

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

(REGISTERED SOCIETY NO: 14888R)

FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2017

**FINANCIAL STATEMENTS OF
LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

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**EXECUTIVE OFFICERS AND ADVISORS OF
LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

BOARD OF MANAGEMENT

Howard Webber	(Chair)
Delia Beddis	
Danny Friedman	
Lekiddo Arbuah	(Resigned 15 March 2017)
Hilary Barber	(Vice Chair)
Tim Collins	
Will Manning	(Resigned 20 September 2017)
Sandra Ferguson	(Co-opted 15 June 2016, appointed 15 March 2017)
Alicia Azucena	(Appointed 15 March 2017)
Andrew Wilson	(Appointed 15 March 2017)

REGISTERED OFFICE 7a St Agnes Place
London
SE11 4AU

AUDITORS	Beever and Struthers 15 Bunhill Row London EC1Y 8LP	SOLICITORS	Batchelors Charles House 35 Widmore Road Bromley BR1 1RW
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BANKERS Barclays Bank plc
50 Pall Mall
London
SW1A 1QD

PRINCIPAL LENDERS	Santander Corporate Banking 17 Ulster Terrace London NW1 4JP	Dexia Shackleton House 4 Battle Bridge Lane London SE1
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Registered under the Co-operative and Community Benefit Societies Act 2014 – No. 14888R
Homes and Communities Agency Number- L0927

REPORT OF THE BOARD
LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED
FOR THE YEAR ENDED 30 SEPTEMBER 2017

Governing document

L&SHA is registered under the Co-operative and Community Benefit Societies Act 2014.

Principal activities

L&SHA provides a variety of good, well managed housing within the London Boroughs of Lambeth, Southwark and Lewisham at affordable rents for those with low incomes.

Review of the year

The financial statements show that rental income exceeded budget and a financial surplus was made. Rent increases were within Homes & Communities Agency parameters. The Association continued its asset management programme to keep its housing stock in good order.

Post balance sheet events

There were no post balance sheet events.

Policy on payment of creditors

We aim to pay suppliers and contractors promptly and within a reasonable time scale. Creditors are paid each month by credit transfer to their bank accounts where possible, after approval and authorisation of invoices.

Compliance with Governance and Financial Viability Standard

The Board confirms that the Association has met the Homes and Communities Agency's regulatory expectations in the governance and financial viability standard. The Association continues to adopt the National Housing Federation's Code of Governance. This code was updated in 2016. The Association complies with the Code of Governance in all respects.

Auditors

Beever and Struthers have expressed their willingness to continue in office. The external audit service will be tendered.

Internal Controls

The Board 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 including delegated authorities covering the prime processes of the Association. These include a formal fraud policy.
- The appointment of an internal auditor to review processes and systems, whose reports are reviewed by the Board.
- 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.

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

The Board has reviewed the effectiveness of the systems of internal control in existence in the Association for the year ended 30 September 2017 and until the date of approval of these financial statements.

REPORT OF THE BOARD

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

FOR THE YEAR ENDED 30 SEPTEMBER 2017

VALUE FOR MONEY

Summary

This self-assessment sets out LSHA's approach to achieving value for money in the way it operates. It is a regulatory requirement to include a summary of this self-assessment in LSHA's Financial Statements

What we mean by value for money

Value for money (VfM) is all about delivering our social objectives in the most cost effective way possible. It is not only about the cost of goods and services, but also takes account of the mix of quality, cost, resource-use, fitness for purpose and timeliness to judge whether or not, when taken together, they constitute good value.

For LSHA, delivering VfM should:

- support our mission, objectives and goals;
- provide the range and priority of services that our customers want;
- achieve standards of quality and cost which position LSHA among the top performing smaller London housing associations;
- adopt recognised good practice where appropriate;
- make the most productive and efficient use of internal and external resources;
- demonstrate sustained year-on-year improvement;
- seek out better ways of performing.

This VfM self assessment reflects the regulatory requirements and priorities by placing emphasis on:

- reinforcing LSHA's performance culture
- having a robust approach to decisions on the use of resources to deliver business plan objectives
- ensuring that return on assets is optimised by reviewing alternative delivery methods
- reinforcing budget/financial management processes (including understanding costs and their drivers) to provide clear performance management data to allow robust VfM decisions to be made

What value for money is not

VfM is not necessarily about cutting costs; VfM is about getting more quantity and quality alongside spending money wisely and not spending more money than necessary.

Spending money wisely in order to deliver its objectives will allow LSHA to produce efficiency savings which will result in a sustainable organisation which can re-invest in new housing units, enhanced neighbourhood services and improved front line delivery.

LSHA's approach to value for money

The value we produce is directly related to our social purpose. Our mission is to make a difference to people's lives by:

- providing good quality homes
- providing a range of outstanding services
- improving the physical and social sustainability of schemes and communities

For us, therefore, achieving VfM is about making a bigger difference by providing the highest quality homes, the best services we can with the resources available. We will do this mindful of the legitimate and sometimes competing interests of our key stakeholders: tenants, local community, local partner organisations (including the three local authorities in which we operate) and funders.

REPORT OF THE BOARD
LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED
FOR THE YEAR ENDED 30 SEPTEMBER 2017

In summary, we seek to ensure VfM through:

- ✓ Embedding VfM within the culture of the organisation.
- ✓ Improving customer satisfaction and customer involvement.
- ✓ Benchmarking and comparing costs to other registered providers.
- ✓ Ensuring financial controls support the delivery, measurement and reporting of VfM.
- ✓ Ensuring consideration of VfM in all procurement.
- ✓ Encouraging Green initiatives and minimising wastage in our operations.
- ✓ Increasing partnership activities to provide more cost effective services.
- ✓ Improving our housing stock based on the results of our asset management review and 2016 stock condition survey.
- ✓ Getting the best returns from our assets.
- ✓ Improving IT services to make LSHA more efficient and cost effective.

Our arrangements to ensure delivery of VfM as part of the day job

Roles of the Board, Chief Executive, other staff and tenants.

- The Board has a responsibility to lead on VfM and to hold the Chief Executive to account for VfM performance.
- The Chief Executive has a responsibility to assist and advise the Board in determining the organisation's approach to achieving VfM.
- Tenant involvement in VfM, is about such matters as agreeing priorities (and efficiencies), shaping services and scrutinising service performance and VfM. This is currently primarily achieved via the SOLFED Tenant Scrutiny Panel and is currently under review.

Assurance (and reporting) framework for VfM

- All Board reports require a VfM comment.

Extent to which VfM is embedded in performance management.

- VfM considerations influence business culture and are considered as part of 1:1s and team meetings.

REPORT OF THE BOARD

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

FOR THE YEAR ENDED 30 SEPTEMBER 2017

Our track record – what we have achieved over the past year

LSHA is part of the Acuity benchmarking group. This allows LSHA to benchmark performance against other small housing associations in London.

Financial KPIs	2016-17	2015-16	2014-15	Peer Group 16/17
Rent collection	100.2%	99.5%	100%	
Rent arrears	4.31%	4.54%	4.56%	
Void loss	0.67%	0.39%	0.38%	
Average relet time (days)	27 days	18	26	
Debt per unit	£12,919	£20,208	£20,447	①
Total surplus	£284,420	£411,817	£311,212	

Asset Management	2016-17	2015-16	2014-15	Peer Group 16/17
Decent homes compliance	100%	100%	100%	
Emergency repairs on time	100%	100%	100%	
Urgent repairs on time	93%	94%	97%	
Routine repairs on time	94%	96%	100%	
Gas inspections completed	99.6%②	100%	100%	
Reactive maintenance costs per unit	£784	£869	£705	
Major repair & planned costs per unit	£1,197	£1,441	£1,328	
Total spend on asset management per unit	£1,981	£2,310	£2,033	
Reactive maintenance expenditure	40%	38%	39%	
Planned maintenance expenditure	60%	62%	61%	

Customer Satisfaction	2016-17	2015-16	2014-15	Peer Group 16/17
Overall satisfaction	76%③	76%	75%	
Customer satisfaction with repairs	70%③	70%	95%	

① Based on national housing association debt per unit.

② Gas inspection due by end of September 2017 not completed until first week of September, 2017. Tenant has severe mental health issues and had not responded to letters calls or visits.

③ Based on 2016 telephone survey.

Quartile Ranking

1	Top
2	Second
3	Third
4	Bottom

REPORT OF THE BOARD
LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED
FOR THE YEAR ENDED 30 SEPTEMBER 2017

Practical VfM initiatives undertaken by LSHA during 2016/17 include:

a) Assets

- Established a Repairs Working Group made up of Board members and officers to review all aspects of the repairs service including VfM.
- Agreed Heads of Terms on an innovative development scheme to deliver 12 new homes at zero cost to LSHA and no grant input.
- Created a new in house surveyor role,
- Carried out kitchen and bathroom works for the following properties: 41 Stockwell Park Road, 63/65 Kennington Park Road, Butler Court.
- Carried out window replacement and external decorations works at Commercial Way and Cator Street.
- Replaced all windows to the upper flats at Garden House.
- Replaced rear garden doors and side screen for Albert Way houses.

b) Operations

- Introduced appointment system for repairs.
- Carried out comprehensive telephone satisfaction survey of all tenants.
- Reviewed grounds maintenance agreement.
- Supplied housing officers with tablets to enable real time access to Omniledger whilst visiting tenants.
- Initiated comprehensive tenancy audit programme.
- Carried out comprehensive update of all scheme notice boards.

c) Treasury management

- Provided training for Board members on housing association finance and treasury management.
- Undertook a comprehensive treasury management review including implementing recommendations.
- Paid down £2,000,000 on loan facility.

Projected value for money activities in 2017/18

- Continuing to embed VfM in the organisation.
- Bringing forward cyclical and programmed works programme to enable additional works to be undertaken in the event of any underspend.
- Continuing to support residents through Welfare Reform and Universal Credit whilst continuing to protect our income stream.
- Developing links with local organisations to ensure improved and better value services.
- Appointing surveyor role to drive forward improved tenant satisfaction with repair service.
- Reviewing main repair contracts.
- Reviewing Community Investment Strategy.
- Focusing on digital inclusion and health outcomes following Board Away Day.
- Reviewing repair contract.
- Implementing of Schedule of Rates.
- Supporting community based mental health initiative at Kennington Park.
- Conducting jointly commissioned training via Acuity.

REPORT OF THE BOARD
LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED
FOR THE YEAR ENDED 30 SEPTEMBER 2017

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.

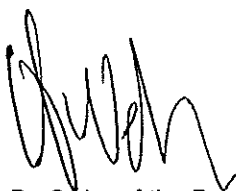
In preparing these financial statements, the Board is required to:

- 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 2016. 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.



By Order of the Board

Chair:

Date: 24 January 2018

**REPORT OF THE INDEPENDENT AUDITORS TO
LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

Opinion

We have audited the financial statements of Lambeth and Southwark Housing Association "the society" for the year ended 30 September 2017 which comprise the Statement of Comprehensive, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the society's members, as a body, in accordance with section 87(2) of the Cooperative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the society'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 society and the society's members as a body for our audit work, for this report, or for the opinions we have formed.

In our opinion, the financial statements:

- give a true and fair view of the state of the society's affairs as at 30 September 2017 and of its surplus for the year ended 30 September 2017;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Cooperative and Community Benefit Societies Act 2014.

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 society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the society'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
LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board 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.

Opinions on other matters prescribed by the Cooperative and Community Benefit Societies Act 2014

In our opinion, based on the work undertaken in the course of the audit the information given in the Board's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 Cooperative 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 society 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 Board's Responsibilities set out on page 9, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**REPORT OF THE INDEPENDENT AUDITORS TO
LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities set out on page 9, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's web-site at <http://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor%E2%80%99s-responsibilities-for>. This description forms part of our auditor's report.



Beever and Struthers, Statutory Auditor

15 Bunhill Row
London
EC1Y 8LP

Date: 12 FEBRUARY 2018

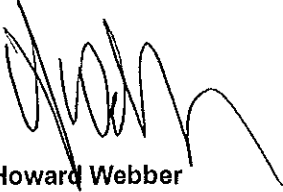
LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	2017 £	2016 £
Turnover	2	2,102,307	2,115,972
Operating expenditure	2	(1,748,445)	(1,599,693)
Operating surplus / (deficit)		353,862	516,279
Sale of property		-	-
Interest receivable		3,745	6,010
Interest payable	5	(138,149)	(195,153)
Increase in valuation of investment properties	11	10,000	5,000
Increase in valuation of fixed asset investments	13	54,962	79,681
Surplus for the year		284,420	411,817
Total comprehensive income for the year		284,420	411,817

The financial statements on pages 13 to 33 were approved and authorised for issue by the Board on 24 January 2018 and were signed on its behalf by:


Howard Webber
Chair


Mark Jackson
Secretary


Hilary Barber
Vice Chair

The Statement of Comprehensive Income relates wholly to continuing activities and the notes on pages 17 to 33 form an integral part of these accounts.

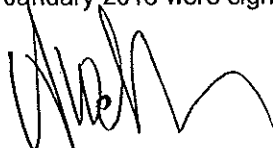
LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2017

	Notes	2017 £	2016 £
Fixed assets			
Housing Properties	10	20,746,306	20,923,172
Investment properties	11	315,000	305,000
Other Tangible Assets	12	36,495	41,496
Fixed asset investments	13	555,510	500,549
		<u>21,653,311</u>	<u>21,770,217</u>
Current assets			
Trade and other debtors	14	80,164	36,896
Investments	15	1,635,575	3,363,814
Cash and cash equivalents		108,960	99,099
		<u>1,824,699</u>	<u>3,499,809</u>
Less: Creditors: amounts falling due within one year	16	<u>(924,867)</u>	<u>(728,093)</u>
Net current assets/ (liabilities)		<u>899,832</u>	<u>2,771,716</u>
Total assets less current liabilities		<u>22,553,143</u>	<u>24,541,933</u>
Creditors: amounts falling due after more than one year	17	14,836,623	17,109,836
Total assets less liabilities		<u>7,716,520</u>	<u>7,432,097</u>
Non-equity share capital	18	22	19
Income and expenditure reserve		6,945,988	6,726,530
Revaluation reserve		770,510	705,548
Total reserves		<u>7,716,520</u>	<u>7,432,097</u>

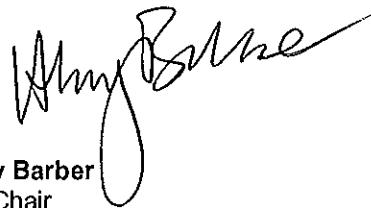
The financial statements on pages 13 to 33 were approved and authorised for issue by the Board on 24 January 2018 were signed on its behalf by:



Howard Webber
Chair



Mark Jackson
Secretary



Hilary Barber
Vice Chair

The notes on pages 17 to 33 form an integral part of these financial statements.

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Income and expenditure reserve £	Revaluation reserve £	Total £
Balance as at 30 September 2015	6,399,394	620,867	7,020,261
Surplus / (deficit) from Statement of Comprehensive Income	327,136	84,681	411,817
	<hr/>	<hr/>	<hr/>
Balance as at 30 September 2016	6,726,530	705,548	7,432,078
Surplus / (deficit) from Statement of Comprehensive Income	219,458	64,962	284,420
	<hr/>	<hr/>	<hr/>
Balance as at 30 September 2017	6,945,988	770,510	7,716,498

The notes on pages 17 to 33 form an integral part of these financial statements.

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	2017 £	2016 £
Net cash generated from operating activities	(i)	801,887	985,493
Cash flow from investing activities			
Purchase of tangible fixed assets		(246,561)	(497,991)
Purchase of current asset investments		(10,898)	-
Grants received		-	69,210
Interest received		3,745	6,010
		<u>(253,714)</u>	<u>(422,771)</u>
Cash flow from financing activities			
Interest paid		(138,149)	(195,153)
Movement in borrowings		(2,128,405)	(69,835)
Movement in share capital		3	-
		<u>(2,266,551)</u>	<u>(264,988)</u>
Net change in cash and cash equivalents		(1,718,378)	297,734
Cash and cash equivalents at beginning of the year		3,462,913	3,165,179
Cash and cash equivalents at end of the year		<u>1,744,535</u>	<u>3,462,913</u>

Note i

	Notes	2017 £	2016 £
Cash flow from operating activities			
Surplus / (deficit) for the year		284,420	411,817
Adjustments for non-cash items:			
Depreciation of tangible fixed assets		346,356	306,117
Decrease / (increase) in trade and other debtors		(43,268)	23,686
(Decrease) / increase in trade and other creditors		192,294	89,852
Carrying amount of tangible fixed asset disposals		93,071	185,405
Revaluation of investment properties		(10,000)	(5,000)
Revaluation of fixed asset investments		(54,962)	(79,681)
Amortisation of Social Housing Grant		(140,327)	(135,846)
Adjustments for investing or financing activities:			
Interest payable		138,149	195,153
Interest receivable		(3,745)	(6,010)
Net cash generated from operating activities		<u>801,887</u>	<u>985,493</u>

The notes on pages 17 to 33 form an integral part of these financial statements.

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

Legal Status

Lambeth and Southwark Housing Association Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency as a Private Registered Provider of Social Housing. The registered office is 7a St Agnes Place, London, SE11 4AU.

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 2016. The accounts are prepared on the historical cost basis of accounting.

The Association's financial statements have been prepared in compliance with FRS 102 as it applies for the first time to the financial statements of the Association for the year ended 30 September 2017.

The Association transitioned from previous UK GAAP to FRS 102 as at 1 October 2014. An explanation of how the transition to FRS 102 has affected the reported financial position and performance, as well as the exemptions taken on transition, is given in note 24.

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 2016 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 balance sheet 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.** Other than investment properties, tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

1. Principal Accounting Policies (continued)

Turnover and revenue recognition

Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities and the Homes and Communities Agency 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.

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

The Association has charitable status and is exempt from any liability to corporation tax.

Value Added Tax

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

Valuation of investments

Investments in unlisted company shares, which have been classified as fixed asset investments as the Group intends to hold them on a continuing basis, are re-measured to market value at each balance sheet date. Gains and losses on re-measurement are recognised in profit or loss for the period.

Investments in listed company shares, which have been classified as current asset investments, are re-measured to market value at each balance sheet date. Gains and losses on re-measurement are recognised in profit or loss for the period.

Current asset investments

Current asset investments include cash and cash equivalents invested for periods of more than 24 hours. They 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.

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

1. Principal Accounting Policies (continued)

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.

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	100
Kitchen	25
Bathroom	20
Heating	15
Wiring and electrics	30

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 at the following annual rates

Furniture and equipment	4-15%
Computer	33%
Electrical items	20%
Office refurbishment	5%

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.

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

1. Principal Accounting Policies (continued)

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 profit and loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

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

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

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 income statement 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 Account 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 the Homes and Communities Agency 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.

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

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 profit or loss immediately.

Revaluation Reserve

The revaluation reserve represents the difference on transition between the fair value of social housing properties and other assets and the historical cost carrying value, where deemed cost transitional relief was taken.

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

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

	Turnover £	2017 Operating expenditure £	Operating surplus £
Social housing lettings (note 3)	2,058,415	1,727,753	330,662
Activities other than social housing			
Managed associations	25,056	20,692	4,364
Commercial rents	13,000	-	13,000
Other	5,836	-	5,836
Total	2,102,307	1,748,445	353,862

	Turnover £	2016 Operating expenditure £	Operating surplus £
Social housing lettings (note 3)	2,074,511	1,581,476	493,035
Activities other than social housing			
Managed associations	25,948	18,217	7,731
Commercial rents	13,000	-	13,000
Other	2,513	-	2,513
Total	2,115,972	1,599,693	516,279

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

3. Turnover and operating expenditure

	Total 2017 £	Total 2016 £
Income		
Rent receivable net of identifiable service charge	1,752,806	1,776,028
Service charge income	165,282	162,637
Amortised government grants	140,327	135,846
Turnover from Social Housing Lettings	<u>2,058,415</u>	<u>2,074,511</u>
Operating expenditure		
Management	252,773	227,572
Services	183,740	225,901
Routine maintenance	376,814	288,012
Planned maintenance	317,390	267,612
Major repairs expenditure	372,482	272,624
Rent losses from bad debts	4,699	28,149
Depreciation of housing properties	423,428	468,564
Abortive costs	42,988	28,845
Capitalised – component accounting	(246,561)	(225,803)
Operating expenditure on Social Housing Lettings	<u>1,727,753</u>	<u>1,581,476</u>
Operating Surplus / (Deficit) on Social Housing Lettings	<u>330,662</u>	<u>493,035</u>
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	<u>12,963</u>	<u>(7,634)</u>

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

4. Accommodation owned, managed and in development

	2017	2016
	No of properties owned & managed	No of properties owned & managed
Social Housing		
Under management at end of year:		
Social housing (owned)	292	292
Commercial properties (owned)	1	1
Social housing (managed)	27	27
	320	320
	320	320

5. Interest and financing costs

	2017	2016
	£	£
On housing loans	138,149	195,153
	138,149	195,153
	138,149	195,153

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

6. Surplus/ (deficit) on ordinary activities

	2017 £	2016 £
The operating surplus is stated after charging / (crediting):		
Auditors remuneration (excluding VAT)	6,650	6,650
Depreciation of housing properties	330,357	303,470
Depreciation of other fixed assets	15,899	2,646
	652,906	615,406

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

	2017 £	2016 £
The aggregate emoluments paid to or receivable by non-executive Directors and former non-executive directors	5,000	5,000
The aggregate emoluments paid to or receivable by executive Directors and former executive directors	128,692	126,065
The aggregate compensation paid to or receivable by Key Management Personnel	-	-
The emoluments paid to the highest paid Director excluding pension contributions	68,941	67,505
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	45,900	46,680
The aggregate amount of any consideration payable to Directors for loss of office	-	-

The Association contributes to the Chief Executive's pension which is a defined contribution scheme on the same terms as all other employees. A contribution of £6,155 was made in the year (2016: £6,050).

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. The Chair is the only Board member to be remunerated in both 2017 and 2016.

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

9. Employee information

	2017	2016
The average number of persons employed during the year expressed in full time equivalents (35 hours per week) was:		
Office staff	6	6
Wardens, caretakers and cleaners	2	3
	8	9

	2017	2016
	£	£
Staff costs		
Wages and salaries	287,440	274,858
Social Security costs	22,240	21,713
Pension costs	16,682	10,170
	326,362	306,741

	2017	2016
Aggregate number of full time equivalent staff whose remuneration exceeded £60,000 in the year:		
£60,000 - £70,000	1	1

No employees received more than £70,000 in the year (2016: 0).

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

10. Tangible fixed assets

	Housing Properties £	Housing Properties Under Construction £	Total £
Cost			
At start of the year	23,911,139	-	23,911,139
Additions to properties acquired	-	-	-
Component replacements	246,561	-	246,561
Schemes completed	-	-	-
Disposals	(132,184)	-	(132,184)
At end of the year	<u>24,025,516</u>	<u>-</u>	<u>24,025,516</u>
Depreciation and impairment			
At start of the year	2,987,967	-	2,987,967
Charge for the year	330,357	-	330,357
Disposals	(39,114)	-	(39,114)
At end of the year	<u>3,279,210</u>	<u>-</u>	<u>3,279,210</u>
Net book value at the end of the year	<u>20,746,306</u>	<u>-</u>	<u>20,746,306</u>
Net book value at the start of the year	<u>20,923,172</u>	<u>-</u>	<u>20,923,172</u>

	2017 £	2016 £
Housing Properties comprise:		
Freeholds	11,046,477	11,085,740
Leaseholds	9,699,829	9,837,432
	<u>20,746,306</u>	<u>20,923,172</u>
Works to existing properties in the year:		
Improvement works capitalised	-	-
Component replacements	246,561	282,373
Amounts charged to expenditure	14,420	46,821

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 (2016: £0) in respect of assets held under finance leases.

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

11. Investment properties

	2017 £	2016 £
At start of year	305,000	300,000
Additions	-	-
Gain/(loss) from adjustment in value	10,000	5,000
At end of year	315,000	305,000

Investment properties were valued at 30 September 2017 and 30 September 2016 by JLL professional qualified external valuers. The valuation of properties was undertaken in accordance with the Royal Institute of Chartered Surveyors Valuation Standards.

12. Other fixed assets

	Furniture and Equipment £	Computer £	Office & Fittings £	Total £
Cost				
At 1 October 2016	12,757	59,203	48,963	120,923
Additions	-	10,898	-	10,898
Disposals	-	-	-	-
At 30 September 2017	<u>12,757</u>	<u>70,101</u>	<u>48,963</u>	<u>131,821</u>
Depreciation and impairment				
At 1 October 2016	12,757	49,533	17,137	79,427
Charge for the year	-	13,451	2,448	15,899
Disposals	-	-	-	-
At 30 September 2017	<u>12,757</u>	<u>62,984</u>	<u>19,585</u>	<u>95,326</u>
Net book value at 30 September 2017	<u>-</u>	<u>7,117</u>	<u>29,378</u>	<u>36,495</u>
Net book value at 1 October 2016	<u>-</u>	<u>9,670</u>	<u>31,826</u>	<u>41,496</u>

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

13. Fixed Asset Investments

	2017 £	2016 £
Listed investments, at cost	-	-
Other investments, at cost	100,000	100,000
Sofled investment	0	1
	<u>100,000</u>	<u>100,001</u>
	<u>555,510</u>	<u>500,549</u>
Market value		

14. Trade and other debtors

	2017 £	2016 £
Rent arrears	73,983	82,823
Less: provision for bad debts	(48,307)	(57,299)
Prepayments and other debtors	54,488	11,372
	<u>80,164</u>	<u>36,896</u>

Debtors are all due within one year

15. Current Asset Investments

	2017 £	2016 £
Building society and bank deposits	1,635,575	3,363,814

16. Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors (revenue)	546,791	400,186
Loans due within one year	86,558	78,598
Taxation and social security payable	6,685	6,696
Accruals and deferred income	61,243	58,983
Deferred Grant (Note 21)	140,327	135,846
Managed associations	83,263	47,784
	<u>924,867</u>	<u>728,093</u>

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

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

	2017 £	2016 £
Loans (Note 17b)	3,772,387	5,900,792
Deferred Grant (Note 21)	11,064,236	11,209,044
	<u>14,836,623</u>	<u>17,109,836</u>

17(b). Loan analysis

	2017 £	2016 £
Loans repayable by instalments:		
In one year or more but less than two years	95,325	86,558
In two years or more and less than five years	313,971	296,020
In five years or more	356,031	511,154
Not by instalments:		
In five years or more	3,007,060	5,007,060
Total loans	<u>3,772,387</u>	<u>5,900,792</u>

Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest.

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

18. Non-equity share capital

	2017	2016
	£	£
Allotted Issued and Fully Paid		
At the start of the year	19	19
Issued during the year	3	-
Surrendered during the year	-	-
	22	19
	22	19

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.

19. Capital commitments

	2017	2016
	£	£
Capital expenditure that has been contracted for but has not been provided for in the financial statements	-	-
Capital expenditure that has been authorised by the Board but has not yet been contracted for	-	-
	-	-
	-	-

The Association expects these commitments to be financed with Reserves.

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

20. Operating leases

The Association holds no equipment under operating leases.

21. Deferred Capital Grant and financial assistance

	2017 £	2016 £
At 01 October 2016	11,344,890	11,411,526
Grant received in the year	-	69,210
Released to income in the year	(140,327)	(135,846)
	<u>11,204,563</u>	<u>11,344,890</u>
At 30 September 2017	<u>11,204,563</u>	<u>11,344,890</u>
Amount due to be released < 1 year (Note 16)	140,327	135,846
Amount due to be released > 1 year (Note 17(a))	11,064,236	11,209,044
The total accumulated government grant and financial assistance received or receivable at 30 September 2017:	<u>14,032,766</u>	<u>14,032,766</u>

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

22. Related parties

The following are related parties:

The Board has tenant members who hold tenancy agreements on normal terms and cannot use their position to their advantage. Rent charged to the tenant Board member during the year was £6,389 (2016: £6,230). Arrears on their tenancy at the reporting period end was £240 (2016: £883).

Related party balances are not secured.

23. Financial Instruments

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

	2017 £	2016 £
Financial assets		
Financial assets measured at fair value		
Investments	36,495	41,496
Financial assets measured at amortised cost		
Rental debtors	25,676	25,524
Other debtors and accrued income	54,488	11,372
Cash and cash equivalents	1,744,735	3,462,913
Total financial assets	1,861,194	3,541,305
Financial liabilities		
Financial liabilities measured at amortised cost		
Rents paid in advance	61,243	58,983
Trade creditors	546,791	400,186
Other creditors	89,948	54,480
Total financial liabilities	697,982	513,649