

Annual Report Choices Housing Association Limited

For the year ended 31 March 2019

Registration Number: L4178
Co-operative and Community Benefit Society Registration No: 26995R

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Board members, executive officers and advisors

Board of management: John Broadhead (appointed 14 May 2018, resigned 28 February 2019)
John Coyne (resigned 12 March 2018)
Chris Cullen (resigned 12 March 2018)
James Dickson
Julian Fletcher
Bob Floyd (resigned 12 March 2018)
Deborah Griffiths (appointed 14 May 2018)
Shirley Jones (resigned 12 March 2018)
Jane Moulder
Danielle Oum (appointed 14 May 2018, resigned 25 February 2019)
Helen Owen (resigned 12 March 2018)
Tony Taylor (resigned 12 March 2018)
James Wagstaffe (resigned 12 March 2018)
Paul Weston (appointed 14 May 2018)

Executive officers: Nigel Downs – Managing Director
Michelle Stirling – Director of Care
Catherine Rogerson – Company Secretary

Registered Office: 1A King Street
Newcastle-under-Lyme
Staffordshire
ST5 1EN

Auditors: Grant Thornton UK LLP
Chartered Accountants, Registered Auditors
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Solicitors: Trowers & Hamlins
Heron House
Albert Square
Manchester
M2 5HD

Bankers: Lloyds TSB Bank plc
Fountain Square
Hanley
Stoke-on-Trent
ST1 1LE

Registration No: L4178
Community Benefit Society Registration No. 26995R

Report of the board

Introduction

The board of Choices Housing Association Limited (“Choices” or “the Association”) presents its report and the audited financial statements for the year ended 31 March 2019.

As an organisation, Choices operates and manages its activities against a clearly defined mission statement, vision statement and a set of values to ensure that they reflect the aims and ambitions of the organisation going forward. Our mission statement, vision statement and values are defined as follows:

Mission Statement:

To consistently provide high quality, safe and accessible housing, care and support solutions that improve the quality of life of people who use our services.

Vision Statement:

Across its area of operation Choices will be regarded as the best and most sought-after specialist housing, care and support provider, recognised for the excellence of its services and contribution to the development of inclusive communities where people are valued as individuals. To be an employer of choice where employees feel valued and are developed to deliver services that constantly exceed expectations.

Our Values:

Excellence -

- We will strive for excellence in everything we do.

Personalised –

- We will put the people who use our services at the centre of everything we do and empower people whenever possible to take control of their own care and lives.

Performance -

- We will utilise and develop the knowledge, experience and skills of our employees to deliver services that exceed expectations.
- We will use appropriate measures to improve performance - driven by what matters to our customers.
- We will be honest about what we can and what we cannot achieve.
- We will maintain safe and healthy workplaces.
- We will be clear, honest and supportive of employees regarding their performance.

Innovation -

- We will improve services by encouraging new ideas, approaches and concepts.

Engagement -

- We will engage with customers, their families, employees, stakeholders and partner organisations regarding the development of services and the organisation as a whole and empower people to have a real and meaningful input. We will engage in a range of ways that are timely and informative.

Respect -

- We will value each customer and employee as an individual and seek to understand their aspirations, abilities and needs.
- We will be open, honest and accountable, communicating clearly with customers, employees, stakeholders and partner organisations in order to develop relationships based on mutual trust.
- We will support each other as colleagues to the furtherance of the organisation’s mission, vision and values.

Principal Activity and Business Review

The principal activity of Choices is the provision of housing, care, and support services for older people and individuals with learning and/or other disabilities. All services are delivered in the Staffordshire and Shropshire areas. At the end of the financial year the Association operates:

- 14 learning disability registered care homes (79 beds)
- 14 learning disability supported housing schemes (86 beds/apartments)
- 8 extra-care (Shireliving), schemes for older people (538 apartments)
- A dementia care unit (Limewood) (59 beds)

The overall result for the period to 31st March 2019 is a surplus position of £560,080 (2018: deficit of £203,763). This is a strong performance when compared to the budget for the year, which was set to deliver a break even position for the year. Within that overall result, all business stream areas out-performed against that budget and generated positive contributions towards central overheads. Central overhead costs were also well-controlled within their overall budget.

Our dementia care unit, Limewood, together with its associated Dementia Hub facility has made the most significant improvement making a positive contribution to overheads of £432,040 (2018: deficit of £339,598).

The continuing national issue around recruitment in the care sector has still had an impact on Choices, but this has been largely mitigated this year due to our improved recruitment processes, which were introduced last year and from which we have now seen the full year impact. The majority of our services have been operating at, or near, the optimum 95% staffing establishment target level, resulting in a dramatic reduction in our agency expenditure, which was the major contributory factor to our overall deficit financial position in prior years.

Our extra care business in partnership with The Wrekin Housing Group Limited under the 'Shireliving' brand has continued to perform strongly and made a positive contribution to overheads of £361,490 (2018: £119,471). The operation of the Shireliving schemes has also had a beneficial impact on our domiciliary care business 'Lifestyles' as Choices provides the majority of the care being delivered in these schemes. Lifestyles made a positive contribution to overheads of £290,679 (2018: £204,817).

Demand for our learning disability care beds has continued to diminish over the last 12 months with a greater emphasis on supported housing placements by local authority commissioners. However, our learning disability care homes still made a contribution to overheads of £564,183 (2018: £548,474). Together with the Wrekin Housing Group we are continuing to re-provide for our learning disability care homes with supported housing schemes and our review process will see the closure of care homes that are not financially or operationally viable. Our existing supported housing portfolio made a positive contribution to overheads of £331,649 (2018: £396,252).

Central overhead costs were £1,419,961 (2018: £1,539,962) which, when deducted from the contributions generated by the business streams above, gives rise to the surplus of £560,080 (2018: deficit £203,763).

Quality and Performance

At year end, all our care homes had achieved a 'good' judgement from the care regulator (The Care Quality Commission) with one care home gaining an 'outstanding' under one of the key lines of enquiry. The individual ratings for each care home, together with the full CQC reports, can be accessed via the organisation's website at www.choiceshousing.co.uk. This excellent level of performance has also been echoed by the judgements given by local authority commissioners. Our own internal quality and performance processes remain robust in ensuring high levels of compliance against the regulations and for ensuring high levels of quality. Our Quality and Compliance Managers work closely with the families of service users to ensure people's needs are being met and our consultative forums have been strengthened over the past year with further work planned for 2019/20 to ensure consultation and the 'tenants' voice' feeds into the continued development of our services.

Regular reports are submitted to the board in order to provide assurance that we are doing what we should be doing to the standard required by regulators, commissioners and the people who use our service. The measures used within these reports are to a large extent framed around the prevention of sub-optimal care and support.

Quality and Performance (continued)

Key points included in these reports are:

1. Compliance with Health and Social Care Act (2008) and Care Quality Commission (CQC) Regs (2014)
2. A summary of our current care quality ratings
3. A summary of our internal compliance assessments
4. Matters for attention of the board
5. Service user safety - serious injuries sustained by persons using the service
6. Safeguarding
7. Complaints, concerns and compliments

Safeguarding referral rates continue to show that staff groups understand safeguarding to its fullest and are able to manage and apply safeguards. There have been no indications by CQC or commissioners that we are in breach.

In the data period April 2018 to March 2019 we have responded to 95 complaints which have been categorised to assist with identifying themes. As at the end of March 2019 there was one open complaint. Our reputation with local authority commissioners and social workers remains very positive and the operation of the 'Dementia Hub' and outreach service from Limewood (our dementia care unit) continues to be well received with some noticeable accomplishments including H.M. Prison Drake Hall becoming the first public prison in the UK to gain dementia friendly status. Our outreach service in partnership with the Alzheimer's Society has resulted in our Dementia Outreach Manager now creating over 4,000 'Dementia Friends' over the past three years.

The introduction of new learner management system software by our training and development department has enhanced the experience of new and existing employees undergoing training with the organisation and the new software and accompanying processes have seen attendance levels on courses reach an average of 97%. Service managers are now able to schedule and reschedule employees on to courses directly in order to minimise impact on service delivery.

Governance

During 2018/19 the association, as part of the Wrekin Housing Group, has seen greater integration of our policies and processes together with a review of our governance structures across all group partners. The Association continues to work well within the group and we derive greater strength in terms of our ability to draw on the wider resources of the group.

Board Members

All board appointments are made based on a skills audit of board members in order to strengthen the range of skills and experience of the board. All board members are appraised by the chairman on an annual basis.

The board members and executive officers who served during the year and to the present date are set out on page 1.

Board Membership Indemnity

The Association has insurance policies in place which indemnify its board members and executive directors against liability when acting for the organisation.

Health and Safety

Our organisational health and safety processes remain robust and have benefited from greater partnership working with the group. Our Health and Safety Continuous Improvement Team (HSCIT) takes the lead on all health and safety matters across the organisation and has representation from all departments and staff forums. Work area specific focus groups feed into the HSCIT, e.g. the Safer Handling Focus Group, Management of Actual and Potential Aggression Focus Group etc. This continues to ensure robust monitoring and review of all key risk areas of the organisation's work.

Health and Safety (continued)

100% of all gas safety inspections were performed in the year and medication errors decreased in the last quarter of the year at 33 compared to 52 in quarter 3, 95 in quarter 2 and 78 in quarter 1. This shows that, overall, service users are receiving the right medication and treatment ensuring care and support is effective and safe. Performance compares favourably to the level of error reported across the sector by CQC, which equates to 1 error in every 8 administrations.

In 2018-19, 0.4% (9 out of 2,160) of incidents resulted in serious harm. This is below the national average as determined by the NRLS reporting data set (which shows that 1% of reported incidents result in severe harm). There have been no serious accidents and no improvement notices, prohibition notices or other requirements were served by local authority enforcement officers or the Health and Safety Executive. All establishments inspected by Environmental Health Officers received a 5-star rating.

Finance

The Association's financial performance in 2018/19 has resulted in a surplus of £560,080. The organisation has experienced issues relating to the recruitment and retention of nursing and care staff across the organisation but mainly at the Limewood dementia unit. The staffing situation had improved greatly by the beginning of the financial year and was sustained throughout the year.

Choices' financial circumstances remain unusual within the sector in that it has no borrowing. This means that it does not have to meet financial loan covenants or manage the risk of revisions to terms and conditions. Income derived from investments remains comparatively low, but cash deposits are prudently invested in accordance with a robust treasury management policy, supported by independent treasury advisors.

Value for Money

Choices is not required to publish its own regulatory value for money metrics as its data is included in the metrics published in the consolidated accounts of The Wrekin Housing Group Limited (CCBS: 8067) because from a regulatory perspective Choices remains part of that group for narrative reporting purposes.

Tangible Assets

Details of changes in fixed assets are given in notes 12, 13 and 14 of the financial statements.

Going Concern

Under the governance requirements, the board confirms that, after making enquires, they have a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which this report and the financial statements are signed. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Post Balance Sheet Event

As at 31 March 2019 the Association was a subsidiary company of The Wrekin Housing Group Limited (CCBS: 7701). On 01 April 2019 as part of a group restructure there was a transfer of investment to The Wrekin Housing Group Limited (CCBS: 8067). On this date the association became a subsidiary of The Wrekin Housing Group Limited (CCBS: 8067).

Financial Instruments

The association does not have any abnormal exposure to price, credit, liquidity and cash flow risks arising from its trading or investment activities.

Charitable Donations

During the year the association made no charitable donations.

Choices Housing Association Limited
Year ended 31 March 2019

Annual General Meeting

The annual general meeting will be held on 16th September 2019 at The Wrekin Housing Group, Colliers Way, Old Park, Telford TF3 4AW

The report of the board was approved by the board on 21st August 2019 and signed on its behalf by:



Catherine Rogerson
Company Secretary

Statement of responsibilities of the board

Statement of the responsibilities of the board for the report and financial statements

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

Co-operative and Community Benefit Society legislation requires the board to prepare financial statements for each financial year. Under the law the board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including FRS102 The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland. Under the Co-operative and Community Benefit Society legislation the board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the association for that period.

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

- select suitable accounting policies and apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers 2014, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Society Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing (April 2015). It is also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The statement of responsibilities of the board was approved by the board on 21 August 2019 and signed on its behalf by



James Dickson
Chair

Independent auditor's report to the members of Choices Housing Association Limited

Opinion

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

In our opinion, the financial statements:

- give a true and fair view of the state of the society's affairs as at 31 March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with regulations made under that Act. 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 society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The board is responsible for the other information. The other information comprises the information included in the Report of the board, set out on pages 2-6, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other

Independent auditor's report to the members of Choices Housing Association Limited (continued)

information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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 society has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Responsibilities of the board for the financial statements

As explained more fully in the Statement of Board's Responsibilities set out on page 7, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board is responsible for assessing the society'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 society 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.

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

Independent auditor's report to the members of Choices Housing Association Limited (continued)

Use of our report

This report is made solely to the society's members, as a body, in accordance with regulations made under 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 society'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 society and the society's members as a body, for our audit work, for this report, or for the opinions we have formed.

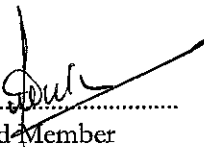
Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester
21 August 2019

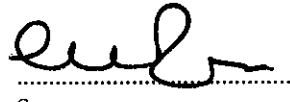
Statement of comprehensive income

	Note	2019 £	2018 £
Turnover	3	14,955,672	14,322,132
Operating costs	3	(14,388,111)	(14,993,003)
Surplus on the disposal of housing properties	5	-	471,122
Operating surplus / (deficit)	3,6	567,561	(199,749)
Interest receivable and similar income	7	4,993	2,082
Interest payable and similar charges	8	(12,474)	(6,096)
Surplus / (Deficit) before and after tax and total comprehensive income for the year	21	<u>560,080</u>	<u>(203,763)</u>

The financial statements were approved by the Board on 21st August 2019 and were signed on its behalf by:


 Board Member
 James Dickson


 Board Member
 Deborah Griffiths


 Secretary
 Catherine Rogerson

Statement of changes in reserves

	Share Capital	Income and expenditure reserve	Total
	£	£	£
Balance as at 1 April 2017	7	2,806,709	2,806,716
Total comprehensive income for the year	-	(203,763)	(203,763)
Balance at 31 March 2018	7	2,602,946	2,602,953
Total comprehensive income for the year	-	560,080	560,080
Balance at 31 March 2019	7	3,163,026	3,163,033

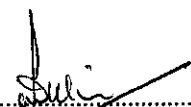
The accompanying notes form part of these financial statements.

Notes to the financial statements

Statement of financial position

	Note	2019 £	2018 £
Fixed assets			
Housing properties	12	2,288,358	2,282,190
Other fixed assets	14	<u>310,581</u>	<u>306,454</u>
Total fixed assets		<u>2,598,939</u>	<u>2,588,644</u>
Current assets			
Debtors	15	1,467,571	1,218,762
Stock		12,653	9,325
Cash at bank and short term deposits	16	<u>2,132,257</u>	<u>2,116,853</u>
		3,612,481	3,344,940
Creditors: amounts falling due within one year	17	<u>(1,663,789)</u>	<u>(1,929,592)</u>
Net current assets		<u>1,948,692</u>	<u>1,415,348</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	18	<u>(1,384,598)</u>	<u>(1,401,039)</u>
Net assets		<u>3,163,033</u>	<u>2,602,953</u>
Capital and reserves			
Called up share capital	20	7	7
Revenue reserves	21	<u>3,163,026</u>	<u>2,602,946</u>
Association's funds		<u>3,163,033</u>	<u>2,602,953</u>

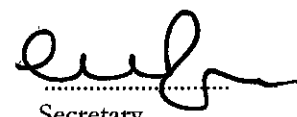
The financial statements were approved by the Board on 21st August 2019 and were signed on its behalf by:



 Board Member
 James Dickson



 Board Member
 Deborah Griffiths



 Secretary
 Catherine Rogerson

The accompanying notes form part of these financial statements.

Statement of cash flows

	Note	2019 £'000	2018 £'000
Net cash generated from operating activities	25	98,819	(486,672)
Cash flow from investing activities			
Purchase of tangible fixed assets		(82,312)	(49,008)
Proceeds from the sale of tangible fixed assets		-	471,122
Interest received		4,993	2,082
		<hr/>	<hr/>
		(77,319)	424,196
Cash flow from financing activities			
Interest paid		(6,096)	(7,271)
		<hr/>	<hr/>
		(6,096)	(7,271)
Net change in cash and cash equivalents		15,404	(69,747)
Cash and cash equivalents at beginning of year		2,116,853	2,186,600
		<hr/>	<hr/>
Cash and cash equivalents at end of year		2,132,257	2,116,853
		<hr/>	<hr/>

Notes to the financial statements

1. Legal status

The association is registered under the Cooperative and Community benefits Society Act 2014 and is a registered housing association. The registered address of the company is 1A King Street, Newcastle-Under-Lyme, Staffordshire, ST5 1EN.

2. Accounting policies

Basis of accounting

The financial statements are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102), the Housing SORP2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

The Association is a public benefit entity in accordance with FRS102.

The financial statements are presented in sterling (£)

Going concern

The Association's business activities, its current financial position and factors likely to affect its future development are set out in the report of the board. The association has sufficient working capital to finance its day to day operations. The association has medium term forecasts in place which show that it is able to fund its proposed activities.

The association made a surplus of £560,080 in the year to 31 March 2019 and made a deficit of £203,763 in the year to 31 March 2018. Taking account of this the board has a reasonable expectation that the association has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Brexit

The board has considered areas of risk that may arise as a result of a disorderly Brexit process. Choices has no borrowing, owns only a small number of properties, does not engage in development and construction activities and only makes very occasional disposals of property assets. Therefore, it is not likely to be directly affected by turmoil in financial markets or economic factors that have a negative impact on the valuation of properties (whether in respect of their ongoing use as social housing or in respect of market sale values). It is also not likely to be affected by issues in the construction sector regarding the pricing or availability of labour and materials.

The most significant risk to organisations, like Choices, operating in the care and support sector is likely to be with regard to the availability of nursing and care staff given that a significant proportion of people working in this sector are EU nationals who may choose to leave the UK as a result of the Brexit process. Choices has reviewed the composition of its work force and is confident that it has limited exposure in this area, particularly now that the measures taken with regard to the recruitment and retention of staff have achieved a high degree of success, reducing its reliance on agency staff significantly.

Significant management judgements

The following are the significant management judgements made in applying the accounting policies of Choices that have the most significant effect on the financial statements:

Notes to the financial statements (continued)

Supporting People

Management judgement is applied in determining the extent to which the risks and benefits are transferred to the association when considering the income to be recognised. £166,302 of supporting people income was recognised in the year (2018: £195,279).

Impairment

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared to its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised in the statement of comprehensive income.

Estimation Uncertainty

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

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components. Accumulated depreciation at 31 March 2019 was £2.667m (2018: £2.595m.)

Turnover

Turnover represents rents and revenue grants receivable and amounts invoiced in respect of the provision of services and other income.

Rental income is recognised from the point when the properties under development reach practical completion or otherwise become available for letting. Revenue grants are receivable when the conditions for the receipt of agreed grant funding have been met. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with administering authorities.

Housing properties

Housing properties are principally properties for rent and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs and expenditure incurred in respect of improvements. Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

Notes to the financial statements (continued)

Depreciation of housing properties

The Association separately identifies the major components which comprise its housing properties and charges depreciation so as to write down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.

The structural components of the Association's housing properties are depreciated over 100 years. Freehold land is not depreciated.

The Association depreciates the other major components of its housing properties using the following depreciable lives:

Roof	70 years
Boiler	15 years
Mechanical systems	30 years
Kitchens	20 years
Bathrooms	30 years
Windows and doors	30 years
Electrics	40 years

Government grants

Government grants include grants receivable from Homes England, local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure under the accruals model. Grant is allocated to the land and structure components of the associated asset in proportion to their cost. Grant due from Homes England or received in advance is included as a current asset or liability.

Grant released on the sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.

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

Other grants

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

Pension costs

The Association operates a defined contribution pension scheme. Contributions payable to the Association's pension scheme are charged to the statement of comprehensive income as they become payable in accordance with the rules of the scheme.

Value added tax

The Association's main income streams are exempt for VAT purposes. The majority of expenditure is subject to VAT, which the Association is unable to reclaim. This expenditure is therefore shown inclusive of VAT. VAT can be reclaimed under the partial exemption method for certain activities, and this is credited to the income and expenditure account.

Notes to the financial statements (continued)

Other tangible fixed assets

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

Freehold property	1%
Leasehold property	10%
Office Fixtures and fittings	10-25%
Motor vehicles	20%
Scheme fixtures	33%

Corporation tax

The Association has been granted charitable status by HMRC and as such is not liable for corporation tax on its charitable activities.

Operating leases

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

Stock

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Financial Instruments

All financial instruments have been classified as basic financial instruments. Basic financial instruments are recognised at amortised historical cost.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Notes to the financial statements (continued)

3. Turnover, operating costs and operating surplus / (deficit)

	2019 Turnover £	2019 Operating costs £	2019 Operating surplus £
Income and expenditure from social housing lettings			
Supported Housing	8,470,421	(4,453,337)	4,017,084
Other Income and Expenditure			
Lifestyles	2,346,605	(2,341,795)	4,810
Care activities	3,949,444	(7,591,919)	(3,642,475)
Other business activities	189,202	(1,060)	188,142
	<u>14,955,672</u>	<u>(14,388,111)</u>	<u>567,561</u>
	2018 Turnover £	2018 Operating costs £	2018 Operating deficit £
Income and expenditure from social housing lettings			
Supported Housing	7,930,170	(5,263,150)	2,667,020
Other Income and Expenditure			
Lifestyles	2,099,013	(2,201,354)	(102,341)
Care activities	4,051,472	(7,527,448)	(3,475,976)
Other business activities	241,477	(1,051)	240,426
	<u>14,322,132</u>	<u>(14,993,003)</u>	<u>(670,871)</u>

Notes to the financial statements (continued)

4. Income and expenditure from lettings – Supported Housing

	2019 £	2018 £
Income from lettings		
Supporting people	166,302	195,279
Rents receivable	5,569,230	5,232,176
Service charges	2,734,889	2,502,715
	<u>8,470,421</u>	<u>7,930,170</u>
Total income from lettings		
Expenditure		
Supporting people	757,044	1,493,390
Services	2,479,773	2,541,117
Management	940,436	925,193
Routine maintenance	276,084	303,450
	<u>4,453,337</u>	<u>5,263,150</u>
Total expenditure on lettings		
	<u>4,017,084</u>	<u>2,667,020</u>
Operating surplus from lettings		
	<u>436,329</u>	<u>380,944</u>
Rent losses from voids		

5. Surplus on disposal of housing properties

	2019 £	2018 £
Disposal proceeds	-	477,218
Grant released on disposal	-	344,116
Carrying value of housing property	-	(350,212)
	<u>-</u>	<u>471,122</u>

Notes to the financial statements (continued)

6. Operating surplus/(deficit)

The operating surplus/(deficit) is arrived after charging:

	2019 £	2018 £
Depreciation of housing properties	30,382	29,135
Depreciation of other tangible owned fixed assets	41,635	72,839
Auditors' remuneration (excluding VAT):		
In their capacity as auditors	18,600	18,030
Operating lease charges	<u>606,658</u>	<u>585,704</u>

7. Interest receivable and similar income

	2019 £	2018 £
Interest received from temporary investments with banks and building societies	<u>4,993</u>	<u>2,082</u>

8. Interest payable and similar charges

	2019 £	2018 £
Bank charges	<u>12,474</u>	<u>6,096</u>

9. Taxation

No taxation charge arises on charitable activities (2018: £nil) as the Association has been granted charitable status by HMRC.

Notes to the financial statements (continued)

10. Staff costs

	2019	2018
	£	£
Staff costs including directors:		
Wages and salaries	9,918,938	9,305,144
Social security costs	694,063	647,723
Other pension costs	209,832	182,637
	<u>10,822,833</u>	<u>10,135,504</u>

	2019	2018
	No.	No.
Average number of full time equivalent persons employed during the year:		
Management	2	3
Administration	28	24
Care	411	418
	<u>441</u>	<u>445</u>

11. Key management personnel, board members and executive directors

Expenses paid during the period to Board Members amounted to £1,331 (2018: £4,861).

The total cost of key management personnel to the business (including benefits in kind and pension contributions) paid to or receivable by the board members and executive officers of Choices during the year was £98,643 (2018: £114,772).

	2019	2018
	£	£
Executive directors		
Basic salary	68,291	66,996
Pension and social security contributions	17,359	16,936
	<u>85,650</u>	<u>83,932</u>
Board members		
Total	<u>12,993</u>	<u>30,840</u>

The emoluments of the highest paid director, the Managing Director, were £68,291 excluding pension contributions (2018: £66,996). There were no other members of staff who earned in excess of £60,000 in either the current or prior year.

Notes to the financial statements (continued)

12. Tangible fixed assets - freehold housing properties

	Social Housing properties held for letting £	Total Housing Properties £
Cost		
At 1 April 2018	2,630,777	2,630,777
Additions – Component replacement	36,550	36,550
At 31 March 2019	<u>2,667,327</u>	<u>2,667,327</u>
Depreciation		
At 1 April 2018	348,587	348,587
Charged in the year	30,382	30,382
At 31 March 2019	<u>378,969</u>	<u>378,969</u>
Net book value		
At 31 March 2018	<u>2,282,190</u>	<u>2,282,190</u>
At 31 March 2019	<u>2,288,358</u>	<u>2,288,358</u>
Expenditure on works to existing properties	2019	2018
	£	£
Amounts capitalised – component replacement	36,550	-
Amounts charged to statement of comprehensive income	-	-
Total	<u>36,550</u>	<u>-</u>
	2019	2018
	£	£
Total accumulated SHG receivable at 31 March :		
Recognised in the statement of comprehensive income	630,889	614,448
Held as deferred grant income (note 18)	1,401,039	1,417,480
	<u>2,031,928</u>	<u>2,031,928</u>

Impairment

The association considers individual schemes to be separate Cash Generating Units (CGUs) when assessing for impairment, in accordance with the requirements of Financial Reporting Standard 102 and SORP 2014. No impairment charge has been made this year.

Notes to the financial statements (continued)

13. Housing stock

		Number of units in management	
		2019	2018
Social Housing			
Housing for letting	Care homes	101	101
	Supported housing	19	19
Managed for other organisations	Care homes	37	46
	Supported housing	605	609
		<u>762</u>	<u>775</u>

14. Tangible fixed assets - other

	Office premises & other buildings £	Office fixtures & fittings £	Scheme fixtures £	Total £
Cost				
At 1 April 2018	490,691	480,075	1,582,105	2,552,871
Additions	-	-	45,762	45,762
At 31 March 2019	<u>490,691</u>	<u>480,075</u>	<u>1,627,867</u>	<u>2,598,633</u>
Depreciation				
At 1 April 2018	258,984	460,147	1,527,286	2,246,417
Charge for year	5,383	4,493	31,759	41,635
At 31 March 2019	<u>264,367</u>	<u>464,640</u>	<u>1,559,045</u>	<u>2,288,052</u>
Net book value				
At 31 March 2018	<u>231,707</u>	<u>19,928</u>	<u>54,819</u>	<u>306,454</u>
At 31 March 2019	<u>226,324</u>	<u>15,435</u>	<u>68,822</u>	<u>310,581</u>

Notes to the financial statements (continued)

15. Debtors

	2019	2018
	£	£
Amounts falling due in less than one year		
Rental debtors	997,102	689,851
Less: Provision for doubtful debts	<u>-</u>	<u>-</u>
Net rental debtors	997,102	689,851
Other debtors	163,604	461,520
Amounts owed by group undertakings	214,665	-
Prepayments and accrued income	<u>92,200</u>	<u>67,391</u>
	<u>1,467,571</u>	<u>1,218,762</u>

There are no special payment terms, interest or security arrangements in place with regard to amounts owed by other group undertakings.

16. Cash at bank and in hand

	2019	2018
	£	£
Money market deposit	1,035,768	1,030,871
Bank accounts	1,084,746	1,075,415
Petty cash	<u>11,743</u>	<u>10,567</u>
	<u>2,132,257</u>	<u>2,116,853</u>

17. Creditors amounts falling due within one year

	2019	2018
	£	£
Other taxation and social security payable	171,820	149,661
Pension	-	21,404
Trade creditors	428,634	324,484
Deferred grant income (note 19)	16,441	16,441
Amounts owed to group undertakings	825,847	900,556
Other creditors	1,064	3,162
Accruals and deferred income	219,983	513,884
	<u>1,663,789</u>	<u>1,929,592</u>

There are no special payments terms, interest or security arrangements with regard to amounts owed to other group undertakings.

Notes to the financial statements (continued)

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

	2019 £	2018 £
Deferred grant income (note 19)	<u>1,384,598</u>	<u>1,401,039</u>

19. Deferred grant income

	2019 £	2018 £
At 1 April	1,417,480	1,778,037
Released to income in the year	<u>(16,441)</u>	<u>(360,557)</u>
	<u>1,401,039</u>	<u>1,417,480</u>
Amounts to be released in one year	16,441	16,441
Amounts to be released in more than one year	<u>1,384,598</u>	<u>1,401,039</u>
	<u>1,401,039</u>	<u>1,417,480</u>

20. Called up share capital

	2019 £	2018 £
Allotted, issued and fully paid:	<u>7</u>	<u>7</u>

21. Revenue reserves

Revenue reserves include all retained surpluses and deficits in relation to current and prior periods.

22. Pension obligations

The Association operates a defined contribution scheme. The assets of the scheme are held separately from those of the Association in an independently administered fund. The pension charge represents contributions payable by the Association to the fund and amounted to £209,832 (2018: £182,637).

The association is an admitted body of the Staffordshire County Council Pension Scheme following the TUPE transfer of two staff at the Limewood Dementia Care Home.

23. Capital commitments

There were no capital commitments at 31 March 2019 or 31 March 2018.

Notes to the financial statements (continued)

24. Other financial commitments

The future minimum operating lease payments which the organisation is committed to make are as follows:

	2019 Land and Buildings £	2019 Other £	2018 Land and Buildings £	2018 Other £
Within one year	-	79,584	-	68,540

In addition to the leases disclosed above, there is also a lease of Limewood Dementia Unit from The Wrekin Housing Group Limited. The lease has 26 years to run (2018: 27 years). The lease cost per annum is £489,782.

25. Cash flow from operating activities

	2019 £'000	2018 £'000
Surplus for the year	560,080	(203,763)
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	72,017	82,471
(Increase)/decrease in stock	(3,328)	5,120
Decrease in properties held for sale	-	184,862
Increase in debtors	(248,809)	(32,509)
Decrease in creditors	(288,622)	(240,598)
Adjustments for investing and financing activities:		
Net (gain)/loss on the sale of tangible fixed assets	-	(286,269)
Interest payable	12,474	6,096
Interest receivable	(4,993)	(2,082)
Net cash generated from operating activities	98,819	(486,672)

26. Financial assets and liabilities

Categories of financial assets and liabilities

Group	2019 £'000	2018 £'000
Financial assets that are debt instruments measured at amortised cost	3,507,628	3,268,224
Financial liabilities measured at amortised cost	(1,475,528)	(1,742,086)
	<u>2,032,100</u>	<u>1,526,138</u>

Financial assets that are debt instruments measured at amortised cost comprise rental debtors, other debtors, amounts owed by group undertakings, money market deposits and cash at bank.

Financial liabilities measured at amortised cost comprise trade creditors, accruals, other creditors and amounts owed to group undertakings.

Notes to the financial statements (continued)

27. Related parties

During the year the company recharged amounts to other group undertakings as follows:

Entity	Cost	2019 £	2018 £
The Wrekin Housing Group Limited (formerly The Wrekin Housing Trust Limited)	Recharge of staff and operating costs	5,250	6,376

All costs are recharged on an actual cost basis.

During the year the following services were supplied by the company to other group undertakings:

Entity	Service	2019 £	2018 £
The Wrekin Housing Group Limited (formerly The Wrekin Housing Trust Limited)	Management Fees	2,569,110	2,331,288

During the year the company was recharged amounts by other group undertakings as follows

Entity	Cost	2019 £	2018 £
The Wrekin Housing Group Limited (formerly The Wrekin Housing Trust Limited)	Recharge of staff and operating costs	596,472	579,273

All costs are recharged on an actual cost basis.

During the year the following services were supplied to the company by other group undertakings:

Entity	Cost	2019 £	2018 £
The Wrekin Housing Group Limited (formerly The Wrekin Housing Trust Limited)	Property Leases	489,782	544,782
Old Park Services Limited	Repair Services	440	23,858
	Energy Supplies	25,384	1,868

There are no other related party transactions to disclose that have not been disclosed elsewhere in these financial statements. Please see note 11 for details of executive and board remuneration.

Notes to the financial statements (continued)

28. Ultimate parent undertaking

As at 31 March 2019, the Association's ultimate parent company was The Wrekin Housing Group Limited (registration number 7701, the Legacy Parent Company) a Co-operative and Community Benefit Society registered with the Financial Conduct Authority.

On 1 April 2019 a transfer of investment took place from the Legacy Parent Company, The Wrekin Housing Group Limited (CCBS 7701) to the The Wrekin Housing Trust Limited, and the investment in Choices Housing Association was transferred as part of this.

On 26 April 2019 the Legacy Parent Company was deregistered and on that same date The Wrekin Housing Trust Limited changed its name to The Wrekin Housing Group Limited (formerly The Wrekin Housing Trust Limited) (registration number 8067) also a Co-operative and Community Benefit Society registered with the Financial Conduct Authority.

Due to the restructure of the group as detailed above, no consolidated financial statements have been produced for the Legacy Parent Company for the year to 31 March 2019 and as such Choices Housing Association is not included in any consolidated accounts.

