

## Annual Return (AR30) form

Society Name: Church of England Soldiers' Sailors' and Airmen's Housing Association Limited

Society Num: 21222 R

An Annual Return must be completed by all societies registered under the Co-operative and Community Benefit Societies Act 2014 ('the Act') (including any societies previously registered under the Industrial and Provident Societies Act 1965). The Annual Return must include:

- this form;
- a set of the society's accounts; and
- where required, an audit report or report on the accounts.

A society must submit the Annual Return within 7 months of the end of the society's financial year. Failure to submit on time is a prosecutable offence.

Please note that this form, including any details provided on the form, will be made available to the public through the Mutuels Public Register.

For guidance on our registration function for societies, which includes guidance on the requirement to submit an Annual Return, please see [here](#)

### 2.1 What date did the financial year covered by these accounts end?

31/12/2019

### 3.1 Please provide the names of the people who were directors of the society during the financial year this return covers.

Some societies use the term 'committee member' or 'trustee' instead of 'director'. For ease of reference, we use 'director' throughout this form.

Name of Director	Month of Birth	Year of Birth
Alan Rymer	Apr	1958
David Hamilton-Rump	Apr	1943
Charles Ackroyd	May	1954
Stephen Carter	Jul	1949
Andrew Cobb	Nov	1953
Anthony Mizen	Mar	1946
Amanda Rodgers	Jan	1953
Simon Snowball	Aug	1960

Jeremy Simpson	Jun	1943
Ian Currie	Mar	1948
David Foster	Apr	1965

**3.2 All directors must be 16 or older. Please confirm this is this case:**

☒ All directors are aged 16 or over

**3.3 Societies are within the scope of the Company Director Disqualification Act 1986 (CDDA). Please confirm that no director is disqualified under that Act:**

☒ No director is disqualified

**3.4 Please state any close links which any of the directors has with any society, company or authority.**

'Close links' includes any directorships or senior positions held by directors of the society in other organisations.

Mr Cobb is a Director of Two Saints HA & a Trustee of Tadley District Citizens Advice Bureau. Mr Mizen is a Director of Muircroft HA.

**3.5 Please provide the name of the person who was secretary at the end of the financial year this return covers.**

Societies must have a secretary

Name of Secretary	Month of Birth	Year of Birth
Patrick Keefe	Mar	1959

**4.1 Please confirm that:**

☒ accounts are being submitted with this form

☒ the accounts comply with relevant statutory and accounting requirements

☒ the accounts are signed by two members and the secretary (3 signatures in total)

**4.2 Based on the accounts, please provide the information requested below for the financial year covered by this return.**

Number of members	24
Turnover	1135172

<b>Assets</b>	<input type="text" value="1999588"/>
<b>Number of Employees</b>	<input type="text" value="14"/>
<b>Share Capital</b>	<input type="text" value="24"/>
<b>Highest rate of interest paid on shares</b>	<input type="text" value="0"/>

#### 4.3 What Standard Industrial Classification code best describes the society's main business?

Where more than one code applies, please select the code that you feel best describes the society's main business activity. You will find a full list of codes [here](#)

<b>SIC Code</b>	<b>Renting and operating of Housing Association real estate (68201)</b>	<b>*</b>
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Societies are required to appoint an auditor to audited unless they are small or have disapplied this requirement. For further guidance see chapter 7 of our guidance:

<https://www.fca.org.uk/publication/finalised-guidance/fg15-12.pdf>

#### 5.1 Please select the audit option the society has complied with:

- ☒ Full Professional Audit
- ☐ Auditor's report on the accounts
- ☐ Lay Audit
- ☐ No audit

#### 5.2 Please confirm the audit option used by the society is compliant with the society's own rules and the Act

- ☒ We have complied with the audit requirements

#### 5.3 Please confirm any audit report (where required) is being submitted with this Annual Return

- ☒ Yes
- ☐ Not applicable

#### 5.4 Is this society accepted by HM Revenue and Customs (HMRC) as a charity for tax purposes?

- ☒ Yes
- ☐ No

**5.5 If the society is registered with the Office of the Scottish Charity Regulator (OSCR) please provide your OSCR registration number.**

- ☐ Registered
- ☒ Not applicable

**5.6 Is the society a housing association?**

- ☐ No
- ☒ Yes

**5.7 Please confirm which housing regulator you are registered with, and provide the registration number they have given you:**

- ☒ Homes and Communities Agency
- ☐ Scottish Housing Regulator
- ☐ The Welsh Ministers

Homes and Communities  
Registration Number

L0104

**6.1 Is the society a subsidiary of another society?**

- ☐ Yes
- ☒ No

**6.2 Does the society have one or more subsidiaries?**

(As defined in sections 100 and 101 of the Act)

- ☐ Yes
- ☒ No

All societies are registered meeting one of two conditions for registration. These are that the society is either:

- a bona fide co-operative society ('co-operative society'); or
- are conducting business for the benefit of the community ('community benefit society').

You must answer the questions set out in in the next section of this form, depending on which condition for registration you meet.

If you are not sure which condition for registration applies to the society please see chapters 4 and 5 of our guidance [here](#).

## 7.1 Condition for Registration

- ☐ Co-operative society
- ☒ Community Benefits society

Community benefit societies must answer the following questions in relation to the financial year covered by this return.

### 7B.1 What is the business of the society?

For example, did you provide social housing, run an amateur sports club etc.

Provided sheltered social housing.

### 7B.2 Please describe the benefits to the community the society delivered?

Here we are looking to see what the benefits to the community were. Community can be said to be the community at large. For example, did you relieve poverty or homelessness through the provision of social housing.

Relieved poverty and homelessness through the provision of social housing.

### 7B.3 Please describe how the society's business delivered these benefits?

The business of the society must be conducted for the benefit of the community. Please describe how the society's business (as described in answer to question 7B.1) provided benefit to the community.

Rents remain on average 14% below the Formula Rent allowed by the Government. Each scheme has a manager, 30% of whose time is funded by the Association to facilitate support for tenants, including social activities. Each scheme is provided with a Careline service, controlled access, lifts, communal lounge with kitchen, guest room, hearing induction loop, laundry facilities, garden, salon for visiting hairdresser/other practitioner, age-appropriate communal computer with wifi, and charging/storage facilities for mobility scooters. A minibus is provided, especially for the schemes further from local facilities. The organisation was assessed to be a 'Good Provider' by erosh in 2019.

### 7B.4 Did the society work with a specific community, and if so, please describe it here?

For instance, were the society's activities confined to a specific location; or to a specific group of people? Please note that in serving the needs of any defined community, the society should not inhibit the benefit to the community at large.

The Association principally offers flats for ex Armed Forces personnel or their immediate families over the age of 60. Sheltered housing benefits the tenants by reducing loneliness and improving their health, which is beneficial for the whole community by reducing the requirements for the NHS etc as well as freeing up general needs properties for younger families.

### **7B.5 What did the society do with any surplus or profit?**

For instance, did you pay a dividend to members (and if so, on what basis); did money get reinvested in the business; put into reserves; used for some other purpose?

As a charitable Association, any surplus is reinvested in the buildings or services, whether immediately or through accumulating the reserves required for major projects. For example, in 2019 a 2-year remodelling project started at the last scheme with bedsits, which cost about £240k that year with the balance of the £500k in 2020. £56k was spent on improvements at another scheme, £37k on new boilers at a third, and £22k on LED lighting at a fourth.

### **7B.6 Please state any significant commercial arrangements that the society has, or had, with any other organisation that could create, or be perceived as creating, a conflict of interest.**

Please tell us how you ensured that any such conflict of interest did not prevent the society from acting for the benefit of the community.

The Association does not have any significant commercial arrangement with another organisation, but does reduce its costs by sharing its office and some staff with a charity. There are no un-managed conflicts of loyalty or interest.

Financial Conduct Authority registration number 21222R  
Registered Provider number L0104

**CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S  
HOUSING ASSOCIATION LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

## INFORMATION

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<b>Directors</b>	Rear Admiral A R Rymer (Chairman) Colonel C E H Ackroyd TD RD DL Mr A J Cobb Air Commodore D J Hamilton-Rump RAF Commander A E Mizen RN Mrs A C Rodgers FCA Commander J F J Simpson RN Commander S J Snowball RN Mr I Currie FCA Mr D Foster FCA	(Appointed 30 April 2019) (Appointed 30 April 2019) (Appointed 20 November 2019) (Appointed 20 November 2019)
<b>Secretary</b>	Commander P C Keefe RN	
<b>FCA registration number</b>	21222R	
<b>Registered Provider number</b>	L0104	
<b>Registered office</b>	1 Shakespeare Terrace 126 High Street Portsmouth Hampshire PO1 2RH	
<b>Auditors</b>	Jones Avens Limited Piper House 4 Dukes Court Bognor Road Chichester West Sussex PO19 8FX	
<b>Bankers</b>	Lloyds Bank Plc 38 London Road North End Portsmouth Hampshire PO2 0LR	
<b>Solicitors</b>	Blake Morgan LLP Harbour Court Compass Road North Harbour Portsmouth Hampshire PO6 4ST	

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# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

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# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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The directors of CESSA Housing Association Limited (hereinafter referred to as CESSA HA or the association) present the strategic report and financial statements for the year ended 31 December 2019.

### **Fair review of the business**

The key financial results for the year are set out on pages 13 & 14. CESSA HA continues to perform well and is on track in accordance with its business plan. The Association continues to deliver value for money to tenants and received a "Good Provider" assessment (with "Outstanding" elements) following a comprehensive "erosh" review in 2019. It was fully expected that the surplus would be reduced from last year due to the planned expenditure on the remodelling project at Dhekelia Court. This work started in May 19 and will continue until summer 20. The fact that there is still a significant surplus of £94k is primarily due to 2 other factors. £47k is due to the surge in the value of the investment portfolio, after the dip in the last quarter of 2018. £75k, however, is due to 2019 being the first year the association is able, and required, to account for its share in the multiple-employer Social Housing Pension Scheme (SHPS).

### **Other information and explanations**

The association and its sister charity, CofE Soldiers', Sailors' & Airmen's Clubs (CESSAC) share a Head Office and staff, each contributing the appropriate proportion of employee and other expenses. It is for this reason that such costs shown in the association's accounts are low. A significant portion of these result from CESSAC's agreement with Greenwich Hospital to manage the latter's three sheltered housing schemes, which contain a further 91 flats. This fine example of collaborative working provides Greenwich Hospital with appropriately qualified & sympathetic housing management at reduced costs, as well as benefitting all parties including the pensioner tenants. The relationship between the association and CESSAC was thoroughly reviewed in 2019 and its symbiotic nature found to provide compelling evidence for its continuance.

### **Principal Risks and Uncertainties**

Uncertainty and delay in the development of government housing policy was the biggest issue in this category in 2019. The issue for 2020 will be what the new Government decides to do, since there was little detail in its manifesto. However the government has already announced that basic rents should increase again from 1 April 2020 at CPI plus 1%. One cost outside the association's direct control is the level of deficit recovery payments to the SHPS Defined Benefit scheme, largely for historic pension entitlements. These payments are driven by the inter-action between the fund's performance and changing calculations as assessed triennially. The association has chosen not to cease offering this scheme since it has calculated the penalty for doing so outweighs the likely risk of increasing its exposure. This is because no staff have opted for it in nearly a decade because of the high level of individual contributions and the lack of control over increases. It is for this reason that the majority of staff are now enrolled in the Defined Contribution scheme instead, minimising the association's exposure to cost increases in the long term. The latter is supported by the result of the change in accounting for SHPS in 2019. Apart from those, the most significant risk is assessed to be the loss of CESSAC's contract with Greenwich Hospital, because the efficiency of shared overheads would be lost and unit costs would therefore increase. This is mitigated by continually demonstrating that an excellent service is being provided. This was externally verified in 2015 (and 2019) and led to a new five-year agreement with Greenwich Hospital from January 2016. The association holds a portion of its cash reserves not required for immediate use in Listed Investments of medium to low risk with Charles Stanley as discretionary manager. Despite the cautious approach these still represent a higher level of risk than bank deposits, but have the potential to give a rate of return above inflation in the medium to long term, something which deposit accounts are not currently offering. Performance is reviewed at every meeting. Risk is also mitigated by spreading money between several FSCS-eligible institutions. At the time of writing, the long-term effects of the Coronavirus COVID-19 pandemic for the association are not clear. However, this has already created a significant downturn in the value of investments, but it is hoped these will recover. Nevertheless, the extent of other potential effects will only become known over time.

### **Development and Performance**

The association priority is the sustainability of its current schemes and to this end it has spent over £4.3m on remodelling and upgrading since 2005 and is undertaking its final such project with existing stock. Applications remain buoyant and void rates very low, so development should be considered once remodelling is complete.

# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

## STRATEGIC REPORT (CONTINUED)

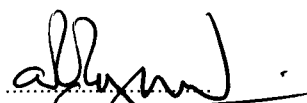
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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### Strategic Objectives

Our short term objective for 2019/20 is to complete remodelling at the last scheme with a majority of studio flats (Dhekelia Court). Our medium term objective is to improve the service and VfM offered to all beneficiaries. Our long term objective (5 years) is to identify demand and opportunities to expand our provision. Note: the association's focus is to provide sheltered housing for ex-Services personnel and their dependants in suitably-sized schemes that support the provision of a Scheme Manager. Like for many housing associations of similar scale there are practical reasons for focussing on a specific geographic area within sensible reach of the Head Office. Sheltered accommodation implicitly meets the needs of older people, who have an increased risk of health and mobility issues. The association's schemes foster a sense of community to combat loneliness and are dementia-friendly. There has also been a programme of improving the ratio of double to single flats, to reflect increased longevity and its effect on the number of couples seeking accommodation, as well as providing some flats suitable for wheelchair users.

On behalf of the board



Rear Admiral A R Rymer (Chairman)

Director

8 April 2020

# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

## DIRECTORS' REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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The directors present their annual report and financial statements for the year ended 31 December 2019.

### Principal activities

The association is a Private Registered Provider of Social Housing and a charitable housing association for elderly ex-Service personnel and their families. Owning fewer than 1,000 properties, it is defined as 'small' by the Regulator of Social Housing. Its principal activities are the rental and management of 194 sheltered flats (reduced by 2 since 2018 as 2 pairs of bedsits have been remodelled into 2 double-flats) situated in 5 locations in Portsmouth, Southsea, Gosport & Fareham.

### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Rear Admiral A R Rymer (Chairman)	
Colonel C E H Ackroyd TD RD DL	
Commander S F Carter RN	(Resigned 5 March 2019)
Mr A J Cobb	
Air Commodore D J Hamilton-Rump RAF	
Commander A E Mizen RN	
Mrs A C Rodgers FCA	
Commander J F J Simpson RN	(Appointed 30 April 2019)
Commander S J Snowball RN	(Appointed 30 April 2019)
Mr I Currie FCA	(Appointed 20 November 2019)
Mr D Foster FCA	(Appointed 20 November 2019)

All directors except Mrs Rodgers (co-opted) hold one share in the association.

### Results

The results for the year are set out on page 13.

### Directors' insurance

The association maintains insurance policies on behalf of all the directors against liability arising from negligence, breach of duty and breach of trust in relation to the association.

### Auditor

A quinquennial review of the auditor was conducted by the directors in 2018 and a resolution proposing that Jones Avens Limited be reappointed as auditor of the association will be put to the Annual General Meeting.

### Code of governance

The association has adopted and complied with the National Housing Federation's (NHF) 2015 Code of Governance.

### Board's annual review of internal control

Board members routinely undertake internal audit activity and monitor the result of staff's compliance checks. Specific risks are scheduled for review at each meeting so that every risk identified is covered at least once a year and any mitigation required is instigated. Stress testing has been undertaken against a combination of identified risks, but for a small sheltered housing association without mortgages and no plans to expand, there are few existential short-term threats not covered by insurance. Longer terms threats included in the stress testing also are: unsustainable price inflation/wage growth or a drying up of the existing pool of applicants. The former would not be unique to the organisation (and would affect it later) and the latter could be addressed by extending the eligibility criteria. The potential effect of the UK's future relationship with the EU is being kept under review.

# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the association's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the association's auditor is aware of that information.

### Statement of directors' responsibilities

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

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

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

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

The board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing in England 2019. It has general responsibility for taking reasonable steps to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

### Assessment of compliance with the Governance and Financial viability Standard

CESSA HA is governed by its volunteer, unpaid non-executive directors in a Committee of Management, in accordance with its rules. The NHF's code of governance checklist is reviewed annually and was last completed in April 2019. The only issues from the checklist are:

- One board member exceeded nine years, whose experience continues to prove invaluable, although he plans to stand down in 2020.
- The code permits the absence of a separate Finance or Audit Committee for small non-developing associations, so FCA-qualified directors support the board in undertaking these roles. Much of the detailed performance monitoring is conducted by a sub-committee (which has tenant representation).

The Board met 4 times in 2019 with 85% attendance (one Director missed 2 meetings for health reasons). The Chairman co-ordinates Board and individual performance assessment and involves all directors in this process. The Board oversees the association's compliance with the Regulator's Economic & Consumer standards. The Board certifies its compliance with the Governance & Viability standard and asserts that the association remains a going concern. The Asset & Liability Register has been updated. Regarding the Rent Standard, all of CESSA HA's tenants have Assured Tenancies. The association complied with the Government's 1% rent cut for existing tenants on 1 April 2019. Service charges are set to meet actual costs and therefore in 2019, as in previous years, some of the charges decreased slightly rather than increased.

# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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### **Assessment of how the association is achieving value for money**

Overall, the directors consider CESSA HA meets the VfM standard, and have a strategic approach to VfM championed by one of its members as the Chairman of the Housing Committee, which leads on the detailed implementation and oversight. VfM is therefore embedded in the Board and cascaded down the association to grow a culture of efficiency, effectiveness and economy. CESSA HA aims to deliver the best possible use of the resources by ensuring the following are taken into account:

- Economy - careful use of resources to save expense, time or effort (whether in the interests of CESSA HA (rent) or its tenants (service charge));
- Efficiency - delivering the same level of service for lower cost, less time or effort;
- Effectiveness - delivering a better service or getting a higher return for the same amount of expense, time or effort.

The importance of ensuring that how it delivers VfM is optimised by:

- Doing the right things – having a business strategy that focuses resources on the right activities by making informed choices to achieve its priorities.
- Ensuring it has the right physical and human assets for the right cost.
- Delivering efficiently and effectively, especially with regard to property improvements and enhancing service delivery. It is important that it upgrades its properties in order to remain attractive for applicants, but to do so with the minimum disruption to tenants and at costs that deliver best value. Effective delivery of services means that it includes tenants' views in all major issues that may affect them.
- Using the right tools to evaluate success and apply learning – to check it has delivered the right outcomes, including any annual surpluses and efficiency gains for reinvestment in its aims and objectives.

CESSA HA aims to provide a choice of high quality sheltered housing for its beneficiaries as charitably as possible, while promoting tenant well being, independence and mutual support. Accordingly it wants to produce as much value as possible for the money and resources at its disposal. For a number of years, CESSA HA's Strategic Plan has been based on the fact that the ex-Service community is shrinking and that there is poor information about likely demand for sheltered housing, especially by location. For this reason CESSA HA had not been planning to expand the number of flats it offers so has not set basic rents as high as permitted by the Formula. Instead it has focussed on delivery of the social benefit it seeks by improving:

- the quality of its schemes. About £4.3m has been spent on remodelling since 2005 to: provide flats for the disabled; eliminate most single bedsits; and improve the proportion of doubles,
- the quality and breadth of services offered to its tenants,
- the resourcing of its staff including their training.

**Assets.** Our schemes and their flats are the foundations of the association so we must manage these effectively in order to provide the most efficient operational performance and enable both the provision of great services to our residents as well as to invest in the future. We take a strategic approach to managing our schemes to make sure we're consistent in our investment decisions. The basis of this approach is having a clear understanding of the performance of our flats/schemes from a financial, resident and social perspective, and using this information to make the right investment choice to improve the overall value. This has led to the recent careful analysis of the future of Dhekelia Court (including the use of external advisors) resulting in the decision to remodel 5 pairs of the 13 bedsits into 5 double flats.

**Procurement.** Supplier relationship and contract management is a key driver to delivering additional savings, as well as lower costs for the association and our residents. It complements direct procurement savings and contributes to the overall savings target.

# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

## DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### Assessment of how the association is achieving value for money (continued)

**Social value.** We consider the social value of our homes so that we can deliver increased savings to both the public purse and our tenants. One way of measuring the social value delivered is by assessing how much the association saves its tenants (or the country for those on benefits) compared with accommodation in the private rented sector. The most recent Private Rental Market Statistics from the Valuation Office Agency (1 Apr 18 to 31 Mar 19) show that the association's comparable basic rents for new lettings were significantly lower - about 56% of the Portsmouth median. An additional benefit for the association's tenants over private renting is the significantly greater security of tenure (as well as an acute focus on quality of service rather than making a profit). We also give tenants regular opportunities over a coffee to meet with us (every 8 weeks), to discuss the services we deliver and how they could be enhanced, as well as conducting an annual satisfaction survey.

**Resident value.** We look to deliver value to our residents, both in terms of direct savings and improvements to their well-being. We have continued to invest in our communities and provided assistance to help residents sustain their tenancies, including by reducing running costs. 2019 saw a significant saving for tenants at Trafalgar Court, since following consultation with tenants, the retiring full-time manager was replaced by a part-time one, shared with a similar-sized scheme.

**Our performance.** Investing in our homes makes sense, resulting in better living standards for our residents as well as maintaining the value of our assets. What we have spent on major/capitalised investments such as new kitchens, bathrooms, windows and heating systems, planned and responsive maintenance over the last few years is shown below. It is an accepted maxim that planned work is more efficient than responsive therefore a lower ratio of responsive : planned maintenance is considered better. This is measured in the Sector Scorecard (SS 403), the 2018-19 median ratio of which was 0.64, so it can be seen that the association performs very well (2015-16 and 2019 included significant expenditure on remodelling).

	2015	2016	2017	2018	2019
Responsive maintenance	£39,798	£38,404	£70,120	£42,999	£37,784
Cyclical (Planned)	£64,066	£83,956	£7,654	£74,973	£62,351
Major (Planned)	£214,679	£86,184	£43,525	£0	£276,934
Capitalised (Planned)	£228,228	£29,490	£102,538	£122,058	£126,014
<b>Ratio Responsive : Planned</b>	<b>0.08</b>	<b>0.19</b>	<b>0.46</b>	<b>0.22</b>	<b>0.08</b>

**Investing in our people.** We know that providing learning and development opportunities for our people is an investment in our future. This was demonstrated in 2018 when one of our former cleaners, who went on to complete our apprenticeship programme, filled a Scheme Manager vacancy. 2018 also saw the addition of a new post of Tenant Services Manager (TSM) to address the longstanding excessive work required in Head Office. We also support staff to gain professional Housing qualifications, as well as deliver team training.

**Our working environment.** A key aim of our strategy is to deliver a workplace and office portfolio that is fit for the future and a key enabler for achieving a modern connected business. 2018 saw the refurbishment of the Head Office, and 2019 the replacement of the IT system.

The association has measured its return on assets in social terms and on whether they are being used efficiently and effectively to that end.

# **CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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### **Assessment of how the association is achieving value for money (continued)**

**Social Return on Assets:** All schemes are provided with a Scheme Manager plus out-of-hours Careline service, controlled access to the building, lifts, communal laundry facilities, a communal lounge and supporting kitchen facilities & wifi, access to an elderly-friendly computer & training thereon, guest room, charging & storage facilities for mobility scooters, parking spaces, garden areas and a salon for visiting hairdressers/others. Space is provided in one scheme for a tenants' shop (where there are fewer shops and buses than there used to be). The fostering of an ex-Service community in each scheme is a key aim both for tenant well-being and to attract new applicants. 30% of the Scheme Manager's time is allocated to organisation of support for tenants including social activities and no charge is made to tenants for this service. On average, CESSA HA's basic rents are about 14% below the Government's 'Formula' Rent for each flat. Low rents do not mean sacrifices elsewhere – the schemes have been remodelled and are maintained to a high standard. This has been achieved by VFM gains, low voids, high rent collection, low management costs and an appropriate proportion of planned maintenance. We are also proud to be a Dementia Friendly organisation and to fund an Additional Support service via a local contractor. The latter provides periods of companionship for tenants with support needs and enables them to access social inclusion activities they could not otherwise participate in, such as shopping trips and visits to cafes.

**Absolute & Comparative Costs:** The association uses a variety of metrics to gauge and compare its performance. It participates in an Acuity benchmarking club covering the south and east of England where it can compare with other organisations delivering similar sheltered housing services. Inevitably there are differences in the way that members of the club work and CESSA HA has a particular client group (elderly ex-Service). Nevertheless the association compares favourably in the key performance indicators reported by the club that include the RSH's (Regulator for Social Housing) 7 key metrics as displayed below with commentary underneath.



# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### Assessment of how the association is achieving value for money (continued)

Key metric	RSH	2018	2018 quartile	2019	
	Stock managed (number of units)	196		194	
	Turnover £'000	1,145		1,135	
6	101	Operating margin (overall) %	21.78	1	3.00
	102	Operating margin (social housing lettings) %	21.78	1	3.00
4	103	EBITDA MRI (as a percentage of interest) %	1,679	N/A	83
*3	203	Gearing (RSH and Scorecard measure) %	(15.23)	N/A	(22.55)
2	204	New supply delivered (Social housing units) %	-	2	-
	205	New supply delivered (Non-social housing units) %	-	1	-
*1	304	Reinvestment %	1.95	2	3.52
7	401	Return on Capital Employed (ROCE) %	4.92	1	0.80
5	501	Headline social housing cost per unit £	4,297	1	6,106

\* In 2018, these metrics were calculated against total cost, whereas it has been realised net book value should have been used. This accounts for much of the difference between the 2018 & 2019 figures – the 2018 Metrics should have read: 1 - 3.09 & 3 – 24.05.

The association has not been developing for many years and therefore several of the metrics demonstrate this (2, 3, 4). The major reinvestment being undertaken in Dhekelia Court across 2019/20 (so 2020 will remain high) has increased several Metrics. This is 'good' for some, most obviously Metric 1, but not for Metric 6, 7 and the 'headline' (HSHC) figure 5 (RSH 501). However, the regulator's most recent analysis 'Value for money metrics and reporting 2019' was published in January 2020, which said that the 2019 HSHC median for Housing for Older People (HfOP) was £6,150. Therefore, the association's figures of £6,106 in 2019 & £4,297 in 2018 shows that it provides excellent VfM in this regard even while undertaking an expensive remodelling project.

The Directors key measurements of VfM success are 1. Repairs, 2. Voids and 3. Satisfaction.

**Repairs.** In common with other benchmarking members, all undertake 100% of Emergency repairs within 24 hours (the target is 95%). For urgent repairs, the target for most members is for 95% to be complete within 7 days. CESSA HA meets this comfortably and out-performs the other members by 2% even though reporting on doing so in 5 days. For routine repairs, the target for most members is for 92% to be complete within 28 days. CESSA HA exceeds that and only reports slightly lower performance than its Peer group and Acuity median because its goal is within 21 days, and so is performing very well overall.

**Voids management.** This is important in order to maximise income and minimise losses and the association has performed well in this regard – less than 1%, despite the need to renovate flats between occupants and the additional challenges for sheltered providers of finding applicants ready to move when vacancies happen to occur.

**Satisfaction.** For all these reasons, the association's tenants appear more satisfied, at 98%, compared with the median of 95%.

The Directors have not set arbitrary targets for efficiency reductions given the low costs already illustrated, the minimal arrears and bad debts, and the fact that its basic rents are about 14% below the formula.

# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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### Assessment of how the association is achieving value for money (continued)

VfM Gains: In 2012, the association redeemed its exorbitantly high interest and very long term fixed-rate mortgages and now benefits from a charitably low-interest loan from its sister charity, CESSAC. This was at only 2.5% interest for the first 5 years, extended from 2017 at this rate for a further 3. CESSA HA has achieved grants, the biggest being £160k in 2013 from the Armed Forces Covenant team towards the remodelling of St Georges' Court. Many other improvements have been made in other schemes whether remodelled or not, including new kitchens, double glazing, upgraded fire alarm systems, hearing induction loops and the replacement of baths by showers. The association is a member of Procurement for Housing and conducts its own health & safety assessments. Achievements in 2019:

#### General

- The biennial review of strategy was completed successfully.

#### Re the Short-term objective (remodelling):

- The major project to remodel Dhekelia Court started in May following a competitive tendering process. This work, which is on schedule to complete in summer 2020 & on budget (over £500k in total), is required to provide appropriate flats for the future and minimise void losses.
- An opportunity was also seized to deliver long-planned improvements to a flat and the Guest Room at CESSAC House for only £56k. This reinvestment was achieved at good VfM through using the contractor already at Dhekelia Court.

#### Re the medium-term objective (improving VfM). The following progress has been made:

- £37k on replacing the aged boilers at St George's Court and £22k on LED lights at Glamis Court, both of which will deliver better VfM through greater efficiency, as well as lowering the carbon footprint. £7.7k was spent expanding the tenant-run shop at CESSAC House.
- Previously, our Independent Assessor had only visited 2 schemes a year, so we have changed to erosh, who will undertake this for all 5 schemes at a similar overall cost. Erosch's assessment against their Code of Practice resulted in an award of 'Good Provider' status overall, but pleasingly with 'outstanding' for the 2 elements directly affecting tenants, demonstrating the association's delivery of VfM.
- The energy contracts were renegotiated to deliver best VfM for tenants.
- The gardening contracts for all schemes were renegotiated, reducing costs while delivering an enhanced service.
- The Head Office IT system was replaced & the Sage accounting system adopted.

Re the long-term objective (prospect of development). Investigative work has proceeded, but is mostly awaiting the completion of the Dhekelia Court remodelling and knowledge of the availability of Government grant/what will happen after 31 December 2020 regarding UK's relationship with the EU.

#### Plans for 2020:

##### Re the short-term objective:

- The major project continues to be remodelling of Dhekelia Court, expected to complete in summer 2020 at a total cost of £500k.

##### Re the medium-term objective (improving VfM):

- At CESSAC House: £42k is planned to be expended on LED lights; 25k on showers; £15k on repointing & £11k on the scooter store. At Glamis Court the car-park improvement is expected to cost £15k and soffit work £9k, while at Dhekelia Court a further £20k has been set aside to replace kitchens & bathrooms in some of the un-remodelled double flats (more planned for 2021).
- An assessment of the association's carbon footprint and how to reduce it will report this year.
- The Independent Assessment against their Code of Practice will be updated by erosh.
- The association will keep abreast of, and attempt to influence, the Government's housing policy, as well as monitoring the negotiations between it and the EU.

Re the long-term objective (prospect of development). Work will continue to explore potential future demand and the viability of developing a new scheme.

# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

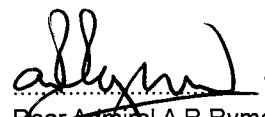
## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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2020 will be the first year not affected by the mandated final 1% cut in basic rent, although the reduction in the number of flats at Dhekelia Court and the voids to enable the work will have reduced income. The remodelling project will consume a significant proportion of the reserves accumulated for this purpose and this will be evident in the Balance Sheet and Statement of Cash Flows. CESSA HA will continue to ensure the best possible use is made of the resources by listening to the feedback from tenants and other stakeholders. It will use this information in planning and delivering its long-term refurbishment programme and excellent services to tenants. To this end, the association's annual tenant surveys will be aligned with the new Housemark STAR framework to keep tenants at the forefront of decision making. This should also keep the association ahead of changes to consumer metrics so it continues to look beyond headline figures to drive performance improvements.

On behalf of the board



Rear Admiral A R Rymer (Chairman)

Director

Date: 6 April 2020

# **CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED**

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#### **Opinion**

We have audited the financial statements of Church of England Soldiers', Sailors' and Airmen's Housing Association Limited (the 'association') for the year ended 31 December 2019 set out on pages 13 to 36. 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 December 2019 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2019.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and the provisions available for the audits of small entities, in the circumstances set out in note 27 to the financial statements, 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 directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Other information**

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

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

We have nothing to report in this regard.

# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

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#### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the association and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Board Report.

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;
- 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 directors

As explained more fully in the Directors' Responsibilities Statement set out on pages 3 - 10, the directors 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 directors 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 directors 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 directors 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.

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



Jones Avens Limited

Chartered Accountants  
Statutory Auditor

8/4/20

Piper House  
4 Dukes Court  
Bognor Road  
Chichester  
West Sussex  
PO19 8FX

# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

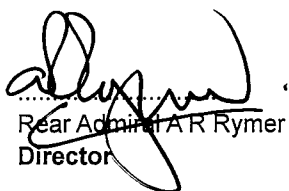
## INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2019

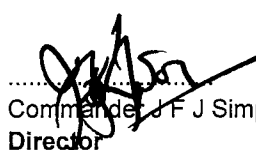
		2019 £	2018 £
Turnover	Notes 4	1,134,180	1,145,309
Administrative expenses		(1,172,252)	(898,903)
<b>Operating (deficit)/surplus</b>	<b>6</b>	<b>(38,072)</b>	<b>246,406</b>
Interest receivable and similar income	9	48,193	13,109
Interest payable and similar expenses	10	(45,036)	(12,816)
Fair value gains and losses on investments	11	47,970	(22,312)
<b>Surplus before taxation</b>		<b>13,055</b>	<b>224,387</b>
Taxation	12	-	-
<b>Surplus for the financial year</b>		<b>13,055</b>	<b>224,387</b>
<b>Other comprehensive income</b>			
Initial recognition of multi-employer defined benefit scheme	2	67,000	
Actuarial gains on defined benefit pension schemes	22	14,000	-
<b>Total comprehensive income for the year</b>		<b>94,055</b>	<b>224,387</b>

The Income and Expenditure Account has been prepared on the basis that all operations are continuing operations.

Signed on behalf of the board



Rear Admiral A R Rymer (Chairman)  
Director



Commander J F J Simpson RN  
Director



Commander P C Keefe RN  
Secretary

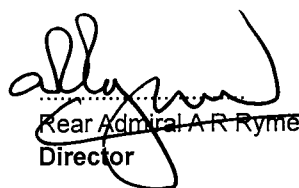
# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

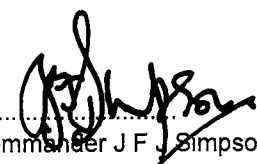
## BALANCE SHEET


AS AT 31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
<b>Fixed assets</b>					
Tangible assets	13	3,667,412		3,646,116	
Investments	14	341,840		287,222	
		<u>4,009,252</u>		<u>3,933,338</u>	
<b>Current assets</b>					
Debtors	16	12,395		10,551	
Cash at bank and in hand		1,020,160		1,171,422	
		<u>1,032,555</u>		<u>1,181,973</u>	
<b>Creditors: amounts falling due within one year</b>	18	(107,666)		(102,606)	
Net current assets		<u>924,889</u>		<u>1,079,367</u>	
<b>Total assets less current liabilities</b>		<u>4,934,141</u>		<u>5,012,705</u>	
<b>Creditors: amounts falling due after more than one year</b>	19	(2,702,553)		(2,772,175)	
<b>Provisions for liabilities SHPS Defined Benefit Pension</b>	20	(232,000)		(335,000)	
<b>Net assets</b>		<u>1,999,588</u>		<u>1,905,530</u>	
<b>Capital and reserves</b>					
Called up share capital	23	24		21	
Income and expenditure reserve		1,999,564		1,905,509	
<b>Total equity</b>		<u>1,999,588</u>		<u>1,905,530</u>	

The financial statements were approved by the board of directors and authorised for issue on .....  
and are signed on its behalf by:

  
Rear Admiral A R Rymer (Chairman)  
Director

  
Commander J F J Simpson RN  
Director

  
Commander P C Keefe RN  
Secretary

# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital £	Income and expenditure reserve £	Total £
<b>Balance at 1 January 2018</b>		21	1,681,122	1,681,143
<b>Period ended 31 December 2018:</b>				
Surplus and total comprehensive income for the year		-	224,387	224,387
<b>Balance at 31 December 2018</b>		21	1,905,509	1,905,530
<b>Period ended 31 December 2019:</b>				
Surplus for the year		-	13,055	13,055
Other comprehensive income:				
Initial recognition of multi-employer defined benefit scheme			67,000	67,000
Actuarial gains on defined benefit plans		-	14,000	14,000
Total comprehensive income for the year		-	94,055	94,055
Issue of share capital	23	3	-	3
<b>Balance at 31 December 2019</b>		24	1,999,564	1,999,588



# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	25		14,282		311,106
Interest paid			(8,036)		(8,816)
<b>Net cash inflow from operating activities</b>			6,246		302,290
<b>Investing activities</b>					
Purchase of tangible fixed assets		(135,962)		(122,058)	
Proceeds on disposal of tangible fixed assets		-		800	
Purchase of fixed asset investments		(21,309)		(34,212)	
Proceeds from other investments and loans		14,661		28,574	
Interest received		8,809		6,518	
Dividends received		8,384		7,284	
<b>Net cash used in investing activities</b>			(125,417)		(113,094)
<b>Financing activities</b>					
Proceeds from issue of shares		3		-	
Repayment of borrowings		(32,094)		(31,312)	
<b>Net cash used in financing activities</b>			(32,091)		(31,312)
<b>Net (decrease)/increase in cash and cash equivalents</b>			(151,262)		157,884
Cash and cash equivalents at beginning of year			1,171,422		1,013,538
<b>Cash and cash equivalents at end of year</b>			1,020,160		1,171,422

# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

---

### 1 Accounting policies

#### Information

Church of England Soldiers', Sailors' and Airmen's Housing Association Limited is a Co-operative and Community Benefit Society and a private registered provider of social housing in the United Kingdom. The registered office is 1 Shakespeare Terrace, 126 High Street, Portsmouth, Hampshire, PO1 2RH. The nature of the association's operations and principal activities are the rental and management of social housing sheltered flats.

The association constitutes a public benefit entity as defined by FRS 102.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Statement of Recommended Practice for Social Housing Providers 2018 Update (SORP), and with the Accounting Direction for private registered providers of social housing in England 2019. The financial statements are also prepared under the requirements of the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014.

The financial statements are prepared in sterling, which is the functional currency of the association. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of certain financial instruments at fair value.

#### 1.2 Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the association has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 1.3 Turnover

Turnover is measured at the fair value of the consideration received or receivable net of discounts. The policies adopted for the recognition of turnover are as follows:

Turnover represents rental and service charges income receivable in the year net of rent and service charge losses from voids, revenue grants and the amortisation of government grants.

Interest income is recognised using the effective interest method and dividend income is recognised as the association's right to receive payment is established.

# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 1 Accounting policies

(Continued)

#### 1.4 Tangible fixed assets

Tangible fixed assets (including social housing properties) are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to making the asset capable of operating as intended such as the cost of acquiring land and buildings, developments costs, interest charges on loans during the development period and expenditure on improvements. Expenditure on improvements will only be capitalised when it results in incremental future benefits such as increasing rental income, reducing maintenance costs or resulting in a significant extension of the useful economic life of the property.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Freehold land and buildings	Up to one hundred years straight line basis
Fixtures and fittings	Ten years straight line basis
Office equipment	Four years straight line basis
Vehicles	Ten years straight line basis

Freehold land and assets in the course of construction are not depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in income and expenditure.

Major components of housing properties, including roofs (70 years), double glazing (30 years), boilers and heating (15 to 30 years), bathrooms (30 years), kitchens (30 years), lifts (25 years) and electrics (40 years), have been accounted for and depreciated separately from the connected housing property, over their expected useful economic lives and are included in housing properties.

The useful economic lives of all tangible fixed assets are reviewed annually.

#### 1.5 Impairment of fixed assets

Assets not measured at fair value are reviewed for any indication that the asset may be impaired at each balance sheet date. The level at which an impairment is assessed is considered at scheme level. The key indicators considered are:

- A change in demand for a property.
- Obsolescence of a property.
- A change in government policy.

If such indication exists, the recoverable amount is estimated and compared to the carrying amount. Where the carrying amount exceeds its recoverable amount, an impairment loss is recognised in expenditure through the statement of comprehensive income. No such indications were noted and therefore no review was considered necessary.

#### 1.6 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 1 Accounting policies

(Continued)

#### 1.7 Financial instruments

The association has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial assets are recognised in the association's balance sheet when the association becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

##### **Basic financial assets**

Basic financial assets, which include rent arrears and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Other financial assets classified as fair value through income and expenditure are measured at fair value.

##### **Other financial assets**

Other financial assets, including investments in equity instruments, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in income and expenditure, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Rent arrears, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

##### **Impairment of financial assets**

Financial assets, other than those held at fair value through income and expenditure, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in income and expenditure.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

##### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 1 Accounting policies

(Continued)

#### **Basic financial liabilities**

Basic financial liabilities are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Other financial liabilities classified as fair value through income and expenditure are measured at fair value.

#### **Other financial liabilities**

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the association after deducting all of its liabilities.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when, and only when, the association's obligations are discharged, cancelled, or they expire.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

### 1.8 Taxation

The association has charitable status with HM Revenue and Customs and no charge to Corporation Tax arises on these results. Deferred tax is therefore also not applicable.

The association is not registered for VAT and all expenditure is shown inclusive of VAT.

### 1.9 Provisions

Provisions are recognised when the association has a legal or constructive present obligation as a result of a past event, it is probable that the association will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in income and expenditure in the period it arises.

# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 1 Accounting policies

(Continued)

#### 1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the association is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### 1.11 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Payments are also made to a multi-employer defined benefit scheme, and in previous years, due to the nature of the scheme it was not possible to identify on a reasonable and consistent basis the share of the underlying assets and liabilities. Therefore the scheme was accounted for as a defined contribution scheme. However, this information is now available and the scheme has been treated as a defined benefit scheme from 01 January 2019.

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method, and is based on actuarial advice.

The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as an expense in measuring profit or loss in the period in which they arise.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

The net defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net defined benefit pension asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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### **1 Accounting policies**

**(Continued)**

#### **1.12 Government grants**

Social housing or other government grants are received to finance social housing properties. These grants are recognised at the fair value of the asset received or receivable. Where the assets are accounted for using the cost model then the government grant is accounted for using the accruals model. The difference between the fair value of the asset and the consideration is recognised as a liability and amortised over the useful economic life of the asset. This amortisation is recognised within turnover.

Under certain circumstances, primarily following the sale of a property, the grant is repayable or recyclable but this is often restricted to the net proceeds of sale. Where government grants are required to be recycled, a liability is included to recognise this obligation.

Government grants received as a contribution to revenue expenditure are recognised in the statement of comprehensive income on a systematic basis over the period in which the landlord recognises the related costs for which the grant is intended to compensate. The related expenditure is included under administrative expenses. Grants are recognised in the same period as the related expenditure provided the conditions for receipt have been satisfied and there is reasonable assurance that the grant will be received.

### **2 Change in accounting method**

Multi-employer defined benefit pension: In previous years the association accounted for this as if it were a defined contribution scheme as permitted under FRS102. This was because TPT Retirement Solutions (the scheme provider and administrator) was unable to provide information about the association's share of the underlying assets and liabilities. Changes have been made to TPT's systems and processes and, from 01 January 2019, sufficient information has become available.

Therefore, the amendment to FRS102 issued by the FRC on 24 May 2019 has been adopted early and the scheme has been treated as a defined benefit scheme from 01 January 2019, the first date for which this information is available. See notes 20 and 22.

The change in accounting method generates a one-off, notional income of £67k in other comprehensive income. This represents the difference in the estimated net liabilities of the defined benefit pension scheme as at 1st January 2019 under the new method, and the liability recognised at 31 December 2018 for the present value of future deficit contributions under the previous method.

# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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### 3 Judgements and key sources of estimation uncertainty

In the application of the association's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

#### **Critical judgements**

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

#### ***Multi employer defined benefit pension scheme***

Payments are made to a multi-employer defined benefit pension scheme and in previous years, due to the nature of the scheme it was not possible to identify on a reasonable and consistent basis the share of the underlying assets and liabilities. Therefore the scheme was accounted for as a defined contribution scheme and a provision was recognised for the present value of the future deficit funding contributions. The board have relied upon the information received from the TPT Retirement Solutions.

Following a number of changes to the systems and processes by TPT Retirement Solutions this information has become available and the scheme has been treated as a defined benefit scheme from 1 January 2019, the first date for which this information is available. See notes 20 and 22.

#### **Key sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

#### ***Estimated useful lives***

The useful life of housing properties and their components has been estimated using the National Housing Federation matrix of property components as a basis.

#### ***Multi employer defined benefit pension scheme***

In estimating the value of the Associations share of defined benefit pension scheme obligations, fair value of assets and net liability, TPT Retirement Solutions make a number of assumptions regarding the impact of current and future factors, these are outlined in note 22.



# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 4 Social housing turnover and costs

	2019 £	2018 £
Rents receivable excluding service charges	730,331	746,426
Service charges receivable	359,477	354,363
Guest room income receivable	5,270	5,570
Other sundry income	2,376	2,224
Amortisation of capital grants	36,726	36,726
	<u>1,134,180</u>	<u>1,145,309</u>
Social housing activity expenditure	(1,172,252)	(898,903)
	<u>(38,072)</u>	<u>246,406</u>
Operating surplus/(deficit) from social housing activities	<u>13,055</u>	<u>224,387</u>
Net surplus/(deficit) from social housing activities	<u>(12,136)</u>	<u>(8,616)</u>
Void losses		

### 5 Accommodation owned and in management

	Number of units at 31 December 2019	Number of units at 31 December 2018
<b>Completed units:</b>		
Sheltered housing let at social rent	194	196
	<u>194</u>	<u>196</u>

As part of remodelling works being carried out at Dhekalia Court, 10 studio flats are being converted into 5 double occupancy properties. At the year end 4 studios had been converted into 2 double units with the remainder of the work scheduled for 2020.

### 6 Operating (deficit)/surplus

	2019 £	2018 £
Operating (deficit)/surplus for the year is stated after charging/(crediting):		
Remuneration, exclusive of VAT, payable to the external auditors:		
Auditing of the accounts	4,127	4,111
Accountancy services	3,060	1,468
Depreciation of owned tangible fixed assets	106,386	99,158
Deficit on disposal of tangible fixed assets	8,280	2,208
	<u></u>	<u></u>

# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 7 Employees

The average monthly number of persons (including members of the executive team) employed by the association during the year was:

	2019 Number	2018 Number
Management	6	6
Scheme managers	4	4
Cleaners	9	9
Maintainers	2	2
	<u>21</u>	<u>21</u>
Average full time equivalent (based on a 35 hour week)	<u>14</u>	<u>14</u>

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	321,538	292,204
Social security costs	25,158	24,603
Pension costs	39,902	22,376
	<u>386,598</u>	<u>339,183</u>

There are no employees who received more than £60,000 as their employee package.

	2019 £	2018 £
Defined contribution schemes:		
Included within pension costs above is the following charge to income and expenditure in respect of defined contribution schemes	<u>17,809</u>	<u>15,207</u>

# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

8	Board and key management personnel remuneration	2019 £	2018 £
	Remuneration for qualifying services	25,252	24,486
	Association pension contributions to defined contribution schemes	2,525	2,449
		<u>27,777</u>	<u>26,935</u>

No remuneration was receivable by non-executive board members.

The highest paid director received £25,252 (2018 - £24,486) remuneration (excluding pension contributions).

For the purposes of the above disclosures, "Director" also includes the Chief Executive and any other person who is a member of the executive management team, or its equivalent, of the association.

After deducting recharges of £48,701 (2018 - £47,224) to the Church of England Soldiers', Sailors' and Airmen's Clubs (CESSAC, a related party), emoluments (excluding pension and national insurance contributions) incurred in respect of the Chief Executive, were £25,252 (2018 - £24,486). The Chief Executive is an ordinary member of the association's defined contribution pension scheme (The Social Housing Pension Scheme administered by The Pension Trust) carrying no special terms. He received an estimated pension contribution of £2,525 (2018 - £2,449) from the association during the year after apportionment with CESSAC who contributed a further £4,870 (2018 - £4,722). He has no other individual pension arrangement to which the association makes a contribution.

9	Interest receivable and similar income	2019 £	2018 £
	<b>Interest income</b>		
	Interest on bank deposits	8,809	5,825
	Interest from defined benefit scheme asset	31,000	-
	Total interest revenue	<u>39,809</u>	<u>5,825</u>
	<b>Other income from investments</b>		
	Dividends received	8,384	7,284
	Total income	<u>48,193</u>	<u>13,109</u>
	Investment income includes the following:		
	Interest on financial assets not measured at fair value through income and expenditure	<u>8,809</u>	<u>5,825</u>

# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 10 Interest payable and similar expenses

	2019 £	2018 £
<b>Interest on financial liabilities measured at amortised cost:</b>		
Other interest on financial liabilities	8,036	8,816
<b>Other finance costs:</b>		
Interest on defined benefit scheme liability	37,000	-
Unwinding of discount on provisions	-	4,000
	<u>45,036</u>	<u>12,816</u>

### 11 Amounts written off investments

	2019 £	2018 £
<b>Fair value gains/(losses) on financial instruments</b>		
Change in value of financial assets held at fair value through income and expenditure	45,376	(24,557)
<b>Other gains/(losses)</b>		
Gain on disposal of financial assets held at fair value through income and expenditure	2,594	2,245
	<u>47,970</u>	<u>(22,312)</u>

### 12 Taxation

The association has charitable status with HM Revenue & Customs and on the basis of these financial statements no provision has been made for corporation tax.

# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 13 Tangible fixed assets

#### Housing properties

#### Housing properties for letting £

#### Cost

At 1 January 2019	5,616,766
Additions: works to existing properties	126,014
Disposals	(61,094)

At 31 December 2019	5,681,686
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#### Depreciation and impairment

At 1 January 2019	2,061,251
Depreciation charged in the year	90,912
Eliminated in respect of disposals	(52,814)

At 31 December 2019	2,099,349
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#### Carrying amount

At 31 December 2019	3,582,337
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At 31 December 2018	3,555,515
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#### Other

Fixtures and fittings £	Office equipment £	Vehicles £	Total £
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#### Cost

At 1 January 2019	203,664	669	35,743	240,076
Additions	-	9,948	-	9,948
Disposals	-	(669)	-	(669)

At 31 December 2019	203,664	9,948	35,743	249,355
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#### Depreciation and impairment

At 1 January 2019	140,551	669	8,255	149,475
Depreciation charged in the year	9,412	2,487	3,575	15,474
Eliminated in respect of disposals	-	(669)	-	(669)

At 31 December 2019	149,963	2,487	11,830	164,280
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#### Carrying amount

At 31 December 2019	53,701	7,461	23,913	85,075
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At 31 December 2018	63,113	-	27,488	90,601
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# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 14 Fixed asset investments

	2019 £	2018 £
Investments	341,840	287,222

The investments are recognised at fair value through income or expenditure and have an original cost of £281,806 (2018: £269,883).

#### Movements in fixed asset investments

	Charles Stanley share portfolio £
<b>Cost or valuation</b>	
At 1 January 2019	287,222
Additions	21,309
Valuation changes	45,376
Disposals	(12,067)
At 31 December 2019	341,840
<b>Carrying amount</b>	
At 31 December 2019	341,840
At 31 December 2018	287,222

### 15 Financial instruments

	2019 £	2018 £
<b>Carrying amount of financial assets</b>		
Instruments measured at fair value through profit or loss	341,840	287,222

### 16 Debtors

	2019 £	2018 £
<b>Amounts falling due within one year:</b>		
Social housing rent arrears	496	1,134
Prepayments	11,899	9,417
	12,395	10,551

# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 17 Loans and overdrafts

	2019 £	2018 £
Other loans	284,125	316,219
Payable within one year	32,897	32,095
Payable after one year	251,228	284,124

The above long term funding is an unsecured loan from CESSAC at an interest rate of 2.5% (fixed for three years from 1 March 2017), the loan is repayable by 31 December 2027.

### 18 Creditors: amounts falling due within one year

	Notes	2019 £	2018 £
Loans and overdrafts	17	32,897	32,095
Government grants	21	36,726	36,726
Trade creditors		6,260	-
Rents paid in advance		1,923	3,654
Other creditors		4,465	-
Accruals		25,395	30,131
		107,666	102,606

### 19 Creditors: amounts falling due after more than one year

	Notes	2019 £	2018 £
Other borrowings	17	251,228	284,124
Government grants	21	2,451,325	2,488,051
		2,702,553	2,772,175

Amounts included above which fall due after five years are as follows:

Payable by instalments	111,208	147,520
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# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 20 Provisions for liabilities

	Notes	2019 £	2018 £
Pension scheme deficit contribution provision		-	335,000
Retirement benefit obligations	22	232,000	-
		<u>232,000</u>	<u>335,000</u>

### 21 Government grants

Deferred income is included in the financial statements as follows:

	2019 £	2018 £
Current liabilities	36,726	36,726
Non-current liabilities	2,451,325	2,488,051
	<u>2,488,051</u>	<u>2,524,777</u>
	<b>2019 £</b>	<b>2018 £</b>
<b>Social Housing Grant received</b>		
At 1 January 2019	3,672,646	3,672,646
At 31 December 2019	<u>3,672,646</u>	<u>3,672,646</u>
<b>Amortisation</b>		
At 1 January 2019	1,147,869	1,111,143
Amortised during the year	36,726	36,726
At 31 December 2019	<u>1,184,595</u>	<u>1,147,869</u>
<b>Carrying amount</b>		
At 31 December 2019	<u>2,488,051</u>	<u>2,524,777</u>

Deferred income is comprised of social housing government grants which are amortised over the useful economic of the assets which they finance. Included above are amounts which fall due to be amortised after five years totalling £2,304,421 (2018: £2,341,147).

### 22 Retirement benefit schemes

The association offers new employees a choice of two pensions schemes: defined benefit (CARE 1/80th) or defined contribution.



# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 22 Retirement benefit schemes

(Continued)

#### Defined benefit schemes

The company operates a defined benefit scheme for qualifying employees. Under the scheme the employees are entitled to retirement benefits as a percentage of final salary on attainment of a retirement age of 67. No other post retirement benefits are provided.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 September 2017 by TPT Retirement Solutions with the 31 December 2019 position projected from the 30 September 2017 data. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

The figures in note 22 are necessarily entirely based on the Accounting Disclosure provided to the association by The Pensions Trust (TPT Retirement Solutions). TPT's disclosure is provided from a tool that makes a number of approximations, which is why many of the figures in the Note (and where they are taken elsewhere in the accounts) are rounded to the nearest thousand. A further complication is that some of the staff are jointly employed by CESSAC, for example, so TPT does not (and cannot) take into account the fact that some of the employers pension costs are only part-funded by the association. Therefore some of the figures in note 22 will inevitably be higher than those relevant to the association alone, e.g. notes 7 and 8 record the costs included in the I&E & balance sheet.

#### Key assumptions

	2019 %	2018 %
Discount rate	1.88	2.63
Expected rate of salary increases	3.09	3.25
Inflation (RPI/CPI)	3.09/2.09	(3.25/2.25)
Allowance for commutation of pension for cash at retirement	75	75
	=====	=====

The above rates are given as at the 31 December 2019 and 2018 respectively.

#### Mortality assumptions

Assumed life expectations on retirement at age 65:

	2019 Years	2018 Years
Retiring today		
- Males	21.8	
- Females	23.5	
	=====	=====
Retiring in 20 years		
- Males	23.2	
- Females	24.7	
	=====	=====

# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 22 Retirement benefit schemes

(Continued)

Amounts recognised in the profit and loss account

	2019 £	2018 £
Current service cost	24,000	-
Net interest on defined benefit liability/(asset)	6,000	-
Other costs and income	4,000	-
Total costs	34,000	-

Amounts taken to other comprehensive income

	2019 £	2018 £
Actual return on scheme assets	(135,000)	-
Less: calculated interest element	31,000	-
Return on scheme assets excluding interest income	(104,000)	-
Actuarial changes related to obligations	90,000	-
Total costs/(income)	(14,000)	-

Present values of defined benefit obligation, fair value of assets and defined benefit asset (liability)

	2019 £	2018 £
Present value of defined benefit obligations	1,525,000	-
Fair value of plan assets	(1,293,000)	-
Deficit in scheme	232,000	-

# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 22 Retirement benefit schemes

(Continued)

Reconciliation of opening and closing balances of the the defined benefit obligation

	2019 £
Liabilities at 1 January 2019	1,449,000
Current service cost	24,000
Benefits paid	(94,000)
Contributions from scheme members	15,000
Actuarial gains and losses	90,000
Interest cost	37,000
Other	4,000
At 31 December 2019	<u>1,525,000</u>

The defined benefit obligations arise from plans which are wholly or partly funded.

Reconciliation of opening and closing balances of the fair value of plan assets

	2019 £
Fair value of assets at 1 January 2019	1,181,000
Interest income	31,000
Return on plan assets (excluding amounts included in net interest)	104,000
Benefits paid	(94,000)
Contributions by the employer	56,000
Contributions by scheme members	15,000
At 31 December 2019	<u>1,293,000</u>

The actual return on plan assets was £135,000 (2018 - £-).

Fair value of plan assets at the reporting period end

	2019 £	2018 £
Debt instruments	74,000	-
Property	54,000	-
Global equity	260,000	-
Bonds and securities	99,000	-
Liability driven investments	393,000	-
Infrastructure	91,000	-
Other	322,000	-
	<u>1,293,000</u>	<u>-</u>

# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 22 Retirement benefit schemes

(Continued)

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

#### Schedule of Contributions

The table below sets out the future deficit contribution payments the company is expected to pay TPT Retirement Solutions

01/01/2020 - 31/12/2020	43,979
01/01/2021 - 31/12/2021	44,858
01/01/2022 - 31/12/2022	45,756
01/01/2023 - 31/12/2023	46,671
01/01/2024 - 31/12/2024	47,604
01/01/2025 - 31/12/2025	48,556
01/01/2026 - 30/09/2026	37,085

### 23 Share capital

	2019 £	2018 £
<b>Ordinary share capital Issued and fully paid</b>		
Brought forward	21	21
Issued during the year	3	-
	<u>24</u>	<u>21</u>
24 Ordinary of £1 each	24	21

These shares do not carry any right to a dividend, cannot be redeemed and do not give any provision for a distribution on a winding up. All members are entitled to vote at General Meetings.

### 24 Capital commitments

	2019 £	2018 £
Amounts contracted for but not provided in the financial statements:		
Contracted for but not provided in the financial statements:		
Improvements and conversions to existing properties	31,800	-

As part of the ongoing remodelling costs at Dhekelia Court the Association is committed to expenditure of £31,800 on the replacement of component bathrooms and kitchens.

# CHURCH OF ENGLAND SOLDIERS', SAILORS' AND AIRMEN'S HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

25	Cash generated from operations	2019 £	2018 £
	Surplus for the year	13,055	224,387
	<b>Adjustments for:</b>		
	Finance costs recognised in income and expenditure	45,036	12,816
	Investment income recognised in income and expenditure	(48,193)	(13,109)
	Loss on disposal of tangible fixed assets	8,280	2,208
	Depreciation and impairment of tangible fixed assets	106,386	99,158
	Fair value gains and losses on investments	(47,970)	22,312
	Pension scheme non-cash movement	(28,000)	-
	(Decrease)/increase in provisions	-	17,000
	<b>Movements in working capital:</b>		
	(Increase)/decrease in debtors	(1,844)	1,781
	Increase/(decrease) in creditors	4,258	(18,721)
	(Decrease) in deferred income	(36,726)	(36,726)
	<b>Cash generated from operations</b>	<b>14,282</b>	<b>311,106</b>

26	Analysis of changes in net funds	1 January 2019 £	Cash flows £	31 December 2019 £
	Cash at bank and in hand	1,171,422	(151,262)	1,020,160
	Borrowings excluding overdrafts	(316,219)	32,094	(284,125)
		<b>855,203</b>	<b>(119,168)</b>	<b>736,035</b>

## 27 Non-audit services provided by auditor

In common with many associations of our size and nature we use our auditors to assist with the preparation of the statutory financial statements.