arhag
HOUSING ASSOCIATION

ANNUAL REPORT & FINANCIAL STATEMENTS

2020/2021

CONTENTS

KEY MANAGEMENT PERSONNEL, COMPANY SECRETARY, REGISTERED OFFICE AND PRINCIPAL ADVISERS

Board of Management:

Qadeer Kiani
Chair

Mark Gomar
Vice-Chair / Audit & Risk Committee

Bulbul Ali *
Board / Operations Committee

David Maitland *
Board / Audit & Risk Committee

Abdul Basith
Board / Operations Committee

Rosemarie Clarke
Board / Operations Committee
Retired: September 2020

Pat Davies
Board / Audit & Risk Committee

Wayne Farah
Board / Operations Committee
Resigned: April 2021

Boe Williams
Board / Operations Committee

Senior Management Team:

Chris Harris
Chief Executive Officer
Appointed: June 2021

Jai Dosanjh
Interim Chief Executive Officer
Resigned: August 2020
Re-appointed: November 2020
Resigned: June 2021

Andrew Shaw
Director of Finance & Resources
Appointed: November 2020

Tina Bull
Head of Housing

Chris Adegoroye
Interim Head of Asset Management
Resigned: August 2021

Angela Bell
Corporate Manager
Appointed: December 2020

Rachelle Beltran
Interim Chief Executive Officer (CEO) &
Interim Chief Financial Officer (CFO)
Appointed (CFO): February 2020
Appointed (CEO): July 2020
Resigned: November 2020

Company Secretary and Registered Office:

Rachelle Beltran
Appointed: July 2020
Resigned: November 2020

Jai Dosanjh
Appointed: November 2020
Resigned: June 2021

Chris Harris
Appointed: July 2021

Registered Office:
The People's Place
82-90 Stratford High Street
London E15 2NE

Principal Advisers:

Statutory Auditor
Nexia Smith & Williamson
25 Moorgate
London EC2R 6AY

Banker
National Westminster Bank PLC
Highbury & Islington Branch
218 Upper Street
London N1 1SA

* Denotes Committee Chair

CHAIR'S STATEMENT

2020/21 was yet again dominated by the pandemic with staff working from home but, despite this, it is a great tribute to their commitment and loyalty that they continued to deliver services effectively to our residents under these extremely challenging circumstances.

This is even more impressive given the lack of stability in the Senior Management Team throughout most of the last financial year. Thankfully, before we ended 2020/21 the situation with Covid-19 was much more under control due in part to the success of the vaccination programme. We were also able to bring much needed stability to the Senior Management Team with the appointment of Chris Harris as our new Chief Executive and Andrew Shaw as the Director of Finance & Resources. Therefore, going forward, ARHAG is in a much better shape to seize opportunities, deliver on our "go to" agenda and provide super-efficient customer-centric services to our residents.

In keeping with the ARHAG family spirit, our staff have shown their resilience, our residents and hub partners have demonstrated patience and understanding and my Board colleagues have been generous with their time and efforts in supporting the organisation through a period of change and disruption never encountered in our long history. I am both proud and thankful for how everyone has stepped up to the challenge and this bodes well for the future.

We negotiated an attractive 10-year leasing agreement with a developer which will enable ARHAG to take over 21 newly built section 106 units in Carpet Street on the Sugar House Island development very close to our Stratford office. This is an example of how ARHAG will continue to grow through innovation and partnerships. In addition, exceptional performance on re-letting of empty homes, continued financial stability with generation of £822k surplus and a clear strategy in place to deal with health and safety issues were some of the other key highlights during the last year. However, we know that we have to be much better in many areas, especially in the delivery of our repairs service, if we are to be recognised as a truly customer-focused organisation committed to placing residents at the heart of our service delivery.

We have seen the departure of Rosemarie Clarke during the year and Wayne Farah since year-end, two of our most trusted and loyal Board members, and I would like to place on record my thanks on behalf of the Board for their services to ARHAG over the years.

Moving forward, we are committed to making a real difference to the lives of the communities we serve. We believe that a safe and stable home is a good start, but a purpose in life and a reason to get out of bed in the morning is what builds successful citizens, communities and neighbourhoods. Therefore, ARHAG's commitment to resident-driven services, provision of good-quality housing, care and support services to meet local needs and to contribute to the development of sustainable communities is now greater than ever before given the likely long-term adverse impact, both financial and social, of the pandemic.

In light of this, our ambitious plans to be the 'go to' organisation and provide migrants with support which is now extended to include employment, health, immigration advice, campaigning and research will be a key priority for the next year and beyond.

Qadeer Kiani
ARHAG Board Chair

"Going forward, ARHAG is in a much better shape to seize opportunities, deliver on our 'go to' agenda and provide super-efficient customer-centric services to our residents."

STRATEGIC REPORT OF THE BOARD

1. ABOUT ARHAG

PRINCIPAL ACTIVITIES

ARHAG - African Refugee Housing Action Group - was founded in 1979 as a campaigning organisation for the better treatment of Migrants and Refugees. The aim was to provide a stable, decent and affordable home which would act as the platform for residents to improve their lives, support their families and make a positive contribution to their communities.

In 1989 ARHAG was formally registered with the Housing Corporation and spent the next just over 30 years working to become a good Housing Association. We now manage and own 895 homes across 14 London Boroughs. Most of our tenants are nominated by the Councils in the boroughs where we work.

Our principal activity is still to manage, maintain, build and grow our social housing accommodation stock for both renting and home ownership, but in November 2016 we decided that whilst a stable and decent home was a good platform, the other needs of Migrants and Refugees were not being met. One such unmet need was health where we noticed that for various reasons many Migrants and Refugees ("M&R") - particularly those who are undocumented - became isolated from the health service and often did not receive the service they needed. Therefore, we decided to set ourselves up as a "go to" organisation and work in collaboration with partner agencies to provide a range of non-housing services as well as training and support for women suffering gender-based violence. As part of our commitment and passion for the "go to" agenda in early July 2019 we moved into The People's Place in Stratford, which is now our head office and where we are joined by our M&R partner agencies.

"Our principal activity is still to manage, maintain, build and grow our social housing accommodation stock for both renting and home ownership."

ARHAG'S VISION, MISSION & VALUES

Our social purpose is enshrined in our vision, defines our mission and informs our values.

Vision:

To ensure every migrant and refugee in London has a good home, is empowered to safeguard their individual rights, have their voice heard and make a full contribution to their community.

Mission:

To provide the best housing services to our customers while developing the potential of migrants and refugees in London.

Values

To further our vision and mission, we have adopted five company values that underpin our aims and objectives:

- trust
- respect
- accountability
- customer care
- innovation

Partnerships

We see partnerships as the key to tackling social exclusion, growth, innovation, modernisation, cost effectiveness and delivery of customer-orientated services. A good example from before this financial year of our ability to facilitate and collaborate was through the work we undertook in recent years following the award of £1million through the Tampon Tax funding from the Department of Digital, Culture, Media and Sports. We and our hub partners were awarded this money to:

- tackle poverty and social exclusion
- increase access to decision making
- provide a pathway to integration and successful participation in economic life
- foster engagement and participation in civic life.

The project delivered just under 2,000 outcomes (including access to health clinics for 235 women) between January and March 2019.

More recently we signed a 10-year lease with a private developer to manage and maintain 21 section 106 units in Stratford - with potentially another 27 in the pipeline - enabling ARHAG to achieve a good return over the life of the leasing agreement. This is yet another example of our commitment and ability to grasp partnership opportunities to tackle housing shortages and enhance our income streams.

ARHAG has been active in the Government's Kickstart employment programme targeted at 16–24-year-olds. Through the help of our Hub partner, Olmec, and their 'Rise To Employment' programme we were able to secure 49 vacancies on the course for our residents and migrants and refugees across London. With the launch of Olmec's 'Kickstart Rise' in 2021 another 40 places have been ring-fenced for ARHAG residents. These are further illustrations of our willingness and commitment to work with others to tackle the key issues facing residents living within our communities and neighbourhoods.

ARHAG'S BUSINESS MODEL

ARHAG's core housing business is providing low-cost homes and related services to people in housing need.

We own and manage 895 properties spread over 14 London boroughs and provide permanent key worker and supported accommodation. We are London-based and our main office is in Stratford, East London. We have a very strong presence in the north and east quarters of London. Most of our growth in the last three years has been in this area.

In addition, we specialise in providing supported accommodation and related services to migrants and refugees. We seek to be a good landlord to our tenants, to help people most in need for housing, and to be a provider or enabler of opportunities for migrants and refugees in London.

THE MIGRANT & REFUGEE HUB

The M&R Hub is a high priority in our business development plan going forward.

This major initiative in ARHAG's development is our business centre but it also provides the facility to drive better services for our M&R clients, providing a new amenity, serving and supporting the surrounding community in and around Newham. This facility will be capable of operating outside accepted core working hours, thereby striving to deliver 24-hour services and maximising the use of available resources.

The M&R Hub was fitted out to a high specification, allowing ARHAG and our fellow partners to move in and start work immediately. Having opened in June 2019 the Hub had operated for less than a year before the Covid-19 pandemic resulted in governmental advice that all bar essential travel should cease and staff should work from home where possible.

RISK

Theme/Goal:
GROWTH AND EFFICIENCY

	Objective/target	Risk/uncertainty	Mitigation
Grow the business organically	To reach 1,000 properties owned or managed.	We now have 895 properties under management; however, this will change if we sell further stock in south London and do not replace those with units in north and east London. The housing market might not facilitate selling our stock in the south in favour of properties in the north and east.	We continue to build relationships with our stakeholders, open ourselves up to other non-traditional partners for growth opportunities. We also seek to become financially strong so that we can grow and sustain future developments.
	To extend ARHAG's influence in Newham, Tower Hamlets, Hackney, Barking and Redbridge to maximise opportunities for growth.	Our aptitude around building good relationships to enhance working relationships with stakeholders.	We are working to enhance our relationships with our partners and residents to share common goals.
	Concentrate properties in the north of London.	We may not be able to find suitable properties to increase our portfolio in the northern and eastern quarters of London.	We are in talks with developers and other partners to continue to grow our presence in our priority areas.
Add new income streams	To consolidate and extend the hub income streams through the provision of services and consultancy to partners and other social landlords.	Financial challenges faced by our partners or the lack of availability of commercial developments in the current financial and operating climates might slow down our ambition. Failure to add new income streams may result in reduced operating surplus that will adversely affect our capacity to fund our social purpose.	We are offering commercial support to our partners to remain financially stable, and we are exploring new income streams for both ARHAG and our partners.
	To be undertaking selective commercial developments.	There is risk around processing the commercial capability to instigate and deliver growth.	We have recruited staff and partners who have the commercial capability required.
Greater efficiency and value for money	To provide housing management services to other housing organisations.	We risk not being able to offer services which are attractive to other housing associations.	We will research into what services will be attractive for small and larger housing associations.
	To reduce ARHAG's tax liability.	HMRC might not agree with the approach or methodologies ARHAG wishes to use.	We have included a VAT partial exemption special method in our accounts, which will reduce our costs; although this has been agreed by HMRC in principle we are still looking to settle the matter.
	To have a pro-active value for money strategy.	Risk lies around the financial climate for control of expenditure and knowledge of value for money services which do not suffer in quality.	We will continue to address the economic climate by ensuring value for money is achieved in all we do and ensure that we retain open channels of communication to enable collaborative solutions where required.

Theme/Goal:
STRONG & VIBRANT CORE BUSINESS

	Objective/target	Risk/uncertainty	Mitigation
Quality customer service	To increase the level and quality of contact with customers.	We risk not delivering improved customer satisfaction or understanding what our customer's needs are.	Work has begun to ensure the right work around the right issues will lead to the right outcomes for our customers.
	To be providing services that respond to customer needs.	We risk not having the right capability to deliver an improvement plan which will put the customer journey as one of the drivers behind the processes and procedures in ARHAG.	We have revised our way of working to put the customer as a priority for what we do and how we do it.
	To achieve a high level of customer satisfaction.	We might not understand what the customer needs are.	We are using our data and feedback to understand this better.
	To provide an accredited service to vulnerable residents.	Poor customer contact levels of customer satisfaction will adversely impact the identification of relevant services we should provide to our residents and will risk a failure to meet the regulatory consumer standard.	We are strategically reviewing the customer journey and aligning this with key performance indicators and compliance.
Top quartile business performance	To achieve top quartile performance in the provision of housing services.	We risk not using data effectively to be able to deliver good quality service provision.	We are investing in our systems and increasing our understanding of our data.
	To be an award-winning service.	We risk not taking time out to use resident engagement information to translate into or co-design our services. An inward looking approach to performance management would stifle achieving top quartile performance.	We have a resident scrutiny panel which will input into our decision-making processes.
Good governance	To have a reputation for good governance.	We might not understand or comply with good levels of governance or fail to be a good employer. Failure to meet Governance & Viability Standards will result in regulatory and reputational damage which will in turn affect credit rating with banks.	We have plans in place to strengthen our use of data and continuously improve our data from the viewpoint of all our stakeholders. We have signed up to the NHF 2020 Code of Governance from 2021/22.
	To sustain a high level of resident engagement.	We risk not knowing when the right time and frequency is to engage our residents.	We are developing our leadership team so that foresight will benefit our organisation and our customers.
	To establish a good reputation as an employer.	We risk our employees leaving if they are not satisfied at work.	We are looking to introduce a People Strategy into ARHAG so that our staff have the support and training required to grow and develop in the organisation.

Theme/Goal:

TO BECOME THE 'GO TO' ORGANISATION FOR MIGRANTS & REFUGEES

	Objective/target	Risk/uncertainty	Mitigation
Become a significant provider of accommodation for M&R	To become a significant provider of accommodation to refugees and migrants.	Our nominations might not provide refugees and migrants to us for accommodation.	We maintain a positive relationship with our partners and ensure that we are working towards a common goal. We plan to explore the possibility of using decommissioned care homes in east and north London to develop more hostel accommodation for M&R.
	To facilitate the provision of accommodation to people with no recourse to public funds.	Failure to become specialist in providing services to M&R who are not tenants.	We maintain a positive relationship with our partners and ensure that we are working towards a common goal.
A diverse service provider	To provide services that enable M&Rs to become homeowners.	Our partners may opt to discontinue working directly with us.	We seek to maintain a good relationship with our partners.
	To become specialists in providing services to M&R who are not tenants.	We risk not having the capacity to do this.	We will seek to increase capacity if this happens. We have held exploratory discussions with NHS East London about the possibility of developing key worker accommodation for their overseas staff.
	To operate a London-wide employability programme.	We risk not being able to reach all of London.	We will use our partners to help us promote the programme. Larger housing associations have already engaged and have taken the learning to do this in other parts of London.
	To provide a high level of immigration advice.	We risk service users choosing other providers.	We will continue to promote this service using our networks.
	To establish a vibrant community hub.	We risk partners not wanting to become part of the hub.	We continue to promote the benefits to partners and the wider community of the hub.
Awareness raiser	To nurture formal partnerships with M&R service providers and other organisations working in the sector.	Potential service users might not be aware of our services or choose to use them.	We continue to promote our organisation and the services of our partner organisations. We have also begun to engage with the NHS as a key partner.
	To provide a M&R consultancy service to other organisations.	Failure to provide M&R consultancy service to third party organisations.	We will continue to promote this service using our networks.
	To get to a position where ARHAG's Vision and Mission are well known.	We risk not having the capacity to promote ARHAG's Vision and Mission.	We will continue to promote this service using our networks.
	To get to a position where residents are fully contributing to achieving ARHAG's vision.	ARHAG's residents might not want to be involved with the 'go to' vision.	We continue to promote the benefits to partners and the wider community, and we have extended our reach to the NHS because of the Covid-19 pandemic.

EARLY WARNING TRIGGERS

ARHAG's Senior Management Team is identifying a range of indicators which may provide an early warning that a significant risk scenario is starting to crystallise.

These indicators will be monitored at least quarterly, to assess whether a trigger point has been reached and/or if the future outlook suggests an increasingly risky environment.

The table below sets out some examples of the early warning triggers we are considering putting in place. Each of these will have specific trigger points identified, beyond which action to mitigate the risk would need to be considered.

Risk Area	Trigger
Asset management	Deteriorating stock condition spend requirements Disrepair cases on an increasing trend Responsive repair volumes Requirements under the zero-carbon agenda
Customer service failures	Performance trends Complaints Management cost trends
Welfare reform	Escalating rent arrears Adverse government policy changes are proposed
Value for money	Staffing establishment increases Responsive repair volumes and cost per job Letting and rent collection KPIs
Adverse operating environment	Cost inflation trends Market interest rates
Stock investment pressures	Stability of stock investment data, including impacts from changing legislation Repairs and maintenance inflation

OUR ASSETS

Responsive and Void Repairs

The year provided a test to both residents and contractors regarding the response to Covid-19. The service supported emergency and urgent repairs with day-to-day repairs not being undertaken. Notifications were given to tenants and updates were posted on the website.

Capital Maintenance (Component Replacement)

No component replacements for kitchens and bathrooms were undertaken during the period, as these were deemed to be non-essential works. Boilers were replaced as required following reports and gas servicing.

Planned and Compliance Work

ARHAG has invested heavily during the year in its health & safety compliance with a concentration on gas and electrical safety.

OUR PEOPLE

"A well-motivated and highly skilled workforce with a 'can do' attitude will be the key to our ambition to be one of the best providers of social housing services in London."

Our people are our biggest asset, and we recognise that our reputation with customers depends on how well we communicate with and manage our relationships with our own employees.

A well-motivated and highly skilled workforce with a 'can do attitude will be the key to our ambition to be one of the best providers of social housing services in London.

During 2021/22, we will be developing a people strategy which will assess our organisational culture, staff terms and conditions (including flexible working), training needs, staff communication strategy, IIP and use of IT to deliver 24/7 services to our residents.

Our people strategy will be key to ensuring that ARHAG is not only delivering effective customer-centric services, but the organisation can embrace agile working, tackle inclusiveness and diversity across the organisation and for its Board and staff to be seen as even more visible and in touch with the communities we serve.

At the heart of our people strategy will be to establish our operating culture and engagement plan by:

- consulting with colleagues about flexible working arrangements
- reviewing our employment package, including the incremental pay and benefits system
- delivering a new pension solution
- delivering a programme to improve customer and colleague relationships to help us drive improvements in our customer service
- developing a new Equality, Diversity & Inclusion strategy and programme.

OUR GROWTH

"We are committed to reviewing our 2017-22 business plan to refine our position on further developments."

The continually evolving socio-economic political environment that we are living through, has not deterred us from feeling both financially and strategically comfortable.

ARHAG has the financial and operational capacity to grow, and we will continue to look for opportunities to concentrate our activities in our core areas of north and east London.

The majority of ARHAG's growth over its recent history has been through the successful acquisition of properties owned by larger registered social landlords and we will continue to assess these opportunities as and when they arise.

We are committed to reviewing our 2017-22 business plan to refine our position on further developments. We have been looking at alternative routes to increasing our unit numbers, such as long-term lease agreements and joint ventures with other developers, to take advantage of Section 106 agreements in our geographical areas. Should good transfer opportunities arise we would certainly consider the proposals in the best interests of the association.

Since the end of the financial year, we have taken an initial 10-year lease on 21 units of affordable housing in Carpet Street on Sugar House Island, Stratford and will actively pursue further similar opportunities as and when they arise.

Alongside these plans ARHAG would also be open to discussions with other providers about combining our operations to achieve growth and to develop our 'go to' agenda.

To facilitate these plans, ARHAG will continue to make strategic disposals of properties in south London to improve efficiencies and release operational resources so they can focus on our portfolio of accommodation for migrants and refugees in north and east quarters of London and adjoining areas. To this end we completed the sale of 10 units during the year to another Registered Provider. We have also handed back further temporary social housing properties to Newham Council.

OPERATIONAL PERFORMANCE

ARHAG metrics	Target	2021	2020	2019
Resident satisfaction with responsive repairs	90%	71%	60%	69%
Current rent arrears	3%	6%	6%	2%
Rent collection as % of rent due	100%	100%	94%	>100%
Void turnaround time (days)	18	16		
Gas safety certificate	100%	91%	100%	98%

100%

Rent collection (up 6% from 2020)

71%

Resident satisfaction with responsive repairs in 2021 (up 11% from 2020)

Repairs

Although our residents' satisfaction with our repairs performance is below where we would want it to be it is an improvement over the last two years. This is despite the impact of Covid-19 with its restrictions on access to our residents' property. The number of repairs completed on time has continued to improve. We will continue to monitor what we can do to ensure that improvements we make to the service translate into improved satisfaction with the service.

Rent Arrears and Collection

Our year-end performance on rent arrears was 6% and our rent collection was 99.9%. Our rent arrears have been significantly impacted by the Covid-19 pandemic. The challenge has been to continue to increase collection and reduce arrears which has been an issue with several cases awaiting court dates due to the change in legalisation on evictions and the extension of notice periods. With a long-term issue of the courts managing back log of cases and bailiffs being available to execute warrants this continues to affect our rent arrears.

Voids

Our void performance is good, and we were able to improve our target of 22 days to 16 days during a very challenging year with a total of 13 voids. During the first lockdown, with all local authorities' nomination departments closed, we were able to partner with a women's refuge and house two families who had been in their refuge for over a year.

Gas Safety

During the year, primarily because of Covid-19, we were not able to gain access to all our properties to complete all the gas servicing and testing and therefore obtain certificates of gas safety compliance. We consequently fell short of the 100% target.

2. FINANCIAL PERFORMANCE AND VIABILITY STATEMENT

FINANCIAL PERFORMANCE

ARHAG has delivered an increased surplus of £822k in 2020/21 (2020: £786k). During the financial year, we concluded the payments for fitting out the Stratford Hub and have repaid £2m of our loan facility with one of our principal lenders.

ARHAG has used the surplus generated at the start of the year from the disposal of 10 units in south London to invest heavily in our gas and electrical compliance work.

From the uncertainty with which we entered the year over the wider economic climate, due to both Covid-19 and Brexit, our continued strong financial performance has been essential in enabling us to achieve our social objectives. Hence, we are pleased to report a good set of results and a strong financial position.

Turnover

Social housing turnover has reduced by 3% from £6,675k to £6,478k with the disposal of the 10 units south of the river and the handing back of the temporary social housing units in Newham not being substituted with replacement, income-generating units.

During the previous financial year ARHAG received the second and final £0.5m instalment of the £1.0m grant in respect of the Tampon Tax Fund for projects supporting the improvement of lives of disadvantaged girls and women. During that year ARHAG spent slightly more than this income during the year, as a social investment, to ensure the work started was completed fully.

However, the ending of our period of involvement with the Tampon Tax fund has further reduced our income, as has the Covid-19 restrictions on the use of the office, which resulted in lower recharges to our partners.

Disposal of Fixed Assets

Through the sale of the 10 units in south London to a local registered provider, we generated sale proceeds of £1,471k. With the social housing grant on the units transferring with the properties, this sale delivered a strong surplus.

Operating Costs

ARHAG made a conscious decision to use the surplus generated by the sale of the units to invest in our underlying fire safety and health & safety compliance position and in continuing to depreciate the costs of moving to the Stratford Hub over a relatively short period of five years.

There has been a strong drive to get boiler and gas certifications up to date and, during the financial year, the asset management and maintenance department continued to undertake fire risk assessments and concentrated on bringing properties transferred to us in previous years up to an acceptable standard.

As a consequence, our operating costs, for this one year, have not decreased in line with our turnover but have instead increased. Overall, our operating costs, including the depreciation of the Hub as our administrative facility for the social business, has increased by 1% from £5,793k to £5,849k.

Whilst the M&R Hub has not been used during the Covid-19 lockdown period, both ARHAG and the partners who share the office are now looking to return to Stratford soon. Consequently, consideration will need to be given by ARHAG's Board to the appropriate useful economic lives of the various elements of the building with these lives being applied to the remaining carrying value of the building.

Net Interest

Our net financing costs during the year decreased with the repayment during the year of £2m of our loan facility with RBS/NatWest in addition to the other loan repayments of £1.3m in line with previous years.

Debt and Liquidity

ARHAG's loan facilities are held with four banks, against which we carry a cash reserve of £2.5 -3.0m.

At the end of the financial year, our net debt had reduced from £28.0m to £25.2m of which £1.2m is falling due for repayment within each of the following two years.

Our total liquidity as of 31 March 2021 of £2.55m comprises immediately available bank deposits and resident payments made to our 3rd party vendor and in transit to ARHAG.

We have reviewed and updated our medium and long-term financial forecasts and shared these with our lenders to understand and identify our funding requirements.

10 UNITS

have been sold in south London to a local registered provider

£822K

increased surplus in 2020/2021

VIABILITY STATEMENT

The board has assessed the viability of the association in May 2021 using this long-term financial forecast.

The board is, to the best of its knowledge, satisfied that covenant compliance is maintained throughout the course of the plan thus confirming the future viability of the association.

After making enquiries, the board has reasonable expectation that the association has adequate resources to remain in operational existence for a period of at least 12 months from the date of approval of the financial statements.

The association has considerable financial resources together with long-term cash-generating assets. As a consequence, the board is satisfied that the association is well placed to manage its business risks successfully. For this reason, it continues to adopt the going concern basis in preparing the association's financial statements.

No material uncertainties related to events or conditions that may cause significant doubt about the ability of the association to continue as a going concern have been identified by key management personnel after taking into account the relevant facts and circumstances.

3. VALUE FOR MONEY STATEMENT

The VfM standard and Code of Practice ("Code") sets out the requirements for registered providers to publish annual evidence in the financial statements to enable stakeholders to understand the provider's:

a) Performance against its own value for money targets and any metrics set out by the regulator.

b) 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 suite of VfM metrics set out by the regulator in a) is restricted to data derived from the financial statements and regulatory returns such as the Financial Viability Assessment ("FVA"). All metrics are derived from data that is already in the public domain in the providers' own financial statements and the Global Accounts dataset.

The metrics include output measures alongside cost data, and measures of the efficiency with which both resources and our assets are utilised. This includes the degree of investment to existing stock as well as new supply.

VfM Metrics	Target (+)	2021	Quartile	2020	2019
Reinvestment (%)	1.2%	0.3%	4th	1.0%	9%
New supply delivered – Social (%)	2%	0%	4th	0%	8%
New supply delivered – Non-social (%)	0%	0%	4th	0%	N/A
Gearing (%)	34%	34%	3rd	37%	35%
EBITDA MRI Interest Cover (%)	160%	180%	3rd	181%	329%
Social housing cost per unit	£5,712	£5,672	4th	£4,749	£5,921
Operating Margin (%) – Social lettings	18%	10%	4th	23%	17%
Operating Margin (%) – Overall	20%	12%	4th	22%	17%
Return on capital employed (ROCE) (%)	2.5%	2.4%	3rd	2.6%	2%

(+) Targets are taken from the first year (2021/22) of the association's long-term financial plan
Quartile comparisons are taken by reference to the Sector Scorecard results for 2020 across the housing sector and as such includes a wide variety of associations

As with many other small developing registered providers, ARHAG does not have an even development programme of new units through a pipeline of schemes under the course of construction. It has some years where there are no completions of new units and in other years new schemes are completed and new homes are delivered.

No new schemes of either social or non-social housing units were completed and handed over during the current or previous year. However, since the end of the financial year a further 21 units have been delivered into management by way of an affordable rent leasing scheme in Stratford.

Reinvestment in our housing stock was inevitably reduced during the pandemic with access to and completion of works in our residents' homes being restricted.

Our gearing ratio of net debt to the carrying value of our housing stock illustrates ARHAG's strong balance sheet position and our capacity for future new supply. The carrying value of our housing properties was reduced during the year through a combination of the disposal of the 10 units in south London and the continued depreciation of the components of our homes. Our net debt was reduced through the repayment of £2m of our debt with NatWest and the scheduled repayments of debt with other lenders.

Our operating cost base has been high in 2021 as a consequence of our investment in fire safety testing, gas safety certification and resulting works, the depreciation of the Stratford hub, the high cost of the interim senior management team and audit fee.

At ARHAG we are committed to reducing our operating cost base and although we continue the programme of gas, electric and fire safety testing and any works that come from this, we are constantly looking to become more efficient in our use of the income we receive. Interim managers on the Senior Management Team were filling the roles of Chief Executive Officer (CEO) and Chief Financial Officer (CFO). These roles have been replaced with a Chief Executive and a Director of Finance & Resources, both of which have now successfully been recruited on a full-time basis.

As the business and our partners commence a return to work from the Stratford Hub, we will continue to monitor the running costs of this facility as our administrative business centre, the base from which our partners can operate and an important part of our relationship with our M&R clients.

Our social housing cost per property and therefore our operating margins have been adversely affected by these increased costs. When combined with the reduction experienced in our ongoing resident income from the sale of units and the handing back of the temporary social housing units to London Borough of Newham, our operating margins have been further deflated.

In order to realise the maximum amount available for investment in services to our residents we will look to increase rents fully in line with government advice of CPI plus 1.0%.

We want to demonstrate value for money so that our residents, lenders and other stakeholders are satisfied that expenditure on our existing properties and service charges ensures our stock is of a good standard, and that we have the financial strength to grow in the future.

The new management team has identified that there is potential to drive efficiency and effectiveness improvements via a comprehensive review of our supply chain and repairs service provision. Allied to this ARHAG will need to invest in a better understanding of the completeness and accuracy of our available data on the condition of our properties in order to drive the decision-making on where we need to be investing our available capital funds.

Our social housing cost per property cost has decreased year on year, but we still have a way to go.

Our underlying cost per unit is set to improve in the coming year as follows:

- Through the stabilisation of the senior management team driving out the additional cost of senior interim managers.
- Work on changing the way in which we plan and procure our component replacement, compliance, and responsive repair programmes, so that our work is more effective and preventative rather than reactive, and overall enhances the quality and value of our stock.
- We want to ensure that the difficulties faced by a smaller organisation in terms of economy of scale do not deter us from providing a good standard of service delivery and compliance, and that we are in control of the resources we employ to manage our organisation.

Our social housing and overall operating margins will benefit from the stabilisation and review of our social housing operating costs and our plans, as set out in our long-term financial plan and shared with our lenders, demonstrate this.

Throughout the life of our financial plan our gearing remains very comfortably within loan covenant compliance limits and our plans provide a buffer between our EBITDA MRI Interest Cover limits and the expected financial performance.

We want to ensure that through driving efficiencies and generating better returns on the use of our assets, we improve services to residents and support our wider social purpose.

VFM OBJECTIVES

We have determined several VfM objectives based on an honest self-assessment of our current approach to VfM.

Essentially this took the form of a gap analysis of the organisation against practice that is widely accepted maximises VfM.

Our objectives are as follows:

1. **Improve service quality**
2. **Provide top quartile business performance**
3. **Develop income streams;**
4. **Reduce costs**
5. **Improve procurement**
6. **Improve asset management**
7. **Embed a VfM culture amongst Board and staff**
8. **Develop tenants' role in service shaping and VfM scrutiny.**

Specific areas of work we will embark on to see the changes we need to continue to deliver our strategic objectives will include:

- Procurement of a major works programme to meet our commitment for safe and quality homes.
- A tender programme for the supply of most of our maintenance services through our outsourced business model to enhance service levels and drive down costs.
- A review of our social housing costs per unit to improve operating margin.
- Working effectively with Local Authorities and other partners to guide residents to support with available benefits and training and provide information on local services and activities.
- Investment in our people by ensuring all staff are equipped with the right development plans and support and embraces a culture that aligns with our core values.
- Continued investment in our systems, IT and data, so that we become a forward-thinking organisation, so our residents directly benefit from automated and up to date services, and our decision making is led with business intelligence.

The enhanced health and safety and fire compliance requirements mean that a return to target levels for EBITDA MRI, operating margin and cost per property, will continue to be a challenge in 2021/22.

4. CORPORATE GOVERNANCE

Legal Status

ARHAG Housing Association Limited (ARHAG) is incorporated with limited liability as a Housing Association with charitable aims under the Co-operative and Community Benefits Societies Act 2014, registration number 23520R.

The association is registered with the Regulator of Social Housing, registration number LH3811.

The association is a Public Benefit Entity, as defined in Financial Reporting Standard 102 and applies the relevant paragraphs of FRS 102 for Public Benefit Entities as they apply to the association.

Governance Arrangements

The Board is committed to effective governance arrangements that deliver its aims and objectives in a transparent and accountable manner.

The Articles of Association remain the principal document of constitution and they regulate various matters including the Board, its powers and its role. The Board approves the Standing Orders, Scheme of Delegations, Code of Conduct, Financial Regulations and its Committees' Terms of Reference.

ARHAG Housing Association Board

The Board of ARHAG shapes and directs the strategic aims and vision of the organisation and examines and scrutinises performance against the agreed Business Plan.

As at March 2021, the Board was made up of eight non-executive members that embrace a broad range of experience in business, finance, property development, risk management and housing services. There is also expertise in migrant and refugee issues. One of the non-executives is a resident of the association.

The association's Board has well-established processes that it uses to determine the policies, strategy, and the financial and operational performance of the organisation, which are regularly reviewed.

The Board meets regularly to set and review the strategic direction and the financial and operational performance of the association. It met four times in 2020/2021.

Board members are paid a fee for their services. The Board takes advice from independent advisers as required when undertaking reviews of the fee structure. These reviews are benchmarked against levels for comparable organisations and are designed to ensure that ARHAG is able to recruit and retain high-calibre Board members.

The Board is supported by two Committees whose functions are set out below.

Audit and Risk Committee

The Audit & Risk Committee (ARC) has been set up to support the Board in discharging its responsibilities, particularly in maintaining an effective system of internal control, ensuring the adequacy of risk management and governance arrangements, and that ARHAG resources are used efficiently and effectively. ARC is accountable to the Board and will assist in formulating the assurance needs of ARHAG and assessing how comprehensive and reliable those assurances are.

ARC also oversees the work of the internal audit service, the external audit and such other matters as may be referred to it by the Board. The external and internal auditors attend key meetings and have direct access to the Committee Chair. ARC keeps the relationship between the association and its auditors under review. ARC met five times during the course of the year.

Operations Committee

Formerly the Development Committee, the Operations Committee helps the Board discharge its responsibility to manage its housing stock and ensure a sustainable and viable strategy is in place to enable growth. It is the platform to monitor operational activity and targets as well as undertakes in-depth analysis to drive up standards in our efforts to achieve top quartile performance. It also takes the lead on housing development and disposals, evaluating new build housing and land and property purchases to ensure that ARHAG is using its development capacity in the most viable and cost-effective manner. The Operations Committee met four times during the year.

TWO

Committees support the Board; The Audit and Risk Committee and the Operations Committee.

EIGHT

non-executive members make up the Board as at March 2021

ZERO TOLERANCE

approach to any instances of fraud or corruption

Meetings, attendance and remuneration

Attendance records of the non-executive Board and Committee members at meetings during the year are shown below. For members who either retired or were appointed during the year, the record shows attendance versus the maximum number of meetings each member could have attended. Current Board member annual remuneration is £6,000 for the Chair, £3,500 for the Deputy Chair, £3,500 per Committee Chair and £2,500 per member.

	Board	Audit & Risk	Operations
Qadeer Kiani	4 of 4		
Mark Gomar	4 of 4	5 of 5	
David Maitland	3 of 4	5 of 5	
Pat Davies	4 of 4	5 of 5	
Bulbul Ali	4 of 4		4 of 4
Boe Williams	4 of 4		3 of 4
Abdul Basith	3 of 4		3 of 4
Wayne Farah	1 of 3		
Rosemarie Clarke	2 of 2		

Compliance with the Governance and Financial Viability Standard

ARHAG confirms its compliance with the Governance and Financial Viability Standard of the Regulator of Social Housing. The Board has assessed its compliance with the standard at least once during the year with reference to the current position of the association.

Risk Management

A risk management framework sits at the heart of the system of internal control. The Board confirms that the process for identifying, evaluating and managing the significant risks faced by the organisation is ongoing and continues to be developed by the Senior Management Team.

ARC has received risk management reports from the Senior Management Team and approves the risk register on behalf of the Board. Risk management reports include the top strategic risks and key operating risks.

During the year the ARC reviewed the business plan and will review stress testing of this plan over the course of the next year.

Internal Audit

The prime responsibility of the internal audit service is to provide the Board with assurance on the adequacy and effectiveness of the internal control system, including risk management and governance.

Internal audit also plays a valuable role in helping management to improve systems of internal control and so to reduce the potential effects of any significant risks faced. Internal Audit is delivered by an outsourced audit service. ARC reviews the findings arising from all Internal Audit Reports and is provided with progress reports on the implementation of agreed recommendations for improvement to the point of conclusion.

An annual report and overall assurance opinion on the system of internal control based on the Internal Audit work performed during the year and management response to that work is provided to ARC and all matters arising are being monitored by ARC for appropriate management action.

Fraud Management

There is an established code for integrity and anti-bribery and ARHAG operates a zero-tolerance approach to any instances of fraud or corruption. There is an Anti-Fraud Policy in place covering prevention, detection and reporting of fraud and the recovery of assets. A register of identified incidents is maintained. There were no material issues reported during the year. ARC reviews the fraud and loss register and reflects the information contained within it in its assessment of the control environment.

Information and Financial Reporting Systems

Financial reporting procedures include a long-term financial plan, detailed annual budgets, annual value for money reporting as part of the financial statements and regular management accounts which are reviewed by ARC and by the Board.

Any issues raised in the external audit management letter issued at conclusion of the annual audit are dealt with to the satisfaction of both the external auditors and ARC with progress tracked to the point of conclusion.

Key performance indicators and business objectives set as part of the performance management framework are regularly reviewed by the Board to assess progress and outcomes.

Control Environment and Procedures

Governance arrangements are subject to continuing review and development to ensure they remain fit for purpose. Board and Committee membership is reviewed regularly in line with the policy terms. Compliance with the chosen code of governance and the Regulatory Framework is reviewed annually.

The Board retains responsibility for a defined range of issues covering strategic, operational, financial, and compliance matters and new investment projects. The Board disseminates its requirements to employees through a framework of policies and procedures.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by ARHAG and for preventing, detecting, investigating and insuring against fraud. This process has been in place during the year under review, up to the date of the annual report, and is regularly reviewed. The Board has not identified any weaknesses sufficient to cause material misstatement or loss, which require disclosure in the financial statements.

Health and Safety

The Board is aware of its responsibilities for Health and Safety, with approved policies and monitoring in place. The association continues to focus on all areas of health and safety and operates a strong risk management approach.

Insurance

Insurance policies indemnify board members and officers against liabilities when acting on behalf of the association.

Modern Slavery

We are committed to ensuring there is transparency in our approach to tackling modern slavery throughout our supply chains, consistent with our disclosure obligations under the Modern Slavery and Human Trafficking Act 2015.

We expect the same high standards from all our contractors, suppliers and other business partners, and as part of our contracting and procurement processes, we include specific prohibitions against the use of forced, compulsory or trafficked labour, or anyone held in slavery or servitude, whether adults or children, and we expect that our suppliers will hold their own suppliers to the same high standards.

5. STATEMENT ON INTERNAL CONTROLS

Responsibility for the System of Internal Control

The Board is responsible for internal control and for reviewing its effectiveness. The Board delegates the ongoing review of controls to the Audit and Risk Committee. Day-to-day management of the business is the responsibility of the Chief Executive and the Senior Management Team.

In order to fulfil their responsibility, the Senior Management Team has established an assurance framework supported by clear delegated authorities and operating procedures. We use our documented assurance framework to demonstrate to Board and Audit and Risk Committee a transparent process of reporting on the internal controls. This is supported by the quarterly assurance assessments sign-off by each Director which evidences compliance with the assurance framework or provides actions required to address any weaknesses.

The internal audit programme provides independent assessment on the robustness and effectiveness of the internal controls, which are reported to the Audit and Risk Committee.

These systems have operated throughout the financial year and up to the date of signing these accounts.

Scope of Assurance

The Board understands our internal controls system is designed to manage rather than eliminate all risks. Our procedures can only provide the Board with reasonable rather than absolute assurance against material misstatement, errors, losses or fraud.

The Board considered the Chief Executive's report on Internal Controls and the Annual Report from Audit and Risk Committee for the year to 31 March 2021 and up to the date of signing these accounts. The Board monitored and considered outcomes arising as a consequence of the risk management process. They also saw reports from officers on the associated control environment.

The Board confirms the risk management process was in place in the year under review, up to the date of the annual report, and is regularly reviewed.

The Board confirms we had no breakdown in internal control resulting in material losses, contingencies or uncertainties which would require disclosure in the financial statements during the year.

Code of Governance

ARHAG has adopted the National Housing Federation's Code of Governance: Promoting Board Excellence for Housing Associations (2015 edition) for the year of this report and is committed to uphold and keep to the high standards expected.

Compliance with the code has been reviewed by the Audit and Risk Committee which confirms that ARHAG complies with all areas of the code, other than the following.

- As ARHAG is a small organisation, the Board does not delegate the oversight, appraisal and remuneration decisions to a Committee regarding the Chief Executive appraisal and remuneration or Board remuneration.

In 2021 ARHAG adopted the NHF 2020 Code of Governance and is aligning its Governance policies to meet the Code by March 2022.

6. STATEMENT OF THE BOARD'S RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT AND THE FINANCIAL STATEMENTS

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

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board has elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs of the association and of the income and expenditure of the association for that period.

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

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the association's ability to continue as a going concern disclosing, as applicable, matters related to going concern and
- use the going concern basis of accounting unless it either intends to liquidate the association or to cease operations or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

Statement of Disclosure to Auditors

In the case of each person who was a member of the Board at the time this report was approved:

a) so far as that member is aware, there was no available information of which the association's auditors were unaware and

b) that member had taken all steps that he or she ought to have taken as a member of the Board to make himself or herself aware of any relevant audit information and to establish that the association's auditors were aware of that information.

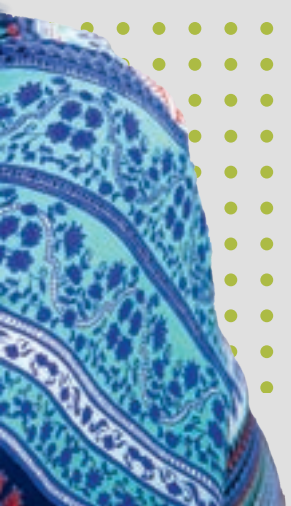
Post Balance Sheet Events

ARHAG has entered into a lease with a property developer for 21 units in Carpet Street, Botanical Mews on Sugar House Island in Stratford. The units have all been let at local housing allowance rent levels. No adjustment to the financial statements is required from this transaction.

There have been no other significant events between the year-end date and the date of approval of these financial statements which would require an adjustment to or disclosure in the financial statements.

The report of the Board was approved on 19 August 2021 and signed on its behalf by:

Qadeer Kiani
ARHAG Board Chair



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ARHAG HOUSING ASSOCIATION LIMITED

Nexia Smith & Williamson

Opinion

We have audited the financial statements of ARHAG Housing Association (the 'association') for the year ended 31 March 2021 which comprise the statement of comprehensive income, statement of changes in capital and reserves, statement of financial position, statement of cashflows and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2021 and of its income and expenditure for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing 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

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the association ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises the information included in the Annual Report and Financial Statements other than the financial statements and our auditor's report thereon. The Board are responsible for the other information contained within the Annual Report and Financial Statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

Responsibilities of the Board

As explained more fully in their statement set out on pages 32 and 33, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of The Financial Statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below

We obtained a general understanding of the association's legal and regulatory framework through enquiry of management concerning their understanding of relevant laws and regulations and the entity's policies and procedures regarding compliance. We also drew on our existing understanding of the association's industry and regulation.

We understand that the association complies with the framework through:

- updating operating procedures, manuals and internal controls as legal and regulatory requirements change
- a programme of internal audit performed by an independent firm of internal auditors
- a risk assessment framework and register that includes regular review and scrutiny by the Board and Audit and Risk Committee
- an annual assessment of compliance with regulatory standards as applied to Registered Providers and enforced by the Regulator of Social Housing and
- the Board's close oversight through regular board meetings and compliance reporting.

In the context of the audit, we considered those laws and regulations: which determine the form and content of the financial statements; which are central to the association's ability to conduct its business; and where failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the association:

- FRS 102, the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019, in respect of the preparation and presentation of the financial statements
- Health and safety regulations; and
- Regulatory standards as applied to Registered Providers and enforced by the Regulator of Social Housing.

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations above:

- Making enquiries with management and the Audit and Risk Committee as to the risks of non-compliance and any instances thereof
- Performed a review of board minutes to identify any indicators of known or suspected non-compliance with significant laws and regulations
- Reviewed any correspondence between the Regulator of Social Housing and the association.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the association's financial statements to material misstatement, including how fraud might occur. The key areas identified as part of the discussion were with regard to the manipulation of the financial statements through manual journal entries.

The procedures carried out to gain evidence in the above areas included:

- Testing of a sample of manual journal entries, selected through applying specific risk assessments applied based on the association's processes and controls surrounding manual journal entries
- Reviewing and challenging estimates made by management.

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

Use of Our Report

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

Andrew Bond
Senior Statutory Auditor,
for and on behalf of

Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

8th September 2021
25 Moorgate
London
EC2R 6AY

FINANCIAL STATEMENTS

Statement of Comprehensive Income for the year ended 31 March 2021

	Notes	2021 (£'000)	2020 (£'000)
Turnover	3	6,611	7,415
Operating costs	3	(5,849)	(5,793)
Sale of fixed assets	8	1,122	463
Operating surplus		**1,884**	**2,085**
Interest receivable and similar income	10	1	4
Interest payable and similar charges	11	(1,063)	(1,303)
Surplus on ordinary activities before tax		**822**	**786**
Tax on surplus on ordinary activities		-	-
Surplus for the year		**822**	**786**

All the activities of the association are classified as continuing.
The notes on pages 42 to 59 form part of these financial statements.

Statement of Financial Position as at 31 March 2021

	Notes	2021 (£'000)	2020 (£'000)
Fixed assets:			
Tangible fixed assets - housing properties	12	72,978	74,323
Tangible fixed assets - other	13	4,172	5,110
		77,150	**79,433**
Current assets:			
Debtors	15	714	766
Cash and cash equivalents	14	2,550	3,063
		3,264	**3,829**
Creditors: amounts falling due within one year	16	(2,916)	(2,472)
Net current assets		**348**	**1,357**
Total assets less current liabilities		**77,498**	**80,790**
Creditors: amounts falling due after more than one year	17	(56,773)	(60,887)
		20,725	**19,903**
Reserves:			
Called-up share capital	21	-	-
Revenue reserves		20,725	19,903
		20,725	**19,903**

The notes on pages 42 to 59 form part of these financial statements.

The financial statements were approved by the Board on 19 August 2021 and signed on their behalf by:

Qadeer Kiani
ARHAG Board Chair

David Maitland
Chair of the Audit and Risk Committee

Chris Harris
Company Secretary

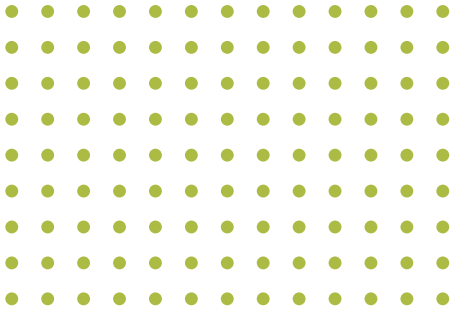
Statement of Movement in Reserves for the year ended 31 March 2021

	Share capital (£'000)	**Reserve reserves** (£'000)	**Total capital and reserves** (£'000)
At 1 April 2020	-	19,903	19,903
Surplus for the year	-	822	822
At 31 March 2021	**-**	**20,725**	**20,725**
At 1 April 2019	-	19,117	19,117
Surplus for the year	-	786	786
At 31 March 2020	**-**	**19,903**	**19,903**

Statement of Cashflow for the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Net cash generated from operating activities:			
Operating cashflow	**(i) below**	**2,667**	**3,024**
Cash flow from investing activities:			
Proceeds from sale of fixed assets		1,471	2,310
Purchase of tangible fixed assets		(247)	(3,108)
Interest received		1	4
Net cash generated from / (used in) investing activities		**1,225**	**(794)**
Cash flow from financing activities:			
Repayment of existing loans		(3,356)	(1,387)
Grants repaid		-	(200)
Interest paid		(1,049)	(1,303)
Net cash used in financing activities		**(4,405)**	**(2,890)**
Net decrease in cash and cash equivalents		(513)	(660)
Cash and cash equivalents at the start of the year		3,063	3,723
Cash and cash equivalents at the end of the year		**2,550**	**3,063**
Note (i)			
Cash generated from operating activities			
Net Surplus for the year		**822**	**786**
Add back:			
Interest payable and similar charges		1,063	1,303
Interest receivable and similar income		(1)	(4)
		1,884	2,085
Operating items not involving the movement of funds:			
Depreciation & write-off of fixed assets		1,747	1,918
Amortisation of grant		(353)	(603)
Profit on sale of assets		(1,122)	(580)
Charge for Bad Debts		54	62
Decrease in properties held for sale		-	966
Change in debtors		155	(248)
Change in creditors		302	(576)
Net inflow from operating activities		**2,667**	**3,024**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021



1 LEGAL STATUS

The association is registered under the Co-operative and Community Benefit Society Act 2014 and is a registered provider of social housing.

2 ACCOUNTING POLICIES

Basis of Accounting

These financial statements are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102) and the Statement of Recommended Practice Housing SORP 2018 "Statement of Recommended Practice for Registered Social Housing Providers" and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019 .

The financial statements are prepared on the historic cost convention.

Going Concern

The association has sufficient financial resources based on forecasts and current expectations of future sector conditions. Consequently, the Board believes that the association is well placed to manage its business risks successfully. Cashflow scenarios take possible pressures arising from Covid-19 and Brexit into account. Covid-19 has presented challenges for ARHAG. The Board has considered the impact of the pandemic and actions have been put in place to manage these risks and the Board consider these risks to be sufficiently mitigated. ARHAG's cash position has been reviewed for any cash shortfalls resulting from Covid-19 pressures, and the association is satisfied that the cashflows in place offer sufficient flexibility to reduce any risk and remain sustainable.

The Board has a reasonable expectation that it will have adequate resources to continue in operational existence for the foreseeable future. The Board therefore continues to adopt the going concern basis in preparing these financial statements.

Social Housing Grant ("SHG")

Social Housing Grant ("SHG"), receivable from the Greater London Authority (GLA), is recognised using the accrual model in accordance with clause 24.5C of FRS 102. SHG is initially measured at the fair value of the asset received. It is initially recorded as a long-term liability (with the exception of the portion expected to be amortised to income in the forthcoming year, which is classified as a current liability) and classified as deferred grant income. Once the asset it is funding reaches practical completion, it is then released through the statement of comprehensive income as turnover over the estimated life (100 years) of the structure of housing properties.

On disposal of properties, all associated SHG is transferred to the Recycled Capital Grant Fund (RCGF) until the grant is recycled or repaid to reflect the existing obligation under the social housing grant funding regime.

Where units are acquired from a third party who received grant funding for the development, the grant is not reflected in the association's statement of financial position. Instead, it is disclosed in the notes to the financial statements as contingent liabilities as the obligation will only crystallise on the disposal of these units.

Property Plant and Equipment

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit.

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of land is not depreciated. Cost includes the cost of acquiring land and buildings, directly attributable development costs, interest at the average cost of borrowing for the development period, and expenditure incurred in respect of improvements which comprise the modernisation and extension of existing properties.

Component Accounting

The association accounts for its expenditure on housing properties using component accounting. Under component accounting, the housing property is divided into those major components which are considered to have substantially different lives. These components are then depreciated over their individual useful lives as follows:

Land	Infinite
House structure	100 years
Lease	Over the period of lease
Roof structure and covering	70 years
Windows	30 years
Kitchen	20 years
Lifts	20 years
Central heating boilers	15 years
Bathrooms	30 years
Electrics	40 years

Where a separately identified and depreciated component is replaced, the carrying value of the component is expensed as accelerated depreciation and the cost of the replacement component capitalised. All depreciation is provided on a straight-line basis. Leases are written off over the period of the lease.

Housing properties under construction are stated at cost less any impairment provision required.

Other Fixed Assets

Cost incurred for scheme equipment is capitalised and recovered from residents through service charges levied over the life of the asset. Other fixed assets are included at cost to the association less depreciation, which is provided on a straight-line basis over the periods shown below:

Acquisition of Stratford Hub:	
Long Lease (Land element)	Over the period of the lease – starting from the date of the lease
Long Lease (Office building structure element)	100 years – starting from date of handover
Internal office fitout	5 years (To be reviewed in 2021/22)

Other fixed assets:	
Office furniture and equipment	5 years
Computer hardware	5 years
Computer software	5 years
White goods	5 years
Scheme equipment (including digital aerials)	10 years and 15 years

Impairment

Financial assets (including rent and service charge arrears)

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they might be impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the association would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in the Statement of Comprehensive Income.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Statement of Comprehensive Income.

Non-financial assets (Property, Plant and Equipment)

The carrying amounts of the association's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

The association assesses the recoverable amount as being the higher of the fair value of the asset (less any incidental costs of selling the asset) and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where the asset or CGU comprises assets held for their service potential (for example social housing properties and the Stratford Office hub) and the asset is both in demand and intended to be used for the long term, the association also considers depreciated replacement cost ("DRC") (the estimated cost of replacing the asset either by purchasing on the open market or rebuilding on the same, less an allowance for depreciation to

match the present condition of the existing properties). If DRC is higher than both the fair value of the asset or CGU and its value in use, then the recoverable amount is considered to be equal to the DRC.

Impairment arises where the recoverable amount is lower than the cost and the consequent impairment is recognised within the Statement of Comprehensive Income.

Financial Instruments

Financial assets and financial liabilities are recognised when the association becomes party to the contractual provisions of the financial instrument. Financial assets are only derecognised when the contractual rights to the cash flows from the financial asset expire or are settled. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires. The association does not use standalone derivative financial instruments to reduce exposure to interest rate movements.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank and short-term deposits. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash within three months without significant risk of change in value.

Tenant arrears, trade and other debtors

Tenant arrears, trade and other debtors are recognised initially at transaction price less attributable transaction costs. After initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs.

Interest-bearing borrowings classified as basic financial instruments

Debt instruments which meet the conditions of Section 11.9 of FRS 102 are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

All interest-bearing financial instruments held by the association have been classified as basic financial instruments. These include the association's only fixed interest loan. The loan agreement includes a clause which specifies that, in certain circumstances, compensation on early settlement would be payable to the association. Notwithstanding the presence of this clause, the Board considers that the loan meets the requirements set out in FRS 102 for it to be classified as basic.

Financial assets and liabilities are only offset in the Statement of Financial Position when, and only when, there exists a legally enforceable right to set off the recognised amounts and the association intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Turnover

Turnover represents rental and service charge income receivable (net of void losses), fees receivable, and amortisation of Social Housing Grant ("SHG") under the accrual model. Rental income is recognised on the execution of tenancy agreements. Proceeds on sales are recognised on completion. Other income is recognised as receivable on the delivery of services provided.

Grant Income

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

Interest Capitalised

Interest on borrowings is capitalised to housing properties during the course of construction up to the date of practical completion of each scheme. The interest capitalised is derived from the average rate of interest payable by the association.

Capitalisation of Development Costs

Development staff costs based on the time spent on a scheme are capitalised up to the date of practical completion of that scheme. Only salary-related costs and incremental overheads are included.

Major Repairs

The amount of expenditure incurred which relates to an improvement, which is defined as an increase in the net rental stream or the life of a property, has been capitalised. Expenditure incurred on other major repairs, cyclical and day-to-day repairs to housing properties is charged to the Statement of Comprehensive Income in the period in which it is incurred.

Operating Leases

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Income over the term of the lease as an integral part of the total lease expense.

Employee Benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the association pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

Other short-term employee benefits

The financial equivalents of any unused employee holidays at the balance sheet date are recognised and accrued as a liability. This is measured at the undiscounted salary cost of the future holiday entitlement at the balance sheet date.

Taxation

The association has charitable status and is therefore not subject to corporation tax on surpluses arising from charitable activities. A large proportion of the association's social housing income, including its rent, is exempt for VAT purposes. The majority of its expenditure is subject to VAT that cannot be reclaimed, consequently amounts shown in the accounts are inclusive of VAT where applicable.

In light of the change in 2019/20 to the association's business structure, the proportion of income which relates to non-social housing will be subject to a partial exemption method to determine the recoverable input tax. This applies only to the partial exemption special method ('PESM'). ARHAG Housing Association has to ensure that only input tax incurred on goods and services used for business purposes is included in the calculations. VAT incurred directly or indirectly for non-business purposes must be excluded before the PESM calculations are made.

Should there be any change in the structure of the business and/or trading patterns that prevent this method from giving a fair and reasonable recovery of input tax, this might be subject to further change.

Provisions

A provision is recognised in the balance sheet when the association has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of benefits will be required to settle the obligation. Provisions are recognised as the best estimate of the amount required to settle the obligation at the reporting date.

Judgments and Areas of Estimation Uncertainty

The preparation of financial statements requires the use of estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for income and expenses for the year.

Although these estimates and associated assumptions are based on historical experience and management's best knowledge of current events and actions, the actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an on-going basis.

Significant Judgments in Applying the Association's Accounting Policies

The following are the significant judgments, apart from those involving estimations (which are dealt with separately below), that the Board has made in the process of applying the association's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

- The association has applied judgments in deciding on the component categories, which are considered to have substantially different useful lives from the structure.

Where there are indications of impairment on property, plant and equipment and housing property assets, the association performs impairment tests on these assets that require judgments to be made.

Key Sources of Estimation Uncertainty

The estimates and assumptions which have the most significant effect on amounts recognised in the financial statements are discussed below

The depreciation expense is the recognition of the consumption of the asset and allocation of the cost of the asset over the periods in which the asset will be used. The useful lives of the assets are estimated and regularly reviewed to reflect changes in the environment.

The Stratford Office (the Hub) has been purchased and fitted out for occupation by the association and its partners. On acquisition the following estimates were made:

- that 45% of the acquisition price should be attributed to acquiring the lease and that the lease asset (£1.183m) be depreciated over the 999-year term of the lease.
- that the remaining 55% of the acquisition price (£1.446m) be attributed to the structure of the building acquired and be attributed a 100-year useful economic life, in line with the useful economic life attributed to housing property structures.

Since its fitout the Hub was only occupied for a short period before the pandemic prevented it from being used. Initially, the fitout costs were attributed an economic life of five years, however, the Audit & Risk Committee of ARHAG is of the opinion that this estimation should be reconsidered by the Board of ARHAG as the fitout has created a number of different assets within the building which will have different economic lives linked to potential cycles of major refurbishment over the 100-year life of the structure of the building.

As the pandemic comes to an end, the association and our partners will be returning to the building and will be using the assets created by the fitout. The Board of ARHAG will consider the proposal to 're-life' the various components of the building during 2021/22.

3 TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	2021			
	Turnover £'000	**Other income** £'000	**Operating costs** £'000	**Operating surplus** £'000
Social housing lettings	**6,478**	**-**	**(5,849)**	**629**
Other social housing activities				
Surplus on disposal of fixed assets	-	1,122	-	1,122
Other	-	-	-	-
	-	**1,122**	**-**	**1,122**
Non-social housing activities				
Income from partners	133	-	-	133
Tampon tax fund	-	-	-	-
	133	**-**	**-**	**133**
Total	**6,611**	**1,122**	**(5,849)**	**1,884**

	2020			
	Turnover £'000	**Other Income** £'000	**Operating costs** £'000	**Operating surplus** £'000
Social housing lettings	**6,675**	**-**	**(5,114)**	**1,561**
Other social housing activities				
Surplus on disposal of fixed assets	-	463	-	463
Other	-	-	(109)	(109)
	-	**463**	**(109)**	**354**
Non-social housing activities				
Income from partners	221	-	-	221
Tampon tax fund	519	-	(570)	(51)
	740	**-**	**(570)**	**170**
Total	**7,415**	**463**	**(5,793)**	**2,085**

4 PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM SOCIAL HOUSING LETTINGS

	General needs housing £'000	Other social housing £'000	2021 £'000	2020 £'000
Turnover				
Rent receivable net of identifiable service charges	5,405	66	5,471	5,587
Service charges	586	68	654	677
Amortisation of grant	344	9	353	411
	6,335	**143**	**6,478**	**6,675**
Operating costs				
Management costs	3,123	39	3,162	2,873
Service costs	503	58	561	587
Routine maintenance	544	6	550	345
Planned maintenance	455	2	457	126
Major repairs	99	-	99	45
Rent losses from bad debt	54	-	54	62
Housing property depreciation	961	5	966	1,076
	5,739	**110**	**5,849**	**5,114**
Operating surplus from social housing lettings	**596**	**33**	**629**	**1,561**
Void losses	9	-	9	9

5 ACCOMMODATION IN MANAGEMENT

The number of units of residential accommodation in management by the association is as follows:

	Freehold No.	Leasehold No.	2021 No.	2020 No.
Social Housing				
Owned & Managed				
General needs housing				
– Social rent	684	144	828	838
– Intermediate rent	24	-	24	24
Shared ownership	8	-	8	8
Supported Housing	23	-	23	23
Leaseholders	9	-	9	9
	748	**144**	**892**	**902**
Managed on behalf of others:				
General housing	-	2	2	2
Temporary social housing	-	1	1	16
Total units under management	**748**	**147**	**895**	**920**

In addition to the units above, the association also has rights and obligations for two units (2020: 11) that are currently managed by other London-based registered providers of social housing.

During the year the association sold 10 units of general needs accommodation to a London-based registered provider of social housing and handed back 15 units of temporary social housing to the London Borough of Newham, the owner of the units.

The association had no units under construction at 31 March 2021 (2020: nil)

6 KEY MANAGEMENT PERSONNEL

The remuneration paid to the directors (who for the purposes of this note include the members of the Board, committee members, the Chief Executive and any other person who is a member of the Senior Management Team) was as follows:

	2021 £'000	**2020** £'000
Emoluments	185	250
Pension contributions	22	17
Non-executive Board member emoluments	28	32
Interim Senior Management (payable to third party suppliers)	222	214
	457	**513**

The remuneration payable to the Chief Executive, who was also the highest paid director, was:

	2021 £'000	**2020** £'000
Emoluments	168	113
Pension contributions	-	7
	168	**120**

In accordance with the NHF code of governance, Promoting board excellence for housing associations (2015 edition), payment to non-executive board members is fully disclosed on a named basis:

	2021 £
Abdul Basith	2,500
Boe Williams	2,500
Bulbul Ali	3,500
David Maitland	3,500
Mark Gomar	3,500
Pat Davies	2,500
Qadeer Kiani	6,000
Rosemarie Clarke	1,250
Wayne Farah	2,500
	27,750

7 EMPLOYEES

For the purposes of this note, Employees includes executive members of the senior management team but excludes external contractors whose employment is with third parties and excludes non-executive board members. The previous Chief Executive was an external contractor.

Monthly average number of full-time equivalent employees (FTE = 35 hours per week)	**2021** £'000	**2020** £'000
Housing, asset management and administrative staff	20	21
Hostel staff	1	1
	21	**22**

Staff costs (for the above employees)	**2021** £'000	**2020** £'000
Wages and salaries	792	932
Social security costs	68	75
Pension costs	40	51
Life insurance	5	5
	905	**1,063**

The number of employees (as defined above) who received remuneration greater than £60,000:

	2021 £'000	**2020** £'000
£60,000 - £70,000	**2**	**3**

8 SURPLUS ON SALE OF FIXED ASSETS

	Sale of housing properties £'000	**Other fixed asset disposals** £'000	**Grant not previously recycled** £'000	**2021** £'000	**2020** £'000
Proceeds from sale	1,471	-	-	1,471	2,313
Cost of assets sold	(598)	(189)	-	(787)	(2,417)
Derecognise grant on sale	461	-	-	461	283
Transfer to recycled capital grant fund	-	-	(24)	(24)	-
	1,334	**(189)**	**(24)**	**1,121**	**179**

9 OPERATING SURPLUS

	2021 £'000	2020 £'000
The surplus for the year is stated after charging:		
Depreciation of housing properties	966	870
Other depreciation	859	561
Amortisation of grant	353	412
Operating lease payments	-	138
Auditor's remuneration:		
- for audit services	29	20
- for audit & accountancy services relating to prior year	83	-
- for other services	27	25
	139	**45**

10 INTEREST RECEIVABLE AND OTHER INCOME

	2021 £'000	2020 £'000
Interest from bank deposits	1	3
Interest from investments	-	1
	1	**4**

11 INTEREST AND FINANCING COSTS

	2021 £'000	2020 £'000
Interest from loans	1,049	1,288
Amortisation of fees	15	15
	1,064	**1,303**

12 PLANT, PROPERTY & EQUIPMENT – HOUSING PROPERTIES

	Housing properties held for letting £'000	Shared ownership housing properties £'000	Housing properties under construction £'000	Total £'000
Cost:				
As at 1 April 2020	87,422	749	-	88,171
Reclassification	658	4	-	662
Additions in the year	101	-	146	247
Disposals in the year	(2,582)	-	-	(2,582)
As at 31 March 2021	**85,599**	**753**	**146**	**86,498**
Depreciation:				
As at 1 April 2020	(13,848)	-	-	(13,848)
Reclassification	(662)	-	-	(662)
Charge in the year	(966)	-	-	(966)
Disposals in the year	1,956	-	-	1,956
As at 31 March 2021	**(13,520)**	**-**	**-**	**(13,520)**
Net book value:				
As at 31 March 2021	**72,079**	**753**	**146**	**72,978**
As at 1 April 2020	**73,574**	**749**	**-**	**74,323**

13 PLANT, PROPERTY & EQUIPMENT – OTHER FIXED ASSETS

	Scheme equipment	Office equipment	Computer software and hardware	Office buildings	Total
	£'000	£'000	£'000	£'000	£'000
Cost:					
As at 1 April 2020	785	466	2,068	3,028	6,347
Reclassification of opening position	(482)	(244)	(919)	1,645	-
Additions in the year	2	5	-	51	58
Reallocation of office project assets	-	156	-	(156)	-
Disposals in the year	(51)	(41)	(53)	(135)	(280)
As at 31 March 2021	**254**	**342**	**1,096**	**4,433**	**6,125**
Depreciation:					
As at 1 April 2020	(171)	(62)	(684)	(320)	(1,237)
Reclassification of opening position	(36)	18	5	13	-
Charge in the year	(24)	(39)	(221)	(575)	(859)
Reallocation of office project assets	-	(60)	-	60	-
Disposals in the year	51	40	52	-	143
As at 31 March 2021	**(180)**	**(103)**	**(848)**	**(822)**	**(1,953)**
Net book value:					
As at 31 March 2021	**74**	**239**	**248**	**3,611**	**4,172**
As at 1 April 2020	**614**	**404**	**1,384**	**2,708**	**5,110**

14 CASH AT BANK & IN HAND

	2021 £'000	2020 £'000
Cash at bank and in hand	2,550	3,063
	2,550	**3,063**

15 DEBTORS

	2021 (£'000)	2020 (£'000)
Due within one year:		
Rent and service charges receivable	411	353
Less: provision for bad and doubtful debts	(322)	(185)
	89	**168**
Trade debtors	47	-
Other debtors	515	536
Prepayments and accrued income	63	62
	714	**766**

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Note	2021 (£'000)	2020 (£'000)
Debt	20	1,245	1,325
Trade Creditors		144	-
Rent and service charges received in advance		401	244
Deferred grant income		378	340
Recycled capital grant fund		27	-
Taxation and social security		33	15
Accruals and deferred income		688	548
		2,916	**2,472**

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Note	2021 (£'000)	2020 (£'000)
Debt	20	26,182	29,444
Deferred grant income		30,499	31,348
Recycled capital grant fund		92	95
		56,773	**60,887**

18 DEFERRED GRANT INCOME

	Deferred Income £'000	Amortised £'000	2021 £'000	2020 £'000
As at 1 April 2020	43,713	(12,025)	31,688	32,505
Restatement of opening balance	(82)	85	3	(31)
Additions in the year	-	-	-	48
Disposals in the year	(2,415)	1,954	(461)	(354)
Disposals in prior years	(3,098)	3,098	-	-
Grant amortised in the year	-	(353)	(353)	(412)
Transfer to recycled capital grant fund	-	-	-	(68)
	38,118	**(7,241)**	**30,877**	**31,688**

	2021 (£'000)	2020 (£'000)
Amounts due to be released within one year	378	340
Amounts due to be released in more than one year	30,499	31,348
	30,877	**31,688**

19 RECYCLED CAPITAL GRANT FUND

	2021 (£'000)	2020 (£'000)
As at 1 April	95	27
Recycled from prior year disposals	24	-
Additions in the year	-	68
As at 31 March	**119**	**95**
Amount of grant due for repayment	nil	nil

20 DEBT ANALYSIS

	2021 (£'000)	2020 (£'000)
Due within one year:		
Bank loans	1,245	1,325
Due after more than one year:		
Bank loans	26,456	29,732
Less: issue costs	(274)	(288)
	27,427	**30,769**

At 31 March 2021 the association had undrawn loan facilities of £2m (2020: £2m)

Based on the lender's repayment dates, borrowings are repayable as follows:

	2021 (£'000)	2020 (£'000)
Within one year	1,245	1,325
One year or more but less than two years	1,254	1,245
Two years or more but less than five years	3,309	3,200
Five years or more	21,619	24,999
	27,427	**30,769**

Bank loans are secured by fixed charges on individual properties.

Interest rates vary from 2.25% per annum to 10% per annum.

21 SHARE CAPITAL

	2021 No.	2020 No.
Number of members:		
At the start of the year	10	12
Leaving during the year		(2)
At the end of the year	**10**	**10**

22 CAPITAL COMMITMENTS

The association had no capital commitments as at 31 March 2021 (2020: £nil)

23 RELATED PARTIES

There is one tenant board member, Abdul Basith. The tenancy is on normal commercial terms and the tenant is not able to use their position to their advantage. During the year, £5,926 (2020: £5,885) was charged in rent and service charges and at the end of the year £333 (2020: £346) was outstanding.

Disclosures in relation to key management personnel are included in note 6.

24 ANALYSIS OF CHANGES IN NET DEBT

	1 April 2020 £'000	**Cash flows** £'000	**Non-cash movement** £'000	**31 March 2021** £'000
Cash and cash equivalents	3,063	(513)	-	2,550
Debt due within one year	(1,325)	3,356	(3,276)	(1,245)
Debt due after more than one year	(29,732)	-	3,276	(26,456)
	(27,994)	**2,843**	**-**	**(25,151)**

	1 April 2019 £'000	**Cash flows** £'000	**Non-cash movement** £'000	**31 March 2020** £'000
Cash and cash equivalents	3,723	(660)	-	3,063
Debt due within one year	(1,398)	1,387	(1,314)	(1,325)
Debt due after more than one year	(30,747)	(299)	1,314	(29,732)
	(28,422)	**428**	**-**	**(27,994)**

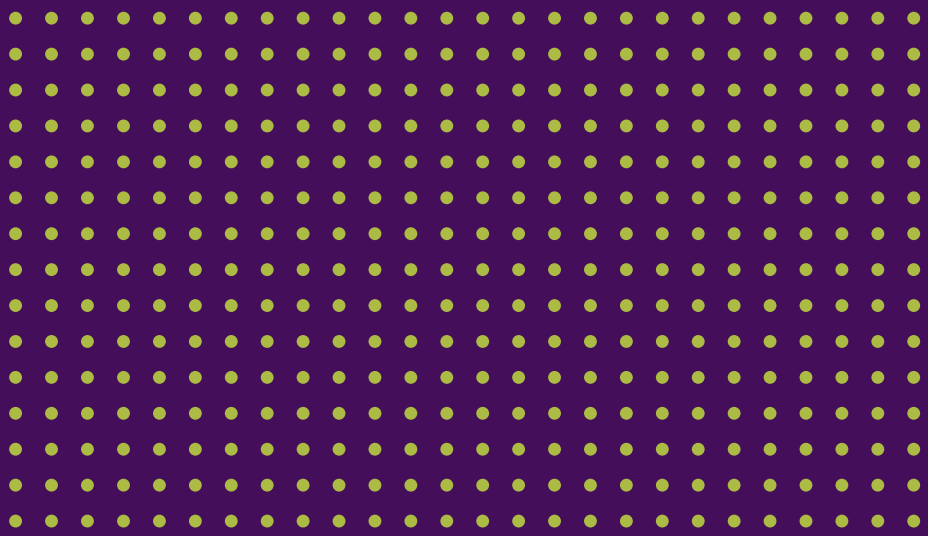
25 POST BALANCE SHEET EVENT

ARHAG has entered into a lease with a property developer for 21 units in Carpet Street, Botanical Mews on the Sugar House Island development in Stratford, East London.

All 21 units have been let to residents at Local Housing Allowance Rates.


arha
HOUSING ASSOCIATIO


THE
PEOPLE'S
PLACE
80-92
High Street
Stratford
E15 2NE
MRN
ramfel



arhag
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Monday to Friday
9am to 5pm

Out of hours:
0800 389 8699
or 020 7424 7370
(option 5).

Hostel enquiries:

020 8519 4156

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Visit our website:
www.ARHAG.co.uk