Advance
Transforming lives together

Transforming Lives Together

Financial Statements & review of the year

2018-19

Vision and Values

To transform the lives of people with a disability or mental health condition by providing the best quality housing, support and employment services - to enable them to live the lives they choose, achieve their personal goals, feel valued and know their voices are heard. Together, we transform lives.

P *Partnership - we work in partnership with our customers and build relationships with others that help us serve our customers better*

R *Respect - we treat our customers, colleagues and others as we would like to be treated*

I *Innovation - we are keen to try new things – especially when we can make things better for our customers*

D *Drive - we do the right thing at the right time and everything we do is driven by our customers' needs*

E *Efficiency - we make best use of our resources, maximising efficiency, so we can deliver the best services for our customers*

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1. INTRODUCTION

We are pleased to present our report and financial statements for the year ending 31 March 2019. It is two years since we published our three-year Strategic Plan 2017-20. In these two years we have made consistent progress against our ambitions and believe we are well positioned to achieve the majority of our objectives in the final year of our strategy.

Earlier this year we published our Strategic Plan Update 2019-20 which is available in the *About Us* section on our website (www.advanceuk.org). The document gives a more detailed overview of our progress over the twelve months and sets out our plans for 2019-20.

Our direction of travel remains the same, as do our PRIDE values. We are passionate about achieving our vision of transforming the lives of people with a long-term disability or mental health condition by providing the best quality housing, support and employment services. We do this to enable people to live the lives they choose, achieve their personal goals and know their voices are heard. Working together with our customers, we are proud to support them to transform their lives.

The financial statements have been subject to review and approval by our Board and independent auditors. The Board is pleased to report good progress in the year, particularly in terms of embedding value for money, developing our governance including responding to the outcome of the Regulator of Social Housing (RSH) In-Depth Assessment (IDA), and our approach to risk management. This puts us in a good position to invest in growing our services and developing more homes for the people who need them.

A key priority for the year has been our focus on the governance improvement plan. This has been led by the Governance Improvement Group (GIG) a sub-group of Board members who report progress against the plan at every Board meeting. This action plan has supported the Board in its response to the governance improvements raised by the Regulator's In-Depth Assessment in June 2018. The Board submitted the In-Depth Assessment G2 to G1 Action Plan and evidence to the Regulator in May 2019 and we look forward to working with the Regulator on the next steps.

We enter the last year of our three year strategy with a clear eye on the business performance indicators we set for 2020 and seeing the outcomes of the strategies set in train in 2017. We also look forward to welcoming new Board members and working with them to develop our strategy to drive us beyond 2020. We will be seeking the views of our stakeholders to help shape our future. We want to work with others to identify creative ways to deliver and improve the services we offer and make sure we get maximum societal impact from the resources at our disposal.

We are incredibly proud to lead an organisation that puts the customer and their voice at the heart of everything it does and enables our customers to live the lives they choose.

Julie Layton	Marie Li Mow Ching
Chief Executive	Chair

2. ASSOCIATION INFORMATION

Board and Advisors

The Board has the ultimate responsibility for how Advance is run, and for determining its strategic objectives and future development. It is made up of non-executive members and members of the Advance Management Team.

Board Members

Non-executive Members:

Marie Li Mow Ching (Chair of the Board with effect from 1 April 2019)
David Mell
Helena Taylor-Knox
Janet Collier (Chair of Audit and Risk Committee)
John Upsher (Vice-chair of the Board)
Lexie Sims (ceased to be a Board Member with effect from 1 November 2018)
Melba Wilson (Chair of the Board until 31 March 2019, ceased to be a Board Member and Chair of the Board with effect from 31 March 2019)
Nigel King (ceased to be a Board Member with effect from 1 November 2018)

Executive Member

Julie Layton — Chief Executive

Company Secretary

Simon Bradfield

Further information about our Board and the Management Team is available on our website.

Principal and Registered Office

2 Witan Way
Witney
OX28 6FH

Auditors
BDO
Two Snowhill
Birmingham
B4 6GA

Bankers
Barclays Bank Plc
Level 28
1 Churchill Place
Canary Wharf
London
E14 5HP

Legal advice is procured from the panel of solicitors whose services are available through the Housing Associations' Legal Alliance.

Advance Housing and Support Limited is a registered society under the Co-operative and Community Benefit Societies Act 2014, registration number 21143R, and is registered with the Regulator of Social Housing as a Registered Provider, registration number LH0280.

3. BOARD REPORT

The Board is confident that Advance is making consistent progress in achieving its vision of transforming the lives of people with a disability or mental health condition by providing the best quality housing, support and employment services to enable its customers to live the lives they choose, achieve their personal goals, feel valued and know their voices are heard.

During the year good progress has been made against the Strategic Plan 2017-20 and the five strategic objectives within it. Developed in 2017 the Board is confident the current strategy remains the correct one as we enter its final year and look to 2020 and beyond.

The Board is pleased that following the Regulator of Social Housing In-Depth Assessment Advance we retained the highest rating for viability. The Board's focus on value for money has ensured that financial performance has remained strong during the year, with Advance achieving its financial objectives. The new Value for Money Strategy and Savings Plan 2019-22 evidences an understanding of performance against key metrics and includes specific targets for improvement. The Board is satisfied that Advance understands its costs, performs well against its peers and has a clear strategy and long-term plan in place to deliver its objectives efficiently.

Throughout the year the Board has focused on improving governance. It has delivered the actions identified in a governance improvement plan, which addresses the issues raised in the Regulator's In-Depth Assessment, reported in June 2018. The Board has worked with executives to consider risk appetite and to refresh the organisational approach to risk management. This included more robust stress testing of the business plan to identify early warning indicators and risk triggers to alert the Board to the risks of not achieving the plan. The risks the organisation faces are not unique, but the Board is assured that the impact of each is understood and clear risk controls are in place along with regular reviews of the approach by the Board.

3.1 PROGRESS AGAINST STRATEGIC OBJECTIVES

In 2018/19 good progress was made against the five strategic objectives set out in the Strategic Plan 2017-20.

Excellent Services

Advance has continued to focus on delivering the best possible services to its customers, meeting or exceeding their expectations and becoming the provider of choice.

Value for Money Measure	Actual 2017/18	Target 2018/19	Actual 2018/19	Target 2019/20
Customer satisfaction	90%	> 85%	91%	91%
Registered services achieve at least a 'Good' rating	100%	100%	93%	100%

Value for Money Measure	Actual 2017/18	Target 2018/19	Actual 2018/19	Target 2019/20
No. of housing units in schemes with <5% contribution to overheads over last 5 years	96	86 (10% reduction in year)	122 (27% increase in year)	110 (10% reduction in year)
Rental income lost through voids (excludes Registered Homes)	5.4%	<5.4%	5.0%	<5.4%

In the last year customer satisfaction remained high with 91% of customers' surveyed rating the service they receive as 'very good' or 'good'. A new website was launched enabling housing customers to access information and update their details online in real time (increasing efficiency and accuracy of data). Advance has also introduced workflow technology to track core processes such as customer call-backs, to provide a more reliable service to tenants and shared owners and invested in mobile working technology to improve speed and accuracy and the overall customer experience.

Of all the registered locations inspected by the Care Quality Commission (CQC) all except one achieved an overall 'Good' rating. That one location received a 'requires improvement' rating which was the result of one issue relating to window restraints which was immediately corrected.

In Housing there was a focused piece of work to improve void management processes, which resulted in a reduction in voids and the loss of income associated with them. These improved processes were audited by our internal auditors, Mazars, resulting in a "Substantial" level of assurance. The void loss on Supported Housing reduced by £11k in 2018/19 compared to 2017/18.

The number of units not achieving the financial benchmark has increased largely due to additional investment in health and safety and void works to bring housing units back into management. At the same time work continued to identify and address long-term poor performing properties.

Advance continues to invest in the maintenance of existing properties with expenditure on major repairs and property improvements totalling £3.4m, of which £0.5m was capitalised (2017/18: £3.4m and £0.7m respectively). A further £2.2m was spent on routine maintenance of properties, marginally lower than the £2.5m in 2017/18 in line with the aim to improve the overall quality of homes. In order to ensure we deliver excellent quality and safe housing Advance also invested in its landlord health and safety assessment regime. This resulted in £1.3m of expenditure on compliance and testing measures some of which have been recovered via service charges.

In the last year Advance undertook major procurement exercises for several of its biggest contracts for housing maintenance and services delivering a combination of enhanced quality and financial savings. Action like this will enable Advance to continue to deliver against its financial targets.

Detailed analysis of unit costs and a focus on value for money is ensuring the organisation makes best use of its financial assets and is a continued focus of the Board which is reflected in the overall financial performance of the organisation detailed below.

Workforce Excellence

Advance has a professional, stable and motivated workforce that has the knowledge, skills and commitment to deliver excellent customer service consistent with the PRIDE values.

Value for Money Measure	Actual 2017/18	Target 2018/19	Actual 2018/19	Target 2019/20
Voluntary staff turnover	15%	< 20%	16%	< 20%

Staff turnover has remained below target and the organisation continued to invest in recruiting, retaining and developing a workforce working to the highest standards – driven by our PRIDE values.

In the annual staff survey nine out of ten staff were satisfied with their role and nearly as many reported that they would recommend working for Advance to others. The Board is pleased that Advance increased its Investors in People accreditation from bronze to silver, reflecting the clear commitment to developing good people, involving staff in the delivery of great services and nurturing future talent.

Engaged Customers

Advance works collaboratively with its customers to ensure they have a meaningful say in the design and delivery of services and have their voices heard on the issues that matter to them.

Customer satisfaction remained high in 2018/19 and the Board is pleased to see satisfaction has improved gradually as a result of clear action plans being effectively delivered across the organisation.

In addition, 87% of customers who responded to the survey said that they would recommend Advance services to someone else if they needed them. There were a number of areas where customer satisfaction increased, including satisfaction with customer services, understanding information received from Advance and reported involvement in local activities with seven out of ten customers reporting that they had taken part in at least one local or Advance organised activity in the year.

Advance signed up as an early adopter to the National Housing Federation (NHF) *Together with Tenants* initiative and is currently identifying ways to further improve tenant and customer engagement as part of a longer-term strategy. Increased tenant engagement and scrutiny of performance is something the Board welcomes and is pleased to be working with others in leading the sector in this area.

Sustainable Growth

Advance has continued to develop new housing and support services, specifically for customers with complex needs, and is consistently improving and expanding its services.

Value for Money Measure	Actual 2017/18	Target 2018/19	Actual 2018/19	Target 2019/20
Number of additional shared ownership homes	29	60	55	60

Advance continued to invest in new housing assets with £6.2m spent during 2018/19 (2017/18: £4.9m) acquiring, developing and improving new housing accommodation completing on 55 new shared ownership homes and 15 new rented properties.

A significant increase in the number of shared ownership properties was achieved in 2018/19, more than doubling the number of new properties achieved in 2017/18. Advance ended the year five properties short of its ambitious target due to delays with conveyance activity related to a handful of purchases.

Advance has continued to develop new homes and invest in the existing housing stock, while also disposing of some poorer performing properties. This has been achieved through sustained growth in shared ownership properties and developing a number of new rented homes.

Advance has increased the number of customers it supports who have complex needs, in line with the agreed strategy. This intensive support model enables people to live fulfilled lives in their own homes. Many of these people with the most complex of needs would otherwise be living in extremely costly hospital type care, often a long way from family and friends.

During the year the Board approved new development strategies which will drive growth and increase the number of new schemes and developments where Advance provides both housing and support. An example of which is a new intensive housing and support service opened in Cornwall for eight people with high support needs due to mental health conditions. The service is designed to support people to independent living in the community. Another example in Dorset sees Advance provide support and housing management for a scheme specifically aimed at supporting nine young people with complex needs.

As evidenced by the Regulator’s metrics on re-investment and new supply delivered, this is an area in which Advance continues to outperform both its peer group and the overall sector medians.

Financially Sound

Advance has focused on generating sufficient income, delivering value for money as well as positive social value and ensuring its long-term financial viability to support ambitious growth plans.

Value for Money Measure	Actual 2017/18	Target 2018/19	Actual 2018/19	Target 2019/20
Central overheads as a proportion of income (excl. shared owner first tranche sales)	12.5%	< 12.3%	12.7%	< 12.3%
Change in cost per hour of delivering support services	-1.1%	2% or less	0.0%	2% or less
Contribution of support services	9.0%	>12.3%	10.8%	>12.5%
% of invoiced debt >90 days old	28%	<10%	32%	<10%

The Board are pleased that Advance has achieved its financial objectives and is in a financially strong position and that the Regulator's metrics show that Advance's operating margins are close to the peer group median.

Advance outperformed its annual budget for 2018/19 with an operating surplus of £2.2m - slightly reduced compared to the previous year (2017/18: £3.0m). The principal reason for the reduction in operating surplus of £0.8m is due to a lower surplus from the gain on disposal of properties for 2018/19 of £0.1m (2017/18 £1.2m). Overall, from continuing day to day activities performance has remained consistent with a surplus for 2018/19 of £2.1m (2017/18: £1.9m). The surplus was achieved after increasing investment in planned maintenance and major works by 3.1%.A significant investment was made during the year in improving governance, which resulted in costs being incurred that had not been budgeted. These costs have pushed central overheads, as a proportion of income, a little above the target of 12.3%.

Despite inflationary pressures from National Minimum Wage increases Advance has held its cost per hour of support at 2017/18 levels. This was achieved by reducing spend on agency staff, through improved recruitment processes, by £239k (29%) compared to 2017/18.

The financial contribution generated from support services was significantly improved increasing from 9% in 2017/18 to 10.8% in 2018/19 with the deficit on these activities after full allocation of overheads reducing to £67k (2017/18: deficit of £224k). This performance reflects a concerted effort on improving the financial performance of existing services while ensuring new business is financially viable at the outset.

Advance continues to work on improving the performance of the Support division by reducing management costs and growing services through active engagement with commissioners. Advance has acted to exit from loss making services, whilst being mindful of our social responsibility and working with commissioners to ensure that we continue to provide excellent services to our customers. The Board closely monitors progress in this area and receives a full quarterly business development report from the Director of Support Services.

Collection of support service income from local authorities continues to be a challenge and is being addressed through a more vigorous and concerted approach – accepting the inherent challenge of collecting income from local authorities that are facing their own financial challenges. The Audit and Risk Committee commissioned a deep dive into debt collection and are monitoring progress in improving collection rates.

Treasury Management

Advance has strong treasury management processes, designed to ensure there is sufficient liquidity to meet committed requirements for the next 24 months. Advance is compliant with all funding covenants and the performance against these covenants is detailed in the table below. These covenants will be reviewed as part of any future funding requirements.

Financial Covenants	Target	Actual 2018/19	Forecast 2019/20	Forecast 2020/21
Interest cover – greater than	110%	938%	199%	215%
Gearing – less than	40.0%	9.4%	6.8%	9.9%

Advance is in the process of securing a further loan facility that, together with the grant received for new development, will provide the financial capacity to deliver the development programme over the next 3 years. As at 31 March 2019, Advance was holding £9.7m in cash and has sufficient un-utilised security available to secure the additional loan facility required.

Pension Schemes

The requirement under FRS102 to disclose the full pension liability of the Social Housing Pension Scheme (SHPS) defined benefit schemes in the financial statements has had an impact on Advance's financial position. This change in accounting policy has resulted in Advance showing a pension deficit of just over £7.0m in respect of the schemes.

The value of the liability of the SHPS defined benefit schemes as at 1 April 2018 was £5.7m and the initial recognition of this liability is shown as a loss in the year of £1.9m in the Statement of Comprehensive Income. During the 2018/19 Advance contributed deficit funding of £633,000. However, there was an actuarial loss in the year of £1.7m and after allowing for other expenses and interest charges there was an overall increase in the funding deficit of £1.3m as at 31 March 2019.

The assumption from SHPS is that based on the current valuation and deficit funding plan the whole liability will be removed by 2030. Advance is currently contributing £719,000 per annum, increasing annually by 3%. The current liability and deficit funding requirements are based on the actuarial valuation in September 2017, with the next valuation due in

September 2020. Defined benefit schemes are subject to fluctuations in valuations both on annual and triennial valuations due to changes in assumptions and market performance.

3.2 VALUE FOR MONEY

The Value for Money (VfM) Standard, published by the Regulator of Social Housing, includes specific requirements for registered providers to publish evidence in the statutory accounts to enable stakeholders to understand the provider's:

- Performance against its 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.

The Board has focused on value for money over the last year to ensure it underpins the delivery of the strategic business plan in the most effective way. During the year the Board approved a revised Value for Money Strategy and Savings Plan 2019-22, with the efficiencies generated being used to increase the housing development programme, providing much needed homes for people with a learning disability, autism and/or mental health condition.

Strong budgetary control and business planning processes have ensured the continued financial viability of Advance and have enabled the organisation to deliver its objectives. Throughout the year, the Board monitored performance closely to ensure business plan targets were achieved.

Advance continues to focus on delivering good quality services, which are of paramount importance to its customers and have benefits for society as a whole. The Board uses financial and non-financial measures to target specific service areas and to monitor progress in delivering financial savings, or improving quality.

In addition to the Value for Money Standard, the Board has also reviewed Advance performance against the Value for Money Code of Practice, published by the Regulator. The Board is satisfied that Advance fully complies with the Code.

Benchmarking Performance

As a specialist housing provider it is essential that Advance optimises value for money in order to fulfil its core aims and objectives. The information below sets out how Advance performed in 2018/19.

In the table below, the 2018/19 metrics for Advance are compared to the 2017/18 benchmark figures, as 2018/19 data has not yet been published. We show two sets of comparative data; the Sector median taken from the Regulator of Social Housing's Global Accounts 2017/18 and the median of our selected peer group. The peer group consists of comparable specialist supported housing providers with less than 5,000 units.

Table 1: The Regulator's Metrics

Metric		Advance				Median of peer group**	Median of Global Accounts***
		Actual 2017/18	Projected 2018/19	Actual 2018/19	Projected 2019/20	2017/18	2017/18
1	Reinvestment percentage	5.4%	4.1%	6.4%	n/a	2.4%	5.6%
2A	New supply delivered - social housing units	2.4%	1.5%	3.2%	3.0%	0.9%	1.2%
2B*	New supply delivered – non-social housing units	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
3	Gearing	-0.8%	2.5%	0.5%	3.7%	20.3%	43.4%
4	EBITDA MRI Interest cover	592%	395%	538%	374%	202%	212%
5	Headline social housing cost per unit	£10,586	£10,423	£10,948	£10,999	£9,640	£3,290
6A	Operating margin (social lettings only)	13.4%	11.7%	13.6%	17.0%	14.1%	34.7%
6B	Operating margin (overall)	5.6%	3.8%	5.5%	4.3%	5.6%	31.4%
7	Return on capital employed	2.8%	1.2%	2.0%	1.2%	2.2%	5.4%

Notes:

- * Advance does not deliver any non-social housing units.
- ** Median peer group made up of providers that have total housing stock under 5000 units and are specialist supported housing providers
- *** Source – Global Accounts, RSH 2018.

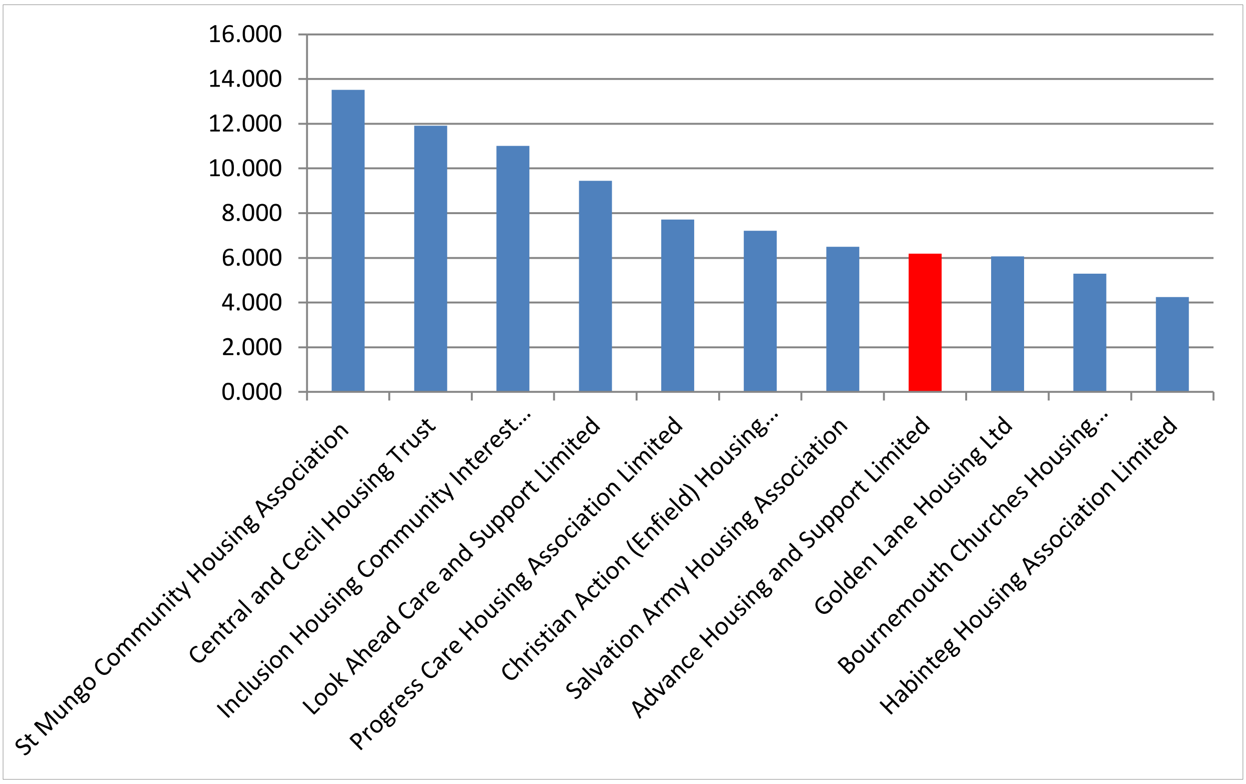
The 2018/19 actual performance, as set out in the above metrics has been compared to the projections made in the previous year. This demonstrates that, with the exception of headline social housing cost per unit, Advance has performed better than projected in 2018/19, investing more and improving margins.

Headline Social Housing Cost per Unit

The key value for money metric that measures 'economy', minimising the cost of resources used while having regard to quality, is headline social housing cost per unit. The data provided in the Regulator of Social Housing Global Accounts shows that the median cost per unit for supported housing providers is considerably greater than for general needs, due to the specialist nature of the services provided. The Board has compared the Advance headline social housing cost per unit against ten other specialist providers. This clearly shows Advance performing well when compared to its peers.

The cost per unit of support services varies widely in the peer group due to the personalised nature of support contracts and the tendering of support services. As such, these costs are not related to the number of housing units and cannot meaningfully be compared in a cost per unit calculation. If these costs are excluded, the median of the peer group for 2017/18 drops from £9,240 to £7,214 per unit and Advance's unit cost drops from £10,586 to £6,175. This puts Advance's unit cost below the median in the second quartile of the peer group as illustrated below.

Table 2: Performance against peer group



Headline social housing cost per unit (£000s) excluding charges for support services 2017/18. Source: Global Accounts, RSH 2018.

Advance compared favourably with peers in the above comparison of 2017/18 data. In 2018/19 Advance's unit cost increased by 3.4%. In line with most of the sector Advance invested in its landlord health and safety assessment regime resulting in additional works being carried out. These works are only partially covered by service charges.

During the year Advance spent an additional £210k on water safety (an increase of 103% on 2017/18) and an additional £305k on fire safety (an increase of 99% on 2017/18). This resulted in an increased cost of £225 per unit. If this additional expenditure is excluded the increase in unit costs is 1.88% which is broadly in line with the March 2019 consumer price index (CPI) figure of 1.8%.

If CPI is applied to the peer group 2017/18 figures Advance's position would remain the same and still compares favourably to peers. Despite this the Board has continued to drive for improved performance and requested the Management Team look at additional ways of further improving unit costs.

During the year considerable analysis has been undertaken to investigate where Advance's costs appear high. The unit cost analysis has focused on property costs, specifically maintenance and repairs as well as some communal costs and lease costs. These costs can vary in a traditional housing provider as other costs, such as staff costs, are normally more stable.

To aid a better understanding of costs the Board reviewed an analysis by:

- Ownership (shared ownership versus rented)
- Region and counties
- Type of property: self-contained or shared accommodation
- Client Group usage: mental health or learning disability.

The analysis concluded that the key cost drivers are:

- Client group: with learning disability customer properties generating a much greater volume of responsive repairs than those for mental health customer properties
- Intermediaries (such as third party support providers) generating many maintenance and repairs not necessarily in the most efficient way
- Contractor costs: being addressed through effective procurement as well as more robust contract management.

Measurable actions taken and proposed to improve social housing costs per unit

Informed by the above in 2018/19 the Board approved a comprehensive Value for Money Strategy and Savings Plan 2019-22. This will improve value for money and particularly reduce unit costs where possible. The first year savings have been included in the 2019/20 projected unit costs. The main areas of focus of the plan are:

Housing

- Reducing responsive repairs cost per unit, through a variety of actions to reduce demand by working proactively with customers and support providers in high demand areas, batching jobs; improving contractor management and reducing recalls; enhancing handling and diagnostics of repairs calls; all to save £50k in 2019/20 and an additional £25k in each of the following two years.
- Reducing planned maintenance cost per component for kitchens, bathrooms, heating, etc. through a range of detailed value engineering actions with contractors to save £50k in 2019/20 and an additional £25k in each of the following two years.

- Continuing the reduction in gas repair costs, through a new 3 star servicing and repair contract by £24k in 2019/20 and a further £52k p.a. over the coming 2 years.
- Using our Asset Management Strategy to make best use of property assets, enhancing financial performance, quality of accommodation and new development. As part of this we are also halfway through a full stock condition survey, to be completed in 2019/20, which will ensure fully accurate data for maintenance plans and net present value modelling.
- Delivering the anticipated saving in new out of hours call handling contract saving an anticipated £10k in 2019/20.

Support

- Reducing overheads by merging a number of services saving £14k in management costs.
- Continuing to take action to improve financial performance through rationalisation gains and negotiated improvements in contract terms.
- Continuing to develop long-term relationships with commissioners and grow services both organically and through effective responses to tenders and frameworks thereby gaining robust and sustainable long-term contracts.

Central Overheads

- Reducing central overheads through a review of systems and processes and staffing structures resulting in identified savings of £154k in 2019/20
- Exploiting ad-hoc opportunities such as sub-leasing space at head office, from November 2019 bringing in £12k income p.a.
- Ongoing reviews of central services to ensure effective support for front-line services.

The table below summarises the savings from the Value for Money Strategy and Savings Plan 2019-22 translated into cost per unit impact. The savings are only shown in the year they occur. Overall, the cumulative savings are £0.5m, £219 per unit, based on 2,292 properties.

Table 3: Value for Money Savings Plan

Year	2019/20 £k	2020/21 £k	2021/22 £k	2019/20 £CPU	2020/21 £CPU	2021/22 £CPU
Area						
Housing	134	76	50	58.46	33.16	21.82
Support	14			6.11		
Central Overheads	154	56	17	67.19	24.43	7.42
	302	132	67	131.76	57.59	29.23
Cumulative	302	434	501	131.76	189.35	218.59

Increases in costs

The savings identified will be offset by some increases in unit costs. Recruiting Housing Outreach Workers to increase the Enhanced Housing Management offering (while the cost is covered by housing benefit) will increase overall unit costs. However, this should be off-set by more customers sustaining their tenancies and the avoidance of costs incurred from handling any breach of tenancy.

In addition, by increasing the number of people that Advance supports, without a corresponding increase in housing units, will inevitably increase the total social housing cost per unit. However, additional support contracts will generate new income and deliver an increase in the overall financial contribution.

The Board monitors progress against the Value for Money Strategy and Savings Plan 2019-22 on a quarterly basis. Advance's total projected unit cost based on the Business Plan is expected to fall to £10,999 in 2019/20. Excluding Support service costs, Advance's unit costs are expected to fall to £6,223 in 2019/20.

Reinvestment %/New Supply Delivered

These metrics look at the investment made in new properties (existing stock as well as new supply) and are a measure of a provider's effectiveness in reinvesting financial surpluses into new social housing supply. Advance has clear plans in place to develop new properties and deliver the best quality services.

The Board is pleased that Advance continues to invest in new supply at a rate that is better than its peer group average. Over £6.2 million was invested in housing property in 2018/19 – both shared ownership and rented.

During the year the Board agreed new development strategies that take account of the increased capacity generated by value for money savings. The Board has approved an increased development programme in order to provide further, much needed homes. A new funding facility is being arranged to finance an ambitious development programme over the next 3 years (2019/20 to 2021/22) targeting 180 new shared ownership properties, 44 new rented units and 35 stock transfers. This will provide Advance with the capacity to perform well on these metrics.

Gearing

This metric assesses how much of a providers' assets are made up of debt and the degree of dependence on debt finance. It is often a key indicator of a provider's appetite for growth. Specialised providers, like Advance, have generally much lower gearing than general needs providers.

Due to Advance's high cash balances its gearing is lower than the median of the peer group. However, it should be noted that the cash balance includes leaseholder funds that are held on behalf of shared owners, to fund maintenance of shared ownership properties and which cannot be used for any other purpose. The low level of borrowing impacts not only this measure but also those influenced by the level of interest cost, including EBITDA and ROCE.

The business plan projects a gearing of 3.7% by the end of 2019/20 and 8.9% at the end of 2022/23 as cash balances reduce and loan balances increase due to the increased development programme. This remains well below the sector and peer group medians.

Following discussions with Advance's auditors the treatment of the term money market deposits as a current asset investment has changed. It is now treated as a cash equivalent in the statement of financial position. This change impacts our gearing metric as this amount is now included in the gearing calculation, reducing our gearing.

Earnings Before Interest, Tax, Depreciation and Amortisation, Major Repairs included Interest cover (EBITDA)

The EBITDA interest cover measure is a key indicator for liquidity and investment capacity. It measures the level of surplus generated (adjusted for non-cash items such as depreciation) compared to interest payable.

Advance has a ratio for this measure which is above the median of both the peer group and the Regulator of Social Housing Global Accounts. Advance has a relatively low interest cost, arising from its low borrowings, and this results in the EBITDA ratio being higher than the median. This metric has fallen from 592% in 2017/18 to 538% in 2018/19 and will fall further to 374% in 2019/20 as Advance continues to invest in future growth.

Operating Margins, Return on Capital Employed (ROCE)

Operating margins are a key indicator of the financial efficiency of the business. Increasing efficiency improves margins which, in turn can allow greater scope for reinvestment. ROCE compares the operating surplus to total assets less current liabilities as an indicator of efficient investment of capital resources. Specialist providers, such as Advance, tend to have lower margins and ROCE than average given the financial challenges in the supported housing sector.

Advance's operating margin in 2018/19 benefitted from the release of provisions which the Board consider to no longer be required. Without these adjustments, Advance's overall operating margin would have been 3.8%.

Compared to its peers Advance invests in new supply at a rate which is better than the peer group average. This is at a cost to the operating margin. A small initial loss is made on every shared ownership property first tranche sale. This deficit reduced margins by £104k (0.3%) in 2018/19. There is also an additional annual cost of £287k incurred from resourcing housing development.

Advance's operating margin on social lettings is slightly worse than its peers. The value for money savings outlined above to reduce unit costs will also have a positive impact on operating surplus. Direct comparison of overall operating margin and ROCE, even with peers, is difficult, as these figures include non-social housing activities such as commercial lettings and legacies which can generate very high margins. There is a large variation in the volume and type of these activities within our peer group. Advance's overall margin declined as 2017/18 figures included a £1.1m gain on disposal of fixed assets. The equivalent gain in 2018/19 was just £0.1m.

Advance's ROCE also benefitted from the gain on disposal in 2017/18 and this has combined with an increase in our asset base of £3.1m, as a result of investment, to reduce our ROCE compared to 2017/18.

Non-Social Housing Activities

Advance’s main non-social housing activity related to the provision of employment services which made a 9% margin on turnover of £606k in 2018/19. The Board is confident that this return is commensurate with the risk involved and will continue to keep these services under review as the Work Choice contract comes to an end.

Metrics presented by the Board to reflect Advance’s 2017/20 strategic objectives

Advance’s strategic objectives are set out in the Strategic Plan 2017/20. Relevant Value for Money measures are set out in the commentary in *Progress Against Strategic Objectives* above.

3.3 GOVERNANCE

The Board is committed to the highest standards of corporate governance. The system of governance, leadership and management is a key factor in successful delivery of the organisational purpose and strategic objectives.

The key priority for the year has been the focus on the Board’s governance improvement plan which has been led by a sub-group of Board members reporting to every Board meeting. This action plan has supported the Board in its response to the governance improvements raised by the Regulator’s In-Depth Assessment in June 2018.

Key activities included:

- Full Board effectiveness review undertaken during 2018, supported by external consultants with comprehensive recommendations.
- Development of a detailed, refreshed skills matrix supporting the 2019 recruitment campaign for a new Chair from 1 April 2019 and new Board members from July 2019.
- Revised business planning process, including in-depth, multi-variant stress testing across a number of scenarios, agreed set of Golden Rules and the development of recovery plans.
- Revised reporting to Board, including a new corporate dashboard
- A re-stated Board risk appetite and new risk management framework, with refreshed corporate risks and early warning indicators and risk triggers linked to business plan stress testing.
- New Business Appraisal Panel to assess new business opportunities reporting to Board and a quarterly performance report of support development to Board
- Re-structuring of Board Committees and responsibilities, including the disbanding of the Finance Committee giving Board a clearer line of sight over financial performance and management of the business.
- Review of Standing Orders, Financial Regulations and a revised forward planner for Board business.
- Adoption of a new Service Level Agreement for Board Members and a new Board Succession Plan Policy
- Introduction of Learning and Development Plan to ensure up-to-date, in-depth sector skills and knowledge.

The Board takes the role in fulfilling its co-regulation responsibility seriously as set out in the regulatory framework published by the Regulator. The Board having assessed and considered their responsibilities certify that Advance Housing and Support Limited comply with the requirements of the Regulator for Social Housing’s (i) Governance and Financial Viability Standard and (ii) Consumer Standard, including self-referral under the Consumer Standard’s Home Standard during the year, concluding there was no breach.

The Board has adopted the National Housing Federation (NHF) 2015 Code of Governance and the NHF Code of Conduct 2012 for individual Board members. The Board regularly monitors performance against the codes and confirms compliance with the principles of both codes.

The governance structure during the year was as follows:

Board (comprising non-executives and one executive member)

The Board retains ultimate responsibility for determination of the overall strategy, values and ethos of Advance, and for decisions that have significant implications for the Association.

Audit and Risk Committee

The Audit and Risk Committee consists of three non-executive Board members. This committee provides additional scrutiny and assurance to the Board over the Association’s systems of internal control and risk management. In addition, the Safeguarding Panel, which is overseen by an independent chair, reports to the Audit and Risk Committee. The Health and Safety Panel also reports to the Audit and Risk Committee.

During 2018/19, the Audit and Risk Committee took on a number of additional responsibilities arising from the decision to disband the Finance Committee.

Remuneration Committee

The Remuneration Committee consists of two non-executive Board members and up to two co-optees. This committee meets on an ad hoc basis to review and recommend executive remuneration.

Operations Board

The Operations Board consists of Board members and a number of customers. They meet quarterly to discuss issues, gather customer feedback and review how well Advance is meeting customer needs and delivering value for money.

Management Team

The Management Team, led by the Chief Executive consists of the Operational Directors, and has responsibility for the day to day running of Advance, and for implementing the strategies agreed by the Board.

All delegations, lines of responsibility and levels of authorisation are set out in the organisation’s Standing Orders and Financial Regulations which have been refreshed during the year.

3.4 RISK MANAGEMENT

The Board is aware of the key risks faced by Advance and their likely impact on achieving the Strategic Plan 2017-20. During 2018/19 the Board reviewed the Sector Risk Profile and considered its risk appetite in relation to various categories of risk. The Board and Executives have refreshed the Risk Assurance Framework and have used the stress testing of the business plan to identify early warning indicators and risk triggers that will flag emerging issues to the Board.

The Risk Assurance Framework covers corporate risks and individual business area risks, and is regularly reviewed by the Management Team, by the Audit and Risk Committee, and by the Board. Controls are identified for all risks and an assessment made as to whether these are satisfactory. If these controls are not satisfactory, actions to improve control are set out in the framework and progress monitored by the Audit and Risk Committee.

During 2018/19, the Audit and Risk Committee began selecting top-rated risks to be analysed in-depth and will continue to do so during 2019/20.

The key risks identified by the Board are:

- Lack of income in our Support business due to growth not being achieved or loss of existing contracts
- Support business not viable
- Inadequate quality service delivery leading to the serious detriment of our customers
- Ineffective governance
- Serious Health & Safety Policy failure, leading to serious safeguarding incident.

The table below sets out these risks, their likely impact and the controls put in place.

Principal Risks and Uncertainties

Risk	Risk Impact	Risk Controls
Lack of income in our Support business due to growth not being achieved or loss of existing contracts (driven by financial challenges faced by commissioners and local authority budgets)	• Failure to grow the business in line with Strategy • Loss of contribution from services with pressure on overheads • Inability to grow and develop • Inability to demonstrate value for money • Inability to demonstrate social value	• Prudent budget in place with no speculative wins and monthly financial review • Monthly reporting on support gains/losses/at risk • Active engagement with commissioners • Quarterly business development report • Development team focus on key growth areas • Celebrate innovation successes

Risk	Risk Impact	Risk Controls
Support business not viable	• Cross-subsidy from housing • Exit from care and support activities	• Monthly management accounts and Forecast out-turns, providing strategic overview • Individual scheme management account variances investigated and poor performance challenged • Monthly operational calls between Support Area Managers/Finance/Human Resources • Financial RAG rating of support schemes - SIP introduced for all under-performing schemes • RAG ratings, agreed contribution rates
Inadequate quality service delivery leading to the serious detriment of our customers	• Inadequate or unsafe services to customers - serious detriment • CQC downgrades • Poor audits by others - LAs/QAF • Breach of Regulations/Standards • Catastrophic service failure	• Overarching assurance framework and audit programme in place • Quality standards agreed and in place • Improvement managers in place • Business Continuity Plans and out of hours systems • Landlord H&S Audit programme in place • H&S Audits across schemes, properties and offices • L&D - Learning and development programme • Upward Reporting procedures in place • Staff and others are confident to raise concerns (Whistleblowing policy) • Analysis and identification of service/customer issues/trends from intelligence • Processes in place to ensure Advance is a learning organisation
Ineffective governance	• Non delivery against Strategic Plan 2017-20 and supporting strategies	• Board Governance Improvement Plan • IDA G2 to G1 Action Plan

Risk	Risk Impact	Risk Controls
	• Regulatory intervention • Potential downgrade • Potentially limits ability to gain new borrowing	• Review of standing orders to ensure consistent with proposals for governance • Regular review of effectiveness of Board • Effective Audit and Risk Committee • Effective risk management framework and risks reported to Board • Effective internal controls assurance framework • Annual appraisals of Board members and Management Team • Strategic Plan 2017-20 and detailed annual plans with quarterly reporting of progress • Effective financial planning and stress testing of business plan • Succession planning in place for Chair and Board recruitment plan in place
Serious Health & Safety Policy failure, leading to serious safeguarding incident	• Serious detriment to customers and staff • Death or serious injury to customers • Significant reduction in satisfaction ratings • Regulatory intervention • Regulatory downgrade	• Scrutiny of governance processes by Audit and Risk Committee and regular reporting of regulatory compliance to Board • Monitoring of regulatory environment • Clear policies, procedures and work plans - regularly updated • Adequately resourced Property Services compliance team • Quality Improvement Manager and Support Auditor roles in place to monitor CQC compliance • Programme of Business Assurance Internal Audits and compliance reviews with internal compliance testing framework in place, in addition to external audits • Safeguarding Panel • Colleagues appropriately trained • Effective contract management

Internal Controls

The Board has overall responsibility for the systems of internal controls and the management of risk throughout Advance. The Audit and Risk Committee is responsible to the Board for reviewing the systems and reporting on their effectiveness. The system of internal controls focuses on significant risks that would threaten the ability to meet our objectives.

Based upon the work undertaken in 2018/19, the Audit and Risk Committee have reviewed the effectiveness of the system of internal control and believe there is sufficient evidence to confirm that adequate systems of internal control existed and operated throughout the year and that those systems were aligned to an on-going process for the management of the significant risks facing the Association.

It is noted that the control environment for compliance with provisions in the General Data Protection Regulation/Data Protection Act (which came into force on 23 May 2018) has been successfully developed throughout the year and implementation monitored by Audit and Risk Committee.

No weaknesses were identified which would have resulted in material misstatement or loss and which would require disclosure in the financial statements. There has not been any breakdown in internal financial control during the year that has caused significant loss to Advance.

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The systems of internal control are designed to manage rather than eliminate the risk of failure to achieve business objectives. It is recognised by the Board that these systems provide reasonable, but not absolute, assurance against material misstatement or loss, and the development of the system is a continuing process. The systems of internal control also exist to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of Advance assets and interests.

Fraud

Advance does not tolerate fraud and action is taken to reduce fraud through the control systems in place. The Anti-Fraud Policy was revised last year and incorporated into the wider policy covering Theft and Loss, Anti-Fraud, Anti-Bribery and Tax evasion policies. Work is ongoing to monitor and enhance the control environment throughout Advance in order to reduce the risk. All instances of identified fraud, and other losses which potentially could have been the result of fraud, are reported to the Audit and Risk Committee.

Reviewing effectiveness of controls

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

- Risk management - Board and Management Team members are aware of and experienced in risk management techniques and have fully embraced the development of risk management across the organisation through its risk management policies and the risk assurance framework. The Board has adopted a risk-based approach to internal controls that is embedded within the normal management and governance process.

- Identification and evaluation of key risks - Management responsibility has been clearly defined for the identification, evaluation and control of significant risk. This is regularly reviewed and updated by the Board. The Board reviews and determines the top risks facing the organisation and there is a formal and ongoing process of management review in each area of Advance's activities. This process is co-ordinated through regular reporting to the Board and the Audit and Risk Committee. The Management Team regularly considers reports on significant risks facing Advance and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

- Monitoring and corrective action - A process of regular management reporting on control issues provides hierarchical assurance to successive levels of management and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those with a material impact on the financial statements.

- Control environment and control procedures - The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance matters including treasury strategy and major new investment projects. This responsibility is supported by Advance's policies with regard to the quality, integrity and ethics of its employees. It is supported by a framework of policies with which employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, information security, data and asset protection and fraud prevention and detection.

- Information and financial reporting system - Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the Board. The Board also regularly reviews Key Performance Indicators (KPIs) to assess progress towards the achievement of key business objectives, targets and outcomes.

The Board has received reports from the Chief Executive, Director of Resources, and the Audit and Risk Committee and has reviewed the effectiveness of the system of internal control for the year ended 31 March 2019 and up to the date of signing these financial statements. It has reviewed these reports and approved the actions needed to maintain and improve the effectiveness of the risk management and control process.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the risks faced by Advance. The process has been in place throughout the year and is regularly reviewed by the Board.

Internal Audit

The Audit and Risk Committee have retained Mazars to provide an independent internal audit function to improve the system of internal control. Mazars are carrying out a risk-based three-year rolling programme of audits, which commenced 1st April 2017. Following each audit recommendations from the auditors are responded to by management and a plan of action is created.

The Audit and Risk Committee reviews all reports produced by Mazars in full. Progress on the internal audit programme, and the resulting actions, is kept under scrutiny by the Audit and Risk Committee on behalf of the Board. The Audit and Risk Committee reviewed the support provided by Mazars and their performance and sought Board approval to extend the contract for a further 12 months to March 2020. The approach to the renewal of this contract will be managed by the Audit and Risk Committee.

3.5 GOING CONCERN

Each year the Association updates its long term financial projections. The Board is involved in the development of the projections and in stress testing the risks facing the organisation. Based upon those considerations the Board is confident that the Association is a going concern.

Public Benefit Entity

As a public benefit entity, Advance has applied the public benefit entity 'PBE' prefixed paragraphs of FRS102.

Information for Auditors

The Board members who held office at the date of approval of this Board report confirm that, so far as they are each aware, there is no relevant audit information of which Advance's auditors are unaware; and each Board member has taken all the steps that they ought to have taken as a Board member to make themselves aware of any relevant audit information and to establish that Advance's auditors are aware of that information.

Statement of Compliance

The Board confirms that this Board report has been prepared in accordance with the principles set out in Paragraph 4.7 of the Statement of Recommended Practice (SORP) for Registered Social Housing Providers.

Annual General Meeting

The Annual General Meeting will be held on 30 September 2019.

Marie L. Mau (Chair)

By order of the Board
30 August 2019

3.6 BOARD MEMBERS' RESPONSIBILITIES

Board members are responsible for preparing the report of the Board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law and social housing legislation require the Board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the Board members are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2018 have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Association will continue in business.

The Board members are responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2018.

Financial statements are published on the Association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Association's website is the responsibility of the Board members. The Board members' responsibility also extends to the on-going integrity of the financial statements contained therein.

4. INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADVANCE HOUSING AND SUPPORT LIMITED

Opinion

We have audited the financial statements of Advance Housing and Support Limited ("the Association") for the year ended 31 March 2019 which comprise the Association statement of comprehensive income, the Association statement of financial position, the Association statement of changes in equity, the cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The board are responsible for the other information. Other information comprises the information included in the operational report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information 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 Board Report, Financial Performance, Key Risks, Value for Money, Social Value, Statement of Corporate Governance and Internal Controls, 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 where we are required by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

- The information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- Adequate accounting records have not been kept by the Association; or
- A satisfactory system of control has not been maintained over transactions; or
- The Association financial statements are not in agreement with the accounting records and returns; or
- We have not received all the information and explanations we require for our audit.

Responsibilities of the board

As explained more fully in the board members' responsibilities statement set out on page 27, 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 members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

BDO LLP

BDO LLP

Statutory Auditor

Two Snowhill

Birmingham

B4 6GA

11 September 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

STATEMENT OF COMPREHENSIVE INCOME

As at 31 March 2019

	Notes	2019 £000's	2018 £000's
Turnover	2,3	37,683	33,907
Operating expenditure	2,3	(35,601)	(32,010)
Gain on disposal of housing property	6	138	1,151
Operating surplus		**2,220**	**3,048**
Interest receivable	8	42	40
Interest and financing costs	9	(536)	(443)
Surplus before and after tax		**1,726**	**2,645**
Net impact of the initial recognition of multi-employer defined benefit pension scheme	12	(1,870)	-
Actuarial (loss) in respect of pension schemes	12	(1,747)	-
Total comprehensive (deficit)/surplus for the year		**(1,891)**	**2,645**

The notes on pages 36 to 60 form part of these financial statements. The financial statements were approved and authorised for issue by the Board on 30 August 2019 and were signed on its behalf by:

Marie Li Mow Ching	Janet Collier	Simon Bradfield
Chair:	Chair of Audit & Risk Committee:	Company Secretary:

Marie Li Mow Ching ..... JKColl ..... S .....

STATEMENT OF CHANGES IN RESERVES

	Income and Expenditure Reserve
	£000's
Balance at 1 April 2017	**21,591**
Surplus/deficit for the year	2,645
Balance at 1 April 2018	**24,236**
Surplus for the year	1,726
Other comprehensive (deficit) for the year	(1,870)
Actuarial (loss) for the year	(1,747)
Balance at 31 March 2019	**22,345**

The notes on pages 36 to 60 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 £000's	2018 £000's
Fixed assets			
Housing properties	13	106,158	102,604
Office property, plant and equipment	14	3,186	3,227
Total fixed assets		**109,344**	**105,831**
Current assets			
Trade and other debtors	15	3,941	3,919
Cash and cash equivalents		9,743	11,758
Total current assets		**13,684**	**15,677**
Less: creditors amounts falling due within one year	16	(10,328)	(10,996)
Net current assets		**3,356**	**4,681**
Total assets less current liabilities		**112,700**	**110,512**
Creditors: amounts falling due after more than one year	17/18/19	(82,695)	(85,164)
Provisions for liabilities			
Pension liability	12	(7,024)	-
Other provisions	26	(636)	(1,112)
Total net assets		**22,345**	**24,236**
Reserves			
Non-equity share capital	21	-	-
Income and expenditure reserve		22,345	24,236
Total reserves		**22,345**	**24,236**

The notes on pages 36 to 60 form part of these financial statements. The financial statements were approved and authorised for issue by the Board on 30 August 2019 and were signed on its behalf by:

Marie Li Mow Ching	Janet Collier	Simon Bradfield
Chair:	Chair of Audit & Risk Committee:	Company Secretary:
Marie Li Mow Ching		

In preparing 2019 figures a number of items have been categorised as provisions instead of current liabilities and for comparison purposes 2018 figures have been re-categorised on the same basis. The areas impacted are as follows:

- In 2018 £4m was categorised in short term investments. These are three month money market investments and the £3m held in these have been included as a cash equivalent in 2019 with 2018 re-stated to include these investments. The money market investments can be withdrawn at any time with no penalty except loss of interest.

- The debtors figure for 2018 includes an £80,000 provision in against a loan made to Kent Reliance Building Society. This amount is now held as a provision in 2019 and the debtors' figure increased by £80,000 in 2018 to give comparable figures. Although a specific amount there is no certainty that it will be required or when it would be due for payment so is classified as a provision.

- The creditor's due in less than one year includes an amount for 2018 of £1.032m in respect of provisions for sleep-in liability, office dilapidations and future repairs. For 2019 these items have been included as a provision with the creditors' figure in 2018 adjusted to give comparable figures. The amounts set aside are estimates based on best available information and there is no certainty on the timing of the payment so is now being treated as a provision.

STATEMENT OF CASH FLOW

	2019 £000's	2018 £000's
Operating surplus for the year	**2,220**	**3,048**
Depreciation of housing fixed assets	2,334	2,335
Depreciation of other fixed assets	693	661
Pensions operating charge	3,269	(56)
Amortised government grants	(1,726)	(1,660)
Carrying amounts of tangible fixed asset disposals	875	1,327
Working capital movements		
Decrease/(increase) in trade and other debtors	(102)	(565)
(Decrease)/increase in trade and other creditors	(2,486)	322
Decrease in long term creditors and provisions	(2,647)	(634)
Net cash generated from operating activities	**2,430**	**4,778**
Cash flow from investing activities		
Purchase of housing properties	(6,763)	(5,518)
Purchase of other fixed assets	(652)	(744)
Grants received	4,009	2,748
Interest income received	42	40
Net cash generated from investing activities	**(3,364)**	**(3,474)**
Cash flow from financing activities		
Interest paid	(398)	(387)
New loans	11	50
Repayment of borrowings	(694)	(804)
Net cash utilised from financing activities	**(1,081)**	**(1,141)**
Net change in cash and cash equivalents	**(2,015)**	**163**
Cash and cash equivalents at beginning of the year	**11,758**	**11,595**
Cash and cash equivalents at end of the year	**9,743**	**11,758**

The cash flow for 2018 has been re-stated to reflect the revised Statement of Recommended Practice 2018.

The notes on pages 36 to 60 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

LEGAL STATUS

Advance Housing and Support Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing as a Private Registered Provider of Social Housing.

1. Principal Accounting Policies

Basis of Accounting

These financial statements have been prepared in accordance with applicable law and Generally Accepted Accounting Practice (UKGAAP) including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice for Registered Providers of Social Housing (SORP 2018).

The financial statements comply with 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 2019. The accounts are prepared on the historical cost basis of accounting and are presented in sterling £, rounded to the nearest £1,000.

Advance is a public benefit entity in accordance with FRS 102 and has applied the Public Benefit Entity sections of FRS 102.

In the preparation of these financial statements, the requirements set out in: “Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland: Multi-employer defined benefit plans” have been adopted early. This has resulted in changes to the accounting policy for the SHPS multi-employer scheme from the start of the reporting period. This means that accounting for SHPS has not been consistently applied as compared to reporting in prior years. Further information on the impact of early adopting these requirements is set out in note 12.

Going concern

The Association’s business activities, its current financial position and factors likely to affect future developments are set out in the Board report. The Association has in place debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the Association’s day to day operations for at least the next three years. The Association also has a long term business plan which shows that it can service these debt facilities whilst continuing to comply with lenders’ covenants.

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

Judgements and key sources of estimation uncertainty

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

Development expenditure

Advance use the following approach in respect of development expenditure. Distinguishing the point at which a project is more likely than not to continue, allowing capitalisation of associated development costs requires judgement. For each scheme the capitalisation includes acquisition, build costs and associated fees with delivering the scheme. After capitalisation management monitors the asset and considers whether changes indicate that impairment is required.

Housing properties

Housing properties are principally available for rent. Completed housing and shared ownership properties are stated at cost less accumulated depreciation and impairment.

Housing properties under construction are stated at cost. Cost includes the cost of acquiring land and buildings and development expenditure incurred during the development period.

Works to existing properties which replace a component have been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalized as improvements.

Advance has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, it has considered if the asset is held for social benefit or to earn commercial rentals.

Impairment

Properties that are depreciated over a period of 50 years or more are subject to annual impairment reviews where an impairment event has occurred. Other assets are reviewed for impairment if there is an indication that impairment may have occurred. Where there is impairment, fixed assets are written down to the recoverable amount. Any such write down is charged to operating surplus. Advance has identified cash generating units for impairment assessment purposes at a property scheme level. No impairment events have occurred during the year and no other impairments have been identified.

Classification of loans as basic

Advance has a number of loans which have a ‘two-way break clause’ which is applicable where the loan is repaid early and could result in a break cost or a break gain. The loans in question are fixed rate loans. In a pre-payment scenario that results in a break gain, the loan agreement provides for the repayment of the capital at par. Any break gain payable by the lender would be in relation to future interest periods only. Management have considered the terms of the loan agreements and concluded that they do meet the definition of a basic financial instrument, therefore are held at amortised cost.

Other key sources of estimation and assumptions:

Useful lives of Tangible fixed assets

Other than investment properties, tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Total accumulated depreciation at 31 March 2019 was £33.0m.

Pension and other post-employment benefits

The defined benefit accounting liability for the SHPS pension scheme has been provided by the scheme administrator, The Pensions Trust (TPT). The accounting liability has been formulated based on a series of assumptions which are set out in Note 12 to the financial statements. TPT provide a standard set of assumptions which it deems are appropriate, however, these are adjustable by individual providers to meet their own circumstances. The standard assumptions have been adopted by the Association as they are judged to be appropriate and reasonable. If the discount rate was lower, and/or the inflation rates and life expectancy rates were higher, then the liability would increase. Conversely, if the discount rate was higher, and/or the inflation rates and life expectancy rates were lower, then the liability would decrease. The pension liability as at 31 March 2019 was £7.1m.

Bad debt provision

Advance makes a provision in respect of amounts owed to it to the extent that it considers appropriate. The standard bases of provision are:

- 50% for non-housing related debt which is more than 90 days old, but less than 180 days – increasing to 95% for debts that are over 180 days old. However, for Local Authority and National Health Service organisations, a further review is carried out with a specific provision made based on the nature of the balance.
- A percentage for rent and service charges owed in respect of current tenants which starts at 25% for amounts that are more than four weeks old and increase to 95% for amounts that are more than six months old.
- 100% for rent and service charges owed in respect of former tenants.

Accruals

At the balance sheet date, Advance has recognised accruals for costs where it has identified that costs are likely to be incurred, but which have not been charged. The amount accrued is the best estimate of these costs from the information available.

Turnover and revenue recognition

Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities and Homes England, income from the sale of shared ownership and other income and are recognised in relation to the period when the goods or services have been supplied. Turnover is recognised in the financial statements as follows:

Rent - Rental income is recognised when the property is available for let, net of voids, on a time apportioned basis, in accordance with the terms of the tenancy agreements.

First Tranche Shared Ownership – Receipts of first tranche sales at date of completion to Shared Owner.

Service charges - Service charge income and costs are recognised on an accruals basis. The Association operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are used future charges are adjusted to take into account the balance unspent or overspent. Until the amounts underspent or overspent are fully resolved the balances are held as creditors or debtors in the Statement of Financial Position.

Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents; until these costs are incurred this liability is held in the Statement of Financial Position within creditors.

Support income and costs including Supporting People income and costs - Support contract income received from Administering Authorities is accounted for as Support income in Turnover as per note 2. The related support costs are matched against this income in the same note. Support charges included in the rent are included in the Statement of Comprehensive Income from social housing lettings note 3 and matched against the relevant costs.

Employment - Contractual management fees are apportioned over the life of the contract. Employment outcome income as clients enter work and sustained employment income as clients complete the relevant time period, are recognised when this income becomes claimable.

The Association charges VAT on some of its income and is able to recover part of the VAT it incurs on expenditure. All amounts disclosed in the accounts are inclusive of VAT to the extent that it is suffered by Advance and not recoverable.

Tangible fixed assets and depreciation

Completed housing properties and tangible fixed assets are stated at cost, less accumulated depreciation.

‘Housing properties under construction’ are stated at cost and are not depreciated. These are reclassified as’ housing properties on practical completion of construction. Freehold land is not depreciated.

Where a housing property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred. Components replaced before the end of their useful life are expensed as a cost of social housing lettings as depreciation.

Advance depreciates freehold housing properties by component on a straight-line basis over the estimated UELs of the component categories.

UELs for identified components are as follows:

• Core building and roof	60 years
• Electrical systems	40 years
• Plumbing and heating	30 years
• Bathrooms	15 years
• Kitchens, boilers, lifts and door entry systems	10 years
• Special adaptations	10-20 years
• Windows and doors	20 years

Advance depreciates housing properties held on long-term leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

Depreciation is charged on other tangible fixed assets on a straight-line basis over the expected economic useful lives which are as follows:

• Housing property furniture and equipment	3 years
• Computer equipment	2-5 years
• Office furniture and equipment	4-5 years
• Freehold office premises	50 years
• Leasehold office premises	the life of the lease

Shared ownership properties

The costs of shared ownership properties which are complete are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion of unsold properties is accounted for as a current asset, and the sale proceeds shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset and subsequent sales treated as sales of fixed assets.

Capitalisation of administration costs

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into their intended use.

Property managed by agents

Where Advance carries the majority of the financial risk on housing property managed by agents, income arising from the property is included in the Statement of Comprehensive Income Account.

Where the agent carries the majority of the financial risk, income includes only that which relates solely to Advance. In both cases, the assets and associated liabilities are included in the Statement of Financial Position.

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

Current asset investments

Current asset investments comprise cash and cash equivalents invested for periods of more than 90 days. They are recognised at cost.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and which are receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Social Housing and other government grants

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

When SHG in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

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

Recycling of capital grant

Where SHG is recycled, as described above, the SHG is credited to a fund which appears as a creditor until used to fund the acquisition of new properties, where recycled grant is known to be repayable it is shown as a creditor within one year.

Reserves

Any income that is restricted as to use is transferred to a restricted fund and transfers are made to reflect the use of the funds in the year. Where restricted funds are used to acquire assets and the restrictions continue to apply to the proceeds from any subsequent disposal of the assets, the funds continue to be recorded as restricted.

Operating leases

Rental payments made under operating leases are charged to expenditure on a straight-line basis over the life of the lease. Rental payments received under operating leases are credited to investment income on a straight-line basis over the life of the lease.

Homes managed on behalf of other owners

Advance reflects the income and expenditure of homes that it manages on behalf of other owners in its own income and expenditure account as, in accordance with the management agreement, Advance takes on the risks and rewards of the letting activities.

Agreements to improve existing properties

Where Advance has entered into agreements to purchase property from a third party and subsequently enters into a sub-contracting agreement to carry out improvement works to the properties, the related assets and liabilities are shown at gross values unless the right of net settlement exists.

Retirement benefits

There are a limited number of employees who participate in the Social Housing Pension Scheme (SHPS), a multi-employer defined benefit scheme to which the Association contributes. For financial years ending on or before 28 February 2019, it has not been possible for the Association to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the Association has accounted for the Scheme as a defined contribution scheme. For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the Association to account for the Scheme as a defined benefit scheme.

Current service costs and costs from settlements and curtailments are charged against operating surplus. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included net in other finance costs/income. Actuarial gains and losses are reported in the statement of comprehensive income.

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality bond rates. The net deficit is presented separately from other assets on the statement of financial position. A net surplus is recognised only to the extent that it is recoverable by the Association. The detail of this change is included in note 12 and as at 31 March 2019 the SHPS defined benefit scheme liability was £7.0m.

The Board have made a decision to close the SHPS defined benefit scheme to further accrual with effect from 1 September 2019.

Impairment of financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

The following financial instruments are assessed individually for impairment:

- All equity instruments regardless of significance; and
- Other financial assets that are individually significant.

Other financial instruments are assessed for impairment either individually or grouped on the basis of similar credit risk characteristics.

An impairment loss is measured as follows on the following instruments measured at cost or amortised cost:

- For an instrument measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate
- For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. The reversal cannot result in a carrying amount (net of any allowance account) which exceeds what the carrying amount would have been had the impairment not previously been recognised. The amount of the reversal is recognised in profit or loss immediately.

Holiday pay accrual

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

Provisions

Provisions are made to recognise liabilities arising from onerous terms of past contractual arrangements.

Financial instruments

Financial Instruments which meet the criteria of a basic financial instrument as defined in section 11 of FRS102 are accounted for under and historic cost model.

Public benefit entity concessionary loans are accounted for in accordance with section 34 of FRS102.

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

2019	Turnover £000's	Operating Costs £000's	Surplus/ (Deficit) £000's
Income and expenditure from property sales			
- Sale of 1st tranche shared ownership properties	7,882	7,986	(104)
Income and expenditure from social housing letting activities (note 3)			
- Housing accommodation	18,869	16,307	2,562
Other income and expenditure from social housing activities			
- Support	10,208	10,275	(67)
- Housing development activities	-	287	(287)
- Other	-	-	-
Total income and expenditure from social housing activities	**36,959**	**34,855**	**2,104**
Non-social housing activities			
Job placement activities	606	551	55
Business development activities	-	140	(140)
Other	118	55	63
Total	**37,683**	**35,601**	**2,082**

2018	Turnover £000's	Operating Costs £000's	Surplus/ (Deficit) £000's
Income and expenditure from property sales			
Sale of 1st tranche shared ownership properties	4,086	4,173	(87)
Income and expenditure from social housing letting activities (note 3)			
Housing accommodation	18,040	15,618	2,422
Other income and expenditure from social housing activities			
Support	9,890	10,114	(224)
Housing development activities		265	(265)
Total income and expenditure from social housing activities	**27,930**	**25,997**	**1,933**
Non-social housing activities			
Job placement activities	1,770	1,585	185
Business development activities	-	133	(133)
Other	121	122	(1)
Total	**33,907**	**32,010**	**1,897**

3. Income and expenditure from social housing letting activities

	Supported Housing £000's	Registered Homes £000's	Shared Ownership £000's	Total 2019 £000's	Total 2018 £000's
Income					
Rent receivable	6,515	-	1,702	**8,217**	8,406
Service charge income	4,795	-	2,151	**6,946**	6,158
Amortised government grants	1,072	29	625	**1,726**	1,660
Registered homes fees	-	1,667	-	**1,667**	1,540
Housing management fees	313	-	-	**313**	276
Rents and charges receivable	**12,695**	**1,696**	**4,478**	**18,869**	**18,040**
Expenditure					
Housing management	1,208	22	789	**2,019**	2,563
Service charge costs	5,129	128	129	**5,386**	4,059
Routine maintenance	1,692	31	503	**2,226**	2,491
Planned maintenance	1,365	35	816	**2,216**	2,146
Major works	321	3	335	**659**	640
Bad debts	(98)	-	81	**(17)**	33
Depreciation of housing properties	1,674	30	630	**2,334**	2,335
Care and support within our registered homes	-	1,484	-	**1,484**	1,351
Total expenditure	**11,291**	**1,733**	**3,283**	**16,307**	**15,618**
Surplus /(deficit)	**1,404**	**(37)**	**1,195**	**2,562**	**2,422**
Losses from voids	811	163	-	974	950

Under the terms of our agreements with our shared ownership customers we are responsible for the maintenance of their homes. The costs that we incur are included within maintenance costs. We recharge these costs to the shared owners and the income is included within service charge income.

4. Accommodation owned, managed and in development

	2019 No. of units		2018 No. of units	
	Owned	**Managed**	**Owned**	**Managed**
Social Housing				
Under development at end of year:				
Supported housing	-	-	17	-
Shared ownership	10	-	39	-
Under management at end of year:				
General needs housing	4	-	4	-
Supported housing	1,484	68	1,527	68
Shared ownership	642	-	600	-
Residential care homes	85	9	85	9
Total	**2,225**	**77**	**2,272**	**77**

5. Accommodation managed by others

Advance owns property managed by other bodies.

	2019 No. of units	2018 No. of units
Supported housing	92	31

For the purposes of this note we consider that properties are managed by us where we retain responsibility for maintenance of the properties even if a third party is responsible for tenancy management.

6. Gain on disposal of property

	Stair-casing sales £'000	Others £'000	2019 £'000	2018 £'000
Proceeds of sales, net of selling expenses	23	1,353	1,376	3,428
Less: costs of sales	(27)	(1,000)	(1,027)	(1,753)
Less: grant released	-	(211)	(211)	(524)
Net gain	**(4)**	**142**	**138**	**1,151**
Capital grant recycled (Note 19)			468	694

Advance does not develop properties on behalf of other registered providers.

7. Surplus on ordinary activities

	2019 £'000	2018 £'000
The operating surplus is stated after charging:		
Auditors' remuneration (excluding VAT):		
- Audit of the financial statements	22	19
Operating lease rentals payable:		
- Land and buildings	732	1,024
- Motor vehicles	21	20
- Office equipment	10	15
Depreciation of housing properties	2,334	2,334
Depreciation of other fixed assets	693	661

8. Interest receivable

	2019 £'000	2018 £'000
Interest receivable from bank deposits and other investments	42	40
Total interest receivable	**42**	**40**

9. Interest payable

	2019 £'000	2018 £'000
Charges arising on deficit contributions to defined benefit pension schemes	138	56
On loans wholly or partly repayable in more than five years	398	387
Total interest payable	**536**	**443**

10. Directors' remuneration

	2019 £'000	2018 £'000
The aggregate emoluments paid to or receivable by executive Directors and former executive Directors, including the consideration payable for loss of office as disclosed below	451	460
The aggregate emoluments paid to or receivable by non-executive Directors and former non-executive directors	38	36
The emoluments paid to the Chief Executive, who was the highest paid Director, excluding pension contributions	128	123
The aggregate amount of any consideration payable to or receivable by third parties for making available the services of a Director	-	54
The aggregate amount of any consideration payable to Directors for loss of office	-	23

The Chief Executive is an ordinary member of the defined benefit section of the SHPS. This section of the pension scheme is a final salary scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply. There are no additional pension arrangements from which the Chief Executive benefits. Contributions by Advance totalling £7,222 (2018: £7,572) were paid in addition to the personal contributions of the Chief Executive.

Directors (key management personnel) are defined as members of the Board, the Chief Executive and any other person who is a member of the Management Team, or its equivalent.

The emoluments paid to the non-executive directors were:

	2019 £'000	2018 £'000
Ian Green	-	8
Melba Wilson	10	6
David Mell	3	2
Helena Taylor-Knox	3	3
Janet Collier	5	4
John Upsher	5	5
Lexie Sims	2	2
Marie Li Mow Ching	3	2
Nigel King	2	3
Sharon Patrick	-	1
Total	**33**	**36**

11. Employee information

	2019 No.	2018 No.
The average number of persons employed during the year expressed in full time equivalents (37.5 hours per week for those providing support services, 35 hours per week for all others) was:		
Staff providing housing, including property services, customer services and housing development	48	42
Office staff	40	46
Staff providing support services	367	368
Staff providing employment support services	8	17
	463	**473**

	£'000	£'000
Staff costs		
Wages and salaries	12,110	11,838
Social security costs	1,005	981
Other pension costs	1,114	401
Total	**14,229**	**13,220**

Aggregate number of full time equivalent staff whose remuneration, excluding pension contributions, exceeded £60,000 in the period:	No.	No.
£60,000 - £70,000	1	3
£70,001 - £80,000	3	1
£80,001 - £90,000	1	1
£90,001 - £100,000	1	1
£100,001 - £110,000	-	-
£110,001 - £120,000	-	-
£120,000 - £130,000	1	2

12. Pensions

Social housing pension scheme (SHPS)

Advance participates in the SHPS, a multi-employer scheme which provides benefits to some 500 non-associated employers.

In 2018/19 in order to account for the initial recognition of the Scheme as a defined benefit scheme the Association has de-recognised the creditor for past service deficit contributions payable under SHPS as at 31 March 2018 of £3.8m, and recognise a net defined benefit liability as at 1 April 2018 of £5.7m. The impact of this initial recognition has been charged to the Statement of Comprehensive Income of £1.87m. The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out for the framework for funding defined benefit occupational pension schemes in the UK.

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

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2017. With effect from 1 April 2018 the SHPS defined benefit scheme is accounted for in accordance with the requirements of FRS 102. The details relating to the valuation of the Advance scheme as at 31 March 2019 are detailed in the following tables.

The present value of defined benefit obligation, fair value of assets and defined benefit asset (liability):

	31 March 2019 (£000s)	**1 April 2018 (£000s)**
Fair value of plan assets	21,263	20,123
Present value of defined benefit obligation	28,287	25,827
Surplus (deficit) in plan	(7,024)	(5,704)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(7,024)	(5,704)
Deferred tax	-	-
Net defined benefit asset (liability) to be recognised	**(7,024)**	**(5,704)**

The reconciliation of opening and closing balances of the present value of scheme liabilities:

	31 March 2019 (£000s)
Defined benefit obligation at 1 April 2018	**25,827**
Current service cost	117
Expenses	25
Interest expense	655
Contributions by plan participants	89
Actuarial losses (gains) due to scheme experience	325
Actuarial losses (gains) due to changes in demographic assumptions	80
Actuarial losses (gains) due to changes in financial assumptions	1,807
Benefits paid and expenses	(638)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at 31 March 2019	**28,287**

The reconciliation of opening and closing balances of the fair value of plan assets:

	31 March 2019 (£000s)
Fair value of plan assets at 1 April 2018	**20,123**
Interest income	517
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	465
Contributions by the employer	707
Contributions by plan participants	89
Benefits paid and expenses	(638)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at 31 March 2019	**21,263**

The key assumptions used by the actuary in arriving at the valuation are detailed in the tables below:

	31 March 2019 % per annum	31 March 2018 % per annum
Discount rate	2.30%	2.56%
Inflation (RPI)	3.30%	3.19%
Inflation (CPI)	2.30%	2.19%
Salary growth	3.30%	3.19%
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

The defined benefit costs recognised in the statement of comprehensive income:

	Period from 31 March 2018 to 31 March 2019 (£000s)
Current service cost	117
Expenses	25
Net interest expense	138
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in statement of comprehensive income (SoCI)	**280**

The defined benefits recognised in other comprehensive income:

	Period ended 31 March 2019 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	465
Experience gains and losses arising on the plan liabilities - gain (loss)	(325)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(80)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(1,807)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(1,747)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in other comprehensive income - gain (loss)	**(1,747)**

The fund assets are detailed below:

Assets	31 March 2019 (£000s)	1 April 2018 (£000s)
Global Equity	3,578	3,975
Absolute Return	1,840	2,458
Distressed Opportunities	386	194
Credit Relative Value	389	-
Alternative Risk Premia	1,226	763
Fund of Hedge Funds	96	663
Emerging Markets Debt	734	812
Risk Sharing	642	186
Insurance-Linked Securities	610	529
Property	479	926
Infrastructure	1,115	516
Private Debt	285	179
Corporate Bond Fund	992	826
Long Lease Property	313	-
Secured Income	761	746
Over 15 Year Gilts	-	-
Liability Driven Investment	7,776	7,331
Net Current Assets	41	19
Total assets	**21,263**	**20,123**

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

The growth plan

Advance also participates in the scheme, a multi-employer scheme which provides benefits to some 950 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out 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.

Present values of provision

	31 March 2019 £'000	31 March 2018 £'000	31 March 2017 £'000
Present value of provision	83	95	107

Reconciliation of opening and closing provisions

	2019 £'000	2018 £'000
Provision at the start of period	95	107
Unwinding of the discount factor (interest expense)	2	1
Deficit contribution paid	(12)	(12)
Re-measurements – impact of any change in assumptions	(2)	(1)
Provision at the end of period	**83**	**95**

Income and expenditure impact

	2019 £'000	2018 £'000
Interest expense	2	1
Re-measurements – impact of any change in assumptions	(2)	(1)
Total	**-**	**-**

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 you the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

The following schedule details the deficit contributions agreed between Advance and the scheme at each year end period.

Deficit contributions schedule

Year ended 31 March	2019 £'000s	2018 £'000s	2017 £'000s
Year 1	14	12	12
Year 2	14	13	12
Year 3	14	13	13
Year 4	15	13	13
Year 5	15	14	13
Year 6	13	14	14
Year 7	-	15	14
Year 8	-	8	15
Year 9	-	-	8
Year 10	-	-	-

Advance has recognised a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the statement of consolidated income i.e. the unwinding of the discount rate as finance cost in the period in which it arises.

It is these contributions that have been used to derive Advance's balance sheet liability.

Defined contribution scheme (DC)

Advance offer the SHPS defined contribution scheme to staff as auto enrolment. As at 31 March 2019 there were 380 (2018: 375) members in the DC scheme. An employers' contribution of up to 5% is paid by Advance in respect of all scheme members. Total employer contributions during the year were £344,247(2018: £323,149). Advance offers the DC scheme to all new staff as the defined benefit scheme is no longer available to new employees.

13. Housing properties

	Social Housing Properties for Letting completed	Social Housing Properties for letting in progress	Shared ownership Properties completed	Shared ownership properties in progress	Total Housing Properties
	£'000s	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Cost					
At start of the year	**89,253**	**545**	**36,298**	**133**	**126,229**
Additions, including properties acquired and new build schemes	-	1,480	-	4,743	6,223
Works to existing properties, including components	539	-	1	-	540
Schemes completed	1,471	(1,471)	4,869	(4,869)	-
Transfers (to)/from other tenures	-	-	-	-	-
Disposals, including components deleted	(629)	-	(638)	-	(1,267)
At end of the year	**90,634**	**554**	**40,530**	**7**	**131,725**
Depreciation					
At start of the year	**(18,834)**	**-**	**(4,790)**	**-**	**(23,624)**
Charge for the year	(1,702)	-	(632)	-	(2,334)
Disposals, including components deleted	277	-	114	-	391
Transfers to other tenures	-	-	-	-	-
At end of the year	**(20,259)**	**-**	**(5,308)**	**-**	**(25,567)**
Net book value at the end of the year	**70,375**	**554**	**35,222**	**7**	**106,158**
Net book value at the start of the year	70,419	545	31,508	133	102,605

Housing properties comprises:	**2019**	**2018**
	£'000s	**£'000s**
Freehold land and buildings	95,599	91,856
Long leasehold land and buildings	10,559	10,748
Total	**106,158**	**102,604**

Additions to properties includes £27,500 (2018:£14,500) for direct administrative costs capitalised during the year

Works to existing properties in the year:	**2019**	**2018**
	£'000s	**£'000s**
Improvement works capitalised	-	8
Components capitalised	540	637
Amounts charged to expenditure	5,101	5,277
Total	**5,641**	**5,922**

Advance has available security on 455 charged properties of £16.3m and currently has £9.5m of loan secured against these properties. There are 1,500 properties that are not charged and available for charge with an estimated security value of £60m. There are a further 449 properties that are not considered chargeable.

14. Office property, plant & equipment

	Freehold/ Long Leasehold Property £'000	Short Leasehold Property £'000	Furniture and office equipment £'000	Total fixed assets £'000
Cost				
At start of the year	**3,352**	**387**	**6,520**	**10,259**
Additions,	-	-	652	652
Disposals	-	-	(309)	(309)
At end of the year	**3,352**	**387**	**6,863**	**10,602**
Depreciation				
At start of the year	**(933)**	**(387)**	**(5,712)**	**(7,032)**
Charge for the year	(63)	-	(630)	(693)
Disposals	-	-	309	309
At end of the year	**(996)**	**(387)**	**(6,033)**	**(7,416)**
Net book value at the end of the year	**2,356**	**-**	**830**	**3,186**
Net book value at the start of the year	2,419	-	808	3,227

15. Trade and other debtors

	2019 £'000	2018 £'000
Rent and service charge arrears	1,262	1,036
Less: provision for bad debts	(642)	(532)
	620	504
Social housing grant receivable	75	521
Other debtors	1,926	2,047
Other taxation	6	-
Prepayments and accrued income	1,151	684
Total debtors due within one year	**3,778**	**3,756**
Due in more than one year	163	163
Total debtors	**3,941**	**3,919**

16. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Loans and overdrafts (note 17)	707	695
Trade creditors	782	349
Social housing grant received in advance	289	103
Rents and service charges received in advance	549	397
Service charge balances held on behalf of leaseholders	2,458	2,572
Other taxation and social security payable	267	310
Accruals and deferred income	2,102	3,248
Pension agreement plan (note 11)	12	635
Deferred capital grant (note 18)	1,829	1,623
Recycled capital grant fund (note 19)	1,214	832
Other creditors	119	232
Total	**10,328**	**10,996**

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

	2019 £'000	2018 £'000
Loans (note 17)	9,539	10,234
Deferred capital grant (note 18)	71,848	70,360
Recycled capital grant fund (note 19)	1,237	1,216
Pension agreement plan (note 11)	71	3,354
Total	**82,695**	**85,164**

18. Debt analysis

	2019 £'000	2018 £'000
Loans repayable by instalments:		
Within one year	707	695
In one year or more but less than two years	717	705
In two years or more and less than five years	2,235	2,192
In five years or more	4,272	5,033
Loans not repayable by instalments:		
In five years or more	2,315	2,304
Total loans	**10,246**	**10,929**

All loans are secured by legal charges on specific properties. The loans repayable by instalments are repayable quarterly at varying rates of interest and are due to be repaid in 2026, 2035 and 2044. The loans not repayable by instalments do not bear interest and are only repayable upon disposal of a secured property.

The interest rate profile of borrowings at 31 March 2019 was:

	Total £'000	Variable Rate £'000	Fixed Rate £'000	Weighted Average rate	Weighted average term years
Instalment loans	7,931	812	7,119	4.34%	12
Non-instalments loans	2,299	-	2,299	0.00	n/a

19. Deferred capital grant

	2019 £'000	2018 £'000
At start of the year	**71,983**	**70,901**
Grant receivable in the year	3,888	3,436
Amortised in the year	(1,726)	(1,660)
Accounted for on disposal or recycled or repaid in the year	(468)	(694)
At the end of the year	**73,677**	**71,983**
Amount due to be released within one year	1,829	1,623
Amount due to be released after more than one year	71,848	70,360
Total	**73,677**	**71,983**

20. Recycled capital grant fund

	2019 £'000	2018 £'000
At the start of the year	**2,048**	**1,581**
Inputs: Grants recycled	459	756
Interest accrued	15	7
Investments in new homes	(71)	(296)
Grant repaid	-	-
At the end of the year	**2,451**	**2,048**

All recycled capital grant funds relate to funds originally received from Homes England.

The recycled capital grant fund must be used in full by the following dates:

	2019 £'000	2018 £'000
Within one year	1,214	832
Within one to two years	764	452
Within two to three years	473	764
Total	**2,451**	**2,048**

There are no amounts which are three years or older where repayment may be required (2018: Nil).

21. Non-equity share capital

	2019 £	2018 £
Allotted issued and fully paid	19	19
At the start of the year	19	17
Issued during the year	-	3
Cancelled during the year	-	(1)
At the end of the year	**19**	**19**

The par value of each share is £1. The shares do not have a right to any dividend or distribution in a winding-up, and are not redeemable. Each share has full voting rights. All shares are fully paid. The liability of each shareholder is limited to the par value of the share.

22. Capital commitments

	2019 £'000	2018 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	-	1,266
Capital expenditure that has been authorised by the Board but has not yet been contracted for	48,122	46,097
Total commitment	**48,122**	**47,363**
Advance expects these commitments to be financed with:		
Social housing grant, including recycled grant	16,168	17,699
Proceeds from the first tranche sale of shared ownership properties	19,812	19,812
Cash facilities	12,143	9,852
Total funding	**48,122**	**47,363**

Capital commitments include the full cost of shared ownership properties which are planned to be acquired.

Contracts to acquire new shared ownership properties will only be entered when a buyer has been identified so that the relating first tranche sales are certain.

23. Operating leases

Properties and other assets are held under non-cancellable operating leases. At the end of the year Advance had total commitments of future minimum lease payments on leases which expire as follows:

	2019 £'000	2018 £'000
Land and buildings:		
Within one year	401	537
In one year or more but less than five years	182	13
In five years or more	-	-
Others:		
Within one year	33	20
In one year or more but less than five years	75	10

The lease agreements do not include any contingent rent or restrictions.

24. Grant and financial assistance

	2019 £'000	2018 £'000
The total accumulated government grant and financial assistance received or receivable at 31 March:	95,911	92,023
Held as deferred capital grant	73,677	71,983
Recognised as income in statement of comprehensive income	22,234	20,040

25. Related parties

There are no related party transactions.

26. Provisions

Advance has made provisions against future liabilities in respect of the following:

- Sleep-in provision to ensure employees receive minimum wage payments in respect of this activity. During 2018-19 the amount liable for this has been quantified in detail with a significant amount written back to operating costs. The payment of this is wholly dependent on the outcome of the Mencap Society v Tomlinson-Blake case that is being heard at the Supreme Court.
- Where office premises are held on a leasehold basis provisions are made for dilapidations and re-instatement costs that are included within the lease; these affect two offices.
- Future maintenance costs on rental accommodation leased from other organisations.
- Provisions against potential loss on property disposals where funding was received from a provider.

	Total £'000
At 1 April 2018	**1,112**
Additions in year	8
Utilised in year	-
Released unused	(484)
At 31 March 2019	**636**

27. Financial instruments

	2019 £'000	2018 £'000
Financial assets measured at amortised cost		
Trade and other debtors	3,941	3,839
Cash and cash equivalents	9,743	11,758
Total	**13,684**	**15,597**
Financial liabilities measured at amortised cost		
Loan commitments	10,246	10,929
SHPS defined pension	7,024	3,989
Deferred capital grant	73,677	71,983
Recycled capital grant fund	2,451	2,048
Accruals and deferred income	4,560	4,280
Trade and other creditors	1,717	3,921
Total	**99,675**	**86,232**

28. Debt movement

Reconciliation of net cash flow to movement in net debt	2019 £000's	2018 £000's
(Decrease)/increase in cash	(2,015)	163
Cash movement in debt finance	683	246
Movement in net debt in year	**(1,332)**	**409**
Loan issue costs	-	-
Movement in amortised cost of financial instruments	-	-
Total change in net debt	**(1,332)**	**409**
Net debt 1 April	829	(88)
Net debt 31 March	**(503)**	**829**

Analysis of net debt	31 March 2018	Cash Flow	Non-Cash Movement	31 March 2019
Association	£000's	£000's	£000's	£000's
Cash at bank and in hand	11,758	(2,015)	-	9,743
Loans	(10,929)	683	-	(10,246)
Changes in net debt	**829**	**(1,332)**	**-**	**(503)**

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