

**SANDBOURNE HOUSING ASSOCIATION**

**FINANCIAL STATEMENTS**

**31 MARCH 2020**

SANDBOURNE HOUSING ASSOCIATION  
31 MARCH 2020

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INFORMATION

**Registered Numbers**

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

**Members of the Board**

Elizabeth Lees	Chair
Joe Waters	Vice-Chair
Maria Byrne	
Paul Frith	Chair of Audit, Finance and Risk Committee and of Staffing and Remuneration Committee
David Joicey	Chair of Management and Governance Oversight Committee
Jan Lewis	
Michael Owen	
Theresa Saunders	
Ann Schofield	
Yogesh Vadgama	
Laurie Wright	Chair of Development Committee

**Senior Management Team**

Fiona Ferenczy MA ACA MCIH	Chief Executive Officer and Company Secretary
David Hall MCIH	Head of Housing

**Registered Office**

Beech House  
28-30 Wimborne Road  
Poole  
BH15 2BU

Telephone	01202 671222
Email	<a href="mailto:info@sandbourne.org.uk">info@sandbourne.org.uk</a>
Website	<a href="http://www.sandbournehousingassociation.org.uk">www.sandbournehousingassociation.org.uk</a>

**Auditors**

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

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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  
3 Acorn Business Park  
Ling Road  
Poole  
BH12 4NZ

**Bankers and Building Societies**

Cambridge and Counties Bank Ltd  
National Westminster Bank Plc  
Nationwide Building Society  
Triodos Bank UK Ltd

## BOARD REPORT

The Board Members present their report and the audited financial statements for the year ended 31 March 2020.

### Members of the Board

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

Elizabeth Lees - Chair	
Maria Byrne	Co-opted March 2020
Paul Frith	
David Hall	Resigned October 2019
David Joicey	
Jan Lewis	
Keith Mallett	Resigned September 2019
Michael Owen	Co-opted November 2019
Theresa Saunders	
Ann Schofield	
Henry Taylor	Resigned August 2019
Yogesh Vadgama	
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 Homes and Communities Agency.

In February 2019 Sandbourne acquired all the business, assets and liabilities of Bournemouth Ace Housing Association Ltd (Ace). The main asset, Ace Court, was brought into Sandbourne's accounts at a valuation of £200,000.

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

During the year £859,412 [2019 (18 months): £1,106,203] 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 some of the flats at Ace Court. These are currently in the process of being refurbished and the work is expected to have been completed by the end of 2020. 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 the Decent Homes 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 Business Plan, which was reviewed in January 2020. The objectives and their impact on Value for Money are:

- (a) 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 which it knows well, it can provide the best possible service while containing the cost of those services. Opportunities which arise 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.
- (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 general service provision and specific topics and concerns, feedback forms on the website and in each newsletter and directly by phone, letter or email.
- (e) To seek to add social benefit to our residents in all we do. And to explore ways of measuring this investment – the best form of social benefit for our residents is the provision of affordable, secure and safe places to live. This also provides a social benefit to society as a whole.
- (f) 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 residents.
- (g) To invest in our staff, to ensure that they have the resources and skills to fulfil their role and to develop those skills where appropriate – Sandbourne promotes lifelong learning and encourages all staff to undertake training that will help broaden their life experience and improve their professional skills. Where appropriate, and where finances allow, Sandbourne will also fund this training.
- (h) 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.

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- (i) 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 stock. Sandbourne is also a significant customer for these contractors, which means that we can benefit from a cost effective, more personalised service from them.
- (j) 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.
- (k) To invest in environmentally friendly options where possible and where affordable – the long term future of the planet is important to Sandbourne and we will look to protect that future wherever possible. As technologies develop, it may also be the case that the environmentally friendly option is also the best value for money option.
- (l) 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.
- (m) To remain independent – the Board believe that independence enables Sandbourne 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 year to 31 March 2020

The full version of the Value for Money Assessment for 2019/20 can be found on Sandbourne's website. The following is a summary of that report.

(a) Financial Returns

- Sandbourne refinanced its loan with Triodos Bank in 2018 and also arranged a new £2,000,000 borrowing facility. £1,000,000 of these funds was drawn down in the year to finance the building of a new development. Unfortunately, that development has not yet been able to go ahead, but the funds are invested in an interest bearing account and will be available when the development can be started.
- Sandbourne currently owns 58 properties which are let on long leases. Sandbourne's policy is always to agree to the extension of these leases, but to negotiate terms to get the best deal for the business as a whole. There have been three lease extensions in the period generating income of £27,250, which will be used for capital projects in the business.
- Sandbourne currently has two properties which are let out on market rents. These are both properties which were bought on the open market with no social housing grant to offset the cost. They are let at market rent to enable Sandbourne to recoup some of this cost. The current annual income from these two properties is £17,340.

(b) Social Returns

- Planning was obtained to increase the number of parking spaces at the Stourwood Avenue site and to create a further buggy store on the site.

This will help to alleviate the parking problems at the site and enable a further 10 to 12 residents to maintain their mobility by having their own mobility scooters. Both these improvements help tenants to maintain social activity and interaction for longer.

(c) Environmental Returns

- The 12 properties acquired from Bournemouth Ace in 2019 did not comply with the Decent Homes Standard. Work is currently being undertaken to bring them up to this standard and was due to be completed by December 2019. Unfortunately, due to a number of problems, including issues with damp, the work is ongoing. The full cost of the work will be included in the report for 2020/21.
- The communal boiler at Highfield was upgraded in the year making it more efficient and environmentally friendly.
- Electric heating systems were upgraded in 20 properties in the year.

(d) Asset Management Strategy

- The purchase of an existing satisfactory property in Twyford Way, where Sandbourne already owns a number of other properties. The property was in good condition and was able to be let within a few weeks of purchase on a social rent.
- The conversion of the communal lounge at St Kilda into two one bed flats was completed in the year and both flats are now let on social rents.

(e) Services to residents

- The installation of individual electric meters in flats at Ace Court will enable the residents to monitor their own energy usage and select the energy provider which gives them the best value for money.
- Surveys sent to all tenants asking about their satisfaction with Sandbourne. The main outcome of the survey will be a review of resident involvement and scrutiny.
- Fire Risk Assessments have been carried out in all communal areas over the last year. This has resulted in a considerable amount of work to be carried out to improve fire safety and will be the major focus of planned maintenance works in 2020/21.

(f) Administrative Improvements

- Following the retirement of the CEO in December 2019, the Director of Finance was appointed to that role and will focus on the finance, strategy and governance needs of the business. A review of the senior management team was also undertaken and the Board agreed to appoint a deputy to the CEO rather than an almost equal partner. The new Head of Housing was appointed in December 2019 and he will focus on the front line services of the business.

<b>Value for Money Metrics</b>	<b>2020</b>	<b>2019 (annualised where appropriate)</b>
Metric 1 – Reinvestment %	2.66%	2.79%
Metric 2 – New supply delivered %	0.71% for social housing units 0% for non-social housing units	0.72% for social housing units 0% for non-social housing units
Metric 3 – Gearing %	26.68%	30.25%
Metric 4 – Earnings before interest, depreciation, amortisation, major repairs included (EBITDA MRI) Interest Cover %	186.0%	204.6%
Metric 5 – Headline social housing cost per unit	£3,446	£3,257
Metric 6 – Operating Margin %	27.0%	29.9%
Metric 7 – Return on capital employed (ROCE) %	2.6%	3.5%

Income year on year between 2019 and 2020 was virtually unchanged, but expenses increased overall and particularly in service charge provision, which is not recouped until the following year, and fire safety works undertaken. This has resulted in the fall in Operating Margin percentage and ROCE.

### **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 April 2019.

### **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 2019 identified the following two principal risks of the business:

Risk	Comments and mitigation
Significant movements in inflation rate – expenditure.	<ul style="list-style-type: none"> <li>• No contractual obligation to offer salary rises or performance related pay, only to review salaries on an annual basis.</li> <li>• Limited ability to delay (or bring forward) planned and major repairs expenditure.</li> <li>• Rent rises of CPI plus 1% for five years from 2020 will help to mitigate rising expenditure.</li> <li>• Outcome of Brexit negotiations and fluctuations of sterling may have impact on inflation.</li> </ul>
Major problems encountered with a significant new development.	<ul style="list-style-type: none"> <li>• Use of skilled professionals to set up and manage the contract.</li> <li>• Insurance cover in place.</li> <li>• Sandbourne will aim to ensure that development work is scheduled carefully, and delayed where necessary, to avoid overstressing staff and resources and to limit the impact of any problems on the business.</li> <li>• Expertise and skills from partner organisations and contractors will be helpful, but there is still a potential for a significant amount of management time to be taken up with any large project.</li> <li>• A Development Committee will hold regular meetings while development work is underway. The Board member with relevant expertise has agreed to chair those meetings.</li> </ul>

### Risks associated with Covid-19 Pandemic

Immediately prior to the year end a new major risk to Sandbourne emerged. A new coronavirus had been identified in China in late 2019 which was spreading rapidly around the world. In March 2020 the World Health Organisation declared that the disease had reached pandemic level and on 23 March 2020 the whole of the UK was put into immediate lockdown. The risks to Sandbourne, its residents and staff, and the procedures put in place to mitigate and manage those risks, can be summarised as follows:

Risk	Mitigation and management
Ensuring the safety of residents and staff.	<ul style="list-style-type: none"> <li>• Immediate closure of the main office with all staff working from home. Staff were able to log into</li> </ul>

	<p>Sandbourne's central server from home from day one of lockdown, meaning that there was no break in the provision of service.</p> <ul style="list-style-type: none"> <li>• Suspension of all but emergency face to face contact with residents. Residents were able to contact Sandbourne by telephone, email and letter and we endeavoured to respond as quickly as possible to any correspondence.</li> <li>• Ensuring that both staff and residents were provided with up to date guidance from the government.</li> </ul>
<p>Maintaining effective working practices while under lockdown restrictions.</p>	<ul style="list-style-type: none"> <li>• All lettings were suspended to protect staff and existing tenants from infection. Lettings were only restarted in June when the level of infection was reducing and it was considered that they could be carried out safely.</li> <li>• All repairs except for emergency repairs were suspended. Urgent and routine repairs have been gradually reinstated as safety measures were able to be put in place, but the service is not yet fully back to normal.</li> <li>• All safety checks continued to be carried out where possible, but extra care was taken to avoid unnecessary contact.</li> <li>• Communal services were initially disrupted, but were reinstated as soon as possible and in some cases increased or upgraded to protect residents.</li> <li>• Housing staff helped tenants to adapt to the new restrictions including offering support for those trying to claim emergency benefits and contacting a number of residents who were identified as having no local support.</li> </ul>

<p>Financial viability of the business</p>	<ul style="list-style-type: none"> <li>• Sandbourne had significant cash reserves at the year end, meaning that a significant reduction in income due to the pandemic restrictions was not going to have a major impact, at least in the short term.</li> <li>• Income has held up well throughout the pandemic period to date and there is no immediate threat to the business. However, the Board is conscious that future months may present further challenges.</li> <li>• There will need to be higher expenditure in the second half of the year to catch up on some of the routine repairs that are outstanding but, again, Sandbourne has sufficient funds to withstand this.</li> <li>• The Board have considered the impact of Covid-19 on Sandbourne for at least 12 months after the date of signing of these Financial Statements and are comfortable that the business will remain a going concern. Thus, the accounts have been prepared on a going concern basis.</li> </ul>
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The Board will continue to monitor the ongoing impact of the pandemic on the business but, up to the date of the approval of these Financial Statements, the Board consider that the risk has been well managed and does not pose a significant threat to Sandbourne.

#### **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 2015. It also has general responsibility for taking reasonable steps to safeguard Sandbourne's assets and to prevent and detect fraud and other irregularities.

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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

Elizabeth Lees      **Signed by E Lees**  
Chair

Date:                      **22<sup>nd</sup> July 2020**

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 31 March 2020 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 13, 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 31 March 2020 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.

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

**Signed Francis Clark LLP**

Date: 19.08.2020

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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED  
31 MARCH 2020

	Notes	2020 £	2019 (18 months) £
Turnover	2	2,668,254	3,996,420
Operating costs		<u>(1,949,090)</u>	<u>(2,802,613)</u>
Operating surplus		719,164	1,193,807
Gain on disposal of tangible fixed assets	4	39,903	359,476
Interest receivable and similar income		54,179	50,277
Interest payable and similar charges		<u>(417,373)</u>	<u>(615,046)</u>
Surplus on ordinary activities for the period		395,873	988,514
Other comprehensive income	17	-	277,148
Surplus for the period		<u>395,873</u>	<u>1,265,662</u>

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 Fiona Ferenczy**

Fiona Ferenczy (Company Secretary)

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STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Notes	2020 £	2019 £
Fixed Assets			
Housing properties	8	27,638,705	27,280,211
Other tangible fixed assets	9	53,855	54,300
		<u>27,692,560</u>	<u>27,334,511</u>
Current assets			
Debtors	10	140,568	183,172
Cash at bank and in hand		1,822,964	2,157,174
		<u>1,963,532</u>	<u>2,340,346</u>
Creditors: amounts falling due within one year	11	(524,454)	(568,825)
Net current assets		<u>1,439,078</u>	<u>1,771,521</u>
Total assets less current liabilities		29,131,638	29,106,032
Creditors: amounts falling due after more than one year	12	(14,731,777)	(15,102,047)
Total net assets		<u>14,399,861</u>	<u>14,003,985</u>
Reserves			
Called up share capital	14	28	29
Income and expenditure reserve		13,747,867	13,357,270
Designated reserves		651,966	646,686
Total reserves		<u>14,399,861</u>	<u>14,003,985</u>

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

**22nd July 2020**

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 Fiona Ferenczy**

Fiona Ferenczy (Company Secretary)

The notes on pages 21 to 31 form part of these accounts.

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STATEMENT OF CHANGES IN EQUITY AND RESERVES FOR THE YEAR ENDED  
31 MARCH 2020

	Called up share capital £	Income and expenditure reserve £	Designated reserves £	Total £
At 1 April 2019 as restated	29	13,357,270	646,686	14,003,985
Surplus/(deficit) for the year	-	395,873	-	395,873
Transfers in the year	-	(5,280)	5,280	-
Share capital issued/(cancelled)	(1)	4	-	3
At 31 March 2020	28	13,747,867	651,966	14,399,861

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	2019 (18 months) £
Cash flow from operating activities	15	1,089,739	1,804,508
<u>Cash flow from investing activities</u>			
Payments to acquire tangible fixed assets		(873,318)	(1,112,196)
Receipts from sales of tangible fixed assets	4	116,078	452,083
Interest received		54,179	50,277
Net cash flow from investing activities		(703,061)	(609,836)
<u>Cash flow from financing activities</u>			
Proceeds from issue of shares		3	5
Repayment of long term loans		(302,373)	(447,126)
New loan drawn down		-	999,980
Repayment of finance lease liabilities	13	(1,145)	(1,517)
Interest paid		(417,373)	(615,046)
Net cash flow from financing activities		(720,888)	(63,704)
Net (decrease)/increase in cash and cash equivalents		(334,210)	1,130,968
Cash and cash equivalents at 1 April 2019		2,157,174	1,026,206
Cash and cash equivalents at 31 March 2020		<u>1,822,964</u>	<u>2,157,174</u>
<u>Cash and cash equivalents consist of:</u>			
Cash at bank and in hand		735,781	1,394,208
Short term deposits		1,087,183	762,966
Cash and cash equivalents at 31 March 2020		<u>1,822,964</u>	<u>2,157,174</u>

NOTES TO THE FINANCIAL STATEMENTS

**1. Summary of significant accounting policies**

(a) General information and basis of preparation

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

The Association was formed of the merger of Bournemouth Housing Society for the Elderly and Broadway Park Housing Association Ltd 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 2018.

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

(l) Employee benefits - Pensions

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

(m) Reserves

The Association has 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 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 31 March 2020 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 Board has reviewed the impact of the Covid-19 pandemic on the Association and its business up to the date of the signing of these accounts and does not consider it to have been material. Thus, there has been no adjustment to these accounts relating to the impact of the pandemic.

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

	2020	2019 (18 months)
	£	£
Rent receivable	2,131,075	3,155,041
Service charges receivable	475,274	729,486
Support income	35,170	58,199
Less: Void losses	(27,566)	(25,110)
	<u>2,613,953</u>	<u>3,917,616</u>
Add: Amortised government grants	54,301	78,804
Net income from social housing activity	<u>2,668,254</u>	<u>3,996,420</u>
Less: Social housing activity expenditure	(1,949,090)	(2,802,613)
Operating surplus from social housing activities	<u><u>719,164</u></u>	<u><u>1,193,807</u></u>

**3. Accommodation owned and managed**

	Number of units at 31 March 2020	Number of units at 1 April 2019
Completed units:		
General needs housing let at social rent	156	155
Housing for older people	266	264
Low cost home ownership	21	22
Leasehold property	37	37
	<u>480</u>	<u>478</u>
Units in development	-	3
	<u>480</u>	<u>481</u>

**4. Disposals of housing properties held as tangible fixed assets**

	2020 £	2019 £
Proceeds from the disposal of housing properties	117,500	463,700
Less: Carrying value of housing properties	<u>(76,175)</u>	<u>(92,607)</u>
	41,325	371,093
Less: Other disposal costs	<u>(1,422)</u>	<u>(11,617)</u>
Surplus on disposal of property	<u>39,903</u>	<u>359,476</u>

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

	2020 £	2019 £
Auditor's remuneration (including expenses) for audit	10,500	8,400
Auditor's remuneration (including expenses) for non-audit	2,400	-
Operating lease rentals	<u>51,848</u>	<u>70,789</u>

**6. Board and key management personnel remuneration**

No Board member received any remuneration in the year (2019: £nil). Expenses totalling £276 (2019 (18 months): £514) were paid to Board members in the year.

The total remuneration for key management personnel in the year amounted to £167,489 (2019 (18 months): £231,640).

The highest paid member of the management team received remuneration of £85,030 (2019 (18 months): £112,211) 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 31 March 2020 Sandbourne made contributions of £4,723 (2019 (18 months): £6,432) 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 (2019: 9 employees).

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

	2020 Number	2019 Number
£60,001 to £70,000	-	2
£70,001 to £80,000	1	-

## 8. Tangible fixed assets – housing properties

	60+ Properties	18+ Properties	Shared Ownership Properties	Under Construction	Total
	£	£	£	£	£
<b>COST</b>					
At 1 Apr 2019	19,299,586	12,150,449	727,860	139,410	32,317,305
Additions	368,153	241,326	-	23,256	632,735
Acquisition	-	226,677	-	-	226,677
Disposals	(11,450)	(57,895)	(81,259)	-	(150,604)
Transfers	-	113,192	-	(113,192)	-
At 31 Mar 2020	<u>19,656,289</u>	<u>12,673,749</u>	<u>646,601</u>	<u>49,474</u>	<u>33,026,113</u>
<b>DEPRECIATION</b>					
At 1 Apr 2019	3,211,230	1,718,064	107,800	-	5,037,094
Charge for year	277,107	126,050	3,870	-	407,027
Disposals	(8,031)	(43,598)	(5,084)	-	(56,713)
At 31 Mar 2020	<u>3,480,306</u>	<u>1,800,516</u>	<u>106,586</u>	<u>-</u>	<u>5,387,408</u>
<b>NET BOOK VALUE</b>					
At 31 Mar 2020	<u>16,175,983</u>	<u>10,873,233</u>	<u>540,015</u>	<u>49,474</u>	<u>27,638,705</u>
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>

The income, costs and surplus relating to the shared ownership properties amount to £109,586 (2019 (18 months): £180,958), £65,440 (2019 (18 months): £108,226) and £44,146 (2019 (18 months): £72,732) respectively.

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

Social housing properties with a net book value of £19,829,498 (2019: £19,743,793) have been pledged as security for liabilities of the Association. These assets have restricted title.

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**9. Tangible fixed assets – other**

	Office furniture and equipment £	Equipment in communal lounges £	Total £
<b>COST</b>			
At 1 Apr 2019	143,911	128,975	272,886
Additions	11,638	2,268	13,906
Disposals	(14,628)	-	(14,628)
At 31 Mar 2020	<u>140,921</u>	<u>131,243</u>	<u>272,164</u>
<b>DEPRECIATION</b>			
At 1 Apr 2019	112,663	105,923	218,586
Charge for year	10,362	3,978	14,340
Eliminated on disposals	(14,617)	-	(14,617)
At 31 Mar 2020	<u>108,408</u>	<u>109,901</u>	<u>218,309</u>
<b>NET BOOK VALUE</b>			
At 31 Mar 2020	<u>32,513</u>	<u>21,342</u>	<u>53,855</u>
At 31 Mar 2019	<u>31,248</u>	<u>23,052</u>	<u>54,300</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	<u>(2,997)</u>
Net book value of hire purchase asset at 31 March 2020	<u>2,997</u>
Net book value of hire purchase asset at 31 March 2019	<u>4,196</u>

**10. Debtors**

	2020 £	2019 £
Trade debtors (gross social housing rent arrears)	47,693	37,680
Less: Provision for doubtful debts	<u>(8,679)</u>	<u>(8,339)</u>
	39,014	29,341
Other debtors	40,560	94,371
Prepayments and accrued income	60,994	59,460
	<u>140,568</u>	<u>183,172</u>

Gross social housing rent arrears includes £0 (2019: £0) to reflect the net present value element adjustment where a repayment schedule is in place.

**11. Creditors: amounts falling due within one year**

	2020	2019
	£	£
Trade creditors	49,269	103,413
Rents paid in advance	24,251	30,311
Housing loans	309,927	297,216
Social Housing Grant	58,165	58,533
Other tax and social security	9,035	9,370
Finance leases	1,252	1,146
Other creditors	5,549	5,638
Accruals and deferred income	67,006	63,198
	<u>524,454</u>	<u>568,825</u>

Details of leasing arrangements are provided in note 13.

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

	2020	2019
	£	£
Bank loans	9,158,688	9,473,773
Social Housing Grant	5,571,009	5,605,999
Recycled Capital Grant Fund	-	18,944
Finance leases	2,080	3,331
	<u>14,731,777</u>	<u>15,102,047</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 2.05% 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:

	2020	2019
	£	£
Not later than one year	1,478	1,478
Later than one year and not later than five years	2,218	3,696
	<u>3,696</u>	<u>5,174</u>
Less finance charges	(364)	(697)
	<u>3,332</u>	<u>4,477</u>
Less: Included in current liabilities	(1,252)	(1,146)
	<u>2,080</u>	<u>3,331</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 up to the end of the lease is £101,034.

**14. Share capital**

	2020	2019
	£	£
At 1 April 2019	29	26
Issued during the year	3	5
Cancelled during the year	(4)	(2)
At 31 March 2020	<u>28</u>	<u>29</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**

	2020	2019
	£	(18 months) £
Surplus for the year	395,873	1,265,662
Interest payable	417,373	615,046
Interest received	(54,179)	(50,277)
Depreciation of tangible fixed assets	421,366	627,985
Loss on disposal of fixed assets	17,726	17,023
Surplus of sale of tangible fixed assets	(39,903)	(359,476)
Release of Social Housing Grant	(54,301)	(78,804)
Receipt of donated assets (net of SHG)	-	(174,331)
Decrease/(increase) in debtors	42,264	(55,008)
(Decrease)/increase in bad debt provision	339	3,241
Increase/(decrease) in creditors	(56,819)	(6,553)
Net cash flow from operating activities	<u>1,089,739</u>	<u>1,804,508</u>

**16. Pensions**

The Association operates a defined contribution pension plan for its employees. The amount recognised as an expense in the period was £19,437 (2019 18 months: £23,639).

**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 were included in Sandbourne's Statement of Comprehensive Income from 25 February 2019.

Details of the transfer of assets and liabilities are as follows:

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	£
Fixed assets	
Land and buildings	200,000
Current assets	
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 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 £17,076 in the year to PHP [2019 (18 months): £24,720] as rent for those offices and the provision of sundry other services. All services were provided on an arms-length basis.

Michael Owen is a Sandbourne Board member and is a Partner with Capsticks Solicitors LLP. Sandbourne use Capsticks for legal advice in relation to housing management issues and paid them £1,389 in the year for those services. All services were provided on an arms-length basis and Michael Owen played no part in them.

### 19. Capital Commitments

As at 31 March 2020 Sandbourne had no capital commitments (2019: £131,537).