

PENGE CHURCHES HOUSING ASSOCIATION LIMITED
REPORT OF THE BOARD AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2021

REGULATOR OF SOCIAL HOUSING
REGISTRATION NUMBER L1243

THE CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETIES ACT 2014
REGISTRATION NUMBER 19080R

PENGE CHURCHES HOUSING ASSOCIATION LIMITED
REPORT OF THE BOARD AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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PENGE CHURCHES HOUSING ASSOCIATION LIMITED

OFFICERS AND ADVISORS

FOR YEAR ENDED 31 MARCH 2021

Members of the Board

The Board Members who served from 1 April 2020 up to the date of approval of these financial statements were as follows:

Cathy McCarthy (Chair)	Jonathan Bowen
Trevor Crook (Vice Chair from 9 March 2021)	Nicola Dykes (resigned 20 May 2020)
Dennis Simmonds (Vice Chair, resigned 8 December 2020)	Richard Ellis (co-opted 24 March 2020, elected 24 September 2020)
Karen Cooper	Simon Oelman (co-opted 24 March 2020, elected 24 September 2020)
Rowann Limond	Alan Begg (elected 24 September 2020)
Adeola Oke	Sarah Chatfield (elected 24 September 2020)

(Each of the active Board members listed above holds a one-pound share in the association except Karen Cooper who is the Chief Executive.)

Management Team

Karen Cooper BA (Hons)	Chief Executive & Company Secretary
Steve Thorn	Director of Operations
Roger Maddams BA, FCA	Director of Finance

Advisers

External Auditors

Beever and Struthers
15 Bunhill Row
London
EC1Y 8LP

Internal Auditors

TIAA Ltd
Business Support Centre
53-55 Gosport Business Centre
Aerodrome Road, Gosport
Hants PO13 0FQ

Solicitors

Trowers and Hamblins LLP
3 Bunhill Row
London
EC1Y 8YZ

Bankers

CAF Bank Ltd
25 Kings Hill Avenue
West Malling
Kent
ME19 4JQ

Insurance Brokers

Access Insurance
Selsdon House
212-220 Addington Road
South Croydon
Surrey CR2 8LD

Funders

Royal Bank of Scotland
280 Bishopsgate
London
EC2M 4RB

Nationwide Building Society
Kings Park Road
Moulton Park
Northampton
NN3 6NW

Unity Trust Bank Plc
4 Brindley Place
Birmingham
B1 2JB

Registered office: 99 Maple Road
Penge
London SE20 8LN

Registration: Registered Society registration number: 19080R
Regulator for Social Housing registered number: L1243
Member of the National Housing Federation

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR YEAR ENDED 31 MARCH 2021

The Board present their annual report and audited financial statements of Penge Churches Housing Association Limited (PCHA) for the year ended 31 March 2021.

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

Principal activity

The association is a charitable registered provider of social rented housing. The principal activity of the association throughout the year was that of providing affordable rented accommodation to people in housing need locally. The association owns and manages 270 homes.

Our Vision

We are an ambitious local housing association that strives to deliver homes and services we can be proud of. We aim to make a positive impact and work collaboratively with our residents and communities to support them to thrive.

Our Values

Acting with Integrity

- We communicate in an open, honest, and transparent way.
- We do what we say we will and keep our promises
- We are accountable for our decisions and take responsibility for our mistakes

Being Ambitious

- We seek to deliver a broader range of services to meet the needs of more people in our community
- We are prepared to take appropriate risks to drive improvement and growth
- We are creative, forward thinking, and open to new ideas.
- We embrace change and respond positively to new opportunities

Striving for Excellence

- We will work inclusively and innovatively to continuously improve.
- We are people focussed and aim to tailor our approach to the needs of individuals
- We support residents in a holistic way, supporting them to thrive.
- We strive to be proactive, solution orientated and go the extra mile.
- We continually challenge ourselves to improve our performance.
- We seek to make sound business decisions and be well governed and managed.

Working in Partnership

- We build strong and positive relationships based on trust and mutual respect.
- We strive to create a culture of collaboration and shared accountability.

Behaving with Respect

- We behave in a fair-minded and non-judgemental way.
- We value the individuality and diversity of our residents, staff, and communities.
- We are inclusive and respectful in the way we work.

Strategic Objectives 2021-2024

Our Services

- ❖ Providing excellent services we are proud of
- ❖ Putting residents at the heart of what we do
- ❖ Working positively and holistically with residents to create sustainable tenancies.

Our Homes

- ❖ Providing and maintaining homes we are proud of
- ❖ Providing homes that are decent, safe, and green.
- ❖ Delivering more rented homes for the local community

Our Community

- ❖ Making a positive impact in the wider community
- ❖ Work in partnership with others to proactively support our residents and local community.

Our Business

- ❖ Being a modern, agile, resilient, and forward-thinking business
- ❖ Maintaining financial strength, ensuring we have the resources to deliver our objectives.
- ❖ Driven by our vision and values.

Our People

- ❖ Building strong and positive relationships based on trust and mutual respect.
- ❖ Creating a culture of collaboration and shared accountability
- ❖ Being agile, light of foot and resilient in the way we work.

Financial review

The association has had a successful year financially with a surplus for the year of £281,622 (£211,728 in 2020). The position at the end of the year is shown in the Statement of Comprehensive Income on page 11.

The association has set “Golden Rules” with appropriate buffers regarding meeting all its banking covenants and in maintaining suitable liquidity measures. The association has comfortably met all of these covenants and liquidity requirements. The association invests its reserves to obtain maximum interest as part of its treasury management policy.

The revenue reserves of the association stood at £4,529,789 at the year end. The movement in reserves can be seen in note 15 to the financial statements.

PCHA has arranged for additional medium-term funding from the financial year 21/22 of up to £7million with one of its existing lenders to deliver its development aspirations of around a net 25 new units and to facilitate an additional £500,000 major works investment in existing stock primarily around energy efficiency.

Achieving our objectives

The association has launched its 2020-22 Corporate Plan in the years based around the new Strategic Objectives. The Corporate Plan outlines the “DNA” of PCHA through:

- (a) **Our Services:** developing and delivering a range of services to meet the diverse needs of our residents, including more ways of engagement at times that suit residents better, providing excellent customer service in ways that treat residents with respect, proactively seeking and learning from feedback and complaints. Our services are built around delivering the best value for money that we can deliver to our residents, including additional social value. From April 2021 PCHA will be taking the 13 units of supported housing at Stafford House back into direct management.
- (b) **Our Homes:** on the back of the recent new funding, PCHA will commence the delivery of a range of new homes to help meet the needs of the people in our community. Using our asset management information, we will deliver our planned and major works programme to provide decent, safe, and warm homes and will work towards the 2030 target of all homes attaining at least SAP rating “C” through better energy efficiency. We will deliver a proactive responsive repairs service, ensuring clarity about our respective responsibilities.
- (c) **Our Community:** we have entered into a short-term agreement with the London Borough of Bromley to use property that is progressing through the planning process for redevelopment for housing homeless people; We will explore collaborative partnerships such as this to further the growth and social value objectives of PCHA, and we will work to ensure that PCHA has a positive voice and reputation within the local community.
- (d) **Our Business;** we will safeguard and make the best use of our assets and resources to best deliver the objectives, including that PCHA has sufficient funding and liquidity to deliver. We will ensure that our business is based on sound and accurate lines including embedding ICT strategies such as updating housing and finance software, responding swiftly to housing and governance changes such as the White Paper – A Charter for Social Housing Tenants and to manage risk in a proactive manner to ensure that strategic objectives and business continuity are not jeopardised.
- (e) **Our People:** during the pandemic, we have moved to a flexible and agile working environment that ensures excellent customer service can be delivered in a manner that fits best with the individuals concerned. We will have clear performance frameworks; we will develop the skills in the staff including the Board and we will embrace and celebrate the diversity of the team. We will work towards gaining Investors in People accreditation.

Employees

The association values its staff as its most important asset and, where appropriate, the involvement of staff in the affairs of the association is a high priority. The chief executive and senior staff members attend Board and/or committee meetings as appropriate and during the year they attended the Board Awayday to discuss the future direction of the Association. Employees are kept informed about the policies and performance of the association through regular team meetings. Staff training and development is a priority and staff attend courses and conferences run by several organisations.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR YEAR ENDED 31 MARCH 2021

Pensions

The Association provides and contributes to pensions for all staff through TPT Retirement Solution's Social Housing Pension Scheme. Further details are in note 17 to the financial statements.

Health, safety and welfare of residents and employees

The Board recognises the importance of effective health, safety and welfare provision for its residents and employees at work. Appropriate policies, including a Mental Health Strategy, are in place for the protection and welfare of the residents and employees of the association.

Corporate governance and internal controls

The Board is responsible for the association's system of internal control. The system is designed to provide reasonable assurance against material misstatements or loss, but it cannot provide absolute assurance or eliminate all risk of failure to achieve business objectives. The Board has reviewed the effectiveness of the system of internal control during the year.

The Board has established procedures which are designed to provide effective internal control. These include delegated authorities, financial regulations, treasury management, risk management, approvals of any investment projects, health and safety, data protection and fraud prevention. The Board has agreed terms of reference for its Finance & Audit Committee which meets regularly to monitor the actual results of the association against budgets and the business plan. The Committee has set up internal audit procedures and regularly reviews the results of internal audit reviews. They also carry out a review of the association's finance procedures on a regular basis.

The Board and management have established processes to carry out a regular identification, evaluation and control of the significant risks facing the organisation and the Chief Executive is responsible for alerting the Board to any new or changing risks.

Compliance with NHF Code of Governance (2015) and the Regulator of Social Housing's Governance & Financial Viability Standard

The association is committed to compliance with the NHF Code of Governance 2015 and the Regulator of Social Housing's Governance & Financial Viability Standard and complies with both. In particular, the following controls and activities are in place:

- a Board succession plan, to achieve compliance with the guidance on length of service for members of the Board. This led to the appointment of a new Vice-Chair in 2021.
- an updated Board appraisal framework and skills audit, which includes a commitment to an annual appraisal of the effectiveness of the Board. This process was supported by an external consultant leading to a governance action plan being implemented.
- a robust financial business plan which is regularly reviewed by the Board with appropriate stress testing and reporting on funders covenants.
- an up to date and comprehensive risk management framework including establishment of a risk appetite statement, improved ways of managing and reporting on the Risk Register including scenario-based reviews of key risks and the asset and liability register.

The association is committed to accountability and endorses the principle of openness and accountability to residents and stakeholders in all areas of its activity. We have a range of involvement opportunities on offer to our residents throughout the year and all residents receive a copy of our annual report and are invited to attend several events to enable them to scrutinise our performance.

PCHA will be working to adopt the updated 2020 NHF Code of Governance by 31 March 2022 and will issue a compliance statement in the Board report of the 2021/22 financial statements.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR YEAR ENDED 31 MARCH 2021

Value for money (VFM)

It is important that we can be held to account for the VFM of our services by all our key stakeholders, including residents, the local authority and other partners in the community, our regulator, and funders.

Our definition of VFM is the production of as much value as possible from the income and assets we have available. This includes several types of value: financial, social, and environmental. PCHA aims to provide value for several stakeholders: residents, the local authority, the local community, the regulator, and funders. Through involving residents in the association, and continually seeking their feedback, we can identify their priorities and shape our services to meet these.

PCHA has updated its VFM strategy in the year to March 2021 to cover the next three years. It helps us to:

- Ensure that the Board is driving VFM in all aspects of running the association and delivering services
- Give impetus to VFM in achieving our business objectives
- Deliver VFM in a consistent and effective way
- Explain our approach to VFM to our people and stakeholders.

The Corporate Plan outlines the “DNA” of PCHA through its Strategic Objectives and the VFM Strategy is part of this governance chain in being will give a road map of how it will support delivery of the objectives, in terms of economy, efficiency and effectiveness through clear and measurable goals and targets.

The association incorporates an assessment of value for money into its decision-making processes. In doing so the financial, social, and environmental value are taken into consideration. Our financial business plan is a tool for delivering value from our resources and this is reviewed at least annually by the Board.

Governance and scrutiny in achieving value for money

To ensure that VFM remains at the heart of all that we do, PCHA’s Board has several governance arrangements in place:

- The Finance & Audit Committee terms of reference include a responsibility to consider the association’s Value for Money (VFM) performance and to recommend to the Board an annual self-assessment on VFM
- A balanced scorecard containing key financial and management performance indicators is reported to each of our Committee and Board meetings
- The Board approves an annual budget and the Finance & Audit Committee carries out regular monitoring of quarterly management accounts to assess performance against that budget
- The Board receives annual benchmarking data comparing our performance and costs with those of peer organisations in the Acuity BM320 benchmarking group
- Resident satisfaction feedback provides information, including views on value for money of services, which the Board and staff can use to drive performance improvement.

Social value

As a small community-based housing association, we are committed to working in partnership and offering a range of services to our residents which extend beyond the provision of a home and basic landlord services.

These include:

- a personalised service and access to support from other community partners, for example from Community Options who support people with mental health issues to live independently in the community and saving the much higher costs of institutional care
- a range of services to support residents financially, for example through our welfare reform action plan, free debt advice services, support to access credit union banking services
- small grants for household goods or to support access to employment or training
- support to residents seeking employment, for example through access to internet facilities at our offices for job seeking
- handyman service for more vulnerable residents.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR YEAR ENDED 31 MARCH 2021

Investing in assets

An essential part of achieving value for money lies in the management of our assets i.e. the properties owned by the association. PCHA's Development Strategy and Asset Management Strategy set out our approach to developing new homes, and to managing and maintaining existing assets. Following the repairs service being brought back in house we have developed an asset appraisal model that will support us to develop a meaningful asset management strategy which will also cover a range of property, procurement and health and safety matters. When we improve or develop properties we consider environmental and sustainability issues, aiming to minimise the energy costs for residents and reduce environmental impact.

Good value services

PCHA has a set of Customer Service Standards, agreed with residents, which set out what they can expect by way of housing management services; this was reviewed during the year. Our aim is to meet resident expectations by providing quality services whilst managing budgets carefully. We operate in the Penge area and currently only work with one local authority; all our properties are near our office. This enables our housing management service to be both efficient and accessible to our residents.

When service contracts are reviewed or new services commissioned, we always follow financial procedures and seek to make savings where possible. We aim to use local contractors and suppliers, keeping economic benefit in the local community, so long as standards of work and costs represent good value for money.

VFM Metrics

PCHA has benchmarked its performance against its own figures for the previous two financial years as well as the median figures from its own peer group, consisting of a number of other small housing associations deemed similar in size and location and part of the Acuity SPBM Benchmarking Group. In general, most of the metrics for PCHA are in line with those from the previous two years. Where there are differences to the peer group median figures, these are reviewed and discussed regularly at the quarterly meetings of the G320 Benchmarking Group. The results can be summarised as follows: -

	PCHA 2020-21	PCHA 2019-20	PCHA Target 2020-21	Peer group median 2020-21
1 Reinvestment	0.5%	1.1%	0.9%	1.6%
2a New supply delivered (social housing units)	0.0%	0.0%	0.0%	0.0%
2b New supply delivered (non-social housing)	0.0%	0.0%	0.0%	0.0%
3 Gearing	20.8%	18.3%	21.3%	9.6%
4 EBITDA MRI interest cover	360%	240%	232%	488%
5 Headline social housing cost per unit	£4,301	£5,061	£4,751	£4,358
5a Management cost per unit	£2,622	£2,676	£2,486	£1,199
5b Service charge cost per unit	£277	£287	£385	£651
5c Maintenance cost per unit	£983	£1,060	£1,235	£1,013
5d Major repairs cost per unit	£276	£895	£502	£860
5e Other social housing costs per unit	£143	£0	£143	£136
6a Operating margin (social housing lettings)	25.7%	22.8%	21.7%	24.2%
6b Operating margin (overall)	23.8%	20.8%	18.2%	23.1%
7 Return on capital employed	2.9%	2.5%	2.2%	2.7%

New supply delivered is 0% as no new properties were built in 2020-21.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

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Performance against VFM Targets

The PCHA VFM targets were set in line with the Board approved budget which itself was subject to revision in May 2021 after the initial phase of the Covid-19 pandemic had struck. In every VFM metric, actual financial performance is better than or equal to the target.

The impact of the pandemic was felt for a longer period on actual results than was anticipated when the revised budget and VFM targets were set in May 2021, primarily around the ability to deliver repairs and major works programmes due to issues such as lockdown-impacted access to our homes. This is reflected in maintenance costs per unit of £983 against a target of £1,235 per unit and major repairs cost per unit of £276 against a per unit target of £502. We are pleased to report that despite the access issues around the 3 lockdowns that occurred in 20/21 there was no backlog of responsive repairs at year end and that any deferment of cyclical or major works has been reabsorbed in cashflow planning for the immediate future.

Overall headline social housing cost per unit has fallen from £5,061 in 2019/20 to £4,336 in 20/21, also lower than the VFM target of £4,751 and the peer group median of £4,358. This fall drives other VFM metrics such as an improvement in interest cover (up from the previous year's 240% to 377% and considerably above the target of 232% and existing bank covenant of 150%) and an improved operating margin (overall up from 20.8% to 22.8% and again considerably above the target of 18.2%). The operating surplus of £426k is £103k higher than the target, primarily driven by maintenance and major repair costs being £128k lower than target.

Value for money in terms of customer satisfaction has been demonstrated in the results of the 2021 Resident Satisfaction Survey that were issued in the Spring of 2021. These showed an overall satisfaction level for PCHA residents of 84%, which was at the median level of London-based social landlords, value for money in rent levels of 91% (higher than the London median of 88%) and satisfaction in the repair service of 80% (median of 81%).

Public Benefit Entity

As a public benefit entity, Penge Churches Housing Association Limited has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102

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

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

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

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

- select suitable accounting policies and then apply them consistently.
- make judgements and estimates that are reasonable and prudent.
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It has general

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR YEAR ENDED 31 MARCH 2021

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

The Board is 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 jurisdictions.

Information for Auditors

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

Appointment of Auditors

Beever and Struthers to be reappointed as auditors for the coming year.

Signed by order of the Board

K Cooper
Secretary

Date: 23 September 2021

REPORT OF THE INDEPENDENT AUDITORS

TO

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

Opinion

We have audited the financial statements Penge Churches Housing Association Limited for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash flows and the Statement of Changes in Reserves and notes to the financial statements, including a summary of significant accounting policies in Note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- Give a true and fair view of the state of the Association’s affairs as at 31 March 2021 and of its surplus for the year then ended.
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and.
- Have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for Opinion

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the Report of the Board, other than the financial statements and our auditor’s report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

REPORT OF THE INDEPENDENT AUDITORS

TO

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

Matters on which we are required to report by exception

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

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

Responsibilities of the Board

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of laws and regulations that affect the Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws and regulations that we identified included the Co-operative and Community Benefit Societies Act, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019, tax legislation, health and safety legislation, and employment legislation.
- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.

REPORT OF THE INDEPENDENT AUDITORS

TO

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

- The risk of fraud and non-compliance with laws and regulations and fraud was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the nature of the Association's activities and the regulated nature of the Association's activities.
- We reviewed financial statements disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

Use of our report

This report is made solely to the Association, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association for our audit work, for this report, or for the opinions we have formed.

**Beever and Struthers
Chartered Accountants
Statutory Auditor**

15 Bunhill Row
London
EC1Y 8LP

Date:

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR YEAR ENDED 31 MARCH 2021

	Notes	2021 £	2020 £
Turnover	2	1,789,528	1,766,646
Operating expenditure	2	(1,363,882)	(1,403,578)
Operating surplus/ (deficit)	2	<u>425,646</u>	<u>363,068</u>
Interest receivable	5	128	861
Interest and financing costs	6	(144,152)	(152,201)
Surplus for the year	7	<u>281,622</u>	<u>211,728</u>
<i>Other Comprehensive Income</i>			
Actuarial gains/ (losses) in respect of pension schemes	17	(225,000)	249,000
Total comprehensive income for the year		<u>56,622</u>	<u>460,728</u>

The financial statements on pages 13 to 37 were approved and authorised for issue by the Board on 23 September 2021 and were signed on their behalf by:

Cathy McCarthy
Chair

Trevor Crook
Vice Chair

Karen Cooper
Secretary

The Statement of Comprehensive Income relates wholly to continuing activities and the notes on pages 16 to 36 form an integral part of these financial statements.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2021

	Notes	2021 £	2020 £
Fixed assets			
Tangible fixed assets: Housing Properties	10	14,446,949	14,611,201
Tangible fixed assets: Other fixed assets	11	185,127	177,947
		<u>14,632,076</u>	<u>14,789,148</u>
Current assets			
Trade and other debtors	12	38,592	77,233
Cash and cash equivalents		602,502	516,210
		<u>641,094</u>	<u>593,443</u>
Less: Creditors			
Amount falling due within one year	13	(569,194)	(571,085)
Net current assets		<u>71,900</u>	<u>22,358</u>
Total assets less current liabilities		<u>14,703,976</u>	<u>14,811,506</u>
Creditors			
Amount falling due after more than one year	14	(9,891,187)	(10,228,341)
Provisions for liabilities			
Pension – defined benefit liability	17	(283,000)	(110,000)
Total net assets		<u>4,529,789</u>	<u>4,473,166</u>
Capital and reserves			
Revenue reserves	15	4,529,771	4,473,149
Called-up share capital	16	18	17
Total Reserves		<u>4,529,789</u>	<u>4,473,166</u>

The financial statements on pages 13 to 37 were approved and authorised for issue by the Board on 23 September 2021 and were signed on their behalf by:

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The notes on pages 17 to 37 form an integral part of these financial statements.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

	2021	2020
	£	£
Net cash generated from operating activities (see Note i)	559,877	492,927
Cash flow from investing activities		
Purchase of tangible fixed assets	(96,864)	(199,497)
New finance raised	-	-
Interest received	128	861
	<u>(96,736)</u>	<u>(198,636)</u>
Cash flow from financing activities		
Interest paid	(142,152)	(144,201)
Repayment of borrowings	(234,698)	(242,299)
Issue/(cancellation) of ordinary shares	1	(11)
	<u>(376,849)</u>	<u>(386,511)</u>
Net change in cash and cash equivalents	86,292	(92,221)
Cash and cash equivalent at beginning of the year	516,210	608,431
Cash and cash equivalent at end of the year	602,502	516,210
Note i	£	£
Cash flow from operating activities		
Surplus/(deficit) for the year	56,622	460,728
Adjustments for non-cash items		
Depreciation of tangible fixed assets	253,936	230,234
(Loss) on disposal of fixed assets	-	(17,644)
Decrease / (increase) in trade and other debtors	38,643	(36,958)
(Decrease) / increase in trade and other creditors	(11,567)	91,008
Movement in respect of pension schemes	173,000	(285,000)
Adjustments for investing or financing activities:		
Government grants utilised in the year	(92,781)	(92,781)
Interest Payable	142,152	144,201
Interest received	<u>(128)</u>	<u>(861)</u>
Net cash generated from operating activities	559,877	492,927

The notes on pages 17 to 37 form an integral part of these financial statements.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED 31 MARCH 2021

	Total Reserves
	£
Balance as at 1 April 2019	4,012,421
Total Comprehensive Income for the year	460,728

Balance as at 31 March 2020	4,473,149
Total Comprehensive Income for the year	56,622

Balance as at 31 March 2021	4,529,771
	=====

The notes on pages 17 to 37 form an integral part of these financial statements.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1. ACCOUNTING POLICIES

(a) Legal Status

Penge Churches Association Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 registration number 19080R and is registered with the Regulator of Social Housing as a Private Registered Provider of Social Housing registration number L1243. The registered office is 99 Maple Road, Penge, SE20 8LN.

(b) Basis of accounting

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

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. The financial statements are prepared on the historical cost basis of accounting and are presented in sterling £.

The Association's financial statements have been prepared in compliance with FRS 102.

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

(c) Turnover

Turnover represents rental income receivable (net of void losses), service charges levied, management fees receivable and revenue grants from the Greater London Authority and Homes England.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1. ACCOUNTING POLICIES (*continued*)

(d) Fixed assets and depreciation

Housing properties

Housing properties are stated at cost less depreciation. Freehold land is not depreciated. Completed housing properties have been split between their land and structure costs and a specific set of major components that require periodic replacement.

Refurbishment or replacement of such a component is capitalised and then depreciated over the estimated useful life of the component at the following rates:

Structure	100 years
Kitchen	25 years
Windows	30 years
Bathrooms	30 years
Boilers	10 years
Heating system (excel Boiler)	40 years
Doors	20 years
Roofs	70 years
Electrical systems	50 years

Other fixed assets

Other fixed assets are stated at cost. Depreciation is charged on the other fixed assets as follows:

Freehold office	- Over 100 years
Fixtures and fittings	- Over 4 years
Schemes and office equipment	- Over 4 years
Motor Vehicles	- Over 5 years

A full year's depreciation is charged on these assets in the year of purchase, but no charge is made in the year of disposal.

(e) Social Housing Grant

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

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

SHG must be recycled by the Association under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Homes England and the Greater London Authority. However, SHG may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as Turnover. In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1. ACCOUNTING POLICIES *(continued)*

(f) Capitalisation of interest and development costs

Interest on the mortgage loan financing a development is capitalised up to the date of practical completion of the scheme. Interest on other borrowings specifically financing the development programme (or scheme) after deduction of interest on social housing grant in advance is also capitalised.

All costs incurred in the delivery of the association's development programme are also capitalised.

(g) Pension costs

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

A liability for the Association's pension obligations is recognised net of plan assets. The net change in the net defined benefit liability is recognised as the cost of the defined benefit plan during the period. Pension plan assets are measured at fair value and the defined benefit obligation is measured on an actuarial basis using the projected unit method. Further details of the assumption and the pension plans are in note 17.

(h) Cyclical repairs and maintenance

The association maintains its properties in accordance with a planned programme of works. No provision is made in the financial statements for future works, but actual costs incurred are charged in the Statement of Comprehensive Income under the heading of planned maintenance.

(i) Tax status

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

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

2. ACCOUNTING POLICIES *(continued)*

(j) Value Added Tax (VAT)

The Association is not VAT registered. The balances shown in these financial statements are inclusive of VAT where applicable.

(k) Going concern

The Association's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. The COVID-19 pandemic led to a reassessment of the Association's business plan as well as an assessment of imminent or likely future breach in borrowing covenants. No significant concerns have been noted and we consider it appropriate to continue to prepare the financial statements on a going concern basis.

(l) Financial Instruments

Financial instruments such as loans, accounts payables, accounts receivables and cash are classified either as basic or complex. All financial instruments are initially measured at their fair values at the time the transactions occur. Subsequently all basic instruments are measured at amortised cost and all complex financial instruments are measured at a fair value through the comprehensive income.

Financial instruments held by the Association are classified as follows:

- Financial assets such as cash are held at cost.
- Financial assets such as current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method.
- Financial liabilities such as bonds and loans are held at amortised cost using the effective interest method.

(m) Holiday pay accrual

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

(n) Cash equivalents

Cash equivalents include readily convertible short-term highly liquid investments less advances from banks repayable within three months from the date of the advance.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1. ACCOUNTING POLICIES (*continued*)

(o) **Judgements and key sources of estimation uncertainty**

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

- a. Categorisation of housing properties. The Association has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Association has considered if the asset is held for social benefit or to earn commercial rentals.
- b. Impairment. The Association has identified a cash generating unit for impairment assessment purposes at a property scheme level.
- c. Pension and other post-employment benefits: The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary increases and pension increases are based on expected future inflation rates for the respective sector. Further details are given in note 17.

(p) **Other key sources of estimation and assumptions**

- a. Tangible fixed assets. Tangible fixed assets are depreciated over their useful lives considering residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on several factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are considered. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

2. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	← 2021 →		
	Turnover	Operating Costs	
	£	£	
		Operating Surplus	
		£	
Social housing lettings (note 3)	1,783,922	(1,325,182)	458,740
Other	5,606	(38,700)	(33,094)
TOTAL	1,789,528	(1,363,882)	425,646

	← 2020 →		
	Turnover	Operating Costs	
	£	£	
		Operating Surplus	
		£	
Social housing lettings (note 3)	1,762,193	(1,364,878)	397,315
Other	4,453	(38,700)	(34,247)
TOTAL	1,766,646	(1,403,578)	363,068

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

3. TURNOVER AND OPERATING EXPENDITURE

	General Needs Housing £	Stafford House: Supported Housing £	Intermediate rent lettings £	Total 2021 £	Total 2020 £
Income					
Rent receivable net of identifiable service charges	1,501,521	41,782	48,239	1,591,542	1,580,922
Service charge income	99,599	-	-	99,599	88,490
Amortised government grants	92,781	-	-	92,781	92,781
Turnover from Social Housing Lettings	<u>1,693,901</u>	<u>41,782</u>	<u>48,239</u>	<u>1,783,922</u>	<u>1,762,193</u>
Operating expenditure					
Management	689,730	17,697	420	707,847	727,207
Service charge costs	72,823	1,867	-	74,690	77,532
Routine maintenance	216,835	5,731	6,693	229,259	221,223
Planned maintenance	34,107	907	1,265	36,279	65,076
Major repairs expenditure	-	-	-	-	46,749
Rent losses from bad debts	36,233	-	-	36,233	6,080
Housing property depreciation	220,362	10,611	9,901	240,874	221,013
Operating expenditure on Social Housing Lettings	<u>1,270,090</u>	<u>36,813</u>	<u>18,279</u>	<u>1,325,182</u>	<u>1,364,878</u>
Operating Surplus on Social Housing Lettings	<u>423,811</u>	<u>4,969</u>	<u>29,960</u>	<u>458,740</u>	<u>397,315</u>
Void losses	<u>26,747</u>	<u>-</u>	<u>-</u>	<u>26,747</u>	<u>4,569</u>

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

4. ACCOMMODATION OWNED, MANAGED AND IN DEVELOPMENT

	2021 No	2020 No
Social Housing		
Owned and managed at end of year:		
General needs housing	253	253
Supported housing and housing for older people	13	13
Intermediate rent	4	4
	<u>270</u>	<u>270</u>

5. INTEREST RECEIVABLE

	2021 £	2020 £
Bank interest receivable	128	861
	<u>128</u>	<u>861</u>

6. INTEREST AND FINANCE COSTS

	2021 £	2020 £
Deferred benefit pension charge	2,000	8,000
Interest payable on housing loans repayable wholly or partly in more than 5 years	142,152	144,201
Less: interest capitalised	-	-
	<u>144,152</u>	<u>152,201</u>

7. SURPLUS ON ORDINARY ACTIVITIES

Surplus on ordinary activities is stated after charging

	2021 £	2020 £
Depreciation:		
Tangible owned fixed assets	253,938	222,852
Auditors' remuneration (excluding VAT):		
In their capacity as auditors	9,923	9,815
In respect of other services	<u>-</u>	<u>-</u>

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

8. DIRECTORS' EMOLUMENTS

	2021 £	2020 £
The aggregate emoluments payable to or receivable by the directors (board and director/chief executive)	92,710	90,007
Emoluments paid to the highest paid director of the Association excluding pension contributions:	79,355	76,398

The Chief Executive was an ordinary member of the Social Housing Pension Scheme and the employer's contribution for the financial year was £7,355 (2020: £6,609). No special terms were applied to the pension for the Chief Executive.

Directors (key management personnel) are defined as members of the Board and the Chief Executive.

The Chairs of Board and the Chairs of Finance and Audit Committee received a total combined remuneration of £6,000 in the year (2020: £7,000).

	2021 £	2020 £
C.McCarthy (Chair of Board)	4,000	2,000
R.Limond (Chair of Finance & Audit)	2,000	500
T. Downie (Chair of Board to Dec 2019)	-	3,000
D.Simmonds (Chair of Finance & Audit to Dec 2019)	-	1,500

9. EMPLOYEES

	2021 No	2020 No
The average number of persons employed during the year expressed in full time equivalents (35 hours per week) was:		
Number of persons employed	8.8	8.5
Full time equivalents	7.1	6.8

	2021 £	2020 £
Staff costs (for the above persons)		
Wages and salaries	333,452	314,609
Social security costs	33,522	29,005
Other pension costs	30,105	26,858
	397,079	370,472

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

Aggregate number of full time equivalent staff whose remuneration exceeded £60,000 in the period:	No.	No.
£60,000 - £70,000	-	-
£70,000 - £80,000	-	-
£80,001 - £90,000	1	1

10. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Social Housing Properties for Letting – Completed	Social Housing Properties for Letting – Work in Progress	Social Housing Properties for Letting – Total
	£	£	£
Cost			
At 1 April 2020	18,197,189	8,540	18,205,729
Additions: New properties	-	1,997	1,997
Additions: Works to existing properties	74,625	-	74,625
Disposals	(23,647)	-	(23,647)
At 31 March 2021	18,248,167	10,537	18,258,704
Depreciation			
At 1 April 2020	3,594,528	-	3,594,528
Charge for the year	240,874	-	240,874
Eliminated on disposals	(23,647)	-	(23,647)
At 31 March 2021	3,811,755	-	3,811,755
Net Book Value			
At 31 March 2021	14,436,412	10,537	14,446,949
At 31 March 2020	14,602,661	8,540	14,611,201
			2021
Housing properties comprise: Freehold			£ 13,507,483
Long leaseholds			939,466
			<u>14,446,949</u>

Housing property additions during the year relate to rehabilitation work and component replacements at various properties.

Freehold and long leasehold land and buildings with a carrying amount of £7,088,493 (2020: £6,483,442) have been pledged to secure borrowings of the Association. The Association is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

Maintenance expenditure on properties is disclosed in note 3.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

11. OTHER FIXED ASSETS

	Freehold Office £	Schemes Equipment £	Office equipment £	Fixtures and fittings £	Total £
Cost					
At 1 April 2020	178,807	7,559	117,309	14,029	317,704
Additions	-	-	16,255	3,987	20,242
Disposals	-	-	-	-	-
At 31 March 2021	<u>178,807</u>	<u>7,559</u>	<u>133,564</u>	<u>18,016</u>	<u>337,946</u>
Depreciation					
At 1 April 2020	20,680	3,888	105,286	9,903	139,757
Charge for the year	1,838	1,223	7,834	2,167	13,062
Eliminated on disposals	-	-	-	-	-
At 31 March 2021	<u>22,518</u>	<u>5,111</u>	<u>113,120</u>	<u>12,070</u>	<u>152,819</u>
Net Book Value					
At 31 March 2021	<u>156,289</u>	<u>2,448</u>	<u>20,444</u>	<u>5,946</u>	<u>185,127</u>
At 31 March 2020	<u>158,127</u>	<u>3,671</u>	<u>12,023</u>	<u>4,126</u>	<u>177,947</u>

12. TRADE AND OTHER DEBTORS

	2021 £	2020 £
Amounts falling due within one year		
Arrears of rent and service charges	74,941	87,329
Less: provision for bad debts	(71,221)	(47,759)
	<u>3,720</u>	<u>39,570</u>
Prepayments and accrued income	34,871	37,663
	<u>38,591</u>	<u>77,233</u>

Debtors are all due within one year.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

13. CREDITORS: amounts falling due within one year

	2021 £	2020 £
Housing loans (Note 14b)	262,037	252,362
Rents and service charges paid in advance	73,895	90,796
Other taxation and social security payable	10,915	10,749
Trade creditors	49,157	77,330
Deferred Capital Grant (Note 23)	92,781	92,781
Accruals and deferred income	80,409	47,068
	<u>569,194</u>	<u>571,085</u>

14. CREDITORS: amounts falling due after more than one year

(a)

	2021 £	2020 £
Housing loans 14(b)	3,340,091	3,584,464
Deferred Capital Grant (Note 23)	6,551,096	6,643,876
SHPS pension agreement (Note 17)	-	-
	<u>9,891,187</u>	<u>10,228,341</u>

Housing loans from Orchardbrook Limited, Unity Trust and Nationwide are secured by specific charges on the association's properties and are repayable at varying rates of interest by instalments. Using the best estimates available, the loans are repayable as follows: -

(b)

	2021 £	2020 £
Within one year (Note 13)	262,037	252,362
Between one and two years	930,960	262,037
Between two and five years	1,036,412	1,697,402
In five years or more	1,372,719	1,625,025
Total loans due after one year	<u>3,340,091</u>	<u>3,584,464</u>

The Orchardbrook loan bears at interest rate of 9.97%, the Unity Trust loan had a variable rate with a 2.50% margin, the Nationwide loans bear interest rates varying between 0.75% - 2.62%, with one bearing a fixed rate of 0.85%.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

15. REVENUE RESERVES

	£
At 1 April 2020	4,473,149
Surplus for the year	56,622
At 31 March 2021	<u>4,529,771</u>

16. SHARE CAPITAL

	£
Allotted issued and fully paid (non-equity shares of £1 each)	
At 1 April 2020	17
Shares issued	4
Shares cancelled	(3)
At 31 March 2021	<u>18</u>

Each member of the Board except Karen Cooper holds one share of £1 in the Association. The shares issued to members do not qualify for dividend payments, are not repayable, and do not entitle the holder to anything on a winding up. All shares have equal voting rights.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

17. PENSION COSTS

The Association participates in the Social Housing Pension Scheme (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.

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 last completed triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

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

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, a valuation of the scheme was carried out with effective dates of 30 September 2018. The liability figures from this valuation were rolled forward for accounting year ends from 31 March 2019 to 29 February 2020 inclusive.

Similarly, actuarial valuations of the scheme were carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive, and as at 30 September 2020 to inform the liabilities for accounting year ends from 31 March 2021 to 28 February 2022 inclusive.

The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

17. PENSION COSTS *(continued)*

Present Values of Defined Benefit Obligation, Fair Value of Assets and Defined Benefit Asset (Liability)

	31 March 2021	31 March 2020
	(£'000s)	(£'000s)
Fair value of plan assets	1,467	1,450
Present value of defined benefit obligation	1,750	1,560
Surplus / (deficit) in plan	(283)	(110)
Unrecognised surplus	-	-
Defined benefit asset / (liability) to be recognised	(283)	(110)
Deferred tax	-	-
Net defined benefit asset / (liability) to be recognised	(283)	(110)

Reconciliation of The Impact of The Asset Ceiling

	Year Ending
	31 March 2021
	(£'000s)
Impact of asset ceiling at start of period	-
Effect of the asset ceiling included in net interest cost	-
Actuarial losses / (gains) on asset ceiling	-
Impact of asset ceiling at end of period	-

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

17. PENSION COSTS *(continued)*

Reconciliation of Opening and Closing Balances of The Defined Benefit Obligation

	Year Ending 31 March 2021 (£'000s)
Defined benefit obligation at start of period	1,560
Current service cost	-
Expenses	3
Interest expense	36
Member contributions	-
Actuarial losses / (gains) due to scheme experience	(82)
Actuarial losses / (gains) due to changes in demographic assumptions	6
Actuarial losses / (gains) due to changes in financial assumptions	321
Benefits paid and expenses	(94)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses / (gains) on curtailments	-
Losses / (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	1,750

Reconciliation of Opening and Closing Balances of The Fair Value of Plan Assets

	Year Ending 31 March 2021 (£'000s)
Fair value of plan assets at start of period	1,450
Interest income	34
Experience on plan assets (excluding amounts included in interest income) - gain / (loss)	20
Contributions by the employer	57
Contributions by plan participants	-
Benefits paid and expenses	(94)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	1,467

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2021 was £54,000.

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

17. PENSION COSTS *(continued)*

Defined Benefit Costs Recognised in Statement of Comprehensive Income (SoCI)

	Year Ending 31 March 2021 (£'000s)
	Year Ending
Current service cost	-
Expenses	3
Net interest expense	2
Losses / (gains) on business combinations	-
Losses / (gains) on settlements	-
Losses / (gains) on curtailments	-
Losses / (gains) due to benefit changes	-
Defined benefit costs recognised in Statement of Comprehensive Income (SoCI)	5

Defined Benefit Costs Recognised in Other Comprehensive Income

	Year Ending 31 March 2021 (£'000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain / (loss)	20
Experience gains and losses arising on the plan liabilities - gain / (loss)	82
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/ (loss)	(6)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain / (loss)	(321)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain / (loss)	(225)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in other comprehensive income – gain / (loss)	(225)

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

17. PENSION COSTS (*continued*)

Assets

	31 March 2021 (£'000s)	31 March 2020 (£'000s)
Absolute Return	81	76
Alternative Risk Premia	55	101
Corporate Bond Fund	87	83
Credit Relative Value	46	40
Distressed Opportunities	42	28
Emerging Markets Debt	59	44
Fund of Hedge Funds	-	1
Global Equity	234	212
High Yield	44	-
Infrastructure	98	108
Insurance-Linked Securities	35	44
Liability Driven Investment	373	481
Liquid Credit	18	1
Long Lease Property	29	25
Net Current Assets	9	6
Opportunistic Illiquid Credit	37	35
Opportunistic Credit	40	-
Private Debt	35	29
Property	31	32
Risk Sharing	53	49
Secured Income	61	55
Total assets	1,467	1,450

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

Key Assumptions

	31 March 2021 % per annum	31 March 2020 % per annum
Discount Rate	2.15%	2.39%
Inflation (RPI)	3.29%	2.65%
Inflation (CPI)	2.86%	1.65%
Salary Growth	3.86%	2.65%
Allowance for commutation of pension for cash at retirement		75% of maximum allowance

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2021	21.6
Female retiring in 2021	23.5
Male retiring in 2041	22.9
Female retiring in 2041	25.1

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

18. CAPITAL COMMITMENTS

	2021	2020
	£	£
Capital expenditure that has been contracted for but has not been provided for in the financial statements	-	-
Capital expenditure that has been authorised by the Board but has not yet been contracted for	-	-
Capital Commitments will be incurred over the next:		
Less than one year	-	-
In one year or more but less than two years	-	-
In two years or more and less than five years	-	-
In five years or more	-	-
The Association expects these commitments to be financed with:		
Available cash reserves	-	-
Social Housing Grant	-	-
Proceeds from the sale of properties	-	-
Committed loan facilities	-	-

19. CONTINGENT LIABILITIES

There were no contingent liabilities at the Statement of Financial Position date (2020: none).

20. LEGISLATIVE PROVISIONS

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014.

21. RELATED PARTIES

There have been no related party transactions in the year (2020: none).

22. TAXATION

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

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

23. DEFERRED CAPITAL GRANT

	2021	2020
	£	£
At start of the year	6,736,656	6,829,437
Grant received in the year	-	-
Released to income in the year	(92,781)	(92,781)
At the end of the year	<u>6,643,876</u>	<u>6,736,656</u>
Amount due to be released < 1 year (Note 13)	92,781	92,781
Amount due to be released > 1 year (Note 14(a))	6,551,096	6,643,876
At the end of the year	<u>6,643,877</u>	<u>6,736,657</u>
The total accumulated government grant and financial assistance received or receivable at 31 March:	<u>9,278,065</u>	<u>9,278,065</u>

24. FINANCIAL INSTRUMENTS

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

	2021	2020
	£	£
Financial assets		
Financial assets measured at cost		
Cash and Cash Equivalents	602,502	516,210
Financial assets measured at amortised cost		
Rent and Service Charge Debtors	74,941	87,329
Total financial assets	<u>677,443</u>	<u>603,539</u>
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade Creditors	49,157	77,330
Other Creditors	73,895	90,796
Housing Loans Payable	3,602,128	3,836,826
	<u>3,725,180</u>	<u>4,004,952</u>

PENGE CHURCHES HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

25. EVENTS AFTER THE END OF THE REPORTING PERIOD

PCHA have agreed additional borrowing facilities of up to £7m with Unity Bank over a 10-year period. This loan is to allow PCHA to deliver a development programme estimated of being between 25 to 30 new homes and to deliver an additional £500,000 to its major works programme.

26. ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2020 £	Cash Flows £	Non-Cash Movements £	At 31 March 2021 £
Cash and Cash Equivalents	516,210	86,292	-	602,502
Housing Loans Due in One Year	(252,362)	-	(9,675)	(262,037)
Housing Loans Due After One Year	(3,584,464)	244,373	9,675	(3,330,416)
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	(3,320,616)	330,665	-	(2,989,951)
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