

**KINGSTON UPON THAMES CHURCHES  
HOUSING ASSOCIATION LIMITED**

**(RP NO: L0891)**

**FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 2019**

**FINANCIAL STATEMENTS OF  
KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**EXECUTIVE OFFICERS AND ADVISORS OF  
KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**BOARD OF MANAGEMENT**

The Board Members who served from 1 January 2019 up to the date of approval of these financial statements unless stated were as follows:

G Beresford-Bevan	(Chair)
S Spencer	(Vice Chair)
R King	(Treasurer)
E Akpovrare	
S Barrows	
C Nicholson	
M Brown	(Appointed 18 <sup>th</sup> November 2019)
A Chew	(Appointed 18 <sup>th</sup> November 2019)
R Brown	(Chief Executive)

**SECRETARY AND  
REGISTERED OFFICE**

R Brown  
Meadway House  
17-21 Brighton Road  
Surbiton, Surrey, KT6 5LR

**SENIOR MANAGEMENT TEAM**

R Brown	(Chief Executive)
K Hart	(Housing Services Manager)
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  
2<sup>nd</sup> 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 2019**

The Board of Management is pleased to present the financial statements for the year ended 31 December 2019.

The financial statements comply with current statutory requirements, the Association's rules and the Housing SORP: 2018 update - Statement of Recommended Practice for registered social housing providers (SORP 2018).

**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 275 units of housing, 3 of which we finished developing in 2019. 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 recently carried out this exercise in 2019. We were pleased that overall results were positive and that overall satisfaction levels had improved from 83% in 2012 and 84% in 2016 to 86% in 2019. Our next survey will be carried out in 2022.

Compared to a benchmarking group of similar organisations, the areas highlighted for most improvement were communication and the handling of complaints. Our Sheltered tenants were generally more satisfied than our general needs, but a key issue with both was with the Association clearly acting upon the tenants views. All other categories taken together i.e. Value for Money, Rents, Quality of Home, Neighbourhood remain highly satisfactory. Acting upon tenants views remains an area with significant room for improvement, but it is worth noting that satisfaction increased by 18% since the 2016 survey following actions resulting from the 2016 working group, therefore we will continue to focus on this as a priority issue. Day to day repairs satisfaction has increased by 4% with the majority of our tenants saying they are very satisfied. Repairs and maintenance remains a top priority for tenants and the Association has introduced a continuous tracker phone survey to keep us up to date on all completed repairs.

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 2019**

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. Our website was last updated in 2015 to include options for tenants to report repairs and make payments online. In response to tenant feedback we have significantly increased the content of our quarterly newsletter, including additional supplements throughout the year, with up to date and seasonal advice.

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. We introduced a repairs telephone survey during 2019, and the vast majority of tenants gave us the top mark for overall satisfaction with their most recent repair.

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 £391,000 compared with £411,000 in 2018.

In 2018 in addition to Statement of Comprehensive Income (SoCI) expenditure on repairs, £315,000 was re-invested on capital improvements to existing properties. In addition £507,000 was invested in the development of a new in fill development of three houses which were completed in 2019. The operating surplus for the year decreased from £451,000 in 2018 to £432,000, being a reduction of £19k. 2019 was the final of 4 years prescribed 1% rent cuts which was mitigated by growth in unit numbers part way through the year, such that turnover increased by 1%, while operating costs increased by 2%.

In 2019, the Association adopted the requirements of the Housing SORP: 2018 update - Statement of Recommended Practice for registered social housing providers (SORP 2018). The SORP 2018 was mandatory for registered providers of social housing for all financial periods commencing on or after 1 January 2019.

**BOARD REPORT OF**  
**KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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 2019 from £7,362,000 to £7,753,000 and cash backing decreased from £2,961,000 to £2,602,000.

**Future developments**

We have developed three 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) were required to be cut by 1% per annum for four years starting in 2016. From 2020 for a period of five years rents will increase at CPI plus 1%. 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 2019**

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 recruited two new Board members, and hope to appoint a tenant Board member very soon. 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 2019 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 2019**

**Value for Money (VFM)**

The Accounting Direction 2019 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**  
**KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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 Centrepont, 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 74% of our repairs in 2019 were planned which is a high ratio and recommended as best practice by the Regulator of Social Housing and others.

We maintain a stock condition database and will be undertaking a new stock survey in 2020. This 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 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 in 2019 we completed 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 2019 the Association's turnover from general needs housing was reduced by 1% due to the final year of rent cuts. Intermediated rents have been frozen however growth by 3 units during the year left income from rent and service charges largely the same overall.

The operating expenditure increased by £31,000 from 2018 to 2019 which is an increase of 2.2%.

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.

Our average re-let days for Housing for Older Persons was greatly improved and reduced to 16 days in 2019 compared to 41 days in 2018.

# BOARD REPORT OF

## KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2019

### Costs and Performance (continued)

	KCHA 2019- 20	KCHA 2018- 19	Peer Group Median 2018- 19	Peer Group Quartile 2018- 19	National Smalls London Median 2018-19	National Smalls London Quartile 2018-19	KCHA Target 2020
<b>Business Health</b>							
Operating Margin (social housing lettings only) % - RSH metric	23%	24%	23%	1	17%	2	-
Operating Margin (overall) % - RSH metric	23%	24%	23%	1	16%	2	-
EBITDA MRI Interest Cover % - RSH metric	1344%	1145%	634%	N/A	222%	N/A	-
Headline Social Housing Cost Per Unit - RSH metric	£4,225	£4,176	£4,456	1	£5,808	1	-
Overheads costs as % of turnover	18%	17%	17%	1	17%	3	-
Cost per property of Housing Management	£466	£429	£470	1	£466	2	-
<b>Development Capacity and Supply</b>							
New Supply Delivered (Social Housing Units) % - RSH metric	1%	0%	0%	2	0%	2	0%
New Supply Delivered (Non-Social Housing Units) % - RSH metric	0%	0%	0%	1	0%	1	0%
Reinvestment in Property % - RSH metric	6.8%	5.2%	4.2%	2	3%	2	9%
Gearing (net debt / tangible housing assets) % - RSH metric	(10)%	(12)%	11%	N/A	18%	N/A	-
<b>Service Delivery</b>							
Satisfaction - overall services - GN & HfOP	86%	84%	-	-	-	-	90%
Satisfaction - overall services - GN	84%	80%	88%	4	86%	3	90%
Satisfaction - overall services - HfOP	89%	92%	-	-	-	-	90%
<b>Asset Management</b>							
Return on Capital Employed (ROCE) % - RSH metric	3.0%	3.2%	2.7%	1	2.4%	1	-
Occupancy at year end	100.0%	100.0%	99.3%	1	99.6%	1	99.6%
Ratio of reactive to planned repairs	63%	53%	54%	1	89%	1	60%
Void works spend per property	£1.82	£0.87	£2.97	1	£2.32	1	-
Rent collected as % of rent owed (excl arrears b/f) - GN & OP	102.0	102.5	100.4	1	100.4	1	-
Repairs completed on time	98.5%	99.5%	96.8%	1	96.3%	1	95%
Average re-let days - GN	21	18	27	2	27	2	18
Average re-let days - HfOP	16	41	22	4	17	4	22
<b>Staff</b>							
Staff turnover	2.1%	2.4%					-
Average days lost to sickness	2.7	5.8	5.4	2	4.4	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 2019**

**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**

In 2019 we introduced a tenant engagement program in order to combat isolation, create new friendships across tenant groups, and gain valuable feedback from tenants on the Association's services. Overall satisfaction with the Association continues to improve with our 2019 survey showing the highest level of satisfaction since the triennial surveys began in 2006. During the first half of 2019 the Association completed on time delivery of three new build family homes.

The Association is maintaining good control of overheads and these are in line with the median for our peer groups, 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 2019 we increased our focus on void turnaround times and building health and safety including fire safety.

**Where We Can Improve**

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

Overall satisfaction in our 2019 tenant satisfaction survey was 86%. Whilst this is our highest score to date there is room for up to 14% improvement. A working group has been set up to understand in greater detail where these improvements can be made.

Tenant engagement events were a very successful initiative during 2019. We now have a greater understanding of tenants and how to effectively engage with them, and we also have better information on the logistics of these events which will mean we can provide more options and offer better value for money.

**The Year Ahead**

We expect to complete our windows upgrade program by the summer of 2020. In 2016 we embarked on a program of bathroom replacements as part of our re-investment commitment to our existing tenants, in line with the preferences expressed in the 2016 survey.

We are commissioning a complete stock condition survey of all our properties within the first half of 2020. This will include up to date information on the component parts, such as kitchens, bathrooms and boilers, that will inform our capital expenditure in the future.

We will be renewing our website in 2020 and hope to include a tenant portal providing secure access for our tenants to a significant amount of their tenancy management data, including arrears and repairs.

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.

**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 2019**

**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 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.

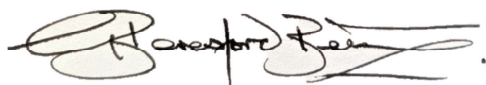
**Information for Auditors**

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: 27 April 2020**

**REPORT OF THE INDEPENDENT AUDITORS TO  
KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**Opinion**

We have audited the financial statements of Kingston Upon Thames Churches Housing Association Limited (the 'Association') for the year ended 31 December 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 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 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 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 2019**

**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 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:

- 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 2019**

**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](http://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 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: 10 June 2020**

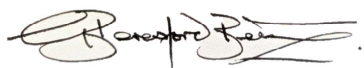
**KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>Notes</b>	<b>Year ended 31 December 2019 £'000</b>	<b>Year ended 31 December 2018 £'000</b>
Turnover	2	1,864	1,850
Operating expenditure	2	(1,433)	(1,402)
Other Income	2	1	3
Gain / (loss) on disposal fixed assets		-	-
<b>Operating surplus / (deficit)</b>		<u>432</u>	<u>451</u>
Interest receivable		19	18
Interest and financing costs	5	(52)	(58)
<b>Surplus / (deficit) before tax</b>	6	<u>399</u>	<u>411</u>
Taxation	7	-	-
<b>Surplus / (deficit) for the year</b>		<u>399</u>	<u>411</u>
<b>Other comprehensive income</b>			
Initial recognition of multi-employer defined benefit scheme	10	19	-
Actuarial losses in respect of pension scheme	10	(27)	-
<b>Total comprehensive income for the year</b>		<u>391</u>	<u>411</u>

The financial statements on pages 16 to 40 were approved and authorised for issue by the Board on 27 April 2020 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 40 form an integral part of these financial statements.



**KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED**

**STATEMENT OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2019**

	Notes	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
<b>Fixed assets</b>			
Tangible fixed assets	11	12,098	11,562
		<hr/>	<hr/>
<b>Current assets</b>			
Trade and other debtors	12	77	82
Investments	13	100	100
Cash and cash equivalents	14	2,602	2,961
		<hr/>	<hr/>
		2,779	3,143
<b>Less: Creditors:</b> amounts falling due within one year	15	(407)	(487)
		<hr/>	<hr/>
<b>Net current assets / (liabilities)</b>		2,372	2,656
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		14,470	14,218
		<hr/>	<hr/>
<b>Creditors:</b> amounts falling due after more than one year	16	(6,549)	(6,856)
		<hr/>	<hr/>
<b>Provisions for liabilities</b>			
Pension – defined benefit liability		(168)	-
		<hr/>	<hr/>
<b>Total net assets</b>		7,753	7,362
		<hr/>	<hr/>
<b>Reserves</b>			
Non-equity share capital	18	-	-
Income and expenditure reserve		7,753	7,362
		<hr/>	<hr/>
<b>Total reserves</b>		7,753	7,362
		<hr/>	<hr/>

The financial statements on pages 16 to 40 were approved and authorised for issue by the Board on 27 April 2020 and were signed on its behalf by:



**GLENNIS BERESFORD-BEVAN**  
Chair



**SAM SPENCER**  
Vice Chair



**ROSSCOE BROWN**  
Secretary

The notes on pages 20 to 40 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 2019**

	<b>Income and expenditure reserve</b>
	<b>£'000</b>
<b>Balance as at 1 January 2018</b>	6,951
Surplus / (deficit) from Statement of Comprehensive Income	411
	<hr/>
<b>Balance as at 31 December 2018</b>	7,362
Surplus / (deficit) from Statement of Comprehensive Income	391
	<hr/>
<b>Balance as at 31 December 2019</b>	<b>7,753</b>
	<hr/> <hr/>

The notes on pages 20 to 40 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 2019**

	<b>Notes</b>	<b>Year ended 31 December 2019 £'000</b>	<b>Year ended 31 December 2018 £'000</b>
<b>Net cash generated from operating activities (see Note i)</b>		602	816
<b>Cash flow from investing activities</b>			
Purchase of tangible fixed assets		(828)	(628)
Interest received		19	18
		<hr/> (207)	<hr/> 206
<b>Cash flow from financing activities</b>			
Interest paid		(52)	(58)
Repayment of borrowings		(100)	(99)
		<hr/> (359)	<hr/> 49
<b>Net change in cash and cash equivalents</b>		(359)	49
<b>Cash and cash equivalents at beginning of the year</b>		2,961	2,912
<b>Cash and cash equivalents at end of the year</b>		<hr/> <hr/> 2,602	<hr/> <hr/> 2,961

**Note i**

	<b>Notes</b>	<b>Year ended 31 December 2019 £'000</b>	<b>Year ended 31 December 2018 £'000</b>
<b>Cash flow from operating activities</b>			
Surplus / (deficit) for the year		399	411
<b>Adjustments for non-cash items:</b>			
Depreciation of tangible fixed assets		292	281
Decrease / (increase) in trade and other debtors		5	-
Increase / (decrease) in trade and other creditors		(80)	77
Pension costs less contributions payable		(4)	51
<b>Adjustments for investing or financing activities:</b>			
Government grants utilised in the year		(43)	(44)
Interest payable		52	58
Interest received		(19)	(18)
<b>Net cash generated from operating activities</b>		<hr/> <hr/> 602	<hr/> <hr/> 816

The notes on pages 20 to 40 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 2019

#### 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 Meadow 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 Housing SORP: 2018 update – Statement of Recommended Practice for registered social housing providers.

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 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 and subsequently adopted the Housing SORP: 2018 update – Statement of Recommended Practice for registered social housing providers as at 1 January 2019.

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 2019**

**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 2019

#### 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 2019

#### 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**

Current Asset Investments include cash and cash equivalents invested for periods of more than 24 hours. These are NS&I bonds that are recognised at cost.

#### **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.

In previous years, contributions payable under an agreement with SHPS to fund past deficits were recognised as a liability in the Association's financial statements calculated by the repayments known, discounted to the net present value. From 1<sup>st</sup> January 2019 sufficient information became available to recognise the Association's share of the multi-employer defined benefit scheme. The value of this liability as at 31<sup>st</sup> December 2019 is shown on the Statement of Financial Position.

# KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

### 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 and current asset investments is held at cost.
- 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 2019**

**2. Turnover, cost of sales, operating expenditure and operating surplus**

	Turnover	2019 Cost of Sales	Operating expenditure	Operating surplus
	£'000	£'000	£'000	£'000
<b>Social housing lettings (notes 3a and 3b)</b>	1,864	-	1,433	431
<b>Activities other than social housing</b>				
Donations	-	-	-	-
Other	1	-	-	1
<b>Total</b>	<u>1,865</u>	<u>-</u>	<u>1,433</u>	<u>432</u>

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

**KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**3. Turnover and operating expenditure**

	General Needs Housing	Housing for Older People	Intermediate Rent	Total 2019	Total 2018
	£'000	£'000	£'000	£'000	£'000
<b>Income</b>					
Rent receivable net of identifiable service charge	1,054	414	150	1,618	1,609
Supporting People income	-	14	-	14	14
Service charge income	48	141	-	189	183
Amortised government grants	37	5	1	43	44
<b>Turnover from Social Housing Lettings</b>	<b>1,139</b>	<b>574</b>	<b>151</b>	<b>1,864</b>	<b>1,850</b>
<b>Operating expenditure</b>					
Management	165	105	18	288	280
Service charge costs	71	95	7	173	181
Routine maintenance	162	91	18	271	235
Planned maintenance	232	42	54	328	342
Major repairs expenditure	81	18	3	102	96
Bad debts	3	5	(2)	6	9
Depreciation of Housing Properties	163	77	25	265	258
<b>Operating expenditure on Social Housing Lettings</b>	<b>877</b>	<b>433</b>	<b>123</b>	<b>1,433</b>	<b>1,401</b>
<b>Operating Surplus / (Deficit) on Social Housing Lettings</b>	<b>262</b>	<b>141</b>	<b>28</b>	<b>431</b>	<b>449</b>
<b>Void losses</b> (being rental income lost as a result of property not being let, although it is available for letting)	<b>(4)</b>	<b>(3)</b>	<b>-</b>	<b>(7)</b>	<b>(8)</b>

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

	2019 £'000	2018 £'000
Guest rooms	1	1
Donations	-	-
Sundry	-	2
	<b>1</b>	<b>3</b>

**KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**4. Accommodation owned, managed and in development**

	2019 No of properties owned & managed	2018 No of properties owned & managed
<b>Social Housing</b>		
Under development at end of year:		
Intermediate rent	-	3
Under management at end of year:		
General needs housing	169	169
Supported housing and housing for older people	88	88
Intermediate rent	15	12
Scheme Managers	3	3
	<hr/> 275	<hr/> 275
	<hr/> <hr/>	<hr/> <hr/>

**5. Interest and financing costs**

	2019 £'000	2018 £'000
On loans repayable within five years	-	-
On loans wholly or partly repayable in more than five years	47	57
Costs associated with financing	1	1
Finance cost re pension provision	4	-
	<hr/> 52	<hr/> 58
	<hr/> <hr/>	<hr/> <hr/>

**KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**6. Surplus / (deficit) on ordinary activities**

	2019 £'000	2018 £'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	265	258
Depreciation of other fixed assets	28	23
	<hr/>	<hr/>

**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**

	2019 £'000	2018 £'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	83	85
The aggregate compensation paid to or receivable by Key Management Personnel	193	182
The emoluments paid to the highest paid Director excluding pension contributions	73	70
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 Chief Executive is an ordinary member of the pension scheme. The pension scheme is a career average revalued earnings 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 £9,000 (2018: £7,000) 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 2019

### 9. Employee information

	2019	2018
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

	2019 £'000	2018 £'000
<b>Staff costs</b>		
Wages and salaries	310	300
Social Security costs	25	22
Pension costs	29	88
	<u>364</u>	<u>410</u>

	2019	2018
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 (2018: 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 approximately 450 sponsoring employers. The scheme is a defined benefit scheme in the UK. In previous years it was not possible for the Association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounted for the scheme as a defined contribution scheme. From 1<sup>st</sup> January 2019, since sufficient information became available, the Association has applied defined benefit accounting.

The following adjustments have been made:

- Removal of the liability for the funding of the deficit funding agreement (reduction in creditors of £185k; increase in Other Comprehensive Income £185k).
- Recognition of the net pension deficit (increase in pension liability £168k reduction in Other Comprehensive Income £168k).

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.

**KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**10. Pension obligations (continued)**

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 2017. This actuarial valuation showed assets of £4,553m, liabilities of £6,075m and a deficit of £1,522m.

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**PRESENT VALUES OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF ASSETS AND DEFINED BENEFIT ASSET (LIABILITY)**

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	<b>31 December 2019 (£000s)</b>	<b>31 December 2018 (£000s)</b>
Fair value of plan assets	758	653
Present value of defined benefit obligation	926	819
Surplus (deficit) in plan	(168)	(166)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(168)	(166)
Deferred tax	-	-
Net defined benefit asset (liability) to be recognised	(168)	(166)

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**RECONCILIATION OF THE IMPACT OF THE ASSET CEILING**

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	<b>Year ended 31 December 2019 (£000s)</b>
Impact of asset ceiling at start of period	-
Effect of the asset ceiling included in net interest cost	-
Actuarial losses (gains) on asset ceiling	-
Impact of asset ceiling at end of period	-

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**KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**10. Pension obligations (continued)**

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION	
	<b>Year ended 31 December 2019 (£000s)</b>
Defined benefit obligation at start of period	819
Current service cost	25
Expenses	3
Interest expense	22
Contributions by plan participants	15
Actuarial losses (gains) due to scheme experience	(5)
Actuarial losses (gains) due to changes in demographic assumptions	3
Actuarial losses (gains) due to changes in financial assumptions	75
Benefits paid and expenses	(31)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	926

**KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**10. Pension obligations (continued)**

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**RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS**

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	<b>Year ended 31 December 2019 (£000s)</b>
Fair value of plan assets at start of period	653
Interest income	18
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	46
Contributions by the employer	57
Contributions by plan participants	15
Benefits paid and expenses	(31)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	758

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The actual return on the plan assets (including any changes in share of assets) over the period ended 31 December 2019 was £64,000.

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**DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME (SoCI)**

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	<b>Year from 31 December 2018 to 31 December 2019 (£000s)</b>
Current service cost	25
Expenses	3
Net interest expense	4
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in statement of comprehensive income (SoCI)	32

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**KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**10. Pension obligations (continued)**

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME		
	Year ended 31 December 2019 (£000s)	
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)		46
Experience gains and losses arising on the plan liabilities - gain (loss)		5
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)		(3)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)		(75)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)		(27)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)		-
Total amount recognised in other comprehensive income - gain (loss)		(27)
ASSETS		
	31 December 2019 (£000s)	31 December 2018 (£000s)
Global Equity	152	101
Absolute Return	36	60
Distressed Opportunities	15	13
Credit Relative Value	20	13
Alternative Risk Premia	50	33
Fund of Hedge Funds	1	12
Emerging Markets Debt	28	23
Risk Sharing	25	22
Insurance-Linked Securities	21	21

**KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**10. Pension obligations (continued)**

Property	17	28
Infrastructure	53	29
Private Debt	15	9
Opportunistic Illiquid Credit	14	-
Corporate Bond Fund	37	32
Liquid Credit	-	-
Long Lease Property	15	-
Secured Income	25	25
Over 15 Year Gilts	-	-
Liability Driven Investment	230	230
Net Current Assets	4	2
Total assets	758	653

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

**KEY ASSUMPTIONS**

	<b>31 December 2019 % per annum</b>	<b>31 December 2018 % per annum</b>
Discount Rate	1.95%	2.70%
Inflation (RPI)	3.05%	3.25%
Inflation (CPI)	2.05%	2.25%
Salary Growth	3.05%	3.25%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

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

	<b>Life expectancy at age 65 (Years)</b>
Male retiring in 2019	21.8
Female retiring in 2019	23.5
Male retiring in 2039	23.2
Female retiring in 2039	24.7

**KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**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
<b>Cost</b>				
At start of the year	14,190	418	14,608	190
Additions to properties under development	-	507	507	-
Transfer from properties under development to completed properties for letting	925	(925)	-	-
Additions to furniture and office equipment	-	-	-	6
Works to existing properties	315	-	315	-
Disposals	(89)	-	(89)	-
At end of the year	15,341	-	15,341	196
<b>Depreciation and impairment</b>				
At start of the year	3,116	-	3,116	120
Charge for the year	265	-	265	27
Disposals	(89)	-	(89)	-
At end of the year	3,292	-	3,292	147
<b>Net Book Value</b>				
<b>At end of the year</b>	12,049	-	12,049	49
<b>At start of the year</b>	11,074	418	11,492	70
		2019 £'000	2018 £'000	
<b>Housing Properties comprise:</b>				
Freeholds	11,905		11,347	
Long leaseholds	144		145	
	12,049		11,492	
Works to existing properties in the year:				
Components capitalised	315		237	
Amounts charged to expenditure	715		673	

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 (2018: £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 2019**

**12. Trade and other debtors**

	2019 £'000	2018 £'000
Rent arrears	64	85
Less: provision for bad debts	(26)	(49)
Prepayment and accrued income	39	46
	<u>77</u>	<u>82</u>

Debtors are all due within one year

**13. Investments**

NS&I Bonds	<u>100</u>	<u>100</u>
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**14. Cash and cash equivalents**

Money market investments	150	400
Cash at bank	2,452	2,561
	<u>2,602</u>	<u>2,961</u>

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

Housing loans (Note 16(b))	102	101
Trade creditors	108	140
Rents and service charges paid in advance	66	63
Other taxation and social security payable	8	9
Accruals and deferred income	79	108
Amortised Grant (Note 21)	44	43
SHPS Pension Agreement Plan (Note 10)	-	23
	<u>407</u>	<u>487</u>

**KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

	2019 £'000	2018 £'000
Loans (Note 16b)	1,336	1,437
Amortised Grant (Note 21)	5,213	5,257
SHPS Pension Agreement Plan (Note 10)	-	162
	<hr/> 6,549 <hr/>	<hr/> 6,856 <hr/>

**16(b). Debt analysis**

**Loans repayable by instalments:**

Within one year (Note 15)	102	101
	<hr/>	<hr/>
In one year or more but less than two years	103	102
In two years or more and less than five years	274	285
In five years or more	971	1,063
Less: loan issue costs	(12)	(13)
Total loans due after one year (Note 16(a))	<hr/> 1,336 <hr/>	<hr/> 1,437 <hr/>
Total loans	<hr/> 1,438 <hr/>	<hr/> 1,538 <hr/>

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 2019 was:

	Total	Variable Rate	Fixed Rate	Weighted Average Rate	Weighted Average Term
	£'000	£'000	£'000	%	Years
Instalment Loans	1,501	1.30%	4.96%	3.01%	12
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

At 31 December 2019 there were no undrawn facilities (2018: none).

**KINGSTON UPON THAMES CHURCHES HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**17. Financial Instruments**

2019	2018
£'000	£'000

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

**Financial Assets**

**Financial Assets Measured at Cost**

Cash and Cash Equivalents	2,602	2,961
Investments	100	100

**Financial Assets Measured at Amortised Cost**

Rent and Service Charge Debtors	22	36
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<b>Total Financial Assets</b>	<u>2,724</u>	<u>3,097</u>
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**Financial Liabilities**

**Financial Liabilities Measured at Amortised Cost**

Trade Creditors	108	140
Other Creditors	74	72
Pension deficit funding liability	-	185
Deferred Capital Grant	5,257	5,300
Housing Loans Payable	1,438	1,538

<b>Total Financial Liabilities</b>	<u>6,877</u>	<u>7,235</u>
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**18. Non-equity share capital**

2019	2018
£	£

Allotted Issued and Fully Paid

At the start of the year	<b>33</b>	33
Issued during the year	-	-
Cancelled during the year	-	-

At the end of the year	<u><b>33</b></u>	<u>33</u>
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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 2019**

**19. Capital commitments**

	2019 £'000	2018 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	-	579
Capital expenditure that has been authorised by the Board but has not yet been contracted for	644	520
	<hr/> 644	<hr/> 1,099
	<hr/>	<hr/>
Capital commitments will be incurred over the next:		
Less than one year	644	1,075
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	<hr/> -	<hr/> -
	<hr/> 644	<hr/> 1,099
	<hr/>	<hr/>

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:

	2019 £'000	2018 £'000
Land and buildings:		
Within one year	21	21
In one year or more but less than two years	14	21
In two years or more and less than five years	-	14
	<hr/>	<hr/>

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 2019**

**21. Deferred Capital Grant and financial assistance**

	2019 £'000	2018 £'000
At start of the year	5,300	5,344
Released to income in the year	(43)	(44)
At the end of the year	<u>5,257</u>	<u>5,300</u>
At the end of the year		
Amount due to be released < 1 year (Note 15)	44	43
Amount due to be released > 1 year (Note 16(a))	5,213	5,257
The total accumulated government grant and financial assistance received or receivable at 31 December:	<u>6,567</u>	<u>6,567</u>

**23. Analysis of Changes in Net Debt**

	At Beginning of the Year £'000	Cash Flows £'000	Non-Cash Movements £'000	At the End of the Year £'000
Cash and Cash Equivalents	2,961	(359)	-	2,602
Housing Loans Due in One Year	(101)	101	(102)	(102)
Housing Loans Due After One year	(1,437)	-	101	(1,336)
	<u>1,423</u>	<u>(258)</u>	<u>(1)</u>	<u>1,164</u>

**24. Related parties**

The following are related parties:

Works relating to internal repairs carried out by Lindsay's Blinds Curtains and Interiors amounting to £664 (2018: £240) took place during the year. No amounts were owing as at 31 December 2019 (2019: £nil). Lindsay Gray, the owner of Lindsay's Blinds Curtains and Interiors is the partner of Rosscoe Brown, Chief Executive of KCHA.

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 £Nil (2018: £6,000). Arrears on their tenancy at the reporting period end was £Nil (2018: £Nil). The tenant board member resigned from the Board in September 2018.

Related party balances are not secured.

**25. Transition to Housing SORP: 2018 update**

There has been no effect on reserves following the adoption of the Housing SORP: 2018 from the Housing SORP 2014 for the comparative year to 31 December 2018.