

Financial statements 2019

South
Yorkshire
Housing
Association



syha.co.uk

**SOUTH YORKSHIRE HOUSING ASSOCIATION LIMITED
AND ITS SUBSIDIARIES**

**Annual report and financial statements
for the year ended 31 March 2019**

Registered number: L0078

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

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SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Information

BOARD AND OFFICERS

CHAIR

Prof I Cole

SECRETARY

A Stacey OBE

OTHER MEMBERS

Y Ahmed
A Buck
S Carman
K Chambers (resigned 26 September 2018)
J Jeffries
D Lockwood
B Oshin
T Proudfoot
H Ratcliffe
J Sparkes
P Taylor
C Walker (appointed 26 September 2018)

CHIEF EXECUTIVE

A Stacey OBE

FINANCE DIRECTOR

R Young

HOUSING SERVICES DIRECTOR

S Dyett

BUSINESS DEVELOPMENT DIRECTOR

M Plowden

CARE, HEALTH & WELLBEING CO-DIRECTORS

J Hall and C Murray

REGISTERED OFFICE

43-47 Wellington Street
Sheffield
S1 4HF

REGISTERED IN ENGLAND UNDER THE CO-OPERATIVE & COMMUNITY BENEFIT SOCIETIES ACT 2014 – REGISTRATION NUMBER REGISTERED UNDER THE HOUSING ACT 1974

20165R

REGULATOR OF SOCIAL HOUSING (RSH) REGISTRATION NUMBER

L0078

EXTERNAL AUDITOR

Mazars LLP
45 Church Street
Birmingham

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Information

B3 2RT

PRINCIPAL SOLICITORS

Trowers & Hamlins
55 Princess Street
Manchester
M2 4EW

Anthony Collins Solicitors
134 Edmund Street
Birmingham
B3 2ES

PRINCIPAL BANKERS

Barclays Bank PLC
2-12 Pinstone Street
Sheffield
S1 2HN

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Independent auditor's report to the members of South Yorkshire Housing Association Group

Strategic Report

The Board presents its strategic report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 March 2019.

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing (RSH) as a registered provider of social housing.

The SYHA group comprises SYHA (the parent) and two active subsidiaries, Alliance HA and SYHA Enterprises. SYHA is a Registered Provider of Social Housing. Group turnover for 2018-19 was £48.7 million. Alliance HA is a charitable RP, managing 223 homes. SYHA Enterprises is a limited company providing property sales and letting services. Annual turnover for both subsidiary organisations is around £1 million.

The SYHA group undertakes the following main activities:

- Managing and maintaining around 3,800 social rented homes
- Work with over 1,600 customers in supported housing, ranging from long term Extra Care to short term homeless services
- Work with over 7,000 people in our community-based health and wellbeing services, ranging from specialist employment support to social prescribing services
- Developing or acquiring new homes
- Providing property sales and lettings services via the SYHA Enterprises subsidiary

Objectives and strategy for achieving those objectives

The Board approved a three-year Strategic Plan in 2018. It contains five key objectives:

- Settle at home, live well and realise your potential: helping people to find, and get established in, a home that works for them
- Transform our business: moving services online, moving towards mobile working, implementing new IT systems, using data to inform service provision, and structuring our business to align with future needs
- Active asset management: delivering maximum value from our property and other assets
- Growing our business: building high quality homes and growing existing and new business streams
- Sustaining our business: Thriving in a changing environment so we can be here for the long term

We have a number of measures which we will use over time to assess performance against these objectives:

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Business model

Objective	Indicators
Settle at home, live well and realise your potential	<ul style="list-style-type: none">• Reinvestment %• Customer satisfaction measures• Voids, arrears, evictions
Transform our business	<ul style="list-style-type: none">• Headline social housing cost per unit• Overheads as % turnover• Rent collected
Active asset management	<ul style="list-style-type: none">• Return on capital employed• Occupancy• Ratio responsive repairs to planned maintenance
Growing our business	<ul style="list-style-type: none">• New supply – social and non-social• Gearing %• Growth targets
Sustaining our business	<ul style="list-style-type: none">• Operating margin (overall and social housing lettings)• EBITDA MRI

A summary of our main business streams is set out above.

SYHA's housing stock is a mix of new build and refurbished properties, developed since formation in 1972. All stock meets the government's Decent Homes Standard.

Much of SYHA's income comes, directly or indirectly, from government. Over two thirds of rent is received as housing benefit, and many supported housing schemes receive revenue grants from local authorities or health trusts.

SYHA is regulated by the Regulator of Social Housing (RSH), with whom it is registered. The RSH issues regulatory judgements on governance and viability. SYHA is rated G1 / V2 as follows:

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Governance - G1 (Compliant)

The provider meets our governance requirements.

Viability - V2 (Compliant)

The provider meets our viability requirements. It has the financial capacity to deal with a reasonable range of adverse scenarios but needs to manage material risks to ensure continued compliance.

SYHA is governed by a Board of Management composed of non-executive members. Its operations are managed by a team led by the Chief Executive, along with directors of finance, care, health and wellbeing, housing services, and business development.

Development and performance throughout the financial year and position at the end of the financial year

Financial performance has been consistent throughout the year. Performance was below our original budget. However, we essentially reset that budget mid-year, with three key factors in play. Firstly, and accounting for most of that change, we brought forward spend on IT under our Transform Strategy. Secondly, we undertook some internal restructuring which increased costs for this year. Thirdly, and unrelated to #transform, spend on repairs, including fire safety works, was higher than expected. Actual performance was in line with that reset budget. Interest cover and gearing covenants were met with a material degree of tolerance. SYHA added 46 new homes through its development programme during the year.

Association turnover and operating surplus by activity is set out below:

	2019	2018	2019	2018
	Turnover £'000		Operating surplus £'000	
Rented housing	18,110	18,142	5,230	5,855
Supported housing	26,143	22,770	782	1,381
Property developed for sale	748	1,001	122	188
Other	2,218	2,229	(137)	(97)
Total	47,219	44,142	5,997	7,327

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The Board receives regular information on a wide range of performance indicators. Overall, SYHA has improved performance across core housing and support functions in recent years. In the table below, we show data for three commonly used sector performance measures.

Indicator	2019	<i>Target</i>	2018	<i>Target</i>
General needs rent arrears (current arrears as % of annual rent)	2.9%	<3.5%	2.1%	< 3.2%
General needs void rent loss	0.80%	<1.0%	0.82%	<1.0%
% residents satisfied with repairs service	85%	>90%	87%	> 90%

Future prospects

The main factors underlying the development, performance, and position of the Group, and which are likely to affect it in the future are:

- The level and nature of funding for care and supported housing
- Identifying financially viable property schemes, and sites for those developments
- Delivering on our Transform strategy

SYHA prepares a long-term Group business plan each year, which is submitted to the RSH as regulator. One objective in doing so is to demonstrate, within the limits of any forecasts, its future financial viability.

Our base financial projections show that our business will meet loan covenants, generate cash on core operations, and have capacity to deliver on its corporate objectives. These forecasts are subject to robust stress testing. This testing;

- Is based upon financial risks identified in our Strategic Risk Register, and liabilities recognised on its liability and asset registers
- Aims to identify breaking points for each specific risk and for combinations of those risks across a range of scenarios (multi-variate testing)
- Tests the resilience of the plan against more severe business shocks - what might "break" our business
- Sets out what actions we would take to mitigate the impact of the adverse outcomes of our stress-testing

The outcome of that testing is that material adverse conditions would be required to lead to problems with financial viability.

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Description of the principal risks and uncertainties being faced

The Association prepares and monitors a strategic risk register which sets out the principal risks facing the business. The table below is an extract from the risk register.

Risk	Comments
LiveWell profitability falls below acceptable level / operates at a loss	Cuts have been made to funding over several years, and a small number of our services have closed. Pressures on these budgets remain. We have reduced costs, and this part of our business remains profitable, but less so than in the past. We are widening the range of income sources, and increasing revenues, through the development of services in the wider health and social care market.
Substantial cost increases lead to problems with profitability, particularly for maintenance, salaries, technology	We face pressures in restraining cost increases in certain areas, in particular relating to fire safety costs, salary costs in a tightening labour market, and investment in technology. We have identified future efficiencies which we will deliver to counteract the impact of this.
Failure to meet regulatory standards / incur material reputational damage through service delivery failure other than health and safety	Policies and processes are in place for all service delivery functions and we have a transparent and open culture. We undertake regular internal audit reviews. The Board and Audit Committee receive regular reports on performance and risk throughout the year.

Pensions

This financial year sees a major change in the way in which we account for our SHPS pension scheme. We are now required to account for this as a defined benefit scheme, with the difference (deficit) between our share of the overall scheme deficit, and the amount we will pay to SHPS to cover the past service deficit. This is reported through the Statement of Comprehensive Income, with the initial impact in this year being a £6.014 million charge below the "surplus for the year".

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Governance

The Governance and Financial Viability Standard

Having undertaken an internal review, the Group and Association certify compliance with the Governance and Financial Viability Standard issued by the RSH.

The Association has adopted the National Housing Federation's "Code of governance: Promoting board excellence for housing associations (2015 edition)" and confirms that the Group complies fully with the Code. The following are the key methods by which we uphold the principles of good governance:

- Clear policies and procedures are in place in relation to conduct and probity
- A clear schedule of Delegated Authorities
- Board members are subject to annual performance appraisals

Financial risk management objectives and policies

The Group's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Group's policies approved by its Board, which provide written principles on the use of financial derivatives to manage these risks. The Group does not use derivative financial instruments for speculative purposes.

Cash flow risk

The Group's activities are largely characterised by steady and predictable cash inflows. Similarly, its operating outflows tend to be largely predictable. The main material variability on cashflows arises on the scale of our property development programme. The Group uses interest rate swaps to hedge interest rate exposures.

Credit risk

The Group's principal financial assets are bank balances and cash, rent arrears and other receivables, and investments.

The Group's credit risks are primarily attributable to its rent arrears, and placement on deposit of liquid funds. The amounts for rent arrears presented in the Statement of Financial Position are net of allowances for bad debts. The credit risk on liquid funds is mitigated by placing monies only with pooled funds with high credit-ratings.

The only significant concentration of credit risk is with local authorities, but most exposures are spread over a large number of counterparties and tenants.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses a mixture of long-term and short-term debt finance. In the medium to long term it has exposure to refinancing risk. This is managed through regular review and preparation of long-term projections and maintaining awareness of the funding market both directly and via our advisors.

Brexit

The board has considered a comprehensive risk analysis, using a model common within the sector and with regard to published Bank of England scenarios, to assess potential risks arising from Brexit. The broad conclusion is that it cannot foresee any material practical steps it could take now to avoid any adverse consequences. The Association has some, but limited, reliance on cross-border trade in goods. In terms of the potential wider macro-economic impact, it has some protection in the level of debt it holds at fixed rates.

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The Association stress tests its business plan, and has done so in June 2019 with potential Brexit impacts in mind.

Going Concern

The Group's activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to credit, liquidity and cash flow risk are described in the Strategic Report.

The Group has considerable financial resources and, therefore, the Board believe that the Group is well placed to manage its business risks despite current uncertainties in the social housing sector.

After making enquiries, the Board has a reasonable expectation that the Association and the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these Financial Statements.

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Value for Money Metrics and Analysis

The Regulator of Social Housing sets out its expectations for Registered Providers in its 2018 Value for Money Standard and associated Code of Practice. In relation to these financial statements, the Standard states that it expects us to provide evidence to enable stakeholders to understand:

- Performance against our own value for money targets and any metrics set out by the regulator, and how that performance compares to peers
- Measurable plans to address any areas of underperformance, including clearly stating any areas where improvements would not be appropriate and the rationale for this

Our own approach is to report on the above within the context of the five themes in our Corporate Strategy, which are:

1. Settle at home, live well and realise your potential - help people find and get established in a home that works for them
2. Transform our Business – transform how we think, work and behave in order to meet changing expectations of customers and employees, and to deliver savings
3. Active Asset Management - to get the maximum value from our assets for our customers and our people
4. Grow our Business - grow our business through delivery of new high quality and affordable homes, and new and existing business streams that are financially sustainable
5. Sustain our Business - to thrive in a changing and challenging environment so we can be here for the long term

58% of our turnover comes from the provision of a wide variety of care, supported housing and employment related services under our LiveWell brand. All of these services are commissioned in a competitive market where we have to demonstrate value for money in order to win business. The markets, cost drivers and asset management issues for these services are quite different to those for social rented housing, and this has a material impact on our overall performance. In particular, operating margins are typically much lower in this sector, which has an impact on that metric but also on EBITDA, return on capital employed and (higher) operating costs per unit. Our Board is fully aware of all of this, and continuing to provide these types of services remains a core part of our corporate objectives. In the table below, we set out information using RSH metrics and our own internal metrics. We use our own actual figures from 2017, 2018 and 2019, and compare to the sector median from the National Housing Federation's Sector Scorecard Analysis 2018 (the latest data available) where relevant.

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Table A. Value for Money Sector Metrics for SYHA 2017-2019

					Sector Scorecard Analysis 2018 -
Strategy	Sector Scorecard Measure	2017	2018	2019	Median
RSH Value for Money Sector Metrics:					
Settle	Reinvestment %	n/a	3.20%	3.69%	5.80%
Transform	Headline social housing cost per unit	£5,688	£5,283	£5,753	£3,450
Active Asset Management	Return on capital employed	2.60%	2.65%	2.31%	3.72%
Grow	New supply - social housing %	1.50%	1.10%	0.90%	1.00%
Grow	New supply - non-social housing %	0.00%	0.00%	2.00%	0.00%
Grow	Gearing %	40.0%	39.0%	41.4%	34.14%
Sustain	Operating margin - overall %	16.3%	16.6%	12.7%	27.89%
Sustain	Operating margin - social housing lettings %	21.4%	21.2%	17.9%	30.43%
Sustain	EBITDA MRI %	186%	186%	124%	213.61%
SYHA additional VFM Metrics:					
Settle	Customer Satisfaction GN & OP %	88%	88%	88%	87.5%
Transform	Headline social housing cost - General Needs	£2,755	£2,744	£2,947	£3,450
Transform	Management cost per unit - General Needs	£807	£826	£943	£1,024
Transform	Service charge cost per unit - General Needs	£119	£115	£134	£332
Transform	Maintenance cost per unit - General Needs	£1,093	£1,144	£1,141	£907
Transform	Major repairs cost per unit - General Needs	£636	£600	£640	£720
Transform	Other social housing costs per unit - General Needs	£100	£58	£90	£186
Transform	Overhead Cost as % Turnover	n/a	10.26%	10.53%	12.03%
Active Asset Management	Return on capital employed - General Needs	4.0%	5.4%	5.7%	12.0%
Sustain	Operating margin - General Needs %	n/a	32.30%	28.88%	30.43%

Settle

At SYHA we want to help people find and get established in a home that works for them. In order to do this, we continue to invest in our properties (both new supply and existing stock) and we have increased our **re-investment as a percentage of total cost of properties owned** from 3.2% to 3.69% since 2018. This increase is due almost entirely to additional spending on fire safety improvements in our properties, which we know is something experienced by many providers. The development element of this cost remained fairly static year-on-year.

Our **customer satisfaction** is around the sector average, at 88%.

Transform

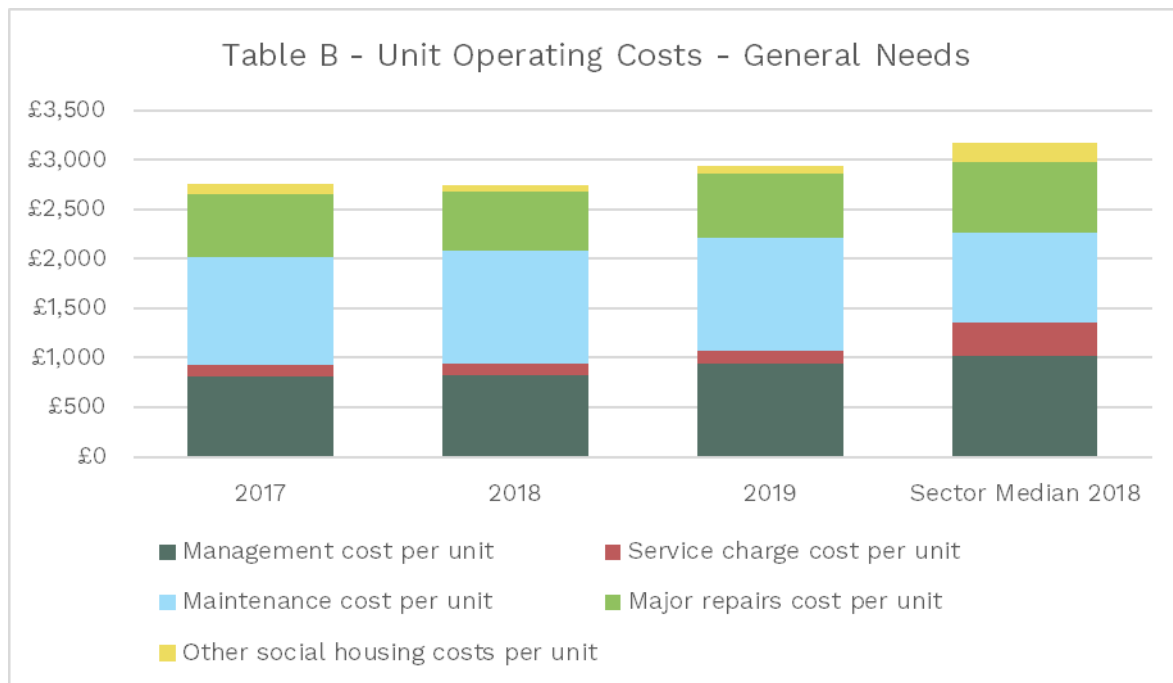
Our overall **social housing cost per unit** (which is £5,753 compared to a sector median of £3,450) is influenced heavily by our LiveWell services, which typically have much higher operating costs. Costs also vary significantly from one scheme to another within LiveWell, and the mix of services within LiveWell can change from year-to-year. The effect of this has been for our overall cost per unit to vary from year-to-year. Because of this LiveWell effect, we separate out our general needs social rented housing figures from LiveWell when looking to analyse our performance and compare to our peers.

Looking just at our general needs cost per unit, this was £2,947 in 2018-19, compared to the £3,450 sector median. In the table above we break this down into various elements of

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cost (this is also shown in the chart below). Following several years in which we have been able to reduce operating cost per unit, this increased in 2018-19. This was due to three main factors: increased spending on technology, salary increases, and increased spend on fire safety works. We would expect sector comparatives for 2019 to have increased. One area where our costs vary from the sector median is on maintenance / major repairs. Taken together our costs is £1,781 compared to a sector median of £1,627 (again, we would expect the sector figure to have increased for 2019). However, the proportion of our spend on day-to-day maintenance compared to major repairs is quite a bit higher than the sector position. We have undertaken work to understand why this is the case, but do not believe it represents something which we are somehow getting wrong and that our approach in relation to our stock is sound.



We use **overhead cost as a % of turnover** as a measure when analysing our performance and setting budgets and future plans. This has increased slightly year-on-year. Our expenditure on IT in actual terms has increased materially, but our turnover has also risen, which means that the % increase masks that somewhat. Our % remains below the sector median.

Active Asset Management

At 2.31% in 2019, our **return on capital employed (ROCE)** is below the sector median and has fallen by 0.34% from 2018. Our own performance has fallen largely because our surplus reduced in 2018-19 due to rent cuts, increases in costs (described above), and reducing margins in our LiveWell business. Looking at the sector comparative, our ROCE for LiveWell

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(the largest part of our business) is 1.8%, which brings down the average considerably. In general needs, our ROCE is 5.7%.

We undertake a great deal of work to analyse returns across all our assets and use this to drive our decision making.

This sector measure includes the impact of property sales within returns, and we use an internal metric which excludes this.

Grow

Our growth strategy has seen SYHA add 0.9% of **social housing new supply** (49 new homes). In addition to this we have added 2% in non-social units (111 homes) through a leasing deal.

Our **gearing measure**, at 41.4% is higher than the sector median of 34.14%. This reflects the extent to which we have invested in providing new homes over many years.

Sustain

Our overall **operating margin** in 2018-19 was 12.7%, a reduction from 16.6% in the previous year. Rent decreases, falling returns in LiveWell, and increased operating costs (referred to above) have all contributed to this.

Comparing to the sector scores, our performance on this metric is again heavily influenced by lower margins in LiveWell. This also affects the score when looking at the score on social housing lettings, which includes our property based LiveWell services. Our margin on general needs housing was 28.9%, a reduction from 32.3% in 2017-18, and compares to a sector median of 30.4%. Again, we would expect that sector median to have fallen for 2018-19. These factors are also reflected in our **EBITDA** figures. Our EBITDA return for 2018-19 was also adversely impacted by an increase in interest payable, largely due to arranging fixed term debt at a higher rate than the floating rate debt it replaced.

Future

As explained above, in 2018-19 and 2019-20 we have invested, or will invest, heavily in new technology. We expect this to lead to a reduction in operating costs in future years. Setting aside factors which may or will have the effect of increasing overall future operating costs (e.g. annual salary increases or repairs cost inflation) we have the following savings targets in our business plan:

£'000	2021	2022	2023	2024	Total
Digital services	56	111	203	203	573
IT revenue costs	130	424	419	218	1,191
Other	162	187	212	237	237
Total	348	722	834	658	2,562

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Statement of Board members' responsibilities

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

Registered Provider Rules require the Board to prepare financial statements for each financial year. Under that legislation the Board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Housing Association 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 of the Group and the Association and of the surplus or deficit of the Group and Association for that period. In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 Group and Association will continue in business

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Association's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Association and enable them to ensure that the financial statements comply with Housing Association legislation (*Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2015*). The Board is also responsible for safeguarding the assets of the Group and Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors 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 jurisdictions.

Disclosure of information to the auditor

Each of the Board members at the date of approval of this report has confirmed that:

- As far as the Board members are aware, there is no relevant audit information of which the Group's auditor is unaware; and
- The Board members have taken all the steps that they ought to have taken as Board members in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

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Internal Control

The Board is responsible for the Association's system of internal control. This system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss. There is an ongoing process for identifying, evaluating and managing any significant risks faced by the Association, and this has been in place for the year under review and up to the date of the approval of the annual report and accounts.

These are the procedures which the board has established, and which are designed to provide effective internal control:

Identification and evaluation of key risks

The Board has approved a Risk Management Framework, setting out the embedded risk management processes to be used across the business. These include the identification, evaluation and control of significant risks at corporate and departmental level. SYHA's policy is for risk assessments to be prepared for all material new business activities. Regular reports on corporate risks are presented to the Board, and the Senior Management Team regularly reviews departmental risks. In addition, the Chief Executive provides regular updates to the Board on significant changes affecting key risks.

Monitoring and corrective action

A system of control self-assessment and hierarchical reporting is in place for all key operational processes. This provides for successive assurances to be given at increasingly higher levels of management, and to the Board. This includes procedures for ensuring that appropriate corrective action is taken in respect of any material control issues.

Control environment and control procedures

The Association has a Code of Conduct, which sets out the Association's policy with regards to integrity and ethics, and this is disseminated to all employees. SYHA maintains a framework of policies and procedures with which all employees must comply. These cover issues such as delegated authority, accounting, treasury management, health and safety, data protection and fraud prevention and detection. The Association receives reports from various external regulatory bodies, such as the Homes England. The Board reviews all material reports of this nature.

Information and financial reporting systems

Financial control procedures include preparation of detailed annual budgets for all areas of the business, approved by the Board. The Board receives reports each quarter comparing actual performance with budget. Information on performance indicators across the business is considered each quarter by the Board to assess progress towards the achievement of key business objectives and targets. Detailed financial information is provided regularly to all budget holders. The Board approves a long-term business plan each year. The Audit Committee considers a report from the Association's external auditors on the outcome of their audit, including comments on any internal control or risk issues that may have arisen.

Internal Audit

The Association has a programme of internal audit, based upon a risk-based needs assessment. This provides a degree of assurance as to the effectiveness of internal control systems. Reports are presented to the Audit Committee, which, in turn, reports regularly to the Board.

The Board has a current strategy and policy on fraud covering prevention, detection and reporting of fraud, and the recovery of assets.

The Board has reviewed the effectiveness of the system of internal control. No weaknesses in internal control have resulted in material losses, contingencies, or

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uncertainties which require disclosure in the financial statements or the auditor's report on the financial statements.

AUDITOR

A resolution to reappoint Mazars LLP as auditors will be proposed at the forthcoming annual meeting.

BY ORDER OF THE BOARD

Approved by the Board on 4th September 2019

and signed on its behalf by



Chair of the Board of Management

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Independent auditor's report to the members of South Yorkshire Housing Association Group

Opinion

We have audited the financial statements of South Yorkshire Housing Association Limited (the 'parent association') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the Group and the parent association's Statements of Comprehensive Income, the Group and the parent association's Statements of Financial Position, the Group and the parent association's Statements of Changes in Reserves, the Group Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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 group's and of the parent association's affairs as at 31 March 2019 and of the group's and the parent association's 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 Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

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

The impact of uncertainties due to Britain exiting the European Union on our audit

The Board's view on the impact of Brexit is disclosed on page 10.

The terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is therefore not currently possible to evaluate all the potential implications to South Yorkshire Housing Association's trade, tenants, suppliers and the wider economy.

We considered the impact of Brexit on the South Yorkshire Housing Association as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the South Yorkshire Housing Association's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible implications for South Yorkshire Housing Association and this is particularly the case in relation to Brexit.

Conclusions relating to going concern

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

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent association's ability to

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Independent auditor's report to the members of South Yorkshire Housing Association Group

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- the parent association has not kept proper books of account; or
- a satisfactory system of control over transactions has not been maintained; 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.

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Independent auditor's report to the members of South Yorkshire Housing Association Group

Responsibilities of the Board

As explained more fully in the Statement of the Board's responsibilities set out on page 16, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standard.

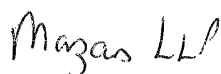
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Independent auditor's report to the members of South Yorkshire Housing Association Group

Use of the audit report

This report is made solely to the association's members as a body in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014 and Chapter 4 of Part 2 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body for our audit work, for this report, or for the opinions we have formed.



Mazars LLP

Chartered Accountants and Statutory Auditor

45 Church Street

Birmingham

B3 2RT

Date: 9th September 2019

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Consolidated & Association Statement of Comprehensive Income

At 31 March 2019

	Note	Group 2019 £'000	2018 £'000	Association 2019 £'000	2018 £'000
Turnover	3a/3c	48,674	45,716	47,219	44,142
Operating expenditure	3a/3c	(42,377)	(38,074)	(41,222)	(36,815)
Operating surplus	3a/3c	6,297	7,642	5,997	7,327
Surplus on disposal of property, plant and equipment	4	1,011	595	991	439
Finance income	6	55	41	51	40
Interest and financing costs	5	(5,017)	(4,690)	(4,403)	(4,216)
Deficit on revaluation of investment properties	14	(10)	(155)	(10)	(165)
Surplus/(deficit) on revaluation of fixed asset investments	14	2	(14)	2	(14)
Surplus before tax		2,338	3,419	2,628	3,411
Taxation	10	-	-	-	-
Surplus for the year		2,338	3,419	2,628	3,411
Initial recognition of multi- employer defined benefit pension scheme (SHPS)	20	(3,184)	-	(3,184)	-
Actuarial gain/(loss) in respect of pension schemes		(2,830)	215	(2,830)	215
Total comprehensive income for the year		(3,676)	3,634	(3,386)	3,626

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

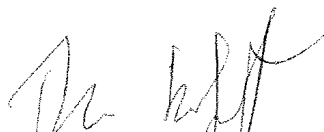
Statement of Changes in Reserves

For the year ended 31 March 2019

		Group		Association	
	Note	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Fixed assets					
Intangible assets	11	1,714	1,130	1,323	652
Housing properties	12	310,746	305,709	296,962	291,994
Other property, plant and equipment	13	2,667	1,940	2,661	1,930
Investment in subsidiary		-	-	1,411	1,277
Other investments	14	1,881	1,628	1,506	1,008
		317,008	310,407	303,863	296,861
Current assets					
Inventories	15	2,072	2,297	1,861	2,297
Debtors	16	2,348	3,167	2,287	3,110
Cash and cash equivalents	17	10,111	6,133	9,197	5,407
		14,531	11,597	13,345	10,814
Creditors: Amounts falling due within one year	18	(15,328)	(14,635)	(14,957)	(14,471)
Net current (liabilities)/assets		(797)	(3,038)	(1,612)	(3,657)
Total assets less current liabilities		316,211	307,369	302,251	293,204
Creditors: Amounts falling due after more than one year	19	(271,631)	(269,888)	(257,301)	(255,643)
Defined benefit pension liability	20	(11,509)	(734)	(11,509)	(734)
Net assets		33,071	36,747	33,441	36,827
Capital and reserves					
Called-up share capital	22	-	-	-	-
Revenue reserve		33,052	36,422	33,422	36,502
Restricted reserve		19	325	19	325
Total reserves		33,071	36,747	33,441	36,827

The financial statements of South Yorkshire Housing Association Group were approved by the Board and signed on its behalf by:


Board Member


Board Member


Company Secretary

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Statement of Changes in Reserves

For the year ended 31 March 2019

Group	Revenue reserve £'000	Restricted reserve £'000	2019 Total £'000	2018 Total £'000
At 1 April 2018	36,422	325	36,747	33,113
Movement in reserves	306	(306)	-	-
Surplus for the year	2,338		2,338	3,419
Initial recognition of multi-employer defined benefit pension scheme (SHPS)	(3,184)	-	(3,184)	-
Actuarial (loss)/gain in respect of pension scheme	(2,830)	-	(2,830)	215
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2019	33,052	19	33,071	36,747
	<hr/>	<hr/>	<hr/>	<hr/>
 Association	 Revenue reserve £'000	 Restricted reserve £'000	 2019 Total £'000	 2018 Total £'000
At 1 April 2018	36,502	325	36,827	33,201
Movement in reserves	306	(306)	-	-
Surplus for the year	2,628	-	2,628	3,411
Initial recognition of multi-employer defined benefit pension scheme (SHPS)	(3,184)	-	(3,184)	-
Actuarial (loss)/gain in respect of pension scheme	(2,830)	-	(2,830)	215
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2019	33,422	19	33,441	36,827
	<hr/>	<hr/>	<hr/>	<hr/>

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Consolidated Statement of Cashflows

For the year ended 31 March 2019

	2019 £'000	2018 £'000
Net cash generated from operating activities	11,345	9,784
Cash flows from investing activities		
Purchase of property, plant and equipment	(12,602)	(6,789)
Proceeds from sale of property, plant and equipment	1,011	595
Grants received	946	(602)
Interest received	50	34
Net cash flows from investing activities	(10,595)	(4,762)
Cash flows from financing activities		
Interest paid	(4,183)	(4,216)
Interest element of finance lease rental payments	(614)	(474)
New loans	30,000	-
Repayments of borrowings	(21,975)	(1,076)
Net cash flows from financing activities	3,228	(5,766)
Net decrease in cash and cash equivalents	3,978	(2,744)
Cash and cash equivalents at beginning of year	6,133	8,877
Cash and cash equivalents at end of year	10,111	6,133
	2019 £'000	2018 £'000
Cash flows from operating activities		
Surplus for the year	2,338	3,419
Adjustment for non-cash items:		
Depreciation of property, plant and equipment	5,737	5,612
Amortisation of intangible assets	256	214
(Increase) in inventories	(15)	(1)
Decrease / (increase) in debtors	1,064	(2,486)
(Decrease)/Increase in creditors and provisions	380	1,127
Impairment loss on property, plant and equipment	-	-
Pension costs less contributions payable	(988)	(894)
(Increase)/decrease in fair value of investment property	8	169
Adjustments for investing and financing activities:		
Proceeds from the sale of property, plant and equipment	(1,011)	(595)
Government grants utilised in the year	(1,386)	(1,430)
Interest payable	5,017	4,690
Interest receivable	(55)	(41)
Cash generated by operations	11,345	9,784

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements

For the year ended 31 March 2019

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

General information and basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for registered social housing providers 2014 (SORP), the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2015. South Yorkshire Housing Association Limited is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Association and its subsidiary undertakings drawn up to 31 March each year. South Yorkshire Housing Association Limited has four subsidiary undertakings. Two of these are dormant and are excluded from consolidation on grounds of materiality, but two, SYHA Enterprises Limited and Alliance Housing Association (South Yorkshire) Limited, are trading. These accounts consolidate those of the Association, Alliance Housing Association (South Yorkshire) Limited and SYHA Enterprises Limited made up to 31 March 2019.

Housing properties

Housing properties for letting and shared ownership properties are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings, directly attributable development costs and borrowing costs directly attributable to the construction of new housing properties during the development. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight-line basis, over their useful economic lives of 100 years. Freehold land is not depreciated.

Major components

Major components of housing properties, which have significantly different patterns of consumption of economic benefits, are treated as separate assets and depreciated over their expected useful economic lives at the following annual rates:

Structure	100 years
Roofs	70 years
Electrics	40 years
Doors and windows	30 years
Bathrooms	30 years
Mechanical systems	30 years
Kitchens	20 years
Lifts	20 years
Gas boilers	15 years

Properties held on long leases are depreciated over their estimated useful economic lives or the lease duration if shorter.

Improvements

Where there are improvements to housing properties that are expected to provide incremental future benefits, these are capitalised and added to the carrying amount of the property and depreciated in accordance with the depreciation policy. Any works to housing

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements

For the year ended 31 March 2019

properties which do not replace a component or result in an incremental future benefit are charged as expenditure in surplus or deficit in the Statement of Comprehensive Income.

Leaseholders

Where the rights and obligations for improving a housing property reside with the leaseholder or tenant, any works to improve such properties incurred by the Association is recharged to the leaseholder and recognised in surplus or deficit in the Statement of Comprehensive Income along with the corresponding income from the leaseholder or tenant.

Non-housing property, plant and equipment

Non-housing property, plant and equipment is stated at historic cost less accumulated depreciation and any provision for impairment. Depreciation is provided on all non-housing property, plant and equipment, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Office premises	- written off over the term of the lease
Enhancement to office premises	- 10 years
Housing management and telephone systems	- 8 years
Office equipment and computer hardware	- 4 years
Motor vehicles	- 4 years
Furnishing schemes and general equipment	- 4 – 7 years

Investment properties

The classification of properties as investment property or property plant and equipment is based upon the intended use of the property. Properties held to earn commercial rentals or for capital appreciation or both are classified as investment properties. Properties that are used for administrative purposes or that are held for the provision of social housing are treated as property plant and equipment. Mixed use property is separated between investment property and property, plant and equipment.

Land is accounted for based on its intended use. Where land is acquired speculatively with the intention of generating a capital gain and/or a commercial rental return it is accounted for as investment property. Where land is acquired for use in the provision of social housing or for a social benefit it is accounted for as property, plant and equipment

Investment properties are measured at fair value annually with any change recognised in surplus or deficit in the Statement of Comprehensive Income.

Intangible assets

Intangible assets are stated at historic cost or valuation, less accumulated amortisation and any provision for impairment. Amortisation is provided on all Intangible assets at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life, as follows:

Software	- 4 years
Goodwill*	- 10 years

*This relates to the acquisition of Rotherlets, TPLS and Winkworth (lettings agencies) by SYHA Enterprises Limited.

Impairment of social housing properties

Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential.

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements

For the year ended 31 March 2019

exceeds its recoverable amount, an impairment loss is recognised in surplus or deficit in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included in surplus or deficit in the Statement of Comprehensive Income.

Social Housing Grant and other Government grants

Where grants are received from government agencies such as the Homes England, local authorities, devolved government agencies, health authorities and the European Commission which meet the definition of government grants they are recognised when there is reasonable assurance that the conditions attached to them will be complied with and that the grant will be received.

Government grants are recognised using the accrual model and are classified either as a grant relating to revenue or a grant relating to assets. Grants relating to revenue are recognised in income on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised. Where a grant is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs, it is recognised as revenue in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Grants received for housing properties are recognised in income over the expected useful life of the housing property structure. Where a grant is received specifically for components of a housing property, the grant is recognised in income over the expected useful life of the component.

Grants received from non-government sources are recognised as revenue using the performance model.

Recycling of grants

Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the Statement of Financial Position to recognise this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the Statement of Financial Position.

For shared ownership staircasing sales, when full staircasing has not taken place, the recycling of the grant may be deferred if the net sales proceeds are insufficient to meet the grant obligation relating to the disposal and is not recognised as a provision. On subsequent staircasing sales, the requirement to recycle the grant becomes an obligation if sufficient sales proceeds are generated to meet the obligation and a provision is recognised at this point.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, any unamortised grant remaining within liabilities in the Statement of Financial Position related to this asset is derecognised as a liability and recognised as revenue in surplus or deficit in the Statement of Comprehensive Income.

Restricted reserves

Where reserves are subject to an external restriction they are separately recognised within reserves as a restricted reserve. Revenue and expenditure is included in surplus or deficit

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements

For the year ended 31 March 2019

in the Statement of Comprehensive Income and a transfer is made from the general reserve to the restricted reserve.

The balance on the reserve is wholly attributed to the Big Lottery Fund Grant for the Ageing Better programme.

Leased assets

At inception the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

Payments under operating leases are charged to surplus or deficit in the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Interest payable

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are calculated using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument and is determined on the basis of the carrying amount of the financial liability at initial recognition. Under the effective interest method, the amortised cost of a financial liability is the present value of future cash payments discounted at the effective interest rate and the interest expense in a period equals the carrying amount of the financial liability at the beginning of a period multiplied by the effective interest rate for the period.

Pensions

The Association also participates in two multi-employer schemes, the defined benefit Social Housing Pensions Scheme and a Local Government Pension Scheme, where it is possible for individual employers as admitted bodies to identify their share of the assets and liabilities of the pension scheme. For these schemes the amounts charged to operating surplus are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to revenue and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements

For the year ended 31 March 2019

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each Statement of Financial Position date.

Defined contribution scheme

The Group also participates in a defined contribution scheme where the amount charged to surplus or deficit in the Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Turnover

Turnover represents rent and service charges receivable (net of rent and service charge losses from voids) and disposal proceeds of current assets such as properties developed for outright sale or shared ownership first tranche sales at completion together with revenue grants from local authorities and Homes England.

Shared ownership property sales

Shared ownership properties, including those under construction, are split between non-current assets and current assets. The split is determined by the percentage of the property to be sold under the first tranche disposal which is shown on initial recognition as a current asset, with the remainder classified as a non-current asset within property plant and equipment. Where this would result in a surplus on the disposal of the current asset that would exceed the anticipated overall surplus, the surplus on disposal of the first tranche is limited to the overall surplus by adjusting the costs allocated to current or non-current assets.

Proceeds from first tranche disposals are accounted for as turnover in the Statement of Comprehensive Income of the period in which the disposals occur and the cost of sale is transferred from current assets to operating costs. Proceeds from subsequent tranche sales are treated as disposals of fixed assets.

Investments

Investments that are publicly traded or whose fair value can be measured reliably are measured at fair value with changes in fair value recognised in surplus or deficit in the Statement of Comprehensive Income. Other investments are measured at amortised cost less impairment.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets carried at amortised cost

Financial assets carried at amortised cost comprise rent arrears, trade and other receivables and cash and cash equivalents. Financial assets are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements

For the year ended 31 March 2019

estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced accordingly.

A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and reward are transferred.

If an arrangement constitutes a financing transaction, the financial asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial liabilities carried at amortised cost

These financial liabilities include trade and other payables and interest-bearing loans and borrowings.

Non-current debt instruments which meet the necessary conditions in FRS 102, are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in the Statement of Comprehensive Income. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

Financing transactions – rent arrears

For rent arrears where the arrangement constitutes, in effect, a financing transaction because of extended credit arrangements the arrears are derecognised as a financial asset and a new financial asset measured at the present value of the future payments discounted at an appropriate market rate of interest. The present value adjustment is recognised in surplus or deficit in the Statement of Comprehensive Income.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

Gift aid payments

Gift aid payments are charged as distributions of reserves in accordance with the guidance included in the Institute of Chartered Accountants technical release 'Guidance on donations by a company to its parent charity'.

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements

For the year ended 31 March 2019

2. Significant management judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant management judgements

The following are management judgements in applying the accounting policies of the Group that have the most significant effect on the amounts recognised in the financial statements.

Impairment of social housing properties

The Group has to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP.

From 1 April 2016, South Yorkshire Housing Association Limited and Alliance Housing Association (South Yorkshire) Limited 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 Welfare Reform and Work Act 2016. Despite cost efficiency savings and other changes to South Yorkshire Housing Association Limited's 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.

In accordance with paragraphs 14.43 to 14.45 of the Housing SORP 2014, South Yorkshire Housing Association Limited is required to make the following disclosure:

- a) Judgements made in defining the cash-generating unit (CGU)
- b) Estimation technique and judgement used in measuring recoverable amount
- c) When VIU-SP is used to estimate the recoverable amount, the key assumptions used and details of the method used

South Yorkshire Housing Association Limited estimated the recoverable amount of its housing properties as follows:

- (a) Determined the level at which the recoverable amount is to be assessed (i.e. the individual asset level or at CGU level). The CGU was determined to be an individual scheme
- (b) Estimated the recoverable amount of the CGU
- (c) Calculated the carrying amount of the CGU and
- (d) Compared the carrying amount to the recoverable amount to determine if an impairment loss had occurred.

Based on this assessment, South Yorkshire Housing Association Limited calculated the Depreciated 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, there was no impairment of social housing properties.

Capitalisation of development costs

The Group capitalises development expenditure in accordance with the accounting policy on housing properties. Judgement is exercised over the likelihood that projects will continue.

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements

For the year ended 31 March 2019

Estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Provisions

These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

Defined benefit pension schemes

The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

Components of housing properties and useful lives

Major components of housing properties have significantly different patterns of consumption of economic benefits and estimates are made to allocate the initial cost of the property to its major components and to depreciate each component separately over its useful economic life. The Group considers whether there are any indications that the useful lives require revision to each reporting date to ensure that they remain appropriate.

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements

For the year ended 31 March 2019

3a. Particulars of turnover, cost of sales, operating costs and operating surplus – Group

	2019		
	Turnover £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings (note 3b)	32,599	(26,070)	6,529
Other social housing activities			
1 st tranche property sales	748	(604)	144
Charges for support services	2,334	(2,983)	(649)
Other	1,835	(2,358)	(523)
	37,516	(32,015)	5,501
Activities other than social housing activities	11,158	(10,362)	796
Total	48,674	(42,377)	6,297

	2018		
	Turnover £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	32,417	(24,820)	7,597
Other social housing activities			
1 st tranche property sales	1,001	(813)	188
Charges for support services	2,662	(3,185)	(523)
Other	1,860	(2,277)	(417)
	37,940	(31,095)	6,845
Activities other than social housing activities	7,776	(6,979)	797
Total	45,716	(38,074)	7,642

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements

For the year ended 31 March 2019

3b. Particulars of Income and Expenditure from social housing lettings – Group

	General Needs Housing	Temporary Housing	Direct Managed Supported Housing & Housing for Older People	Residential Care Homes	2019 Total	2018 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Rents receivable	17,493	467	4,176	583	22,719	24,570
Service charge income	629	310	3,833	-	4,772	4,262
Amortised government grant	1,161	19	374	-	1,554	1,581
Other grants	3	10	272	3,269	3,554	2,004
Turnover from social housing lettings	19,286	806	8,655	3,852	32,599	32,417
Expenditure						
Service charge costs	514	285	1,902	(20)	2,681	2,259
Management	3,633	144	1,033	224	5,034	4,848
Routine maintenance	3,668	104	1,586	75	5,433	5,302
Planned maintenance	725	17	131	5	878	1,032
Other LiveWell Costs	-	77	1,453	661	2,191	1,740
Payments to care providers	-	-	1	2,839	2,840	2,544
Household expenditure	-	-	246	122	368	656
Bad debts	141	51	(214)	-	(22)	165
Property lease charges	-	7	422	-	429	382
Depreciation of housing properties	4,263	33	1,014	28	5,338	5,404
Other costs	205	92	552	51	900	488
Operating costs	13,149	810	8,126	3,985	26,070	24,820
Operating surplus/(deficit) social	6,137	(4)	529	(133)	6,529	7,597
Void losses	(182)	(150)	(426)	(41)	(799)	(731)

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements

For the year ended 31 March 2019

3c. Particulars of turnover, cost of sales, operating costs and operating surplus – Association

	2019		
	Turnover £'000	Operating costs £'000	Operating Surplus/(deficit) £'000
Social housing lettings (note 3d)	31,423	(25,801)	5,622
Other social housing activities			
1st tranche property sales	748	(626)	122
Charges for support services	2,334	(2,983)	(649)
Other	2,218	(2,355)	(137)
	<hr/>	<hr/>	<hr/>
	36,723	(31,765)	4,958
Activities other than social housing activities	<hr/>	<hr/>	<hr/>
	10,496	(9,457)	1,039
Total	<hr/>	<hr/>	<hr/>
	47,219	(41,222)	5,997
	<hr/>	<hr/>	<hr/>

	2018		
	Turnover £'000	Operating costs £'000	Operating Surplus/(deficit) £'000
Social housing lettings	31,168	(24,562)	6,606
Other social housing activities			
1st tranche property sales	1,001	(813)	188
Charges for support services	2,662	(3,185)	(523)
Other	2,229	(2,326)	(97)
	<hr/>	<hr/>	<hr/>
	37,060	(30,886)	6,174
Activities other than social housing activities	<hr/>	<hr/>	<hr/>
	7,082	(5,929)	1,153
Total	<hr/>	<hr/>	<hr/>
	44,142	(36,815)	7,327
	<hr/>	<hr/>	<hr/>

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements

For the year ended 31 March 2019

3d. Particulars of Income and Expenditure from social housing lettings – Association

	General Needs Housing	Temporary Housing	Direct Managed Supported Housing & Housing for Older People	Residential Care Homes	2019 Total	2018 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Rents receivable	16,381	467	4,176	583	21,607	23,382
Service charge income	601	310	3,833	-	4,744	4,237
Amortised government grant	1,125	19	374	-	1,518	1,545
Other grants	3	10	272	3,269	3,554	2,004
Turnover from social housing lettings	18,110	806	8,655	3,852	31,423	31,168
Expenditure						
Service charge costs	515	285	1,902	(20)	2,682	2,259
Management	3,631	144	1,033	224	5,032	4,841
Routine maintenance	3,668	104	1,586	75	5,433	5,302
Planned maintenance	725	17	131	5	878	1,032
Other LiveWell costs	-	77	1,453	661	2,191	1,740
Payments to care providers	-	-	1	2,839	2,840	2,544
Household expenditure	-	-	246	122	368	656
Property lease charges	-	7	422	-	429	155
Bad debts	141	51	(214)	-	(22)	382
Depreciation of housing properties	3,995	33	1,014	28	5,070	5,163
Other costs	205	92	552	51	900	488
Operating costs	12,880	810	8,126	3,985	25,801	24,562
Operating surplus/(deficit) social housing lettings	5,230	(4)	529	(133)	5,622	6,606
Void losses	(179)	(150)	(426)	(41)	(796)	(724)

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements

For the year ended 31 March 2019

4. Surplus on disposal of housing properties

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Receipts from asset management sales	3,545	2,738	3,293	2,222
Costs of asset management sales	(2,735)	(2,329)	(2,503)	(1,969)
Receipts from subsequent tranche shared ownership sales and resales	652	804	652	804
Costs of subsequent tranche shared ownership sales and resales	(451)	(618)	(451)	(618)
Surplus on disposal	<u>1,011</u>	<u>595</u>	<u>991</u>	<u>439</u>

5. Interest and financing costs

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	4,241	4,179	4,241	4,179
Finance lease charges	614	474	-	-
Transaction fee amortisation	52	38	52	38
Net interest on defined benefit liability (see note 20)	241	102	241	102
	<u>5,148</u>	<u>4,793</u>	<u>4,534</u>	<u>4,319</u>
Borrowing costs capitalised	<u>(131)</u>	<u>(103)</u>	<u>(131)</u>	<u>(103)</u>
	<u>5,017</u>	<u>4,690</u>	<u>4,403</u>	<u>4,216</u>

Borrowing costs have been capitalised based on a capitalisation rate of 3.52 per cent (2018: 3.52 per cent), which is the weighted average of rates applicable to the Group's general borrowings outstanding during the year.

6. Finance income

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Bank interest receivable	11	8	7	7
Income from investment with asset manager	44	33	44	33
	<u>55</u>	<u>41</u>	<u>51</u>	<u>40</u>

7. Surplus on ordinary activities before taxation

Surplus on ordinary activities before taxation is stated after charging/(crediting):

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements

For the year ended 31 March 2019

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Depreciation of property, plant and equipment	6,225	6,166	5,952	5,918
Amortisation of capital grants	(1,681)	(1,702)	(1,646)	(1,666)
	1,011	433	991	433
Surplus on disposal of fixed assets				
Audit fees:	29	27	26	24
- Statutory audit	17	8	17	8
- Audit-related assurance services	3	3	3	3
- Taxation compliance services	122	140	105	116
Operating lease rentals				

8. Staff costs

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Wages and salaries	14,555	12,461	13,921	12,042
Social security costs	1,210	1,033	1,162	1,000
Other pension costs (see note 20)	232	208	220	208
	15,997	13,702	15,303	13,250

The Full Time Equivalent number of staff who received emoluments, excluding pension contribution, in excess of £60,000 were as shown below.

	Group		Association	
	2019	2018	2019	2018
	number	number	number	number
Salary Band £				
60,000 – 69,999	1	1	1	1
70,000 – 79,999	1	-	1	-
80,000 – 89,999	-	-	-	-
90,000 – 99,999	3	4	3	4
100,000 – 109,999	-	-	-	-
110,000 – 119,999	-	-	-	-
120,000 – 129,999	-	-	-	-
130,000 – 139,999	1	1	1	1

The average full-time equivalent number of employees was:

	Group		Association	
	2019	2018	2019	2018
	number	number	number	number
	588	508	547	482

The basis of the calculation of the full-time equivalents was based on 37 hours per week.

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements

For the year ended 31 March 2019

9. Directors' remuneration and transactions

Group and Association

Key management personnel remuneration

	2019	2018
	£'000	£'000
Directors who are executive staff members		
Wages and salaries	501	508
Social security costs	63	60
Other pension costs	30	6
Board members		
Wages and salaries	45	22
Social security costs	-	-
Other pension costs	-	-
	639	596

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements

For the year ended 31 March 2019

Board members remuneration

	2019 £	2018 £
South Yorkshire Housing Association Limited:		
I D Cole	9,625	2,942
P Taylor (and Audit Committee)	3,905	1,188
A Buck	3,334	750
J Jeffries	2,250	1,000
Y Ahmed (and Alliance HA Ltd)	3,905	1,750
S Carman	2,013	500
T Proudfoot	2,303	500
B Oshin	2,250	1,000
J Sparkes	2,250	500
C Walker	1,168	-
V Kemp (Audit Committee)	1,000	-
R McLafferty (Audit Committee)	875	250
K Chambers	917	1,000
H Ratcliffe (and SYHA Enterprises Ltd)	1,584	583
B Gayle	-	250
B Walsh	-	3,442
I Norris	-	875
R Royle	-	250
R Plews	-	250
Alliance Housing Association (South Yorkshire) Limited:		
M Mahroof	875	500
S Munir	875	500
A Khayum	875	500
SYHA Enterprises Limited:		
D Lockwood	3,720	1,813
S Quinn	875	500
M Riley	-	1,021
M Killick	750	375

Directors are defined as the members of the Board, the Chief Executive and any other person who is a member of the Executive Management team.

Remuneration of the highest paid director, excluding pension contributions:

	2019 £'000	2018 £'000
Emoluments	138	136

The Chief Executive was an ordinary member of the pension scheme until April 2017. No enhanced or special terms applied.

10. Tax on surplus on ordinary activities

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Current Tax	-	-	-	-

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements

For the year ended 31 March 2019

Deferred tax	-	-	-	-
	-	-	-	-

The charge for the year can be reconciled to the surplus shown in the accounts as below:

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Surplus on ordinary activities before tax	2,338	3,419	2,628	3,411
Tax on surplus on ordinary activities at standard UK rate of 19%	444	650	499	648
Effects of:				
- Effect of tax rate change	-	(4)	-	-
-Chargeable gains/(losses)	30	25	-	-
-Income/Expenses not taxable	(444)	(650)	(499)	(632)
-Group relief surrendered/(claimed)	-	-	-	(12)
- Deferred tax not recognised	(30)	(25)	-	(4)
Tax charge for the year	-	-	-	-

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements

For the year ended 31 March 2019

11. Intangible fixed assets

Group

	Goodwill £'000	Software £'000	Total £'000
Cost			
At 1 April 2018	866	1,645	2,511
Additions	-	840	840
Disposals	-	-	-
As at 31 March 2019	866	2,485	3,351
Amortisation			
At 1 April 2018	388	993	1,381
Charge for the year	87	169	256
Eliminated on disposals	-	-	-
As at 31 March 2019	475	1,162	1,637
Net book value			
As at 31 March 2019	391	1,323	1,714
As at 31 March 2018	478	652	1,130

Association

	Software £'000	Total £'000
Cost		
At 1 April 2018	1,645	1,645
Additions	840	840
Disposals	-	-
As at 31 March 2019	2,485	2,485
Amortisation		
At 1 April 2018	993	993
Charge for the year	169	169
Eliminated on disposals	-	-
As at 31 March 2019	1,162	1,162
Net book value		
As at 31 March 2019	1,323	1,323
As at 31 March 2018	652	652

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

12 Tangible fixed assets – housing properties
Group

	Housing properties for letting		Shared ownership		Partnership	Temporary social housing	
	Completed schemes £'000	Schemes in the course of construction £'000	Completed schemes £'000	Schemes in the course of construction £'000	Completed schemes £'000	Completed schemes £'000	Total £'000
COST							
At 1 April 2018	334,889	3,235	14,029	-	4,782	927	357,864
Additions	5,252	7,631	-	433	-	-	13,326
Schemes completed	6,889	(6,889)	443	(433)	-	-	-
Disposals	(2,758)	-	(430)	-	-	-	(3,188)
Components replaced	(1,278)	-	-	-	-	-	(1,278)
Movement between categories	54	-	(54)	-	-	-	-
At 31 March 2019	343,048	3,977	13,988	-	4,782	927	366,722
DEPRECIATION							
At 1 April 2018	49,857	-	1,754	-	-	544	52,155
Charge for the year	5,178	-	147	-	-	48	5,373
Disposals	(565)	-	(12)	-	-	-	(577)
Components replaced	(975)	-	-	-	-	-	(975)
At 31 March 2019	53,495	-	1,889	-	-	592	55,976
NET BOOK VALUE							
At 31 March 2019	289,553	3,977	12,099	-	4,782	335	310,746
At 31 March 2018	285,035	3,234	12,275	-	4,782	383	305,709

12. Tangible fixed assets – housing properties
Association

Temporary social

NOTES TO THE FINANCIAL STATEMENTS
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	Housing properties for letting		Shared ownership		Partnership	housing	
	Completed schemes £'000	Schemes in the course of construction £'000	Completed schemes £'000	Schemes in the course of construction £'000	Completed schemes £'000	Completed schemes £'000	Total £'000
COST							
At 1 April 2018	320,332	3,234	14,029	-	4,782	927	343,304
Additions	4,922	7,631	-	443	-	-	12,996
Schemes completed	6,889	(6,889)	443	(443)	-	-	-
Disposals	(2,758)	-	(430)	-	-	-	(3,188)
Components replaced	(1,119)	-	-	-	-	-	(1,119)
Movement between categories	54	-	(54)	-	-	-	-
At 31 March 2019	328,320	3,976	13,988	-	4,782	927	351,993
DEPRECIATION							
At 1 April 2018	49,013	-	1,754	-	-	544	51,311
Charge for the year	4,963	-	147	-	-	48	5,158
Disposals	(565)	-	(12)	-	-	-	(577)
Components replaced	(861)	-	-	-	-	-	(861)
At 31 March 2019	52,550	-	1,889	-	-	592	55,031
NET BOOK VALUE							
At 31 March 2019	275,770	3,976	12,099	-	4,782	335	296,962
At 31 March 2018	271,319	3,234	12,275	-	4,782	383	291,993

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements For the year ended 31 March 2019

12. Tangible fixed assets – housing properties (continued)

Included in housing properties for letting are assets at a cost of £14,250k held under a 45-year finance lease sale and leaseback deal by Alliance Housing Association (South Yorkshire) Ltd.

An analysis of freehold and long leasehold land and buildings included above has not been provided as the Board consider the expenses of obtaining such an analysis to be unreasonable.

Group

	2019 £'000	2018 £'000
Disposal of properties		
Proceeds from disposal of properties	3,945	4,012
Cost of property disposals	(2,940)	(3,391)
Surplus on disposal of properties	1,005	621

Association

	2019 £'000	2018 £'000
Disposal of properties		
Proceeds from disposal of properties	3,945	4,012
Cost of property disposals	(2,954)	(3,391)
Surplus on disposal of properties	991	621

Association

Capital additions – housing properties for letting

Following the introduction of component accounting, all expenditure on works to existing properties is capitalised. The split between the amounts spent on additions to schemes completed in previous year, major repairs to existing stock and amounts spent on the retrofitting of photovoltaic panels on some of our stock is as follows:

	2019 £'000	2018 £'000
Works to existing properties:		
Capital funded major repairs	3,754	3,653
Retrofit Programme	-	-
Additional cost to schemes post completion	73	264
Total	3,827	3,917

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements For the year ended 31 March 2019

13. Property, plant and equipment - other

Group	Office premises £'000	Office equipment and computer hardware £'000	Others £'000	Total £'000
Cost or valuation				
At 1 April 2018	1,921	1,424	2,900	6,245
Additions	746	84	260	1,090
Disposals	-	(21)	-	(21)
Write-offs	-	-	-	-
At 31 March 2019	2,667	1,487	3,160	7,314
Depreciation				
At 1 January 2018	627	1,371	2,306	4,305
Charge for the year	63	64	237	364
Disposals	-	(21)	-	(21)
Write-offs	-	-	-	-
At 31 March 2019	690	1,414	2,543	4,647
Net book value				
At 31 March 2019	1,977	73	617	2,667
At 31 March 2018	1,294	52	594	1,940
Leased assets included above:				
Net book value				
At 31 March 2019	1,977	-	-	1,977
At 31 March 2018	1,293	-	-	1,293

Included in Office Premises is £746,000 (2018: nil) for new office premises in the course of construction.

The gross book value includes £12,581 (2018: £12,581) of non-depreciable assets.

The office premises are occupied under a lease expiring in 2096.

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements For the year ended 31 March 2019

13. Property, plant and equipment - other (continued)

Association	Office premises £'000	Office equipment and computer hardware £'000	Others £'000	Total £'000
Cost or valuation				
At 1 January 2018	1,921	1,384	2,900	6,205
Additions	746	84	260	1,090
Disposals	-	-	-	-
Write-offs	-	-	-	-
At 31 March 2019	2,667	1,468	3,160	7,295
Depreciation				
At 1 January 2018	627	1,342	2,306	4,275
Charge for the year	63	59	237	359
Disposals	-	-	-	-
Write-offs	-	-	-	-
At 31 March 2019	690	1,401	2,543	4,634
Net book value				
At 31 March 2019	1,977	67	617	2,661
At 31 March 2018	1,294	42	594	1,930
Leased assets included above:				
Net book value				
At 31 March 2019	1,977	-	-	1,977
At 31 March 2018	1,220	-	-	1,220

Included in Office Premises is £746,000 (2018: nil) for new office premises in the course of construction.

The gross book value includes £12,581 (2018: £12,581) of non-depreciable assets.

The office premises are occupied under a lease expiring in 2096.

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements For the year ended 31 March 2019

14. Fixed asset investments

Group	2019				2018			
	Debt Service Reserve £'000	Buy-to- Let Properties £'000	Mor Homes £'000	Total £'000	Debt Service Reserve £'000	Buy-to- Let Properties £'000	Mor Homes £'000	Total £'000
At 1 April 2018	668	940	20	1,628	682	2,540	-	3,222
Additions	-	(245)	506	261	-	120	20	140
Disposals	-	-	-	-	-	-	-	-
Transfer to inventories	-	-	-	-	-	(1,565)	-	(1,565)
Revaluation in year	2	(10)	-	(8)	(14)	(155)	-	(169)
At 31 March 2019	670	685	526	1,881	668	940	20	1,628

Association	2019				2018			
	Debt Service Reserve £'000	Buy-to- Let Properties £'000	Mor Homes £'000	Total £'000	Debt Service Reserve £'000	Buy-to- Let Properties £'000	Mor Homes £'000	Total £'000
At 1 April 2018	668	320	20	1,008	682	2,050	-	2,732
Additions	-	-	506	506	-	-	20	20
Disposals	-	-	-	-	-	-	-	-
Transfer to inventories	-	-	-	-	-	(1,565)	-	(1,565)
Revaluation in year	2	(10)	-	(8)	(14)	(165)	-	(179)
At 31 March 2019	670	310	526	1,506	668	320	20	1,008

As part of a loan agreement with Haven (32) plc, an amount of the loan principal is held by Trustees to guarantee short term service of the debt should any borrower not make payments in accordance with the loan agreement. The reserve comprises investments acceptable to the Trustees, and held by them on behalf of the Association as borrower.

As part of a loan agreement with MORHomes, a proportion of the loan proceeds is retained by MORHomes in the form of junior debt, with the Association as investor. This is to provide additional credit strength to the MORHomes vehicle.

Principal Group investments

The parent Association and the Group have investments in the following subsidiary undertakings, associates and other investments which principally affected the surpluses or net assets of the Group.

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements For the year ended 31 March 2019

	Principal activity	Holding	%
Subsidiary undertakings			
SYHA Enterprises Limited	Marketing of shared equity sales properties on behalf of SYHA along with private property sales and lettings	Shares	100
Alliance Housing Association (South Yorkshire) Limited	Registered Provider of housing and associated amenities particularly for people in necessitous circumstances	Shares	100
Charter Housing Limited	Registered charity - dormant	Shares	100
South Yorkshire (Second) Housing Association Limited	Registered Provider - dormant	Shares	100

15. Inventories

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Completed properties for sale				
- First tranche shared ownership	776	629	776	629
- Property held for outright sale	1,178	1,565	967	1,565
Raw materials and consumables	118	103	118	103
	<u>2,072</u>	<u>2,297</u>	<u>1,861</u>	<u>2,297</u>

16. Debtors

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Rent arrears	1,934	1,911	1,891	1,873
Provision for bad debts	(1,354)	(1,277)	(1,319)	(1,242)
Amounts owed by Group undertakings	-	-	2	6
Other debtors	433	509	406	485
Prepayments and accrued income	1,335	2,024	1,307	1,988
	<u>2,348</u>	<u>3,167</u>	<u>2,287</u>	<u>3,110</u>

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements For the year ended 31 March 2019

17. Cash and cash equivalents

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Cash at bank and in hand	10,111	6,133	9,197	5,407

18. Creditors – amounts falling due within one year

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (see note 19)	5,051	4,987	5,051	4,987
Obligations under finance leases and hire purchase contracts (see note 19)	495	482	-	-
Rents received in advance	741	1,695	721	1,668
Trade creditors	3,573	1,055	3,739	1,261
Amounts owed to Group undertakings	-	-	-	241
Corporation tax	-	-	-	-
Other taxation and social security	294	301	294	265
Other creditors	2,969	3,262	2,959	3,265
Accruals and deferred income	2,205	2,853	2,193	2,784
	15,328	14,635	14,957	14,471

19. Creditors – amounts falling due after more than one year

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Other creditors				
Loans (net of capitalised transaction fees)	117,849	110,037	117,849	110,037
Obligations under finance leases and hire purchase contracts	10,988	10,868	-	-
Government grants	142,794	143,234	139,452	139,857
Net defined benefit pension scheme liability (see note 20)	-	5,749	-	5,749
	271,631	269,888	257,301	255,643

The loans are secured on freehold housing properties. Interest is payable at a weighted average rate of 3.66% (2018: 3.52%)

The total accumulated amount of capital grant received or receivable at the balance sheet date is £158,509,666.

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements For the year ended 31 March 2019

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
19a. Deferred income - Government grants				
At 1 April 2018	143,234	145,266	139,857	141,853
Grants receivable (incl. RCGF)	3,060	1,669	3,060	1,669
Disposals	(2,114)	(2,271)	(2,114)	(2,271)
Amortisation to Statement of Comprehensive Income*	(1,681)	(1,702)	(1,646)	(1,666)
Disposal of amortisation	295	272	295	272
At 31 March 2019	<u>142,794</u>	<u>143,234</u>	<u>139,452</u>	<u>139,857</u>
Amortised within one year	<u>1,386</u>	<u>1,430</u>	<u>1,351</u>	<u>1,394</u>
Amortised after one year	<u>141,408</u>	<u>141,804</u>	<u>138,101</u>	<u>138,463</u>

* The amount of amortisation differs to note 3 in respect of £295,000 (2018: £121,000) of amortisation included in social housing lettings – other and £128,000k (2018: £0k) included in non-social housing activities.

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
19b. Recycled Capital Grant Fund				
At 1 April 2018	2,498	2,354	2,498	2,354
Inputs to RCGF	1,012	843	1,012	843
Recycling of grant	(1,375)	(706)	(1,375)	(706)
Interest accrued	18	7	18	7
At 31 March 2019	<u>2,153</u>	<u>2,498</u>	<u>2,153</u>	<u>2,498</u>

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
19c. Disposal Proceeds Fund				
At 1 April 2018	8	167	8	167
Inputs to RCGF	-	-	-	-
Recycling of grant	(8)	(160)	(8)	(160)
Interest accrued	-	1	-	1
At 31 March 2019	<u>-</u>	<u>8</u>	<u>-</u>	<u>8</u>

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements For the year ended 31 March 2019

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
19d. Borrowings are repayable as follows:				
Bank loans				
Between one and two years	5,232	5,051	5,232	5,051
Between two and five years	12,586	34,801	12,586	34,801
After five years	100,462	70,461	100,462	70,461
	<hr/>	<hr/>	<hr/>	<hr/>
	118,280	110,313	118,280	110,313
On demand or within one year	5,051	4,987	5,051	4,987
Less capitalised transaction costs	(431)	(276)	(431)	(276)
	<hr/>	<hr/>	<hr/>	<hr/>
	122,900	115,024	122,900	115,024
	<hr/>	<hr/>	<hr/>	<hr/>
Finance leases				
Between one and two years	504	495	-	-
Between two and five years	1,572	1,563	-	-
After five years	8,417	8,810	-	-
On demand or within one year	495	481	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	10,988	11,349	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total borrowings including finance leases				
Between one and two years	5,736	5,546	5,232	5,051
Between two and five years	14,158	36,364	12,586	34,801
After five years	108,879	79,271	100,462	70,461
	<hr/>	<hr/>	<hr/>	<hr/>
	128,773	121,181	118,280	110,313
On demand or within one year	5,546	5,453	5,051	4,972
Less capitalised transaction costs	(431)	(276)	(431)	(276)
	<hr/>	<hr/>	<hr/>	<hr/>
	133,888	126,358	122,900	115,009
	<hr/>	<hr/>	<hr/>	<hr/>

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements For the year ended 31 March 2019

20. Retirement benefit schemes

Defined Benefit Pension Liability

The liability shown on the Statement of Financial Position consists of:

	2019	2018
SHPS *	10,666	-
LGPS	843	734
	<u>11,509</u>	<u>734</u>

*In 2018 the SHPS liability was included in Creditors - amounts falling due after more than one year

Social Housing Pension Scheme (SHPS)

South Yorkshire Housing Association participates in SHPS and the SHPS Growth Fund, both multi-employer schemes which provide benefits to some 500 non-associated employers. These schemes are defined benefit schemes in the UK. With the SHPS Growth Plan Fund it is not possible for the Company to obtain sufficient information to account for it as a defined benefit scheme. Therefore, it accounts for it as a defined contribution scheme.

The schemes are 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.

These schemes are classified as '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.

Main SHPS Scheme

The last 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.

For financial years prior to April 18 it has not been possible for the company to obtain sufficient information to account for the scheme as a defined benefit scheme therefore, it has been treated as a defined contribution scheme in line with FRS102. For financial years from April 18 onwards sufficient information has been made available.

For accounting purposes an actuarial tool proved by TPT has been used to revalue the scheme at 31st March 2018 and 31st March 2019. The liability figures from each valuation have been rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the company's fair share of the Schemes total assets to calculate the company's net deficit or surplus at the accounting period start and end dates.

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

	31 March 2019 (£000s)	31 March 2018 (£000s)
Fair value of plan assets	30,030	28,107
Present value of defined benefit obligation	40,696	37,054

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements For the year ended 31 March 2019

Surplus (deficit) in plan	(10,666)	(8,947)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(10,666)	(8,947)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period ended 31 March 2019 (£000s)
Defined benefit obligation at start of period	37,054
Current service cost	492
Expenses	29
Interest expense	962
Contributions by plan participants	6
Actuarial losses (gains) due to scheme experience	(365)
Actuarial losses (gains) due to changes in demographic assumptions	111
Actuarial losses (gains) due to changes in financial assumptions	2,986
Benefits paid and expenses	(579)
Defined benefit obligation at end of period	40,696

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements For the year ended 31 March 2019

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

	Period ended 31 March 2019 (£000s)
Fair value of plan assets at start of period	28,107
Interest income	740
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	454
Contributions by the employer	1,302
Contributions by plan participants	6
Benefits paid and expenses	(579)
Fair value of plan assets at end of period	30,030

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £1,194,000.

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

	Period from 31 March 2018 to 31 March 2019 (£000s)
Current service cost	492
Expenses	29
Net interest expense	222
Defined benefit costs recognised in statement of comprehensive income (SoCI)	743

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements For the year ended 31 March 2019

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	Period ended 31 March 2019 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	454
Experience gains and losses arising on the plan liabilities - gain (loss)	365
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(111)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(2,986)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(2,278)
Total amount recognised in other comprehensive income - gain (loss)	(2,278)

KEY ASSUMPTIONS

	31 March 2019 % per annum	31 March 2018 % per annum
Discount Rate	2.34%	2.60%
Inflation (RPI)	3.26%	3.15%
Inflation (CPI)	2.26%	2.15%
Salary Growth	3.26%	3.15%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

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

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

SHPS Growth Plan Scheme

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements For the year ended 31 March 2019

A full actuarial valuation for the scheme was carried out at 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2019 to 31 January 2025:	£11,243,000 per annum (payable monthly and increasing by 3% each on 1st April)
---------------------------------------	--

Unless a concession has been agreed with the Trustee the term to 31 January 2025 applies.

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2014. This valuation showed assets of £793.4m, liabilities of £969.9m and a deficit of £176.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2016 to 30 September 2025:	£12,945,440 per annum (payable monthly and increasing by 3% each on 1st April)
From 1 April 2016 to 30 September 2028:	£54,560 per annum (payable monthly and increasing by 3% each on 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

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.

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements For the year ended 31 March 2019

PRESENT VALUES OF PROVISION

	31 March 2019	31 March 2018	31 March 2017
	(£s)	(£s)	(£s)
Present value of provision	16,485	21,833	24,579

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	Period Ending 31 March 2019 (£s)	Period Ending 31 March 2018 (£s)
Provision at start of period	21,833	24,579
Unwinding of the discount factor (interest expense)	349	305
Deficit contribution paid	(2,814)	(2,732)
Remeasurements - impact of any change in assumptions	151	(319)
Remeasurements - amendments to the contribution schedule	(3,034)	-
Provision at end of period	16,485	21,833

INCOME AND EXPENDITURE IMPACT

	Period Ending 31 March 2019 (£s)	Period Ending 31 March 2018 (£s)
Interest expense	349	305
Remeasurements – impact of any change in assumptions	151	(319)
Remeasurements – amendments to the contribution schedule	(3,034)	-
Contributions paid in respect of future service*	*	*
Costs recognised in income and expenditure account	*	*

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

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements For the year ended 31 March 2019

ASSUMPTIONS

	31 March 2019 % per annum	31 March 2018 % per annum	31 March 2017 % per annum
Rate of discount	1.39	1.71	1.32

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.

South Yorkshire Pension Fund (SYPF)

South Yorkshire Housing Association also participates in the South Yorkshire Pension Fund (SYPF). SYPF Retirement Benefit Scheme is an independently administered pension providing benefits based on final pensionable pay. The contributions are determined by a qualified actuary on the basis of triennial valuations using discounted cash flow techniques. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of increase in salaries and pensions.

At the end of the year there is a pension provision of £843,000 (2018: £734,000) in accordance with FRS102. The current pension charge for this scheme for the year was £52,000 (2018: £51,000).

The major assumptions used in this valuation were:

	2019	2018
	%	%
Rate of increase in salaries	3.45	3.35
Rate of increase in pensions in payment	2.3	2.2
Discount rate	2.4	2.6
Inflation assumption	2.2	2.1

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements For the year ended 31 March 2019

Scheme deficit

The fair value of the Group's share of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	% of scheme assets	Value at 2019 £'000	% of scheme assets	Value at 2018 £'000
Bond - Government	15.7	430	13.9	357
Bonds - Corporate	7.4	203	7.4	190
Equities	50.8	1,394	55.9	1,438
Property	9.7	266	9.1	234
Cash/liquidity	13.1	359	4.8	123
Other		-	8.9	229
		<hr/>		<hr/>
		2,742		2,571
Present value of scheme liabilities		(3,585)		(3,305)
		<hr/>		<hr/>
Deficit in the scheme - pension liability		(843)		(734)
		<hr/>		<hr/>

Movement in deficit during the year

	2019 £'000	2018 £'000
Deficit in scheme at beginning of year	(734)	(933)
Current service cost	(52)	(51)
Administration cost	(1)	(1)
Contributions paid	61	57
Other finance income/costs	(19)	(21)
Remeasurements (liabilities/assets)	(98)	215
	<hr/>	<hr/>
Deficit in the scheme at end of year	(843)	(734)
	<hr/>	<hr/>

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements For the year ended 31 March 2019

Group and Association

Analysis of other pension costs charged in arriving at operating surplus/(deficit)

	2019	2018
	£'000	£'000
Current service cost	52	51
	<hr/>	<hr/>
Analysis of amounts included in other finance income/(costs)		
Expected return on pension scheme assets	65	62
Interest on pension scheme liabilities	(86)	(83)
	<hr/>	<hr/>
	(19)	(21)
	<hr/>	<hr/>

Analysis of amount recognised in Other comprehensive income

	2019	2018
	£'000	£'000
Actual return less expected return on scheme assets	-	40
Experience surpluses arising on scheme liabilities (SYPF Fund)	(98)	-
Changes in assumptions underlying the present value of scheme liabilities (Main SHPS Scheme)	(5,916)	175
	<hr/>	<hr/>
Actuarial surplus/(deficit) recognised in Other comprehensive income	(6,014)	215
	<hr/>	<hr/>

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements For the year ended 31 March 2019

21. Financial instruments

The carrying values of the Group and Association's financial assets and liabilities are summarised by category below:

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Financial assets				
Measured at fair value through Statement of Comprehensive Income				
• Current asset listed investments	-	-	-	-
Measured at discounted amount receivable				
• Rent arrears financing transactions (see note 16)	-	-	-	-
Measured at undiscounted amount receivable				
• Rent arrears and other debtors (see note 16)	2,348	3,167	2,288	3,104
• Amounts due from related undertakings (see note 16)	-	-	1	6
	<u>2,348</u>	<u>3,167</u>	<u>2,289</u>	<u>3,110</u>
Financial liabilities				
Measured at amortised cost:				
• Loans payable (see note 18 & 19)	123,124	115,285	123,124	115,285
• Obligations under finance leases (see note 18 & 19)	11,349	11,350	-	-
Measured at undiscounted amount payable				
• Trade and other creditors (see notes 18 & 19)	168,451	169,238	153,749	154,829
• Amounts owed to related undertakings (see note 18)	-	-	-	-
	<u>302,924</u>	<u>298,872</u>	<u>276,873</u>	<u>270,114</u>

22. Share capital

	2019	2018
	£	£
At beginning of year	53	48
Issued during the year	5	5
Cancelled during the year	(10)	-
At end of year	<u>48</u>	<u>53</u>

The shares provide members with the right to vote at general meetings but do not have a right to any dividend or distribution in a winding-up, and are not redeemable.

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements For the year ended 31 March 2019

23. Financial commitments

Capital commitments are as follows:

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Contracted for but not provided for	13,169	8,407	13,169	8,407
Approved by the directors but not contracted for	14,776	18,951	14,776	18,951
	<u>27,945</u>	<u>27,358</u>	<u>27,945</u>	<u>27,358</u>

£5.24 million (2018: £5.94 million) will be financed through SHG and other capital grants with the balance being funded through approved loan finance.

At the year-end SYHA has cash and undrawn loan facilities of £22 million and has the ability to fund all future committed expenditure.

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Payments due:				
- within one year	66	186	60	186
- between one and five years	27	80	20	80
	<u>93</u>	<u>266</u>	<u>80</u>	<u>266</u>

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements For the year ended 31 March 2019

24. Housing stock

	Group		Association	
	2019	2018	2019	2018
	Units	Units	Units	Units
Owned and managed				
General needs housing accommodation	3,403	3,465	3,180	3,242
Housing accommodation at affordable rent	321	278	321	278
Housing accommodation at intermediate rent	58	57	58	57
Supported housing accommodation	1,567	1,600	1,567	1,600
Shared ownership accommodation	293	290	293	290
Market and sub market	111	-	111	-
Total	5,753	5,690	5,530	5,467

25. Related party transactions

The Association has four wholly owned subsidiary undertakings:

Alliance HA (South Yorkshire) Ltd
SYHA Enterprises Ltd
South Yorkshire (Second) HA Ltd
Charter Housing Ltd

Alliance HA (South Yorkshire) Ltd and SYHA Enterprises Ltd are trading. The other subsidiaries are dormant.

Financial transactions between South Yorkshire Housing Association Limited and its subsidiary entities consist of:

	Transaction	Cost in year £'000	Balance at year end £'000
Regulated subsidiary			
Alliance HA (SY) Ltd	Charges from Alliance	-	Creditors 29
	Charges to Alliance	530	Debtors 219
Non-regulated subsidiary			
SYHA Enterprises Ltd	Charges from SYHA Enterprises	268	Creditors 1
	Charges to SYHA Enterprises	39	Debtors 24
Other related parties			
Board members (2)	Property rental from SYHA	8	Nil
Board member	Trustee of Voluntary Action	35	Nil
Board member	Sheffield	1	Nil
	Assistant Chief Executive of Sheffield Teaching Hospital		

26. Controlling party

The parent and the ultimate controlling party of the group is South Yorkshire Housing Association Limited.

27. Association Free Cash Flow

SOUTH YORKSHIRE HOUSING ASSOCIATION AND ITS SUBSIDIARIES

Notes to the Financial Statements For the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Cash generated by operations		10,632	7,325
Interest paid	5	(4,215)	(4,172)
Interest received	6	51	40
Adjustment for reinvestment in existing properties			
Component replacement	12	(4,847)	(3,536)
Purchase of other replacement fixed assets	11 & 13	(1,930)	(688)
Free cash (consumed)/generated before loan repayments		(309)	(1,031)
Loans drawn		30,000	
Loans repaid	19	(22,124)	(3,014)
Free cash (consumed) after loan repayments		7,567	(4,045)

28. Contingent liability

In the calculation of the defined benefit pension scheme liability, no allowance has been made in respect of potential liabilities arising from the McCloud court judgement. No provision has been made because (a) it is not considered probable that an outflow of resources will be required to settle the obligation and (b) the amount of the obligation cannot be measured with sufficient reliability.

For more help or information contact:

Beverly Carr
Assistant Finance Director
0114 2900 252
b.carr@syha.co.uk

South Yorkshire Housing Association
43-47 Wellington Street
Sheffield, S1 4H
www.syha.co.uk