



**Inclusion Housing Community Interest Company
Financial Statements
For the Year Ended 31st March 2019**

Regulator of Social Housing registration number: 4662

Company registration number: 06169583

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Inclusion Housing Community Interest Company

Financial Statements

Year Ended 31st March 2019

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Inclusion Housing Community Interest Company

Registered Provider Information

Year Ended 31st March 2019

REGISTERED OFFICE:

106 Heworth Green
York
YO31 7TQ

REGISTERED NUMBER:

06169583 (England & Wales)

HOMES AND COMMUNITIES AGENCY NUMBER:

4662

MEMBER OF THE NATIONAL HOUSING FEDERATION

AUDITORS:

JN Straughan & Co.
Chartered Accountants &
Registered Auditors
1st Floor, Portland House
Belmont Business Park
Durham
DH1 1TW

SOLICITOR:

Ward Hadaway
Sandgate House
102 Quayside
Newcastle Upon Tyne
NE1 3DX

BANKERS:

Santander UK PLC
7 High Ousegate
York
Y01 8RZ

Nationwide Building Society
Pipers Way
Swindon
SN38 1NW

The Co-Operative Bank
1 Balloon Street
Manchester
M60 4EP

Inclusion Housing Community Interest Company

Board & Strategic Report

Year Ended 31st March 2019

The Board of Inclusion Housing CIC limited is pleased to present its report together with the audited financial statements for the year ended 31st March 2019.

DIRECTORS WHO HELD OFFICE DURING THE PERIOD 1ST APRIL 2018 TO THE DATE OF THIS REPORT:

P Ottowell	– Appointed 14 th July 2015	
B Kirby	– Appointed 14 th July 2015 -	Term ended 21 st August 2018
G Naidoo	– Appointed 14 th July 2015	
J Gibson	– Appointed 20 th August 2015 -	Term ended 21 st August 2018
I Brown	– Appointed 20 th October 2015	
J Grimes	– Appointed 20 th October 2015	
K Lewis	– Appointed 20 th October 2015	
J McHale	– Appointed 20 th October 2015-	Term ended 23 rd October 2018
A Bell	– Appointed 21 st June 2016	
K Harwood	– Appointed 22 nd August 2018	
J Wild	– Appointed 22 nd August 2018	
P Redfern	– Appointed 23 rd October 2018	

COMPANY SECRETARY WHO HELD OFFICE DURING THE PERIOD 1ST APRIL 2017 TO THE DATE OF THIS REPORT:

S Waters – Appointed 22nd December 2015

PRINCIPAL ACTIVITIES

Inclusion Housing (IH) is a community interest company (CIC – Social Enterprise) regulated by the Government CIC regulator, a registered provider of social housing regulated by the Regulator of Social Housing granted in June 2011. A not for profit, voluntary organisation and a member of the National Housing Federation, we continue to work with and on behalf of vulnerable people. IH has been awarded the Queens Award for Innovation 2018 and featured in the Parliamentary review 2019.

Award winning IH is one of the leading national providers of non - government grant funded supported accommodation designed to meet a range of housing needs for adults with learning disabilities, mental ill health, acquired brain injuries, physical & sensory disabilities and extra care, including a specialist dementia scheme. With 2090 supported housing units in management, located across 91 local authority areas, we work in partnership with other organisations to meet the specific care and support needs of client groups with particular specialist requirements. Tenancies granted to vulnerable people who receive daily support from specialist support providers.

IH is a cutting edge, innovative company that can respond quickly to new opportunity or ideas. None bureaucratic or hierarchical; the senior management team can be easily accessed, immediately.

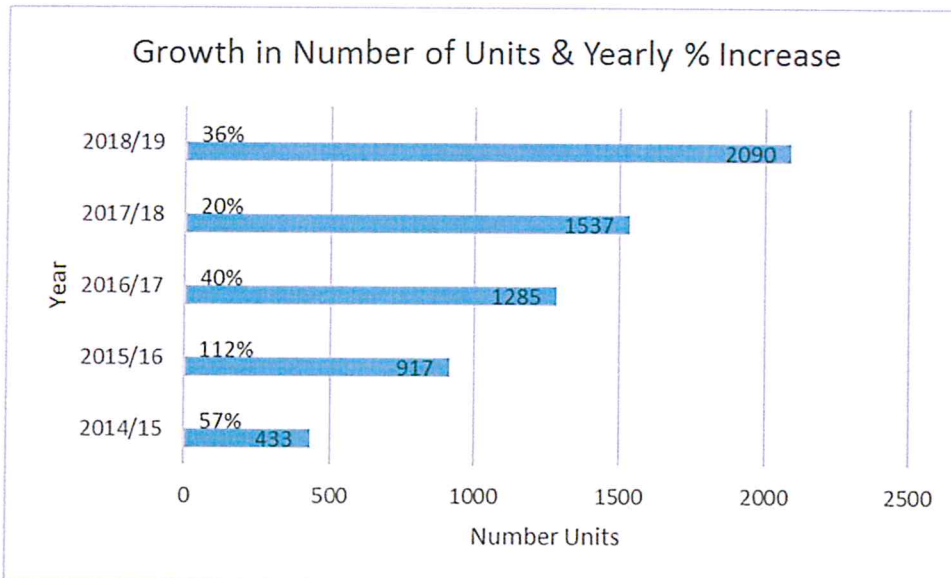
Continued business growth is helping to meet the demand for specialist supported housing accommodation in the social and healthcare sector. Commissioners increasingly outsource their property requirements, IH is ideally placed to respond to the increasing momentum to provide local and responsive community based accommodation solutions.

Inclusion Housing Community Interest Company

Board & Strategic Report

Year Ended 31st March 2019

GRAPH 1



Number of units owned includes freehold & held under an operating lease

The rate of growth achieved by IH over the last five years has been significant, experiencing an exceptional 112% increase in 2015/16 reducing to an average of 32% over the last three years.

WHERE WE OPERATE

A National Operation with a Local Presence

IH has a national portfolio of properties and provide a local service through designated local representatives who visit homes at least every two weeks complemented by a local network of service contractors. We provide intensive housing management visits to residents on a fortnightly basis to help sustain tenancies and assist with housing benefit claims and respond quickly to issues and concerns through a personalised local service.

IH is currently developing further new supported living schemes across England and into Scotland, a mix of IH owned funded from cash reserves and long-term leases via Institutional Investment partners.

STRATEGIC VISION & PRIORITIES

VISION

To be the leading health & social care landlord for vulnerable adults; providing flexible, innovative housing solutions and life opportunities in partnership.

Inclusion Housing Community Interest Company

Board & Strategic Report

Year Ended 31st March 2019

PRIORITIES

Strategic Priority 1	Strategic Objectives	Issue	Key Outcomes	IH Value
Asset Management	Maintain Assets - The delivery of high performing efficient and compliant property maintenance and servicing arrangements that deliver excellence and maintain our property portfolio to a high standard	Property	Top Quartile: Maintenance Service Satisfaction Reduced average Property costs	Excellence Trusted

Strategic Priority 2	Strategic Objectives	Issue	Key Outcomes	IH Value
Growth	Develop New Business – Fully appraise each development opportunity as IH expands its portfolio across the country as a unique housing & social enterprise;	Growth	3,000 properties in management by 2022	Enterprise Collaborative

Strategic Priority 3	Strategic Objectives	Issue	Key Outcomes	IH Value
Business Viability	Organisational Development - To encourage innovation and flair within the team, combined with a reward structure that encourages individuals who will always continue to demonstrate the extra commitment to get the job done	People	National Top Employer Award Low turnover of staff	Inclusive Collaborative
	Continuous Improvement - To continuously improve our operational systems and service delivery	Delivery & Customer	Best Companies Accreditation	Excellence
	Commercial Management Viability - Be commercially governed and effectively managed	Governance	G1 Governance Rating	Trusted

Strategic Priority 4	Strategic Objectives	Issue	Key Outcomes	IH Value
Customer Excellence	Home life Tenant Involvement - Support & encourage volunteering, training and employment opportunities and the related benefits this brings to an individual's lifestyle	Resident Involvement	Top Quartile Customer Satisfaction	Inclusive
	Customer Excellence - Meet the housing needs of vulnerable people and provide a range of housing related services to enable the tenants to live a happy and sustainable lifestyle	Diversity & choice	Customer Excellence Accreditation Investors in Diversity Accreditation	Excellence

Inclusion Housing Community Interest Company

Board & Strategic Report

Year Ended 31st March 2019

Strategic Priority 5	Strategic Objectives	Issue	Key Outcomes	IH Value
Financial Viability	Financial Viability - Be financially viable, and professionally managed.	Finance	Deliver against our business plan	Trusted
	Value for Money - To be efficient in our drive to provide a range of housing and related services to a recognised quality to all our current tenants and customers	Value	Reduce Average Operational Costs Margins >7%	Excellence

PURPOSE

Our two main purposes are:

- Carrying on the business of social enterprise, which provides and manages housing and associated services to vulnerable and disabled people in the UK (without limitation).
- Any other object which is connected with or incidental to the provision of housing (including specialist and supported) that can be carried out from time to time as a company registered as a community interest company and registered housing provider in partnership with commissioners, communities, care providers, developers and investors which benefit the community.

VALUES

Our key values are:

Entrepreneurial and innovative to grow our company

Inclusive and person centred to promote diversity across our activity

Delivering **excellence** across all our activities and services

Trusted by being open and accountable to our stakeholders

Working in **collaboration** with all stakeholders to ensure improvement

RISKS & UNCERTAINTIES

The Board of IH is ultimately responsible for managing the risks it faces, the implementation of risk management is delegated to the Executive and Staff. IH has established and adopted a risk framework and register to ensure effective identification, management and mitigation of risk across the organisation. The risk register has been developed by the executive team to address and monitor the Key risks to the organisation.

Key risks to the organisation include:

- Counterparty risk with reliance on nomination / void agreements
- Reduced investment into the sector
- Adverse increase in lost income due to reduced demand and or performance

IH needs to take managed risks in order to deliver on its primary aim of increasing the supply of specialist supported housing for vulnerable and disabled people. The IH business model is considered a higher risk model when compared to traditional supported housing registered providers.

Inclusion Housing Community Interest Company

Board & Strategic Report

Year Ended 31st March 2019

We therefore ensure a robust risk management framework is in place in order to maintain financial viability and to protect the homes and tenancies we own, lease and manage.

Under pinning our risk, appetite and approach to risk management are the requirements that we will:

- Hold adequate cash balances to ensure continued operations during any period of adjustment in adverse circumstances
- Provide services to customers, meeting all regulatory and health & safety requirements
- Protect social housing assets and the reputation of the social housing sector
- Continued strengthening of reserves to mitigate against adverse operating conditions or threats

The Business plan has been stress tested to ensure the Executive and Board are aware of the affect increases in the number of voids, changes in government legislation, unexpected increased costs, limited growth and counterparty risk on the organisation. The scenario testing revealed one of the key risks to the financial success of the organisation is the lost income due to empty properties. A Key performance objective for IH is to reduce the number of empty properties and diversify the range of partners that it works with.

In all financial matters, IH is risk averse. Its policies, strategies and procedures are structured to minimise exposure to risks that could jeopardise the security or value of our assets.

BUSINESS REVIEW

Development & Performance

As a housing provider, it is essential that IH make a healthy surplus to fulfil its core strategic priorities. All surpluses are reinvested into bringing new units into management, improving services for our residents and building cash reserves to mitigate future lease liability risks.

The Board is pleased to report a surplus on ordinary activities before interest and taxation for the year of £1,848K alongside an increase in property sinking fund reserve £1,055K (held as cash) , to be allocated against future investment in properties managed by IH maintaining quality homes for our residents.

GRAPH 2



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Board & Strategic Report

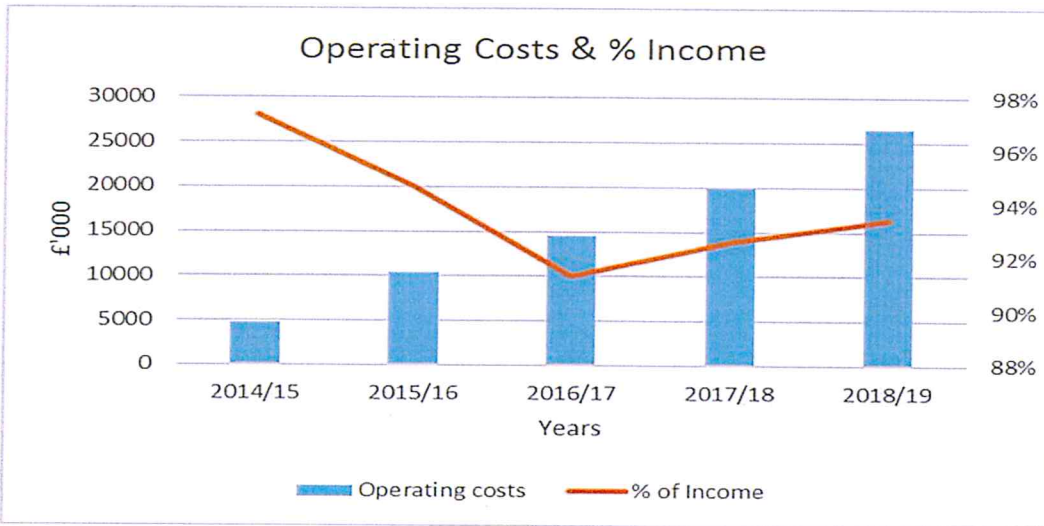
Year Ended 31st March 2019

The income over the last five years (shown in graph 2) increased from just under £5 million to £28 million driven by the increase in the number of units in management shown in graph 1.

The rate of increase peaked during 2015/16 at 130%, reducing to an average of 37% over the past three years. The yearly percentage increase in income generated is diminishing due to the current size of the organisation by comparison to the projected units into management in the future on average 329 in line with the business plan.

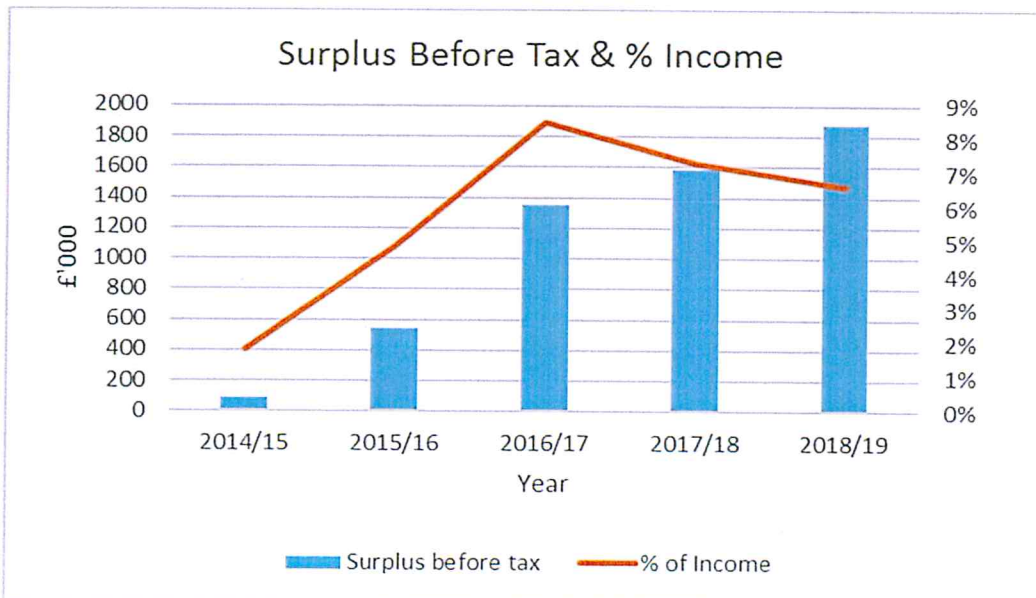
During the last five years, IH has achieved a significant reduction in operating costs, in particular during the period 2014/15 to 2016/17, stabilising over the past two years at 93% of income; demonstrating a history of cost control in an environment of rapid growth.

GRAPH 3



The combination of continued growth in income and the control of costs has resulted in yearly-sustained surplus before tax achieving a consistent return of 7% over the last two years. The business plan projection further supports this level of return rising to 10% over the next ten years through productivity gains.

GRAPH 4



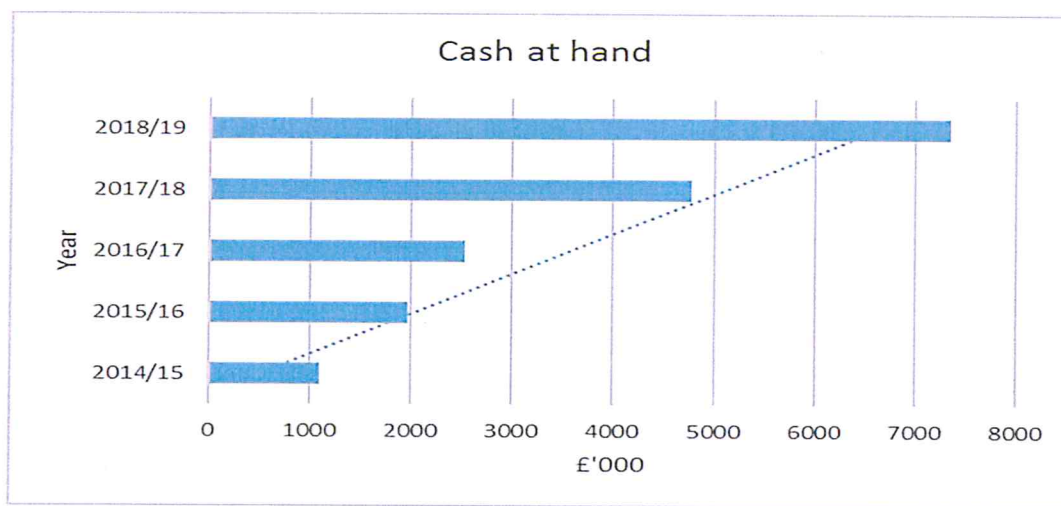
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Board & Strategic Report

Year Ended 31st March 2019

Strong working capital management and the surplus generated has enabled cash reserves of £7.3 million to be generated and retained, including a property sinking fund of £2.5 million available to support the future property investment to ensure the IH properties are maintained to a high standard; providing desirable places to live for the long term. The healthy cash reserves provided the opportunity to repay historic property loans; all owned properties providing supported living homes are unencumbered assets, plans to grow the unencumbered asset base further diversifying the business into a broader range of financing sources.

GRAPH 5



In the past five years IH has demonstrated strong financial gains on a consistent basis, providing a strong platform to provide further specialist supported housing in the future.

LOOKING TO THE FUTURE

The focus is on 'Excellence & Growth' by providing quality services to our customers and growing to in excess of 3000 units in management in the next 4 years, rising to 6000 units by 2030/31 with an increase in the number of schemes being self-funded from IH cash reserves. We will achieve this by enhancing our efficiency to generate increased surpluses for investment in homes and services and continuing to develop our people and organisation so that we can do more and better. These strategic priorities will help us to deliver our longer-term targets in line with the 30-year business plan.

The key operating principles of IH are:

- Continue to grow and develop the number of units in management
- Provide services on a national level.
- Enhance our working relationship with others
- Ensure that all new development proposals remain demand led, viable and subject to high levels of commissioner consultation.
- Continue to provide accredited excellent services that are sensitive to the needs of residents and communities and meet the aspirations of our partners and residents.
- Set clear measures of performance that are reviewed and reported regularly, and make a commitment to on-going improvement in service delivery.
- Ensure that our staff are well trained and motivated and have clear targets that contribute directly to achieving business goals.
- Ensure that the governance and decision-making processes within IH is commercial, efficient and accountable.
- Ensure the key risks to IH are identified, monitored and managed effectively at a strategic

Inclusion Housing Community Interest Company

Board & Strategic Report

Year Ended 31st March 2019

and operational level.

- Ensure that the business remains financially viable, and that IH achieves growing surpluses and increased cash reserves in each year of the business plan period.

With the CIC (social enterprise) status combined with our specialist team of experts, this will help deliver more business opportunities. The contracting arrangements provide sound protection for a variety of organisations who wish to financially invest in the growth of IH. Partnership working will be invaluable to the future success of IH's growing national reputation as a unique specialist health & social care housing provider with initiative to deliver innovative social enterprise initiatives.

VALUE FOR MONEY

Our Value for money approach is an IH strategic objective and linked to our vision. The value for money objective is to - '**Ensure robust business planning that delivers value for money**'

The 3 classic components of 'VFM': - economy, efficiency, and effectiveness, are -

- **Economy** relates to keeping down the **cost of inputs**,
- **Efficiency** relates to the **transformation of inputs to outputs** (*quantity & quality*) i.e. how much you put in, in relation to what you get out.

Effectiveness relates to **achieving desired outcomes**. Outcomes are what matter to the customer and should map across to the business's high-level objectives.

In bringing these three components together, IH is producing a range of quantitative and qualitative outputs across a range of services, which collectively deliver the desired outcomes for the best possible cost. This objective is underpinned by the following aims: -

- To ensure that VFM is embedded into all aspects of the Business's work that all staff understand that VFM and improvement form part of individual performance targets
- To measure and benchmark VFM to enable informed service improvements, costs and priorities
- To fully understand our service costs and the factors that affect these
- To ensure that opportunities for procurement and partnering are fully explored
- To ensure that efficiency gains are reinvested into front line services, and the people and infrastructure that support these services, in line with customer wishes and community needs
- To ensure that there is demonstrable improvement in our VFM performance through challenging but achievable and sustainable efficiency targets year on year

There is a range of activities underway within IH to ensure the delivery of VfM. They include a clear role for Governance in setting strategic priorities and the delivery for VfM; performance management and benchmarking; effective fiscal management and the dissemination of accurate and relevant financial information; clear efficiency targets reflected in budgets; and effective procurement. IH has a continuous improvement framework to achieve economies and efficiencies as a fundamental requirement.

Productivity Efficiencies

As IH has grown, efficiencies have been gained through economies of scale, increasing front line staffing at levels to ensure excellent service delivery, whilst keeping the management numbers static.

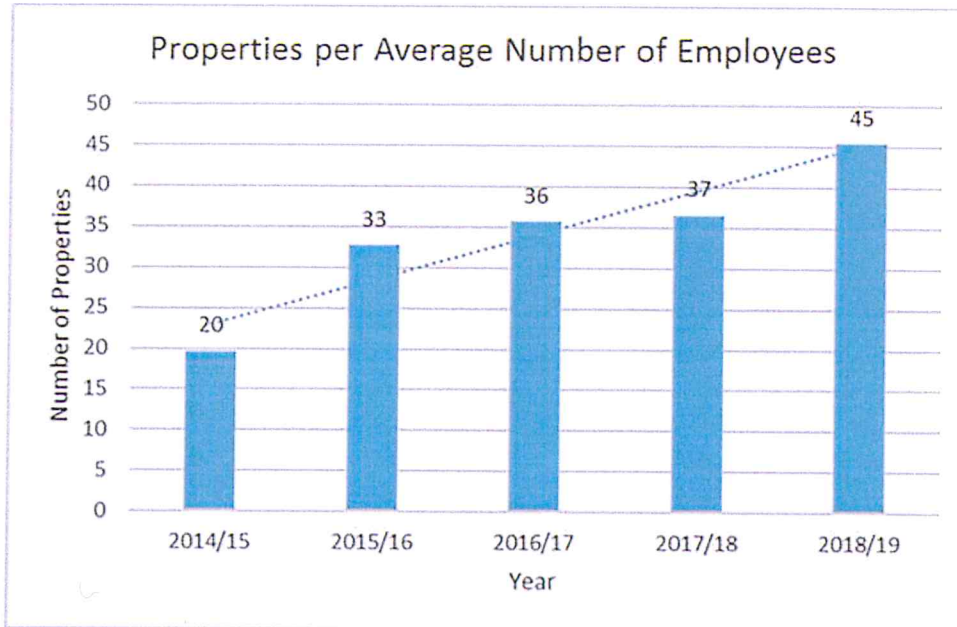
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Year Ended 31st March 2019

Graph 5 shows the sustained increase in efficiencies over the last 5 years achieving productivity gains from 20 properties in management per average number of employees to 45 in 2018/19 a 125% increase. This strategic approach is key to the business plan indicating future increases in the average number of properties in management per employee to 59 (31% increase) over the next 5 years.

GRAPH 5



Key Strategic Priority	Self-Assessment
Asset Management	<p>Growth in Business</p> <p>Completed 558 new units in management with plans to deliver future sustained growth average 329 units a year in line with the strategic plan.</p> <p>Biannual return on assets report is presented to Board containing a review of the financial viability of all schemes, consideration of required actions to ensure ongoing positive returns from each scheme managed.</p>
Added Value	<p>Handyperson Service</p> <p>30% of schemes (85) receive a handyman service this proactive approach to delivering the repairs service is achieving added value through:</p> <ul style="list-style-type: none"> • Enhanced service provided through value added jobs • Reduced number of informal complaints • Reduced number of calls to IH staff ordering and chasing repairs • The improved relationships between IH and care providers. • Schemes stay fresher for longer as the handyperson regularly touches up paintwork around hard used areas (lifts/doors etc.). <p>Value added jobs (19% of total handyperson jobs) cover items not normally the responsibility of IH, where there is no capacity to undertake the jobs examples are - picture/mirror hanging, curtains/blinds rehangng/fitting, bulb changes, electronic fittings (TVs/DVDs/programming/setting of electrical items).</p>

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Board & Strategic Report

Year Ended 31st March 2019

<p>Business Viability</p>	<p>Continuous Improvement</p> <p>21% increase in productivity per employee</p> <p>Re-aligning managing agent patches to reduce non-productive / travel time and fuel costs</p> <p>62% reduction in days lost due to sickness from an average of 5.95 in 2017/18 to 3.66 days per employee in 2018/19</p>
<p>Community</p>	<p>HomeLife Project</p> <p>HomeLife project is about forging links between tenants of IH and our neighbours in the local community, with the aim of tenants becoming more involved in local activities. 28 separate initiatives delivered benefiting up to 525 tenants.</p> <p>HomeLife encourages our tenants to:-</p> <ul style="list-style-type: none"> - Learn new skills - Combat social isolation - Access training or employment - Improve health and wellbeing - Access volunteering - Join a social activity - Improve confidence and self-esteem - Reduce isolation, build connections and friendships
<p>Financial Viability</p>	<p>Financial Viability</p> <p>Achieved 6.5% operating surplus before tax. Focus for the future to sustain the surplus by reducing our core cost base and better procurement in a challenging economic environment</p> <p>A move towards self-insurance of lost income from void properties, resulted in retaining £1 million in the business, rather than funding insurance premiums</p> <p>Property Sinking Fund growth to £2.5 million cash reserves , supporting the 30 year asset investment plan</p> <p>Procurement of insurance resulted in a 4.5% reduction in the renewal rate and low claims rebate of £15.9K .New utility contracts estimated to provide savings in the region of £62K, 7% on gas supply and 22% on electricity</p> <p>Treasury Management</p> <p>Increase in Cash equivalents rose from £1.6 million generated in 2017/18 to £2.6 million in 2018/19</p> <p>Focused arrears management resulted bad debt write off remaining low at £30K 0.1% of net rental income, sector average 0.8%</p> <p>Interest bearing bank accounts generated £31K in additional interest receivable</p>

Target Setting & Monitoring

Value for money is monitored and reported to Board bimonthly through the publication of the performance scorecards including value for money scorecard, containing actual against budget analysis, with yearly targets being set by the board to achieve strategic objectives. The scorecards include the RSH value for money metrics and IH own VFM targets.

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Board & Strategic Report

Year Ended 31st March 2019

MEASURABLE PLANS PERFORMANCE IMPROVEMENT

Key to the financial success of IH is the minimisation of voids lost income, this materialises when there is no occupancy of a unit and no contractual arrangement to recover the rental income from third party or through subsidies / revenue grants. 2018/19 saw an adverse increase in the loss from 5% in 2017/18 to 7%.

This is mitigated partly by the negotiation of contractual rent-free periods or void pots to cover initial and turnover voids; along with insurance and self-insurance facilities; which has a net effect of reducing overall cash void loss.

A Measurable target of 6% has been set for 2019/20, achievable through the following measures:

- Work closely with Commissioners & Care providers to proactively secure referrals
- High Levels of investment in properties to ensure desirable place to live
- Reduce number of tenants leaving through proactive Intensive housing management
- Ensure all new developments include Voids agreements from earliest possible moment
- Continue to self-insure lost income

VALUE FOR MONEY METRIC

Value for money metrics introduced by the RSH broadly setting a measure to capture performance across the sector in a fair and comparable way. It is however acknowledged that any metric, will inevitably be more appropriate for some providers than others. The lease-based model does provide some results outside the sector norm.

To explain and complement the RSH VFM metric, Table 1 below contains IH performance measures to provide a balanced view of overall VFM performance.

The metric highlights strong growth in delivery of new supply, in-turn fuelling productivity gains with increased units in management and turnover per employee.

IH is a member of the Acuity supported housing benchmarking club, whilst it is acknowledged there are differences in the size and operating models of individual member organisations this is the closest peer comparator currently available.

TABLE 1

Number	VFM Metrics - Peer Comparison	2017/18	2017/18 SPBM Mediam	Continuous Improvement Trend
RSH 1	Reinvestment %	15.9%	4.3%	
RSH 2A	New supply delivered (Social housing units)	14.9%	0.0%	
RSH 2B	New supply delivered (Non social housing units)	0.0%	0.0%	
RSH 3	Gearing % Assets Valuation	-365.1%	21.4%	
RSH 4	EBITDA MRI%	-6218.5%	306.3%	
RSH 5	Headline Social housing cost per unit	£ 11,012	£ 4,317	
IH Matrix	Headline Social housing cost per unit (Omitting Lease Rent Costs)	£ 3,791	£ 4,317	
RSH 6 A	Operating Margin (Social housing Lettings only)	7.4%	26.4%	
RSH 6B	Operating Margin	7.4%	22.4%	
RSH 7	Return on Capital Employed	28.1%	3.5%	

RSH source: Global Accounts 2017/18 VFM Metrics

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The 2017/18 peer comparison suggests IH is out performing on new supply, low levels of debt, lower costs per unit after removal of the lease rent costs with lower operating margins reflecting the lease model.

Table 2 details the VFM Metrics and IH VFM measures performance trends over the past two years.

TABLE 2

Number	VFM Metrics	2017/18	2018/19	Continuous Improvement Trend
RSH 1	Reinvestment %	15.9%	0.0%	
RSH 2A	New supply delivered (Social housing units)	14.9%	26.4%	
RSH 2B	New supply delivered (Non social housing units)	0.0%	0.0%	
RSH 3	Gearing % Assets Valuation	-365.1%	-590.5%	
RSH 4	EBITDA MRI%	-6218.5%	-15038.0%	
RSH 5	Headline Social housing cost per unit	£ 11,012	£ 11,209	
IH Matrix	Headline Social housing cost per unit (Omitting Lease Rent Costs)	£ 3,791	£ 3,746	
RSH 6 A	Operating Margin (Social housing Lettings only)	7.4%	6.3%	
RSH 6B	Operating Margin	7.4%	6.5%	
RSH 7	Return on Capital Employed	28.1%	22.0%	
IH Matrix	Units per Employee	37	45	
IH Matrix	Turnover per Employee	£ 432	£ 624	
IH Matrix	Salary Costs %	6.8%	6.0%	

RSH source: Global Accounts 2017/18 VFM Metrics

Headline social housing costs yearly trend shows a slight increase, this measure is outside the sector norm due to the inclusion of lease rent costs, a further IH indicator has been added removing the lease rent costs. The revised measure (£3,746) reflects a cost closer to the sector median of £3,360 per unit and significantly lower than other supported housing providers whose costs are on average £6,700 per unit.

(Source value for money metrics – technical regression report sept 18)

The opportunity to acquire new VFM owned properties in 2018/19 did not present itself, however this remains a strategic focus. Margins realised reflect our social purpose and the lease based model. Although the return on capital employed has fallen this is a reflection of the increase in reserves.

COMPLIANCE WITH GOVERNANCE AND FINANCIAL VIABILITY STANDARD

In February 2019, the regulator of social housing (RSH) published its first regulatory judgement stating that it found IH was non-compliant in terms of both the governance and viability standards issuing a non-compliant G3/V3 assessment. In response to the regulatory engagement, IH continues to work with the regulator to address their concerns.

GOVERNANCE

The Board consists of nine members, one Co-optee and two independent committee members; details of appointments at Companies House are included at Page 2 & 5 to these Financial Statements.

The Board's role is to provide strategic direction and to govern, control and scrutinise our operations. The Board meets regularly to review the performance of the business and operate in line with the NHF excellence in governance 2015 (adapted). An annual appraisal and skills assessment is completed to ensure the Board has the appropriate skills and experience to comply with the NHF Code of Governance, and the RSH Regulatory Standards ensuring the effective delivery of its Corporate Plan.

Inclusion Housing Community Interest Company

Board & Strategic Report

Year Ended 31st March 2019

An annual self-assessment is completed and this continues to confirm that IH is fully compliant with the NHF Code of Governance. A Board improvement plan is in place to sustain and continuously improve compliance.

Insurance policies indemnify Board members and Officers against liability up to certain limits, when acting for the organisation.

Chair -	Pete Ottowell
Board Members - & Directors	Guru Naidoo Ian Brown June Grimes Keith Lewis Anthony Bell Kevin Harwood Joanna Wild Paul Redfern
Co Opted -	Tom Frank
Independent -	Frank Ashton Tony Allen

Remuneration & Governance Committee	Role
Guru Naidoo	Chair
Meets twice a year, responsible for overseeing effective governance ,policy on staff & Board remuneration and Board member appraisal process	
Audit & Risk Committee	Role
Anthony Bell	Chair
Meets three times a year ,responsible for overseeing standards of probity, risk management strategy alongside internal and external audit	

The remunerated Board and Committee members attended 87% of meetings in 2018/19 and are subject to regular performance appraisals.

New Board Member Appointments

Kevin Harwood - Appointed 22nd August 2018
Joanna Wild - Appointed 22nd August 2018
Paul Redfern - Appointed 23rd October 2018
Tom Frank - Appointed Co-optee 22nd August 2018

Inclusion Housing Community Interest Company

Board & Strategic Report

Year Ended 31st March 2019

New Committee Appointments

Frank Ashton - Appointed as Independent Member Remuneration & Governance Committee
from 22nd August 2018

Tony Allen - Appointed as Independent Member Risk & Audit Committee
from 22nd August 2018

Key Management Personnel

N Brown – Chief Executive
P Atkins – Property Director
M Dodgson – Operations Director
S Milnes – Finance Director
S Waters – Company Secretary

Pensions

The directors and key management personnel are eligible to be members of the defined contribution pension scheme. They participate in the scheme on the same terms as all eligible staff and IH contributes to the scheme on behalf of its employees.

Financial Instruments

IH uses various financial instruments, including loans and cash, and other items such as rental & trade arrears alongside trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the organisation's operations. The existence of these financial instruments exposes the organisation to a number of financial risks. The main risks arising from the organisations financial instruments are understood by the Board to be liquidity risk and credit risk.

STATEMENT OF INTERNAL CONTROLS

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. The annual controls assurance report is reviewed & considered by board members annually at the Audit & Risk committee.

The system of internal control is designed to manage rather than eliminating the risk of failure to achieve business objectives and to provide reasonable assurance against material misstatement or loss.

Key elements of the control framework include:

- Board approved terms of reference and delegated authorities for Audit & Risk committee and the Remuneration & Governance committee
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks
- Robust strategic and business planning processes, with detailed financial budgets, forecasts, stress testing, property investment plan and asset & liability register
- Formal HR policies for all staff
- Established approval and appraisal procedures for significant new initiatives and

Inclusion Housing Community Interest Company

Board & Strategic Report

Year Ended 31st March 2019

commitments

- Board approved financial regulations and scheme of delegation
- Robust performance reporting framework
- Internal Audit programme

GOING CONCERN

IH business activities and current financial position are set out in this operating and financial review. With increased cash reserves and growing resources, the IH business plan shows it is able to meet its ongoing obligations and loan covenants.

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

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The Directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) for Registered Social Housing Providers update 2018, have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Company has fully complied with the Accounting Direction for Private Registered Providers of Social Housing 2019.

A qualifying third party indemnity provision is in place for directors and officers of the Company.

Inclusion Housing Community Interest Company

Board & Strategic Report

Year Ended 31st March 2019

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as each director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware. They have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The external audit service is to be reprocurd during 2019, JN Straughan & Co will remain in office until the exercise is completed.

By order of the Board

ON BEHALF OF THE BOARD:



.....
Mrs S Waters – Company Secretary

Date: 25th June 2019

Inclusion Housing Community Interest Company

Independent Auditor's Report

Year Ended 31st March 2019

Independent Auditor's Report to the Members of Inclusion Housing Community Interest Company

Opinion

We have audited the financial statements of Inclusion Housing Community Interest Company (the 'company') for the year ended 31 March 2019, which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing in England 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company'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.

Inclusion Housing Community Interest Company

Independent Auditor's Report

Year Ended 31st March 2019

Other information

The board is responsible for the other information. The other information comprises the information included in the annual financial 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the board report (incorporating the strategic report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the board report (incorporating the strategic report) has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the board report (incorporating the strategic report).

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

In addition, we have nothing to report in respect of the following matter where the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained.

Inclusion Housing Community Interest Company

Independent Auditor's Report

Year Ended 31st March 2019 Responsibilities of the board

As explained more fully in the board's responsibilities statement [set out on page 18], the board members (who are also the directors of the company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

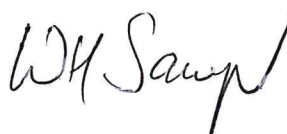
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 137 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mr W.H, Sawyer FCA
(Senior Statutory Auditor)



Date 25th June 2019

For and on behalf of
J.N. Straughan & Co., Statutory Auditor
1st Floor
Portland House
Belmont Business Park
DURHAM
DH1 1TW

Inclusion Housing Community Interest Company

Statement of Comprehensive Income

Year Ended 31st March 2019

	Note	2019 £000	2018 £000
Turnover	2	28,287	21,439
Cost of sales	2	24,313	18,055
Gross surplus		<u>3,974</u>	<u>3,384</u>
Administrative expenditure	2	2,196	1,951
Other operating income	2	70	159
Operating surplus	2	<u>1,848</u>	<u>1,592</u>
Gain on disposal of tangible fixed assets	6	16	-
Interest receivable and similar income	5	31	18
Interest payable and similar expenses	5	13	27
Surplus for the year before taxation	7	<u>1,882</u>	<u>1,583</u>
Tax on surplus	10	<u>371</u>	<u>313</u>
Surplus for the year		<u>1,511</u>	<u>1,270</u>
Total comprehensive income for the year		<u>1,511</u>	<u>1,270</u>

The Company's results relate wholly to continuing activities.

The notes on pages 27 to 43 form part of these accounts.

Balance sheet

Year Ended 31st March 2019

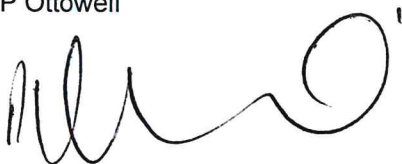
	Note	2019 £000	2018 £000
Fixed assets			
Tangible fixed assets	11	<u>1,833</u>	<u>1,869</u>
Current assets			
Debtors	12	3,067	1,679
Cash at bank and in hand		7,347	4,779
		<u>10,414</u>	<u>6,458</u>
Creditors: amounts falling due within one year	13	(3,788)	(2,662)
Net current assets		<u>6,626</u>	<u>3,796</u>
Total assets less current liabilities		<u>8,459</u>	<u>5,665</u>
Creditors: amounts falling due after more than one year	14	(4,178)	(2,893)
Provisions for liabilities	18	(12)	(14)
Total net assets		<u>4,269</u>	<u>2,758</u>
Reserves			
Income and expenditure reserve	19	4,269	2,758
Total Reserves		<u>4,269</u>	<u>2,758</u>

The financial statements were approved and authorised for issue by the Board on 25th June 2019.

Signed on behalf of the board

Signature

P Ottowell



Signature

A Bell



The notes on pages 23 to 43 form part of these accounts.

Inclusion Housing Community Interest Company

Statement of Changes in Equity

Year Ended 31st March 2019

	Income and expenditure reserve £000	Total £000
At 1 April 2017	<u>1,488</u>	<u>1,488</u>
Surplus for the year - comprehensive income	<u>1,270</u>	<u>1,270</u>
At 31 March 2018	<u>2,758</u>	<u>2,758</u>
Surplus for the year - comprehensive income	<u>1,511</u>	<u>1,511</u>
At 31 March 2019	<u>4,269</u>	<u>4,269</u>

Inclusion housing Community Interest company

Statement of Cash Flows

Year Ended 31st March 2019

	Note	2019 £000	2018 £000
Cash flow from operating activities	20	2,621	2,574
Interest paid		13	27
Taxation paid		499	284
Net cash flow from operating activities		<u>2,109</u>	<u>2,263</u>
Cash flow from investing activities			
Payments to acquire tangible fixed assets		(18)	(859)
Receipts from sales of tangible fixed assets			
Grants received		476	230
Interest received		31	18
Net cash flow from investing activities		<u>489</u>	<u>(611)</u>
Cash flow from financing activities			
Repayment of long term loans		(30)	(541)
Loans taken out in the year		0	455
Interest paid		0	
Net cash flow from financing activities		<u>(30)</u>	<u>(86)</u>
Net increase in cash and cash equivalents		2,568	1,566
Cash and cash equivalents at 1 April 2018		4,779	3,213
Cash and cash equivalents at 31 March 2019		<u>7,347</u>	<u>4,779</u>
Cash and cash equivalents consists of:			
Cash at bank and in hand		7,347	4,779
Cash and cash equivalents at 31 March 2019	21	<u>7,347</u>	<u>4,779</u>

Inclusion Housing Community Interest Company

Notes to the Financial Statements

Year Ended 31st March 2019

1 Summary of significant accounting policies

General information and basis of preparation

Inclusion Housing CIC is a private company, limited by guarantee, registered in England and Wales and is a private registered provider of social housing in the United Kingdom. The address of the registered office (in England) and principle activities is given on pages 3 & 4 of these financial statements

Inclusion Housing CIC constitutes a public benefit entity as defined by FRS 102.

The financial statements have been prepared in accordance with (and are compliant with) applicable accounting standards including Financial Reporting Standard 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, 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 Companies Act 2006. The financial statements have been prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The financial statements are prepared in sterling, which is the functional currency of Inclusion Housing, and rounded to the nearest £000.

Inclusion Housing CIC has chosen to early adopt the provisions of the Statement of Recommended Practice for Social Housing Providers 2018 and the Accounting Direction for private registered providers of social housing in England 2019.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Tangible fixed assets

Housing properties

Social housing properties are stated at cost less accumulated depreciation. 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.

Major components of housing properties are depreciated 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:

Structure	50 Years
Heating & plumbing - boiler	15 Years
Kitchens	15-20 Years
Bathrooms	15-30 Years
Windows and doors	30-35 Years
Rewire	25-40 Years

Freehold land is not depreciated. Housing properties under construction are not depreciated until they are in use and the useful economic lives of all tangible fixed assets are reviewed annually.

Other

Other tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

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:

Inclusion Housing Community Interest Company

Notes to the Financial Statements

Year Ended 31st March 2019

Buildings – freehold (structure)	50 Years
Fixtures and fittings	4 Years

Leasehold properties

Alterations to leasehold properties are charged to the income and expenditure account at the point expenditure occurs.

Leases

Rentals payable and receivable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. Lease payments are recognised as an expense in the year they become due.

Debtors and creditors receivable / payable within one year

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

Interest payable

Interest is allocated at a constant rate on the carrying amount over the period of the loan, charged to the income and expenditure account in the year.

Financial Instruments

Financial instruments, which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102, are accounted for under an amortised historical cost model.

Tax

Current tax represents the amount of tax payable or receivable in respect of taxable income for the current or past reporting periods. It is measured at the amount expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax represents the future tax consequences of transactions and events recognised in the financial statements of current and previous periods. It is recognised in respect of all timing differences, with certain exceptions. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in the financial statements. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of timing differences. Deferred tax on revalued non-depreciable tangible fixed assets and investment properties is measured using the rates and allowances that apply to the sale of the asset.

The activities of Inclusion Housing CIC limited are partially exempt from VAT. Because of the small amounts involved, expenditure is shown gross and the VAT recovered is included in other interest receivable and similar income. Irrecoverable VAT which can be attributed to a capital item or operating expenditure is added to the cost of the capital item or expenses where practicable and material.

Turnover and other income

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

Inclusion Housing Community Interest Company

Notes to the Financial Statements

Year Ended 31st March 2019

Turnover represents rental and service charges income receivable in the year net of rent and service charge losses from voids, non-government revenue grants and development fees. Development fees are received to support the costs incurred in bringing new schemes into management ensuring the property is constructed / refurbished to the agreed specification and quality. Income is recognised at the point of either property coming into management or during the construction period of new build properties.

As the company is registered for VAT, such income is stated net of VAT where applicable.

Interest income is recognised using the effective interest method.

Voids Self-Insurance

The weekly rent charge includes an allowance for void expenses in the event of a unit in management becoming empty for a period at some point in the future. The intended purpose is to fund costs incurred by the organisation during periods when the unit is not occupied. The void charge is extracted from the income collected and initially presented as deferred income on the balance sheet. Set against the deferred income is the equivalent lost income from the units classed as void with no other cover in place.

Sinking fund

The weekly rent charge includes a sinking fund allowance to be utilised for the future replacement of major property components at each scheme forming part of the lease obligations. The sum being collected per unit in management has been tested against the 30-year investment plan and found to adequately cover the future component replacement lease liabilities. The sinking fund deferred income is reflected in creditors and as liquid assets in a separately identified bank account.

Revenue Grants

Revenue grants have been provided to the organisation for a number of purposes including:

- Subsidising the lease rent over the twenty-year life of the lease.
The grant is released on a straight line basis to income during the year, the liquid assets transferred to the current account and the balance of grant reflected in creditors and as liquid assets in a separately identifiable bank account.
- Property investment funds to support works to transferred schemes into management, funds recognised as income on a matching basis as expenditure is incurred. The balance of the grant is reflected as short-term creditors.
- Short-term lease cost subsidies in place to support the business during the initial period a new scheme comes into management ahead of full occupation.
- Five year void pot – to support specific schemes on the expiry of the void's agreement with the care provider. Monies held in an escrow account and grant reflected as a creditor greater than one year.

The grants are recognised on the performance model methodology.

SDLT Liability

Cash funds equivalent to the Stamp Duty Land Tax liability due on the 20-year anniversary of a lease is included in creditors falling due after one

Employee benefits

When employees have rendered service to Inclusion Housing, short-term employee benefits to which the employees are entitled are recognised at the undiscounted amount expected to be paid in exchange for that service.

Inclusion Housing operates a defined contribution plan for the benefit of its employees. Contributions are expensed as they become payable.

Inclusion Housing Community Interest Company

Notes to the Financial Statements

Year Ended 31st March 2019

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

	2019			
	Turnover & Other Income £000	Cost of Sales £000	Administrative Expenditure £000	Operating surplus / (deficit) £000
Social housing lettings (note 3)	27,282	23,764	2,083	1,435
Other social housing activities:				
Charges for support services	433	433	-	-
Other	572	116	113	343
	<u>28,287</u>	<u>24,313</u>	<u>2,196</u>	<u>1,778</u>
Activities other than social housing activities:	87	-	17	70
Total	<u>28,374</u>	<u>24,313</u>	<u>2,213</u>	<u>1,848</u>
	2018			
	Turnover & Other Income £000	Cost of Sales £000	Administrative Expenditure £000	Operating surplus / (deficit) £000
Social housing lettings (note 3)	20,433	17,544	1,847	1,042
Other social housing activities:				
Charges for support services	446	446	-	-
Other	560	65	104	391
	<u>21,439</u>	<u>18,055</u>	<u>1,951</u>	<u>1,433</u>
Activities other than social housing activities:	170	-	11	159
Total	<u>21,609</u>	<u>18,055</u>	<u>1,962</u>	<u>1,592</u>

Inclusion Housing Community Interest Company

Notes to the Financial Statements

Year Ended 31st March 2019

3 Particulars of turnover and administrative expenditure

2019: Turnover and administrative expenditure from social housing lettings:

	General needs housing	Supported housing and housing for older people	Total
	£000	£000	£000
Turnover			
Rent receivable net of identifiable service charges	20	25,209	25,229
Service charge income	0	1,946	1,946
Other grants	0	1,112	1,112
Turnover from social housing lettings	<u>20</u>	<u>28,267</u>	<u>28,287</u>
Administrative and Operating expenditure			
Lease Rents Payable	12	17,584	17,596
Management		132	132
Wages & salaries		1,529	1,529
Service charge costs	1	2,007	2,008
Routine maintenance	2	2,040	2,042
Planned maintenance		1,552	1,552
Major repairs expenditure			
Bad debts		41	41
Depreciation of housing properties	6	31	37
Insurance	1	328	329
Other costs		1,243	1,243
Administrative and Operating expenditure on social housing lettings	<u>22</u>	<u>26,487</u>	<u>26,509</u>
Operating surplus on social housing lettings	<u>(2)</u>	<u>1,780</u>	<u>1,778</u>
Net Void losses	<u>3</u>	<u>2,246</u>	<u>2,249</u>

Inclusion Housing Community Interest Company

Notes to the Financial Statements

Year Ended 31st March 2019

3 Particulars of turnover and administrative expenditure (continued)

2018: Turnover and administrative expenditure from social housing lettings:

	General needs housing	Supported housing and housing for older people	Total
	£000	£000	£000
Turnover			
Rent receivable net of identifiable service charges	3	19,273	19,276
Service charge income		1,410	1,410
Other grants		753	753
Turnover from social housing lettings	3	21,436	21,439
Administrative and Operating expenditure			
Lease Rents Payable		13,098	13,098
Management		103	103
Wages & salaries		1,372	1,372
Service charge costs		1,470	1,470
Routine maintenance		1,381	1,381
Planned maintenance		1,137	1,137
Bad debts		30	30
Depreciation of housing properties	1	31	32
Insurance		302	302
Other costs	1	1,080	1,080
Administrative and Operating expenditure on social housing lettings	2	20,004	20,006
Operating surplus / (deficit) on social housing lettings	1	1,432	1,433
Void losses	1	1,103	1,104

Inclusion Housing Community Interest Company

Notes to the Financial Statements

Year Ended 31st March 2019

4 Accommodation owned, managed and in development Number of units owned includes freehold & held under an operating lease

	Number of units at 31 March 2018	Number of units at 31 March 2019
<i>Social housing</i>		
General needs housing:		
Let at social rent	3	6
Supported housing		
Let at social rent	1439	1980
Housing for older people		
Let at social rent	98	98
Total owned	<hr/> 1540	<hr/> 2084
Accommodation managed for others	274	274
Total managed	<hr/> 1814	<hr/> 2358
Total owned and managed	<hr/> 1814	<hr/> 2358
Accommodation in development	<hr/> 570	<hr/> 512

Inclusion Housing CIC manages properties on behalf of Bromford Housing Association, a registered social housing provider and Lifeways.

Inclusion Housing Community Interest Company

Notes to the Financial Statements

Year Ended 31st March 2019

5 Interest and other finance income and expenses

a) Interest receivable and similar income

	2019 £000	2018 £000
Bank interest receivable	31	18
	<hr/>	<hr/>
	31	18
	<hr/>	<hr/>

b) Interest payable and similar expenses

	2019 £000	2018 £000
Office Property Loan Interest	13	14
Social Housing Property Loan Interest	0	13
	<hr/>	<hr/>
	13	27
	<hr/>	<hr/>

6 Disposals of housing properties held as tangible fixed assets

	2019 £000	2018 £000
Proceeds from the disposal of housing properties	16	0
	<hr/>	<hr/>
	16	0
	<hr/>	<hr/>

Inclusion Housing Community Interest Company

Notes to the Financial Statements

Year Ended 31st March 2019

7 Surplus

Surplus is stated after charging:

	2019 £000	2018 £000
Auditor's remuneration	16	13
Depreciation of tangible fixed assets	76	68
(Gain) on sale of tangible fixed assets	16	0
Operating lease rentals	17,596	13,098
	<hr/>	<hr/>

The Company has entered into a Liability Limitation Agreement with its auditor's (limit £40,000). That limit does not apply to any acts, omissions or representations that are in any way criminal, dishonest or fraudulent on the part of the audit firm, its principals or employees.

8 Board and key management personnel remuneration

The total remuneration for key management personnel amounted to £366,363 (2018 - £334,381), pension contributions £24,440 (2018 £18,745) and Board members £47,548 (2018 £41,675)

Compensation for loss of office to directors (including past directors) in the period amounted to £nil (2018 - £Nil).

The highest paid key management personnel received £93,219 (2018 - £86,600) remuneration (excluding pension contributions).

The chief executive is included in the companies defined contribution pension scheme is an ordinary member of the scheme. No enhanced or special terms apply. During the period the total amount contributed to the individual pension arrangement was £6,235 (2018 - £4,891).

9 Staff costs

The average monthly number of employees, including members of the executive team, during the year was as follows:

	2019 Number	2018 Number
Governance	10	9
Key Management Personnel	5	5
Property	4	4
Operations	17	15
Finance	9	8
Business Administration	11	10
	<hr/>	<hr/>
	56	51
	<hr/>	<hr/>

Inclusion Housing Community Interest Company

Notes to the Financial Statements

Year Ended 31st March 2019

The aggregate remuneration of such employees was as follows:

	2019 £000	2018 £000
Wages and salaries	1,361	1,217
Social security	125	112
Other pension costs	61	44
	<u>1,547</u>	<u>1,373</u>

The number of employees who received more than £60,000 as their employee package (excluding pension's costs) are as follows:

	2019 Number	2018 Number
£60,001 - £70,000	3	4
£70,001 - £80,000	1	0
£80,001 - £90,000	0	1
£90,001 - £100,000	1	0
	<u>5</u>	<u>5</u>

10 Tax

a) Tax on the surplus

	2019 £000	2018 £000
Current tax:		
UK corporation tax before double taxation relief	370	313
Adjustments in respect of previous periods	3	-
Total current tax	<u>373</u>	<u>313</u>
Deferred tax:		
Origination and reversal of timing differences	(2)	-
Total deferred tax	<u>(2)</u>	<u>-</u>
Tax on operating surplus	<u>371</u>	<u>313</u>

Inclusion Housing Community Interest Company

Notes to the Financial Statements

Year Ended 31st March 2019

10 Tax (continued)

b) Tax included in other comprehensive income

	2019 £000	2018 £000
Current tax	373	313
Deferred tax:		
Origination and reversal of timing differences	(2)	-
Tax included in other comprehensive income	<u>371</u>	<u>313</u>

c) Reconciliation of tax charge

The difference between the tax on operating surplus and the operating surplus before tax multiplied by the applicable rate of corporation tax in the UK is reconciled below:

	2019 £000	2018 £000
Operating surplus before tax	<u>1,882</u>	<u>1,583</u>
Operating surplus multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	358	301
Effects of:		
Expenses not deductible for tax purposes	4	6
Depreciation in excess of capital allowances	8	6
Adjustments in respect of previous periods	3	-
Deferred tax – origination and reversal of timing differences	(2)	-
Tax on operating surplus arising from ordinary activities	<u>371</u>	<u>313</u>

d) Deferred tax

Deferred tax included in the balance sheet is as follows:

	2019 £000	2018 £000
Included in provisions for liabilities (note 18)	<u>12</u>	<u>14</u>
	<u>12</u>	<u>14</u>

Inclusion Housing Community Interest Company

Notes to the Financial Statements

Year Ended 31st March 2019

11 Tangible fixed assets – housing properties

	Office Property	Freehold Social Housing properties	Improvement to properties	Furniture & Computer Equipment	Total
	£000	£000	£000	£000	£000
Cost:					
At 1 April 2018	650	1,378	28	91	2,147
Additions: completed properties acquired		171			171
Additions: other				18	18
Disposals		181		4	185
At 31 March 2019	650	1,368	28	105	2,151
Depreciation:					
At 1 April 2018	15	196	18	49	278
Charge for year	15	32	5	24	76
Eliminated on disposals		32		4	36
At 31 March 2019	30	196	23	69	318
Net book value:					
At 31 March 2019	620	1,172	5	36	1,833
At 31 March 2018	635	1,182	10	42	1,869

Office & Freehold social housing properties all constitute completed projects all subject to component accounting.

As part of Additions/Disposals to Housing Properties during 2019, Inclusion Housing CIC subsequently entered into an operating lease on normal terms for the property disposed of.

Included in freehold social housing property is a property acquired in 2011 for £1 and valued at £616,982 for insurance purposes. This property is kept in perpetuity for social purpose; future disposal is restricted under the terms of the transfer agreement.

Inclusion Housing Community Interest Company

Notes to the Financial Statements

Year Ended 31st March 2019

12 Debtors

	2019 £000	2018 £000
Trade debtors (gross social housing rent arrears)	1,557	906
Less: provision for doubtful debt	(76)	(65)
Trade debtors (others)	1,284	612
Other debtors	41	8
Prepayments and accrued income	261	218
	<u>3,067</u>	<u>1,679</u>

All Debts fall due within one year.

13 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Bank loans and overdrafts	30	30
Trade creditors	2,320	1,288
Tax	187	314
Rents paid in advance	213	94
Other tax and social security	30	32
VAT	38	29
Other creditors	12	0
Accruals and deferred income	958	875
	<u>3,788</u>	<u>2,662</u>

14 Creditors: amounts falling due after more than one year

	2019 £000	2018 £000
Bank loans and overdrafts	366	396
Accruals and deferred income -		
<i>Sinking fund</i>	2,482	1,427
<i>Revenue Grants</i>	921	791
Escrow Liability	361	231
<i>SDLT Reserves</i>	48	48
	<u>4,178</u>	<u>2,893</u>

Inclusion Housing Community Interest Company

Notes to the Financial Statements

Year Ended 31st March 2019

15 Leases

Operating leases - lessee

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

	2019 £000	2018 £000
Not later than one year	21,472	15,441
Later than one and not later than five years	83,579	61,085
Later than five years	326,174	260,403
	<u>431,225</u>	<u>336,929</u>

16 Secured debt

The following secured debts are included within creditors.

	2019 £000	2018 £000
Bank Loan	<u>396</u>	<u>426</u>

The above bank loan is secured on the Office Property included at Note 11.

17 Deferred grant income

	2019 £000	2018 £000
At 1 April 2018	801	871
Grant received in the year	387	0
Released to income during the year	(121)	(70)
At 31 March 2019	<u>1,067</u>	<u>801</u>
Revenue Grant included in Creditors < 1 year	146	10
Revenue Grants included in Creditors > 1 year	921	791
Total	<u>1,067</u>	<u>801</u>

Inclusion Housing Community Interest Company

Notes to the Financial Statements

Year Ended 31st March 2019

18 Provisions for Liabilities

	2019 £000	2018 £000
Deferred Tax – Accelerated Capital Allowances	12	14
	<u>12</u>	<u>14</u>

19 Reserves

a) Income and expenditure reserve

	2019 £000
As at April 2018	2,758
Surplus for the Year	<u>1,511</u>
As At 31 st March 2019	<u>4,269</u>

20 Reconciliation of operating surplus to cash flow from operating activities

	2019 £000	2018 £000
Surplus for the year	1,882	1,583
Interest payable	13	27
Interest received	(31)	(18)
Depreciation of tangible fixed assets	76	68
Gain on disposal fixed asset	(16)	0
(Increase) / decrease in trade and other debtors	(1,388)	353
Increase / (decrease) in trade and other creditors	2,561	791
Grants utilised in the year	(476)	(230)
Net cash flow from operating activities	<u>2,621</u>	<u>2,574</u>

Inclusion Housing Community Interest Company

Notes to the Financial Statements

Year Ended 31st March 2019

21 Cash and Cash Equivalents

Cash and cash equivalents includes £360,651 (2018 £230,044) in respect of an Escrow account that is in the name of Inclusion Housing CIC and the other party of the agreement. Transactions on the account are subject to the agreement of both parties and the monies held in the account cannot be expended until five years have elapsed from the commencement of the agreement.

22 Analysis of changes in net debt

	2018 £000	Cash flows £000	2019 £000
Long-term borrowings	(396)	30	(366)

23 Pensions and other post-retirement benefits

a) Defined contribution pension plans

Inclusion housing operates a defined contribution pension plan for its employees. The amount recognised as an expense in the period was £61,131 (2018 - £44,072).

24 Capital funding and commitments

	2019 £000	2018 £000
Capital expenditure for the provision of new social housing has been authorised by the Board but has not yet been contracted for	1,000	500
	1,000	500

It is intended that this anticipated capital expenditure will be financed by:

Other sources of funding - Cash Reserves	£000 1,000
	1,000

Inclusion Housing Community Interest Company

Notes to the Financial Statements

Year Ended 31st March 2019

25 Financial instruments

The carrying amounts of Inclusion Housing CIC basic financial instruments are as follows:

	2019 £000	2018 £000
<i>Financial assets</i>		
Debt instruments measured at amortised cost:		
- Trade debtors social housing rent (note 12)	1,481	841
- Other debtors (note 12)	1,325	620
	<hr/> 2,806	<hr/> 1,461
<i>Financial liabilities</i>		
Measured at amortised cost		
- Bank loans (notes 13-14)	396	426
- Trade creditors (notes 13-14)	2,320	1,288
- Other creditors (notes 13-14)	42	32
	<hr/> 2,758	<hr/> 1,746