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Registered by the Financial Conduct Authority under:  
Co-operative and Community Benefit Societies registered number: 25616R  
Registered by the Homes and Communities Agency No LH3737

# Unity Housing Association Limited

Report and Consolidated Financial Statements

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*Year Ended 31 March 2017*

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**UNITY HOUSING ASSOCIATION LIMITED**  
*Year ended 31 March 2017*

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**UNITY HOUSING ASSOCIATION LIMITED**

*Year ended 31 March 2017*

**BOARD MEMBERS, EXECUTIVE OFFICERS, ADVISORS AND BANKERS**

***Board***

**Chair** S Bhargava

**Other Members**

M Anderson (Retired 19<sup>th</sup> September 2016)  
T English (Resigned 19<sup>th</sup> September 2016)  
S Khan  
A Tara-Chand (Resigned 19<sup>th</sup> September 2016)  
T Yeardley  
R Walker  
W Butt  
D Heels  
E Green  
J Jefferies  
N Ahmed

***Executive Officers***

**Chief Executive** A Akbor  
**Operations Director & Deputy Chief Executive** P Sidhu  
**Regeneration & Development Director** W Noteman

***Registered office***

113-117 Chapeltown Road  
Leeds  
LS7 3HY

***Registered number***

Registered by the Financial Conduct Authority under  
the Co-operative and Community Benefit Societies Act 2014 No: 25616R  
Registered by the Homes and Communities Agency No: LH3737

***Auditors***

Grant Thornton UK LLP  
No 1 Whitehall Riverside  
Leeds  
LS1 4BN

***Solicitors***

Bevan Brittan LLP  
Toronto Square  
7<sup>th</sup> Floor  
Toronto Street  
Leeds  
LS1 2HJ

***Bankers***

Yorkshire Bank PLC  
329 Harehills Lane  
Leeds  
LS9 6AX

## **REPORT OF THE BOARD**

The Board presents its report and the Group's audited financial statements for the year ended 31 March 2017, which includes the accounts of Unity Housing Association Ltd (the Association) and its subsidiaries; Unity Property Services Ltd (UPS) and Unity Housing Development Services Limited (UHDS), (collectively the Group).

### **Principal activities**

The Group is a not-for-profit organisation administered by a voluntary Board of Management. The Group operates in Leeds from its offices in Chapeltown. The Association has two subsidiaries, Unity Property Services Limited (UPS), trading as Unity Enterprise that is also a not-for-profit organisation administered by a voluntary Board and Unity Housing Development Services Limited (UHDS); a company registered under the Companies Act 2006 also administered by a voluntary board. The Association has the right to appoint the members to the Board of UPS and UHDS and thereby exercises control over both organisations.

The Group owns 1,242 units of mainly general needs accommodation of which 1,158 are directly managed. The Group has 10 units of special needs accommodation and some properties, which are leased to Canopy. UPS manages business workspace accommodation in Chapeltown and Harehills. UHDS manages the direct development of the groups housing schemes until completed. The Group's average employees during the year were 36, 18 of whom are directly involved in the provision of housing services. The Group's principal activities are the development and management of social housing.

### **Business review**

Details of the Group's performance for the year and future plans are set out in the Operating and Financial Review that follows this Report of the Board as set out on pages 6 to 19.

### **Housing property and fixed assets**

Details of changes to the Group's tangible fixed assets are shown in notes 13 and 14 to the financial statements. Housing property values are considered in the Operating and Financial Review.

### **Reserves**

After transfer of the surplus for the year of £1,512k (2016: £1,676k), Group revenue reserves amounted to £15,095k (2016: £13,583k).

### **Post balance sheet events**

We consider that there have been no events since the year-end that have had a significant effect on the Group's financial position.

### **Payment of creditors**

In line with government guidance, our policy is to pay purchase invoices within an average of 30 days from receipt, or earlier if agreed with the supplier. Creditor days are 24 (2016: 21).

### **Financial instruments**

The Group's approach to financial risk management is outlined in the Operating and Financial Review on pages 6 to 19.

### **Employees**

The strength of the Group lies in the quality and commitment of its employees. Our ability to meet our objectives and commitment to tenants in an efficient and effective manner depends on the contribution of employees throughout the Group.

## **REPORT OF THE BOARD (cont.)**

The Group continues to provide information on its objectives, progress and activities through regular office and departmental meetings. The Group provides training programmes focused on quality and customer service and seeks employees' views on how to improve services and on matters of common concern.

The Group is committed to equal opportunities for all its employees and in all its activities.

### **Health and safety**

The Board is aware of its responsibility on all matters relating to health and safety. The Group continues to monitor its health and safety procedures and provides training and education to staff on health and safety matters through a health and safety consultant.

### **Board members and executive directors**

The Board members and the executive directors of the Group are set out on page 1.

The Board members are all shareholders of Unity. These shares provide Board members with the right to vote at general meetings, but do not provide any rights to dividends or distributions on a winding up. The executive directors hold no interest in Unity's shares and have no legal status as directors although they act as executives within the authority delegated by the Board. The Group has insurance policies that indemnify its Board members and executive directors against liabilities when acting for the Group.

### **The Board**

The Board comprises up to thirteen non-executive members drawn from a wide background, bringing together professional, commercial and local experience. Up to one third of the Board may be tenant Board members. Except for co-optees and tenants, only shareholders can be Board members. At every annual general meeting, Board members who have served their fixed term of three years retire from office and are eligible for re-election. Any Board member who has completed nine years' continuous service is not eligible for re-election.

The Board meets four times a year for regular business and annually for a weekend to discuss future strategy and members' training. The Board is responsible for the Group's strategy and policy framework. It delegates the day-to-day management and implementation of that framework to the Chief Executive and other executive officers.

An Audit and Risk Management Committee, an Operations Committee and a Recruitment, Remuneration and Appeals Panel support the Board.

The Board and its committees obtain external specialist advice from time to time as necessary.

### **Remuneration Policy**

The Board set the Group's remuneration for its employees on an annual basis. It agrees the appointment of the executive directors, as well as the brief within which the Chief Executive can negotiate staff salaries.

### **Service contracts**

The executive directors are employed on the same terms as other staff, their notice periods comprise three months.

### **Pensions**

The executive directors are members of the Social Housing Pension Scheme, a defined benefit final salary pension scheme. The executive directors participate in the scheme on the same basis as all other eligible staff. The Group contributes to the scheme on behalf of its employees. Further details are in note 10.

## REPORT OF THE BOARD (cont.)

### Other benefits

The executive directors may be entitled to other benefits such as essential car user allowance, and the provision of a car (Chief Executive). Details of executive directors' salaries are set out in note 11 of the audited financial statements.

### NHF Code of Governance

We are pleased to report that Unity complies with the principal recommendations of the NHF Code of Governance (2015 edition).

The Board has agreed a protocol within the standing orders which sets out the policy for determining what non-audit work can be undertaken by the external auditors and procedures for periodic review and selection of external auditors. The level of fees paid for this work is set out in note 6 to the financial statements.

### Governance and Financial Viability Standard

Registered providers are required by the regulator, the Homes and Communities Agency to certify their compliance with the Governance and Financial Viability Standard. The Board confirms that they comply with all material aspects of the standard.

### Equality and Diversity

The Board has agreed equality and diversity targets and the Group proactively works towards achieving these and also in the delivery of projects which lead to sustainable communities for all.

### Tenant Involvement

We actively encourage tenants' involvement in decision making by promoting mechanisms of tenant involvement.

### Complaints

We have a clear and simple complaints policy which is available to tenants. During the year, we received 21 complaints all of which were resolved.

### Internal controls assurance

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. This responsibility applies to Unity and its subsidiaries.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss. In meeting its responsibilities, the Board has adopted a risk-based approach to establishing and maintaining internal controls, which are embedded within day-to-day management and governance processes. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed.

The process we now use for identifying, evaluating and managing the significant risks faced by the Group, is on-going and has been in place since 1 April 2015 up to the date of approval of the annual report and financial statements. The Board receives and considers reports from management on these risk management and control arrangements throughout each year at its meetings.

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

- **Identifying and evaluating key risks**

The Group's risk management strategy, sets out the Board's attitude to risk in the achievement of its objectives, it underpins the risk management, business planning and control arrangements. These arrangements clearly define management responsibility for the identification, evaluation and control of significant risks. The executive directors produce quarterly update reports on risk, in addition to the twice yearly review of risk at Board level. The Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

## **REPORT OF THE BOARD (cont.)**

- **Control environment and internal controls**

The processes to identify and manage key risks to which the Group is exposed are an integral part of the internal control environment. Such processes, which are reviewed annually and revised where necessary, include strategic planning, the recruitment of executive directors and senior staff, regular performance monitoring, control over developments and the setting of standards and targets for health and safety, data protection, fraud prevention and detection, and environmental performance.

- **Information and reporting systems**

Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed, approved and monitored throughout the year by the Board. The Board regularly receives information on key performance indicators to assess progress towards achievement of key business objectives, targets and outcomes. The outcomes of these reviews are reported to Board at meetings throughout the year.

- **Monitoring arrangements**

Regular management reporting on control procedures provide assurance to successive levels of management and to the Board. It is supplemented by regular reviews by internal audit that provide independent assurance to the Board, via its Audit and Risk Management Committee. The arrangements include the rigorous procedure, monitored by the Audit and Risk Management Committee, for ensuring that corrective action is taken in relation to any significant control issues on internal audit action plans. A Fraud Register is maintained and is reviewed by the Audit and Risk Management Committee.

The Audit and Risk Management Committee has received the Chief Executive's annual review of the effectiveness of the systems of internal controls for the Association and its subsidiaries and the Annual Report of the Internal Auditor and has reported its findings to the Board.

### **Going concern**

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Operating and Financial Review. The Group has in place long-term debt facilities and sufficient liquid capital, which provides adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. The Group also has a long-term business plan, which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

In considering the Group's going concern position, the Board has considered future risks and uncertainties, which might affect its financial position and reviewed certain stress test scenarios to test the resilience of the business plan. The Board has also considered the impact of risks and uncertainties on its ability to comply with its loan covenants and is content that it will be able to comply with its loan agreement obligations for the foreseeable future.

On this basis, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

### **Register of Assets and Liabilities**

The Board can confirm that the Group is compliant with the standard requiring a Register of Assets and Liabilities to be held containing, but not exclusively, key information in relation to its housing properties and liabilities and other such information pertaining to the business.

### **Annual general meeting**

The annual general meeting will be held on 26 September 2017.



## OPERATING AND FINANCIAL REVIEW

### Activities

The Unity Group consists of Unity Housing Association a registered social landlord, Unity Property Services, a subsidiary trading as Unity Enterprise, which is a business delivering office and workshop space to business start-ups and social enterprise and Unity Housing Development Services, a development subsidiary. Unity Housing Association and Unity Property Services both have charitable status.

The Group's head office is based in Chapeltown, Leeds and it has properties in Leeds and Kirklees, with the majority of properties being located in Leeds.

The Group operates three key business streams:

- \* General needs housing for rent to persons who are unable to rent or buy at open market rates;
- \* Supported housing and Category 1 housing for people who need additional housing-related support; and
- \* Low-cost home ownership, primarily shared ownership whereby residents purchase a share in the equity of their homes with the potential to staircase to outright ownership.

As well as managing over 1,200 properties, the Group is a developer of new affordable housing and is a partner in the Accent Consortium, selected by the Homes and Communities Agency as one of its development partners in the region.

In addition to the above, through its subsidiary Unity Property Services Limited, the Group rents a range of affordable low cost units to encourage local businesses to start up and grow and provides employment services to help create and maintain jobs in the local area.

Unity Housing Development Services Limited a wholly owned subsidiary was set up to manage development activities providing design and build services to Unity Housing Association Limited.

### External influences

The operating environment remains challenging from both an economic and strategic context with the unknown impact of Brexit and current high levels of political uncertainty. Austerity continues to impact on both our tenants and our business model.

We have included sensible assumptions about the impact of these factors on our business and feel that with careful management and tight controls we will continue to have a very robust financial position.

The Government is continuing with its transformation of the welfare system and we will continue to support our tenants through this period of change as well as review and improve our processes and levels of support and closely monitor the impact on our financial plans and respond accordingly to these challenges.

The Government has made a number of announcements aimed at stimulating the housing market and in the longer term plans to devolve a greater proportion of growth related spending, including for housing, to the Local Enterprise partnerships. We along with all housing associations are faced with one of the most diverse and complex set of challenges that have been the case in recent years. These are principally contained within the Housing and Planning Act 2016, the Comprehensive Spending Review 2015 and the roll out of Welfare Reform.

### Objectives and strategy

The Group's objectives and priorities are set out in a business plan that is reviewed and approved by the Board each year. The six key objectives are summarised as follows:

**Provide and continue to develop good quality mixed tenure housing which reflects needs and aspirations** – we will ensure the highest standards of repair and maintenance of our existing stock. Our priority will be to develop new high quality stock in geographic areas of Leeds where members of the Black, Minority and Ethnic (BME) community would want to live. We will also consider opportunities to support BME communities across the wider Leeds City Region. Our new development programme will consist of the type and tenure of unit for which we know there is a current and emerging need.



**OPERATING AND FINANCIAL REVIEW (cont.)**

**Provide high quality affordable housing services** – we aim to achieve the highest level of tenant satisfaction through the delivery of a range of flexible high quality services which respond to the needs of our current tenants. We will take account of emerging needs of new tenants and redesign our services accordingly. We will be sensitive to the needs of existing and new tenants in regard to the current economic climate and the Government's legislative programme.

**Involve and work with our tenants and the communities we serve to inform and improve services** – we will engage with our tenants and BME communities to develop a good evidence base to help us design our services and influence the policy and delivery of services to others. On this basis, we will seek to represent BME communities, and others, in the multi-cultural neighbourhoods within which we work.

**Work with partners to encourage the regeneration of our target neighbourhoods** – We will work in partnership to deliver physical, social and economic regeneration programmes to help create and sustain neighbourhoods where BME communities want to live. We will focus our efforts in those neighbourhoods where our tenants live and where there are high percentages of BME communities. We will aim to deliver and facilitate the delivery of services based on our understanding of current and future needs. We will continue to ensure our tenants have the best advice and access to training and employment opportunities and we will aim to promote and sustain financial inclusion.

**Provide and facilitate business support services and encourage local enterprise** – through Unity Enterprise we will offer affordable managed workspace to support the needs of a wide range of small businesses and other organisations. We will provide and facilitate direct support to encourage local enterprise and we will offer and facilitate business advice to our existing business tenants. Through these services we will aim to support the economic regeneration of our target neighbourhoods.

**Be a progressive and expanding business with a sound resource base** – we will be a strong and forward looking organisation. We will have a robust financial plan to support the delivery of high quality services and new development. Our governance and performance management arrangements will be of the highest standard and we will be a place where people want to work.

**Performance and development**

The Board agrees targets each year that are designed to manage develop and deliver continuous service improvement. The key indicators used by senior management and the Board are monitored regularly to assess the achievement of the Groups' objectives.

Performance against some of the key objectives is set out below:

**Provide and continue to develop good quality mixed tenure housing which reflects needs and aspirations**

The planned maintenance programme over the five years (2013/14 to 2017/18) was developed with reference to the external stock condition survey, internal stock condition surveys, local knowledge and the views of tenants. The planned and cyclical programme for 2016/17 has been completed in total with an expenditure of £459k (after capitalisation of components £353k, a total spend of £812k).

The works completed are as follows:

Type of work	Number of properties
Kitchens	45
Bathrooms (full and partial)	64
Windows and Doors	8
Boilers	72
External painting & communal areas	178

## **OPERATING AND FINANCIAL REVIEW (cont.)**

This year's gas servicing programme has been fully completed for all properties that require an inspection. We have continued to replace the poorest performing boilers in our properties as identified from stock condition information. We have co-ordinated this with other affordable warmth works to ensure our average RD 73 SAP rating is maintained.

We continue to develop and work on opportunities for growth and regeneration both on our own and with the Local Authority housing partnerships in the areas in which we work. We have continued to progress our affordable housing programme to deliver on our approved housing programme.

During the year, we completed 28 new units and are part way through our 2015/18 Affordable Homes Programme to deliver a total 120 new homes with a grant allocation of £3.96m. We have also agreed a further grant allocation of £3.5m with the HCA for the 2018/21 Affordable Homes Programme to deliver a further 100 new homes under the Shared Ownership Affordable Homes Programme. It is planned that 50 of these homes will be available for shared ownership.

### **Provide high quality affordable housing services**

Key service performance is set out on page 12 as part of our Value for Money summary.

We have reviewed and confirmed our policy on social and affordable rents and our lettings policy. The demand for our stock is sustainable and turnover is managed, minimising void levels and rent losses. We have actively engaged with our tenants to address the effects of welfare reforms and continue to take action to minimise rent loss and void turnover. We have reviewed and introduced new procedures for income collection and arrears management.

We have continued to use the information provided by Energy Performance Certificates to identify energy efficiency measures that will assist with affordable warmth and have developed opportunities within the local community in respect of the delivery of energy advice to our tenants. We introduced a specialist advice service around energy supplier switching to both new and existing tenants.

### **Involve and work with our tenants and the communities we serve to inform and improve services**

We continue to develop our range of tenant involvement panels and provide further support and encouragement to the Tenant Scrutiny Panel. The Scrutiny Panel is receiving on-going training and mentoring around understanding performance information and maintain and developing social housing. Our Tenants panel members continue to engage with the "Leeds Alliance" collaborative group, which has undertaken a number of reviews across the Alliance members.

The scrutiny activities undertaken by tenants include; Anti-social behaviour service, tendering of communal cleaning and grounds maintenance contracts, income collection and arrears and benchmarking Unity's performance on affordable warmth.

### **Work with partners to encourage the regeneration of our target neighbourhoods**

As a result of the work Unity and the partners have undertaken to date Chapeltown, Beeston/Holbeck and Little London have been identified as emerging spatial priority areas in the Local Investment Plan for Leeds. This will mean some of the limited resources available for the coming years will be targeted at communities in these areas.

Unity continues to be represented at the Leeds Housing Partnership Forum, is a member of the Leeds Alliance Group and is active member of the BMENational.

Unity is leading on identifying practical solutions through the work being developed on an area basis in Chapeltown, Harehills and Beeston.

We continue to support our tenants affected by the impact of welfare reform and wider cost of living issues through the delivery of an up to date Financial Inclusion programme.

**OPERATING AND FINANCIAL REVIEW (cont.)****Provide and facilitate business support services and encourage local enterprise**

Unity Enterprise took over the management of the Leeds Media Centre from July 2008 under a Service Level Agreement with Leeds City Council. We also manage our Unity Business Centre and the Chapeltown Enterprise Centre which together provide quality affordable business units to encourage small local businesses to grow, help create jobs and prosperity with the local area.

Unity Enterprise now provides around eighty small businesses with office or workspace.

As well as successfully running these facilities the focus of Unity Enterprise has been to tackling unemployment, improving training and creating opportunities for local people to establish new businesses and improve their life chances. The employment team continue to make good progress and are continually adding to the network of contacts to ensure an effective employment and training service to our tenants and the community. During the year, the team has helped 95 people into employment, 149 into accredited training and 26 into voluntary placements.

**To be a progressive and expanding business with a sound resource base**

We have made another healthy Group surplus of £1,512k (2016, £1,676k), exceeding budget, and we are meeting all lender covenants including interest cover and gearing. We meet the requirements set out in Governance and Financial Viability Standard of the Homes and Communities Agency's regulatory framework with our ratings being G1 and V1.

These surpluses will be used to part fund our planned development programmes alongside additional debt financing and grant funding.

We have updated the 30 year financial plan based on a revised and updated assumptions.

**Risks and uncertainties**

The main risks that may prevent the Group achieving its objectives are considered and continuously reviewed by the senior management team and Board as part of the corporate planning processes. The risks are recorded and assessed in terms of their impact and probability. Major risks, presenting the greatest threats to the Group, are reported to the Board together with action taken to manage the risks and the outcome of the action. These risk reports include assessments of key controls used to manage the risks. The Group has identified the major risks to successful achievement of its objectives as part of its business planning process and the areas of risk that carry a high risk score after risk controls are implemented are considered below:-

<b>Key risk</b>	<b>Controls / action planned</b>
Significant uncertainty in the macro economic and political environment may lead to a weakening of the economy and further austerity measures.	Stress testing of adverse scenarios. Close monitoring of sector developments and government.
A significant health and safety related breach/event which could be related to gas, electric or other factors.	Robust monitoring of safety standards, required inspections, independent audits and inspections and review of processes by the Board

**OPERATING AND FINANCIAL REVIEW (cont.)****VALUE FOR MONEY STATEMENT**

A copy of our full VFM self-assessment is available on our website at [www.unityha.co.uk](http://www.unityha.co.uk)

**INTRODUCTION**

Unity places Value for Money (VFM) at the heart of everything that it does. The following summary outlines the key aspects of our 2016/17 VFM Self-Assessment statement. It provides a critical analysis of our achievements in 2016/17 and it demonstrates that we consider accountability to our residents and all our stakeholders and partners, including the regulator, a very high priority.

We have assessed our gains and achievements, focusing on measurable outcomes and also on those outcomes that are harder to measure, but which nonetheless have added a social value and a return for our residents and our communities. A forward look at our future VFM plans can be found towards the end of this summary.

**STRATEGIC CONTEXT**

Our VFM Strategy has been developed to underpin our mission and is regularly reviewed to ensure its relevance to changing economic and social circumstances. We believe that delivery of VFM needs to be provided in the context of our mission 'to provide housing choice, improve life opportunities and address inequalities', values and our corporate objectives. The rest of this summary outlines our strategy for VFM and demonstrates how we have monitored and evidenced VFM over the last year in addition to our plans for the future.

Unity's Value for Money Strategy has the following key objectives to ensure we achieve our objectives at all levels and functions within the organisation:

REF	OBJECTIVES
1	To embed VFM and continuous improvement into the organisation's culture
2	To adopt good practice in relation to VFM, reducing the risk of exposure to financial and material waste
3	To benchmark and review VFM in relevant services
4	To involve stakeholders and tenants where relevant in achieving VFM
5	To ensure we comply with our green strategy when considering VFM
6	To consider using a range of procurement practices to achieve VFM where appropriate
7	To pursue VFM by setting and monitoring VFM targets and efficiency savings

**EVIDENCING VFM**

The evidence to support our VFM achievements over the last year falls in to a number of categories as follows:

- Our financial performance
- KPI's compared against target
- Decent Homes Survey findings
- Maintenance – the number of jobs achieved vs the number budgeted for
- Return on assets – Net Present Value analysis
- Benchmarking against other organisations in the local area
- Benchmarking against the HCA Global accounts and unit cost data
- Social return

Each of these areas is now considered in turn.



**OPERATING AND FINANCIAL REVIEW (cont.)**

**FINANCIAL PERFORMANCE**

The table below sets out a summary of Unity Housing financial performance compared with the previous five years.

	2013	2014	2015	2016	2017
	-----	-----	-----	-----	-----
Turnover	6,196	5,407	6,357	8,061	7,401
Surplus	857	1,007	1,354	1,676	1,512
Properties	18,138	18,885	54,805	55,332	59,312
Other Assets	1,029	1,285	3,234	3,023	2,963
Net Curr Assets	2,115	7,767	4,190	5,396	1,675
	<b>21,282</b>	<b>27,937</b>	<b>62,229</b>	<b>63,751</b>	<b>63,950</b>
Loans (non-current)	13,564	19,212	19,144	18,321	17,374
Grants Etc			31,189	31,847	31,481
Reserves	7,718	8,725	11,896	13,583	15,095
	<b>21,282</b>	<b>27,937</b>	<b>62,229</b>	<b>63,751</b>	<b>63,950</b>
Op Surplus %age turnover	16.50	21.10	29.65	27.61	27.95
Op Surplus %age of rent	20.30	21.50	29.97	28.43	28.29
Voids %	1.20	0.86	0.97	1.02	0.69
Bad debts %	1.22	1.12	1.94	0.41	0.31
Liquidity	2.40	4.90	4.00	2.12	2.41
Arrears £'000	278	339	612	618	569

The surplus for the year of £1.5m is higher than anticipated mainly as a result of cost savings against budget, lower interest charges and lower depreciation costs now clarified following the implementation of FRS 102

The surpluses made form a key part of our plan to maximise the number of new homes delivered over the next 5 years alongside significant increases in debt finance. This has been reflected in the Business Plan.

Voids, bad debts and arrears have also all reduced during the year with voids and bad debts continuing their steady improvement over the last 6 years.

Unity keeps a VFM log to track savings and efficiencies over the year. The table below summarises some of the key items during the year 2016-17.

Scope for contract renewal and cost savings is reducing as time goes on with the majority of cost bases being reviewed in recent years.

NO	DATE	Title	Project	Annual Savings Impact £	Contract Savings £	Notes
0080	27-Apr-16	Electricity	LMC Half Hour Meter	1,324	1,324	12 mth contract
0081	26-May-16	Insurance	Estimated renewal savings	27,760	83,280	Three year contract saving
0082	26-May-16	Insurance	Risk review requested by Audit Committee	3,500	3,500	Obtained two days at £1,750 free
0083	21-Oct-16	Electricity	Annual rates review	1,054	1,054	Annual saving
0084	21-Oct-16	Gas	Annual rates review	3,085	3,085	Annual saving
0085	14-Nov-16	Telephone	Direct debit charges	72	288	Annual saving over all accounts
0086	18-May-17	Electricity	Annual rates review 2016	813	813	Annual saving of 2.30%
0087	18-May-17	Gas	Annual rates review 2016	3,495	3,495	Annual saving of 19.20%
0088	07-Jun-17	Monitors	Replacement of 12 Monitors	220	220	One off

**OPERATING AND FINANCIAL REVIEW (cont.)**

**Key Performance Indicators (KPI's)**

The following table sets out some of our key KPI measures around rent collection, lettings and voids.

	Actual 2014-15	Actual 2015-16	Actual 2016-17	Target 2016-17	Met target
<b>RENTS</b>					
Rent arrears (current tenants) £k	£336k	£310k	£285k	£268k	
Rent arrears %	6.36%	5.56%	4.91%	4.75%	
Rent collection %	103.09%	102.12%	100.49%	100.00%	
<b>LETTINGS &amp; VOIDS</b>					
Stock turnover	5.72%	4.25%	4.2%	<10%	
Re-let times	21.6 days	20 days	14.1 days	20 days	
Rent loss from voids General Needs	0.95%	1.02%	0.69%	1.00%	
Lets to nominations %	75.4%	85.7%	94%	50%	
BME tenant lettings -General Needs	78.3%	67.1%	78.1%	No less than 50%	
Long term voids	0.28%	0%	0%	0%	

Rent arrears missed target for the year but did still record another improved year (reducing from 5.56% to 4.91%) which we have targeted to continue next year by setting a challenging target (reducing to 4.25%).

Rent loss from voids beat target at 0.69% (vs a target of 1%) and last year's performance of 1.02%.

Overall re-let times were lower at 14.1 days, helped by a slightly higher than usual number of new homes released. Unity's re-let times for 'existing stock only' were 34 days and whilst this could possibly be reduced, there is a focus on ensuring that the right tenants are chosen, to ensure that they have sustainable and successful tenancies, that communities are stable, and that we continue to have a low turnover rate which is in the region of 5% (vs a 11% sector average). In the longer term, sustainability of tenancies and communities provides better overall value for money.

**OPERATING AND FINANCIAL REVIEW (cont.)**

	Actual 2014-15	Actual 2015-16	Actual 2016-17	Target 2016-17	Met target
<b>COMPLAINTS</b>					
Number received	22	21	20	n/a	n/a
% response on time	100%	100%	100%	100%	
<b>REPAIRS</b>					
% Emergency repairs in target	99.9%	99.2%	99.3%	99.0%	
% Urgent repairs in target	99.4%	99.1%	98.1%	99.0%	
% Routine repairs in target	95.8%	99.0%	99.1%	99.0%	
% First time fixes	95.8%	95.7%	94.6%	95.0%	
% Appointments kept	99.1%	99.4%	98.8%	99.0%	
Gas service	100%	100%	100%	100%	
Average SAP rating	73.0	73.7	74.0	73.0	
Repairs satisfaction	98.4%	99.5%	99%	99%	

All repairs KPIs were met or exceeded except for three where there were marginal misses. There will be increased risk in 2017-18 in this area as we complete the renewal/procurement of a number of our maintenance contracts.

**DECENT HOMES SURVEY – FINDINGS**

A Decent Homes Survey was completed for Unity in 2016 by Michael Dyson Associates, a firm of specialist housing consultants. This is a stock condition survey which is carried out periodically (normally every five years) in order to provide information and assurance in a number of key areas. It involved physical inspections of 350 (29%) of our properties with assumptions then applied over our entire stock.

Area of focus	Outcome for Unity
Financial planning data	Provides a high-level forecast of future maintenance costs (next 30 years)
Failures vs Decent Homes legislation	No material failings reported
Health & Safety compliance	No material failings reported
Thermal efficiency	No failures reported
Level of Catch up repairs	The forecast for the proportions of total maintenance spend allocated to catch up repairs is 47% lower than it was in 2008.
Planned maintenance	The survey forecasts higher spend than we have budgeted.



**OPERATING AND FINANCIAL REVIEW (cont.)**

We are pleased to report a generally positive outcome. There were no material legislative or compliance failures and our stock was deemed to be of a good standard and has improved since the last survey in 2008. This improvement in stock condition has been achieved despite spending levels being significantly below the 2008 stock condition survey report.

The main risk identified in the survey was the level of spend forecast for the next 30 years at £29m vs Unity's forecast of £17m. We would certainly expect to outperform such forecasts with generic assumptions, however the size of the variance warrants further investigation which we will conduct over the remainder of 2017.

We have demonstrated our performance in this respect over the last 9 years.

We have also completed a stress test scenario to ascertain how much additional maintenance spend the 30-year forecast could bear before losing viability. The plan could cope with the additional (£12m) cost although this would impact on future development capacity.

**MAINTENANCE PERFORMANCE**

Maintenance is one of the largest items of expenditure with an overall budget of £1.3 million. Unity aims to spend the full amount of budget allocated to maintenance spend each year to ensure that it can optimise the condition of its stock.

As a small organisation, Unity can remain relatively flexible in the jobs it undertakes. For example, completing planned works during void periods.

The table below demonstrates how, by working efficiently, the maintenance team have managed to complete extra works during the year without any increase in budget.

Job Type	Budget 2016-17	Actual 2016-17	Additional works	Value of additional works
Kitchens	42	45	7%	£11.4k
Bathrooms	50	64	28%	£17.9k
Windows	6	8	33%	£5.5k
Doors	45	48	7%	£2.5k
Boilers	45	72	60%	£86.4k
External painting	178	178	0%	-
Communal painting	4	4	0%	-
Communal upgrades	5	5	0%	-
Gas servicing	1098	1098	0%	
Electrical testing	250	279	12%	£14.5k
<b>Total value of efficiency in the year</b>				<b>£138.2k</b>

During 2016-17 Unity started the process for re-procuring a number of our main maintenance contracts, including:

- responsive and planned maintenance
- cyclical painting contract

These contracts have delivered significant efficiencies for Unity over the last five years and there are increased pressures this time around which may result in higher, rather than lower costs going forwards.

Unity has benefitted from minimal price uplifts over this last contract term, however there are now much higher inflationary pressures arising from two main areas:

- a) **Material cost inflation** – partly driven by the weaker British pound following the Brexit vote; and
- b) **Higher labour costs** - there is a general labour shortage within the construction trade which is making it difficult for our partners to find staff with the right skills, and those that have the skills are generally able to command a higher level of remuneration.

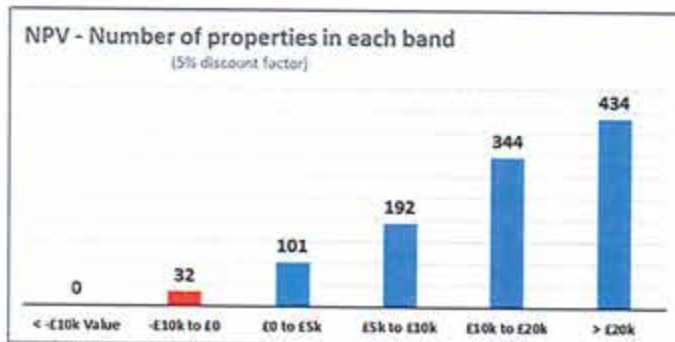
Nevertheless, we will conduct a thorough procurement process to obtain the best deal in terms of quality and price for our stock and ultimately our tenants.

**OPERATING AND FINANCIAL REVIEW (cont.)**

**RETURN ON ASSETS**

In last years' VFM assessment we reported that NPV analysis for each of our properties had been completed and the results compared favourably with others overall, partly because Unity generally has lower levels of stock which require significant investment.

The profile of the calculations is set out in the chart below.



It was however agreed that we would conduct some further work to analyse those properties with a negative NPV to understand the reasons for the negative value and to agree a strategy for addressing them. This could have included selling certain properties for which no practical actions could be completed in order to make them more sustainable. The proceeds would then be reinvested in new sustainable properties.

The combined negative NPV for all 32 properties was only £54k, so not materially significant. Each property was reviewed and a suggested course of action identified and then submitted to the board for approval. Actions included a resetting of rents at the next re-let point. It was agreed that no properties should be disposed of at this time.

All of the properties reviewed were found to comply with the requirements of our affordable warmth strategy in respect of RD SAP ratings

Further work will be carried out in 2017-18 on those properties with a very low positive NPV to see if their position could be improved.

**BENCHMARKING AGAINST OTHER LOCAL ORGANISATIONS**

Unity benchmarks certain of its data against a group selected to provide a blend of organisations which operate in similar areas, are of similar size and include BME focus.

A summary of Unity's performance against these organisations is set out in the table below:

	Unity Performance	Housemark quartile	Rank in region (of 10)	Rank 2016
<b>Income Management</b>				
• Rent Collected	101.3%	Upper	3	1
• Current rent arrears	4.91%	Lower	6	6
<b>Voids and Allocations</b>				
• Average re-let times	14.1 days	Upper	2	1
• Voids – rent loss %	0.68%	Upper	1	2
Gas safety record	100%	Upper	1	1

As reported last year, Unity's performance compares well with this peer group, achieving top two positions for its voids/allocations outcomes. Rent collections also remain in the upper quartile.

Re-let times result from a blend of existing properties and new build. New build are often let with a zero-day outcome and that has helped to drive the number below our 20-day target for 2016-17. See also KPI's section above.

The level of rent arrears is the only measure which falls in the lower Housemark quartile and in the bottom half of our benchmark list above. There has been a significant drive to reduce arrears over recent years and the position is improving. Arrears reduced again in 2016-17 from 5.56% down to 4.91% and we have set next year's target to reduce this further to 4.25%.



**OPERATING AND FINANCIAL REVIEW (cont.)**

**BENCHMARKING AGAINST HCA GLOBAL UNIT DATA**

The table below sets out the per unit data.

	HCA Global Accounts 2016	Unity Homes and Enterprise 2016	Variance %
Management costs	£1,080	£1,602	+48%
Service charge costs	£530	£198	-63%
Maintenance costs	£1,010	£676	-33%
Major repairs costs	£890	£400	-55%
Other social housing costs	£470	£44	-90%
<b>Headline social housing costs</b>	<b>£3,980</b>	<b>£2,920</b>	<b>-26%</b>

Unity's cost per unit data compares very well against the global data collected and reported by the HCA for 2016.

Overall cost per unit stands at £2,920 which puts Unity in the top 30 out of 240 organisations.

Management costs appear to be high though, almost 50% more than the average measure. The reason for this is that Unity does not reallocate any overhead or direct management cost from its Management costs. So, for example, all of the housing management and maintenance team costs are included within management costs. In addition, there are no central overhead allocations across each operational area.

The outcome of this is that our management costs look much higher than our peers and our other costs look lower.

Whilst we understand this and can clearly see that overall our costs performance is very good, we will look to estimate what the data would look like if we were to reallocate those costs during 2017/18.

**SOCIAL RETURN**

Unity also generates social impact from a number of sources. The employment support team helps people to find employment opportunities and furnishes them with additional skills through training and volunteering opportunities. The team maintain a strong link with other areas of the organisation and Unity sees this as an integral part of its community support programme.

The numbers of people supported vs target are shown in the table below. Unity is committed to maintaining its community support and has set increased targets for 2017-18 as set out above.

Numbers of people supported	Target 2016-17	Actual 2016-17	Target 2017-18
In to employment	80	95	105
In to volunteering	25	26	30
With education and training	120	149	160

Success in supporting our tenants and other community members in becoming more financially resilient in turn helps them to better manage their financial outgoings in a time when benefits are being squeezed through austerity.

Unity's development programmes do not just deliver homes to live in. There is a strong focus on the regeneration of areas which often requires partnering or collaboration with other parties, such as Leeds City Council. Often these collaborations deliver key improvements alongside Unity's development schemes to help regenerate the area as a whole rather than the sole provision of additional homes.

Unity Enterprise also delivers additional support services in addition to offering work/office space to small local businesses. Currently, work space is provided for around 80 small businesses, third sector organisations and social enterprises in Unity's three main centres. Unity strives to provide support wherever possible to its business tenants in delivering value creation.

**OPERATING AND FINANCIAL REVIEW (cont.)**

**LOOKING FORWARD – WHAT WE INTEND TO DO IN THE FUTURE**

As an organisation, we will maintain a strong focus on value for money. We have strengthened our quarterly performance management reviews to incorporate VFM and will continue to monitor performance at management and board level.

Targets for 2017-18 include the following:

Target Area	Detail	Estimated VFM £k
Finances	<ul style="list-style-type: none"> <li>Target cost savings against budget</li> </ul>	£100k
Performance	<ul style="list-style-type: none"> <li>Reduce arrears to 4.25%</li> </ul>	£60k
	<ul style="list-style-type: none"> <li>Maintain void level at &lt;0.75%</li> </ul>	£0k
	<ul style="list-style-type: none"> <li>Maintain overall re-let times at 20 days</li> </ul>	£0k
	<ul style="list-style-type: none"> <li>Maintain bad debt levels at &lt;1.0%</li> </ul>	£0k
Maintenance	<ul style="list-style-type: none"> <li>Achieve 5% more work than budgeted <sup>(1)</sup></li> </ul>	£65k
Return on assets	<ul style="list-style-type: none"> <li>Conduct further review on all properties with an NPV &lt;£2.5k</li> <li>Determine actions to improve value where possible</li> </ul>	£0k
Social return	<ul style="list-style-type: none"> <li>Increase the number of people supported in to paid employment by 10%</li> <li>Increase the number of people entering voluntary roles by 15%</li> <li>Increase the number people trained by 7%</li> </ul>	n/a

<sup>(1)</sup> The target to achieve more work than budgeted is considered to be challenging given the increased prices we are actually now experiencing in the (higher material and labour costs).

In addition, there are a number of VFM specific activities upon which we will focus in 2017-18 as follows:

Complete the re-procurement of our maintenance contracts.

There is an expectation that some of maintenance contract renewals will be concluded at higher prices which will decrease our VFM going forwards. There are significant price pressures from material costs, from an overall labour shortage in the construction industry and with a higher inflationary environment. Unity has benefited from a beneficial contract with minimal inflationary uplifts over the last five years and we do not expect this to repeat in the current climate.

Investigate the difference between the Decent Home Survey long term maintenance forecast and the Unity 30-year plan.

Whilst Unity is confident that its plans are robust it will aim to determine why the stock condition survey forecasts have a significantly higher long term forecast for maintenance spend.

**OVERALL SELF-ASSESSMENT**

The Board has gained assurance that the Association has complied with the regulator's VFM standard by following a structured process of assessment. As well as comprehensive performance reporting and management accounts the Board receives a regular update on key performance indicators and actual performance against budgets. This information enables the Board to perform an effective scrutiny role whilst also positively influencing and providing leadership in the delivery of its VFM strategy.

**The Board's self-assessment and commitment to stakeholders**

From the evidence provided throughout the self-assessment, the Board of Unity considers that it has established its case for being compliant with the requirements of the VFM standard. Areas have been identified for further improvement and these have been set out under our future plans.

## **OPERATING AND FINANCIAL REVIEW (cont.)**

### **Financial position**

The Association's Statement of Comprehensive Income and Statement of Financial Position are summarised in Table 1 on page 20 and the following paragraphs highlight key features of the Group's financial position at 31 March 2017.

The Group's financial result for the year ended 31 March 2017 is a surplus of £1,512k compared to £1,676k in 2015-16.

### **Accounting policies**

The Group's principal accounting policies are set out on pages 28 to 32 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and include capitalisation of replacement components and development administration costs; housing property depreciation; and treatment of shared ownership properties. Government grants received are now amortised to income in accordance with the new financial regulations.

The association adopted FRS102 and the Housing SORP 2014 in the year ended 31 March 2016.

### **Planned maintenance and improvements**

Expenditure on major repairs and improvements to properties was £459k in 2016-17, which compares to £314k in 2015-16. A stock condition survey was completed in 2007-08 and the result of this informed the last seven year Planned Maintenance Programme. The stock condition survey did not reveal anything which would suggest that there are any major Decent Homes Standard issues.

### **Housing properties and other fixed assets**

The Group spent some £5,747k on the development and purchase of housing properties during the year. Total grants received in the year were £525k, the Group's housing asset base at net book value has increased from £55.3m to £59.3m.

### **Cash flow and liquidity**

The net cash outflow for the Group amounted to £2,899k. Capital investment on housing properties was higher. The impact of grants, sales and other asset purchases and interest received resulted in a net cash outflow of £5,189k. In addition, the Group has serviced interest costs of £462k, and incurred £823k of loan principal repayments. The net result is decrease in the Group's cash and liquid resources to £4,909k. Net current assets of the Group at 31 March 2017 were; £1.7m compared to £5.4m in 2015-16.

### **Treasury management**

Treasury management is actioned within a policy approved by the Board. The Group's existing loans, covenant compliance and future borrowing requirements are reviewed by the Board on a quarterly basis. Investments are made only with counterparties on an approved list.

The Group has funding in place at the year-end to cover cash flow requirements for the next financial year.

### **Statement of compliance**

In preparing this Operating and Financial Review, the Board has followed the principles set out in the Housing SORP 2014, the provisions of FRS102 and the Accounting Direction 2015.



**Shruti Bhargava**  
Chair  
13 September 2017



**OPERATING AND FINANCIAL REVIEW (cont.)**

Table 1 – Association only highlights, five-year summary

For the year ended 31 March	2017	2016	2015 Restated	2014	2013
<b>Statement of Comprehensive Income (£'000)</b>					
Total turnover	6,841	7,576	5,945	5,078	5,818
Gross rents receivable	6,376	5,536	5,173	4,973	4,735
Operating surplus	1,827	2,137	1,937	1,485	1,363
Interest Payable	(462)	(554)	(627)	(454)	(431)
Surplus for the year	1,423	1,636	1,406	1,071	959
<b>Statement of Financial Position (£'000)</b>					
Tangible Fixed Assets	60,073	56,098	55,709	57,776	55,689
SHG and other capital grants	-	-	-	(38,281)	(37,551)
Tangible fixed assets net of capital grants	60,073	56,098	55,709	19,495	18,138
Net current assets	1,944	5,742	5,066	8,259	2,307
<b>Loans (Total)</b>	18,321	19,144	19,917	20,145	14,332
<b>Reserves: Designated</b>	-	-	-	259	262
Revenue	14,748	13,325	11,678	8,283	7,209
Total	14,748	13,325	11,678	8,542	7,471
<b>Accommodation figures</b>					
Total housing stock managed (No of units)	1,242	1,217	1,192	1,141	1,129
<b>Statistics</b>					
Surplus for the year as % of turnover	20.80%	21.60%	23.70%	21.10%	16.50%
Surplus for the year as % of gross rents receivable	22.30%	29.60%	27.20%	21.50%	20.30%
Voids as a % of gross rents receivable	0.69%	1.02%	0.97%	0.86%	1.20%
Bad debts as a % of gross rents receivable	0.31%	0.41%	1.94%	1.12%	1.22%
Operating surplus per unit managed	£1,449	£1,661	£1,625	£1,301	£1,207
Total Reserves per unit managed	£11,874	£10,949	£9,797	£7,486	£6,616
Interest Cover (surplus before interest payable divided by interest payable)	5.83	3.65	3.41	3.13	2.99
Liquidity (Current assets divided by current liabilities)	1.80	3.10	2.80	4.90	2.40
Gearing (total loans as a % of SHG plus reserves)	39.82%	36.89%	38.82%	42.30%	30.13%

\* The 2015 figures were re-stated for change in accounting policy being the adoption of FRS 102.

\* The 2013 and 2014 figures were prepared under UK GAAP.

## STATEMENT OF RESPONSIBILITIES OF THE BOARD

The Board is responsible for preparing the report and financial statements in accordance with applicable law and regulations in accordance with The Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing (April 2015).

The Co-operative and Community Benefits Societies legislation in the United Kingdom requires the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group at the end of the year and of the surplus or deficit of the Group for the year then ended.

Under that law, the board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS102 and the financial reporting standard applicable in the UK and Republic of Ireland. Under the Co-operative and Community Benefit Society legislation, the board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Association and Group for that period.

The Board are responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other countries.

In preparing these financial statements, the board are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- follow applicable United Kingdom Accounting Standards; and
- prepare the financial statements on a going concern basis.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. It is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Disclosure of information to auditors

At the date of making this report each of the Group's Board members, as set out on page 1, confirm the following:

- so far as each Board member is aware, there is no relevant audit information which the Group's auditors are unaware, and
- each Board member has taken all the steps that he ought to have taken as a Board member in order to make themselves aware of any relevant information needed by the Group's auditors to establish that the Group's auditors are aware of that information.

### External Auditors

A resolution to re-appoint Grant Thornton UK LLP will be proposed at the forthcoming annual general meeting.

The report of the Board and Operating and Financial Review was approved by the Board on 13 September 2017 and signed on its behalf by:



**Shruti Bhargava**  
Chair



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNITY HOUSING ASSOCIATION LIMITED**

We have audited the financial statements of Unity Housing Association Limited for the year ended 31 March 2017 which comprise the Consolidated and Association Statement of Comprehensive Income, the Consolidated and Association Statement of Financial Position, the Consolidated and Association Statement of Changes in Reserves, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the society's members, as a body, in accordance with regulations made under Sections 87 and 98(7) of the Co-operative 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 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.

**RESPECTIVE RESPONSIBILITIES OF THE BOARD AND THE AUDITOR**

As explained more fully in the Statement of Board's Responsibilities, set out on page 20, the board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

**OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements:

- give a true and fair view of the state of the group and parent society's affairs as at 31 March 2017 and of the group and parent's income and expenditure for the year then ended;
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2015.

**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

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

- a satisfactory system of control over transactions has not been maintained; or
- the parent society has not kept proper accounting records;
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

*Grant Thornton UK LLP*

Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Leeds

Date: 18 September 2017

**UNITY HOUSING ASSOCIATION LIMITED**

Year ended 31 March 2017

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 March 2017

	Note	2017 £ '000	2016 £ '000
<b>Turnover</b>			
Operating income	3	7,401	8,061
Operating costs	3	(5,467)	(5,884)
		<u>1,934</u>	<u>2,177</u>
<b>Operating surplus</b>			
Interest receivable	8	40	53
Interest and financing costs	9	(462)	(554)
		<u>1,512</u>	<u>1,676</u>
<b>Surplus on ordinary activities before taxation</b>			
Tax on surplus on ordinary activities		-	-
		<u>1,512</u>	<u>1,676</u>
<b>Surplus for the year</b>			
		<u>1,512</u>	<u>1,676</u>
<b>Total comprehensive income for the year</b>		<u>1,512</u>	<u>1,676</u>

The accompanying notes of pages 28 to 50 form part of the financial statements.

There were no gains and losses of the Group other than those included in the Statement of Comprehensive Income.

The consolidated results relate wholly to continuing activities.

**UNITY HOUSING ASSOCIATION LIMITED**

Year ended 31 March 2017

**ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 March 2017

	Note	2017 £ '000	2016 £ '000
<b>Turnover</b>			
Operating income	3	6,841	7,576
Operating costs	3	(5,014)	(5,439)
		<u>1,827</u>	<u>2,137</u>
<b>Operating surplus</b>			
Interest receivable	8	58	53
Interest and financing costs	9	(462)	(554)
		<u>1,423</u>	<u>1,636</u>
<b>Surplus on ordinary activities before taxation</b>			
Tax on surplus on ordinary activities		-	-
		<u>1,423</u>	<u>1,636</u>
<b>Surplus for the year</b>			
		<u>1,423</u>	<u>1,636</u>
<b>Total comprehensive income for the year</b>		<u>1,423</u>	<u>1,636</u>

The accompanying notes on pages 28 to 50 form part of the financial statements.

There were no gains and losses of the Association other than those included in the Statement of Comprehensive Income.

The Association's results relate wholly to continuing activities.

## CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

For the year ended 31 March 2017

	Income and expenditure reserve	Total
	£ '000	£ '000
Balance as at 1 April 2015	11,907	11,907
Total comprehensive income for the year	1,676	1,676
Balance at 31 March 2016	<u>13,583</u>	<u>13,583</u>
Total comprehensive income for the year	1,512	1,512
<b>Balance at 31 March 2017</b>	<u><u>15,095</u></u>	<u><u>15,095</u></u>

## ASSOCIATION STATEMENT OF CHANGES IN RESERVES

For the year ended 31 March 2017

	Income and expenditure reserve	Total
	£ '000	£ '000
Balance as at 1 April 2015	11,689	11,689
Total comprehensive income for the year	1,636	1,636
Balance at 31 March 2016	<u>13,325</u>	<u>13,325</u>
Total comprehensive income for the year	1,423	1,423
<b>Balance at 31 March 2017</b>	<u><u>14,748</u></u>	<u><u>14,748</u></u>

The accompanying notes on pages 28 to 50 form part of the financial statements.

**UNITY HOUSING ASSOCIATION LIMITED**

Year ended 31 March 2017

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 31 March 2017

	Note	2017 £ '000	2016 £ '000
<b>Fixed assets</b>			
Housing properties	13	59,312	55,332
Non-housing freehold properties	14	2,844	2,893
Other tangible fixed assets	14	119	130
		<hr/>	<hr/>
<b>Current assets</b>		62,275	58,355
Debtors due within one year	16	305	283
Properties for sale	17	-	511
Cash at bank and in hand		4,909	7,808
		<hr/>	<hr/>
<b>Creditors: Amounts falling due within one year</b>	19	5,214 (3,539)	8,602 (3,206)
		<hr/>	<hr/>
<b>Net current assets</b>		1,675	5,396
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		63,950	63,751
		<hr/>	<hr/>
<b>Creditors: Amounts falling due after more than one year</b>	20,21	(48,855)	(50,168)
		<hr/>	<hr/>
<b>Net assets</b>		15,095	13,583
		<hr/>	<hr/>
<b>Reserves</b>			
Non-equity share capital		-	-
Income and expenditure reserve	23	15,095	13,583
		<hr/>	<hr/>
<b>Total reserves</b>		15,095	13,583
		<hr/>	<hr/>

The accompanying notes on pages 28 to 50 form part of the financial statements.

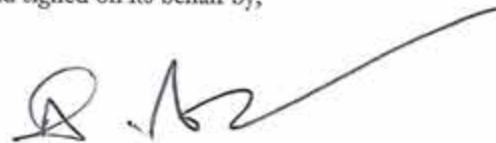
The financial statements were approved by the Board on 13 September 2017 and signed on its behalf by;



**Shruti Bhargava**  
Chair



**Board Member**



**Ali Akbor**  
Secretary

**ASSOCIATION STATEMENT OF FINANCIAL POSITION**

At 31 March 2017

	Note	2017 £ '000	2016 £ '000
<b>Fixed assets</b>			
Housing properties	13	59,333	55,332
Non-housing freehold properties	14	697	718
Other tangible fixed assets	14	43	48
Investment in subsidiaries	15	-	-
Long term debtors	18	347	379
		<hr/>	<hr/>
<b>Current assets</b>		60,420	56,477
Debtors due within one year	16	431	518
Properties for sale	17	-	511
Cash at bank and in hand		4,846	7,787
		<hr/>	<hr/>
<b>Creditors: Amounts falling due within one year</b>	19	5,277 (3,333)	8,816 (3,074)
<b>Net current assets.</b>		<hr/> 1,944	<hr/> 5,742
<b>Total assets less current liabilities</b>		<hr/> 62,364	<hr/> 62,219
<b>Creditors: Amounts falling due after more than one year</b>	20,21	(47,616)	(48,894)
<b>Net assets</b>		<hr/> 14,748	<hr/> 13,325
<b>Reserves</b>		<hr/>	<hr/>
Non-equity share capital		-	-
Income and expenditure reserve	23	14,748	13,325
<b>Total reserves</b>		<hr/> 14,748	<hr/> 13,325

The accompanying notes on pages 28 to 50 form part of these financial statements.

The financial statements were approved by the Board on 13 September 2017 and signed on its behalf by:



**Shrutu Bhargava**  
Chair

**Board Member**



**Ali Akbor**  
Secretary

**UNITY HOUSING ASSOCIATION LIMITED**  
Year ended 31 March 2017

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended 31 March 2017

	Note	2017 £ '000	2016 £ '000
<b>Net cash generated from operating activities</b>	26	3,819	4,036
<b>Cash flow from investing activities</b>			
Purchase, construction and improvement of housing properties		(5,747)	(2,177)
Social housing grant – received		525	1,302
Other capital grants – received		-	74
Proceeds from disposal of shared ownership properties		58	171
Purchase of other fixed assets		(65)	(20)
Interest received		40	53
<b>Net cash outflow from investing activities</b>		<u>(5,189)</u>	<u>(597)</u>
<b>Cash flow from financing activities</b>			
Interest paid		(462)	(554)
Housing loans repaid		(823)	(773)
Disposal Proceeds Fund		(143)	(151)
Loan Issue Costs Incurred		(101)	-
<b>Net cash outflow from financing activities</b>		<u>(1,529)</u>	<u>(1,478)</u>
Net change in cash and cash equivalents		(2,899)	1,961
<b>Cash and cash equivalents at the beginning of the year</b>		7,808	5,847
<b>Cash and cash equivalents at the end of the year</b>		<u>4,909</u>	<u>7,808</u>

The accompanying notes on pages 28 to 50 form part of these financial statements.



**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2017**

**1. Legal status**

The Association and its subsidiary, Unity Property Services Limited, are registered under the Co-operative and Community Benefit Societies Act 2014. Only the Association is registered with the Homes and Communities Agency as a social landlord. The subsidiary, Unity Housing Development Services Limited is registered under the Companies Act 2006.

The principal activities are the development and management of social housing. Unity Housing Association Limited is a public benefit entity as defined by FRS 102.

**2. Accounting policies**

**Basis of accounting**

The financial statements of the group and association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

The financial statements are presented in Sterling (£'000).

**Disclosure exemptions**

The Parent Entity has adopted the following disclosure exemptions:

- the requirement to present a statement of cash flow and related notes
- financial instrument disclosures including; categories of financial instruments, items of income, expenses, gains or losses relating to financial instruments, and exposure to and management of financial risks.

**Going concern**

The group's business activities, its current financial position and factors likely to affect its future development are set out within the Operating and Financial Review. The group has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes along with the group's day to day operations. The group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lender's covenants.

On this basis, the Board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

**Significant judgements and estimates**

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

**Impairment**

From 1 April 2016, the Association has reduced social housing rents by one per cent per annum and will continue to do so in each year until 2019/20 in accordance with the Housing and Planning Act 2016. Despite cost efficiency savings and other changes to the business, compliance with the new rent regime has resulted in a loss of net income for certain social housing property. This is a trigger for impairment.

As a result, we estimated the recoverable amount of its housing properties as follows:

- (a) determined the level at which recoverable amount is to be assessed (i.e., the asset level or cash-generated unit (CGU) level). The CGU level was determined to be an individual scheme.
- (b) estimated the recoverable amount of the cash-generating unit
- (c) calculated the carrying amount of the cash-generating unit and
- (d) compared the carrying amount to the recoverable amount to determine if an impairment loss has occurred.

**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2017**

**2. Accounting policies (continued)**

Based on this assessment, we calculated the Depreciation Replacement Cost (DRC) of each social housing property scheme, using appropriate construction costs and land prices. Comparing this to the carrying amount of each scheme, we would make an impairment charge against social housing properties if appropriate.

***Capitalisation of property development costs***

Distinguishing the point at which a project is more likely than not to continue, allowing capitalisation of associated development costs requires judgement. After capitalisation, management monitors the asset and considers whether changes indicate that impairment is required. The total amount capitalised in the year was £106k relating to the Affordable Housing 2015-18 scheme.

***Loans***

The association has examined all its lender loans, reviewed any two-way break clauses and considers them all to be basic. A basic loan is one that has some combination of a fixed or variable rate of interest over its whole life, there are no contractual provisions that result in the holder losing the principal amount and attributable interest, nor are there any swaps, collars or caps in relation to the interest rate.

***Estimation uncertainty***

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are provided below. Actual results may be substantially different.

***Useful lives of depreciable assets***

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require frequent replacement of key components. Accumulated depreciation for housing properties as at 31 March 2017 was £20,245k and accumulated depreciation for non-housing assets was £1,329k.

***Basis of consolidation***

The group accounts consolidate the accounts of the association and its subsidiaries at 31 March using the purchase method.

***Investment in subsidiaries***

The consolidated financial statements incorporate the financial statements of the association and its wholly owned subsidiaries.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

***Turnover and income recognition***

Turnover comprises rental income receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale and other services included at the invoiced value (excluding VAT where recoverable) of goods and services supplied in the year and grants receivable or amortised in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

***Taxation***

As charitable entities, neither Unity Housing Association Limited nor Unity Property Services Limited, are liable to tax. The subsidiary Unity Housing Development Services Limited is liable to taxation, however due to the surplus for UHDS being insignificant in the year, the tax charge is not expected to be material and therefore no charge has been processed in these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2017**

**2. Accounting policies (continued)**

**Value added tax**

The Group charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue & Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

**Interest payable**

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

- a) interest on borrowings specifically financing the development programme after deduction of interest on social housing grant (SHG) in advance; or
- b) interest on borrowings of the Group as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to the income and expenditure account in the year.

**Pensions**

The Group participates in the Social Housing Pension Scheme (SHPS).

For the SHPS, it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The income and expenditure charge represents the employer contribution payable to the scheme for the accounting period.

Contributions payable from the association to the SHPS under the terms of its funding agreement for past deficits are recognised as a liability within the Association's financial statements.

**Housing properties**

Housing properties for rent are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Works to existing properties which replace a component are treated separately for depreciation purposes along with those works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business. Only directly attributable development administration costs associated with new developments or improvements are capitalised.

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover and the remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

**Government grants**

Government grants include grants receivable from the Homes and Communities Agency (the HCA), local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received.

Government grants due or received in advance are included as current assets or liabilities. Those received for housing properties are subordinated to the repayment of loans by agreement with the HCA. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the Statement of Financial Position in creditors.

**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2017**

**2. Accounting policies (continued)**

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in income and expenditure.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which is allocated to the component is released to income and expenditure. Upon disposal of the associated property, the group is required to recycle these proceeds and recognise them as a liability.

**Other grants**

Grants received from non-government sources are recognised using the performance model. A grant that does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

**Depreciation of housing properties**

Freehold land is not depreciated. The Group separately identifies the major components which comprise its housing properties for rent and charges depreciation so as to write-down the cost of each component on a straight-line basis, over its estimated useful economic life.

In adopting FRS102, the Association took the opportunity to review the economic lives of all its housing properties and modified them appropriately.

The Group depreciates the major components of its housing properties over their estimated useful lives as follows:

Structure	Up to 50 years
Roofs	50 years
Boiler, Electric & Gas Fires	15 years
Doors	20 years
Kitchens	25 years
Solar Panels	25 years
Bathrooms, Central Heating & Electrical Systems	30 years
Windows	40 years

**Impairment**

Annually housing properties are assessed for impairment indicators. Where indicators are identified, an assessment for impairment is undertaken comparing the scheme's carrying amount to its recoverable amount. Where the carrying amount of a scheme is deemed to exceed its recoverable amount, the scheme is written down to its recoverable amount. The resulting impairment loss is recognised as operating expenditure. Where a scheme is currently deemed not to be providing service potential to the association, its recoverable amount is its fair value less costs to sell.

**Operating leases**

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

**Other tangible fixed assets**

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Freehold buildings	2%
Furniture, equipment, plant & machinery	20%
Office equipment	20%
Computers	35%

**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2017**

**2 Accounting policies (continued)**

**Properties for sale**

Shared ownership first tranche sales, completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

**Investments**

Investments are valued at the lower of cost and net realisable value.

**Reserves**

The Group no longer maintains any reserves for specific purposes. Those that related to sinking funds were transferred to creditors (note 19).

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2017

3 Turnover, cost of sales, operating costs and operating surplus

GROUP – continuing

	Turnover	<u>2017</u> Cost of sales	Operating costs	Operating surplus
	£ '000	£'000	£ '000	£ '000
<b>Social housing activities</b>				
Income & expenditure from lettings	6,376	-	(4,482)	1,894
Community Regeneration	-	-	(200)	(200)
	<u>6,376</u>	<u>-</u>	<u>(4,682)</u>	<u>1,694</u>
<b>Other social housing activities</b>				
Non-social housing activities - UHA	21	-	-	21
Letting of workspace units	560	-	(438)	122
Shared ownership first tranche sales	444	(359)	-	85
Gain on disposal of housing properties	-	-	27	27
Administrative expenses- UHDS	-	-	(15)	(15)
	<u>7,401</u>	<u>(359)</u>	<u>(5,108)</u>	<u>1,934</u>
		<u>2016</u>		
	Turnover	Cost of sales	Operating costs	Operating surplus
	£ '000	£'000	£ '000	£ '000
<b>Social housing activities</b>				
Income & expenditure from lettings	6,332	-	(4,343)	1,989
Community Regeneration	-	-	(190)	(190)
	<u>6,332</u>	<u>-</u>	<u>(4,533)</u>	<u>1,799</u>
<b>Other social housing activities</b>				
Non-social housing activities - UHA	11	-	-	11
Letting of workspace units	485	-	(445)	40
Shared ownership first tranche sales	1,233	(1,021)	-	212
Gain on disposal of housing properties	-	-	115	115
	<u>8,061</u>	<u>(1,021)</u>	<u>(4,863)</u>	<u>2,177</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2017

3 Turnover, cost of sales, operating costs and operating surplus (continued)

ASSOCIATION – continuing activities

		<u>2017</u>		
	Turnover	Cost of sales	Operating costs	Operating surplus
	£ '000	£'000	£ '000	£ '000
<b>Social housing activities</b>				
Income & expenditure from lettings	6,376	-	(4,482)	1,894
Community Regeneration	-	-	(200)	(200)
	<u>6,376</u>	<u>-</u>	<u>(4,682)</u>	<u>1,694</u>
<b>Other social housing activities</b>				
Management services	21	-	-	21
Shared ownership first tranche sales	444	(359)	-	85
Gain on disposal of housing properties	-	-	27	27
	<u>6,841</u>	<u>(359)</u>	<u>(4,655)</u>	<u>1,827</u>
		<u>2016</u>		
	Turnover	Cost of sales	Operating costs	Operating surplus
	£ '000	£'000	£ '000	£ '000
<b>Social housing activities</b>				
Income & expenditure from lettings	6,332	-	(4,343)	1,989
Community Regeneration	-	-	(190)	(190)
	<u>6,332</u>	<u>-</u>	<u>(4,533)</u>	<u>1,799</u>
<b>Other social housing activities</b>				
Management services	11	-	-	11
Shared ownership first tranche sales	1,233	(1,021)	-	212
Gain on disposal of housing properties	-	-	115	115
	<u>7,576</u>	<u>(1,021)</u>	<u>(4,418)</u>	<u>2,137</u>



NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2017

3 Turnover, cost of sales, operating costs and operating surplus (continued)  
Particulars of income and expenditure from social housing lettings.

GROUP & ASSOCIATION

	2017			2016
	General needs housing £'000	Low cost home ownership £'000	Total £'000	Total £'000
<b>Income from social housing</b>				
Rent receivable, net of identifiable service charges & voids	5,304	67	5,374	5,276
Service charges receivable net of voids	223	29	252	260
Amortisation of grant	753	-	753	796
<b>Total income from social housing</b>	<b>6,280</b>	<b>96</b>	<b>6,376</b>	<b>6,332</b>
<b>Expenditure on social housing</b>				
Services	(223)	(11)	(234)	(241)
Management	(1,745)	-	(1,745)	(1,950)
Routine maintenance	(590)	-	(590)	(509)
Planned maintenance & Property Improvements	(459)	-	(459)	(314)
Rent losses from bad debts	(18)	-	(18)	(23)
Depreciation of housing properties	(1,583)	-	(1,583)	(1,442)
Depreciation of other fixed assets	(53)	-	(53)	(54)
<b>Operating costs on social housing lettings</b>	<b>(4,671)</b>	<b>(11)</b>	<b>(4,682)</b>	<b>(4,533)</b>
<b>Operating surplus on social housing lettings</b>	<b>1,609</b>	<b>85</b>	<b>1,694</b>	<b>1,799</b>
Void losses	39	-	39	57

4 Average weekly rent – Group and Association

	2017 £	2016 £
Average weekly gross rent per unit	88	88

**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2017**

**5 Accommodation in management and development – Group and Association**

At the end of the year, accommodation in management for each class of accommodation was as follows:

	2017 No.	2016 No.
<b>Social housing</b>		
General needs housing	1,158	1,129
Low cost home ownership	84	88
<b>Total managed</b>	<u>1,242</u>	<u>1,217</u>

**6 Operating surplus**

This is arrived at after charging:

	Group		Association	
	2017 £ '000	2016 £ '000	2017 £ '000	2016 £ '000
Depreciation of housing properties	1,582	1,442	1,582	1,442
Depreciation of other tangible fixed assets	125	129	53	54
Surplus on disposal of other tangible fixed assets	27	115	27	115
Auditors' remuneration (excluding VAT)	21	23	15	19
Auditors' remuneration – non audit fees	12	7	12	7
Operating Lease Costs	18	19	18	19
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**7 Surplus on sale of fixed assets – housing properties**

	Group		Association	
	2017 £ '000	2016 £ '000	2017 £ '000	2016 £ '000
Disposal proceeds	58	171	58	171
Carrying value of fixed assets	(31)	(56)	(31)	(56)
	<u>27</u>	<u>115</u>	<u>27</u>	<u>115</u>

**8. Interest receivable and other income**

	Group		Association	
	2017 £ '000	2016 £ '000	2017 £ '000	2016 £ '000
Interest receivable and similar income	40	53	58	53
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2017

9 Interest payable and similar charges

	Group & Association	
	2017	2016
	£ '000	£ '000
Loans and bank overdrafts	(462)	(554)
	<u>(462)</u>	<u>(554)</u>

10 Employees

	Group		Association	
	2017	2016	2017	2016
	No.	No.	No.	No.
<b>Average monthly number of employees</b>				
Administration	12	13	9	9
Development	5	4	5	4
Housing management	18	16	18	16
Community Project	1	1	1	1
	<u>36</u>	<u>34</u>	<u>33</u>	<u>30</u>

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
<b>Staff costs</b>				
Wages and salaries	1,099	1,086	1,021	991
Social security costs	103	86	96	79
Other pension costs	102	73	97	71
	<u>1,304</u>	<u>1,245</u>	<u>1,214</u>	<u>1,141</u>

The average number of employees is calculated based on a working week of 35 hours. Any employee working less than 35 hours is included on a pro-rate basis.

**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2017**

**10 Employees (Cont.)**

**Social Housing Pension Scheme**

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

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

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

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

**Deficit contributions**

<b>Tier 1</b>	£40.6m per annum
From 1 April 2016 to 30 September 2020:	(payable monthly and increasing by 4.7% each year on 1 <sup>st</sup> April)
<b>Tier 2</b>	£28.6m per annum
From 1 April 2016 to 30 September 2023:	(payable monthly and increasing by 4.7% each year on 1 <sup>st</sup> April)
<b>Tier 3</b>	£32.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1 <sup>st</sup> April)
<b>Tier 4</b>	£31.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1 <sup>st</sup> April)

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

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2017**

**10 Employees (Cont.)**

**Reconciliation of opening and closing provisions**

	Group and Association	
	2017	2016
	£'000	£'000
At 1 April	935	664
Paid in the year	(107)	(73)
Re-measurement- impact of any change in assumption	26	(6)
Re-measurement- amendments to the contribution schedule	-	338
Unwinding of the discount factor (interest expense)	18	12
At 31 March	<u>872</u>	<u>935</u>

**Statement of Comprehensive Income impact:**

	Group and Association	
	2017	2016
	£'000	£'000
Interest expense	18	12
Re-measurement- impact of any change in assumption	26	(6)
Re-measurement- amendments to the contribution schedule	-	338

**Assumptions**

	31 March 2017	31 March 2016	31 March 2015
Rate of discount	1.33%	2.06%	1.92%

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

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

It is these contributions that have been used to derive the company's liability.



**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2017**

**11 Board members and executive directors**

Board members received the following emoluments and expenses in the year:

	2017 £'000	2016 £'000
Board member payments	25	6
Expenses Paid	4	5
	<u>29</u>	<u>11</u>

The aggregate emoluments of the Executive Officers amounted to:

	Basic salary £'000	Benefits in kind £'000	Pension contributions £'000	2017 Total £'000	2016 £'000
Chief Executive- A Akbor	79	8	11	97	94
Operations Director & Deputy CEO - P Sidhu	71	7	9	87	85
Regenerations & development director- W Noteman	60	6	5	71	70
				<u>255</u>	<u>249</u>

The emoluments of the highest paid executive officer, the Chief Executive, excluding pension contributions were; £87,000 (2016: £85,000).

Staff who fell in the following bands are all executive officers of the Association:

	2017 No	2016 No
£60,001 to £70,000	1	1
£70,001 to £80,000	1	1
£80,001 to £90,000	1	1

**12 Key management personnel**

The aggregate remuneration for key management personnel, which includes the executive officers and board members, charged in the year is:

	2017 £'000	2016 £'000
Basic Salary	235	214
Benefits in kind	21	20
Employers NIC	27	23
Pension contributions	24	22
	<u>307</u>	<u>279</u>

The Chief Executive is a member of the Social Housing Pension Scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply. The Association does not make any further contribution to an individual pension arrangement for the Chief Executive.

During the year, the aggregate compensation for loss of office of key management personnel was £nil (2016: £nil).

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2017

13 Tangible fixed assets – properties

GROUP	Social housing properties held for letting £'000	Completed shared ownership housing properties £'000	Social housing properties under construction £'000	Total £'000
<b>Cost</b>				
At 1 April 2016	69,490	3,288	1,485	74,263
Additions	116	68	5,135	5,319
Replacement of Components	995	-	(567)	428
Disposals	(397)	(56)	-	(453)
Transfers	2,742	(167)	(2,575)	-
At 31 March 2017	72,946	3,133	3,478	79,557
<b>Depreciation</b>				
At 1 April 2016	18,699	232	-	18,931
Charged In Year	1,523	59	-	1,582
Disposals	(266)	(2)	-	(268)
Transfers	(12)	12	-	-
At 31 March 2017	19,944	301	-	20,245
<b>Net book value</b>				
At 31 March 2017	53,002	2,832	3,478	59,312
At 31 March 2016	50,791	3,056	1,485	55,332
<b>ASSOCIATION</b>				
	Social housing properties held for letting £'000	Completed shared ownership housing properties £'000	Social housing properties under construction £'000	Total £'000
<b>Cost</b>				
At 1 April 2016	69,490	3,288	1,485	74,263
Additions	137	68	5,135	5,340
Replacement of Components	995	-	(567)	428
Disposals	(397)	(56)	-	(453)
Transfers	2,742	(167)	(2,575)	-
At 31 March 2017	72,967	3,133	3,478	79,578
<b>Depreciation</b>				
At 1 April 2016	18,699	232	-	18,931
Charged In Year	1,523	59	-	1,582
Disposals	(266)	(2)	-	(268)
Transfers	(12)	12	-	-
At 31 March 2017	19,944	301	-	20,245
<b>Net book value</b>				
At 31 March 2017	53,023	2,832	3,478	59,333
At 31 March 2016	50,791	3,056	1,485	55,332

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2017

13 Tangible fixed assets – properties (cont.)

Social Housing Grants	Group		Association	
	2017	2016	2017	2016
	£ '000	£ '000	£ '000	£ '000
Opening balance 1 April 2016	31,842	31,382	30,533	30,111
Additions	525	1,376	525	1,303
Released to income in the year	(788)	(831)	(753)	(796)
Disposals	(78)	(85)	(78)	(85)
Closing balance 31 March 2017	<u>31,501</u>	<u>31,842</u>	<u>30,227</u>	<u>30,533</u>

Expenditure on works to existing properties

	Group and Association	
	2017	2016
	£ '000	£ '000
Amounts capitalised	353	487
Amounts charged to income and expenditure account	459	314
Total	<u>812</u>	<u>801</u>

There are no finance costs included in the cost of housing properties.

**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2017**

**14 Tangible fixed assets – other**

**GROUP AND ASSOCIATION**

	Non housing properties for letting £'000	Freehold offices £'000	Group Total £'000	Association Freehold offices £'000
<b>Cost</b>				
At 1 April 2016	2,392	956	3,348	956
Additions	23	-	23	-
Disposals	(1)	-	(1)	-
At 31 March 2017	<u>2,414</u>	<u>956</u>	<u>3,370</u>	<u>956</u>
<b>Depreciation</b>				
At 1 April 2016	217	238	455	238
Charged in year	51	21	72	21
Disposals	(1)	-	(1)	-
At 31 March 2017	<u>267</u>	<u>259</u>	<u>526</u>	<u>259</u>
<b>Net book value</b>				
At 31 March 2017	<u>2,147</u>	<u>697</u>	<u>2,844</u>	<u>697</u>
At 31 March 2016	<u>2,175</u>	<u>718</u>	<u>2,893</u>	<u>718</u>

Other Tangible Fixed Assets - Group	Furniture & Equipment £'000	Computer Equipment £'000	Total £'000
<b>Cost</b>			
At 1 April 2016	271	609	880
Additions	15	27	42
Disposals	-	-	-
At 31 March 2017	<u>286</u>	<u>636</u>	<u>922</u>
<b>Depreciation</b>			
At 1 April 2016	221	529	750
Charged in year	15	38	53
Disposals	-	-	-
At 31 March 2017	<u>236</u>	<u>567</u>	<u>803</u>
<b>Net book value</b>			
At 31 March 2017	<u>50</u>	<u>69</u>	<u>119</u>
At 31 March 2016	<u>50</u>	<u>80</u>	<u>130</u>

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2017

14 Tangible fixed assets – other (cont.)

Other Tangible Fixed Assets - Association	Computer Equipment £'000	Furniture & Equipment £'000	Total £'000
<b>Cost</b>			
At 1 April 2016	170	533	703
Additions	-	27	27
Disposals	-	-	-
At 31 March 2017	<u>170</u>	<u>560</u>	<u>730</u>
<b>Depreciation</b>			
At 1 April 2016	160	495	655
Charged in year	6	26	32
Disposals	-	-	-
At 31 March 2017	<u>166</u>	<u>521</u>	<u>687</u>
<b>Net book value</b>			
At 31 March 2017	<u>4</u>	<u>39</u>	<u>43</u>
At 31 March 2016	<u>10</u>	<u>38</u>	<u>48</u>

15 Investment in subsidiaries

The financial statements consolidate the results of Unity Property Services Limited and Unity Housing Development Services Limited, which are wholly owned subsidiaries of the Association at the end of the year. The Association has the right to appoint members to the Board of the subsidiaries and thereby exercise control over them. Unity Housing Association Limited is the ultimate parent undertaking.

During the year, the Association charged Unity Property Services £26,200 (2016: £21,680) and Unity Housing Development Services Limited £1,000.

The charge for Unity Property Services Limited is 5% of budgeted turnover, excluding grants and is to allow for management time, financial services given and the lease costs of properties owned by the Association but managed by Unity Property Services for which they also receive the income. Unity Housing Development Services Limited is charged £500 per month to cover management time.

At 31 March 2017, there was a loan of £379,000 due from Unity Property Services Limited (2016: £411,000). The total amount of the loan is to be repaid by 31 March 2029. The loan carries interest at 4 per cent above base rate which is to be repaid monthly. The loan is secured on the freehold property of the Society.

The year-end parent entity debtor receivable is £213k (2016: £248k) - Note 16.

**Fixed Asset Investments - Association**

		2017 £	2016 £
Shares in subsidiary and undertakings		104	104
<b>Subsidiary Undertaking</b>	<b>Country of Incorporation</b>	<b>Class of Share Capital Held</b>	<b>Proportion Held by Association</b>
Unity Property Services Limited	England and Wales	Ordinary Shares £4	100%
Unity Housing Development Services Limited	England and Wales	Ordinary Shares £100	100%
			<b>Nature of the Business</b>
			Low cost commercial office and workshop lettings
			Development Company



**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2017**

**16 Debtors**

	Group		Association	
	2017	2016	2017	2016
	£ '000	£ '000	£ '000	£ '000
<b>Due within one year</b>				
Arrears of rent and service charges	578	624	568	618
Less: Provision for bad debts	(458)	(475)	(456)	(474)
	<u>120</u>	<u>149</u>	<u>112</u>	<u>144</u>
Prepayments & accrued income	71	109	64	101
Other debtors	51	25	42	25
Other taxation & social security	63	-	-	-
Amount due from subsidiary	-	-	213	248
	<u>305</u>	<u>283</u>	<u>431</u>	<u>518</u>

Other debtors include a loan to an executive officer as follows:

	£'000
Amount outstanding as at 1 <sup>st</sup> April 2016	0
Amount outstanding as at 31 <sup>st</sup> March 2017	9
Maximum outstanding in the year	9

The loan carries an interest rate of 1.26% and is due for repayment within 4 years.

**17 Properties for sale**

	Group		Association	
	2017	2016	2017	2016
	£ '000	£ '000	£ '000	£ '000
Shared Ownership properties - completed properties	-	511	-	511
	<u>-</u>	<u>511</u>	<u>-</u>	<u>511</u>

**18 Long term debtors**

	Group		Association	
	2017	2016	2017	2016
	£ '000	£ '000	£ '000	£ '000
Amounts due from subsidiary	-	-	347	379
	<u>-</u>	<u>-</u>	<u>347</u>	<u>379</u>

**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2017**

**19 Creditors: amounts falling due within one year**

	<b>Group</b>		<b>Association</b>	
	2017	2016	2017	2016
	£ '000	£ '000	£ '000	£ '000
Debt (note 22)	947	823	947	823
Grant due in one year (note 21)	850	831	815	796
Pension payments due in one year	111	107	111	107
Trade creditors	234	580	185	548
Rent & service charges received in advance	80	77	80	77
Interest accrued on loans	15	8	15	8
Other taxation and social security	84	20	74	20
Accruals and deferred income	1,113	739	1,078	674
Other creditors	105	21	28	21
	<u>3,539</u>	<u>3,206</u>	<u>3,333</u>	<u>3,074</u>

**20 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>Group and Association</b>	
	2017	2016
	£ '000	£ '000
Debt (note 22)	17,374	18,321
Loan issue costs:		
At 1 April	(154)	(180)
Additions	(101)	-
Amortised during the year	30	26
	<u>17,149</u>	<u>18,167</u>
Disposal proceeds fund (note 25)	294	151
Transfer from sinking funds	-	11
Pension payments due after one year	761	828
	<u>18,204</u>	<u>19,157</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2017

21 Deferred grant income

	Group	
	2017	2016
	£ '000	£ '000
At 1 April	31,842	31,382
Grant received in the year	525	1,376
Released to income in the year	(788)	(831)
Disposals	(78)	(85)
As at 31 March	31,501	31,842
	2017	2016
	£ '000	£ '000
Amounts to be released within one year	850	831
Amounts to be released in more than one year	30,651	31,011
	31,501	31,842

22 Debt analysis

	Group and Association	
	2017	2016
	£ '000	£ '000
<b>Due within one year</b>		
Bank and Building Society loans	947	823
	947	823
	Group and Association	2016
	2017	2016
	£ '000	£ '000
<b>Due after more than one year</b>		
Bank and Building Society loans	17,374	18,321
	17,374	18,321
	Group and Association	2016
	2017	2016
	£ '000	£ '000
<b>Debt is repayable</b>		
Within one year	947	823
Between one and two years	1,221	1,010
Between two and five years	3,704	4,403
After five years	12,449	12,908
	18,321	19,144

The bank and building society loans are secured by fixed charges on individual properties.

The bank and building society loans are repayable by instalments in the period 2008 to 2043. The interest rates on the loans are fixed for terms ranging from one month to 9 years at rates ranging from 2.28% to 5.85%. At the end of the fixed terms, the interest rates on these loans may be fixed for further terms up to the maturity of the loans, as judged appropriate. In the opinion of the Association all its loans are classed as basic.

At 31st March 2017, the Group had undrawn loan facilities of £Nil (2016: £Nil).

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2017

23 Non-equity share capital

	Group and Association	
	2017	2016
	£	£
Shares of £1 each issued and fully paid		
At 1 April and 31 March	70	70
	<u>70</u>	<u>70</u>

24 Financial commitments (Group)

	Group and Association	
	2017	2016
	£'000	£'000
Capital Expenditure contracted for but not provided in accounts	4,604	4,858
Capital Expenditure authorised but not contracted for	13,776	9,885
	<u>18,380</u>	<u>14,743</u>

Capital expenditure will be financed out of existing cash balances, grants to be received and new funding currently subject to negotiation.

25 Disposals Proceeds Fund

	Group and Association	
	2017	2016
	£'000	£'000
At 1 April	151	-
Net sales proceeds recycled	143	197
Withdrawals	-	(46)
	<u>294</u>	<u>151</u>

**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2017**

**26 Reconciliation of operating surplus to net cash inflow from operating activities**

	2017 £ '000	2016 £ '000
Surplus for the year	1,512	1,676
Depreciation of housing properties	1,582	1,442
Depreciation of other fixed assets	125	129
Loan issue costs amortised	30	26
Sinking Funds	-	(228)
Interest receivable	(40)	(53)
Interest payable	462	554
(Increase)/decrease in debtors	(22)	441
Increase in creditors	197	164
Surplus on sale of tangible assets	(27)	(115)
<b>Net cash inflow from operating activities</b>	<u>3,819</u>	<u>4,036</u>

**27 Contingent Liability**

There are no contingent liabilities at the year-end (2016: £nil).

**28 Operating Leases**

Rentals under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

**Leasing commitments**

The total future minimum payments on the leases are set out below. These relate to payments for office equipment, computers and a contract hire vehicle amounting to £23k (2016: £23k) are due within one year.

The leases to which these amounts relate expire as follows:-

	Group 2017 £ '000	2016 £ '000	Association 2017 £ '000	2016 £ '000
In one year	26	23	26	21
Between one and five years	21	53	21	53
Over five years	-	-	-	-
	<u>47</u>	<u>76</u>	<u>47</u>	<u>74</u>



**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2017**

29 **Categories of financial assets and financial liabilities**

	2017 £'000	2016 £'000
Financial assets that are debit instruments measured at amortised cost	5,350	5,180
Financial liabilities measured at fair value through surplus or deficit	-	-
Financial liabilities measured at amortised cost	20,259	20,676
<b>Total</b>	<u>25,609</u>	<u>25,856</u>

**Financial liabilities excluding trade creditors - interest rate risk profile**

The group's financial liabilities are sterling denominated. The interest rate profile of the group's financial liabilities at 31 March was:

	2017 £'000	2016 £'000
Fixed rate	5,981	4,382
Floating rate	12,340	14,762
<b>Total borrowings</b>	<u>18,321</u>	<u>19,144</u>

**Borrowing facilities**

The group has no undrawn committed borrowing facilities.

30 **Related parties**

There were no related party transactions identified during the year. Loans to directors have been disclosed in note 16.