

**KINGSTON UPON THAMES CHURCHES
HOUSING ASSOCIATION LIMITED**

(RP NO: L0891)

**FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018**

**FINANCIAL STATEMENTS OF
KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**EXECUTIVE OFFICERS AND ADVISORS OF
KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2018**

BOARD OF MANAGEMENT

The Board Members who served from 1 January 2018 up to the date of approval of these financial statements unless stated were as follows:

M Corcoran	(Chair – retired 24 th September 2018)
G Beresford-Bevan	(Vice Chair to 23 rd September 2018, Chair from 24 th September 2018)
S Spencer	(Vice Chair from 24 th September 2018)
R King	(Treasurer)
E Akpovrare	
S Barrows	
J Crocker	(Tenant Board Member – retired 24 th September 2018)
J Newman	(Retired 16 th June 2018)
C Nicholson	
J Castelberg	(Chief Executive – retired 31 st January 2018)
R Brown	(Chief Executive – 1 st February 2018)

SECRETARY AND REGISTERED OFFICE

R Brown (From 9th April 2018)
J Castelberg (Until 31st January 2018)
Meadway House
17-21 Brighton Road
Surbiton, Surrey, KT6 5LR

SENIOR MANAGEMENT TEAM

J Castelberg	(Chief Executive until 31 st January 2018.)
R Brown	(Housing Services Manager until 31 st January 2018. Appointed Chief Executive on 1 st February 2018.)
K Hart	(Housing Services Manager appointed 1 st March 2018.)
L Boyd	(Finance Manager)

AUDITORS Beever and Struthers
15 Bunhill Row
London
EC1Y 8LP

SOLICITORS Russell-Cooke
2 Putney Hill
London
SW15 6AB

BANKERS Santander Corporate Banking
Time Deposits
2nd Floor
100 Ludgate Hill
London
C4M 7RE

Lloyds Bank plc
Kingston Business Centre
83 Clarence Street
Kingston upon Thames
Surrey
KT1 1RE

PRINCIPAL LENDERS Bank of Scotland plc
150 Fountainbridge
Edinburgh
EH3 9PE

Capita Mortgage services Ltd
Crown House
Crown Street
Ipswich
Suffolk
IP1 3HS

Registered with the Regulator of Social Housing - No. L0891

Registered under the Co-operative and Community Benefit Societies Act 2014 – No. 17374R

BOARD REPORT OF
KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2018

The Board of Management is pleased to present the financial statements for the year ended 31 December 2018.

The financial statements comply with current statutory requirements, the Association's rules and the Statement of Recommended Practice: Accounting by registered social housing providers Update 2014 (SORP 2014).

Objectives and Strategy

Kingston Upon Thames Churches Housing Association (KCHA) is a locally based housing association operating mainly in the Royal Borough of Kingston upon Thames, but with additional properties in Elmbridge Borough Council and the London Borough of Merton.

The principal object of the Association is to carry on for the benefit of the community the business of providing houses or hostels and any associated amenities for persons in necessitous circumstances upon terms appropriate to their means.

The Association was founded in 1964 and opened its first property in 1967. Since then we have grown steadily to our current size. In 2011 we merged with Wilberforce Housing Association. We now own and manage 272 units of housing with 3 additional units under development. This is made up of a mix of general needs housing (for single people, couples, single parents and families), including 88 units of sheltered housing for the elderly, and 12 self-contained flats for intermediate rent, which were mostly converted from former student accommodation.

Much of our housing consists of older properties that have been acquired and refurbished, but we also have some new build schemes including two consortium developments with other associations at Donald Woods Garden in Tolworth, and England Way in New Malden.

Our mission is to remain an independent Registered Provider providing high quality permanent social housing at affordable rents, and associated services, through a staff and Board of Management dedicated to serving the needs of our tenants.

We undertake a Tenant Satisfaction Survey regularly and last carried out this exercise in 2016. We were pleased that the overall results were positive and overall satisfaction levels have improved from 83% in 2012 to 84% in 2016. Compared to a benchmarking group of similar organisations, the area highlighted where we need to improve the most was communication, particularly with some of our sheltered housing tenants. Over all the other categories taken together, i.e. Value for Money Rents, Quality of Home, Neighbourhood and Repairs and Maintenance our performance was in the median category. We will carry out the next Tenant Satisfaction survey in 2019.

Our survey gives insights about issues where tenants think we could do better. In 2016 we set up a working group of Board members and staff to scrutinise the results in detail. It underlined that communication was key to improving levels of tenant satisfaction and we are now focusing particularly on listening to and acting upon our tenants suggestions. It also informs our capital improvements program. Having substantially completed our kitchen replacement program in 2015 we embarked on a five year bathroom replacement program, alongside the program of window replacement which we have been pursuing since 2012 and which contributes to the heating efficiency of our homes.

We strongly believe that one of our key strengths as a smaller and locally-based landlord is the fact that we can build an accessible and friendly but business-like relationship with our tenants. Every tenant is known personally to our Housing Management Team and can influence any decisions needed in the management, maintenance and refurbishment of their home.

BOARD REPORT OF
KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2018

For the most part our properties are scattered, with the largest concentrations in Surbiton, Kingston and Chessington. This helps promote balanced communities as the properties are not for the most part concentrated on social housing estates and meet a diverse range of needs. Our Housing Officer visits all our properties on estates, sheltered housing schemes, and houses divided into a number of flats, on a regular basis. He informs all tenants in advance when he is coming so that they have the opportunity to arrange to meet him to discuss any problems. Where it is practical on estates and in larger schemes we can also arrange joint consultation meetings with tenants.

This work falls under the banner of what is currently termed Social Value, and we have been working on ways of identifying and quantifying our achievements as part of an ongoing project with the G320, a group of smaller associations in London of which we are an active member. Ways of getting tenants as our customers involved are constantly evolving, especially with advances in digital technology. This is therefore an issue where we need to continue to think innovatively in the future. We have updated our website to include an option for our tenants to make payments online. In response to feedback from our most recent tenant satisfaction survey we have also increased our focus on the quarterly tenant newsletter.

The Housing Management Team is responsible for all aspects of the front-line service delivery of which one of the most important is dealing promptly and effectively with repairs and maintenance problems. Over the years we have performed consistently very well in getting repairs completed within the target times set for housing associations.

As well as keeping their homes in good repair, we know that another high priority for our tenants is the ability to have the quiet and peaceful enjoyment of their homes. We investigate promptly all complaints of neighbour nuisance or anti-social behaviour, and where there is a serious breach of the tenancy conditions we take formal action. We have in place a detailed Anti-Social Behaviour Policy and Procedures as required by Government policy, and a comprehensive set of Customer Service Standards which set out what our tenants can expect from us in all areas of our operations.

We set high store in promoting equality and diversity. Our Equality and Diversity Policy and Procedures sets out both our overall statement of intent and the ways in which we aim to put this into practice. Our Board of Management encourages tenant members to provide tenant representation on the Board.

Financial Performance

The Board of Management is pleased to report another satisfactory year at the end of which the Association achieved a surplus of £411,000 compared with £448,000 in 2017. The 2018 surplus did not include any legacy income. In previous years a total legacy of £145,000 was received. (2017 £2,000, 2016 £16,000, 2015 £127,000.)

In 2018 in addition to Statement of Comprehensive Income (SoCI) expenditure on repairs, £237,000 was re-invested on capital improvements to existing properties. In addition £358,000 was invested in the development of a new in fill development of three houses which will be completed in 2019. The operating surplus for the year decreased from £494,000 in 2017 to £451,000. Eliminating legacy income this becomes £492,000 in 2017 compared to £451,000 in 2018, being a reduction of £41k. This differential includes the negative impact of the non-cash movement through the SoCI of an adjustment of £51k as at the end of 2018 due to the re-assessment of the past service deficit due on the pension fund.

In 2015, the Association adopted the requirements of the Statement of Recommended Practice: Accounting by registered social housing providers Update 2014 (SORP 2014). The SORP 2014 was mandatory for registered providers of social housing for all financial periods commencing on or after 1 January 2015.

BOARD REPORT OF
KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2018

There are two main changes arising from the introduction of the SORP 2014 which affects the Association materially i.e. the recognition of a Past Service Deficit creditor relating to the funding shortfall of the SHPS pension scheme, and the change of treatment of housing grants which are now amortised separately over the economic useful life of the relevant asset. This amortisation is included in annual turnover.

The Board of Management recognises that the Association's future income and expenditure flows can be subject to change. Reserves are held to ensure the continuity of the Association's work in the event of such occurrence. The Association's unrestricted reserves increased during 2018 from £6,951,000 to £7,362,000 and cash backing increased from £2,912,000 to £2,961,000.

Future developments

We have developed two schemes for 'intermediate' (or sub-market) renting where rents are set at between 70% and 80% of open market rents. These meet our charitable objective of providing housing for people "in necessitous circumstances", as there are a large number of households in our areas of operation who cannot possibly afford to purchase a home, struggle to afford full open market rents, and realistically stand little if any chance of being considered for re-housing through the local authority housing waiting list. It is our intention to continue to expand this area of our operations.

We hope to be working in partnership with other developing associations in the near future to invest in additional homes which are very clearly in demand in the areas in which we operate.

Principal risks and uncertainties

Our rents stand favourable in comparison with other registered providers operating in the area, and are very much lower than private sector market rents. The rents we charge were historically set in line with the Government's Rent Restructuring initiative, which aimed to bring social housing rents nationally into line over a ten year period from 2003 to 2012 based on local property values and earnings. Until 2014 annual rent increases continued at RPI plus 0.5% plus up to £2 per week to achieve rationalised target rents for the locality. In 2015 rent increases were required to be based on CPI plus 1%. It was originally announced that this formula would apply for a period of ten years, however this has now been superseded. Rents (excluding our older persons housing for the first year) are now required to be cut by 1% per annum for four years starting in 2016 and we have been advised by the government that this will be followed by a period of five years where rents will increase at CPI plus 1%. Despite the impact of this change on our projected rental income, we project good financial performance into the future based on efficient delivery of services and sound financial ratios.

We are currently in a period of change as regards various other areas of government policy including the introduction of Welfare Reform, the Pay to Stay initiative and the recent voluntary agreement of the sector to work with the government to extend Right to Buy.

The Board of Management and Senior Management Team

The Board of Management and Senior Management Team are listed on page 3.

Each member of the Board of Management holds one fully paid share of £1 of the Association. In view of the constitution of the Association, all shareholdings relate to non-equity interests.

Compliance with Governance and Financial Viability Standard

The Board confirms that the Association has met the Regulator for Social Housing's regulatory expectations in the governance and financial viability standard except as stated below.

BOARD REPORT OF
KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2018

The Association continues to adopt the National Housing Federation's Code of Governance. This code was updated in 2015. The Association complies with the Code of Governance in all respects except one, namely item D2 in the section 'Provisions regarding renewal', which states:

"Maximum tenure must be agreed for all non-executives which must in total be nine years or fewer, composed of two or more consecutive terms of office. This maximum tenure must apply to all board member service with an organisation or its predecessors or its subsidiaries."

Our current Board includes one member who has exceeded this nine year rule, Glennis Beresford-Bevan, our Chair.

In accordance with our policies and procedures we adhere to the Code of Governance in respect of the constitution, functions, skills, renewal, review and conduct of the Board. We conduct a Board appraisal every two years and a Board skills audit every alternate two years. We have an active strategy for Board renewal and have recently advertised for potential new Board members, including a tenant Board member. While the Association supports and follows the underlying principle of Board renewal and review, it does not think it appropriate for a small Association with unpaid Board members to automatically require a Board member to stand down after nine years.

Internal Controls

The Board of Management acknowledges its ultimate responsibility for the Association's system of internal control, and for ensuring that the Association has in place systems of internal control where the extent and formality of individual controls should relate to the risks incurred, whilst recognising that such systems can only provide reasonable and not absolute assurance against material misstatement or loss. Key elements of fulfilment of this responsibility include:

- The establishment of formal policies and procedures covering the prime processes of the Association. These include a formal fraud policy, which is reviewed, updated and promulgated to all staff on a regular basis.
- Implementation of financial regulations and delegated authorities designed to ensure that assets are safeguarded against unauthorised use or disposition, and that proper accounting records are maintained.
- The appointment of experienced and suitably qualified staff to take responsibility for business functions, and an appropriate organisational structure.
- The production and review of appropriate and reliable financial management information for use within the Association or for publication, covering the monitoring of the Association's financial performance and cash flows against approved short and long term plans, with analysis of material variances.
- Assessment and approval of new activities and investment decisions, through decision making levels appropriate to the level of value and risk, as defined in the financial regulations and delegated authority procedures.
- Monitoring by the Board of Management of the reports of the external auditors to provide reasonable assurance that control procedures are in place and are being followed. Formal procedures have been established for instituting appropriate action to correct weaknesses and respond to recommendations for improvement from these reports.

These processes of internal control are reviewed on an ongoing basis.

The Board of Management has reviewed the effectiveness of the systems of internal control in existence in the Association for the year ended 31 December 2018 and until the date of approval of these financial statements.

BOARD REPORT OF
KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2018

Value for Money (VFM)

The Accounting Direction 2015 requires that the KCHA should undertake and publish within its narrative report an assessment of its performance for the year which sets out to stakeholders how it is achieving value for money in delivering its purpose and objectives, in accordance with the regulator's standard on value for money. The Regulatory Framework requires an annual self-assessment which sets out in a way that is transparent and accessible to stakeholders, how value for money is being achieved in delivering their purpose and objectives. The assessment shall:

- Enable stakeholders to understand the return on assets measured against the organisation's objectives,
- Set out the absolute and comparative costs of delivering specific services,
- Evidence the value for money gains that have been and will be made and how these have and will be realised over time.

Overview

Getting value for money is very important to us and our tenants since it determines our ability to re-invest in our properties for the benefit of our tenants.

Good value for money may not always mean finding the cheapest option. We are also focused on obtaining good quality, efficient and effective services. As a small housing association we are able to develop close working relationships with our tenants and principal stakeholders. The commitment and stability of our staff team means we have the benefit of high levels of continuity in maintaining and developing these relationships.

Objectives of our Value for Money Strategy

In addition to looking at opportunities for controlled growth over the next few years one of our main objectives is to provide our existing tenants with a caring and professional service which seeks to improve and modernise both their homes and the services they receive. This objective can be broken down as follows:

Our key priorities in relation to pursuing Value for Money are:

- Maintaining and improving the quality and value of our housing stock
- Effective and efficient delivery of tenant services
- Tenant satisfaction and good tenant communications
- Benchmarking our performance over time and with other similar RPs
- Good governance and regulatory compliance
- Invest in staff development to improve our service
- Partnerships with other organisations

A key aim of our strategy is to ensure that VFM is part of the culture of the Association by using key performance indicators and individual targets to measure performance and hence ensure that appropriate action can be taken to maintain efficiency and effectiveness.

Asset Management Strategy

We have in place a detailed Asset Management Strategy, the aims of which are fivefold:

- To maintain the Association's properties to a high standard
- To meet tenants' and prospective tenants' needs and aspirations both now and in the future
- To obtain value for money and minimise cost in use
- To at least meet, and wherever possible exceed, the Government's Decent Homes Standards
- To optimise properties to reflect current priority housing need.

BOARD REPORT OF
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FOR THE YEAR ENDED 31 DECEMBER 2018

The Association's homes vary in age and date of acquisition. We have devoted much time and energy in recent years to the question of longer-term planned maintenance, and particularly the improvement of our older properties. We are acutely aware that in the future we will need not only to continue to provide a first rate responsive maintenance service, but also to look to meeting increasing aspirations from tenants for the modernisation of their homes. The Association has taken major steps to deal with a number of properties that were 'past their useful lives' and are about to re-develop the last of our part shared bedsits.

In addition to re-modelling a number of bedsits at our Torrington scheme as they became available, in 2014 we disposed of 462 Kingston Road which comprised 7 bedsits for young homeless people. These were managed on our behalf by Kingston Action on Homelessness and were badly suited to this purpose and could not be brought up to a good standard. Mindful of the need for accommodation for the homeless however, the Association now sponsors ten rooms for young homeless people by run by Centrepoint, a specialist London based organisation.

Over the years we have moved towards allocating a far higher proportion of repairs expenditure to planned as opposed to reactive maintenance. The position has been complicated in recent years by the requirement to capitalise some repairs expenditure. Using this as the basis of comparison 75% of our repairs in 2018 were planned which is a high ratio and recommended as best practice by the HCA and others.

We maintain a stock condition database based on a full stock survey which is used to predict expenditure on a cycle of up to 30 years, as well as providing a detailed record for each of our homes of what improvements have been made and when they took place.

Older Persons Activities

The merger in 2011 with Wilberforce Housing Association significantly increased our stock of sheltered housing for older persons. We have upgraded these lounges including furniture and equipment using funds from a tenant legacy. After consultation on the possibility of using the communal facilities in the schemes for a programme of additional activities we have introduced a regular and very popular quiz night.

We have also installed computers with internet access for residents' use in all the communal lounges, including at the sheltered scheme at Torrington in Long Ditton. We will revisit this initiative if any new areas of interest emerge.

Development

In addition to investment in our existing housing we are completing a development of three new build houses comprising an in fill development at one of our existing properties. We are continuing to keep other opportunities for development under review.

Costs and Performance

In 2018 the Association's turnover suffered a small decrease of £10,000 due to the implementation of the 1% rent cuts, which was mitigated by an improvement in rent losses from void properties.

The operating expenditure increased by £30,000 from 2017 to 2018 which is an increase of 2.3% and includes the £51k additional employment costs in 2018 relating to the adjustment of the pension creditor.

As regards gearing, the Association will first use its existing funds generated from property sales and operating activities to invest in its existing properties and new developments before this is increased.

BOARD REPORT OF

KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2018

Costs and Performance (continued)

	KCHA 2018	KCHA 2017	Peer Group Median 2017- 18	Peer Group Quartile 2017- 18	National Smalls London Median 2017-18	National Smalls London Quartile 2017-18	KCHA Target 2019
Business Health							
Operating Margin (social housing lettings only) % - RSH metric	24%	26%	23%	2	20%	2	-
Operating Margin (overall) % - RSH metric	24%	27%	22%	2	16%	1	-
EBITDA MRI Interest Cover % - RSH metric	1145%	1205%	412%	N/A	273%	N/A	-
Headline Social Housing Cost Per Unit - RSH metric	£4,176	£4,129	£4,348	2	£5,103	1	-
Overheads costs as % of turnover	17%	17%	17%	2	15%	3	-
Cost per property of Housing Management	£429	£454	£420	3	£583	2	-
Development Capacity and Supply							
New Supply Delivered (Social Housing Units) % - RSH metric	0%	0%	0%	-	0%	-	1.1%
New Supply Delivered (Non-Social Housing Units) % - RSH metric	0%	0%	0%	-	0%	-	0%
Reinvestment in Property % - RSH metric	5.2%	6.1%	5.2%	2	3%	2	9%
Gearing (net debt / tangible housing assets) % - RSH metric	(12)%	(11)%	16%	N/A	18%	N/A	-
Service Delivery							
Satisfaction - overall services - GN & HfOP	84%	84%	89%	4	86%	3	90%
Satisfaction - overall services - GN	80%	80%	91%	4	85%	3	90%
Satisfaction - overall services - HfOP	92%	92%	-	-	-	-	90%
Asset Management							
Return on Capital Employed (ROCE) % - RSH metric	2.9%	3.2%	3.6%	2	2%	2	-
Occupancy at year end	100.0%	100.0%	99.8%	1	99.6%	1	99.6%
Ratio of reactive to planned repairs	53%	45%	47%	2	59%	1	60%
Void works spend per property	£0.87	£2.46	£2.38	3	£2.35	3	-
Rent collected as % of rent owed (excl arrears b/f) - GN & OP	102.5	104.7	100	1	100.0	1	-
Repairs completed on time	99.5%	99.7%	97.6%	1	96.9%	1	95%
Average re-let days - GN	18	27	26	3	25	3	18
Average re-let days - HfOP	41	67	59	3	31	4	28
Staff							
Staff turnover	2.4%	1.2%	-	-	-	-	-
Average days lost to sickness	5.8	3.1	4.0	2	6.7	2	5

KEY: The following show Kingston Churches Housing Associations performance when compared to the benchmarking group shown

1	Within the top quartile
2	Within the second quartile
3	Within the third quartile
4	Within the bottom quartile

BOARD REPORT OF
KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2018

Stakeholders & Partnerships

We consider that collaborative working with stakeholders and partners is crucial in achieving the aims of the Association. We value, and wish to maintain, our independence as a way of providing a caring and focused service to our tenants. However, as a relatively small organisation we are aware that we cannot work effectively in isolation, and we are always looking for opportunities to work with others, particularly housing associations, where ad hoc partnerships can bring mutual benefit.

What's Going Well

The Association is maintaining good control of overheads and these are in line with the median for our peer group, resulting in higher than median operating margins and lower than median headline social housing costs per unit.

We have maintained high occupancy rates and high rent collection levels. In 2018 we increased our focus on our arrears procedure and undertook training to prepare for the roll out of Universal Credit in our area. We re-invested in our existing properties, exceeded our repairs completion on time targets and began the development of 3 new houses.

In 2018, following the retirement of the Chief Executive, the Association experienced some disruption due to internal promotions and other recruitment leading to a large proportion of staff being new in post. This had the positive effect however of retaining good continuity of experience within the organisation.

Where We Can Improve

In 2019 the Association will be commissioning a tenant satisfaction survey, which is undertaken every three years.

In response to disappointing overall satisfaction in 2016 we set up a working group to try to understand where we needed to improve. Detailed review of the data underlined that a key area for improvement was listening to our tenants' views and acting upon them. Significant steps have been taken to improve our contact with our tenants. Where we were able to we have acted on the suggestions of tenants to make improvements.

The Year Ahead

We expect to complete our three new build houses in the first half of 2019.

We have no expectation of any material increases in running costs over the next year and there are no other substantive changes planned. We expect the Association to continue to perform well and hope to continue to make improvements in the areas of arrears and voids control, despite the difficult economic environment, as well as investment in and maintenance of our property.

In 2012 we embarked on a program of window replacement as part of our cyclical repairs and improvements program which contributes to the heating efficiency of our homes. In 2016 we commenced a five year program to replace all our bathrooms since this was a preference expressed by our tenants during our 2016 tenant satisfaction survey. We look forward to finding out where our tenants feel we should address our attention to improve their homes in the future.

Public Benefit Entity

As a public benefit entity, KCHA has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102.

BOARD REPORT OF
KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2018

Statement of the Board's Responsibilities in Respect of the Financial Statements

The Board is responsible for preparing the report and financial statements in accordance with applicable law and regulation.

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 its Income and Expenditure for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that 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 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 2015. It has general responsibility for taking reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

Information for Auditors

We the members of the Board who held office at the date of approval of these Financial Statements as set out above confirm, so far as we are aware, that there is no relevant audit information of which the Association's auditors are unaware; and we have taken all the steps that we ought to have taken as Board members to make ourselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

Beever and Struthers have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the Annual General Meeting.

Approved on behalf of the Board of Management:

GLENNIS BERESFORD-BEVAN
Chair

Date: 8 April 2019

REPORT OF THE INDEPENDENT AUDITORS TO
KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2018

Opinion

We have audited the financial statements of Kingston Upon Thames Churches Housing Association Limited (the 'association') for the year ended 31 December 2018 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 in Note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 December 2018 and of its surplus 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 in England 2015.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which 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.

**REPORT OF THE INDEPENDENT AUDITORS TO
KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2018**

Other information

The other information comprises the information included in the Board 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, except to the extent otherwise explicitly stated in our report, 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 Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- the information given in the Board Report for the financial year for which the financial statements are prepared is consistent with the financial statements; or
- 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 Board's Responsibilities in Respect of the Financial Statements set out on page 12, 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 is responsible for assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the association or to cease operations, or have no realistic alternative but to do so.

**REPORT OF THE INDEPENDENT AUDITORS TO
KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2018**

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 website 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's members, as a body, in accordance with section 87(2) of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Beever and Struthers
Chartered Accountants
Statutory Auditor**

15 Bunhill Row
London
EC1Y 8LP

Date:

KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Turnover	2	1,850	1,860
Operating expenditure	2	(1,402)	(1,371)
Other Income	2	3	5
Operating surplus / (deficit)		<u>451</u>	<u>494</u>
Interest receivable		18	11
Interest and financing costs	5	(58)	(57)
Surplus / (deficit) before tax	6	<u>411</u>	<u>448</u>
Taxation	7	-	-
Surplus / (deficit) for the year		<u>411</u>	<u>448</u>
Total comprehensive income for the year		<u><u>411</u></u>	<u><u>448</u></u>

The financial statements on pages 16 to 38 were approved and authorised for issue by the Board on 8 April 2019 and were signed on its behalf by:

GLENNIS BERESFORD-BEVAN
Chair

SAM SPENCER
Vice Chair

ROSSCOE BROWN
Secretary

The Statement of Comprehensive Income relates wholly to continuing activities and the notes on pages 20 to 38 form an integral part of these financial statements.

KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Fixed assets			
Tangible fixed assets	11	11,562	11,215
		<hr/>	<hr/>
Current assets			
Trade and other debtors	12	82	82
Investments	13	100	100
Cash and cash equivalents	14	2,961	2,912
		<hr/>	<hr/>
		3,143	3,094
Less: Creditors: amounts falling due within one year	15	(487)	(406)
		<hr/>	<hr/>
Net current assets / (liabilities)		2,656	2,688
		<hr/>	<hr/>
Total assets less current liabilities		14,218	13,903
Creditors: amounts falling due after more than one year	16	(6,856)	(6,952)
		<hr/>	<hr/>
Total net assets		7,362	6,951
		<hr/> <hr/>	<hr/> <hr/>
Reserves			
Non-equity share capital	18	-	-
Income and expenditure reserve		7,362	6,951
		<hr/>	<hr/>
Total reserves		7,362	6,951
		<hr/> <hr/>	<hr/> <hr/>

The financial statements on pages 16 to 38 were approved and authorised for issue by the Board on 8 April 2019 and were signed on its behalf by:

GLENNIS BERESFORD-BEVAN
Chair

SAM SPENCER
Vice Chair

ROSSCOE BROWN
Secretary

The notes on pages 20 to 38 form an integral part of these financial statements.

KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED 31 DECEMBER 2018

	Income and expenditure reserve
	£'000
Balance as at 1 January 2017	6,503
Surplus / (deficit) from Statement of Comprehensive Income	448
	<hr/>
Balance as at 31 December 2017	6,951
Surplus / (deficit) from Statement of Comprehensive Income	411
	<hr/>
Balance as at 31 December 2018	7,362
	<hr/> <hr/>

The notes on pages 20 to 38 form an integral part of these financial statements.

KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Net cash generated from operating activities (see Note i)		816	763
Cash flow from investing activities			
Purchase of tangible fixed assets		(628)	(689)
Interest received		18	11
		206	85
Cash flow from financing activities			
Interest paid		(58)	(57)
Repayment of borrowings		(99)	(98)
		49	(70)
Net change in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		2,912	2,982
Cash and cash equivalents at end of the year		2,961	2,912

Note i

	Notes	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Cash flow from operating activities			
Surplus / (deficit) for the year		411	448
Adjustments for non-cash items:			
Depreciation of tangible fixed assets		281	277
Decrease / (increase) in trade and other debtors		-	(1)
Increase / (decrease) in trade and other creditors		77	52
Pension costs less contributions payable		51	(15)
Adjustments for investing or financing activities:			
Government grants utilised in the year		(44)	(44)
Interest payable		58	57
Interest received		(18)	(11)
Net cash generated from operating activities		816	763

The notes on pages 20 to 38 form an integral part of these financial statements.

KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

Legal Status

Kingston Upon Thames Churches Housing Association Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 registration number 17374R and is registered with the Regulator of Social Housing as a Private Registered Provider of Social Housing registration number L0891. The registered office is Meadway House, 17/21 Brighton Road, Surbiton, Surrey, KT6 5LR.

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 2014.

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 2015. The financial statements are prepared on the historical cost basis of accounting as modified by investments held at fair value and are presented in sterling £'000.

The Association's financial statements have been prepared in compliance with FRS 102. The Association transitioned from previous UK GAAP to FRS 102 as at 1 January 2014.

As a public benefit entity, Kingston Upon Thames Churches Housing Association has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102.

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. The 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 have been 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 Statement of Financial Position 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.

- a. **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.
- b. **Impairment.** The Association has identified a cash generating unit for impairment assessment purposes at a property scheme level.

Other key sources of estimation and assumptions:

- a. **Tangible fixed assets.** 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.

KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. Principal Accounting Policies (continued)

Turnover and revenue recognition

Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities and Homes England and other income and are 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.

Sale of properties developed for outright sale are included in Turnover and Cost of Sales.

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 3. 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 as per note 3 and matched against the relevant costs.

Service charges

Service charge income and costs are recognised on an accruals basis. The Association operates fixed service charges on a scheme by scheme basis in full consultation with residents.

Loan interest costs

Loan interest costs are calculated using the effective interest method of the difference between the loan amount at initial recognition and amount of maturity of the related loan.

Loan finance issue costs

These are amortised over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts amortised. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs are recognised in the Statement of Comprehensive Income account in the year in which the redemption took place.

Taxation

By virtue of S.478 Corporation Tax Act 2010, the Association is exempt from corporation tax.

Value Added Tax

The Association is not registered for VAT and therefore all costs incurred where applicable are inclusive of VAT.

Tangible fixed assets and depreciation

Housing properties

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

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.

KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. Principal Accounting Policies (continued)

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. 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 UELs of the component categories.

UELs for identified components are as follows:

	Years
Structure	150
Roof	60
Windows	30
Heating	15
Electrical	40
Kitchen	20
Bathroom	30
Lift	20

The Association depreciates housing properties held on long term 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 fixed assets on a straight-line basis over the expected economic useful lives which are as follows:

	Years
Fixtures, Fittings and Office Equipment	5
Computer Equipment	4

Capitalisation of interest and administration costs

Interest on loans financing development is capitalised up to the date of the completion of the scheme and only when development activity is in progress.

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into their intended use.

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 the 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.

KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. Principal Accounting Policies (continued)

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.

Current asset investments

Investments in NS&I bonds are recognised initially at cost and subsequently at fair value at the reporting date. Any change in valuation between reporting dates is recognised in the Statement of Comprehensive Income.

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 other operating expenses.

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.

Recycling of Capital Grant

Where Social Housing Grant is recycled the SHG is credited to a fund which appears as a creditor until used to fund the acquisition of new properties, where recycled grant is known to be repayable it is shown as a creditor within one year.

Disposal Proceeds Fund (DPF)

Receipts from the sale of SHG funded properties less the net book value of the property and the costs of disposal are credited to the DPF, this creditor is carried forward until it is used to fund the acquisition of new social housing.

Retirement benefits

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

The disclosures in the financial statements follow the requirements of Section 28 of FRS 102 in relation to multi-employer funded schemes in which the Association has a participating interest.

Contributions payable under an agreement with SHPS to fund past deficits are recognised as a liability in the Association's financial statements calculated by the repayments known, discounted to the net present value at the year ended using a market rate discount factor of 1.45% at 31 December 2016, 1.41% at 31 December 2017 and 1.84% at 31 December 2018. The unwinding of the discount is recognised as a finance cost in the Statements of Comprehensive Income in the period incurred.

KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. Principal Accounting Policies (continued)

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 group 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 grouped 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 the Statement of Comprehensive Income immediately.

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.

Financial instruments held by the Association are classified as follows:

- Financial assets such as cash is held at cost.
- Financial assets such as current asset investments are held at fair value.
- Financial assets such as receivables are classified as loans and receivables and held at amortised cost using the effective interest method.
- Financial liabilities such as bonds and loans are held at amortised cost using the effective interest method.
- An investment in another entity's equity instruments other than non-convertible preference shares and non-puttable ordinary and preference shares are held at fair value.

KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2(a). Turnover, cost of sales, operating expenditure and operating surplus

	Turnover	2018 Cost of Sales	Operating expenditure	Operating surplus
	£'000	£'000	£'000	£'000
Social housing lettings (notes 3a and 3b)	1,850	-	1,401	449
Activities other than social housing				
Other	3	-	1	2
Total	<u>1,853</u>	<u>-</u>	<u>1,402</u>	<u>451</u>
	Turnover	2017 Cost of Sales	Operating expenditure	Operating surplus
	£'000	£'000	£'000	£'000
Social housing lettings (notes 3a and 3b)	1,860	-	1,370	490
Activities other than social housing				
Donations	2	-	-	2
Other	3	-	1	2
Total	<u>1,865</u>	<u>-</u>	<u>1,371</u>	<u>494</u>

KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

3(a). Turnover and operating expenditure

	General Needs Housing	Housing for Older People	Intermediate Rent	Total 2018	Total 2017
	£'000	£'000	£'000	£'000	£'000
Income					
Rent receivable net of identifiable service charge	1,072	412	125	1,609	1,613
Supporting People income	-	14	-	14	15
Service charge income	47	136	-	183	188
Amortised government grants	37	6	1	44	44
Turnover from Social Housing Lettings	<u>1,156</u>	<u>568</u>	<u>126</u>	<u>1,850</u>	<u>1,860</u>
Operating expenditure					
Management	165	101	14	280	244
Service charge costs	76	97	8	181	183
Routine maintenance	152	69	14	235	217
Planned maintenance	290	35	17	342	333
Major repairs expenditure	70	24	2	96	141
Bad debts	8	(1)	2	9	(4)
Depreciation of Housing Properties	166	75	17	258	256
Operating expenditure on Social Housing Lettings	<u>927</u>	<u>400</u>	<u>74</u>	<u>1,401</u>	<u>1,370</u>
Operating Surplus / (Deficit) on Social Housing Lettings	<u>229</u>	<u>168</u>	<u>52</u>	<u>449</u>	<u>490</u>
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	<u>(3)</u>	<u>(3)</u>	<u>(2)</u>	<u>(8)</u>	<u>(14)</u>

3(b). Turnover from activities other than social housing

	2018 £'000	2017 £'000
Legacy	-	2
Guest rooms	1	1
Donations	-	-
Sundry	2	2
	<u>3</u>	<u>5</u>

KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

4. Accommodation owned, managed and in development

	2018 No of properties owned & managed	2017 No of properties owned & managed
Social Housing		
Under development at end of year:		
Intermediate rent	3	3
Under management at end of year:		
General needs housing	169	169
Supported housing and housing for older people	88	88
Intermediate rent	12	12
Scheme Managers	3	3
	<hr/> 275	<hr/> 275
	<hr/> <hr/>	<hr/> <hr/>

5. Interest and financing costs

	2018 £'000	2017 £'000
On loans repayable within five years	-	-
On loans wholly or partly repayable in more than five years	57	56
Costs associated with financing	1	1
	<hr/> 58	<hr/> 57
	<hr/> <hr/>	<hr/> <hr/>

KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

6. Surplus / (deficit) on ordinary activities

	2018 £'000	2017 £'000
The operating surplus is stated after charging / (crediting):		
Auditors remuneration (excluding VAT)	9	9
Operating lease rentals:		
- Land and buildings	21	21
Depreciation of housing properties	258	256
Depreciation of other fixed assets	23	21
	<u> </u>	<u> </u>

7. Tax on surplus / (deficit) on ordinary activities

By virtue of s.478 Corporation Tax Act 2010 the Association is exempt from corporation tax.

8. Directors' remuneration

	2018 £'000	2017 £'000
The aggregate emoluments paid to or receivable by non-executive Directors and former non-executive directors	-	-
The aggregate emoluments paid to or receivable by executive Directors and former executive directors	85	86
The aggregate compensation paid to or receivable by Key Management Personnel	182	189
The emoluments paid to the highest paid Director excluding pension contributions	70	77
The aggregate amount of Directors or past Directors pensions, excluding amounts payable under a properly funded pension scheme	-	-
The aggregate amount of any consideration payable to or receivable by third parties for making available the services of a Director	-	-
The aggregate amount of any consideration payable to Directors for loss of office	-	-

The former Chief Executive and the current Chief Executive are ordinary members 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 KCHA of £1,000 (2017: £9,000) was paid in addition to the personal contributions of the former Chief Executive. A contribution by KCHA of £7,000 (2017: £5,000) was paid in addition to the personal contributions of the current Chief Executive.

Directors (key management personnel) are defined as members of the Board, the Chief Executive and any other person who is a member of the Senior Management Team or its equivalent.

KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

9. Employee information

	2018	2017
The average number of persons employed during the year expressed in full time equivalents (35 hours per week) was:		
Office staff	5	5
Wardens, caretakers and cleaners	2	2
	410	350
	2018	2017
	£'000	£'000
Staff costs		
Wages and salaries	300	313
Social Security costs	22	18
Pension costs	88	19
	410	350
	410	350
	2018	2017
Aggregate number of full time equivalent staff whose remuneration exceeded £60,000 in the year:		
£80,000 - £90,000	1	1

No employee received more than £90,000 in the year (2017: 0).

10. Pension obligations

The Association participates in the Social Housing Pension Scheme (SHPS) of which is a multi-employer defined benefit schemes.

Social Housing Pension Scheme

The Association participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the Association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the Association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

10. Pension obligations (continued)

Deficit contributions

Tier 1		£40.6m per annum
From 1 April 2016 to 30 September 2020:	(payable monthly and increasing by 4.7% each year on 1 st April)	

Tier 2		£28.6m per annum
From 1 April 2016 to 30 September 2023:	(payable monthly and increasing by 4.7% each year on 1 st April)	

Tier 3		£32.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1 st April)	

Tier 4		£31.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1 st April)	

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Where the scheme is in deficit and where the Association has agreed to a deficit funding arrangement, the Association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

PRESENT VALUES OF CREDITOR

	31 December 2018 (£000s)	31 December 2017 (£000s)	31 December 2016 (£000s)
Present value of creditor	185	134	149

RECONCILIATION OF OPENING AND CLOSING CREDITORS

	Period Ending 31 December 2018 (£000s)	Period Ending 31 December 2017 (£000s)
Creditor at start of period	134	149
Unwinding of the discount factor (interest expense)	2	2
Deficit contribution paid	(18)	(17)
Remeasurements - impact of any change in assumptions	(3)	0
Remeasurements - amendments to the contribution schedule	70	-
Creditor at end of period	185	134

KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

10. Pension obligations (continued)

	2018 £'000	2017 £'000
SHPS Pension Agreement Plan < 1 year (Note 16)	23	18
SHPS Pension Agreement Plan > 1 year (Note 17(a))	162	116
	<u>185</u>	<u>134</u>

STATEMENT OF COMPREHENSIVE INCOME IMPACT

	Period Ending 31 December 2018 (£000s)	Period Ending 31 December 2017 (£000s)
Interest expense	2	2
Remeasurements – impact of any change in assumptions	(3)	0
Remeasurements – amendments to the contribution schedule	70	-
Contributions paid in respect of future service*	*	*
Costs recognised in the Statement of Comprehensive Income	*	*

*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes.

ASSUMPTIONS

	31 December 2018 % per annum	31 December 2017 % per annum	31 December 2016 % per annum
Rate of discount	1.84	1.41	1.45

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

10. Pension obligations (continued)

The following schedule details the deficit contributions agreed between the Association and the scheme at each year end period:

DEFICIT CONTRIBUTIONS SCHEDULE

Year ending	31 December 2018 (£000s)	31 December 2017 (£000s)	31 December 2016 (£000s)
Year 1	23	18	17
Year 2	25	18	18
Year 3	25	18	18
Year 4	26	16	18
Year 5	26	16	16
Year 6	27	16	16
Year 7	27	14	16
Year 8	21	14	14
Year 9	-	11	14
Year 10	-	-	11
Year 11	-	-	-
Year 12	-	-	-
Year 13	-	-	-
Year 14	-	-	-
Year 15	-	-	-
Year 16	-	-	-
Year 17	-	-	-
Year 18	-	-	-
Year 19	-	-	-
Year 20	-	-	-

The Association must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the Statement of Comprehensive Income i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the Association's Statement of Financial Position liability.

KCHA has been notified by TPT Retirement Solutions of the estimated employer debt on withdrawal from the Social Housing Pension Scheme, based on the financial position of the Scheme as at 30 September 2017. At this date the estimated employer debt for the Association was £652,348 (30 September 2016: £907,427).

KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

11. Tangible fixed assets

	Housing Properties for Letting Completed	Housing Properties for Letting under Construction	Total Housing Properties	Furniture and Equipment
	£'000	£'000	£'000	£'000
Cost				
At start of the year	14,067	60	14,127	157
Additions to properties under development	-	358	358	-
Additions to furniture and office equipment	-	-	-	33
Works to existing properties	237	-	237	-
Disposals	(114)	-	(114)	-
At end of the year	<u>14,190</u>	<u>418</u>	<u>14,608</u>	<u>190</u>
Depreciation and impairment				
At start of the year	2,972	-	2,972	97
Charge for the year	258	-	258	23
Disposals	(114)	-	(114)	-
At end of the year	<u>3,116</u>	<u>-</u>	<u>3,116</u>	<u>120</u>
Net Book Value				
At end of the year	<u>11,074</u>	<u>418</u>	<u>11,492</u>	<u>70</u>
At start of the year	<u>11,095</u>	<u>60</u>	<u>11,155</u>	<u>60</u>
		2018	2017	
		£'000	£'000	
Housing Properties comprise:				
Freeholds		11,347	11,008	
Long leaseholds		145	147	
		<u>11,492</u>	<u>11,155</u>	
Works to existing properties in the year:				
Components capitalised		237	634	
Amounts charged to expenditure		673	691	

The aggregate amount of interest and finance costs included in the cost of housing properties is £0. The net book value of other fixed assets includes £0 (2017: £0) in respect of assets held under finance leases.

KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

12. Trade and other debtors

	2018 £'000	2017 £'000
Rent arrears	85	85
Less: provision for bad debts	(49)	(40)
Prepayment and accrued income	46	37
	<u>82</u>	<u>82</u>
	<u><u>82</u></u>	<u><u>82</u></u>

Debtors are all due within one year

13. Investments

NS&I Bonds	<u>100</u>	<u>100</u>
	<u><u>100</u></u>	<u><u>100</u></u>

14. Cash and cash equivalents

Money market investments	400	400
Cash at bank	2,561	2,512
	<u>2,961</u>	<u>2,912</u>
	<u><u>2,961</u></u>	<u><u>2,912</u></u>

15. Creditors: amounts falling due within one year

Housing loans (Note 17(b))	101	101
Trade creditors	140	101
Rents and service charges paid in advance	63	59
Other taxation and social security payable	9	6
Accruals and deferred income	108	77
Amortised Grant (Note 22)	43	44
SHPS Pension Agreement Plan (Note 11)	23	18
	<u>487</u>	<u>406</u>
	<u><u>487</u></u>	<u><u>406</u></u>

KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

16(a). Creditors: amounts falling due after more than one year

	2018 £'000	2017 £'000
Loans (Note 17b)	1,437	1,536
Amortised Grant (Note 22)	5,257	5,300
SHPS Pension Agreement Plan (Note 11)	162	116
	<u>6,856</u>	<u>6,952</u>

16(b). Debt analysis

Loans repayable by instalments:

Within one year (Note 16)	101	101
	<u>101</u>	<u>101</u>
In one year or more but less than two years	102	101
In two years or more and less than five years	285	295
In five years or more	1,063	1,154
Less: loan issue costs	(13)	(14)
Total loans due after one year (Note 17(a))	<u>1,437</u>	<u>1,536</u>
Total loans	<u>1,538</u>	<u>1,637</u>

Loans are secured by specific charges on KCHA's housing properties. The loans are repayable quarterly and six monthly at varying rates of interest and are due to be repaid in 2021, 2034 and 2036.

The interest rate profile at 31 December 2018 was:

	Total £'000	Variable Rate £'000	Fixed Rate £'000	Weighted Average Rate %	Weighted Average Term Years
Instalment Loans	1,601	1.54%	6.54%	3.74%	13
	<u>1,601</u>	<u>1.54%</u>	<u>6.54%</u>	<u>3.74%</u>	<u>13</u>

At 31 December 2018 there were no undrawn facilities (2017: none).

KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

17. Financial Instruments

	2018	2017
	£'000	£'000

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

Financial Assets

Financial Assets Measured at Fair Value

Investments	100	100
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Financial Assets Measured at Cost

Cash and Cash Equivalents	2,961	2,912
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Financial Assets Measured at Amortised Cost

Rent and Service Charge Debtors	36	45
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Total Financial Assets

	3097	3,057
	3097	3,057

Financial Liabilities

Financial Liabilities Measured at Amortised Cost

Trade Creditors	140	101
Other Creditors	72	65
SHPS Pension Agreement Plan	185	134
Deferred Capital Grant	5,300	5,344
Housing Loans Payable	1,538	1,637

Total Financial Liabilities

	7,235	7,281
	7,235	7,281

18. Non-equity share capital

	2018	2017
	£	£

Allotted Issued and Fully Paid

At the start of the year	33	36
Issued during the year	-	1
Cancelled during the year	-	(4)

At the end of the year	33	33
	33	33

The par value of each share is £1. 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. All shares are fully paid.

KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

19. Capital commitments

	2018 £'000	2017 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	579	95
Capital expenditure that has been authorised by the Board but has not yet been contracted for	520	1,376
	<u>1,099</u>	<u>1,471</u>
Capital commitments will be incurred over the next:		
Less than one year	1,075	1,471
In one year or more but less than two years	24	-
In two years or more and less than five years	-	-
In five years or more	<u>-</u>	<u>-</u>
	<u>1,099</u>	<u>1,471</u>

The Association expects these commitments to be financed with cash reserves.

20. Operating leases

The Association holds office equipment under non-cancellable operating leases. At the end of the year KCHA had commitments of future minimum lease payments as follows:

	2018 £'000	2017 £'000
Land and buildings:		
Within one year	21	21
In one year or more but less than two years	21	21
In two years or more and less than five years	14	34
	<u> </u>	<u> </u>

The lease agreements do not include any contingent rent or restrictions. Leases for land and buildings include renewal periods after 5 years throughout the lease.

KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

21. Deferred Capital Grant and financial assistance

	2018 £'000	2017 £'000
At start of the year	5,344	5,388
Released to income in the year	(44)	(44)
At the end of the year	<u>5,300</u>	<u>5,344</u>
At the end of the year		
Amount due to be released < 1 year (Note 16)	43	44
Amount due to be released > 1 year (Note 17(a))	5,257	5,300
The total accumulated government grant and financial assistance received or receivable at 31 December:	<u>6,567</u>	<u>6,567</u>

22. Related parties

The following are related parties:

- The Board has a tenant member who holds a tenancy agreement on normal terms and cannot use their position to their advantage. Rent charged to the tenant Board member during the year was £6,000 (2017: £6,000). Arrears on their tenancy at the reporting period end was £Nil (2017: £Nil). The tenant member resigned from the Board in September 2018.
- Transactions with key management personnel and their close family, (including compensation paid). The Board had a key management staff member who held a tenancy agreement. This was on normal terms and they were not able to use their position to their advantage. The Housing Services Manager, who became the Chief Executive on 1 February 2018, became a tenant of KCHA in 2015 on an arm's length basis with the arrangement approved by the Board and terminated their tenancy on 21 December 2017. The rent charged to the individual during the year was £Nil (2017: £13,000). Arrears on their tenancy at the reporting period end was £Nil (2017: £Nil).

Related party balances are not secured.