

Lincolnshire Rural Housing Association Limited

Annual Report Incorporating the Financial Statements



Year Ending 31 March 2015

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## INTRODUCTION

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**The purpose of this Annual Report** is to provide Lincolnshire Rural Housing Association's (Lincs Rural) Shareholders and Stakeholders with relevant information to assess the Association and the Board of Management's performance. It does not purport to provide exhaustive detail, but concentrates on 'material information' with signposts to further related issues.

The Annual Report for the Association has five principle components with the following objectives:

**STRATEGIC REPORT:** Provides the context for the financial statements and an insight into the Association's strategy, main objectives and business model. It describes the principle risks that the organisation faces and how these could potentially influence future business performance. The report provides an analysis of past performance and signposts to other complementary information;

**CORPORATE GOVERNANCE REPORT:** Provides an explanation of how the composition and organisation of the Association's governance structures supports the achievement of the Corporate Strategy and Strategic Objectives;

**FINANCIAL STATEMENTS:** Presents the Association's financial position, performance and development in accordance with generally accepted accounting practice; and

**BOARD OF MANAGEMENT REPORT:** Provides other statutory / regulatory information about the Association.

**AUDIT COMMITTEE CHAIRMAN'S REPORT:** Provides a summary of the auditing and scrutiny work undertaken during the year

Note: A Board members Remuneration Report is not provided as Non-Executive Members are unpaid voluntary individuals. Travelling and other minor expenses are however reimbursed.

## **INFORMATION**

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### **BOARD AND OFFICERS**

#### **CHAIRMAN**

B Whetton

#### **DEPUTY CHAIRMAN**

Professor D Head

#### **SECRETARY & CHIEF EXECUTIVE**

J D Howes FRICS

#### **OTHER BOARD MEMBERS**

W Done

J Emerson (Audit Committee)

J Fisher

A Haywood

P Jordan OBE (Audit Committee)

M Muggleton

R Perry

C Pilbeam (Audit Committee Chairman)

H Sykes

B Waite (Audit Committee)

#### **INDEPENDENT AUDIT COMMITTEE MEMBERS**

A Cotton

Professor J Ridley – (Resigned 2 October 2014) now Independent Audit Committee Advisor

#### **HEAD OF FINANCE**

S Phillips

#### **OPERATIONS MANAGER**

A Haime

#### **REGISTERED OFFICE**

Markime House, Pooles Lane, Spilsby, Lincolnshire, PE23 5EY

**REGISTERED IN ENGLAND UNDER THE CO-OPERATIVE AND BENEFIT SOCIETIES ACT 2014  
– REGISTRATION NUMBER UNDER THE HOUSING ACT 1974 - 25276R**

**HOMES AND COMMUNITIES AGENCY (HCA) REGISTRATION NUMBER - L3698**

## **INFORMATION**

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### **EXTERNAL AUDITORS**

Beever and Struthers  
Chartered Accountants  
St George's House  
215-219 Chester Road  
Manchester  
M15 4JE

### **INTERNAL AUDITORS**

Baker Tilly

Baker Tilly Risk Advisory Services LLP  
6th floor  
25 Farringdon Street  
London  
EC4A 4AB.

### **PRINCIPAL SOLICITORS**

Sills and Betteridge  
46 Silver Street  
Lincoln  
LN2 1ED

### **PRINCIPLE BANKERS**

The Cooperative Bank  
4-5 Exchange walk  
Nottingham  
NG1 2NX

### **OTHER FUNDERS**

Svenska Handelsbanken AB;  
Orchardbrook Ltd; and  
Yorkshire Bank.

**The Strategic Report does not set out to detail all possible matters, but seeks to provide information that is necessary for an understanding of the progress and development of Lincs Rural, its performance position, and future prospects.**

**A comprehensive 30-year Business Plan is the primary strategic driver, which illustrates how the Association intends to grow whilst sustaining viability.**

### **Nature of the Business Model**

Lincolnshire Rural Housing Association (Lincs Rural) was formed on 22 May 1986 and shall carry on for the benefit of the community. Lincs Rural's primary business objective is of providing housing, accommodation, and assistance to help house people and associated facilities and amenities [for poor people or for the relief of aged, disabled, handicapped (whether physically or mentally) or chronically sick people]. Also any other [charitable] object that can be carried out by a Society registered as a social landlord (Rule A2).

The Association shall not trade for profit (Rule A3), and nothing shall be paid or transferred by way of profit to Shareholders of the Association (Rule A4).

Lincs Rural has two principal business streams; housing for rent and shared ownership properties.

Lincs Rural operates in small rural communities throughout Lincolnshire and in some areas of Rutland and Kings Lynn & West Norfolk. The Association's geographical area of operation extends over approximately 2500 square miles, however this is necessary as its market place is demographic, being small rural communities of less than 5000 population.

Lincs Rural understands rural people and specialises in working with sensitively balanced communities. Growth in the short, medium and long-term will be determined by small community needs and demands, and the organisation's financial capacity. Based on previous tenant consultation and engagement, Lincs Rural's governance has determined to remain an independent small specialist organisation that is able to provide a personal, caring service for rural people in housing need. It is perceived that merger with a larger organisation or rationalisation of stock is not in the best interest of current or future rural tenants. This perception will however continue to be tested and challenged to avoid doubt or complacency.

Lincs Rural's housing stock is predominately new build, with a small number of refurbished properties and two grade two listed cottages. Three properties owned by private landlords are managed by the Association, acquired under the Homes and Communities Agency's (HCA's) Empty Homes Programme, for a 5-year period ending April 2015.

The mix of housing type and Local Authority location is:

<b>LOCAL AUTHORITY</b>	<b>2 BED</b>	<b>3 BED</b>	<b>4 BED</b>
<b>General Needs</b>			
Boston Borough	24	12	0
East Lindsey	77	52	1
King's Lynn & West Norfolk	8	0	0
North Kesteven	34	14	0
North Lincolnshire	24	14	0
Rutland	7	6	1
South Holland	39	26	0
South Kesteven	11	32	1
West Lindsey	7	4	0
<b>TOTAL GENERAL NEEDS UNITS</b>	<b>231</b>	<b>160</b>	<b>3</b>
<b>Shared Ownership</b>			
Boston Borough	4	4	0
East Lindsey	5	3	0
North Kesteven	2	2	0
West Lindsey	1	2	0
<b>TOTAL SHARED OWNERSHIP UNITS</b>	<b>12</b>	<b>11</b>	<b>0</b>
<b>SUB TOTAL UNITS</b>	<b>243</b>	<b>171</b>	<b>3</b>
<b>TOTAL UNITS</b>	<b>417</b>		

The Association's income is predominantly from domestic property rent, with less than half (40%) derived directly, or indirectly from local government as housing benefit. A small income is received from feed in tariffs for electricity generated by photovoltaic installations on Lincs Rural's properties. The Association is regulated by the Homes and Communities Agency (HCA), but is not 'main stream' regulated, having less than 1000 properties.

#### **Policy for Admitting New Shareholders**

Lincolnshire Rural Housing Association is accountable to its Stakeholders and actively pursues Shareholders from tenants and the wider community to:

- (a) Provide a representative selection of organisations and people, interested in the Association, with the potential for future strength in leadership and governance;
- (b) Allow Stakeholders to express support for and a commitment to the Association;
- (c) Enhance the Association's accountability to the communities where it operates; and
- (d) Provide tenants with an opportunity to influence and be involved in the management and governance of the Association.

## **Board of Management Members during Year Ended 31 March 2015**

Lincs Rural as an independent organisation is governed by a Board of Management composed of twelve voluntary, non-remunerated, non-executive members with the skills and experience detailed on Page 7.

Operations are managed by a team of employees led by the Chief Executive and Secretary.

**The Board of Management have determined from September 2015 to have a core membership of nine, with three positions available for short term co-option of specialist skills and experience.**

The organisations Rules allow for Board of Management members to serve for three terms of three years (nine years maximum). Executive membership is deemed not to be time limited, although this is not clearly defined in the current Rules. Six members will be retiring at the Annual General Meeting in September 2015.

Each elected Board member is a Shareholder with a £1 share. Board membership throughout the financial year provided all required 'essential and desirable skills'.

An essential function of the Board is to establish and oversee a framework of delegation and systems of internal control. The 'Specific Expectation' of the Regulatory Framework's 'Governance and Financial Viability Standard' states '*Registered Providers shall adopt and comply with an appropriate code of governance*'.

The Association acknowledges that governance is vital to continued viability and has previously used the National Housing Federation's (NHF) Code of '*Excellence in Governance*'. The Board of Management adopted the NHF '*Code of Governance, entitled 'Promoting Board excellence for housing associations (2015 Edition)*' on 19 March 2015.

### **Board Members Obligations**

Each Board member is provided with a formal agreement specifying their obligations. It details the key roles and duties of Board membership, the time commitment involved, and the principle that any approved remuneration is linked to fulfilling the specified roles and duties. The Association does not currently remunerate Board membership.

The formal agreement includes obligations to:

- (a) Uphold the values and objectives of the organisation;
- (b) Uphold the organisation's core Policies, including those for equality and diversity;
- (c) Contribute to and share responsibility for the Board's decisions;
- (d) Prepare for and attend meetings, training sessions and other events;
- (e) Participate in reviews of individual performance or that of the whole Board;
- (f) Represent the organisation as appropriate;
- (g) Declare any relevant interests;
- (h) Respect confidentiality of information; and
- (i) Uphold the Federation's Code of Governance and the Association's Code of Conduct.



## Skills, Qualities and Experience of the Board at 31 March 2015




<i>Board members should have or acquire a range of skills, competencies, experience and knowledge, to discharge their responsibilities in governing the Association.</i>		<b>Essential Experience/Skills</b>					<b>Desirable Experience/Skills</b>									
<b>Member / End of Term in Office</b>	Board members should have or acquire a diverse range of skills, competencies, experience and knowledge. Each Board member will:  1. Provide leadership-working as an effective team to take strategic decisions; 2. Have direct knowledge of the needs and aspirations of the communities and people served; 3. Have effective communication skills and an ability to focus on key issues facing the Association; and 4. Have the ability to foster a culture that enhances commitment, enthusiasm and excellent performance from the staff.	Effective leadership-working and strategic decision making	Direct knowledge of the needs and aspirations of the communities and people served	General Business, financial and Management Skills	Operating environment for housing associations	Tenant Representation	Commercial	Strategic Financial / Accountancy	Investment	Risk Management / Insurance	Legal	Health & Social Services	Property Management	Housing Development	Information Technology	Human resources
R Whetton (Chairman) / 2015	Government and Local Authority finance, housing, development	✓	✓	✓	✓		✓	✓	✓	✓		✓	✓	✓		✓
Professor David Head (Deputy Chairman) / 2024	Leadership, business strategy, budgetary management, risk & performance management, HR, procurement, grant funding	✓	✓	✓	✓		✓	✓	✓							✓
Rachael Perry (Deputy Chairman Elect) / 2024	Legal, previous RP employee, performance monitoring, development, corporate governance, stock rationalisation	✓	✓	✓	✓					✓	✓	✓	✓	✓		✓
W Done / 2015	Housing Management, Health Service, Parish Council, HR	✓	✓	✓	✓							✓				
J Emerson / 2022	Building design, construction management, repair and improvements, planning, general business management, budgetary and financial control	✓	✓	✓	✓				✓			✓	✓			
J Fisher / 2018	Building maintenance, housing management, information & communication technology, customer relations and business processes	✓	✓	✓	✓		✓					✓		✓		
A Hayward / 2017	Health & Safety, Personnel, Finance, Insurance, Energy Conservation	✓	✓	✓	✓		✓									✓
Peter Jordan / 2024	Senior management and governance positions in commercial business, local government authorities and organisations, and charities	✓	✓	✓	✓		✓		✓		✓					✓
M Muggleton (Tenant) / 2015	Tenant Issues, Parish Council civil servant and administrator in the medical profession	✓	✓	✓	✓	✓						✓				
Charles Pilbeam / 2021	Rent Accounting, Internal Audit / Control, Performance Monitoring, Company Secretarial	✓	✓	✓	✓		✓		✓	✓						
H Sykes / 2015	Specialist Housing Litigation Solicitor	✓	✓	✓	✓		✓				✓	✓				
B Waite (Tenant) / 2015	Tenant issues, Town Councillor, School Governor	✓	✓	✓	✓	✓	✓									

		12	12	12	12	2	8	1	3	6	2	5	4	3	1	5
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## Corporate Strategy and Objectives

Lincs Rural's **VISION** is '*Thriving Rural Communities*' and **MISSION** is to '*Provide Quality Homes for Local People in Need*'.

The Corporate Strategy for the year ending 31 March 2015 was approved by the Board of Management on 20 February 2014 and updated on 19 February 2015. It has three strategic themes and nine objectives:

<b>Strategic Themes:</b>	<b>A</b> Being a well governed, well managed organisation	<b>B</b> Providing well maintained, energy efficient homes	<b>C</b> To be a tenant focused organisation engaging with all stakeholders
			
<b>1</b> Economy by:	Being a viable organisation, achieving value for money and continuous improvement	Providing quality environmental friendly homes at rents and running costs tenants can afford	Achieving promises to tenants and delivery of the Local Offer
<b>2</b> Efficiency through:	Achieving low arrears, minimum voids and optimum property occupation	Maximising delivery of quality homes in the next 5 years and diversifying into new areas of business	Maintaining high levels of tenant satisfaction and a commitment to continuous improvement
<b>3</b> Effectiveness in:	Regulatory and legislative compliance, aiming for the Investors in People Gold Standard and independent assurance	Working with stakeholders to balance local communities	Communication, tenant engagement / participation in key organisations and lobbying

Performance and achievement against the Corporate Strategy is detailed on pages 14 to 18.

## **The Business Environment**

### **Internal Environment**

The internal business environment of Lincs Rural during the year has been governed by a full Board of Management of twelve members during 2014 / 2015 with all the essential and desirable skills, qualifications and experience required. Individual Board member appraisals and an appraisal of the Board of Management's performance was undertaken, which provided positive outcomes and performance actions for continued development.

The Board of Management assessed compliance with its Code of Governance in June 2014 and the National Housing Federation's new Code of Governance, entitled '*Promoting board excellence for housing associations (2015 edition)*', was adopted in March 2014. Compliance with the Homes and Communities Agency's Regulatory Standards was also undertaken in October 2014. The Self-Assessment against the Code of Governance and Regulatory Standards evidenced compliance.

Six Board members retire at the September 2015 Annual General Meeting (AGM) and succession planning recruited Professor David Head as the Deputy Chairman, and Chairman Elect Rachael Perry. A new independent appointment onto the Audit Committee (Andrew Cotton) was also made. The Board determined during the year to reduce the Board of Management's size from twelve to nine members, reducing tenant membership to one member. A new tenant Board member has been identified and it was further resolved to appoint the Chief Executive as a Board of Management member in the new structure.

Lincs Rural delivers all services using directly employed staff (finance, housing management and customer services, maintenance and administration) and employs consultants and contractors for other professional and specialist services.

The staff structure was modified during the financial year to account for future operational needs and predicted challenges. The new office structure includes seven full time and three part time employees (8.6 full time equivalents FTE), an increase of 1.7 FTE staff. One redundancy was necessary to establish the new structure and one post remains vacant. The recruitment of a full time Head of Finance is being progressed, to reinforce the senior management team. Individual appraisal of all staff was undertaken during the year to facilitate continued professional development and there is approximately a 50/50 split of gender in the team.

As a result of significant past maintenance and improvement investment into existing stock, and efficiency modifications, the directly employed workforce has been reduced from three to two full time Craftsmen, and a part time seasonal Gardener.

During the year there have been no incidences of fraud or theft reportable in accordance with legislation or regulation. Minor internal controls failures have occurred, as recorded in the relevant Register, none of which have resulted in financial loss.

### **External Environment**

Political and economic issues have affected Lincs Rural's business and operations, with a probability that challenges will continue to increase. The economic and financial situation in the UK and Europe has a direct impact on the rural environment. This interaction will continue to result in significant changes, which have been considered by the Board and Management through the risk management process.

The business is affected by many external factors and operations have been conducted in compliance with all legal and regulatory requirements applicable to the organisation. There were no criminal prosecutions and none are impending. Legal action was taken on a number of occasions in accordance with housing legislation against third parties, all of which have been reported to the Board of Management as required, none of which resulted in evictions.

## Trends and Factors

Government austerity measures have produced serious challenges for rural affordability of housing within the organisations operating area, in addition to social needs including health, education, transport and many other important services.

Political policy for severe reduction in public spending is anticipated to continue for a number of years, most notably for the Association through welfare reform, which will threaten the level of income recovery. For this reason the staff structure has been reinforced to provide opportunity to recover maximum rent and protect future viability, but also to focus in parallel on sustaining tenancies. The effect of additional operating cost and reducing income could result in reduced business capacity and service provision.

The highest risk following the General Election in May 2015 by the majority Conservative Government is the extension of the 'Right to Buy' (RtB) for housing association tenants. RtB has the potential to seriously deplete social housing in the country, with significant challenges to replace properties lost onto the open market. With the prospect of reducing future income streams and the need to replace attractive rural properties sold, (*that form security for existing loans*), will seriously affect the capacity to development, currently in the business plan. This will consequently seriously impact on the supply and demand for affordable housing in rural communities across the country. *At the time of preparing the report the detail of changes relating to RtB are unknown.*

Low public subsidy for housing provision is likely to continue making rural development of affordable rural housing extremely difficult, particularly in Lincolnshire with people on low wages. Unlike other areas of the country, diversification into market sales in a relatively low property value area to provide additional subsidy to build affordable homes will have less impact. New sources of funding, loan restructuring, rationalisation, merger / acquisition, and innovative procurement such as recent engagement with Community Land Trusts are all important areas under continued consideration by the Board of Management.

With continued political and economic uncertainty, a robust approach to risk management is essential, along with precise business planning. With inflation reaching zero in March 2015 and low interest rates, complacency and over-commitment must be balanced against potential loss of opportunity. Improved business planning software is therefore part of the Association's reinforcement of risk management processes.

The regulatory operating environment continues to focus on protection of public investment in social housing, maximising delivery through improved resource efficiency, and a requirement for improved value for money.

## Principle Risks and Uncertainties

The operating environment continues to become more complex and challenging, which requires increasing Board and Management skill application.

**Risk is the 'effect of uncertainty on objectives' (ISO Guide 73). Risk is any event which may affect the Association's financial viability and ability to meet the Vision, Mission and Corporate Strategy.**

Lincs Rural's 'Risk Policy Statement': *'It is the responsibility of the Board to ensure effective governance, with risk management being a key priority. Risk Management will be a central part of the strategic management of the organisation in conducting business for continuous improvement and provision of value for money.'*

The Chief Executive is responsible for advising the Board on operational risk and the identification, assessment and management of risk in accordance with delegated authority. The Chief Executive

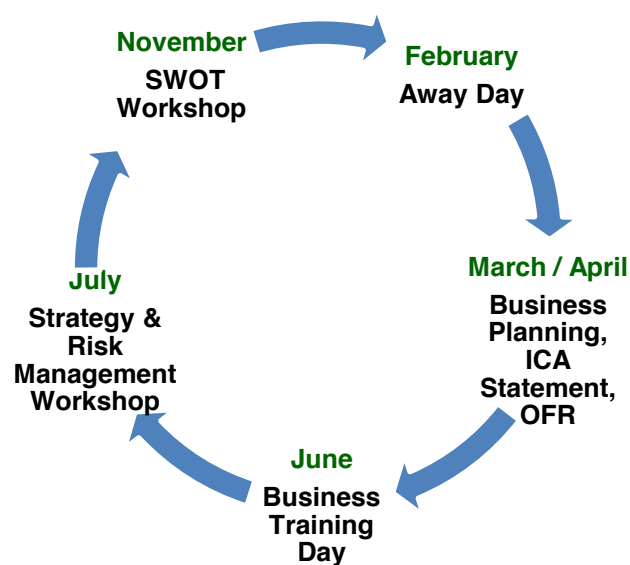
is accountable to the Board and is responsible for maintaining resource to manage risk effectively, efficiently and economically.

The Board of Management's Strategy is: '*not to remove all risks but to manage risk whilst recognising that some level of risk will always exist. Taking risks in a controlled manner is fundamental to innovation and the building of a 'can do culture'*'. The governance process informs, inducts and considers issues to equip individual Board members with an understanding of Lincs Rural's 'Risk Profile', which is outlined in the 'Trends and Factors' section in the Annual Report.

The Risk Management Strategy provides a framework for the identification, evaluation and management of risk that enables the organisation to operate with confidence and achieve the Corporate Strategy. A proactive 'Risk Register' is maintained in real time by management; available to the Board of Management via an intranet.

A 'Cycle of Risk Management Events' ensures the systematic and regular review and consideration of strategy and risk management.

Fig 1



*Definitions:*

*Risk appetite is the willingness to accept risk in pursuit of the mission and strategic objectives. Governance assess into four categories: High, Moderate / Open, Moderate / Cautious, and Low;*

*Risk treatment is the selection and implementation of appropriate options for dealing with risks; and*

*Residual Risk is the remaining level of risk after risk treatment measures have been taken.*

Whilst all risks are considered by senior management, the Board of Management focuses on the principle risks and uncertainties likely to affect the organisation. At the start of the financial year (2014 / 2015) there were 15 risks being monitored, 4 assessed as 'Critical' and 11 as 'High'.

A significant risk with the potential to seriously affect Lincs Rural's Assets (cash) and Liabilities (existing loans) was the Co-operative Group's losses of £2.5bn, announced in April 2014. It had potential to impact on the Cooperative Bank as the Association's corporate bankers and main funders. Loss of cash and requirement to repay loans and source alternative comparable facilities ('re-bank') were serious issues. Immediate action was taken by the Board to mitigate and manage the risks; however the Bank's stability was re-established during the year.

Income stream and liability risks of Welfare Reform and changes to the International Financial Reporting Standards (IFRS) were also material risks, together with the impending direct payment of housing benefit, and potential impact of accountancy Standards of Recommended Practice (SORP) changes. These risks have subsequently reduced as issues were clarified and additional staff resource and controls were arranged.

Governance / operating risks were of concern with Board member succession at the start of the year. Board action on these issues has mitigated risk significantly with appointments and governance re-design being completed during the year. Other risks carefully monitored included: Value for Money regulation; borrowing / funding; development; staff resource; health and safety; and the Social Housing Pension Scheme Deficit.

The risks with material potential to affect future performance, prospects / potential and viability were re-assessed at a special Board meeting held in the fourth quarter (22 January 2015). It evidences that the Board owns risk management with an understanding of residual risk, and the direction to the Chief Executive on appetite, tolerance and treatment required.

Critical risks assessed at the financial year-end are: welfare reform; right to buy for housing association tenants; cyber security; IFRS changes; rural fuel poverty; increasing Social Housing Pension Scheme Deficit; development; health and safety; and future rent levels.

## **SWOT**

Risk in conjunction with the organisation's strengths, weaknesses, opportunities and threats, (reviewed annually in the Governance Cycle -Fig 1), were considered in-depth by the Board of Management during the year. An understanding of the interaction and counters between weaknesses and strengths and threats and opportunities was enhanced, to be progressively incorporated into the Business Plan's 'stress testing'. In anticipation of the increasingly complex and challenging future operating environment, investment was approved for new Business Planning software (Brixx) that will provide enhanced assurance of risk scenario.

**Environmental and Social Impact of the Business** - Two of the three 'Strategic Themes illustrate how Lincs Rural's activities have had an environmental and social impact:

### **Providing well maintained, energy efficient homes:**

Lincs Rural's business activities has enabled tenants to enjoy living in a rural home that is comfortable and affordable to run. Budget provision enabled careful identification of planned maintenance and improvement to existing properties. Skilled business planning maximised capacity for 24 new rural homes built during the year, maximising the use of local labour, incorporating photovoltaic and solar renewable technologies.

Previous investment in photovoltaic installation to approximately one third of the housing stock produced income of £128k, reducing carbon emissions approaching 200 tonnes into the atmosphere. The organisations provision of energy efficiency measures and renewable technologies is promoted to tenants, who are encouraged to implement good environmental practices.

Two grade two listed empty properties were purchased and renovated using directly employed and local labour, rescuing important rural heritage for future generations.

### **To be a tenant focus organisation engaging with all stakeholders:**

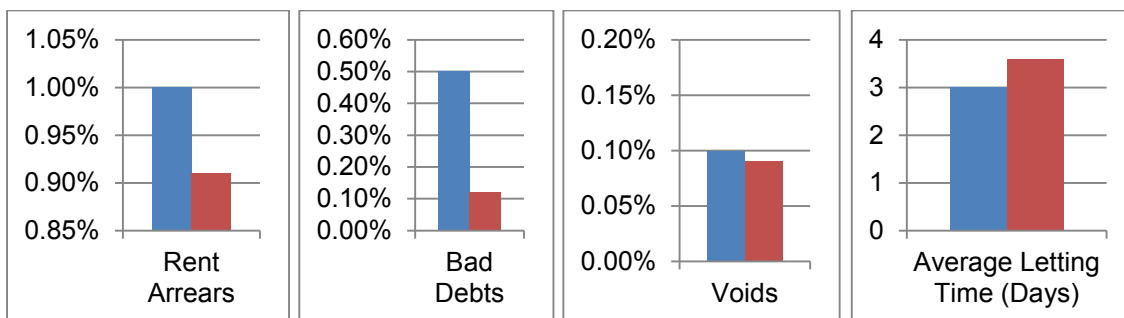
The creation of 26 affordable homes during the year has had a significant social impact on the rural communities of Pinchbeck, Spilsby and Wilsford. The developments have improved many people's health and wellbeing. An improved sense of community belonging and involvement, and access to local services and facilities has been gained. It has created community assets of land at Pinchbeck and Wilsford, together with a modest income from ground rent for future community use.

## Business Performance

Comment on the principle financial policies and surpluses for the year are set out in the Corporate Governance Report and Financial Statements.

The Board of Management use Quarterly and Annual 'Performance Management Dashboards' containing a suite of Key Performance indicators (KPI's) that are judged to be the most effective in assessing progress against the Corporate Strategy. The Dashboards assist in monitoring principal risks and measurement of the development, performance and position of the Association, against pre-determined targets. The Dashboards are maintained as a live working document on the 'SharePoint Intranet System', available to governance, which enables timely decisions and actions.

Excellent performance was achieved against the following financial KPI's, fundamental to maximising income received for resources required for delivering the Corporate Strategy. Significant improvements were achieved for rent arrears, bad debts and void properties against targets (in the first column) of charts below.



Maximising the use of assets is an important issue for governance and management with affordable social housing being in such high demand. During the year there were just 18 weeks when Lincs Rural properties were left vacant, due predominantly to abandonment by tenants without prior notice. Average letting times for properties were marginally above the target due to reasons beyond the Association's control.

**Welfare reform is a principle risk** with the potential for increasing rent arrears, bad debts and voids, thereby affecting organisational efficiency and viability of the Business Plan. Additional resource has been provided to instruct tenants on the welfare reforms and in particular to direct payment of housing benefit. Further resource will be provided if required to maintain the high performance of arrears.

Cash balances increased by £521k to £925k, which was due in the main to the balance of the new loan drawn-down in March 2015; planned maintenance work carried forward to April 2015; non requirement of the £30k contingency fund; increase in the Photovoltaic (PV) installation income, and savings in a number of budgets.

The cash flow is forecast to reduce to approximately £700k in 2015/16 and £500k in 2016/17 as £180k capital payments are outstanding for the Pinchbeck and Wilsford new developments, and there is a requirement to part fund future new development.

It is the strategy of the Board of Management to 'sweat the organisations assets' and assessment of future cash flow will be continuously monitored to determine the viability of increasing services to tenants; bringing forward environmental projects; or increasing the number of new homes. The Association's current and prospective liquidity is able to fund the Corporate Strategy approved by the Board of Management for 2015 to 2020.

Lincs Rural is a member of a small housing association benchmarking group (Acuity) and continues to be one of the best performing Registered Providers in many areas. Benchmarking from Acuity was not published in time for insertion in the Annual Report, but will be available after July 2015 and used for the VfM Self-Assessment and Annual Review produced for Stakeholders at the Annual General Meeting on 3 September 2015.

## **Business Plan and Corporate Strategy Achievements**

Performance against the 2014/15 Business Plan targets, with links to the Corporate Strategy (illustrated on pages 14 to 18) are provided in this section of the Report. Material key areas of performance and principle risks associated with the long-term viability of the business model are also provided within this section of the Report.

### **1. Corporate Strategy Theme A = '*Being a well governed, well managed organisation*'**

During the financial year 2014 / 2015 the Association was compliant with regulation and legislation, evidenced by self-assessment. Providing **value for money (VfM) and continuous improvement** is a Regulatory requirement and strategic objective of the Board of Management. Lincs Rural Defines VfM as the '*Cost the organisation<sup>1</sup> is prepared to pay for service quality that it determines to deliver, to the right people within appropriate timescales, consistent with current Corporate Strategy*'.

**Lincs Rural VfM Strategy Seeks to Achieve:** A continuous improvement in performance on running costs and use of assets, to deliver quality services rather than cheapest costs. Resources will be directed towards the Corporate Strategy for the next 5-years and customer satisfaction.

The Board of Management publishes in September (*available on [www.lrha.co.uk](http://www.lrha.co.uk)*) a robust 'VfM Self-Assessment' on how VfM is achieved in delivering the Vision, Mission and Corporate Strategy. It will enable Stakeholders to: better understand the '*return on assets*' measured against the organisation's objectives; the absolute and comparative costs of delivering specific services; and evidence of the VfM for money gains that have been and will be made, and how these have and will be realised over time.

#### **VfM activity and associated impact during the financial year included:**

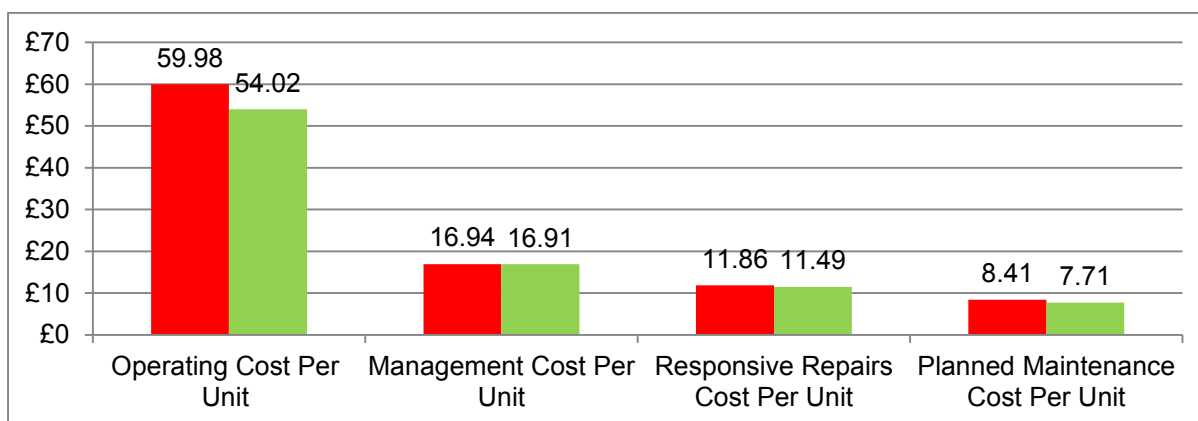
- (a) Insurance cover tendered during 2013/14, which has continued to produce reductions in costs and an increases in cover (including cyber-crime), in the treatment of risk. The tender for the provision of biomass pellets during the year resulted in heating cost savings for tenants. The installation of UPVc windows and doors; legal services; telephone costs; and the gas and electric works will be tendered in 2015/16.
- (b) Use of local contractors and suppliers was increased through competitive and comparative tendering for a range maintenance work, including cyclical painting, responsive repairs and refurbishment. This has contributed to the local economy, provided employment and resulted in excellent standards of work, which will contribute positively to tenant satisfaction;
- (c) Recruitment of directly employed local people has improved the reputation and brand of Lincolnshire Rural Housing Association. As a Silver Investors in People (IIP) employer, personal development and training has been rewarded with loyal, motivated staff, providing highly efficient, effective and economic work and services for the organisation and Stakeholders. The Board of Management are committed to achieving IIP Gold standard;



- (d) The Procurement procedures have been improved following audit recommendations to attract quality contractors and suppliers. Continued market testing of individual jobs and packages of works to alternative small local contractors has improved quality and economy; and
- (e) Use of public subsidy has facilitated the return to use of four empty properties within ten miles of Spilsby during the year (completing the project of six 'Empty Homes' part funded by £66,000 of grant from the HCA). This has contributed to the local economy and benefited tenants with local connection that are affordable in a low wage area (average £4,000 below the national average figure of £21,326).

These initiatives have produced 'Community Benefit', contributing positively to building a strong sustainable local community. They have enabled increased opportunity for local businesses and a reduction of 'worklessness' and unemployment through skills training.

Efficiency savings have reduced the cost per unit of operating and managing the housing stock. Previous careful investment in the properties has also reduced the cost required to maintain the stock to established standards, illustrated in the charts below (red columns are targets).



## 2. Corporate Strategy B = 'Providing well maintained, energy efficient homes'

The majority of properties are let at 'social rent' levels, with 32 at the higher 'Affordable Rent' (80% of market rent), being a condition of Government subsidy in recent years.

The 'Corporate Strategy' objective of 'Maximising delivery of quality homes' was achieved with the completion of fourteen new homes in Pinchbeck and ten in Wilsford, at a total cost of approximately £2.9m. These were funded by a £785k grant from the 'Homes and Communities Agency' (HCA); £100k grant from North Kesteven District Council; £115k from the Associations cash reserves; and a £1.9m loan facility fixed at a rate 3.8% on the longest term available of 4.5 years.

Total borrowings in the loan portfolio increased to £7.99m, which are funded by UK banks. All loan covenants were complied with during the year. Over the next five years the aim is to deliver a total of fifty new homes, which may include the diversification into a new area of business of 'outright sale'.

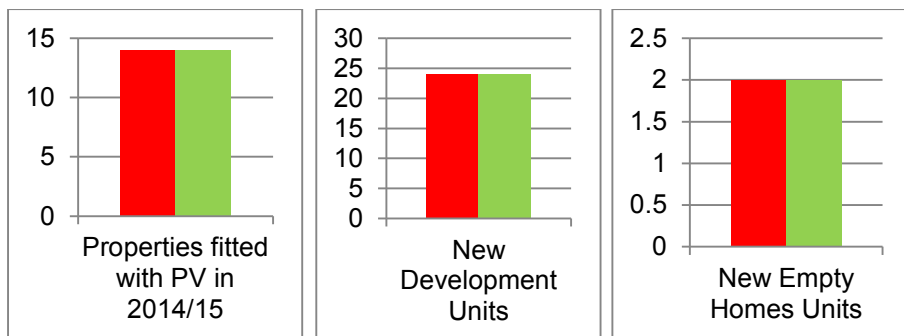
Risk has been mitigated by placing the remaining borrowings on long-term fixed rates, which range from twenty to thirty-years. Three loans mature within the following eight years, which currently total £289k.

Improvement to the energy efficiency of 148 existing homes is planned by replacing the costly old night storage heaters. Trials in fourteen homes are being undertaken to ascertain the best

replacement option and a total budget of £597k has been allocated during the following six years to complete the programme of works.

Lincs Rural has continued to engage and work with rural communities. Successful completion of high profile projects have assisted two Community Land Trusts, demonstrating how communities can be encouraged and empowered to create future new opportunities and village assets of 24 affordable homes.

The following charts illustrate improvement and achievement against business plan targets (targets in red column).



### 3. Corporate Strategy C = *'To be a tenant focused organisation engaging with all stakeholders'*

The Association has significantly delivered the promises made during the year in the 'Local Offer' to tenants by providing:

1. **Support and advice to all tenants affected by the welfare benefit changes** - Staff are well trained and knowledgeable on the welfare changes and support available to tenants. Proactive work has been undertaken, which is reflected by the extremely low arrears sustained over long periods of time in a changing and challenging environment;
2. **Property Maintenance Zoning to improve the completion of repairs** - The Association's directly employed Craftsmen visit Lincs Rural's property locations regularly at pre-arranged dates. The Craftsmen are well known by tenants who are able to invite them to diagnose and where possible undertake repairs whilst in their neighbourhood. This approach is efficient and economical for the organisation and effective for tenants;
3. **Regular inspections on the quality of homes - with an annual stock condition inspection completed on at least 20% of properties** - Regular inspections have been undertaken (23%). Staff have been trained to assess the energy efficiency of properties and the information gained has enabled improvements to be targeted at the homes most in need;
4. **Sustained and improved neighbourhood safety by responding within 7 days and initiating collaborative work with tenants and partner agencies to resolve anti-social behaviour (ASB) issues** - Four complaints of ASB were received during the year, all of which were responded to within 3 days. Legal action was taken against two tenants during the year relating to neighbourhood issues resulting in two notices of possession being issued. There were no evictions however as behaviour improvements were agreed and achieved. The aim is to continue to work with people, to sustain tenancies and reinforce 'Good Neighbour Agreements';
5. **An annual review of Communal Gardening standards that provide value for money** - New communal gardening arrangements were implemented during the year with a dedicated seasonal

gardener being employed with the option to reinforce this service with existing directly employed staff;

6. **Assurance that all properties met the re-let standard for new tenants** - Staff visited homes let to tenants a few months after they moved. It was established that their experience of the standard of their new home and the letting process was extremely positive with 94% reporting satisfaction; and
7. **A statement of achievement on the website annually of how specific services have been delivered to tenants and outline the quality of service provided against expectation** - The performance of front line services for tenants, and the impressive income recovery has enabled sustained delivery, is reported on the website.

Overall tenant satisfaction during the year achieved the target of 94%. There are a number of operational initiatives being implemented to improve satisfaction, and a full STAR Survey in July 2015 will further inform progress. Governance and management have progressed proposals during the year to improve further 'communication, tenant engagement / participation' in key organisations and lobbying'.

Performance against the 'Annual Performance Management Dashboard' was reported to the Audit Committee on 18 June 2015, illustrating strong performance results for the year. Three of the seventeen KPI's did not achieve target:

- (a) Target for the number of properties under-occupied of less than 59 or 15% of the stock was considered by the Audit Committee and Board of Management. Improving occupation or bed space levels was a long term operational goal and reliant on natural change of occupancy, which may be influenced further by welfare reform;
- (b) The Board member attendance target of more than 80% was almost achieved with actual attendance (due predominantly to ill health) at 79.72%; and
- (c) Average SAP rating target of more than 80 is ambitious. The actual rating of the property portfolio has remained at 72, however the Asset Management Strategy provides proposals to achieve target by March 2018, based on agreed Business Plan funding provision for the Affordable Warmth Programme.

## **Composition and organisation of the Association**

### **Legal Status**

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is a registered with the Homes and Communities Agency as a Register Provider.

### **Principle Activities**

The Association's principle activities are the development and management of social housing in rural communities.

### **Business Review**

The surplus for the year is £413,518 (2013 / 2014 £487,934) on a turnover of £2million (2013 / 2014 £1.9 Million).

### **Principal Financial Policies**

All surpluses generated by the Association are reinvested in order to maintain properties in good condition, provide high quality services, and develop new rural affordable housing stock. The reserves the Association has built up have been reinvested in existing housing properties and in developing new housing assets, and are not therefore represented by cash balances. The Board have not designated specific reserves for future major repair liabilities. Although these liabilities do exit, they are recognised in the organisations long-term business plan forecasts, using information from stock condition surveys.

The Association's Treasury Management Policy has been reviewed by the Board. The aim is to maintain low cash balances to maximise the use of resources, without compromising the organisations ability to meet obligations as they become due. The Association will maintain sufficient liquid funds to service medium and long term finance.

The Association's balance sheet shows that as at 31 March 2015 the organisation had net current assets of £1.07million (2013 / 2014 £0.61million). Liabilities were £0.64million (2013 / 2014 £0.54million).

### **Fixed Assets**

Changes to the fixed assets are set out in Note 6 to the Financial Statements.

### **Board Membership**

Membership to 31 March 2015 is detailed on page 2.

### **Governance**

The Association has previously used the National Housing Federation's (NHF) Code of '*Excellence in Governance*', but on 19 March 2015 adopted the NHF '*Code of Governance, entitled 'Promoting board excellence for housing associations (2015 Edition)*'.

### **Employee Involvement**

The Association maintains systems to provide employees with relevant information on matters of concern to them. These include regular team meetings and annual appraisals, however the benefit of being a small organisation is that all staff are key employees and are involved in the governance / management process. This naturally provides staff involvement in strategic issues.

### **Employment of Disable Persons**

The Association is committed to employing people and engaging with them on a voluntary basis, with disabilities, as defined by the Disabled Persons (Employment) Act by:

- (a) Guaranteeing to interview people with disabilities who meet the minimum criteria for job vacancies;
- (b) Consulting disabled employees about how they can develop and use their abilities at work;
- (c) Develop key employees awareness of disability and employment; and
- (d) Review relevant achievements in meeting these commitments.

### **Risk Management**

The Association recognises the importance of risk management and internal controls in running a complex business. The specific processes in place are detailed in the internal controls section below.

### **Insurance**

The Association maintains Board members liability insurance through the NHF. Comprehensive insurance policy cover for other areas of the business is facilitated through the Broker Arthur J Gallagher.

### **Social Responsibility**

The Association is committed to facilitate wider improvements in the communities that it serves. This includes working with other agencies to address issues such as anti-social behaviour and social enterprise such as Community Land Trust creation.

### **Going Concern**

It is the opinion of the Board that the Association has a reasonable expectation of having resources to continue to operate for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the Association's financial statements.

The Board of Management (the Board) is ultimately responsible for the Association's system of internal control and for reviewing its effectiveness.

The Board however acknowledges that the system of internal controls is designed to manage rather than eliminate risk of failure to achieve the organisations objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

In meeting its responsibilities the Board adopted a risk-based approach to internal controls, based on guidance and best practice within the sector. The framework adopted by the Board in reviewing the effectiveness of the system of internal control included:

### **The Control Environment**

- (a) Self-assessment of compliance with the National Housing Federation's 'Excellence in Governance' evidenced compliance with the Code of Governance;
- (b) Self-assessment of compliance with the Homes and Communities Agency's Regulatory Framework evidenced compliance with regulation;
- (c) A Corporate Strategy reinforcing the tone of the control environment. A theme of the Strategy was being a well governed, well managed organisation. An objective was to target the Investors in People Gold Standard, as a progression from the Silver achieved;
- (d) Annual opinion of the Internal Auditors awarded the Association three green ratings (the best achievable) in respect of Governance, Risk Management and Internal Control. This represented clear improvement over 2012/13 (three Ambers) and 2013/14 (two Greens and one Amber); and
- (e) Assessment by the Board concluded that the control environment was ethical, with integrity, ensuring accountability, openness and effective control. There was role clarity for the Board, senior management and staff, and effective structures in place.

## **1. Risk Assessment**

- (a) The Board approved a Risk Management Strategy setting out the embedded processes in identifying, evaluating and managing of risk. Risk is linked to Corporate Strategy and forms a key governance control;
- (b) Risk is regularly reviewed at Board and Audit Committee meetings and specifically at Workshops during the Governance Cycle. In addition the Chief Executive provides regular updates to the Board on significant changes affecting key risks; and
- (c) The Association has continued to manage risk efficiently and effectively during 2014 / 2015 with procedures for ensuring appropriate corrective action is taken in respect of any material internal control issues.

## **2. Control Activities**

- (a) The Board, Executive and staff have operated throughout the year in full compliance with control activities, legislation, and regulation. There are no breaches pending;
- (b) Significant review of Policies and procedures have been progressed to improve internal control;
- (c) Management have complied with the 'Schedule of Delegated Authority'; and
- (d) The Board has received sufficient assurance that control activities have functioned correctly within the organisation during 2014 / 2015.

### **3. Information and Communications**

- (a) Predetermined Board and Committee meetings were serviced with relevant and timely information for well informed decision making; and
- (b) Board members are provided with information through intranet systems enabling real time access to performance data, risk assessment and other issues relevant to well informed governance activity and responsibility;

### **4. Monitoring**

- (a) The Board regularly monitors key performance indicators through the 'Performance Management Report' provided at Board meetings quarterly. Quarterly and annual performance 'Dashboards' provide 'traffic light' and 'direction of travel' indicators;
- (b) The internal computerised management system ensures up to date and accurate information to control operations effectively;
- (c) The Board is kept fully apprised of the evolving operating environment regularly at meetings;
- (d) A VfM Self-Assessment is published for each Annual General Meeting; and
- (e) There were no losses from fraudulent activity.

### **5. Conclusion**

- (a) The Board has received an annual report from the Chief Executive; has conducted an annual review of the effectiveness of the system of internal control; and has taken account of any changes required to maintain the effectiveness of risk management and control processes;
- (b) The Board has completed a review for the year ending 31 March 2015 and is satisfied that controls are in place and effective to ensure that the Association continues to be a well governed, managed and a viable organisation; and
- (c) The Board confirms there is an on-going process for identifying, evaluating, and managing the significant risks faced by the Association. This has been in place for the year under review, and up to the date of approval of the Annual Report and accounts, and is regularly reviewed.

### **Statement of the Responsibilities of the Board**

The Co-operative and Community Benefit Societies Act 2014 requires the Board to prepare financial statements for each financial year which provides a true and fair view of the state of the affairs of

Lincolnshire Rural Housing Association Limited, and of the surpluses for that period. In preparing those financial statements, the Board is required to:

- (a) Select suitable accounting policies and then apply them consistently;
- (b) Make judgements and estimates that are reasonable and prudent;
- (c) State whether applicable accounting standards and the Statement of Recommended Practice (SORP) for Registered Providers have been followed, subject to any material departures disclosed and explained in the financial statements; and
- (d) Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for maintaining proper records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them 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 2012.

### **Auditors**

A resolution to re-appoint Beever and Struthers as External Auditors will be proposed at the Annual General Meeting on 3 September 2015.

**By order of the Board of Management**

**Approved by the Board of Management on 2<sup>nd</sup> July 2015**

**and signed on its behalf by:**

.....

***Robert Whetton***

***Chairman of the Board of Management***



## **Independent Auditor's Report to the Members of Lincolnshire Rural Housing Association**

We have audited the financial statements of Lincolnshire Rural Housing Association for the year ended 31 March 2015 on pages 25 to 42. 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).

This report is made solely to the Association's members, in accordance with 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.

### **Respective Responsibilities of the Board and the Auditor**

As explained more fully in the Statement of Board's Responsibilities set out on page 22, the Board is responsible for the preparation of the financial statements which 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's)] Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularities or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the financial statements.

**Opinion on financial statements**

In our opinion the financial statements:

- (a) Give a true and fair view of the state of the Association’s affairs as at 31 March 2014 and of its income and expenditure for the year then ended; and
- (b) Have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England 2012.

**Matters on which we are required to report by exception**

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

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

**Beever and Struthers  
Chartered Accountants and Statutory Auditors**

**St George’s House  
215 – 219 Chester Road  
Manchester  
M15 4JE**

**Date:.....**

**Income and Expenditure Account  
For the Year Ended 31 March 2015**

	Notes	2015 £	2014 £
Turnover	2	1,967,203	1,920,722
Operating Costs	2	(1,164,296)	(1,066,511)
Operating Surplus		<u>802,907</u>	<u>854,211</u>
Surplus on sale of properties not developed for outright sale		-	-
Interest receivable		528	788
Interest payable and similar charges	4	(389,917)	(370,065)
Surplus on ordinary activities for the year	5	<u><b>413,518</b></u>	<u><b>487,934</b></u>

**Statement of Total Recognised Surpluses and Deficits  
for the Year Ending 31 March 2015**

Surplus for the year	<u>413,518</u>	<u>487,934</u>
Total recognised surpluses relating to the year	413,518	487,934
Total (deficits)/surpluses since the last annual report	<u><b>413,518</b></u>	<u><b>487,934</b></u>

All amounts relate to continuing activities.

The above surpluses are the historical cost surpluses.

## 6.2 - Balance Sheet

As at 31 March 2015

Co-operative and Community Benefit Societies Act  
2014 Reg. No 25276R

	Notes	2015 £	2014 £
<b>Tangible Fixed assets</b>	6		
Housing Properties		25,298,599	22,714,430
Less: Social Housing and other Grants		(13,785,609)	(12,900,609)
		<u>11,512,990</u>	<u>9,813,821</u>
Other fixed assets		<u>122,622</u>	<u>138,878</u>
		<u>11,635,612</u>	<u>9,952,699</u>
<b>Current assets</b>			
Debtors	7	146,915	202,672
Cash at bank and in hand		<u>925,175</u>	<u>404,042</u>
		<u>1,072,090</u>	<u>606,714</u>
<b>Less Creditors</b>			
Amounts falling due within one year	8	<u>(639,030)</u>	<u>(539,759)</u>
<b>Net current (liabilities)/assets</b>		<u>433,060</u>	<u>66,955</u>
<b>Total assets less current liabilities</b>		<u>12,068,672</u>	<u>10,019,654</u>
<b>Creditors</b>			
Amounts falling due after more than one year	9	7,718,748	6,083,256
<b>Capital and reserves</b>			
Non-equity share capital	10	53	45
Designated reserves	11	-	-
Revenue reserves	12	<u>4,349,871</u>	<u>3,936,353</u>
		<u>12,068,672</u>	<u>10,019,654</u>

The financial statements on pages 25 to 42 were approved by the Board of Management on 2 July 2015 and were signed on its behalf by:

Board Member:.....

Board Member:.....

Secretary:.....

**6.3 - Cash Flow Statement**  
**For the Year Ended 31 March 2015**

	Notes	£	2015 £	£	2014 £
<b>Net cash flow from operating activities</b>			1,203,351		1,109,347
<b>Returns on investments and servicing of finance</b>	17		<u>(392,849)</u>		<u>(390,838)</u>
<b>Capital Expenditure</b>					
Acquisition and construction of housing		(2,851,125)		(541,318)	
Social Housing grant received		885,000		-	
Purchase of other fixed assets		(6,720)		(909)	
Sale of housing properties		-		-	
			<u>(1,972,845)</u>		<u>(542,227)</u>
<b>Net cash inflow/(outflow) before management of liquid resources and financing</b>			(1,162,343)		176,282
<b>Management of liquid resources</b>	17		-		-
<b>Financing</b>	17		<u>1,683,476</u>		<u>(213,530)</u>
<b>Increase/(Decrease) in cash</b>	17		<u>521,133</u>		<u>(37,248)</u>
<b>Reconciliation of operating surpluses to net cash inflow from operating activities</b>					
Operating surplus and property sales			802,907		854,210
Depreciation charges			300,136		333,311
Surplus on sale of tangible fixed assets			-		-
Change in debtors			55,757		(57,094)
Shares written off			3		-
Change in creditors			<u>23,707</u>		<u>(21,080)</u>
Net cash inflow from operating activities			<u>1,182,510</u>		<u>1,109,347</u>
<b>Reconciliation of net cash flow to movement in net debt</b>					
Increase/(Decrease) in cash in the period			521,133		(37,248)
Cash used to (decrease) in liquid resources			-		-
Change in loans			<u>(1,683,468)</u>		<u>213,527</u>
Change in net debt	17		<u>(1,162,335)</u>		<u>176,279</u>
Net debt at start			<u>(5,898,512)</u>		<u>(6,074,791)</u>
Net debt at end			<u>(7,060,847)</u>		<u>(5,898,512)</u>

## 6.4 - Notes to the Financial Statements For The Year Ended 31 March 2014

### 1. Principal Accounting Policies

The RP is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency as a Registered Provider (RP) as defined by the Housing and Regeneration Act 2008.

#### a) Basis of accounting

The financial statements have been prepared in accordance with applicable Accounting Standards and statements of recommended practice of the United Kingdom. The financial statements comply with the Housing and Regeneration Act 2008, the Accounting Direction for Social Housing in England 2012 and the Statement of Recommended Practice published by the National Housing Federation in 1999 and updated in 2010. The financial statements are prepared on the historical cost basis of accounting.

#### b) Turnover

Turnover represents rental income receivable, grants from local authorities and the Housing Corporation, and other income.

#### c) Fixed Assets and Depreciation

Tangible fixed assets are stated at cost, less accumulated depreciation and capital grants.

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

Freehold land is not depreciated.

Where a housing property comprises two or more major components with substantially difference useful economic lives (UELs), each component is accounted for separately and depreciated over its individual useful economic life. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred.

The association depreciates freehold housing properties by component on a straight-line basis over the estimated useful economic lives of the component categories.

Useful economic lives for identified components are as follows:

Component	Years
Boiler	15
Kitchen	20
Photovoltaics	25
Windows	30
Doors	30
Bathroom	30
Heating	30
Electrical	30
Roof	60
Structure	100

**Notes to the Financial Statements  
For the Year Ended 31 March 2014**

**1. Principal Accounting Policies (Continued)**

The association depreciates housing properties held on long leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

Depreciation is charged on other tangible assets on a straight-line basis using the rates as follows:

Office premises	2.00%
Office, furniture and equipment	20.00%
Vehicle	25.00%
Computer equipment	25.00%

**d) Housing Properties**

All properties are reviewed for impairment annually, and where housing properties have suffered a permanent diminution in value, the fall in value is recognised after taking account of any related capital grants.

Housing properties in the course of construction are stated at cost and not depreciated.

Housing properties are transferred to completed properties when they are ready for letting.

**Shared Ownership Properties**

The costs of shared ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and the sale proceeds shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset and subsequent sales treated as sales of fixed assets.

**e) Social Housing and Other Grants**

Where developments have been financed wholly or partly by social housing and other grants, the cost of those developments has been reduced by the amount of the grant received.

Social Housing Grant (SHG) received for items of cost written off in the Income and Expenditure Account are matched against those costs as part of turnover.

SHG can be recycled by the RP under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Homes & Communities Agency. However, SHG may have to be repaid if certain conditions are not met.

The net SHG received and not spent is included in current liabilities, taking into account all properties under construction.

In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

## 1. Principal Accounting Policies (Continued)

### f) Pension Costs

The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services.

### g) Major Repairs Designations

The RP designates those reserves set aside for future major repairs on all of its housing properties. The amounts set aside are based on a stock condition survey of the RP's housing properties and represents the expenditure that cannot be met from the RP's future rental income stream. The amount designated is the amount that the Board estimates is required for future major repairs. No transfer to the reserve was carried out in 2013/14 or 2014/15 as it was not deemed necessary.

The Major Repairs reserve has subsequently been written back to the Revenue Reserves. This is in line with practice across the sector following the introduction of component accounting.

### h) Works to Existing Housing Properties

The RP capitalises expenditure on housing properties which increases the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the rental income, a reduction in future maintenance costs, or a significant extension of the life of the property.

### i) Recycling of Capital Grant

Where Social Housing Grant is recycled, as described above, the SHG is credited to a fund which appears as a creditor until spent.

### j) Value Added Tax

The RP is not registered for VAT. All amounts disclosed in the financial statements are inclusive of VAT.

### k) Loan Interest costs

The full costs of deferred interest rate and indexation loans are shown in the Income and Expenditure Account.



**Notes to the Financial Statements  
For the Year Ended 31 March 2015**

**2. Turnover, Operating Costs and Operating Surplus**

**2015**

	Turnover	Operating Costs	Operating surplus/deficit
	£	£	£
<b>Income and expenditure from social housing lettings</b>			
Housing accommodation	1,773,637	(1,108,136)	665,501
Shared ownership accommodation	57,975	(19,592)	38,383
	<u>1,831,612</u>	<u>(1,127,728)</u>	<u>703,884</u>
<b>Other income and expenditure</b>			
Shared Ownership First Tranche	-	-	-
Sales	-	-	-
Other	135,591	(36,568)	99,023
	<u>135,591</u>	<u>(36,568)</u>	<u>99,023</u>
<b>Total</b>	<u>1,967,203</u>	<u>(1,164,296)</u>	<u>802,907</u>

**2014**

	Turnover	Operating Costs	Operating surplus/deficit
	£	£	£
<b>Income and expenditure from social housing lettings</b>			
Housing accommodation	1,715,096	(1,011,756)	703,340
Shared ownership accommodation	58,287	(19,466)	38,821
	<u>1,773,383</u>	<u>(1,031,222)</u>	<u>742,161</u>
<b>Other income and expenditure</b>			
Shared Ownership First Tranche	-	-	-
Sales	-	-	-
Other	147,339	(35,289)	112,050
	<u>147,339</u>	<u>(35,289)</u>	<u>112,050</u>
<b>Total</b>	<u>1,920,722</u>	<u>(1,066,511)</u>	<u>854,211</u>

**Notes to the Financial Statements  
For the Year Ended 31 March 2015**

**3. Income and Expenditure from Social Housing Lettings**

	General Needs Housing £	Shared Ownership £	Total 2015 £	2014 £
<b>Income</b>				
Rents	1,717,159	54,954	1,772,113	1,727,910
Service Charges	20,478	3,021	23,499	23,473
Net rents receivable	1,737,637	57,975	1,795,612	1,751,383
Revenue grants from the HCA	-	-	-	-
Revenue grants for major repairs	-	-	-	-
Other revenue grants	36,000	-	36,000	22,000
<b>Total income from lettings</b>	<b>1,773,637</b>	<b>57,975</b>	<b>1,831,612</b>	<b>1,773,383</b>
<b>Expenditure</b>				
Services	19,544	1,744	21,288	21,786
Management	337,452	17,848	355,300	328,055
Routine Maintenance	301,721	-	301,721	278,201
Planned Maintenance & Major Repairs	149,076	-	149,076	91,558
Rent losses from bad debts	2,339	-	2,339	718
Depreciation of Housing Properties	298,004	-	298,004	310,334
Impairment of Housing Properties	-	-	-	-
Other Costs	-	-	-	-
Loss/(Surplus) on the sale of fixed assets	-	-	-	571
<b>Total expenditure on lettings</b>	<b>1,108,136</b>	<b>19,592</b>	<b>1,127,728</b>	<b>1,031,223</b>
<b>Operating Surplus On Lettings</b>	<b>665,501</b>	<b>38,383</b>	<b>703,884</b>	<b>742,161</b>
<b>Void Losses</b>	<b>1,589</b>	<b>-</b>	<b>1,589</b>	<b>939</b>

**Notes to the Financial Statements  
For the Year Ended 31 March 2015**

<b>4. Interest Payable And Similar Charges</b>		<b>2015</b>	<b>2014</b>
		<b>£</b>	<b>£</b>
On bank loans, overdrafts and other loans			
Repayable within 5 years		-	-
Repayable wholly or partly in more than 5	Years		
By instalments		<u>389,917</u>	<u>367,065</u>
		<u>389,917</u>	<u>367,065</u>

<b>5. Surplus For The Year</b>		<b>2015</b>	<b>2014</b>
		<b>£</b>	<b>£</b>
Is stated after charging:-			
Auditors remuneration (excluding VAT)			
In their capacity as auditors		4,056	3,700
In respect of other services			
Surplus/deficit on disposal of office			
Equipment		-	-
Impairment losses			
Depreciation of housing properties		<u>298,004</u>	<u>310,334</u>

Notes to the Financial Statements For the  
Year Ended 31 March 2015

6. Tangible Fixed Assets

	Housing Properties Completed	Housing Properties Under Construction	Shared Ownership Properties Completed	Shared Ownership Properties Under Construction	Total Housing Properties	Offices	Vehicle	Computers Tools and Office Equipment	Total
Cost	£	£	£	£	£	£	£	£	£
At start of the year	23,710,684	368,275	1,400,664	-	25,479,623	164,874	79,577	159,440	403,891
Additions	359,663	2,523,165	(655)	-	2,882,173			6,720	6,720
First tranche disposals	-	-	-	-	-	-	-	-	-
Disposals	(50,554)	-	-	-	(50,554)	-	-	-	-
Transfers	2,891,440	(2,891,40)							
At end of the year	<u>26,911,233</u>	<u>-</u>	<u>1,400,009</u>	<u>-</u>	<u>28,311,242</u>	<u>164,874</u>	<u>79,577</u>	<u>166,160</u>	<u>410,611</u>
<b>Depreciation and Impairment</b>									
At start of the year	2,765,193	-	-	-	2,765,193	59,368	57,478	148,167	265,013
Charge for year	298,004	-	-	-	298,004	3,300	10,700	8,976	22,976
Impairment losses	-	-	-	-	-	-	-	-	-
Disposals	(50,554)	-	-	-	(50,554)	-	-	-	-
At end of the year	<u>3,012,643</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,012,643</u>	<u>62,668</u>	<u>68,178</u>	<u>157,143</u>	<u>287,989</u>
<b>Net Book Value at End Of The Year</b>	<u>23,898,590</u>		<u>1,400,009</u>	=	<u>25,298,599</u>	<u>102,206</u>	<u>11,399</u>	<u>9,017</u>	<u>122,622</u>
Net book value at start of the year	<u>20,945,491</u>	<u>368,275</u>	<u>1,400,664</u>	=	<u>22,714,430</u>	<u>105,506</u>	<u>22,099</u>	<u>11,273</u>	<u>138,878</u>

The additions figure of £359,663 includes £120,926 for component replacements and £238,737 for property purchases and renovations.

**Notes to the Financial Statements  
For the Year Ended 31 March 2015**

**6. Tangible Fixed Assets (Continued)**

	<b>Housing Properties Completed</b>	<b>Housing Properties Under Construction</b>	<b>Shared Ownership Properties Completed</b>	<b>Shared Ownership Properties Under Construction</b>	<b>Total Housing Properties</b>
<b>Social Housing Grants</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At start of the year	12,276,730	-	623,879	-	12,900,609
Additions	885,000	-	-	-	885,000
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
At end of the year	<u>13,161,730</u>	<u>-</u>	<u>623,879</u>	<u>-</u>	<u>13,785,609</u>

Works to existing properties in the year:

	<b>2015</b>	<b>2014</b>
Improvement Works Capitalised	-	-
Component Replacements Expensed	120,926	158,144
	<u>48,845</u>	<u>6,679</u>
Total for year	<u>169,771</u>	<u>164,823</u>

**Housing Properties comprise:**

	<b>2015</b>	<b>2014</b>
Freeholds	9,363,394	9,649,106
Long leaseholds	<u>2,149,596</u>	<u>164,716</u>
	<u>11,512,990</u>	<u>9,813,822</u>

Development administration costs capitalised in the year totalled £0 (2014:£0)



**Notes to the Financial Statements  
For the Year Ended 31 March 2015**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
<b>7. Debtors</b>		
Amounts falling due within one year		
Rent arrears – for rent and service charges	45,551	55,673
Less: provision for bad debts	(9,231)	(9,652)
Prepayments	<u>110,595</u>	<u>156,651</u>
	<u>146,915</u>	<u>202,672</u>

**8. Creditors**

Amounts falling due within one year

Rent creditors	64,262	52,064
Trade creditors	71,570	45,048
PAYE and National Insurance Contributions	8,443	8,243
Accruals and deferred income	227,481	215,106
Loan repayments in one year or less	<u>267,274</u>	<u>219,298</u>
	<u>639,030</u>	<u>539,759</u>

**Notes to the Financial Statements  
For the Year Ended 31 March 2015**

**9. Creditors**

Amounts falling due after more than one year

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Loans repayable by instalments:-		
In one year or more but less than two years	282,998	230,130
In two years or more and less than five years	940,706	765,953
In five years or more	6,495,044	5,087,173
Recycled capital grant fund	<u>-</u>	<u>-</u>
	<u>7,718,748</u>	<u>6,083,256</u>

**Recycled Capital Grant Fund**

	<b>2015</b>	<b>2014</b>
Opening balance	-	17,195
Inputs to reserve:		
Grants recycled	-	(17,195)
Interest accrued	-	-
New build	-	-
Purchase of property	-	-
Other	-	-
Repayment of grant to the Housing Corporation	<u>-</u>	<u>-</u>
Closing balance	<u>-</u>	<u>-</u>

These loans are secured by specific charges on the Association's housing properties and floating charges on some of the Association's assets and are repayable at varying rates of interest.

The interest rate profile of the Association at 31 March 2015 was:

	Total £k	Variable Rate £k	Fixed rate £k	Weighted average rate %	Weighted average term of fixing in years
Instalment loans	7,986.0	-	7,986.0	4.12	17
Undrawn Committed facilities					



**Notes to the Financial Statements  
For the Year Ended 31 March 2015**

<b>10. Non-Equity Share Capital</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Allotted Issued and Fully Paid		
At start of the year	45	48
Issued during the year	11	3
Forfeited during the year	(3)	(6)
	<u>53</u>	<u>45</u>
At the end of the year		

The Shares do not have a right to any dividend or distribution in a winding-up, and are not redeemable. Each share has full voting rights.

<b>11. Designated Reserve for Major Repairs</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
At start of the year	-	131,703
Transfer for the year	-	-
Transfer from reserve	-	(131,703)
	<u>-</u>	<u>-</u>
At the end of the year		

<b>12. Revenue Reserve</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
At start of the year	3,936,353	3,316,716
Surplus for the year	413,518	487,934
Transfer from/(to) designated reserves	-	131,703
	<u>4,349,871</u>	<u>3,936,353</u>

<b>13. Capital Commitments</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Capital expenditure that has been authorised by the Board of Management but has not yet been contracted for	<u>-</u>	<u>-</u>
Capital expenditure that has been authorised by the Board of Management and has been contracted for	<u>-</u>	<u>2,540,294</u>

**Notes to the Financial Statements  
For the Year Ended 31 March 2015**

**14. Pension Obligations**

**THE SOCIAL HOUSING PENSION SCHEME  
PENSION OBLIGATIONS DISCLOSURE NOTE 2015**

1. Lincolnshire Rural Housing Association Ltd. participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.
2. It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.
3. The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to address the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.
4. The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67%.
5. The Scheme Actuary is currently finalising the 2014 valuation but key provisional results have been confirmed. As at 30 September 2014, the market value of the Scheme's assets was £3,123 million. There was a shortfall of assets compared with the value of liabilities of £1,323 million, equivalent to a past service funding level of 70%.
6. **Point of Note:**
7. FRC issued a new reporting standard early in 2013: FRS 102 is the Financial Reporting Standard (FRS) applicable in the UK and Republic of Ireland (known as new UK and Irish GAAP). The mandatory effective date for the new framework of reporting is for financial years beginning on or after 1 January 2015. Early adoption is available.
8. The standard directs that sponsoring employers should disclose the net present value of agreed deficit repayments on their balance sheets i.e. recognising the contingent liability. As a consequence the reader will see the immediate impact on the financial statements.

**Notes to the Financial Statements**

## For the Year Ended 31 March 2015

### 15. Directors' Emoluments

	2015 £	2014 £
The aggregate emoluments paid to or receivable by Directors.	<u>25,793</u>	<u>119,172</u>
The emoluments paid to the highest paid Director excluding pension contributions:	<u>81,195</u>	<u>77,406</u>

The Chief Executive is an ordinary member of the pension scheme. The pension scheme is a final salary scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply.

There are no additional pension arrangements. A contribution by the RP of £8,078 (2014: £6,441) was paid in addition to the personal contributions of the Chief Executive.

Directors are defined as the members of the Board, the Chief Executive and any other person who is a Member of the Senior Management Team or equivalent. **Board members are not remunerated.**

The number of FTE directors paid over £60,000 are as follows:	2015	2014
£60,000 to £69,999	0	0
£70,000 to £79,999	0	1
£80,000 to £89,999	1	0

### 16. Employee Information

The average weekly number of persons employed during the year (full time equivalents, i.e. 35 hours p.w.) was:

	2015 Number	2014 Number
Office Staff	8.03	7.32
Direct Labour Operatives	2.03	2.82
Wardens, caretakers and cleaners	0.09	0.09
Staff Costs (for the above persons)		
	£	£
Wages and salaries	327,634	317,603
Employers National Insurance Costs	28,659	27,830
Other pension costs	<u>42,052</u>	<u>42,136</u>
	<u>398,345</u>	<u>387,569</u>

## Notes to the Financial Statements

## For the Year Ended 31 March 2015

### 17. Cash Flow Statement Notes

	2015 £	2014 £
<b>Returns on investments and servicing of finance</b>		
Interest received	528	788
Interest paid	<u>(393,377)</u>	<u>(391,626)</u>
	<u>(392,849)</u>	<u>(390,838)</u>
<b>Financing</b>		
Issue of ordinary shares	8	(3)
Loans received	1,900,000	-
Loans repaid	<u>(216,532)</u>	<u>(213,527)</u>
	<u>1,683,476</u>	<u>(213,530)</u>

	At Start £	Cashflows £	At end £
Analysis of net debt			
Cash in hand, at bank	404,042	521,133	925,175
Current asset investments			
Debt due within 1 year	(219,298)	(47,976)	(267,274)
Debt due after 1 year	(6,083,256)	(1,635,492)	(7,718,748)
Reconciliation of cash movements			
Short term cash deposits	-	-	-
<b>TOTAL</b>	<u>(5,898,512)</u>	<u>(1,162,335)</u>	<u>(7,060,847)</u>

### 18. Taxation Status

The Association has charitable status.

### Notes to the Financial Statements

## For the Year Ended 31 March 2015

<b>19. Units / Bed spaces</b>	<b>2015</b>	<b>2014</b>
<b>Social Housing</b>		
Under management at end of year:		
Housing accommodation	394	368
Shared ownership accommodation	<u>23</u>	<u>23</u>
	417	391

## 20. Contingent Liability

At the balance sheet date there were no known contingent liabilities.

## 21. Related Parties

The following are related parties:

The Board has tenant members who hold tenancy agreements on normal terms and cannot use their position to their advantage.

John D Howes FRICS, Chief Executive of Lincolnshire Rural Housing Association (LRHA), is a director of the Lincolnshire Community Land Trust (LCLT).

LCLT is based at the offices of LRHA and share office facilities. An annual charge of £2,060 has been charged for 2014/15 for office expenses and administration undertaken by LRHA staff.

<b>22. Social Housing Grant</b>	<b>2015</b>	<b>2014</b>
	£	£
The total accumulated SHG received or receivable at the balance sheet date from capital resources	13,785,609	12,900,609

The purpose of this report is to provide statutory and regulatory information concerning the Association

The Association is registered as an Industrial and Provident Society (IPS) (Register 25276R). The Cooperative and Community Benefit Societies Act 2014 restated IPS law effective from 1 August 2014. The change has little impact on existing registered providers of social housing (RP's) such as Lincs Rural, as the Homes and Communities Agency (HCA) has parallel powers. Under the new Act the Association is a 'Registered Society', however the new legislation removes the provision in the IPA 1965 Act which required 'Community Benefit' IPS's such as the Association to show special reason why they should not be a company. From 6 April 2014 the 'Company Directors Disqualification Act 1986 was extended to include Board members of Societies.

In accordance with the Association's Rules (September 2005 amended March 2006), the Board of Management shall approve each year's accounts prior to publication (Rule D1.3). The Board of Management approved the audited financial statements at the meeting held on 2 July 2015.

The Board's approval of the financial statements takes account of Rule C17.1 and the Annual General Meeting on 3 September 2015 to receive the Annual Report containing the:

- (a) Revenue accounts and balance sheets for the accounting period 1 April 2014 to 31 March 2015 and the auditor's report (Beever & Struthers) on the accounts and balance sheets (Pages 25 to 42);
- (b) Board's report on the affairs, values and objectives of the Association (Strategic Report Pages 4 to 14);
- (c) Statement of the current obligations of Board members to the Board and the Association (Pages 6 & 22);
- (d) Statement of the skills, qualities and experience required by the Board amongst its members (Page 7); and
- (e) The Policy for admitting new shareholders (Page 5).

Rule F12 states that every year, within the time specified by legislation, the Secretary shall send the Association's annual return to the Financial Services Authority, (now the Financial Conduct Authority). The annual return shall be accompanied by the auditor's reports, for the period of the return and the accounts and balance sheets to which it refers.

### **The Legal Requirements**

In accordance with section 128 of the Housing and Regeneration Act 2008 the Association as an RP registered with the Regulator of Social Housing (the Homes and Communities Agency - HCA) must submit its annual accounts and auditor's report within six months of the end of the period to which they relate. If it fails to do so, without reasonable excuse, the Association (and every responsible person directly concerned with the conduct and management of its affairs) may be guilty of an offence and may be prosecuted by the Regulator. (*Accounts to be submitted electronically through the regulation data collection system NROSH+ or alternatively by email to public.register@hca.gsi.gov.uk*).

The auditors' report or the accountants report must bear the auditor's or accountant's signature.

The balance sheet and income and expenditure statement must be completed in accordance with the relevant legislation for the constitutional structure and in line with the rules and governing instruments of the Association (summarised above). The date approved by the

Board of Management must be included and signed on behalf of the Board by at least two Board members and the Secretary.

While accounts must have been approved by the Board, there is no need for the accounts to have been received by an Annual General Meeting (AGM) before they are submitted to the Regulator. A late AGM is not a reason to delay submitting accounts.

The **Auditor's Management Letter** must be submitted with the relevant accounts, or as soon as possible afterwards, through NROSH+, via the public registry e-mail or in hard copy.

A copy of the latest set of accounts is placed on the Regulator's statutory Public Register. Members of the public can access the Statutory Public Register by contacting the Referrals & Regulatory Enquiries Team at [mail@homesandcommunities.co.uk](mailto:mail@homesandcommunities.co.uk) Tel: 0300 1234 500.

## **AUDIT COMMITTEE CHAIRMAN'S REPORT**

During the financial year the Board Audit Committee met four times to conduct its scrutiny and monitoring of the associations operations, risk management and controls. It has been assisted in its role by the Chairman of the Board, all Board members, the Chief Executive and staff.

During the year its membership has consisted of appointed four Board members with no ex-officio role (one of whom is a tenant) and one independent member. Its scrutiny and monitoring has been supported by an independent internal audit programme of its operations and independent external audit of its financial accounts and statements.

Recommendations by both audit activities have been fully reviewed and where appropriate action has been taken by the Board and Executive staff. The Committee is satisfied the Board is aware of its responsibilities to conduct the operations of the Association in accordance with all Regulatory Standards and is in compliance with the National Housing Federation's requirements and provisions for good corporate governance practices.