge for 18 months	418,750	179,423	6,438	-	604,611
Disposals	(47,743)	(36,734)	(5,033)	-	(89,510)
At 31 Mar 2019	<u>3,211,230</u>	<u>1,718,064</u>	<u>107,800</u>	<u>-</u>	<u>5,037,094</u>
NET BOOK VALUE					
At 31 Mar 2019	<u>16,088,356</u>	<u>10,432,385</u>	<u>620,060</u>	<u>139,410</u>	<u>27,280,211</u>
At 30 Sep 2017	<u>15,959,986</u>	<u>9,979,238</u>	<u>652,123</u>	<u>96,836</u>	<u>26,688,183</u>

The income, costs and surplus relating to the shared ownership properties amount to £180,958 (2017: £116,321), £108,226 (2017: £56,714) and £72,732 (2017: £59,607) respectively. The figures for 2017 relate to a 12-month period.

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

Social housing properties with a net book value of £19,743,793 (2017: £17,636,281) 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 2017	142,887	130,313	273,200
Additions	1,024	4,969	5,993
Disposals	-	(6,307)	(6,307)
At 31 Mar 2019	<u>143,911</u>	<u>128,975</u>	<u>272,886</u>
DEPRECIATION			
At 1 Oct 2017	94,780	106,676	201,456
Charge for 18 months	17,883	5,491	23,374
Eliminated on disposals	-	(6,244)	(6,244)
At 31 Mar 2019	<u>112,663</u>	<u>105,923</u>	<u>218,586</u>
NET BOOK VALUE			
At 31 Mar 2019	<u>31,248</u>	<u>23,052</u>	<u>54,300</u>
At 30 Sept 2017	<u>48,107</u>	<u>23,637</u>	<u>71,744</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	(1,798)
Net book value of hire purchase asset at 31 March 2019	<u>4,196</u>
Net book value of hire purchase asset at 30 September 2017	<u>5,994</u>

10. Debtors

	2019 £	2017 £
Trade debtors (gross social housing rent arrears)	37,680	39,899
Less: Provision for doubtful debts	(8,339)	(5,098)
	<u>29,341</u>	<u>34,801</u>
Other debtors	94,371	43,033
Prepayments and accrued income	59,460	53,571
	<u>183,172</u>	<u>131,405</u>

11. Creditors: amounts falling due within one year

	2019	2017
	£	£
Trade creditors	103,413	30,104
Rents paid in advance	30,311	35,951
Housing loans	297,216	317,879
Social Housing Grant	58,533	58,531
Other tax and social security	9,370	9,107
Finance leases	1,146	986
Other creditors	5,638	84,650
Accruals and deferred income	63,198	58,670
	<u>568,825</u>	<u>595,878</u>

Details of leasing arrangements are provided in note 13.

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

	2019	2017
	£	£
Bank loans	9,473,773	8,900,255
Social Housing Grant	5,605,999	5,678,079
Recycled Capital Grant Fund	18,944	-
Finance leases	3,331	5,008
	<u>15,102,047</u>	<u>14,583,342</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 2.37% 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:

	2019	2017
	£	£
Not later than one year	1,478	1,478
Later than one year and not later than five years	3,696	5,914
	<u>5,174</u>	<u>7,392</u>
Less: finance charges	(697)	(1,398)
	<u>4,477</u>	<u>5,994</u>
Less: Included in current liabilities	(1,146)	(986)
	<u>3,331</u>	<u>5,008</u>

In 2014 the Association took out a 10-year lease on its offices in Poole. The lease expires in September 2024. The amount payable for the lease up to September 2024 is £97,059.

14. Share capital

	2019 £	2017 £
At 1 October 2017	26	33
Issued during the period	5	2
Cancelled during the period	(2)	(9)
At 31 March 2019	<u>29</u>	<u>26</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

	18 months	
	2019 £	2017 £
Surplus for the period	1,265,662	508,336
Interest payable	615,046	418,845
Interest received	(50,277)	(48,678)
Depreciation of tangible fixed assets	627,985	399,304
Loss on disposal of fixed assets	17,023	14,961
Surplus of sale of tangible fixed assets	(359,476)	-
Release of Social Housing Grant	(78,804)	(58,530)
Receipt of donated assets (net of SHG)	(174,331)	-
(Increase)/decrease in debtors	(55,008)	1,532
Increase/(decrease) in bad debt provision	3,241	(2,595)
(Decrease)/increase in creditors	(6,553)	62,174
Net cash flow from operating activities	<u>1,804,508</u>	<u>1,295,349</u>

16. Pensions

The Association operates a defined contribution pension plan for its employees. The amount recognised as an expense in the period was £23,639 (12 months 2017: £13,233).

17. Other Comprehensive Income

On 25 February 2019 Sandbourne acquired all the assets and liabilities of Bournemouth Ace Housing Association Ltd (Ace) 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 Ace have been included in Sandbourne's Statement of Comprehensive Income from 25 February 2019.

Details of the transfer of assets and liabilities on 25 February 2019 are as follows:

	£
<u>Fixed assets</u>	
Land and buildings	200,000
<u>Current assets</u>	
Debtors	840
Cash at bank and in hand	110,097
Creditors: amounts falling due within one year	(8,120)
Social Housing Grant	(25,669)
Net assets	<u>277,148</u>
Other comprehensive income to Sandbourne	<u>277,148</u>

18. Related Party Transactions

The following tenants served as Board members throughout the period:

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 £24,720 in the period to PHP (12 months 2017: £16,963) as rent for those offices and the provision of sundry other services. All services were provided on an arms-length basis.

21. Capital Commitments

As at 31 March 2019, Sandbourne had capital commitments of £131,537 (2017: £76,394).