FAMILY HOUSING ASSOCIATION (BIRMINGHAM) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

Registered Co-operative and Community Benefit Society Number 16763R
Regulator of Social Housing Number LH0713

Registered office: 4040 Lakeside
Solihull Parkway
Birmingham
B37 7YN

CONTENTS

Board

Colin Dennis (Chair)	
John Creswell (Senior Independent Director)	
Susan Brooksbank-Taylor	(Appointed 1 February 2019)
Richard Grainger	
Janice Nichols	
Richard Nowell	
Danielle Oum	(Resigned 31 January 2019)
Crispin Passmore	
Kevin Rodgers (Group Chief Executive)	
Helen Scarrett	

The Group Chief Executive does not hold an interest in the Association's shares.

Executive Directors

Kevin Rodgers	Chief Executive
Nick Byrne	Executive Director - Development
Stuart Kellas	Chief Financial Officer
Kate Still	Chief Operating Officer

Membership of the Group Committees in operation at the date of signing of the financial Statements was:

Audit and Risk Committee

Crispin Passmore (Chair)	WM Housing Group
Alison Cambage	Independent
Karthik Srinivas	Independent
Richard Nowell	WM Housing Group
Andrew Winscom	Independent

Remuneration Committee

John Creswell (Chair)	WM Housing Group
Susan Brooksbank-Taylor (Appointed 25 March 2019)	WM Housing Group
Janice Nichols	WM Housing Group
Danielle Oum (Resigned 31 January 2019)	WM Housing Group
Helen Scarrett	WM Housing Group

Advisers

Statutory auditor

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

Internal auditor

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Principal bankers

Barclays Bank plc
PO Box 3333
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GN

Principal solicitors

Trowers & Hamlin
3 Bunhill Row
London
EC1Y 8YZ

Anthony Collins
134 Edmund Street
Birmingham
B3 2ES

Taxation advisers

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Registered office

4040 Lakeside
Solihull Parkway
Birmingham
B37 7YN

The Board presents its report and audited financial statements for the year ended 31 March 2019.

The Association

The Association is a not-for-profit organisation that operates primarily within the Birmingham and other areas of the West Midlands and aims to improve the quality of life for people who experience economic or social disadvantage. As at 31 March 2019, Family Housing Association (Birmingham) Limited ("Family") owned a number of residential schemes providing 2,461 units of accommodation (2018: 2,469).

Principal activities

Family's principal activities are the management and development of social housing. The Association has taken advantage of the exemption available under the Housing SORP 2018 and has not produced a strategic report as part of these financial statements. A strategic report is included with the consolidated financial statements of WM Housing Group Limited, the immediate and ultimate parent company.

Governance Code Compliance

Family Housing Association (Birmingham) Limited continues to follow best practice with regards to corporate governance and has adopted the NHF's Code of Governance - Promoting Board Excellence for Housing Associations 2015. The Association has undertaken a detailed self-assessment against the Code during the year. Family Housing Association (Birmingham) Limited is fully compliant with the Code as at 31 March 2018 and 31 March 2019.

Compliance with Regulatory Standards

In April 2015, the Homes and Communities Agency (now the Regulator of Social Housing) revised its regulatory framework. With effect from March 2016, regulatory compliance with this standard must be reviewed at least annually and compliance certified in annual financial statements.

WM Housing Group has reviewed its compliance with all of the regulatory standards both Economic (Governance and Financial Viability, Value for Money and Rent) and Consumer Standards (Tenant Involvement and Empowerment, Home, Tenancy and Neighbourhood and Community) as at March 2019. This comprised a comprehensive self-assessment to provide boards with an honest picture of how well the Group is performing against regulatory requirements, legislation, and internal key measures. The objective of the assessment is to provide an understanding of performance and the outcomes the Group is delivering for its customers, key stakeholders and partners.

The self-assessment also includes improvement plans for 2019/20 to further strengthen compliance. It also includes a detailed assessment of compliance with all relevant law, which is a requirement of the Governance and Financial Viability Standard.

As WM Housing operates a group structure and the economic standards are regulated at this level, the parent board has a very important role in directing, challenging and signing-off the self-assessment of compliance with the regulatory standard as part of our business planning and regulatory compliance work. The parent board has delegated responsibility for supporting the assurance process to the Audit and Risk Committee.

The self-assessment compliance statement with the Governance and Financial Viability standard was formally approved and signed-off by WM Housing Group Board at its meeting in May 2019.

Compliance with Regulatory Standards (Continued)

As a result of this work, Family Housing Association (Birmingham) Limited has received assurance and is satisfied that all reasonable steps have been taken to ensure compliance with the Governance & Viability Standard in all material aspects during the financial year 2018/19.

Regulatory Judgments

Regulatory judgements rate organisations on how well they meet the Regulator's standards relating to corporate governance - how well the company is run and the Board's awareness of risks to the business and financial management and viability - the company's financial ability to continue to provide affordable homes in the future.

On 14 November 2018, the Regulator confirmed that they had completed work on WM Housing's stability check and that the Group's Ratings remained unchanged, with a Governance Rating of **G1 (compliant)** - "The provider meets our governance requirements" and a Viability Assessment of **V1 (compliant)** - "The provider meets our viability requirements and has the financial capacity to deal with a wide range of adverse scenarios."

Governance

During 2015/16, the Group undertook a governance review in consultation with all Boards, which resulted in the adoption of the following re-drafted documents, all of which were effective from 28 July 2015: -

- Intra Group Agreement
- Standing Orders
- Terms of Reference

During the last two years, a review of the governance structure of the WM Housing Group has been undertaken by a 'Task and Finish' group comprising representatives from the Parent Board. Subsidiary Boards and key stakeholders were consulted at various intervals throughout the review.

As a result of this review, all Registered Provider members of the Group (with the exception of Optima Community Association Limited) moved to a single joint (or co-terminous) Board, with revisions to current committee roles and delegations. Optima Community Association Limited retained its own Subsidiary Board, but delegated many of its powers to the Parent Board. The Parent Board is supported by three Local Stakeholder Boards that focus on local issues and ensure that we deliver effective tenant involvement and effective scrutiny of our local services.

On 2nd April 2019, WM Housing Group formally announced plans to amalgamate its group structure and rebrand as Citizen. The plans are part of a major transformation of the organisation which will see us invest £870m in our communities over the next five years.

The change will mean the organisation's registered providers; Family Housing Association (Birmingham) Limited, Optima Community Association Limited, West Mercia Homes Limited, Whitefriars Housing Group Limited and WM Housing Group Limited will no longer exist as separate legal entities, with the amalgamation and rebrand being completed by the Autumn of 2019.

Value for Money (VfM)

In 2017, WM Housing Group launched a new Business Strategy outlining the Group's aspirations to build on its vision of "*Making Places Where People are Proud to Live and Work*".

The Group's three strategic objectives are to create:

- A sustainable business;
- A delivery-focussed business; and
- A growing business

Becoming Citizen is the most important change in our history. Citizen truly reflects our aspirations and shared sense of social purpose. It is about valuing people and providing a foundation for each person to make the most of life.

We have renewed our purpose and values in line with our new brand to represent who we are and what we want to achieve. We are currently working on the new corporate plan to set out our mission - we want to use every opportunity to deliver social value and ensure good outcomes for people we serve. As part of our new five-year plan we will expand on what we are already doing and implement new ideas.

Becoming Citizen will mean making transformational changes to the way that we work and the services that we offer and deliver. To ensure that we achieve this, we have already initiated some major projects, including customer service training, a service innovation programme and Lean Transformation, and so far have identified savings of £2.5m p.a. that will be recognised by 31 March 2022.

Our carefully selected and strategically limited areas of diversification from our primary purpose (e.g. building homes for outright sale) are closely controlled, managed and monitored to ensure that they do not add significantly to the risks faced by our group. The profits that these activities generate are 'profit for purpose', and together with the financial surpluses generated by our asset-owning parts of the business, these are reinvested into our homes and communities to fund new developments, improvements to our customers' homes and new and improved systems and services.

As a registered provider of social housing, with effect from April 2018 we are no longer required to produce a separate Value for Money self-assessment. We now measure our performance against the Regulator of Social Housing's metrics of:

1. Reinvestment %
2. New supply delivered %
3. Gearing %
4. Earnings before interest, tax, depreciation, amortisation, major repairs included (EBITDA MRI) interest cover %
5. Headline social housing cost per unit
6. Operating margin %
7. Return on capital employed (ROCE)

These metrics, alongside other disclosures required as part of the Regulator of Social Housing's Value for Money standard are disclosed at a Group level within the audited Group Financial Statements and are published on our website at: -

https://www.wmhousing.co.uk/corporate/performance/value-for-money/

Directors' and Officers' Liability Insurance

Directors and Officers have been insured throughout the period to indemnify the Association against liability of the officers when acting for the Association.

Going concern

After making enquiries the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in the financial statements.

Following the referendum decision on 23 June 2016 in favour of leaving the EU ("Brexit"), the United Kingdom had been due to leave the EU on 29 March 2019, two years after it started the exit process by invoking Article 50 of the EU's Lisbon Treaty. However, the withdrawal agreement negotiated between the EU and UK was rejected three times by the UK Parliament. Having granted an initial extension of the Article 50 process until 12 April 2019, EU leaders have now backed a six-month extension until 31 October 2019. However, the UK will leave before this date if the withdrawal agreement is ratified by the UK and the EU before then.

Brexit has caused significant uncertainty in financial markets and the political world, and this is likely to continue as politicians negotiate our exit from the EU and put new arrangements in place. As a Group, WM Housing Group will continue to analyse the local and immediate impacts as more information becomes available regarding the timing and nature of the way that the UK will finally leave the EU, and the detailed implications will be tested through our risk management and stress testing arrangements. We have undertaken a detailed Brexit 'Self-Assessment', and are confident that our business plan and stress testing are able to withstand the likely range of pressures in the short and medium term.

Internal controls assurance

The Board acknowledges its ultimate responsibility for ensuring that the Association has in place a system of control that is appropriate to the various business environments in which it operates. Any such system can provide reasonable but not absolute assurance against material misstatements or loss and the development of the system is a continuing process. The system of control is designed to manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Association'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 the Association is exposed and has been in place throughout the period commencing 1 April 2018 up to the date of approval of the report and financial statements. The risk assessments are updated at least annually and reported to the Board.

Internal controls assurance (Continued)

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

- Environment and control procedures
- Appropriately qualified staff
- Identification and evaluation of key risks
- Information and financial reporting systems
- Monitoring and corrective action
- Clear policies in place for both employees and Board Members covering key risk areas (e.g. Probity Policy, Conduct Becoming Policy, Anti-Fraud Policy, Anti-Bribery Policy and a Confidential Reporting (Whistleblowing) Policy).

KPMG LLP were appointed as internal auditors for the Group and have delivered the 2018/19 internal audit programme as the first year of their term of appointment. The KPMG Internal Audit approach complies with best professional practice, in particular, Government Internal Audit Standards and the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.

Internal Audit provides an independent and objective assurance and consulting activity that is designed to add value to the Association's operations. It helps the Association to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The internal control framework and the risk management process are subject to regular review by Internal Audit who advise the Senior Leadership Team and report to the Group's Audit & Risk Committee.

The Audit & Risk Committee conducts an annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of risk management and control process. The Audit & Risk Committee makes an annual report to the Board. The Board has received this report.

The Association has in place procedures to ensure every incident is recorded on the fraud register which is reported in detail to the Audit & Risk Committee and these incidents are summarised in the report to the Board on internal controls which is presented each year. During 2018/19 and up to the date of signing the accounts, there have been no incidents (2018: no incidents) recorded in the fraud register.

The Board confirms that there is an on-going process for identifying 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 accounts and is regularly reviewed by the Board.

Statement of the responsibilities of the Board for the financial statements

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the association and of the Income and Expenditure for that period of account.

In preparing those financial statements, the Board is required to:

- Select suitable 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 the association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association 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 2019.

It has general responsibility for taking reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

Statements as to disclosure of information to Auditor

The Board Members who hold office at the date of approval of this Report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditor is unaware, and each Board Member has taken all the steps that they ought to have taken as a Board Member to make themselves aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

Auditor

Beever and Struthers are auditors to Family Housing Association (Birmingham) Limited and to its parent, WM Housing Group Limited as at 31 March 2019.

The report of the Board was approved on 05 August 2019 and signed on its behalf by:

Stuart Kellas
Secretary

Opinion

We have audited the financial statements of Family Housing Association (Birmingham) Limited "the Association" for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cash Flows and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; 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.

Responsibilities of the Board

As explained more fully in the Statement of the Responsibilities of the Board set out on page 8, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Association, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to it 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 for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers

Beever and Struthers, Statutory Auditor
St George's House
215/219 Chester Road
Manchester
M15 4JE

Date: 22.8.19

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2019 £'000	2018 £'000
Turnover	2	12,727	12,807
Operating Expenditure	2	(7,961)	(8,247)
Surplus other Activities			
Surplus/(Deficit)on Disposal of Fixed Assets	4	43	(5)
Operating Surplus	6	**4,809**	**4,555**
Interest Receivable	9	12	6
Interest and Financing Costs	10	(3,057)	(4,333)
Surplus before Tax		**1,764**	**228**
Taxation	11	-	-
Surplus for the Year		**1,764**	**228**
Actuarial (Loss) in respect of Pension Schemes	8	(112)	(59)
Total Comprehensive Income for the Year		**1,652**	**169**

The results relate wholly to continuing activities and the notes on pages 16 to 42 form an integral part of these financial statements.

The financial statements on pages 12 to 42 were approved and authorised for issue by the Board on 05 August 2019 and signed on its behalf by:

Colin Dennis
Chair

Kevin Rodgers
Board Member

Stuart Kellas
Secretary

STATEMENT OF FINANCIAL POSITION

	Notes	2019 £'000	2018 £'000
Fixed Assets			
Tangible Fixed Assets	12	146,489	138,790
Current Assets			
Properties for Resale	14	994	-
Trade and other Debtors	15	1,130	742
Cash and Cash Equivalents	16	1,348	3,860
		3,472	4,602
Less: Creditors: amounts falling due within one year	17	(5,135)	(4,769)
Net Current (Liabilities)		**(1,663)**	**(167)**
Total Assets less Current Liabilities		**144,826**	**138,623**
Creditors: Amounts falling due after more than one year	18	(127,200)	(122,314)
Provision for Liabilities - Pension Provision	8	(779)	(1,114)
Total Net Assets		**16,847**	**15,195**
Reserves			
Income and Expenditure Reserve		16,847	15,195
Total Reserves		**16,847**	**15,195**

The notes on pages 16 to 42 form an integral part of these financial statements.

The financial statements on pages 12 to 42 were approved and authorised for issue by the Board on 05 August 2019 and signed on its behalf by:

Colin Dennis Chair	Kevin Rodgers Board Member	Stuart Kellas Secretary

STATEMENT OF CHANGES IN RESERVES

	Income and Expenditure Reserve £'000	Total Controlling Interest £'000	Unrestricted Fund £'000
Balance at 1 April 2017	**15,026**	**15,026**	**15,026**
Surplus for the year	228	228	228
Other Comprehensive Income for the year: - Actuarial loss in respect of pension schemes	(59)	(59)	(59)
Balance at 31 March 2018	**15,195**	**15,195**	**15,195**
Surplus for the year	1,764	1,764	1,764
Other Comprehensive Income for the year: - Actuarial loss in respect of pension schemes	(112)	(112)	(112)
Balance at 31 March 2019	**16,847**	**16,847**	**16,847**

The notes on pages 16 to 42 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Notes	2019 £'000	2018 £'000
Net cash generated from Operating Activities (see below)		**5,313**	**4,316**
Cash flow from investing activities:			
Purchase of tangible fixed assets		(10,102)	(986)
Proceeds from sale of tangible fixed assets		543	501
Grants received		2,671	-
Interest received		12	6
		(6,876)	(479)
Cash flow from financing activities:			
Interest paid		(3,033)	(4,298)
New secured loans		2,084	6,887
Repayment of borrowings from Group Undertaking		-	(3,000)
Repayment of borrowings		-	(4,989)
		(949)	(5,400)
Net change in cash and cash equivalents		**(2,512)**	**(1,563)**
Cash and cash equivalents at beginning of the year		**3,860**	**5,423**
Cash and cash equivalents at end of the year		**1,348**	**3,860**
Cash flow from Operating Activities:			
Surplus for the year		1,764	228
Adjustments for non-cash items:			
Depreciation of tangible fixed assets		1,872	2,103
Amortised grant		(688)	(691)
(Increase) in properties for resale		(994)	-
Decrease in trade and other debtors		536	314
Increase/(Decrease) in trade and other creditors		291	(1,451)
Pension costs less contributions payable		(470)	(512)
Carrying amount of tangible fixed asset disposals		506	540
Adjustments for investing or financing activities:			
Proceeds from the sale of tangible fixed assets		(549)	(542)
Interest payable		3,057	4,333
Interest received		(12)	(6)
Cash from Operations		**5,313**	**4,316**
Taxation paid		-	-
Net cash generated from Operating Activities		**5,313**	**4,316**

The notes on pages 16 to 42 form an integral part of these financial statements.

LEGAL STATUS

Family Housing Association (Birmingham) Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing as a Private Registered Provider of Social Housing. The registered office is: -

4040 Lakeside
Solihull Parkway
Birmingham
B37 7YN

The Association is a wholly owned subsidiary of WM Housing Group Limited and has one direct subsidiary entity: -

Name	Incorporation	Registered / Non-registered
Cornerstone Commercial Services Limited	Companies Act 2006	Non-registered

Cornerstone Commercial Services Limited has been dormant throughout the years ended 31 March 2019 and 31 March 2018. As there are no plans for this company to trade in the future, an application for dissolution was made to Companies House and the company was dissolved on 23 July 2019.

1. PRINCIPAL ACCOUNTING POLICIES

Basis of accounting

The Association's financial statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2018.

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 2019. The financial statements are prepared on the historical cost basis of accounting and are presented in sterling £'000.

The Financial Reporting Council (FRC) has recently conducted its planned triennial review of FRS102. The result of this review is that an updated version of the standard, FRS102 (March 2018) has been released, applicable to accounting periods beginning on or after 1 January 2018. Early application was permitted provided that all amendments were applied at the same time. The financial statements have therefore been prepared in compliance with FRS102 (March 2018) with effect from 2017/18. In complying with FRS102 the Association meets the definition of a public benefit entity.

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS102:

- No disclosure has been given for the aggregate remuneration of the key management personnel as their remuneration is included in the consolidated financial statements for the ultimate parent company, WM Housing Group, as a whole.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Going Concern

The Association's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. Government's announcements in July 2015 impacting on the future income of the Association have led to a reassessment of the Association's business plan as well as an assessment of imminent or likely future breach in borrowing covenants. No significant concerns were noted and we consider it appropriate to continue to prepare the financial statements on a going concern basis.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

- **Categorisation of housing properties.** The Association has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Association has considered if the asset is held for social benefit or to earn commercial rentals. The Association has not identified any investment properties.
- **Impairment.** The Association has identified a cash generating unit (CGU) for impairment assessment purposes at a property scheme level.
- **Provision for bad debts.** The Group provides for bad debts as at 31 March each year based on a percentage scale of current tenant arrears plus 100% of former tenant arrears. The adequacy of the provision methodology is reviewed on an annual basis to ensure that provisions reflect changes in arrears experience and the implications of Welfare Reform.
- **Categorisation of debt.** The Association's debt has been treated as "basic" in accordance with paragraphs 11.8, 11.9 and 11.9A of FRS 102 (March 2018). The Group has some fixed rate loans which have a two-way break clause (i.e. in addition to reasonable compensation being payable by a borrower to a lender if a loan is prepaid where the prevailing fixed rate is lower than the existing loan's fixed rate, reasonable compensation could be payable by the lender to the borrower in the event that a loan is prepaid and the prevailing fixed rate is higher than the existing loan's fixed rate).

Other key sources of estimation and assumptions:

- **Tangible fixed assets.** Other than investment properties, tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Other key sources of estimation and assumptions (Continued):

- **Pension and other post-employment benefits.** The Association participates in the Family Housing Association (Birmingham) Limited (1983) Retirement Fund. For the purposes of the financial statements, the Family Pension Fund is classified as a defined benefit scheme.

  The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty.

  Further details are provided in note 8.

- **Impairment of non-financial assets.** Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified.

  Following a trigger for impairment, the Association performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from sales transactions in an arm's length transaction on similar cash generating units (properties) or observable market prices less incremental costs for disposing of the properties. The value in use calculation is based on a depreciated replacement cost model. The depreciated replacement cost is based on available data of the cost of constructing or acquiring replacement properties to provide the same level of service potential to the Association as the existing property.

  There have not been any impairment triggers identified during the year, and there have therefore been no impairment losses incurred in the year (2018: £Nil).

Turnover and revenue recognition

Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities and Homes England, income from the sale of shared ownership initial trances are other income, and is recognised in relation to the period when the goods or services have been supplied.

Rental income is recognised when the property is available for let, net of voids. Income from property sales is recognised on legal completion. Supporting People Income is recognised under the contractual arrangements. Sales of properties developed for outright sale are included in Turnover and Cost of Sales.

Operating expenditure

Operating expenditure includes the actual costs of repairs and maintenance incurred during the period and the cost of sales relating to shared ownership initial tranche sales. Management costs are allocated to revenue accounts on the basis of staff time allocated, except for specific items of expenditure, which are allocated directly.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Support income and costs including Supporting People income and costs

Supporting People (SP) contract income received from Administering Authorities is accounted for as SP income in the Turnover as per note 2. The related support costs are matched against this income in the same note. Support charges included in the rent are included in the Statement of Comprehensive Income from social housing lettings note 3 and matched against the relevant costs.

Supported housing managed by agencies

Social Housing Grant (SHG) for capital expenditure on supported housing projects is claimed and incorporated within the Statement of Financial Position in line with ownership. The treatment of revenue income and expenditure in respect of supported housing projects depends solely on the agreements with the managing agents and on whether the Association entity carries the financial risk.

Where the Association entity holds the support contract with the Supporting People Administering Authority and carries the financial risk, all of the project's income and expenditure is included in the Statement of Comprehensive Income.

Where the agency holds the support contract with the Supporting People Administering Authority and carries the financial risk, the income and expenditure included is only that income and expenditure which related solely to the Association entity. Other income and expenditure of projects in this category is excluded from the Statement of Comprehensive Income.

Service Charges

Service charge income and costs are recognised on an accruals basis. The Association operates both fixed and variable service charges on a scheme by scheme basis in consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position.

Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents; until these costs are incurred this liability is held in the Statement of Financial Position within long term creditors.

Loans

All housing loans have been raised from the private sector including banks, building societies, and The Housing Finance Corporation Limited. All loan interest is accounted for on a basis which reflects the effective periodic rate of interest on the loan. Proceeds of loan stock issued by The Housing Finance Corporation Limited often contain elements of either discount or premium. Loans outstanding on the Statement of Financial Position are shown net of any premiums with the full loan outstanding being reinstated over its life by means of adjustments from the Statement of Comprehensive Income.

Costs of raising finance are set against gross loans received and the loan is then refinanced over its life by means of adjustments from the Statement of Comprehensive Income. Costs of raising finance are deemed to be finance costs of the same nature as interest.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Taxation

The Association is a charitable Co-operative and Community Benefit Societies and, providing income is derived from its primary purpose, there is no liability for Corporation Tax.

Value Added Tax

The Association charges VAT on some of its income and is able to recover part of the VAT it incurs on expenditure. All amounts disclosed in the accounts are inclusive of VAT to the extent that it is suffered by the Association and not recoverable.

Tangible fixed assets and depreciation

Housing property

Housing properties are shown at cost, less accumulated depreciation. The capitalised cost of developed or purchased housing properties includes the cost of acquiring land and buildings, related development staff salaries and corresponding direct overheads, interest costs on the net capital employed until the date of practical completion, major repairs capitalised and directly attributable professional fees. The cost of housing properties is allocated between land and buildings in line with National Housing Federation valuation matrix.

The Association capitalises major repairs and improvement expenditure on existing housing properties in line with the requirements of the SORP 2018. The cost of capitalised improvements is written off over the expected useful life of the components. Component lives are aligned to the assumed life within the stock condition survey database. Otherwise, such costs are taken as a charge to the Statement of Comprehensive Income in the year in which they are incurred.

The useful economic lives of the properties are:

Housing Properties	- 100 years from date of build
Major Repairs/Improvements	- over the expected life of the component

Where a housing property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Housing properties in the course of construction and freehold land are stated at cost and are not depreciated. When a component is replaced, the existing component is fully depreciated and written off, and is replaced by the capitalisation of the replacement component as incurred.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Tangible fixed assets and depreciation (Continued)

Housing property (Continued)

The Association depreciates freehold housing properties by component on a straight line basis over the UELs of the component categories. The table below shows the asset lives for the separately identified components within the building element of each property.

Component type	Component Life (years)
Structure	100
Insulated Render	Remaining life of structure
Roof	70
Soffits & Fascias	30
Windows	30
Doors	30
Bathroom	30
Heating System	30
Electrics	30
Lifts	30
Solar PV Panels	25
Kitchen	20
Boiler	15

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.

Other tangible fixed assets

Tangible fixed assets other than housing properties are stated at cost less accumulated depreciation. Depreciation is charged over the expected useful economic life of the asset, at the following annual rates:

Freehold Offices	- 50 years
Leasehold Office	- over the life of the lease
Computer Equipment	- 3 to 5 years
Fixtures & Fittings	- 4 years
Office Refurbishments	- 12 years

Property sales

Property sales arise from tenants exercising their Right to Buy or Right to Acquire.

For Right to Acquire sales, the surplus represents the difference between the sales proceeds and carrying value after deduction of grant that is to be recycled via the Recycled Capital Grant Fund. The surplus from the sale of Right to Buy and Right to Acquire properties is disclosed in the Statement of Comprehensive Income as a separate figure and is excluded from turnover. As it is considered to be an integral part of the Group's operating strategy, the surplus is disclosed within operating surplus.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Shared Ownership (Low Cost Home Ownership) properties

All properties are split between fixed and current assets in line with the expectation relating to the first tranche sale percentage. The expected first tranche proportion is classified as a current asset and is held at the lower of cost and net realisable value until the point of the first tranche sale. The current asset is then transferred to cost of sales and matched against sales proceeds within the operating surplus in the Statement of Comprehensive Income. Any operating surplus is restricted to the overall surplus which takes account of the Existing Use Value - Social Housing (EUV-SH) of the remaining fixed asset element. The remaining element of the asset is classified as a fixed asset and included in fixed assets in the Statement of Financial Position at cost less any provision for depreciation or impairment.

Property managed by agents

Where the Association carries the majority of the financial risk on property managed by agents, all of the income and expenditure arising from the property is included in the Statement of Comprehensive Income. Where the agency carries the majority of the financial risk, the Statement of Comprehensive Income includes only that income and expenditure which relates solely to the Association.

In both cases, the housing assets and associated liabilities are included in the Association's Statement of Financial Position.

Leasing and hire purchase

Where assets are financed by hire purchase contracts and leasing agreements that give rights approximating to ownership (finance leases), they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as obligations to the lessor in creditors. They are depreciated over the shorter of the lease term and their economic useful lives.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to Statement of Comprehensive Income over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Other leases are treated as operating leases and payments are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives received on leases to enter into operating lease agreements are released to Statement of Comprehensive Income over the term of the lease.

Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Stock

Stock of materials are stated at the lower of cost and net realisable value being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

Short-term debtors and creditors

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 operating expenditure.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Non-government grants

Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. Where grant is received with specific performance requirements it is recognised as a liability until the conditions are met and then it is recognised as Turnover.

Social Housing and other government grants

Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income and recognised in Turnover over the estimated useful life of the associated asset structure (not land), under the accruals model. SHG received for items of cost written off in the Statement of Comprehensive Income is included as part of Turnover.

When Social Housing Grant (SHG) in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

SHG must be recycled by the Association 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 Homes England and Greater London Authority. However, SHG may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as Turnover. In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

Non-monetary government grant

On disposal of assets for which non-monetary government grants are held as liabilities in the Statement of Financial Position, the unamortised amount in creditors is derecognised and recognised as income in the Statement of Comprehensive Income.

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 used to fund the acquisition of new properties, known as the Recycled Capital Grant Fund (RCGF). Where recycled grant is known to be repayable it is shown as a creditor within one year.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the reporting date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial Instruments

Financial assets and financial liabilities are measured at transaction price initially, plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.

Commitments to receive or make a loan to another entity which meet the conditions in para 11.8(c) of FRS 102 are measured at cost less impairment.

Financial instruments held by the Association are classified as follows:

- Financial assets such as cash, current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method;
- Financial liabilities such as loans are held at amortised cost using the effective interest method;
- Loans to or from subsidiaries including those that are due on demand are held at amortised cost using the effective interest method;
- Commitments to receive or make a loan to another entity which meet the conditions above are held at cost less impairment.

Impairment of Financial Assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that a financial asset or Association of financial assets is impaired. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

The following financial instruments are assessed individually for impairment:
a) All equity instruments regardless of significance; and
b) Other financial assets that are individually significant.

Other financial instruments are assessed for impairment either individually or apportioned on the basis of similar credit risk characteristics.

An impairment loss is measured as follows on the following instruments measured at cost or amortised cost:
a) For an instrument measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.
b) For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. The reversal cannot result in a carrying amount (net of any allowance account) which exceeds what the carrying amount would have been had the impairment not previously been recognised. The amount of the reversal is recognised in profit or loss immediately.

2. TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS/(DEFICIT) BY CLASS OF BUSINESS

	2019			2018		
	Turnover	Operating Costs/Cost of Sales	Operating Surplus/ (Deficit)	Turnover	Operating Costs/Cost of Sales	Operating Surplus/ (Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Social Housing Lettings (Note 3)	**11,649**	**(7,145)**	**4,504**	**11,723**	**(7,556)**	**4,167**
Other social housing activities:						
Other activities	219	(201)	18	229	(178)	51
Activities Other than Social Housing Activities:						
Lettings (Registered Nursing Homes)	672	(467)	205	693	(411)	282
Leasehold accommodation for the elderly	187	(148)	39	162	(102)	60
	12,727	(7,961)	4,766	12,807	(8,247)	4,560

3. INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	General Needs	Supported Housing & Housing for Older People	Low Cost Home Ownership	2019 Total	2018 Total
	£'000	£'000	£'000	£'000	£'000
Rents receivable net of identifiable service charge income and net of voids	9,438	212	345	9,995	10,042
Service charge income	744	114	33	891	937
Net rental income	**10,182**	**326**	**378**	**10,886**	**10,979**
Amortised Government Grants	643	21	24	688	691
Other income from Social Housing Lettings	73	2	-	75	53
Turnover from Social Housing Lettings	**10,898**	**349**	**402**	**11,649**	**11,723**
Operating Expenditure:					
Management	(1,125)	(36)	(42)	(1,203)	(1,765)
Service charge costs	(945)	(30)	(35)	(1,010)	(695)
Routine maintenance	(1,806)	(57)	-	(1,863)	(1,858)
Planned maintenance	(320)	(10)	-	(330)	(538)
Major repairs expenditure	(697)	(22)	-	(719)	(415)
Bad debts	(143)	(5)	-	(148)	(183)
Depreciation on housing properties	(1,751)	(56)	(65)	(1,872)	(2,102)
Operating Expenditure on Social Housing Lettings	**(6,787)**	**(216)**	**(142)**	**(7,145)**	**(7,556)**
Operating surplus on Social Housing Lettings	**4,111**	**133**	**260**	**4,504**	**4,167**
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	69	-	-	69	38

4. SURPLUS/(DEFICIT) ON DISPOSAL OF HOUSING PROPERTIES

	2019 £'000	2018 £'000
Sale of Housing Properties		
Proceeds from disposal	178	52
Cost of sale	(80)	(53)
Transfer to Recycle Capital Grant	(85)	(34)
Administration cost of disposal	(3)	(4)
Surplus/(Deficit) on Sale of Housing Properties	**10**	**(39)**
Sale of Shared Ownership Subsequent Tranches		
Proceeds from disposal	371	449
Cost of sale	(189)	(323)
SHG abated	70	41
Administration costs of disposal	(3)	(3)
Transfer to Recycled Capital Grant Fund	(216)	(130)
Surplus on Sale of Shared Ownership Subsequent Tranches	**33**	**34**
Surplus/(Deficit) on Disposal of Fixed Assets	**43**	**(5)**

5. EMPLOYEE INFORMATION

	2019 No.	2018 No.
Full Time Equivalents (excluding Directors)	**57**	**62**

	2019 £'000	2018 £'000
Wages and Salaries	1,818	1,867
Social Security Costs	179	182
Other Pension Costs	170	100
	2,167	**2,149**

In addition to the staff costs shown above, costs totalling £42k (2018: £67k) in respect of key management personnel of the Association were paid for by the ultimate parent company, WM Housing Group Limited.

The number of full-time equivalents has been calculated on a 37 hour per week basis.

	2019 No.	2018 No.
Full Time Equivalents split by remuneration bands of,		
£60,000 - £69,999	1	1

6. OPERATING SURPLUS

	2019 £'000	2018 £'000
Operating Surplus is stated after charging		
Depreciation:		
On Housing Properties	1,872	2,103
Auditor's Remuneration (excluding VAT):		
Audit of the company's financial statements	7	8
Operating Lease Payments:		
Motor vehicles	186	189
Bad Debts:		
On rents	136	167
On service charges	12	16

7. DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

The Directors of the Association are defined as the Board of Management and Executive Officers as set out on page 1.

Aggregate emoluments paid to or received by Directors who are not executive staff members including salaries, honoraria or other benefits for the year ended 31 March 2019 were £Nil (2018: £Nil).

Compensation payable to Directors or past Directors during the period in respect of loss of office of Director amounted to £Nil (2018: £Nil).

All executive directors fulfil Group roles and are employed directly by WM Housing Group Limited, with appropriate disclosures made in the Group financial statements.

8. PENSION COSTS

Historically Family Housing Association operated a defined benefit scheme, the assets of which are held in a managed fund administered by Phoenix Life. Since 31 March 2000, the defined benefit scheme has been closed to new staff and they have the option to become members of one of the WM Housing Group schemes with the Social Housing Pension Scheme (SHPS).

For the purposes of the financial statements, the Family Housing Association (Birmingham) Limited (1983) Retirement Fund is classified as a defined benefit scheme.

The assets of the fund are invested and managed independently of the finances of Family Housing Association (Birmingham) Limited.

Family Housing Association sponsors the Family Housing Association (Birmingham) Limited (1983) Retirement Fund which is a defined benefit arrangement. A full actuarial valuation was carried out at 31 January 2017 and has been updated to 31 March 2019 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

8. PENSION COSTS (Continued)

The most recent Actuarial Valuation was carried out as at 31 January 2017, and showed that over the 3 preceding years the scheme's deficit increased from approximately £2.10m to the sum of £2.59m. The Trustees have agreed with the employer to make payments of £522,000 per annum, increasing at 3% p.a., payable monthly for a period of 3 years and 9 months from 1 February 2018 to 31 October 2021, as recommended by the Actuary in the valuation. In addition, Pension Protection Fund levy payments, management and administration expenses are payable by the Association as and when they are due.

Present values of defined benefit obligation, fair value of assets and defined benefit liability

	2019 £'000	2018 £'000
Fair value of plan assets	5,437	4,942
Present value of defined benefit obligation	(6,216)	(6,056)
Deficit in Plan	(779)	(1,114)
Deferred tax	-	-
Net defined benefit liability to be recognised	**(779)**	**(1,114)**

Reconciliation of opening and closing balances of the defined benefit obligation

	2019 £'000	2018 £'000
Defined benefit obligation at start of the year	6,056	6,245
Interest expense	154	165
Actuarial losses	253	2
Benefits paid	(302)	(356)
Impact of GMP Equalisation	55	-
Defined benefit obligation at end of the year	**6,216**	**6,056**

Reconciliation of opening and closing balances of the fair value of plan assets

	2019 £'000	2018 £'000
Fair value of plan assets at start of the year	4,942	4,713
Interest income	131	130
Actuarial gains	141	(57)
Contributions made by the Association	525	512
Benefits paid	(302)	(356)
Fair value of plan assets at end of the year	**5,437**	**4,942**

The actual return on the plan assets for the year ended 31 March 2019 was £272k (2018: £73k).

8. PENSION COSTS (Continued)

Defined benefit costs recognised in the Statement of Comprehensive Income

	2019 £'000	2018 £'000
Recognised within the Surplus for the Year: -		
Net interest cost	23	35
Defined benefit costs recognised within the surplus for the year	**23**	**35**
Recognised within Other Comprehensive Income: -		
Return on plan assets (excluding amounts included in net interest cost) - gain/(loss)	141	(57)
Experience gain on defined benefit obligation	-	77
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities - (loss)	(253)	(79)
Total amount recognised within Other Comprehensive Income - (Loss)	**(112)**	**(59)**

Assets

	2019 £'000	2018 £'000
UK Equities	1,582	1,605
Overseas Equities	30	31
UK Government Bonds	3,668	3,156
Cash	157	150
Total assets	**5,437**	**4,942**

None of the fair values of the assets shown above include any direct investments in the Association's own financial instruments or any property occupied by, or other assets used by, the Association.

Assumptions

	2019 % per annum	2018 % per annum
Discount Rate	2.4	2.6
Allowance for commutation of pension for cash at retirement	No allowance	No allowance

8. PENSION COSTS (Continued)

Assumptions (Continued)

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy at Age 65 Years	
Male retiring in 2019	22.0	21.9
Female retiring in 2019	23.9	23.8
Male retiring in 2035	23.4	23.3
Female retiring in 2035	25.4	25.4

The best estimate of contributions to be paid by the Association to the plan for the period commencing 1 April 2019 is £540k.

9. INTEREST RECEIVABLE

	2019 £'000	2018 £'000
Interest Receivable	12	6

10. INTEREST AND FINANCING COSTS

	2019 £'000	2018 £'000
Defined Benefit pension charge	23	35
Other Interest	56	37
Other finance costs	-	46
Loan Breakage Costs	-	852
Capitalisation of Interest Payable	(86)	-
Bank Loans		
Repayable by instalments wholly or partly in more than 5 years	2,157	1,427
Repayable otherwise than by instalments	907	1,936
	3,057	**4,333**

11. TAXATION

The Association is a charitable Co-operative and Community Benefit Society and, providing income is derived from its primary purpose, there is no liability for Corporation Tax.

12. HOUSING PROPERTIES

	Social Housing Properties for Letting Completed	Social Housing Properties for Letting Assets Under Construction	Low Cost Home Ownership Properties Completed	Low Cost Home Ownership Assets Under Construction	Total Housing Properties	Total Fixed Assets
	£'000	£'000	£'000	£'000	£'000	£'000
COST						
At 1 April 2018	**146,893**	-	**9,686**	-	**156,579**	**156,579**
Works completed - existing properties	1,198	-	-	-	1,198	1,198
Additions New Developments	-	7,215	-	1,689	8,904	8,904
Disposals - Sales	(173)	-	(404)	-	(577)	(577)
Disposals - Replaced Components	(129)	-	-	-	(129)	(129)
At 31 March 2019	**147,789**	**7,215**	**9,282**	**1,689**	**165,975**	**165,975**
DEPRECIATION AND IMPAIRMENT						
At 1 April 2018	**17,052**	-	**737**	-	**17,789**	**17,789**
Charge for the period	1,823	-	49	-	1,872	1,872
Disposals - Sales	(13)	-	(33)	-	(46)	(46)
Disposals - Replaced Components	(129)	-	-	-	(129)	(129)
At 31 March 2019	**18,733**	-	**753**	-	**19,486**	**19,486**
NET BOOK VALUE						
At 31 March 2019	**129,056**	**7,215**	**8,529**	**1,689**	**146,489**	**146,489**
At 31 March 2018	**129,841**	-	**8,949**	-	**138,790**	**138,790**

There are 1,451 Family Housing Association (Birmingham) Limited properties charged against debt borrowed by WM Housing Group Limited either through a Security Trust or directly with a lender at the reporting date. Asset cover is measured by reference to the properties' Existing Use Value - Social Housing (EUV-SH) and/or Market Value - Subject to Tenancy (MV-STT) as a percentage of the debt outstanding. At the reporting date there was sufficient asset cover in respect of debt allocated to Family Housing Association (Birmingham).

12. HOUSING PROPERTIES (Continued)

	2019 £'000	2018 £'000
Net Book Value of Housing Properties and Other Fixed Assets comprises: -		
Freehold land and buildings	133,935	125,958
Long leasehold land and buildings	12,411	12,686
Short leasehold land and buildings	143	146
	146,489	138,790
Total expenditure on works to existing properties:		
Replacement components capitalised	1,198	986
Amounts charged to Statement of Comprehensive Income	719	415
	1,917	1,401

13. FIXED ASSET INVESTMENT IN SUBSIDARY UNDERTAKING

Cornerstone Commercial Services Limited is a subsidiary organisation for incorporation into the Consolidated Financial Statements of Family Housing Association (Birmingham) Limited (the Association) in accordance with the Co-operative and Community Benefit Societies Act 2014. Cornerstone Commercial Services Limited is a non-regulated company limited by shares and has been dormant with effect from 1 April 2014. As there are no plans for this company to trade in the future, an application for dissolution was made to Companies House and the company was dissolved on 23 July 2019.

	2019 £'000	2018 £'000
COST OF INVESTMENT	-	-

Details of the Family Housing Association (Birmingham) Limited subsidiary at 31 March 2019:

Name	Percentage of share held
Cornerstone Commercial Services Limited	100%

14. STOCK

	2019 £'000	2018 £'000
Properties held for resale: -		
Shared ownership properties (work in progress)	994	-
	994	-

15. TRADE AND OTHER DEBTORS

	2019 £'000	2018 £'000
Amounts receivable within one year		
Rental debtors	582	557
Less: Provision for bad debts	(420)	(368)
	162	**189**
Prepayments and accrued income	144	447
Other debtors	149	-
Amounts due from Subsidiary Undertaking	675	106
	1,130	**742**

Former tenant rent arrears of £275k (2018: £237k) are fully provided for and are therefore not included within the rental debtors or provision balances above.

16. CASH AND CASH EQUIVALENTS

	2019 £'000	2018 £'000
Cash at bank	**1,348**	**3,860**

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Housing Loans	-	77
Loans due to Group Treasury Vehicle(s)	1,224	1,090
Housing Loans (see note 19)	1,224	1,167
Interest due to Group Treasury Vehicle(s)	410	116
Rents received in advance	501	500
Amounts due to parent	215	57
Amounts due to other group members	630	777
Accruals and deferred income	1,344	1,361
Deferred capital grant (see note 20)	686	690
Recycled Capital Grant (see note 21)	116	93
Tax and social security	9	8
	5,135	**4,769**

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 £'000	2018 £'000
Housing Loans	54,174	50,921
Loans due to Group Treasury Vehicle(s)	1,188	2,414
Debenture stock	9,500	9,500
Premium on issue of debenture stock	45	45
Housing Loans (see note 19)	64,907	62,880
RCGF (see note 21)	467	280
Deferred capital grant (see note 20)	61,826	59,154
	127,200	**122,314**

19. DEBT ANALYSIS

Loans from banks and building societies are secured by specific charges on the Association's housing properties. The loans accrue interest at varying rates and are repayable in instalments as shown below:

	2019 £'000	2018 £'000
Amounts payable by instalments:		
Repayable within one year	1,224	1,167
Repayable between one and two years	2,900	1,145
Repayable between two and five years	2,999	4,167
Repayable after five years	15,031	15,490
	22,154	**21,969**
Amounts repayable otherwise than by instalments:		
Repayable within one year	-	-
Repayable between one and two years	2,966	-
Repayable between two and five years	7,000	5,763
Repayable after five years	27,122	29,429
	59,242	**57,161**
Bond Issue		
31 year, 3.25% repayable 20th October 2048	6,889	6,886
	66,131	**64,047**
Less: amount shown in Creditors: amounts falling due within one year (see note 17)	(1,224)	(1,167)
Housing Loans falling due after more than one year (see note 18)	**64,907**	**62,880**
Loan Facility		
Fixed Rate Loans	18,845	18,922
Variable Rate Loans	47,286	45,125
Total	**66,131**	**64,047**
Weighted Average Interest Rate	**4.06%**	**4.05%**

19. DEBT ANALYSIS (Continued)

Amounts repayable otherwise than by instalments relate to loans from The Housing Finance Corporation which are repayable by single repayments in 2021, 2023 and 2043. On October 2018, WM Treasury 2 plc borrowed £280m from the capital markets via a 31-year, 3.25% coupon bond issue. At 31 March 2019 the Group has a combined £58m of agreed borrowing facilities available to draw down. Interest rates range between 0.9% and 15.875%.

Group & Association

The interest rate profile at 31 March 2019 was:

	Total £'000	Variable Rate £'000	Fixed Rate £'000	Weighted Average Rate %	Weighted Average Term Years
Instalment loans	22,154	19,698	2,456	4.26%	10.44
Non-instalment loans	43,977	27,588	16,389	3.96%	11.55
	66,131	**47,286**	**18,845**	**4.06%**	**11.18**

The interest rate profile at 31 March 2018 was:

	Total £'000	Variable Rate £'000	Fixed Rate £'000	Weighted Average Rate %	Weighted Average Term Years
Instalment loans	21,968	19,432	2,536	4.17	11.2
Non-instalment loans	42,079	25,692	16,387	3.99	12.7
	64,047	**45,124**	**18,923**	**4.05**	**12.2**

Family Housing Association has the following borrowing facilities:	**2019 £'000**	**2018 £'000**
Undrawn committed facilities	-	-
Undrawn facilities	-	-
	-	-

The Association has access to £58m of undrawn borrowing facilities within WM Treasury Vehicle Ltd.

20. DEFERRED CAPITAL GRANT

	2019 £'000	**2018 £'000**
At the start of the year	59,844	60,720
Grant received in the year	2,671	-
Transfer to RCGF / DPF	1,017	-
Disposals	(332)	(185)
Released to income in the year	(688)	(691)
At the end of the year	62,512	59,844
Amount due to be released < 1 year (see note 17)	686	690
Amount due to be released > 1 year (see note 18)	61,826	59,154
	62,512	59,844

21. RECYCLED CAPITAL GRANT FUND (RCGF)

	2019 £'000	2018 £'000
Opening balance	**373**	**284**
Inputs:		
Grants recycled	302	164
Interest accrued	1	-
Transfer from other PRPs	924	-
Use/allocation of funds:		
New build	(1,017)	-
Major repairs and works to existing stock	-	-
Transfer to other PRPs	-	(75)
Other	-	-
Repayment of funds to Homes England/GLA	-	-
Closing balance	**583**	**373**
Amount due to be released < 1 year (see note 17)	116	93
Amount due to be released > 1 year (see note 18)	467	280
	583	**373**
Amounts 3 years or older where repayment may be required	-	-

All RCGF balances pertain to activities within areas covered by Homes England.

22. SHARE CAPITAL

	2019 £	2018 £
Allotted, issued and fully paid shares of £1 each:		
At 31 March	10	13

The shares do not provide members with the right to vote at the general meeting, and do not provide any rights to dividends or distribution on winding up.

23. COMMITMENTS

(a) Capital Commitments

	2019 £'000	2018 £'000
Capital Expenditure, which has been contracted for but has not been provided for in the financial statements	**10,541**	-
Capital Expenditure, which has been authorised under authority from the Board but has yet to be contracted for	**1,462**	**36**
The Group expects these commitments to be contracted within the next year and financed with:		
Cash surplus generated from operations	**1,462**	**36**

(b) Operating Lease Commitments

At the end of the year, the Association had commitments of future minimum lease payments under non-cancellable operating leases as follows: -

	2019 £'000	2018 £'000
Not later than one year	139	179
Later than one year and not later than five years	193	413
Later than five years	-	-

There are no operating leases for land and buildings.

24. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 March 2019 (2018: £Nil).

25. GRANT AND FINANCIAL ASSISTANCE

	2019 £'000	2018 £'000
The total accumulated government grant and financial assistance received or receivable at 31 March:		
Grant and financial assistance received or receivable	72,407	69,051
Recognised as income in the Statement of Comprehensive Income	(9,895)	(9,207)
Held as deferred capital grant (see note 20)	**62,512**	59,844

26. ANALYSIS OF CHANGES IN NET DEBT

	At Beginning of the Year £'000	Cash Flows £'000	At End of the Year £'000
Cash and Cash Equivalents	3,860	(2,512)	1,348
Housing Loans Due in One Year	(1,167)	(57)	(1,224)
Housing Loans Due After One Year	(62,880)	(2,027)	(64,907)
	(60,187)	**(4,596)**	**(64,783)**

27. ACCOMMODATION OWNED, MANAGED AND IN DEVELOPMENT

	2019		2018	
	Owned Homes	Managed Homes	Owned Homes	Managed Homes
Social Housing				
Under development at end of year:				
- General needs housing social rent	16	-	-	-
- General needs housing affordable rent	34	-	-	-
- Low cost home ownership	18	-	-	-
Under management at the end of the year:				
- General needs housing social rent	1,963	-	1,963	-
- General needs housing affordable rent	11	-	11	-
- Intermediate market rent housing	52	-	54	-
- Housing for older people	43	-	43	-
- Supported housing	104	-	105	-
- Low cost home ownership	120	-	125	-
	2,361		2,301	
Non-social Housing				
- Care homes	64	-	64	-
- Nursing homes	12	-	12	-
- Leasehold	41	-	41	-
- Leasehold scheme for the elderly	51	-	51	-
	2,529	-	**2,469**	-

28. ACCOMMODATION MANAGED BY OTHERS

	2019	2018
Managed by others at the end of the year:		
Social Housing		
- Supported housing	85	85
Non-social Housing		
- Care homes	64	64
- Nursing homes	12	12
	161	**161**

29. RELATED PARTIES

The immediate and ultimate parent of Family Housing Association (Birmingham) Limited is WM Housing Group Limited, a Co-operative and Community Benefit Society, registered in England and Wales. The Association has taken advantage of the exemption available under Section 33 FRS 102 not to disclose transactions with wholly owned subsidiary undertakings.

The following are related party transactions:

- The Boards of some members of the Association have tenant members who hold tenancy agreements on normal terms and cannot use their position to their advantage. The total of rent charged to the Tenant Board members in the year was £Nil (2018: £14k). There are no arrears on their tenancies at the reporting period end (2018:£Nil).
- Transactions with key management personnel and their close family, (including compensation paid).
- Related party balances are not secured.
- Transactions with registered and non-registered elements of the business.
- The Association provides management services, other services and loans to its subsidiaries.

Relationships between registered and non-registered elements of the business

The table below shows where relationships exist between WM Housing Group members.

	WMHG	WF	WMH	OCA	FHA	WMD	WMT	WMT2	WMTV	WBS	AGES
WMHG		✓	✓	✓	✓	✓					
WF	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓
WMH	✓	✓		✓		✓		✓	✓		
OCA	✓	✓	✓					✓	✓		✓
FHA	✓	✓						✓	✓		
WMD	✓	✓	✓								
WMT		✓									
WMT2		✓	✓	✓	✓						
WMTV		✓	✓	✓	✓						
WBS		✓									
AGES		✓		✓							

29. RELATED PARTIES (Continued)

Relationships between registered and non-registered elements of the business (Continued)

Entities in the table are abbreviated as follows and [R] denotes where the entity is a Registered Provider

WM Housing Group Limited [R]	WMHG	WM Treasury plc	WMT
Whitefriars Housing Group Limited [R]	WF	WM Treasury 2 plc	WMT2
West Mercia Homes Limited [R]	WMH	WM Treasury Vehicle Limited	WMTV
Optima Community Association Limited [R]	OCA	Whitefriars Business Services Limited	WBS
Family Housing Association (Birmingham) Limited [R]	FHA	Attwood Green Estate Services Limited	AGES
West Mercia Development Limited	WMD		

Transactions with registered elements of the business

The Association receives services from Group parent and fellow subsidiaries and provides management and other services to other Group entities.

	WMHG	WF	WMH	OCA
	£'000	£'000	£'000	£'000
2019	1,766	32,198	4,406	11,686
2018 (Restated)	1,662	24,181	1,433	12,909

Transactions with non-registered entities

	WMD	WBS	WMT	WMT2	WMTV	AGES
	£'000	£'000	£'000	£'000	£'000	£'000
2019	4,358	-	-	230	1,946	-
2018 (Restated)	-	-	-	103	387	-

The 2018 figures have been restated to reflect the new methodology used to report this information.

30. FINANCIAL INSTRUMENTS

The Association's financial instruments may be analysed as follows:

	Note	2019 £'000	2018 £'000
Financial assets			
(a) Financial assets measured at fair value through profit and loss		-	-
(b) Financial assets that are debt instruments measured at amortised cost			
- Cash and cash equivalents	16	1,348	3,860
- Rental debtors	15	162	189
- Other debtors	15	824	106
		2,334	4,155
(c) Financial assets that are equity instruments measured at cost less impairment		-	-
Financial liabilities			
(a) Financial liabilities measured at amortised cost			
- Housing loans	19	(66,131)	(64,047)
- Accruals	17	(1,344)	(1,361)
- Deferred capital grant	20	(62,512)	(59,844)
- Recycled Capital Grant Fund	21	(583)	(373)
		(130,570)	(125,625)
(b) Derivative financial instruments designated as hedges of variable interest rate risk		-	-
(c) Financial liabilities measured at fair value through profit or loss		-	-
(d) Loan commitments measured at cost less impairment		-	-