HYELM

Housing the future of London

(Consolidated Accounts)

(Limited by Guarantee)

Report and Financial Statements for the Year Ended 30 September 2019

Hyelm is a company limited by guarantee, registration No. 00244598, and is registered with Homes England No. HO312. Hyelm is charitable and is registered with the Charity Commission No. 215575.

Hyelm
Report and Financial Statements for the year ended
30 September 2019

Contents

Hyelm
Report and Financial Statements for the year ended 30 September 2019

Members, Senior Staff, Advisors and Bankers

Board		
Chair	Charlotte Paxton	
Vice Chair	Ruth Goldfeather	
Ordinary Members	Graham Briscoe Keith Douglas (Chief Executive) Helen Taylor Wayne Willis Joanne Foster Joel Inbakumar Rhiannon Meredith	
Senior Staff		
Chief Executive & Company Secretary	Keith Douglas	
Director of Operations	Simon Wright	
Director of Finance	Mark Sharman	
Auditors	Moore Kingston Smith LLP Devonshire House 60 Goswell Road London EC1M 7AD	
Principal Investment Advisors	Savills 33 Margaret Street London W1G 0JD	
Principal Bankers	Barclays Bank 28 Hampstead High Street Hampstead London NW3 1QB	Allied Irish Bank 10 Berkeley Square London W1J 6AA
Registered Office	43-51 New North Road London N1 6JB	

Report of the Board

The Board is pleased to present its report and financial statements based on a limited company format and in accordance with accounting requirements by legislation and as set out in the Statement of Recommended Practice 'Accounting by Registered Social Landlords' ('SORP' – Update 2014).

Review of the Period

The Board reports a deficit of £78,751 for the year to 30 September 2019 (2018: deficit £222,279). The underlying operating surplus of £156,817 (2018: surplus £224,471) is in line with the business plan and reflects both the reduction in income following the closure of Arthur West House in October 2014 and the increase in income arising from commercial lettings, whilst retaining management costs focussed on the provision of new accommodation as part of our development programme.

During the year high levels of occupancy and operational income were maintained.

The Old Street development, which was completed in March 2008, was financed from our cash-backed reserves, capital grant of £3m from the Homes and Communities Agency and a loan of £6.736m from Allied Irish Bank (AIB). The interest rate on this loan has been fixed for a 30-year term at a rate of 5.5%. Occupancy levels remain high and the scheme continues to perform in accordance with the financial plan agreed as part of the facility agreement with AIB.

Legal Status

The Hyelm Group comprises Hyelm, a Company Limited by Guarantee and which does not have share capital, The Ames House Trust, a charity established under Trust Deed, and Arthur West House Limited, a private limited company which is a wholly owned subsidiary of Hyelm.

Hyelm is a non-profit making concern registered as a Charity and a Registered Provider under the Housing Acts. The Ames House Trust is accounted for as a branch of Hyelm.

The consolidated accounts show the financial position of The Group as a whole, and for the Association which includes Hyelm and The Ames House Trust.

Principal Activity and Public Benefit

Hyelm provides high standards of affordable accommodation, services and facilities in homely environments for London's key workers, now referred to as priority groups, and for young people on low to moderate incomes who are coming to or are in the capital to work or to study.

The Board confirms that it has referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing Hyelm's aims and objectives and in formulating plans.

Format of Financial Statements

The Board is pleased to present its report and financial statements based on a limited company format and in accordance with accounting requirements by legislation and as set out in the Statement of Recommended Practice 'Accounting by Registered Social Landlords' ('SORP' – Update 2014).

Future Plans

During the year, the Board adopted a strategic plan – *Making a real difference* – for the period 2016-2019. The strategic plan focuses on three key activities:

- Our development programme,
- Our existing operation
- Our communities and people.

Our Development programme – The Group's objective is to develop and provide high standards of affordable, rented accommodation, facilities and services for a further 250 young people in two or more new housing schemes in London. During the year we acquired a development site in North London. The cost has been partly funded by the Ames House Trust. A planning application is due to be submitted for accommodation for 156 young people. It is anticipated that the new accommodation will be completed in July 2021.

Our Existing operation – The Group's objective is to continue to provide high standards of contemporary, affordable rented accommodation at the Old Street Scheme, whilst remaining a financially sound organisation with efficient systems providing effective controls. During the year we have carried out refurbishments in a number of apartments to ensure that the accommodation remains of a high standard. To maximise the value that we can obtain from the Old Street property, and in accordance with the objectives of the Strategic Plan we completed the conversion of space within the building to provide office accommodation to rent. This accommodation was fully tenanted at the year end and the rental income generated will be utilised to further invest in the Old Street accommodation.

Our communities and people – The Group's objective is to provide positive, stable, safe environments for our housing schemes. During the year we have been working with our residents to involve them in drawing up our plans and in managing our affairs. A number of social events have been organised to further develop a sense of community and have supported residents in securing new accommodation when they feel ready to move on.

Board

Following a review of Governance arrangements during the year the Board adopted and now complies with the recommendations of the National Housing Federations Code of Governance 2015 with the exception that the Board has decided not to establish a sperate audit committee. It is felt that given the size of the organisation, audit issues can be dealt with by the Board. The Board has also adopted, and is compliant with, the National Housing Federation Code of Conduct issued in 2012. Hyelm is a member of the Federation.

Hyelm has implemented a comprehensive Board and Board members appraisal process and a governance development plan which is reviewed and updated annually.

In accordance with the Articles of Association, the following Board members are required to stand down at the Annual General Meeting, but will remain eligible for re-appointment to the Board:

- Charlotte Paxton
- Joanne Foster
- Joel Inbakumar
- Helen Taylor

VALUE FOR MONEY STATEMENT 2019

Introduction

The Value for Money Standard 2018

The 2018 Value For Money Standard published in April 2018 requires that Registered Providers must:

- Clearly articulate their strategic objectives.
- Have an approach agreed by their board to achieving value for money in meeting these objectives and demonstrate their delivery of value for money to stakeholders.
- Through their strategic objectives, articulate their strategy for delivering homes that meet a range of needs.
- Ensure that optimal benefit is derived from resources and assets and optimise economy, efficiency and effectiveness in the delivery of their strategic objectives.

The Standard requires that that Registered Providers must demonstrate:

- A robust approach to achieving value for money – this must include a robust approach to decision making and a rigorous appraisal of potential options for improving performance.
- Regular and appropriate consideration by the board of potential value for money gains – this must include full consideration of costs and benefits of alternative commercial, organisational and delivery structures.
- Consideration of value for money across their whole business and where they invest in non-social housing activity, they should consider whether this generates returns commensurate to the risk involved and justification where this is not the case.
- That they have appropriate targets in place for measuring performance in achieving value for money in delivering their strategic objectives, and that they regularly monitor and report their performance against these targets.

It is also a requirement that Registered Providers must annually publish evidence in the statutory accounts to enable stakeholders to understand the provider's:

- Performance against its own value for money targets and any metrics set out by the Regulator, and how that performance compares to peers.
- Measurable plans to address any areas of underperformance, including clearly stating any areas where improvements would not be appropriate and the rationale for this.

The Hyelm Group is committed to finding ways to provide excellent services whilst at the same time seeking to reduce costs and improve efficiency. To ensure that we can measure efficiency gains and to provide meaningful comparisons with other organisations providing similar services, the Board has adopted the 2018 Value for Money Standard for Registered Providers of Social Housing.

How We Deliver Value For Money

Although the Hyelm Group does not provide social housing – the Old Street scheme provides a mix of accommodation for intermediate rent and private rented accommodation for young people on low incomes - the Value For Money standard provides a framework for measuring performance in a consistent manner.

Achieving Value for Money (VFM) is a fundamental element of our objective to become a top quartile performing organisation.

We see VFM as the process of delivering savings and improving quality by simplifying everything that we do and by achieving a balance between costs, quality and results.

This statement outlines our approach to achieving VFM in meeting our objectives with reference to our financial, social and environmental returns, and measures performance using the metrics included within the 2018 Value for Money Standard.

Value For Money is embedded within our business in the following ways:

Governance

Board members' duties include reviewing the efficiency of our operations and our Value For Money performance as well as ensuring compliance with the regulatory Value For Money standard.

The Board discusses our Value For Money Policy and Statement at least annually and reviews the operational and financial performance of the business quarterly.

Financial Management

We operate a robust budgeting process that sets out the financial parameters within which our organisation is required to work to deliver improvements in the services that we provide to our residents and others who work with us.

The business planning process helps to ensure that our resources and assets are used in the most appropriate ways to deliver our objectives.

Our budget and business plan targets are structured to ensure that the most effective use of our resources is made through efficiency gains year on year with increasing levels of surplus strengthening our capacity to develop new homes and enhance our services.

Procurement

We continuously seek to obtain Value For Money from our suppliers and look to rationalise contracts and re-tender when necessary to ensure that the services that we receive from them meet and deliver our business objectives.

Where appropriate, we undertake an options appraisal process to ensure that there is a robust business case for investment/divestment decisions and that returns are optimised.

Managing Performance

We continually review our performance and benchmark ourselves against our peer groups. A key objective of our 2019-2022 Strategic Plan is to achieve top quartile performance for financial strength and quality of services. The Board reviews performance information on a regular basis.

We have set ourselves the challenge of benchmarking our performance against that of our organisations that provide similar services within the social housing sector and not for profit housing sectors.

Comparative analysis is based on information provided by HouseMark, the BM320 benchmarking group of smaller housing associations in London, Homes England (such as the 2018 Global Accounts of Housing Providers) and other publicly available information.

Resident Focus

Improving resident engagement and obtaining regular feedback in relation to our services are key objectives for the life of our Strategic Plan 2019-22.

Following the sale of Arthur West House in 2014 the Resident Panel had become less engaged. During 2018/19 we have worked with residents at our Old Street scheme to ensure that they are engaged with the management of the scheme.

Our People

Our staff are critical to the organisation for the delivery of services to our residents. Providing training and support to our staff is essential to ensure that we maximise their capability. Salary and benefits packages are reviewed annually. The review includes a benchmarking exercise to ensure that the salaries and benefits that staff receive are comparable with our peer group.

During 2019/20 as part of our 2019-2022 strategy we will be reviewing our staffing structure in anticipation of the opening of our Colindale scheme ensuring that we have the right number of appropriately skilled staff to manage a growing organisation.

Our Strategic Plan

The Strategic Plan for 2019-2022 focuses on three key activities:

1. ***Our development programme***

   Part funded by the sale proceeds of our Hampstead property, we will further develop and expand our accommodation, services and facilities to help meet increasing demand and changing needs.

   More specifically, we will

   - Develop and provide high standards of affordable rented accommodation, facilities and services for a further 156 young people on a site that we acquired during 2018 in the vibrant and emerging regeneration area of Colindale, North London.
   - Research, adopt and begin to implement bold strategies for future growth and for the development of additional accommodation during and beyond the delivery of our Colindale scheme.

2. ***Our existing operation***

   Throughout the delivery of our development programme we will continue to manage our existing operation in an efficient and effective manner.

   More specifically we will

   - continue to provide high standards of contemporary affordable rented accommodation facilities and services at our Old Street scheme that reflect the needs and expectation of these whom we set out to house.
   - Continue to be a financially sound organisation with efficient systems providing effective controls that reflect our requirements. Maximising value will continue to underpin our work.
   - Use new technologies, IT and modern methods of communication to the optimum and cost-effective extent in our operation and in the delivery of our offer in a way that best meets the needs of young people.
   - Secure suitable funding to secure our strategic objectives.
   - Offer a great place to works, attracting and retaining the most talented staff and Board members.

3. ***Our communities and people***

   We will promote positive stable safe environments in our housing schemes, ensuring that the sense of place and family and the supportive communities that we promote, which are so fundamental to what we do, are kept as we move from old to new.

   More specifically we will:

- Involve our residents closely in drawing up our plans and managing our affairs
- Work with local community groups, training providers and employers to provide opportunities to enable young people to grow through further personal training and development
- Develop strong and productive partnerships with a range of key strategic partners to ensure that we help those who are in greatest need.
- Deliver a programme of social and learning events and community development activities, making best use of our communal facilities as well as those within the local areas in which we operate, engaging our residents with the wider community.
- Work with each young person during their stay to help them move on when they are ready.
- Actively encourage our residents to contribute to our communities and our organisation in a positive way once they have left our accommodation.

During the year we have made substantial progress in achieving the objectives set out in our Strategic plan.

Progress against the objectives within the Strategic Plan

Our development programme

Regarding our **development programme,** we adopted a strategy in 2013/14 to dispose of one of our existing properties, Arthur West House, with a view of using its capital receipt to develop and manage a further 250 bed-spaces of modern accommodation within Greater London by 2019. The provision of new accommodation is a key objective of the 2019-22 strategy adopted by the Board.

The property, sold on the 10th October 2014, generated a receipt of £30.05 million, some £6 million above the maximum forecast sale price. The sale proceeds were apportioned between Hyelm and The Ames House Trust, which had a leasehold interest in Arthur West House. The amount received by Hyelm amounted to £24,115,125, with the balance of £5,934,875 being received by The Ames House Trust.

As we develop our plans for the development programme, a key focus will be ensuring that we deliver a value for money solution and maximise the return on our investment. Whilst the Board recognises that the provision of low cost, but affordable accommodation will not generate a 'market return', a number of financial targets have been agreed, which must be achieved before any scheme proceeds ensuring that the scheme is profitable, and the value of the investment is maintained.

In September 2018, we purchased a development site in north London for the provision of 156 bed spaces – good progress towards our target of 250 bed spaces. The development will be funded with Hyelm's cash resources, and the sale of a number of affordable homes for rent or for shared ownerships to another Registered Provider.

We have agreed a fixed price contract for the delivery of the scheme with Arthur West House Limited, a wholly owned subsidiary, which will minimise the risk of overspend and which will be VAT efficient through an HMRC approved scheme allowing for the recovery of VAT estimated to be approximately £270,000.

By making use of an existing procurement framework we have been able to procure professional services without a lengthy and expensive EU procurement exercise.

Planning approval for the development was granted on the 4 November 2019 and it is anticipated that construction will commence in March 2020 with practical completion being achieved in March 2022.

Our ongoing operations

Our Old Street scheme is now eleven years old. Resident satisfaction levels continue to remain high. In addition, it was built to comply with, the then, Eco Homes standards and achieved a Very Good rating in this regard.

During the course of the financial years 2019/20 and 2020/21, we will be carrying out major works at our Old Street scheme to remedy fire safety issues that were identified following investigations carried out following the Grenfell tragedy in June 2017. In addition to fire safety issues, a number of additional defects were identified dating back to the construction of the building, and these defects will be remedied concurrently with the fire safety issues. We will be seeking to recover the costs associated with the works, together with any loss of rent income, from our insurers and the original contractor.

To ensure best value for money, competitive tenders were sought, and value tested. The works will be undertaken over a two-year period to minimise disruption to our residents and the loss of rent income.

Following the completion of the remedial works our forward plans for our Old Street scheme include provision for the regular maintenance and refurbishment of the property to ensure that it continues to provide high standards of affordable accommodation that meet the expectation of our residents.

To ensure that we achieve best value for money from the goods and services that we procure, Standing Orders are in place that require competitive quotations to be sought for low value goods, and for formal tendering procedures to be enacted for more valuable services.

During the year to 30 September 2019 the following good and services were tendered:

- Gas and electricity supplies.
- Mechanical & Electrical Servicing
- Insurance cover
- Sanitary disposal
- Lightning protection
- Cleaning
- Door entry and CCTV

Where possible, we make use of procurement exercises that have been undertaken by other organisations to ensure that best value has been obtained.

Old Street provides accommodation for young people at the beginning of their careers ensuring that they are accommodated in low cost, quality accommodation in a secure environment. Of the units available 74 bed-spaces provide intermediate rent accommodation for priority group workers. The remaining 51 bed spaces are provided for non-priority group workers. The Hyelm Group endeavours to provide rented accommodation to tenants which provides value for money when compared with rent charged for comparable properties. To ensure that the rent is represents good value for money, the Board has approved a policy of linking all rents to the level deemed affordable for single people in receipt of the London Living Wage.

The Low Cost but Affordable rent included within the London Living Wage calculation is based on the first quartile of rents for accommodation, which for single people includes rooms, shared rooms, bedsits and maisonettes. Rent for non-priority groups is at this level, which is 32% less than equivalent private rented accommodation at the first quartile for the N1 postcode. The intermediate rent for accommodation at Old Street is currently at a discount of 40% to the first quartile. The Board policy will result in all new lets being at the LCA rent, which will result in additional rent income being generated yet maintaining rents for all residents at an affordable level.

Over the last three years we have been examining ways of maximising the 'return' from this the Old Street property whilst maintaining rents at levels that are affordable for our client groups. The focus of this has been in relation to our communal spaces, which were underutilised.

As a result of the review, accommodation within the management suite was rented to a third party for a period of four years from June 2017. Planning permission was obtained to create further office space on the ground floor of the Old Street property which has created commercial office accommodation, which is now fully let, generating rent income of £150,000 per annum – a gross return of 30% per annum on the capital cost of the refurbishment. As part of the development we have been able provide a more friendly and relaxing communal space for our residents.

The efficient management of staff and improved systems has enabled us to manage the commercial space with no addition staff requirements.

The completion of the new office accommodation has enabled us to move the Finance Team back to our Old Street scheme, thereby reducing the cost being incurred on alternative office accommodation.

Further savings have been made through the retendering of several contracts, for example a saving of £300 per year has been made through the retendering of the lift maintenance contract. The supply of electricity, gas and insurances are retendered annually to ensure best value is obtained, for both Hyelm and our residents . Savings generated as a result of our VFM approach are passed on to our residents through lower service charges.

Our communities and people

As part of our strategy in relation to **Our communities and people** the revisions to our staffing structure and job profiles has enabled us to take on the management of our new office accommodation at no extra cost.

In addition, though our close association with Charity Works, a charity providing job opportunities for graduates seeking workplace experience, we have a graduate trainee to whom we provide an approved training programme. Annual savings of £2,500 have been made through the revised staffing structure.

A key objective of our Strategic Plan 2019-22 is to ensure we house those people from within our client group in greatest need. To enable us to do this we continue, with appropriate support, to move-on those residents who are no longer in need of our accommodation. Satisfaction levels had suffered as a result but are now starting to improve. It remains our target is to maintain or improve upon current levels of satisfaction, but always to keep our performance within the upper quartile. The table below shows resident satisfaction with the services provided during the financial year 2018/19 and the preceding two years.

Resident Satisfaction	**Benchmark: Peer group upper quartile**	**Benchmark: HouseMark upper quartile**	Hyelm 2016/17	Hyelm 2017/18	**Hyelm 2018/19**
% of residents satisfied or very satisfied with our services	93%	86%	90%	93%	93%
% of residents satisfied or very satisfied with repairs and maintenance	95%	92%	90%	95%	95%
% of residents satisfied or very satisfied on Value For Money for rent	74%	67%	93%	90%	90%

Evidence of resident satisfaction, together with the effective management of the property is demonstrated in the table below. The need to carry out remedial works to the Old Street scheme has resulted in a number of apartments being closed to undertake the necessary works, however occupancy of those apartments available to rent remains high. Arrears are managed proactively with residents to ensure minimal losses occur. Demand for the accommodation available remains high with short re-let times.

During 2018/19 additional expenditure has been incurred in updating the image of Hyelm through a re-branding exercise with a view to raising the profile of the organisation and encouraging more applicants to seek accommodation with Hyelm. This will be particularly important as the Colindale scheme approaches completion where we anticipate that the re-branding will encourage applications prior to opening ensuring maximum occupancy from day one.

As part of the exercise we have also upgraded the Hyelm website to reflect the new image. As we further develop the website it will provide functionality for online booking and for existing resident to view their rent account and book repairs, leading to efficiencies in managing the accommodation and improvements in resident satisfaction.

Other Measures	**Benchmark: Peer group upper quartile**	**Benchmark: HouseMark upper quartile**	Hyelm 2016/17	Hyelm 2017/18	**Hyelm 2017/18**
% of repairs fixed on first visit	96.0%	96.0%	100%	95%	72%
Average re-let time (days)	25.0	19.6	5.8	5.4	10.5
Current rent arrears	3.7%	2.8%	0.01%	0.2%	0.0%
% of void losses	0.88%	0.73%	0.60%	1.18%	4.30%

We have taken comfort from historically low levels of void loss and arrears, which compare very favourably with those within the sector. The increase in voids during 2018/19 is a result of the need to provide vacant accommodation for contractors to carry out the fire safety works referred to above.

Finance

The accounts for the year ending 30 September 2019 have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers.

Following the sale of Arthur West House in October 2014, Hyelm only provides accommodation at its Old Street property. This is a mix of private rented accommodation and grant supported intermediate rent accommodation that is tenanted by priority group workers.

Following the disposal of the Arthur West House site, management costs per unit increased as central costs previously allocated to the property have been retained but are supporting the development programme, which will provide new accommodation on a number of sites. As a result, we have shown operating and management costs in total, as well as reporting on these costs excluding our central overheads, this being a more representative measure of our performance relating to our residential accommodation.

Reporting against the 2018 Value for Money Standard

The Hyelm Group has adopted the reporting requirements of the 2018 Value for Money Standard, and we have recalculated prior year metrics in order to provide comparative figures for the year ended 30 September 2019 and prior years. We have also calculated the metrics for 2019/20 based on the approved plan for the year in order that we can assess future performance.

Metric 1 – Reinvestment

	2016/17 (restated)	2017/18 (restated)	2018/19 plan	2018/19 actual	2019/20 Plan
Reinvestment %	1.46%	41.48%	12.02%	3.48%	21.02%

Following the sale of the Hampstead property, Hyelm has only the Old Street scheme in operation. The significant increase in investment is 2018/19 relates to the Colindale site as part of our development programme. During 2017/18 Hyelm purchased the Colindale site for £10.5m. Delays in gaining planning approval for the scheme resulted in delays to the building programme, thus investment was less than planned for 2018/19. Now that planning approval has been granted the scheme can now proceed and we will see greater investment in the site in future years.

Metric 2 – Supply

Unlike many large Registered Providers, Hyelm does not have an annual development programme. Our investment in property relates to a specific scheme and therefore the supply metric is not a relevant measure of performance.

Metric 3 – Gearing

	2016/17	2017/18	2018/19 plan	2018/19 actual	2019/20 Plan
Gearing	42.40%	24.40%	21.13%	23.50%	18.03%

Hyelm currently has one loan from Allied Irish Bank. Our investment in the new development in Colindale is funded by Hyelm's cash reserves, thus as the value of housing properties increase as the development progresses gearing will decrease. On completion of our new development Hyelm will have additional capacity for borrowing to support the development of additional accommodation and complete our strategic objective of providing further accommodation

In addition to the Value For Money metric, Hyelm calculates the value of debt per unit of accommodation. As Hyelm has only one loan which is repayable over a 30-year period, the amount of debt per unit reduces over time as shown below:

	2016/17	2017/18	2018/19 plan	2018/19 actual	2019/20 Plan
Debt per unit	£52,857	£ 52,141	£51,410	£51,410	£50,629

Metric 4 – Earnings before Interest Tax Depreciation and Amortisation – Major Repairs Included

The EBITDA MRI (Earnings before Interest Tax Depreciation and Amortisation – Major Repairs Included) interest cover measure is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus that a registered provider generates against interest payments (the measure avoids any distortions stemming from the depreciation charge). The conversion of underutilised communal space to provide office accommodation for rent has resulted in an increase in interest cover which will allow for further investment in our current and future developments. However the need to provide vacant accommodation for the fire safety and remedial works, has led to a reduction in rent income, which coupled with higher management cost – largely as a result of the re-branding exercise reported above – has led to a decrease in the interest cover compared to the 2018/19 plan. Although rent income will remain low during the two-year programme of works relating to fire safety, management costs will be less than 2018/19 and interest cover will increase in 2019/20.

	2016/17	2017/18	2018/19 plan	2018/19 actual	2019/20 Plan
EBITDA MRI	134.87%	139.54%	155.85%	130.88%	168.44%

EBITDA to Debt Service Cost

Our facility agreement with AIB requires Hyelm to achieve a ratio of EBIDTA to Debt Service Costs of a minimum of 1:1. The ratio measures our ability to fund the repayment of capital and interest payable on the outstanding loan from current income generated by Hyelm.

During the three years to 30 September 2018 this ratio has been achieved as shown in the table below. AS with EBITDA MRI above, reduced rent income and higher than planned management costs in 2018/19 led to reduction in interest cover although this was still above the level required by the facility agreement. Interest cover will increase in 2019/20 as shown in the table below.

	2016/17	2017/18	2018/19 plan	2018/19 actual	2019/20 Plan
EBITDA - AIB	1:1.59	1:1.61	1:1.72	1:1.56	1:1.55

Metric 5 – Headline residential housing cost per unit (Old Street only)

The unit cost metric assesses the headline social housing cost per unit as defined by the Regulator. Although The Group is not a provider of social housing, the social housing cost per unit is the benchmark against which Hyelm chooses to measure performance. In addition to the performance measures set out by the Regulator, the table below shows operating costs per unit for both Hyelm as a whole, and separately for the costs relating solely to the residential accommodation.

The costs have been separated in order that costs relating to accommodation in use can clearly be seen. The remaining operating costs are focused on the development programme currently underway to provide new accommodation at our Colindale site.

	2016/17 (restated)	2017/18 (restated)	2018/19 plan	2018/19 actual	2019/20 Plan
Costs overall	£5,768	£5,966	£5,951	6,824	7,196
per week	£110.53	£114.33	£114.05	£130.77	£137.91
Housing costs only	£3,952	£4,316	£4,534	4,977	4,904
per week	£75.75	£82.72	£86.88	£95.37	£93.98

The increase in cost from 2017/18 to 2018/19 reflects the increased expenditure on the branding project referred to above, increased legal fees relating to both resident and management issues together with increases in utility costs.

In addition to reporting on operating costs per unit, Hyelm also reports on management costs as a measure of efficiency. Management costs per unit are reported in the table below:

Housing Management costs per unit of accommodation

	2016/17	2017/18	2018/19 plan	2018/19 actual	2019/20 Plan
Costs overall	£2,786	£3,012	£3,392	£3,633	£4,275
per week	£53.39	£57.72	£65.00	£69.63	£81.92
Housing costs only	£1,816	£1,970	£1,974	£2,160	£1,983
per week	£34.79	£40.52	£37.83	£41.40	£37.99

As for other measures, management costs are reported as an overall cost and separately for the residential units under management. The increase in costs in 2018/19 related to the investment in rebranding and the development of the new website, increases in legal fees and utility costs.

Metric 6 – Operating Margin

The Operating Margin demonstrates the profitability of operating assets before exceptional expenses are taken into account. Increasing margins are one way to improve the financial efficiency of a business. The table below shows the operating margin for Hyelm as a whole, and separately for the residential accommodation which excludes central management costs relating to the management and progression of our planned development programme. In addition to increased costs during the year, preparations for the fire safety and remedial works have seen occupancy, and therefore income, fall as we prepare for vacant accommodation to be available to the contractors undertaking the necessary work.

Operating Margin	2016/17	2017/18	2018/19 plan	2018/19 actual	2019/20 Plan
Overall	10.84%	16.28%	17.40%	9.01%	-5.22%
Housing only	7.45%	5.19%	1.48%	-9.73%	-27.73%
Housing less non-residential costs	24.06%	24.22%	10.98%	-1.26%	0.00%

Metric 7 – Return on Capital Employed (ROCE)

This metric compares operating surplus to total assets less current liabilities and is a measure assess the efficient investment of capital resources. The results show that historically Hyelm has improved the return on capital, but the impact of higher costs and reduced rent in 2018/19 has seen the rate of return fall. AS a result of the need to provide vacant accommodation to contractors to carry out the fire safety works during the next two years, the rate of return will fall again as shown in the table below.

	2016/17	2017/18	2018/19 plan	2018/19 actual	2019/20 Plan
ROCE	0.29%	0.49%	0.56%	0.30%	-0.03%

Value For Money for 2019/20

It is our aim to be in the top quartile for both financial and operational performance, and to see our performance improve each year.

To achieve our objectives, we will need to be able to measure our performance and, where appropriate, to measure our performance against that of our peers to enable us to see what we do well, why our performance differs, and how we can improve our performance and provide better value for money.

As a result, we will be undertaking further work over the next year to support our aim of achieving our target. More specifically we will:

- Re-tender for the supply of electricity, gas, insurances and our cleaning contract.
- Review the elements that make up the service charges that our residents pay to ensure that they remain as affordable as possible for those whom we set out to house.

- Further develop the website to improve efficiencies and enhance resident satisfaction.
- Implement a new housing management system.

Officer's Insurance

As a fully subscribed member of the National Housing Federation, The Group receives indemnity insurance to safeguard voluntary Board members and senior executive staff.

Key Policies and Strategies

Reserves Policy

The majority of reserves are currently held in the revenue reserve.

Designated reserves are also maintained with funds earmarked for the following specific purposes:

- Future developments.
- Non-accommodation activities such as the provision of sporting, recreational and social facilities.

The Development fund represents funds available to meet future development expenditure. Each year, investment and similar income less development expenditure incurred, is transferred to the Development fund.

Any surplus income from the provision of non-accommodation activities is returned to the Activities fund.

Treasury Management

Following the sale of Arthur West House, the Treasury Management Policy was reviewed and updated to include the key recommendations of CIPFA's "Treasury Management in the Public Services: Code of Practice". (The Code), as described in Section 4 of that Code.

Rent

Increases take into account the income of our residents, charges levied by competing organisations and are in line with guidance from the Homes and Communities Agency.

Statement on Internal Controls Assurance

The Board acknowledges its responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

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

The process for identifying, evaluating and managing the significant risks faced by the company is ongoing and has been in place throughout the period commencing 1 October 2016 up to the date of approval of the report and financial statements.

Key elements of the control framework include:

- Board approved terms of reference and delegated authorities for all sub committees of the Board.
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks.
- Robust strategic business planning processes, with detailed financial budgets and forecasts.
- Formal recruitment, retention, training and development policies for all staff.
- Established authorisation and appraisal procedures for significant new initiatives and commitments.
- Regular reporting to the appropriate committee on key business objectives, targets and outcomes.
- Board approved whistle-blowing policies and anti-theft and corruption policies.
- Board approved fraud policies, covering prevention, detection and reporting, together with recoverability of assets.
- Regular monitoring of loan covenants and requirements for new loan facilities.

A fraud register is maintained and reviewed by the Board on a regular basis. During the year no frauds were reported.

The Board has received the Chief Executive's annual review of the effectiveness of the system of internal controls which are designed to provide reasonable, not absolute, assurance. The Board has also received the annual report of the internal auditor which reported that no significant control issues had been identified.

Report of the Board

NHF Codes of Governance and Conduct

We are pleased to report that The Group complies with the principal recommendations of the NHF code of governance 2015 and is compliant with the NHF Code of Conduct 2012. A review of risk management procedures was undertaken during 2012-13 to ensure such procedures are operating effectively. Hyelm has published a new Governance Manual which provides a comprehensive manual of policies, procedures and guidance notes for all areas covered by the Code and has published a statement on all its accountability mechanisms. Policies and procedures are reviewed by the management team in accordance with a published timetable (or according to need) and all significant changes are reported to the Board.

Statement of the Board's Responsibilities

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

Company Law requires the Board to prepare financial statements for each financial year. Under that law the Board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015. Under that 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 and profit or loss of the company. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable it to ensure that the financial statements comply with the Companies Acts 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.

It is 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.

Disclosure of information to Auditors

At the date of making this report, each of the company's directors, as set out on page 1, confirm the following:

- So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- Each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

In preparing this report, the directors have taken advantage of the small companies exemption provided by section 415A of the Companies Act 2006 in respect of the report of the Board and strategic report.

The Report of the Board was approved by the Board on the 25 February 2020 and signed on its behalf by:

Charlotte Paxton	**Keith Douglas**
Chair	**Chief Executive**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF HYELM

Opinion

We have audited the financial statements of Hyelm (the 'company') for the year ended 30 September 2019 which comprise the Group Statement of Comprehensive Income, the Group Statement of Changes in Reserves, the Group Statement of Financial Position, the Group Statement of Consolidated 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 FRS 102 'The Financial Reporting Standard Applicable in the UK and Ireland' (United Kingdom Generally Accepted the UK and Ireland'.

In our opinion the financial statements:

- give a true and fair view of the state of The Group's and the parent charitable company's affairs as at 30 September 2019 and of the group's 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 including FRS 102 the Financial Reporting Standard Applicable to the UK and Republic of Ireland, the Housing and Regeneration Act 2008 and the Accounting Direction for Registered Providers of Social Housing 2015; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 2011.

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 financial statements section of our report. We are independent of the charitable 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 enough 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 trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and parent charitable 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. 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:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF HYELM

- the information given in the trustees' annual report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the trustees' annual report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' annual report.

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Act 2011 require us to report to you if, in our opinion:

- the parent charitable company has not kept adequate and sufficient accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Trustees' Annual Report and from preparing a strategic report.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 13, the trustees (who are also the directors of the charitable 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 trustees 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 trustees are responsible for assessing the group and parent charitable 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 trustees either intend to liquidate the group or parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those Acts.

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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the group and parent charitable company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF HYELM

may cast significant doubt on the group and parent charitable company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or parent charitable company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit report.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and, in respect of the consolidated financial statements, to the charity's trustees, as a body, in accordance with Chapter 3 of Part 8 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charitable company's members and trustees those matters which 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 any party other than the charitable company, the charitable company's members, as a body, and the charity's trustees, as a body, for our audit work, for this report, or for the opinion we have formed.

Luke Holt (Senior Statutory Auditor)

26/2/20

for and on behalf of Moore Kingston Smith LLP, Statutory Auditor

Devonshire House
60 Goswell Road
London
EC1M 7AD

Moore Kingston Smith LLP is eligible to act as auditor in terms of Section 1212 of the Companies Act 2006.

Statement of Comprehensive Income for the year ended 30 September 2019

		Group		Association	
	Note	**2019**	**2018**	**2019**	**2018**
		£	**£**	**£**	**£**
Turnover	2	1,442,145	1,298,301	1,395,333	1,266,847
Operating expenditure	2	(1,285,328)	(1,076,830)	(1,254,192)	(1,060,549)
Operating surplus / (deficit)	3	**156,817**	**221,471**	**141,141**	**206,298**
Loss relating to abortive costs	10	-	(231,681)	-	(231,681)
Interest receivable	4	124,546	149,890	124,546	149,890
Interest and financing costs	5	(359,934)	(361,959)	(359,934)	(361,959)
Surplus / (deficit) before and after tax		**(78,571)**	**(222,279)**	**(94,247)**	**(237,452)**

The notes on pages 21 to 37 form part of these financial statements.
There are no recognised gains and losses other than those included in the Statement of Comprehensive Income.

All activities relate to continuing operations.

The financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015. These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

The financial statements were approved by the Board on 25 February 2020.

Charlotte Paxton	**Keith Douglas**
Chair	**Chief Executive**

Statement of Changes in Reserves for the year ended 30 September 2019

Group	General Reserve £	Designated Reserves £	Endowment Fund £	Total £
Balance at 1 October 2017	27,712,545	100,443	6,018,676	33,831,664
Surplus / (Deficit) for the year	(251,763)	-	29,484	(222,279)
Transfer to designated reserves	2,506	(2,506)	-	-
Balance at 30 September 2018	**27,463,288**	**97,937**	**6,048,160**	**33,609,385**
Surplus / (Deficit) for the year	(112,332)	-	33,761	(78,571)
Transfer from designated reserves	-	-	-	-
Balance at 30 September 2019	**27,350,956**	**97,937**	**6,081,921**	**33,530,814**

Association

	General Reserve £	Designated Reserves £	Endowment Fund £	Total £
Balance at 1 October 2017	27,729,229	100,443	6,018,676	33,848,348
Surplus / (Deficit) for the year	(266,936)	-	29,484	(237,452)
Transfer to designated reserves	2,506	(2,506)	-	-
Balance at 30 September 2018	**27,464,799**	**97,937**	**6,048,160**	**33,610,896**
Surplus / (Deficit) for the year	(128,008)	-	33,761	(94,247)
Transfer from designated reserves	-	-	-	-
Balance at 30 September 2019	**27,336,791**	**97,937**	**6,081,921**	**33,516,649**

Statement of Financial Position as at 30 September 2019
Company No: 00244598

		Group		Association	
	Note	2019 £	2018 £	2019 £	2018 £
Fixed assets					
Property, plant and equipment	8	24,802,135	24,192,720	24,802,135	24,192,720
Other tangible fixed assets	9	117,377	97,617	117,377	97,617
		24,919,512	**24,290,337**	**24,919,512**	**24,290,337**
Current Assets					
Investments	10	-	-	100,000	100,000
Debtors	12	206,564	166,650	192,080	131,026
Cash and cash equivalents		19,796,939	20,717,138	19,698,127	20,541,773
		20,003,503	**20,883,788**	**19,990,207**	**20,772,799**
Creditors: Amounts falling due within one year	13	(2,772,189)	(2,788,542)	(2,773,058)	(2,676,042)
Net current assets / liabilities		17,231,314	18,095,246	17,217,149	18,096,757
Total assets less current liabilities		**42,150,826**	**42,385,583**	**42,136,661**	**42,387,094**
Creditors: amounts falling due after more than one year	14	(8,620,012)	(8,776,198)	(8,620,012)	(8,776,198)
Total net assets		**33,530,814**	**33,609,385**	**33,516,649**	**33,610,896**
Share Capital					
Reserves					
Unrestricted fund		27,350,956	27,463,288	27,336,791	27,464,799
Designated fund	18	97,937	97,937	97,937	97,937
Endowment fund	19	6,081,921	6,048,160	6,081,921	6,048,160
Total Reserves		**33,530,814**	**33,609,385**	**33,516,649**	**33,610,896**

The notes on pages 21 to 37 form part of these financial statements.

In preparing this report, the directors have taken advantage of the small companies exemption provided by section 415A of the Companies Act 2006 in respect of the report of the Board and strategic report.

The financial statements were approved by the Board on 25 February 2020.

Charlotte Paxton
Chair

Keith Douglas
Chief Executive

Statement of Cash Flows for the year ended 30 September 2019

Group

	Note	2019 £	2018 £
Net cash generated from operating activities	20	417,367	635,790
Purchase of tangible fixed assets		(1,012,112)	(11,426,922)
Interest received		124,546	149,890
		(887,566)	(11,277,032)
Cash flow from financing activities			
Interest paid		(358,534)	(360,559)
Repayment of borrowings		(91,466)	(89,441)
		(450,000)	(450,000)
Net change in cash and cash equivalents		(920,199)	(11,091,242)
Cash and cash equivalents at beginning of year		20,717,138	31,808,380
Cash and cash equivalents at end of year		**19,796,939**	**20,717,138**

Notes to the Financial Statements for the year ended 30 September 2019

1. Accounting Policies

Company Information

Hyelm is a limited company domiciled and incorporated in England and Wales. The registered office is 43-51 New North Road, London, N1 6JB.

Accounting Basis

The financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

The charitable company is a public benefit entity for the purposes of FRS 102.

Arthur West House Limited is a wholly owned subsidiary of Hyelm, the company having been incorporated on 16 July 2015. The principal activity of the company is to carry out development activities on behalf of The Hyelm Group.

Hyelm is the sole corporate trustee of The Ames House Trust ("Ames House") which was an unincorporated charitable trust operating in London and is accounted for as a branch of Hyelm in accordance with the policy guidance "E14 – Preparing limited charities' accounts".

The company is required to prepare group accounts under section 248 of the Companies Act 2006 and these financial statements present information relating to the company and group.

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

Accounting Policies

The Board has reviewed The Group's accounting policies and is satisfied that they are appropriate.

Going concern

After making enquiries, the Board has a reasonable expectation that The Group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. The Group also has a long-term business plan which shows that it can service existing debt facilities whilst continuing to comply with lenders' covenants. For this reason, it continues to adopt the going concern basis in the financial statements.

Turnover and revenue recognition

Turnover comprises rental income from residents' receivable in the year, income from the provision of sporting, recreational or social facilities.

Rental income is recognised on the execution of tenancy agreements. Other income is recognised as receivable on the delivery of services provided.

Housing Properties

Housing properties are principally properties available for rent and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Improvements are works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business. Only the direct overhead costs associated with new developments or improvements are capitalised.

Depreciation of Housing Properties

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

The Group depreciates the major components of its housing properties over the following periods:

Main structure	50 years
Roofs	30 years
Lifts	30 years
Windows & External Doors	15 years
Internal Doors	15 years
Electrical and mechanical equipment	10-15 years

Freehold land is not depreciated.

Other Tangible Fixed Assets and Depreciation

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. The principal annual rates for other assets are:

Fixtures and fittings	10% - 25%
Computer Equipment	20% - 33%

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus/deficit of the year.

Impairment

Assets are reviewed for impairment on an annual basis. Where there is evidence of impairment, fixed assets are written down to the recoverable amount. Any such write down would be charged to operating surplus.

Social Housing Grant

Social housing grant (SHG) is receivable from the Homes and Communities Agency (the HCA), local authorities, and other government organisations. Government grants received for housing are recognised in income and expenditure over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

Government grants received in respect of revenue expenditure is credited to the income and expenditure account over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received.

Grants due from government agencies or received in advance are included as current assets or liabilities.

Government grants received for housing purposes are subordinated to the repayment of loans by agreement with the Homes and Communities Agency. SHG released on sale of a property may be repayable but is normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in Creditors.

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

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant that has been allocated to the component is released to the income and expenditure account. Upon disposal of the associated property, The Group is required to recycle these proceeds and recognise them as a liability.

Employees Benefits

Short term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

Debtors

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

Cash and Cash Equivalents

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

Creditors

Short term trade creditors are measured at the transaction price. The loan from Allied Irish Bank is considered to be a basic financial instrument and has therefore been included within the accounts at amortised cost.

Current Asset Investments

Where these are held, they are stated at market value.

Investment Income

Interest from Certificates of Deposit and Fixed Interest Bonds is accounted for on a receivable basis.

Dividend income is accounted for on a received rather than receivable basis. The difference is not material to the accounts.

Interest Payable

Interest is capitalised on borrowings to finance developments. Other interest is charged to the income and expenditure account during the year.

Loan Issue Costs

Loan Issue Costs reflect arrangement fees payable in respect of loan facilities. Loan issue costs are amortised over the term of the respective loan facility and offset against loan balances within creditors.

Liquid Resources

Liquid Resources are readily disposable current asset investments.

Pensions

The Group does not provide a defined benefit pension scheme. Employees are, subject to eligibility, automatically enrolled into the NEST pension scheme to which employees contribute a minimum of 5% of basic salary, the Company will make contributions up to a maximum of 7.5% of basic salary (Chief Executive 10%). Hyelm's contributions to employees' personal pension schemes are expensed as they occur.

Members' Capital Subscriptions

Members have historically paid a single subscription of £1, due and payable on the first day of the month after they have been admitted to the membership. This requirement was rescinded at the Annual General Meeting held on 28 April 2012. Balances held will be repaid to members on request.

Stock

Stock is calculated at the lower of cost or net realisable value.

VAT

The Group charges Value Added Tax (VAT) on some its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by The Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Development Fund (designated reserve)

The development fund represents funds available to meet future development expenditure which falls within The Group's objectives.

Club Activities Fund (designated reserve)

The club activities fund supports expenditure in respect of non-accommodation activities such as the provision of sporting, recreational and social facilities.

Any surplus achieved through the provision of such activities is returned to the fund.

Financial Instruments

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

Financial instruments are recognised in the Group's balance sheet when the company becomes party to the contractual provisions of the instrument.

Basic financial assets

Basic financial assets, which include trade and other debtors 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.

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 its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans, loans from Group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised costs, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price are subsequently measured at amortised cost using the effective interest method.

Judgments and key sources of estimation uncertainty

In the application of the charitable company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying value 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 where the revision affects only that period, or in the period of the revision and in future periods where the revision affects both current and future periods.

In the opinion of the Directors, there are no significant estimates, assumptions or judgements which materially affect the balances shown in these financial statements.

Hyelm

Notes to the Financial Statements
for the year ended 30 September 2019

2. Particulars of turnover, operating costs and operating surplus

Group	Turnover £	Operating costs £	2019 Operating surplus £
Letting of residential accommodation	**1,101,582**	**1,207,380**	**(105,798)**
Other residential accommodation activities			
Other income	5,041	-	5,041
	5,041	**-**	**5,041**
Non-residential accommodation activities	335,522	77,948	257,574
	1,442,145	**1,285,328**	**156,817**

Group	Turnover £	Operating costs £	2018 Operating surplus £
Letting of residential accommodation	**1,085,430**	**1,029,095**	**56,335**
Other residential accommodation activities			
Other income	67,331	-	67,331
	67,331	**-**	**67,331**
Non-residential accommodation activities	145,540	47,735	97,805
	1,298,301	**1,076,830**	**221,471**

Association	Turnover £	Operating costs £	2019 Operating surplus £
Letting of residential accommodation	**1,101,582**	**1,207,380**	**(105,798)**
Other residential accommodation activities			
Other income	5,041	-	5,041
	5,041	**-**	**5,041**
Non-residential accommodation activities	288,710	46,812	241,898
	1,395,333	**1,254,192**	**141,141**

Association	Turnover £	Operating costs £	2018 Operating surplus £
Letting of residential accommodation	**1,085,430**	**1,029,095**	**56,335**
Other residential accommodation activities			
Other income	67,331	-	67,331
	67,331	**-**	**67,331**
Non-residential accommodation activities	114,086	31,454	82,632
	1,266,847	**1,060,549**	**206,298**

Notes to the Financial Statements for the year ended 30 September 2019

Particulars of income and expenditure from the letting of intermediate and sub market rent accommodation

Group and Association	Private Rented £	Intermediate Rent £	2019 Total £
Rent receivable net of identifiable service charges	373,552	512,272	885,824
Service Charge income	63,549	92,209	155,758
Other revenue grants - SHG released	-	60,000	60,000
Turnover from the letting of residential accommodation	**437,101**	**664,481**	**1,101,582**
Management	191,572	260,542	452,114
Service charge costs	74,076	107,483	181,559
Other service costs	49,223	62,253	111,476
Routine maintenance	15,435	21,168	36,603
Planned maintenance	29,174	40,009	69,183
Bad debts	-	-	-
Depreciation on housing properties	150,313	206,132	356,445
Operating costs on residential lettings	**509,793**	**697,587**	**1,207,380**
Operating surplus / (loss) on residential lettings	**(72,692)**	**(33,106)**	**(105,798)**
Void Losses	**16,243**	**23,568**	**39,811**

Group and Association	Private Rented £	Intermediate Rent £	2018 Total £
Rent receivable net of identifiable service charges	487,439	377,888	865,327
Service Charge income	65,322	94,781	160,103
Other revenue grants - SHG released	-	60,000	60,000
Turnover from the letting of residential accommodation	**552,761**	**532,669**	**1,085,430**
Management	161,815	214,673	376,488
Service charge costs	64,107	93,017	157,124
Other service costs	64,506	80,308	144,814
Routine maintenance	22,872	30,668	53,540
Planned maintenance	5,713	7,661	13,374
Bad debts	163	218	381
Depreciation on housing properties	121,057	162,317	283,374
Operating costs on residential lettings	**440,233**	**588,862**	**1,029,095**
Operating surplus / (loss) on residential lettings	**112,528**	**(56,193)**	**56,335**
Void Losses	**6,103**	**4,206**	**10,309**

Housing accommodation 125 bed spaces (2018: 125 bed spaces)

3. Operating Surplus

	Group		Association	
	2019	**2018**	**2019**	**2018**
	£	**£**	**£**	**£**
Operating surplus for the year is after charging:				
Depreciation on housing properties	356,445	283,374	356,445	283,374
Depreciation on tangible, owned fixed assets	26,492	36,251	26,492	36,251
	382,937	**319,625**	**382,937**	**319,625**
Auditor's remuneration (excluding VAT)				
- Fees payable for the audit of the financial statements	9,695	11,100	9,695	11,100
- Fees payable for the audit of the accounts of subsidiaries	4,250	3,950	-	-
Total audit Services	**13,945**	**15,050**	**9,695**	**11,100**
- Tax compliance services	1,620	750	810	-
Total non-audit services	**1,620**	**750**	**810**	**-**

4. Interest receivable and other income – Group and Association

	2019	**2018**
	£	**£**
Interest receivable and similar income	142,225	162,021
Less: Notional RCGF interest (note 16)	(17,679)	(12,156)
Donations	-	25
	124,546	**149,890**

5. Interest and financing costs – Group and Association

	2019	**2018**
	£	**£**
Loans and bank overdrafts	358,534	360,559
Amortisation of loan issue costs	1,400	1,400
	359,934	**361,959**

6. Employees – Group and Association

	2019 Number	2019 FTE	2018 Number	2018 FTE's
The average monthly number of employees (including the Chief Executive) and expressed as full-time equivalents based on a 36-hour week.	**6.2**	**5.8**	**6.7**	**6.3**
Administration	4.0	3.6	4.0	3.6
Housing	2.2	2.2	2.7	2.7
	6.2	**5.8**	**6.7**	**6.3**

Hyelm

	2019	2018
Employee Costs:	**£**	**£**
Wages and salaries	204,853	215,629
Social security costs	14,994	20,374
Other pension costs	22,386	15,765
	242,233	**251,768**

The Group

	2019	2018
Employee Costs:	**£**	**£**
Wages and salaries	233,541	244,317
Social security costs	24,941	23,549
Other pension costs	18,169	18,320
	276,651	**286,186**

7. Board members and executive directors – Group and Association

	2019 £	2018 £
Emoluments of the Company's Chief Executive, Director of Finance & Director of Operations including pension contributions.	**183,393**	**178,474**
Emoluments of the Chief Executive, who was the highest paid "Director", excluding pension contributions.	**64,503**	**62,930**
Contributions to the Chief Executive's personal pension plan.	**6,450**	**6,293**

No members of staff were paid more than £60,000 in the current or previous year other than the Chief Executive (as disclosed above). No emoluments were paid to members of the Board during the year.

Expenses paid during the year to members of the Board amounted to £2,641 (2018: £3,353).

Notes to the Financial Statements for the year ended 30 September 2019

8. Fixed Assets – housing properties – Group and Association

	Housing properties held for letting £	Housing properties for letting under construction £	Total housing properties £
Cost			
At 1 October 2018	16,012,169	10,749,098	26,761,267
Work in progress	-	927,666	927,666
Works to existing properties	38,194	-	38,194
At 30 September 2019	**16,050,363**	**11,676,764**	**27,727,127**
Depreciation			
At 1 October 2018	2,568,547	-	2,568,547
Depreciation charged during year	356,445	-	356,445
At 30 September 2019	**2,924,992**	**-**	**2,924,992**
Net book value			
At 30 September 2019	**13,125,371**	**11,676,764**	**24,802,135**
At 30 September 2018	**13,443,622**	**10,749,098**	**24,192,720**

Expenditure on works to existing properties

	2019 £'s	2018 £
Improvement works capitalised	38,194	698,472
	38,194	**698,472**

Social housing assistance

	2019 £	2018 £
Total accumulated social housing grant received or receivable at 30 September:		
Capital Grant	3,000,000	3,000,000
	3,000,000	**3,000,000**

Housing properties book value net of depreciation

	2019 £	2018 £
Freehold land and buildings	**24,802,135**	**24,192,720**

9. Tangible fixed assets – other – Group and Association

	Furniture & equipment	Computer equipment	Total
	£	£	£
Cost at 1 October 2018	629,227	30,948	660,175
Additions	27,532	18,720	46,252
Cost at 30 September 2019	**656,759**	**49,668**	**706,427**
Depreciation at 1 October 2018	545,113	17,445	562,558
Charged during year	17,824	8,668	26,492
Depreciation at 30 September 2019	**562,937**	**26,113**	**589,050**
Net book value:			
At 30 September 2019	**93,822**	**23,555**	**117,377**
At 1 October 2018	**84,114**	**13,503**	**97,617**

10. Disposal of fixed assets and abortive costs

	2019	2018
	£	£
Work in Progress - abortive costs	-	231,681
Loss on disposal of assets	**-**	**231,681**

At the year-end costs amounting to £NIL (2018:£231,681) relating to development opportunities that were no longer being considered were written off as abortive costs.

11. Investments

	Group		Association	
	2019	2018	2019	2018
	£	£	£	£
Investment in subsidiary	-	-	100,000	100,000
	-	**-**	**100,000**	**100,000**

Arthur West House Limited is a wholly owned subsidiary of Hyelm. At the 30 September 2019 Hyelm held 100,000 ordinary shares of £1 each (2018: £100,000).

12. Debtors

	Group 2019 £	Group 2018 £	Association 2019 £	Association 2018 £
Due within one year				
Rent and service charge receivable	13,002	13,612	13,002	13,612
Provision for bad and doubtful debts	(13,002)	(13,612)	(13,002)	(13,612)
	-	-	-	-
Other debtors	99,926	57,158	99,926	57,158
Prepayments	11,521	19,963	11,521	19,963
VAT due	14,484	-	-	-
Accrued income	80,633	89,529	80,633	53,905
	206,564	166,650	192,080	131,026
Total debtors	**206,564**	**166,650**	**192,080**	**131,026**

13. Creditors: amounts falling due within one year

	Group 2019 £	Group 2018 £	Association 2019 £	Association 2018 £
Recycled capital grant fund (note 16)	2,374,916	2,357,237	2,374,916	2,357,237
Debt (note 17)	97,586	91,466	97,586	91,466
Loan issue costs	(1,400)	(1,400)	(1,400)	(1,400)
Trade creditors	130,728	122,719	71,664	43,950
Rent and service charges paid in advance	8,000	-	8,000	-
Due to subsidiary (note 24)	-	-	64,620	11,921
Deferred capital grant (note 15)	60,000	60,000	60,000	60,000
Other taxation and social security	13,438	8,873	13,438	2,507
Other creditors	6,102	4,764	6,102	4,764
Accruals and deferred income	82,819	144,883	78,132	105,597
	2,772,189	**2,788,542**	**2,773,058**	**2,676,042**

14. Creditors: amounts falling due after more than one year – Group and Association

	2019 £	2018 £
Debt (note 17)	6,328,604	6,426,190
Loan issue costs (note 17)	(21,058)	(22,458)
Deferred capital grant (note 15)	2,312,466	2,372,466
	8,620,012	**8,776,198**

15. Deferred capital grant – Group and Association

	2019 £	2018 £
At 1 October 2018	2,432,466	2,492,466
Released to income in year	(60,000)	(60,000)
At 30 September 2019	**2,372,466**	**2,432,466**

	2019 £	2018 £
Amounts to be released within one year	60,000	60,000
Amounts to be released in more than one year	2,312,466	2,372,466
	2,372,466	**2,432,466**

The deferred capital grant relates to the New North Road property and may be repayable should the property be sold.

16. Recycled capital grant fund – Group and Association

	2019 £	2018 £
At 1 October 2018	2,357,237	2,345,081
Interest accrued (note 4)	17,679	12,156
	2,374,916	**2,357,237**
Repayment of grant	-	-
At 30 September 2019	**2,374,916**	**2,357,237**

The recycled capital grant arose in the year ended 30 September 2015 on the sale of Arthur West House.

17. Debt analysis – Group and Association

	2019 £	2018 £
Due within one year		
Bank loans	97,586	91,466
	97,586	**91,466**
Due after more than one year		
Bank loans	6,328,604	6,426,190
Less: issue costs	(21,058)	(22,458)
	6,307,546	**6,403,732**

The loan from Allied Irish Bank (GB) is secured by a legal charge over the Old Street Development and is repayable within 30 years. The loan bears a fixed interest rate of 5.5% over the whole term, with capital repayments having commenced during the year to 15 October 2013. The loan is repayable as follows:

	2019 £	2018 £
Within one year or on demand	97,586	91,466
One year or more but less than two years	104,057	97,586
Two years or more but less than five years	580,481	480,085
Five years or more	5,644,066	5,848,519
	6,426,190	**6,517,656**

18. Designated fund – Group and Association

The Group holds funds designated for development expenditure and for supporting non-accommodation activities for residents such as recreational and social activities. Any surpluses generated are returned to the fund.

	£
Balance at 1 October 2017	100,443
Transfers in year	(2,506)
Balance at 30 September 2018	**97,937**
Transfers in year	-
Balance at 30 September 2019	**97,937**

19. Endowment fund – Group and Association

The endowment fund held by The Group is the original endowment to The Ames House Trust to which trading surpluses/deficits and investment gains/losses have been added over the years, together with the proceeds from properties sold.

	£
Balance at 1 October 2017	6,018,676
Surplus for the year	29,484
Balance at 30 September 2018	**6,048,160**
Surplus for the year	33,761
Balance at 30 September 2019	**6,081,921**

20. Consolidated cash flow from operating activities

	Year to 30/09/2019 £	Year to 30/09/2018 £
Surplus for the year	156,817	221,471
Adjustments for non-cash items		
Depreciation of tangible fixed assets	382,937	319,625
Amortisation of intangible fixed assets	-	-
Increase in debtors	(39,914)	(73,036)
(Decrease) / increase in creditors	(22,473)	227,730
Government grants utilised in the year	(60,000)	(60,000)
Net cash generated from operating activities	**417,367**	**635,790**

21. Capital commitments

The Board have agreed to a programme for the provision of new accommodation following the sale of Arthur West House and during the course of the year Hyelm entered an agreement with Arthur West House Limited to deliver the Colindale development which gained planning approval on 4th November 2019. For the scheme to be delivered, the total costs are expected to be in the region of £36m.

The company had no operating lease commitments at 30 September 2019 (2018: £NIL).

22. Post balance sheet events

On the 4 November 2019, the London Borough of Barnet gave planning approval for the development of the planned scheme in Colindale, North West London. Arthur West House will develop the scheme for Hyelm as set out in a service level agreement dated March 2015 and is the subject of a design and build contract.

It is anticipated that scheme will commence during 2020 with practical completion being achieved in late 2022.

The scheme will deliver 156 bed spaces in cluster apartment for Hyelm use with 26 s106 affordable units which will be financed by a third-party registered provider.

There have been no other events since the year-end that have had a significant effect on the Company's financial position.

23. Legislative provisions

Hyelm is incorporated under the Companies Act.

24. Related parties

Arthur West House limited is a wholly owned subsidiary of Hyelm, a charitable company registered in England and Wales. Hyelm is considered to be the ultimate controlling party. The sum of £64,620 excluding VAT (2018: £11,921) was due to Arthur West House Limited at the end of the financial year in respect of development services provided during the year.

25. Financial instruments

	Group		Association	
	2019	2018	2019	2018
	£	£	£	£
Carrying amount of financial assets measured at amortised cost	**195,043**	**146,687**	**180,559**	**111,063**
Carrying amount of financial assets measured at amortised cost	**6,623,381**	**6,766,164**	**6,621,630**	**6,660,030**

26. Contingent asset

Following the Grenfell Tower tragedy, the external wall system of the Old Street scheme was investigated to determine whether the building met the required fire safety standards. The investigation revealed that the fire safety measures in place fell short of the standards required by the Building Regulations in place at the time of the construction of the building. A number of interim safety measures have been put in place to ensure the safety of our residents, who are aware of the issues, and a programme of works will be undertaken to address the issues identified and ensure that the building meets the requirements of the Building Regulations in terms of fire safety.

The total cost of works undertaken at the balance sheet date, including consequential losses, amounts to £572,808. The contract to address the first Phase of the remedial works will be awarded in March 2020. Further phases are scheduled to take place following phase 1 once all costs are known.

We have been advised that the deficiencies identified are a result of shortcomings in the design and build process, and as a result Hyelm is seeking to recover the costs of the remedial works from the original contractor and the NHBC under a latent defects insurance policy. While the process of recovering costs from both parties has begun, at this stage it is not possible to accurately quantify the value of the costs that may be recovered.

27. Operating leases

The Group and Hyelm had minimum lease payments due to them as lessor under non-cancellable operating leases, including tenanted accommodation as set out below:

	Group		Association	
	2019	2018	2019	2018
	£	£	£	£
Not later than one year	317,185	139,492	317,185	139,492
Later than one year and not later than five years	77,416	128,589	77,416	128,589
Later than five years	-	-	-	-
	394,601	**268,081**	**394,601**	**268,081**

Residents in Hyelm's properties enter into assured shorthold tenancy agreements with a minimum length of six months. In addition to the residential accommodation provided, Hyelm has leased office accommodation to a third party for a for a four-year period.

HYELM

Housing the future of London

(Consolidated Accounts)

(Limited by Guarantee)

Report and Financial Statements for the Year Ended

30 September 2019

Hyelm is a company limited by guarantee, registration No. 00244598, and is registered with Homes England No. HO312. Hyelm is charitable and is registered with the Charity Commission No. 215575.

Hyelm
Report and Financial Statements for the year ended 30 September 2019

Contents

Hyelm
Report and Financial Statements for the year ended 30 September 2019

Members, Senior Staff, Advisors and Bankers

Board		
Chair	Charlotte Paxton	
Vice Chair	Ruth Goldfeather	
Ordinary Members	Graham Briscoe Keith Douglas (Chief Executive) Helen Taylor Wayne Willis Joanne Foster Joel Inbakumar Rhiannon Meredith	
Senior Staff		
Chief Executive & Company Secretary	Keith Douglas	
Director of Operations	Simon Wright	
Director of Finance	Mark Sharman	
Auditors	Moore Kingston Smith LLP Devonshire House 60 Goswell Road London EC1M 7AD	
Principal Investment Advisors	Savills 33 Margaret Street London W1G 0JD	
Principal Bankers	Barclays Bank 28 Hampstead High Street Hampstead London NW3 1QB	Allied Irish Bank 10 Berkeley Square London W1J 6AA
Registered Office	43-51 New North Road London N1 6JB	

Report of the Board

The Board is pleased to present its report and financial statements based on a limited company format and in accordance with accounting requirements by legislation and as set out in the Statement of Recommended Practice 'Accounting by Registered Social Landlords' ('SORP' – Update 2014).

Review of the Period

The Board reports a deficit of £78,751 for the year to 30 September 2019 (2018: deficit £222,279). The underlying operating surplus of £156,817 (2018: surplus £224,471) is in line with the business plan and reflects both the reduction in income following the closure of Arthur West House in October 2014 and the increase in income arising from commercial lettings, whilst retaining management costs focussed on the provision of new accommodation as part of our development programme.

During the year high levels of occupancy and operational income were maintained.

The Old Street development, which was completed in March 2008, was financed from our cash-backed reserves, capital grant of £3m from the Homes and Communities Agency and a loan of £6.736m from Allied Irish Bank (AIB). The interest rate on this loan has been fixed for a 30-year term at a rate of 5.5%. Occupancy levels remain high and the scheme continues to perform in accordance with the financial plan agreed as part of the facility agreement with AIB.

Legal Status

The Hyelm Group comprises Hyelm, a Company Limited by Guarantee and which does not have share capital, The Ames House Trust, a charity established under Trust Deed, and Arthur West House Limited, a private limited company which is a wholly owned subsidiary of Hyelm.

Hyelm is a non-profit making concern registered as a Charity and a Registered Provider under the Housing Acts. The Ames House Trust is accounted for as a branch of Hyelm.

The consolidated accounts show the financial position of The Group as a whole, and for the Association which includes Hyelm and The Ames House Trust.

Principal Activity and Public Benefit

Hyelm provides high standards of affordable accommodation, services and facilities in homely environments for London's key workers, now referred to as priority groups, and for young people on low to moderate incomes who are coming to or are in the capital to work or to study.

The Board confirms that it has referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing Hyelm's aims and objectives and in formulating plans.

Format of Financial Statements

The Board is pleased to present its report and financial statements based on a limited company format and in accordance with accounting requirements by legislation and as set out in the Statement of Recommended Practice 'Accounting by Registered Social Landlords' ('SORP' – Update 2014).

Future Plans

During the year, the Board adopted a strategic plan – *Making a real difference* – for the period 2016-2019. The strategic plan focuses on three key activities:

- Our development programme,
- Our existing operation
- Our communities and people.

Our Development programme – The Group's objective is to develop and provide high standards of affordable, rented accommodation, facilities and services for a further 250 young people in two or more new housing schemes in London. During the year we acquired a development site in North London. The cost has been partly funded by the Ames House Trust. A planning application is due to be submitted for accommodation for 156 young people. It is anticipated that the new accommodation will be completed in July 2021.

Our Existing operation – The Group's objective is to continue to provide high standards of contemporary, affordable rented accommodation at the Old Street Scheme, whilst remaining a financially sound organisation with efficient systems providing effective controls. During the year we have carried out refurbishments in a number of apartments to ensure that the accommodation remains of a high standard. To maximise the value that we can obtain from the Old Street property, and in accordance with the objectives of the Strategic Plan we completed the conversion of space within the building to provide office accommodation to rent. This accommodation was fully tenanted at the year end and the rental income generated will be utilised to further invest in the Old Street accommodation.

Our communities and people – The Group's objective is to provide positive, stable, safe environments for our housing schemes. During the year we have been working with our residents to involve them in drawing up our plans and in managing our affairs. A number of social events have been organised to further develop a sense of community and have supported residents in securing new accommodation when they feel ready to move on.

Board

Following a review of Governance arrangements during the year the Board adopted and now complies with the recommendations of the National Housing Federations Code of Governance 2015 with the exception that the Board has decided not to establish a sperate audit committee. It is felt that given the size of the organisation, audit issues can be dealt with by the Board. The Board has also adopted, and is compliant with, the National Housing Federation Code of Conduct issued in 2012. Hyelm is a member of the Federation.

Hyelm has implemented a comprehensive Board and Board members appraisal process and a governance development plan which is reviewed and updated annually.

In accordance with the Articles of Association, the following Board members are required to stand down at the Annual General Meeting, but will remain eligible for re-appointment to the Board:

- Charlotte Paxton
- Joanne Foster
- Joel Inbakumar
- Helen Taylor

VALUE FOR MONEY STATEMENT 2019

Introduction

The Value for Money Standard 2018

The 2018 Value For Money Standard published in April 2018 requires that Registered Providers must:

- Clearly articulate their strategic objectives.
- Have an approach agreed by their board to achieving value for money in meeting these objectives and demonstrate their delivery of value for money to stakeholders.
- Through their strategic objectives, articulate their strategy for delivering homes that meet a range of needs.
- Ensure that optimal benefit is derived from resources and assets and optimise economy, efficiency and effectiveness in the delivery of their strategic objectives.

The Standard requires that that Registered Providers must demonstrate:

- A robust approach to achieving value for money – this must include a robust approach to decision making and a rigorous appraisal of potential options for improving performance.
- Regular and appropriate consideration by the board of potential value for money gains – this must include full consideration of costs and benefits of alternative commercial, organisational and delivery structures.
- Consideration of value for money across their whole business and where they invest in non-social housing activity, they should consider whether this generates returns commensurate to the risk involved and justification where this is not the case.
- That they have appropriate targets in place for measuring performance in achieving value for money in delivering their strategic objectives, and that they regularly monitor and report their performance against these targets.

It is also a requirement that Registered Providers must annually publish evidence in the statutory accounts to enable stakeholders to understand the provider's:

- Performance against its own value for money targets and any metrics set out by the Regulator, and how that performance compares to peers.
- Measurable plans to address any areas of underperformance, including clearly stating any areas where improvements would not be appropriate and the rationale for this.

The Hyelm Group is committed to finding ways to provide excellent services whilst at the same time seeking to reduce costs and improve efficiency. To ensure that we can measure efficiency gains and to provide meaningful comparisons with other organisations providing similar services, the Board has adopted the 2018 Value for Money Standard for Registered Providers of Social Housing.

How We Deliver Value For Money

Although the Hyelm Group does not provide social housing – the Old Street scheme provides a mix of accommodation for intermediate rent and private rented accommodation for young people on low incomes - the Value For Money standard provides a framework for measuring performance in a consistent manner.

Achieving Value for Money (VFM) is a fundamental element of our objective to become a top quartile performing organisation.

We see VFM as the process of delivering savings and improving quality by simplifying everything that we do and by achieving a balance between costs, quality and results.

This statement outlines our approach to achieving VFM in meeting our objectives with reference to our financial, social and environmental returns, and measures performance using the metrics included within the 2018 Value for Money Standard.

Value For Money is embedded within our business in the following ways:

Governance

Board members' duties include reviewing the efficiency of our operations and our Value For Money performance as well as ensuring compliance with the regulatory Value For Money standard.

The Board discusses our Value For Money Policy and Statement at least annually and reviews the operational and financial performance of the business quarterly.

Financial Management

We operate a robust budgeting process that sets out the financial parameters within which our organisation is required to work to deliver improvements in the services that we provide to our residents and others who work with us.

The business planning process helps to ensure that our resources and assets are used in the most appropriate ways to deliver our objectives.

Our budget and business plan targets are structured to ensure that the most effective use of our resources is made through efficiency gains year on year with increasing levels of surplus strengthening our capacity to develop new homes and enhance our services.

Procurement

We continuously seek to obtain Value For Money from our suppliers and look to rationalise contracts and re-tender when necessary to ensure that the services that we receive from them meet and deliver our business objectives.

Where appropriate, we undertake an options appraisal process to ensure that there is a robust business case for investment/divestment decisions and that returns are optimised.

Managing Performance

We continually review our performance and benchmark ourselves against our peer groups. A key objective of our 2019-2022 Strategic Plan is to achieve top quartile performance for financial strength and quality of services. The Board reviews performance information on a regular basis.

We have set ourselves the challenge of benchmarking our performance against that of our organisations that provide similar services within the social housing sector and not for profit housing sectors.

Comparative analysis is based on information provided by HouseMark, the BM320 benchmarking group of smaller housing associations in London, Homes England (such as the 2018 Global Accounts of Housing Providers) and other publicly available information.

Resident Focus

Improving resident engagement and obtaining regular feedback in relation to our services are key objectives for the life of our Strategic Plan 2019-22.

Following the sale of Arthur West House in 2014 the Resident Panel had become less engaged. During 2018/19 we have worked with residents at our Old Street scheme to ensure that they are engaged with the management of the scheme.

Our People

Our staff are critical to the organisation for the delivery of services to our residents. Providing training and support to our staff is essential to ensure that we maximise their capability. Salary and benefits packages are reviewed annually. The review includes a benchmarking exercise to ensure that the salaries and benefits that staff receive are comparable with our peer group.

During 2019/20 as part of our 2019-2022 strategy we will be reviewing our staffing structure in anticipation of the opening of our Colindale scheme ensuring that we have the right number of appropriately skilled staff to manage a growing organisation.

Our Strategic Plan

The Strategic Plan for 2019-2022 focuses on three key activities:

1. ***Our development programme***

   Part funded by the sale proceeds of our Hampstead property, we will further develop and expand our accommodation, services and facilities to help meet increasing demand and changing needs.

   More specifically, we will

   - Develop and provide high standards of affordable rented accommodation, facilities and services for a further 156 young people on a site that we acquired during 2018 in the vibrant and emerging regeneration area of Colindale, North London.
   - Research, adopt and begin to implement bold strategies for future growth and for the development of additional accommodation during and beyond the delivery of our Colindale scheme.

2. ***Our existing operation***

   Throughout the delivery of our development programme we will continue to manage our existing operation in an efficient and effective manner.

   More specifically we will

   - continue to provide high standards of contemporary affordable rented accommodation facilities and services at our Old Street scheme that reflect the needs and expectation of these whom we set out to house.
   - Continue to be a financially sound organisation with efficient systems providing effective controls that reflect our requirements. Maximising value will continue to underpin our work.
   - Use new technologies, IT and modern methods of communication to the optimum and cost-effective extent in our operation and in the delivery of our offer in a way that best meets the needs of young people.
   - Secure suitable funding to secure our strategic objectives.
   - Offer a great place to works, attracting and retaining the most talented staff and Board members.

3. ***Our communities and people***

   We will promote positive stable safe environments in our housing schemes, ensuring that the sense of place and family and the supportive communities that we promote, which are so fundamental to what we do, are kept as we move from old to new.

   More specifically we will:

- Involve our residents closely in drawing up our plans and managing our affairs
- Work with local community groups, training providers and employers to provide opportunities to enable young people to grow through further personal training and development
- Develop strong and productive partnerships with a range of key strategic partners to ensure that we help those who are in greatest need.
- Deliver a programme of social and learning events and community development activities, making best use of our communal facilities as well as those within the local areas in which we operate, engaging our residents with the wider community.
- Work with each young person during their stay to help them move on when they are ready.
- Actively encourage our residents to contribute to our communities and our organisation in a positive way once they have left our accommodation.

During the year we have made substantial progress in achieving the objectives set out in our Strategic plan.

Progress against the objectives within the Strategic Plan

Our development programme

Regarding our **development programme,** we adopted a strategy in 2013/14 to dispose of one of our existing properties, Arthur West House, with a view of using its capital receipt to develop and manage a further 250 bed-spaces of modern accommodation within Greater London by 2019. The provision of new accommodation is a key objective of the 2019-22 strategy adopted by the Board.

The property, sold on the 10th October 2014, generated a receipt of £30.05 million, some £6 million above the maximum forecast sale price. The sale proceeds were apportioned between Hyelm and The Ames House Trust, which had a leasehold interest in Arthur West House. The amount received by Hyelm amounted to £24,115,125, with the balance of £5,934,875 being received by The Ames House Trust.

As we develop our plans for the development programme, a key focus will be ensuring that we deliver a value for money solution and maximise the return on our investment. Whilst the Board recognises that the provision of low cost, but affordable accommodation will not generate a 'market return', a number of financial targets have been agreed, which must be achieved before any scheme proceeds ensuring that the scheme is profitable, and the value of the investment is maintained.

In September 2018, we purchased a development site in north London for the provision of 156 bed spaces – good progress towards our target of 250 bed spaces. The development will be funded with Hyelm's cash resources, and the sale of a number of affordable homes for rent or for shared ownerships to another Registered Provider.

We have agreed a fixed price contract for the delivery of the scheme with Arthur West House Limited, a wholly owned subsidiary, which will minimise the risk of overspend and which will be VAT efficient through an HMRC approved scheme allowing for the recovery of VAT estimated to be approximately £270,000.

By making use of an existing procurement framework we have been able to procure professional services without a lengthy and expensive EU procurement exercise.

Planning approval for the development was granted on the 4 November 2019 and it is anticipated that construction will commence in March 2020 with practical completion being achieved in March 2022.

Our ongoing operations

Our Old Street scheme is now eleven years old. Resident satisfaction levels continue to remain high. In addition, it was built to comply with, the then, Eco Homes standards and achieved a Very Good rating in this regard.

During the course of the financial years 2019/20 and 2020/21, we will be carrying out major works at our Old Street scheme to remedy fire safety issues that were identified following investigations carried out following the Grenfell tragedy in June 2017. In addition to fire safety issues, a number of additional defects were identified dating back to the construction of the building, and these defects will be remedied concurrently with the fire safety issues. We will be seeking to recover the costs associated with the works, together with any loss of rent income, from our insurers and the original contractor.

To ensure best value for money, competitive tenders were sought, and value tested. The works will be undertaken over a two-year period to minimise disruption to our residents and the loss of rent income.

Following the completion of the remedial works our forward plans for our Old Street scheme include provision for the regular maintenance and refurbishment of the property to ensure that it continues to provide high standards of affordable accommodation that meet the expectation of our residents.

To ensure that we achieve best value for money from the goods and services that we procure, Standing Orders are in place that require competitive quotations to be sought for low value goods, and for formal tendering procedures to be enacted for more valuable services.

During the year to 30 September 2019 the following good and services were tendered:

- Gas and electricity supplies.
- Mechanical & Electrical Servicing
- Insurance cover
- Sanitary disposal
- Lightning protection
- Cleaning
- Door entry and CCTV

Where possible, we make use of procurement exercises that have been undertaken by other organisations to ensure that best value has been obtained.

Old Street provides accommodation for young people at the beginning of their careers ensuring that they are accommodated in low cost, quality accommodation in a secure environment. Of the units available 74 bed-spaces provide intermediate rent accommodation for priority group workers. The remaining 51 bed spaces are provided for non-priority group workers. The Hyelm Group endeavours to provide rented accommodation to tenants which provides value for money when compared with rent charged for comparable properties. To ensure that the rent is represents good value for money, the Board has approved a policy of linking all rents to the level deemed affordable for single people in receipt of the London Living Wage.

The Low Cost but Affordable rent included within the London Living Wage calculation is based on the first quartile of rents for accommodation, which for single people includes rooms, shared rooms, bedsits and maisonettes. Rent for non-priority groups is at this level, which is 32% less than equivalent private rented accommodation at the first quartile for the N1 postcode. The intermediate rent for accommodation at Old Street is currently at a discount of 40% to the first quartile. The Board policy will result in all new lets being at the LCA rent, which will result in additional rent income being generated yet maintaining rents for all residents at an affordable level.

Over the last three years we have been examining ways of maximising the 'return' from this the Old Street property whilst maintaining rents at levels that are affordable for our client groups. The focus of this has been in relation to our communal spaces, which were underutilised.

As a result of the review, accommodation within the management suite was rented to a third party for a period of four years from June 2017. Planning permission was obtained to create further office space on the ground floor of the Old Street property which has created commercial office accommodation, which is now fully let, generating rent income of £150,000 per annum – a gross return of 30% per annum on the capital cost of the refurbishment. As part of the development we have been able provide a more friendly and relaxing communal space for our residents.

The efficient management of staff and improved systems has enabled us to manage the commercial space with no addition staff requirements.

The completion of the new office accommodation has enabled us to move the Finance Team back to our Old Street scheme, thereby reducing the cost being incurred on alternative office accommodation.

Further savings have been made through the retendering of several contracts, for example a saving of £300 per year has been made through the retendering of the lift maintenance contract. The supply of electricity, gas and insurances are retendered annually to ensure best value is obtained, for both Hyelm and our residents . Savings generated as a result of our VFM approach are passed on to our residents through lower service charges.

Our communities and people

As part of our strategy in relation to **Our communities and people** the revisions to our staffing structure and job profiles has enabled us to take on the management of our new office accommodation at no extra cost.

In addition, though our close association with Charity Works, a charity providing job opportunities for graduates seeking workplace experience, we have a graduate trainee to whom we provide an approved training programme. Annual savings of £2,500 have been made through the revised staffing structure.

A key objective of our Strategic Plan 2019-22 is to ensure we house those people from within our client group in greatest need. To enable us to do this we continue, with appropriate support, to move-on those residents who are no longer in need of our accommodation. Satisfaction levels had suffered as a result but are now starting to improve. It remains our target is to maintain or improve upon current levels of satisfaction, but always to keep our performance within the upper quartile. The table below shows resident satisfaction with the services provided during the financial year 2018/19 and the preceding two years.

Resident Satisfaction	**Benchmark: Peer group upper quartile**	**Benchmark: HouseMark upper quartile**	Hyelm 2016/17	Hyelm 2017/18	**Hyelm 2018/19**
% of residents satisfied or very satisfied with our services	93%	86%	90%	93%	93%
% of residents satisfied or very satisfied with repairs and maintenance	95%	92%	90%	95%	95%
% of residents satisfied or very satisfied on Value For Money for rent	74%	67%	93%	90%	90%

Evidence of resident satisfaction, together with the effective management of the property is demonstrated in the table below. The need to carry out remedial works to the Old Street scheme has resulted in a number of apartments being closed to undertake the necessary works, however occupancy of those apartments available to rent remains high. Arrears are managed proactively with residents to ensure minimal losses occur. Demand for the accommodation available remains high with short re-let times.

During 2018/19 additional expenditure has been incurred in updating the image of Hyelm through a re-branding exercise with a view to raising the profile of the organisation and encouraging more applicants to seek accommodation with Hyelm. This will be particularly important as the Colindale scheme approaches completion where we anticipate that the re-branding will encourage applications prior to opening ensuring maximum occupancy from day one.

As part of the exercise we have also upgraded the Hyelm website to reflect the new image. As we further develop the website it will provide functionality for online booking and for existing resident to view their rent account and book repairs, leading to efficiencies in managing the accommodation and improvements in resident satisfaction.

Other Measures	**Benchmark: Peer group upper quartile**	**Benchmark: HouseMark upper quartile**	Hyelm 2016/17	Hyelm 2017/18	**Hyelm 2017/18**
% of repairs fixed on first visit	96.0%	96.0%	100%	95%	72%
Average re-let time (days)	25.0	19.6	5.8	5.4	10.5
Current rent arrears	3.7%	2.8%	0.01%	0.2%	0.0%
% of void losses	0.88%	0.73%	0.60%	1.18%	4.30%

We have taken comfort from historically low levels of void loss and arrears, which compare very favourably with those within the sector. The increase in voids during 2018/19 is a result of the need to provide vacant accommodation for contractors to carry out the fire safety works referred to above.

Finance

The accounts for the year ending 30 September 2019 have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers.

Following the sale of Arthur West House in October 2014, Hyelm only provides accommodation at its Old Street property. This is a mix of private rented accommodation and grant supported intermediate rent accommodation that is tenanted by priority group workers.

Following the disposal of the Arthur West House site, management costs per unit increased as central costs previously allocated to the property have been retained but are supporting the development programme, which will provide new accommodation on a number of sites. As a result, we have shown operating and management costs in total, as well as reporting on these costs excluding our central overheads, this being a more representative measure of our performance relating to our residential accommodation.

Reporting against the 2018 Value for Money Standard

The Hyelm Group has adopted the reporting requirements of the 2018 Value for Money Standard, and we have recalculated prior year metrics in order to provide comparative figures for the year ended 30 September 2019 and prior years. We have also calculated the metrics for 2019/20 based on the approved plan for the year in order that we can assess future performance.

Metric 1 – Reinvestment

	2016/17 (restated)	2017/18 (restated)	2018/19 plan	2018/19 actual	2019/20 Plan
Reinvestment %	1.46%	41.48%	12.02%	3.48%	21.02%

Following the sale of the Hampstead property, Hyelm has only the Old Street scheme in operation. The significant increase in investment is 2018/19 relates to the Colindale site as part of our development programme. During 2017/18 Hyelm purchased the Colindale site for £10.5m. Delays in gaining planning approval for the scheme resulted in delays to the building programme, thus investment was less than planned for 2018/19. Now that planning approval has been granted the scheme can now proceed and we will see greater investment in the site in future years.

Metric 2 – Supply

Unlike many large Registered Providers, Hyelm does not have an annual development programme. Our investment in property relates to a specific scheme and therefore the supply metric is not a relevant measure of performance.

Metric 3 – Gearing

	2016/17	2017/18	2018/19 plan	2018/19 actual	2019/20 Plan
Gearing	42.40%	24.40%	21.13%	23.50%	18.03%

Hyelm currently has one loan from Allied Irish Bank. Our investment in the new development in Colindale is funded by Hyelm's cash reserves, thus as the value of housing properties increase as the development progresses gearing will decrease. On completion of our new development Hyelm will have additional capacity for borrowing to support the development of additional accommodation and complete our strategic objective of providing further accommodation

In addition to the Value For Money metric, Hyelm calculates the value of debt per unit of accommodation. As Hyelm has only one loan which is repayable over a 30-year period, the amount of debt per unit reduces over time as shown below:

	2016/17	2017/18	2018/19 plan	2018/19 actual	2019/20 Plan
Debt per unit	£52,857	£ 52,141	£51,410	£51,410	£50,629

Metric 4 – Earnings before Interest Tax Depreciation and Amortisation – Major Repairs Included

The EBITDA MRI (Earnings before Interest Tax Depreciation and Amortisation – Major Repairs Included) interest cover measure is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus that a registered provider generates against interest payments (the measure avoids any distortions stemming from the depreciation charge). The conversion of underutilised communal space to provide office accommodation for rent has resulted in an increase in interest cover which will allow for further investment in our current and future developments. However the need to provide vacant accommodation for the fire safety and remedial works, has led to a reduction in rent income, which coupled with higher management cost – largely as a result of the re-branding exercise reported above – has led to a decrease in the interest cover compared to the 2018/19 plan. Although rent income will remain low during the two-year programme of works relating to fire safety, management costs will be less than 2018/19 and interest cover will increase in 2019/20.

	2016/17	2017/18	2018/19 plan	2018/19 actual	2019/20 Plan
EBITDA MRI	134.87%	139.54%	155.85%	130.88%	168.44%

EBITDA to Debt Service Cost

Our facility agreement with AIB requires Hyelm to achieve a ratio of EBIDTA to Debt Service Costs of a minimum of 1:1. The ratio measures our ability to fund the repayment of capital and interest payable on the outstanding loan from current income generated by Hyelm.

During the three years to 30 September 2018 this ratio has been achieved as shown in the table below. AS with EBITDA MRI above, reduced rent income and higher than planned management costs in 2018/19 led to reduction in interest cover although this was still above the level required by the facility agreement. Interest cover will increase in 2019/20 as shown in the table below.

	2016/17	2017/18	2018/19 plan	2018/19 actual	2019/20 Plan
EBITDA - AIB	1:1.59	1:1.61	1:1.72	1:1.56	1:1.55

Metric 5 – Headline residential housing cost per unit (Old Street only)

The unit cost metric assesses the headline social housing cost per unit as defined by the Regulator. Although The Group is not a provider of social housing, the social housing cost per unit is the benchmark against which Hyelm chooses to measure performance. In addition to the performance measures set out by the Regulator, the table below shows operating costs per unit for both Hyelm as a whole, and separately for the costs relating solely to the residential accommodation.

The costs have been separated in order that costs relating to accommodation in use can clearly be seen. The remaining operating costs are focused on the development programme currently underway to provide new accommodation at our Colindale site.

	2016/17 (restated)	2017/18 (restated)	2018/19 plan	2018/19 actual	2019/20 Plan
Costs overall	£5,768	£5,966	£5,951	6,824	7,196
per week	£110.53	£114.33	£114.05	£130.77	£137.91
Housing costs only	£3,952	£4,316	£4,534	4,977	4,904
per week	£75.75	£82.72	£86.88	£95.37	£93.98

The increase in cost from 2017/18 to 2018/19 reflects the increased expenditure on the branding project referred to above, increased legal fees relating to both resident and management issues together with increases in utility costs.

In addition to reporting on operating costs per unit, Hyelm also reports on management costs as a measure of efficiency. Management costs per unit are reported in the table below:

Housing Management costs per unit of accommodation

	2016/17	2017/18	2018/19 plan	2018/19 actual	2019/20 Plan
Costs overall	£2,786	£3,012	£3,392	£3,633	£4,275
per week	£53.39	£57.72	£65.00	£69.63	£81.92
Housing costs only	£1,816	£1,970	£1,974	£2,160	£1,983
per week	£34.79	£40.52	£37.83	£41.40	£37.99

As for other measures, management costs are reported as an overall cost and separately for the residential units under management. The increase in costs in 2018/19 related to the investment in rebranding and the development of the new website, increases in legal fees and utility costs.

Metric 6 – Operating Margin

The Operating Margin demonstrates the profitability of operating assets before exceptional expenses are taken into account. Increasing margins are one way to improve the financial efficiency of a business. The table below shows the operating margin for Hyelm as a whole, and separately for the residential accommodation which excludes central management costs relating to the management and progression of our planned development programme. In addition to increased costs during the year, preparations for the fire safety and remedial works have seen occupancy, and therefore income, fall as we prepare for vacant accommodation to be available to the contractors undertaking the necessary work.

Operating Margin	2016/17	2017/18	2018/19 plan	2018/19 actual	2019/20 Plan
Overall	10.84%	16.28%	17.40%	9.01%	-5.22%
Housing only	7.45%	5.19%	1.48%	-9.73%	-27.73%
Housing less non-residential costs	24.06%	24.22%	10.98%	-1.26%	0.00%

Metric 7 – Return on Capital Employed (ROCE)

This metric compares operating surplus to total assets less current liabilities and is a measure assess the efficient investment of capital resources. The results show that historically Hyelm has improved the return on capital, but the impact of higher costs and reduced rent in 2018/19 has seen the rate of return fall. AS a result of the need to provide vacant accommodation to contractors to carry out the fire safety works during the next two years, the rate of return will fall again as shown in the table below.

	2016/17	2017/18	2018/19 plan	2018/19 actual	2019/20 Plan
ROCE	0.29%	0.49%	0.56%	0.30%	-0.03%

Value For Money for 2019/20

It is our aim to be in the top quartile for both financial and operational performance, and to see our performance improve each year.

To achieve our objectives, we will need to be able to measure our performance and, where appropriate, to measure our performance against that of our peers to enable us to see what we do well, why our performance differs, and how we can improve our performance and provide better value for money.

As a result, we will be undertaking further work over the next year to support our aim of achieving our target. More specifically we will:

- Re-tender for the supply of electricity, gas, insurances and our cleaning contract.
- Review the elements that make up the service charges that our residents pay to ensure that they remain as affordable as possible for those whom we set out to house.

- Further develop the website to improve efficiencies and enhance resident satisfaction.
- Implement a new housing management system.

Officer's Insurance

As a fully subscribed member of the National Housing Federation, The Group receives indemnity insurance to safeguard voluntary Board members and senior executive staff.

Key Policies and Strategies

Reserves Policy

The majority of reserves are currently held in the revenue reserve.

Designated reserves are also maintained with funds earmarked for the following specific purposes:

- Future developments.
- Non-accommodation activities such as the provision of sporting, recreational and social facilities.

The Development fund represents funds available to meet future development expenditure. Each year, investment and similar income less development expenditure incurred, is transferred to the Development fund.

Any surplus income from the provision of non-accommodation activities is returned to the Activities fund.

Treasury Management

Following the sale of Arthur West House, the Treasury Management Policy was reviewed and updated to include the key recommendations of CIPFA's "Treasury Management in the Public Services: Code of Practice". (The Code), as described in Section 4 of that Code.

Rent

Increases take into account the income of our residents, charges levied by competing organisations and are in line with guidance from the Homes and Communities Agency.

Statement on Internal Controls Assurance

The Board acknowledges its responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

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

The process for identifying, evaluating and managing the significant risks faced by the company is ongoing and has been in place throughout the period commencing 1 October 2016 up to the date of approval of the report and financial statements.

Key elements of the control framework include:

- Board approved terms of reference and delegated authorities for all sub committees of the Board.
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks.
- Robust strategic business planning processes, with detailed financial budgets and forecasts.
- Formal recruitment, retention, training and development policies for all staff.
- Established authorisation and appraisal procedures for significant new initiatives and commitments.
- Regular reporting to the appropriate committee on key business objectives, targets and outcomes.
- Board approved whistle-blowing policies and anti-theft and corruption policies.
- Board approved fraud policies, covering prevention, detection and reporting, together with recoverability of assets.
- Regular monitoring of loan covenants and requirements for new loan facilities.

A fraud register is maintained and reviewed by the Board on a regular basis. During the year no frauds were reported.

The Board has received the Chief Executive's annual review of the effectiveness of the system of internal controls which are designed to provide reasonable, not absolute, assurance. The Board has also received the annual report of the internal auditor which reported that no significant control issues had been identified.

NHF Codes of Governance and Conduct

We are pleased to report that The Group complies with the principal recommendations of the NHF code of governance 2015 and is compliant with the NHF Code of Conduct 2012. A review of risk management procedures was undertaken during 2012-13 to ensure such procedures are operating effectively. Hyelm has published a new Governance Manual which provides a comprehensive manual of policies, procedures and guidance notes for all areas covered by the Code and has published a statement on all its accountability mechanisms. Policies and procedures are reviewed by the management team in accordance with a published timetable (or according to need) and all significant changes are reported to the Board.

Statement of the Board's Responsibilities

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

Company Law requires the Board to prepare financial statements for each financial year. Under that law the Board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015. Under that 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 and profit or loss of the company. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable it to ensure that the financial statements comply with the Companies Acts 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.

It is 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.

Disclosure of information to Auditors

At the date of making this report, each of the company's directors, as set out on page 1, confirm the following:

- So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- Each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

In preparing this report, the directors have taken advantage of the small companies exemption provided by section 415A of the Companies Act 2006 in respect of the report of the Board and strategic report.

The Report of the Board was approved by the Board on the 25 February 2020 and signed on its behalf by:

Charlotte Paxton	**Keith Douglas**
Chair	**Chief Executive**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF HYELM

Opinion

We have audited the financial statements of Hyelm (the 'company') for the year ended 30 September 2019 which comprise the Group Statement of Comprehensive Income, the Group Statement of Changes in Reserves, the Group Statement of Financial Position, the Group Statement of Consolidated 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 FRS 102 'The Financial Reporting Standard Applicable in the UK and Ireland' (United Kingdom Generally Accepted the UK and Ireland'.

In our opinion the financial statements:

- give a true and fair view of the state of The Group's and the parent charitable company's affairs as at 30 September 2019 and of the group's 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 including FRS 102 the Financial Reporting Standard Applicable to the UK and Republic of Ireland, the Housing and Regeneration Act 2008 and the Accounting Direction for Registered Providers of Social Housing 2015; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 2011.

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 financial statements section of our report. We are independent of the charitable 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 enough 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 trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and parent charitable 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. 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:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF HYELM

- the information given in the trustees' annual report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the trustees' annual report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' annual report.

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Act 2011 require us to report to you if, in our opinion:

- the parent charitable company has not kept adequate and sufficient accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Trustees' Annual Report and from preparing a strategic report.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 13, the trustees (who are also the directors of the charitable 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 trustees 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 trustees are responsible for assessing the group and parent charitable 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 trustees either intend to liquidate the group or parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those Acts.

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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the group and parent charitable company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF HYELM

may cast significant doubt on the group and parent charitable company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or parent charitable company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit report.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and, in respect of the consolidated financial statements, to the charity's trustees, as a body, in accordance with Chapter 3 of Part 8 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charitable company's members and trustees those matters which 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 any party other than the charitable company, the charitable company's members, as a body, and the charity's trustees, as a body, for our audit work, for this report, or for the opinion we have formed.

Luke Holt (Senior Statutory Auditor)

26/2/20

for and on behalf of Moore Kingston Smith LLP, Statutory Auditor

Devonshire House
60 Goswell Road
London
EC1M 7AD

Moore Kingston Smith LLP is eligible to act as auditor in terms of Section 1212 of the Companies Act 2006.

Statement of Comprehensive Income for the year ended 30 September 2019

	Note	Group 2019 £	Group 2018 £	Association 2019 £	Association 2018 £
Turnover	2	1,442,145	1,298,301	1,395,333	1,266,847
Operating expenditure	2	(1,285,328)	(1,076,830)	(1,254,192)	(1,060,549)
Operating surplus / (deficit)	3	**156,817**	**221,471**	**141,141**	**206,298**
Loss relating to abortive costs	10	-	(231,681)	-	(231,681)
Interest receivable	4	124,546	149,890	124,546	149,890
Interest and financing costs	5	(359,934)	(361,959)	(359,934)	(361,959)
Surplus / (deficit) before and after tax		**(78,571)**	**(222,279)**	**(94,247)**	**(237,452)**

The notes on pages 21 to 37 form part of these financial statements.
There are no recognised gains and losses other than those included in the Statement of Comprehensive Income.

All activities relate to continuing operations.

The financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015. These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

The financial statements were approved by the Board on 25 February 2020.

Charlotte Paxton
Chair

Keith Douglas
Chief Executive

Statement of Changes in Reserves for the year ended 30 September 2019

Group	General Reserve £	Designated Reserves £	Endowment Fund £	Total £
Balance at 1 October 2017	27,712,545	100,443	6,018,676	33,831,664
Surplus / (Deficit) for the year	(251,763)	-	29,484	(222,279)
Transfer to designated reserves	2,506	(2,506)	-	-
Balance at 30 September 2018	**27,463,288**	**97,937**	**6,048,160**	**33,609,385**
Surplus / (Deficit) for the year	(112,332)	-	33,761	(78,571)
Transfer from designated reserves	-	-	-	-
Balance at 30 September 2019	**27,350,956**	**97,937**	**6,081,921**	**33,530,814**

Association

	General Reserve £	Designated Reserves £	Endowment Fund £	Total £
Balance at 1 October 2017	27,729,229	100,443	6,018,676	33,848,348
Surplus / (Deficit) for the year	(266,936)	-	29,484	(237,452)
Transfer to designated reserves	2,506	(2,506)	-	-
Balance at 30 September 2018	**27,464,799**	**97,937**	**6,048,160**	**33,610,896**
Surplus / (Deficit) for the year	(128,008)	-	33,761	(94,247)
Transfer from designated reserves	-	-	-	-
Balance at 30 September 2019	**27,336,791**	**97,937**	**6,081,921**	**33,516,649**

Statement of Financial Position as at 30 September 2019
Company No: 00244598

	Note	Group 2019 £	Group 2018 £	Association 2019 £	Association 2018 £
Fixed assets					
Property, plant and equipment	8	24,802,135	24,192,720	24,802,135	24,192,720
Other tangible fixed assets	9	117,377	97,617	117,377	97,617
		24,919,512	**24,290,337**	**24,919,512**	**24,290,337**
Current Assets					
Investments	10	-	-	100,000	100,000
Debtors	12	206,564	166,650	192,080	131,026
Cash and cash equivalents		19,796,939	20,717,138	19,698,127	20,541,773
		20,003,503	**20,883,788**	**19,990,207**	**20,772,799**
Creditors: Amounts falling due within one year	13	(2,772,189)	(2,788,542)	(2,773,058)	(2,676,042)
Net current assets / liabilities		17,231,314	18,095,246	17,217,149	18,096,757
Total assets less current liabilities		**42,150,826**	**42,385,583**	**42,136,661**	**42,387,094**
Creditors: amounts falling due after more than one year	14	(8,620,012)	(8,776,198)	(8,620,012)	(8,776,198)
Total net assets		**33,530,814**	**33,609,385**	**33,516,649**	**33,610,896**
Share Capital					
Reserves					
Unrestricted fund		27,350,956	27,463,288	27,336,791	27,464,799
Designated fund	18	97,937	97,937	97,937	97,937
Endowment fund	19	6,081,921	6,048,160	6,081,921	6,048,160
Total Reserves		**33,530,814**	**33,609,385**	**33,516,649**	**33,610,896**

The notes on pages 21 to 37 form part of these financial statements.

In preparing this report, the directors have taken advantage of the small companies exemption provided by section 415A of the Companies Act 2006 in respect of the report of the Board and strategic report.

The financial statements were approved by the Board on 25 February 2020.

Charlotte Paxton
Chair

Keith Douglas
Chief Executive

Statement of Cash Flows for the year ended 30 September 2019

Group

	Note	2019 £	2018 £
Net cash generated from operating activities	20	417,367	635,790
Purchase of tangible fixed assets		(1,012,112)	(11,426,922)
Interest received		124,546	149,890
		(887,566)	(11,277,032)
Cash flow from financing activities			
Interest paid		(358,534)	(360,559)
Repayment of borrowings		(91,466)	(89,441)
		(450,000)	(450,000)
Net change in cash and cash equivalents		(920,199)	(11,091,242)
Cash and cash equivalents at beginning of year		20,717,138	31,808,380
Cash and cash equivalents at end of year		**19,796,939**	**20,717,138**

Notes to the Financial Statements for the year ended 30 September 2019

1. Accounting Policies

Company Information

Hyelm is a limited company domiciled and incorporated in England and Wales. The registered office is 43-51 New North Road, London, N1 6JB.

Accounting Basis

The financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

The charitable company is a public benefit entity for the purposes of FRS 102.

Arthur West House Limited is a wholly owned subsidiary of Hyelm, the company having been incorporated on 16 July 2015. The principal activity of the company is to carry out development activities on behalf of The Hyelm Group.

Hyelm is the sole corporate trustee of The Ames House Trust ("Ames House") which was an unincorporated charitable trust operating in London and is accounted for as a branch of Hyelm in accordance with the policy guidance "E14 – Preparing limited charities' accounts".

The company is required to prepare group accounts under section 248 of the Companies Act 2006 and these financial statements present information relating to the company and group.

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

Accounting Policies

The Board has reviewed The Group's accounting policies and is satisfied that they are appropriate.

Going concern

After making enquiries, the Board has a reasonable expectation that The Group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. The Group also has a long-term business plan which shows that it can service existing debt facilities whilst continuing to comply with lenders' covenants. For this reason, it continues to adopt the going concern basis in the financial statements.

Turnover and revenue recognition

Turnover comprises rental income from residents' receivable in the year, income from the provision of sporting, recreational or social facilities.

Rental income is recognised on the execution of tenancy agreements. Other income is recognised as receivable on the delivery of services provided.

Housing Properties

Housing properties are principally properties available for rent and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Improvements are works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business. Only the direct overhead costs associated with new developments or improvements are capitalised.

Depreciation of Housing Properties

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

The Group depreciates the major components of its housing properties over the following periods:

Main structure	50 years
Roofs	30 years
Lifts	30 years
Windows & External Doors	15 years
Internal Doors	15 years
Electrical and mechanical equipment	10-15 years

Freehold land is not depreciated.

Other Tangible Fixed Assets and Depreciation

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. The principal annual rates for other assets are:

Fixtures and fittings	10% - 25%
Computer Equipment	20% - 33%

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus/deficit of the year.

Impairment

Assets are reviewed for impairment on an annual basis. Where there is evidence of impairment, fixed assets are written down to the recoverable amount. Any such write down would be charged to operating surplus.

Social Housing Grant

Social housing grant (SHG) is receivable from the Homes and Communities Agency (the HCA), local authorities, and other government organisations. Government grants received for housing are recognised in income and expenditure over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

Government grants received in respect of revenue expenditure is credited to the income and expenditure account over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received.

Grants due from government agencies or received in advance are included as current assets or liabilities.

Government grants received for housing purposes are subordinated to the repayment of loans by agreement with the Homes and Communities Agency. SHG released on sale of a property may be repayable but is normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in Creditors.

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

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant that has been allocated to the component is released to the income and expenditure account. Upon disposal of the associated property, The Group is required to recycle these proceeds and recognise them as a liability.

Employees Benefits

Short term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

Debtors

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

Cash and Cash Equivalents

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

Notes to the Financial Statements for the year ended 30 September 2019

Creditors

Short term trade creditors are measured at the transaction price. The loan from Allied Irish Bank is considered to be a basic financial instrument and has therefore been included within the accounts at amortised cost.

Current Asset Investments

Where these are held, they are stated at market value.

Investment Income

Interest from Certificates of Deposit and Fixed Interest Bonds is accounted for on a receivable basis.

Dividend income is accounted for on a received rather than receivable basis. The difference is not material to the accounts.

Interest Payable

Interest is capitalised on borrowings to finance developments. Other interest is charged to the income and expenditure account during the year.

Loan Issue Costs

Loan Issue Costs reflect arrangement fees payable in respect of loan facilities. Loan issue costs are amortised over the term of the respective loan facility and offset against loan balances within creditors.

Liquid Resources

Liquid Resources are readily disposable current asset investments.

Pensions

The Group does not provide a defined benefit pension scheme. Employees are, subject to eligibility, automatically enrolled into the NEST pension scheme to which employees contribute a minimum of 5% of basic salary, the Company will make contributions up to a maximum of 7.5% of basic salary (Chief Executive 10%). Hyelm's contributions to employees' personal pension schemes are expensed as they occur.

Members' Capital Subscriptions

Members have historically paid a single subscription of £1, due and payable on the first day of the month after they have been admitted to the membership. This requirement was rescinded at the Annual General Meeting held on 28 April 2012. Balances held will be repaid to members on request.

Stock

Stock is calculated at the lower of cost or net realisable value.

VAT

The Group charges Value Added Tax (VAT) on some its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by The Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Development Fund (designated reserve)

The development fund represents funds available to meet future development expenditure which falls within The Group's objectives.

Club Activities Fund (designated reserve)

The club activities fund supports expenditure in respect of non-accommodation activities such as the provision of sporting, recreational and social facilities.

Any surplus achieved through the provision of such activities is returned to the fund.

Financial Instruments

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

Financial instruments are recognised in the Group's balance sheet when the company becomes party to the contractual provisions of the instrument.

Basic financial assets

Basic financial assets, which include trade and other debtors 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.

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 its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans, loans from Group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised costs, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price are subsequently measured at amortised cost using the effective interest method.

Judgments and key sources of estimation uncertainty

In the application of the charitable company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying value 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 where the revision affects only that period, or in the period of the revision and in future periods where the revision affects both current and future periods.

In the opinion of the Directors, there are no significant estimates, assumptions or judgements which materially affect the balances shown in these financial statements.

Hyelm

Notes to the Financial Statements
for the year ended 30 September 2019

2. Particulars of turnover, operating costs and operating surplus

Group	Turnover	Operating costs	2019 Operating surplus
	£	£	£
Letting of residential accommodation	**1,101,582**	**1,207,380**	**(105,798)**
Other residential accommodation activities			
Other income	5,041	-	5,041
	5,041	**-**	**5,041**
Non-residential accommodation activities	335,522	77,948	257,574
	1,442,145	**1,285,328**	**156,817**

Group	Turnover	Operating costs	2018 Operating surplus
	£	£	£
Letting of residential accommodation	**1,085,430**	**1,029,095**	**56,335**
Other residential accommodation activities			
Other income	67,331	-	67,331
	67,331	**-**	**67,331**
Non-residential accommodation activities	145,540	47,735	97,805
	1,298,301	**1,076,830**	**221,471**

Association	**Turnover £**	**Operating costs £**	**2019 Operating surplus £**
Letting of residential accommodation	**1,101,582**	**1,207,380**	**(105,798)**
Other residential accommodation activities			
Other income	5,041	-	5,041
	5,041	**-**	**5,041**
Non-residential accommodation activities	288,710	46,812	241,898
	1,395,333	**1,254,192**	**141,141**

Association	**Turnover £**	**Operating costs £**	**2018 Operating surplus £**
Letting of residential accommodation	**1,085,430**	**1,029,095**	**56,335**
Other residential accommodation activities			
Other income	67,331	-	67,331
	67,331	**-**	**67,331**
Non-residential accommodation activities	114,086	31,454	82,632
	1,266,847	**1,060,549**	**206,298**

Hyelm

Notes to the Financial Statements
for the year ended 30 September 2019

Particulars of income and expenditure from the letting of intermediate and sub market rent accommodation

Group and Association	**Private Rented £**	**Intermediate Rent £**	**2019 Total £**
Rent receivable net of identifiable service charges	373,552	512,272	885,824
Service Charge income	63,549	92,209	155,758
Other revenue grants - SHG released	-	60,000	60,000
Turnover from the letting of residential accommodation	**437,101**	**664,481**	**1,101,582**
Management	191,572	260,542	452,114
Service charge costs	74,076	107,483	181,559
Other service costs	49,223	62,253	111,476
Routine maintenance	15,435	21,168	36,603
Planned maintenance	29,174	40,009	69,183
Bad debts	-	-	-
Depreciation on housing properties	150,313	206,132	356,445
Operating costs on residential lettings	**509,793**	**697,587**	**1,207,380**
Operating surplus / (loss) on residential lettings	**(72,692)**	**(33,106)**	**(105,798)**
Void Losses	**16,243**	**23,568**	**39,811**

Group and Association	**Private Rented £**	**Intermediate Rent £**	**2018 Total £**
Rent receivable net of identifiable service charges	487,439	377,888	865,327
Service Charge income	65,322	94,781	160,103
Other revenue grants - SHG released	-	60,000	60,000
Turnover from the letting of residential accommodation	**552,761**	**532,669**	**1,085,430**
Management	161,815	214,673	376,488
Service charge costs	64,107	93,017	157,124
Other service costs	64,506	80,308	144,814
Routine maintenance	22,872	30,668	53,540
Planned maintenance	5,713	7,661	13,374
Bad debts	163	218	381
Depreciation on housing properties	121,057	162,317	283,374
Operating costs on residential lettings	**440,233**	**588,862**	**1,029,095**
Operating surplus / (loss) on residential lettings	**112,528**	**(56,193)**	**56,335**
Void Losses	**6,103**	**4,206**	**10,309**

Housing accommodation 125 bed spaces (2018: 125 bed spaces)

3. Operating Surplus

	Group		Association	
	2019	**2018**	**2019**	**2018**
	£	**£**	**£**	**£**
Operating surplus for the year is after charging:				
Depreciation on housing properties	356,445	283,374	356,445	283,374
Depreciation on tangible, owned fixed assets	26,492	36,251	26,492	36,251
	382,937	**319,625**	**382,937**	**319,625**
Auditor's remuneration (excluding VAT)				
- Fees payable for the audit of the financial statements	9,695	11,100	9,695	11,100
- Fees payable for the audit of the accounts of subsidiaries	4,250	3,950	-	-
Total audit Services	**13,945**	**15,050**	**9,695**	**11,100**
- Tax compliance services	1,620	750	810	-
Total non-audit services	**1,620**	**750**	**810**	**-**

4. Interest receivable and other income – Group and Association

	2019	**2018**
	£	**£**
Interest receivable and similar income	142,225	162,021
Less: Notional RCGF interest (note 16)	(17,679)	(12,156)
Donations	-	25
	124,546	**149,890**

5. Interest and financing costs – Group and Association

	2019	**2018**
	£	**£**
Loans and bank overdrafts	358,534	360,559
Amortisation of loan issue costs	1,400	1,400
	359,934	**361,959**

6. Employees – Group and Association

	2019 Number	2019 FTE	2018 Number	2018 FTE's
The average monthly number of employees (including the Chief Executive) and expressed as full-time equivalents based on a 36-hour week.	**6.2**	**5.8**	**6.7**	**6.3**
Administration	4.0	3.6	4.0	3.6
Housing	2.2	2.2	2.7	2.7
	6.2	**5.8**	**6.7**	**6.3**

Hyelm

Employee Costs:	2019 £	2018 £
Wages and salaries	204,853	215,629
Social security costs	14,994	20,374
Other pension costs	22,386	15,765
	242,233	**251,768**

The Group

Employee Costs:	2019 £	2018 £
Wages and salaries	233,541	244,317
Social security costs	24,941	23,549
Other pension costs	18,169	18,320
	276,651	**286,186**

7. Board members and executive directors – Group and Association

	2019 £	2018 £
Emoluments of the Company's Chief Executive, Director of Finance & Director of Operations including pension contributions.	**183,393**	**178,474**
Emoluments of the Chief Executive, who was the highest paid "Director", excluding pension contributions.	**64,503**	**62,930**
Contributions to the Chief Executive's personal pension plan.	**6,450**	**6,293**

No members of staff were paid more than £60,000 in the current or previous year other than the Chief Executive (as disclosed above). No emoluments were paid to members of the Board during the year.

Expenses paid during the year to members of the Board amounted to £2,641 (2018: £3,353).

8. Fixed Assets – housing properties – Group and Association

	Housing properties held for letting £	Housing properties for letting under construction £	Total housing properties £
Cost			
At 1 October 2018	16,012,169	10,749,098	26,761,267
Work in progress	-	927,666	927,666
Works to existing properties	38,194	-	38,194
At 30 September 2019	**16,050,363**	**11,676,764**	**27,727,127**
Depreciation			
At 1 October 2018	2,568,547	-	2,568,547
Depreciation charged during year	356,445	-	356,445
At 30 September 2019	**2,924,992**	**-**	**2,924,992**
Net book value			
At 30 September 2019	**13,125,371**	**11,676,764**	**24,802,135**
At 30 September 2018	**13,443,622**	**10,749,098**	**24,192,720**

Expenditure on works to existing properties

	2019 £'s	2018 £
Improvement works capitalised	38,194	698,472
	38,194	**698,472**

Social housing assistance

	2019 £	2018 £
Total accumulated social housing grant received or receivable at 30 September:		
Capital Grant	3,000,000	3,000,000
	3,000,000	**3,000,000**

Housing properties book value net of depreciation

	2019 £	2018 £
Freehold land and buildings	**24,802,135**	**24,192,720**

9. Tangible fixed assets – other – Group and Association

	Furniture & equipment	Computer equipment	Total
	£	£	£
Cost at 1 October 2018	629,227	30,948	660,175
Additions	27,532	18,720	46,252
Cost at 30 September 2019	**656,759**	**49,668**	**706,427**
Depreciation at 1 October 2018	545,113	17,445	562,558
Charged during year	17,824	8,668	26,492
Depreciation at 30 September 2019	**562,937**	**26,113**	**589,050**
Net book value:			
At 30 September 2019	**93,822**	**23,555**	**117,377**
At 1 October 2018	**84,114**	**13,503**	**97,617**

10. Disposal of fixed assets and abortive costs

	2019	2018
	£	£
Work in Progress - abortive costs	-	231,681
Loss on disposal of assets	-	**231,681**

At the year-end costs amounting to £NIL (2018:£231,681) relating to development opportunities that were no longer being considered were written off as abortive costs.

11. Investments

	Group		Association	
	2019	2018	2019	2018
	£	£	£	£
Investment in subsidiary	-	-	100,000	100,000
	-	-	**100,000**	**100,000**

Arthur West House Limited is a wholly owned subsidiary of Hyelm. At the 30 September 2019 Hyelm held 100,000 ordinary shares of £1 each (2018: £100,000).

12. Debtors

	Group 2019 £	Group 2018 £	Association 2019 £	Association 2018 £
Due within one year				
Rent and service charge receivable	13,002	13,612	13,002	13,612
Provision for bad and doubtful debts	(13,002)	(13,612)	(13,002)	(13,612)
	-	-	-	-
Other debtors	99,926	57,158	99,926	57,158
Prepayments	11,521	19,963	11,521	19,963
VAT due	14,484	-	-	-
Accrued income	80,633	89,529	80,633	53,905
	206,564	166,650	192,080	131,026
Total debtors	**206,564**	**166,650**	**192,080**	**131,026**

13. Creditors: amounts falling due within one year

	Group 2019 £	Group 2018 £	Association 2019 £	Association 2018 £
Recycled capital grant fund (note 16)	2,374,916	2,357,237	2,374,916	2,357,237
Debt (note 17)	97,586	91,466	97,586	91,466
Loan issue costs	(1,400)	(1,400)	(1,400)	(1,400)
Trade creditors	130,728	122,719	71,664	43,950
Rent and service charges paid in advance	8,000	-	8,000	-
Due to subsidiary (note 24)	-	-	64,620	11,921
Deferred capital grant (note 15)	60,000	60,000	60,000	60,000
Other taxation and social security	13,438	8,873	13,438	2,507
Other creditors	6,102	4,764	6,102	4,764
Accruals and deferred income	82,819	144,883	78,132	105,597
	2,772,189	**2,788,542**	**2,773,058**	**2,676,042**

14. Creditors: amounts falling due after more than one year – Group and Association

	2019 £	2018 £
Debt (note 17)	6,328,604	6,426,190
Loan issue costs (note 17)	(21,058)	(22,458)
Deferred capital grant (note 15)	2,312,466	2,372,466
	8,620,012	**8,776,198**

15. Deferred capital grant – Group and Association

	2019 £	2018 £
At 1 October 2018	2,432,466	2,492,466
Released to income in year	(60,000)	(60,000)
At 30 September 2019	**2,372,466**	**2,432,466**

	2019 £	2018 £
Amounts to be released within one year	60,000	60,000
Amounts to be released in more than one year	2,312,466	2,372,466
	2,372,466	**2,432,466**

The deferred capital grant relates to the New North Road property and may be repayable should the property be sold.

16. Recycled capital grant fund – Group and Association

	2019 £	2018 £
At 1 October 2018	2,357,237	2,345,081
Interest accrued (note 4)	17,679	12,156
	2,374,916	**2,357,237**
Repayment of grant	-	-
At 30 September 2019	**2,374,916**	**2,357,237**

The recycled capital grant arose in the year ended 30 September 2015 on the sale of Arthur West House.

17. Debt analysis – Group and Association

	2019 £	2018 £
Due within one year		
Bank loans	97,586	91,466
	97,586	**91,466**
Due after more than one year		
Bank loans	6,328,604	6,426,190
Less: issue costs	(21,058)	(22,458)
	6,307,546	**6,403,732**

The loan from Allied Irish Bank (GB) is secured by a legal charge over the Old Street Development and is repayable within 30 years. The loan bears a fixed interest rate of 5.5% over the whole term, with capital repayments having commenced during the year to 15 October 2013. The loan is repayable as follows:

	2019 £	2018 £
Within one year or on demand	97,586	91,466
One year or more but less than two years	104,057	97,586
Two years or more but less than five years	580,481	480,085
Five years or more	5,644,066	5,848,519
	6,426,190	**6,517,656**

18. Designated fund – Group and Association

The Group holds funds designated for development expenditure and for supporting non-accommodation activities for residents such as recreational and social activities. Any surpluses generated are returned to the fund.

	£
Balance at 1 October 2017	100,443
Transfers in year	(2,506)
Balance at 30 September 2018	**97,937**
Transfers in year	-
Balance at 30 September 2019	**97,937**

19. Endowment fund – Group and Association

The endowment fund held by The Group is the original endowment to The Ames House Trust to which trading surpluses/deficits and investment gains/losses have been added over the years, together with the proceeds from properties sold.

	£
Balance at 1 October 2017	6,018,676
Surplus for the year	29,484
Balance at 30 September 2018	**6,048,160**
Surplus for the year	33,761
Balance at 30 September 2019	**6,081,921**

20. Consolidated cash flow from operating activities

	Year to 30/09/2019 £	Year to 30/09/2018 £
Surplus for the year	156,817	221,471
Adjustments for non-cash items		
Depreciation of tangible fixed assets	382,937	319,625
Amortisation of intangible fixed assets	-	-
Increase in debtors	(39,914)	(73,036)
(Decrease) / increase in creditors	(22,473)	227,730
Government grants utilised in the year	(60,000)	(60,000)
Net cash generated from operating activities	**417,367**	**635,790**

21. Capital commitments

The Board have agreed to a programme for the provision of new accommodation following the sale of Arthur West House and during the course of the year Hyelm entered an agreement with Arthur West House Limited to deliver the Colindale development which gained planning approval on 4th November 2019. For the scheme to be delivered, the total costs are expected to be in the region of £36m.

The company had no operating lease commitments at 30 September 2019 (2018: £NIL).

22. Post balance sheet events

On the 4 November 2019, the London Borough of Barnet gave planning approval for the development of the planned scheme in Colindale, North West London. Arthur West House will develop the scheme for Hyelm as set out in a service level agreement dated March 2015 and is the subject of a design and build contract.

It is anticipated that scheme will commence during 2020 with practical completion being achieved in late 2022.

The scheme will deliver 156 bed spaces in cluster apartment for Hyelm use with 26 s106 affordable units which will be financed by a third-party registered provider.

There have been no other events since the year-end that have had a significant effect on the Company's financial position.

23. Legislative provisions

Hyelm is incorporated under the Companies Act.

24. Related parties

Arthur West House limited is a wholly owned subsidiary of Hyelm, a charitable company registered in England and Wales. Hyelm is considered to be the ultimate controlling party. The sum of £64,620 excluding VAT (2018: £11,921) was due to Arthur West House Limited at the end of the financial year in respect of development services provided during the year.

25. Financial instruments

	Group		Association	
	2019	2018	2019	2018
	£	£	£	£
Carrying amount of financial assets measured at amortised cost	**195,043**	**146,687**	**180,559**	**111,063**
Carrying amount of financial assets measured at amortised cost	**6,623,381**	**6,766,164**	**6,621,630**	**6,660,030**

26. Contingent asset

Following the Grenfell Tower tragedy, the external wall system of the Old Street scheme was investigated to determine whether the building met the required fire safety standards. The investigation revealed that the fire safety measures in place fell short of the standards required by the Building Regulations in place at the time of the construction of the building. A number of interim safety measures have been put in place to ensure the safety of our residents, who are aware of the issues, and a programme of works will be undertaken to address the issues identified and ensure that the building meets the requirements of the Building Regulations in terms of fire safety.

The total cost of works undertaken at the balance sheet date, including consequential losses, amounts to £572,808. The contract to address the first Phase of the remedial works will be awarded in March 2020. Further phases are scheduled to take place following phase 1 once all costs are known.

We have been advised that the deficiencies identified are a result of shortcomings in the design and build process, and as a result Hyelm is seeking to recover the costs of the remedial works from the original contractor and the NHBC under a latent defects insurance policy. While the process of recovering costs from both parties has begun, at this stage it is not possible to accurately quantify the value of the costs that may be recovered.

27. Operating leases

The Group and Hyelm had minimum lease payments due to them as lessor under non-cancellable operating leases, including tenanted accommodation as set out below:

	Group		Association	
	2019	2018	2019	2018
	£	£	£	£
Not later than one year	317,185	139,492	317,185	139,492
Later than one year and not later than five years	77,416	128,589	77,416	128,589
Later than five years	-	-	-	-
	394,601	**268,081**	**394,601**	**268,081**

Residents in Hyelm's properties enter into assured shorthold tenancy agreements with a minimum length of six months. In addition to the residential accommodation provided, Hyelm has leased office accommodation to a third party for a for a four-year period.

MOORE Kingston Smith

Hyelm Group

Post Audit Management Report

Year Ended 30 September 2019

MOORE Kingston Smith

Post Audit Management Report – Hyelm Group

We have completed the audit of "Hyelm Group" including Hyelm and Arthur West House Limited for the year ended 30 September 2019 and we expect to issue an unqualified audit opinion.

This report covers the findings from our audit, the scope of which was communicated to you prior to commencing the work. It includes some recommendations for improving the accounting and internal control systems as well as highlighting some future developments that may be of interest to the board.

We hope that the recommendations are practical and are able to be implemented. We would be grateful if you could discuss the points as a board and will welcome a written response. Please extend our thanks to Mark Sharman for all their help with the audit.

If you have any concerns or questions arising from this report, please contact Luke Holt.

Yours faithfully

Moore Kingston Smith LLP

…………………………………………………

Moore Kingston Smith LLP

26 February 2020

…………………………………………………

Date

MOORE Kingston Smith

Section 1: Audit Approach

As outlined in our pre-audit letter dated 28 November 2019 our audit approach is based on an assessment of the audit risk relevant to the individual financial statement areas. Areas of risk are categorised according to their susceptibility to material misstatement, whether through complexity of transactions or accounting treatment. For each area we calculated a level of testing and review sufficient to give comfort that the financial statements are free from material misstatement.

The following table lists any risks identified at the planning stage and during the course of the audit, our approach to mitigate the risk and our conclusions from completing this work

Risk – Loan covenant compliance

- Loan covenant breaches may have occurred resulting in the loan becoming repayable on demand as a short term creditor. Should such a demand for immediate repayment be made, the group is unlikely to be able to meet its liabilities as they fall due and its going concern status may be called into question.

Audit Approach

- Ascertain the nature of each loan covenant including the ratio of earnings before interest, tax, depreciation and amortisation (EBITDA) to finance costs and repayments, occupancy and loan to value.
- Review and sample test each loan covenant to determine whether breaches have occurred, including recalculation of interest calculations and tracing of repayments to bank statements and agreeing the closing balance to the bank letter.
- Assess going concern where breaches have occurred and consider presentation of financial statements.

Conclusion

- We have reviewed the loan covenant workings and agree that no breaches took place in 2019 and the forecasts do not suggest any loan covenant breaches are likely in the near future.

Section 1: Audit Approach

Risk – Consolidation

- The Hyelm group is required to prepare and consolidate accounts. There is a risk of material misstatement given the potential adjustments, restatements and disclosures required.

Audit Approach

- Review the consolidation of Arthur West House Limited and ensure material consolidation adjustments have been made.
- Review the inclusion of Ames House Trust as a connected charity "branch" in the Hyelm company only disclosures.
- Complete relevant disclosure checklists to ensure disclosures are complete.

Conclusion

- We have reviewed the consolidation workings and consolidated accounts and are satisfied with the consolidation adjustments made.
- We are satisfied that Ames House has been correctly included in the parent balance sheet (as a branch due to its linked charity status).
- The disclosures appear to be complete following completion of our disclosure checklists.

Risk – Arthur West House Limited development

- There is a risk that pre-development costs may be incurred and incorrectly included in prepayments or expenditure depending on whether the development proceeds.

Audit Approach

- Establish the viability of the development and assess whether pre-development planning and other costs should be expensed or prepaid.
- Sample test relevant development costs to documentation to ensure costs are correctly treated and bona fide.

Conclusion

- We have reviewed a sample of the costs incurred by Arthur West House during the year and are satisfied that these have been appropriately capitalised in Hyelm and material intra-group transactions are correctly treated on consolidation.

MOORE Kingston Smith

Section 1: Audit Approach

Risk – Revenue recognition

- There is a presumed risk of fraud or error in revenue recognition including the completeness of material revenue streams.

Audit Approach

- Review and sample test rental income, including transaction testing to tenancy agreements and analytical testing based on occupancy and average room rates.
- Review income cut-off by review of transactions around the year end.

Conclusion

- Based on the analytical review and sample testing of transactions carried out throughout the year and in the immediate months around the year end, we are satisfied that income is not materially misstated.

Risk – Creditor completeness

- There is a risk that expenditure may be incomplete or recognised in the incorrect period resulting in the misstatement of creditor balances.

Audit Approach

- Reconcile intercompany balances within the Hyelm Group and assess the reasonableness of recharges made between entities.
- Perform cut-off testing on a sample of purchase invoices and payments around the year end to ensure unrecorded liabilities are identified and to ascertain whether expenditure is posted to the correct period.
- Analytically review accruals, other creditors and creditor days to determine whether these are in line with expectations.

Conclusion

- The intercompany balances reconcile and are we are satisfied they are materially correct.
- Following review of a sample of payments and purchase invoices in the months immediately around the year end, and from analytical comparison with previous years and our expectations, we are satisfied that creditors are materially complete.

Section 1: Audit Approach

Risk – Fire defect claim recovery

- There is a risk that the claim against the previous contractors involved with Hyelm's residential property in relation to costs incurred on subsequent remedial fire safety works may fail or only partially succeed.
- There is a risk that the previous contractor may be unwilling or unable to settle any successful claim

Audit Approach

- Review legal advice and correspondence to determine whether the claim is likely to succeed and consider appropriateness of treatment as a debtor or contingent asset.
- Review and sample test the schedule of costs incurred to relevant supporting documentation to determine the accuracy of the size of the claim.
- Review post year end correspondence and receipts for evidence of recoverability of any material amounts included in debtors in the financial statements and consider likelihood of recovery or potential under provision on bad debts that may arise.

Conclusion

- We noted that the fire safety work in progress cumulatively amounted to £456,908 at 30 September 2019, of which £47,262 was incurred prior to this financial year.
- We noted that the legal opinion provided by your solicitors confirmed waking watch costs and temporary fire alarms totalling £342,223 (of which £294,840 incurred in 2018/19) may be more difficult to recover. We note that there are also consequential losses resulting from reduced occupancy during exploratory works in 2018/9 that may also be part of any future claim.
- We have seen advice provided by your legal advisers at Devonshires which confirms they believe that there is a 60% chance of recovering costs from NHBC and Durkan in relation to the fire safety works above and are therefore satisfied that this is not virtually certain and should not be included as a debtor. We are satisfied that this contingent asset should be disclosed as it is probable you will recover part of these claims.
- We have seen and agreed the contingent asset disclosure note included in relation to the prospect that the legal action may not succeed.

MOORE Kingston Smith

Section 1: Audit Approach

Risk – Management override

- Given the size of the finance department, management may be in a position to inappropriately override internal controls.

Audit Approach

- Review a sample of unusual transactions, journals and balances to documentation to ensure they are bona-fide.
- Assess the reasonableness of significant judgements and estimates made by management.
- Review and evaluate controls over BACS payments, supplier set up/amendments and approval and processing of payments.

Conclusion

- We have not identified any evidence of inappropriate management override through review of a sample of unusual transactions, journals and balances.
- We are satisfied that materially significant critical judgements and estimates made by management appear to be appropriate as disclosed in the accounting policies.
- We note that most payments are still made by cheque requiring dual signatories. We also understand that Barclays require BACS payments (usually made for payroll rather than supplier payments) to be countersigned similarly which reduces the risk of fraud and error.

Section 2: Significant Findings From The Audit

We are required under International Standards on Auditing to request you to correct all misstatements identified during our audit, with the exception of those that are clearly trivial.

Corrected material misstatements and reclassifications

Included as Appendix 1 are the corrected misstatements identified during the course of our audit work which have been discussed and agreed with you.

Uncorrected immaterial misstatements and reclassifications

Included as Appendix 2 are the uncorrected misstatements or reclassifications that are not trivial and are not material, both in isolation and in aggregate, which we identified during the audit work and which you do not propose to adjust in the financial statements.

Observations concerning the operation of the accounting and control systems

We detail in section 3 other matters concerning the operation of the accounting and control systems that we consider should be brought to your attention. We have also included an assessment of the extent to which our previous recommendations have been implemented.

We look forward to receiving your responses on the points raised.

Due to the nature of an audit we may not have identified all weaknesses within the accounting and internal control systems which may exist and the contents of this section of our letter and any items disclosed in this report should not therefore be taken as a comprehensive list of such weaknesses.

Significant difficulties

The following significant difficulties were encountered during the audit:-

Legal case to recover costs from NHBC and Durkan for defective past works

During the 2018 audit we were aware of an ongoing legal case against NHBC and Durkan in relation to defective capital works carried out in approximately 2007/08.

Hyelm incurred costs up to 30 September 2018 of £47,263 and in our opinion at the time the audit opinion was signed on the 2018 financial statements, we took the view that significant further costs would arise after this date and it was thought highly likely that if Hyelm were to propose settlement to NHBC and Durkan, they would very likely agree liability at this level given further costs would be incurred which significantly exceed this debtor balance and NHBC would be solvent to pay at least this sum.

Hyelm has subsequently incurred further relevant fire safety costs of £409,646 in the year to 30 September 2019 for legal fees, risk assessment, training, alarms, a walking watch and other related costs.

Costs continue to be incurred in 2019/20 at a rate of around £17k per month for recurring costs (£10,870 waking watch, £5,800 for fire detection rental) and other costs will likely be incurred in addition to this also.

Section 2: Significant Findings From The Audit

We understand that no settlement has been offered to date by NHBC or Durkan over the disputed 70% and 30% liability respectively which Hyelm believe is due from these parties.

One key area of dispute is that the original contract for the works done cannot currently be located and a court instruction via your solicitors Devonshires will be issued shortly to attempt to obtain this and prove a contractual link. There is some dispute over whether the liability lapsed after 6 years (as proposed by the contractor) or after 12 years under deed (with an expiry date on the 12 year anniversary of completion of the works being 17 March 2020).

Due to the significantly higher sums now involved, there is significantly more risk that any debtor provision relating to this legal action may be materially misstated.

We have seen advice provided by your legal advisers at Devonshires which confirms that believe that there is a 60% chance of recovering costs from NHBC and Durkan in relation to the fire safety works above and you may potentially be able to claim further consequential losses due to occupancy reductions whilst exploratory works were carried out during 2018/19.

We are satisfied that NHBC/Durkan have not made an offer to settle in part or in full nor have they admitted liability for any part of the claim at the audit report date, based on the legal advice seen and the planned signature of the letter of representation by the trustees immediately prior to the audit report being signed.

The current uncertainties concerning the timing and amounts that may be recovered are adequately disclosed in the financial statements as a contingent asset and we do not believe a material debtor should be provided as recovery of any claim is not virtually certain at the audit report date.

Management Representation Letter

A draft of our proposed management representation letter has been sent to you under separate cover. All of the matters included in this letter on which we seek the Trustees'/Directors' formal confirmation are in respect of routine matters, except for the following:

13) We confirm that we believe the contingent asset disclosure in the financial statements relating to the ongoing legal claim for defective fire works against Durkan and NHBC reflects our best estimate of the current uncertainties concerning the timing and amounts that may be recovered. We are satisfied that NHBC/Durkan have not made an offer to settle in part or in full nor have they admitted liability for any part of the claim at the date of signature of this letter.

Section 3: Operation of the Accounting and Internal Control Systems

Hyelm

Current year observation – Rent-free periods

We noted that rent-free periods had not been correctly accounted for in relation to tenant leases, as shown in Appendix 1, journal 3.

Recommendation

Where discounted or rent-free periods are included in leases, the cost of granting these should be spread over the minimum lease term (e.g. to the first break clause if operable at year end, otherwise to the end of the lease period).

Response

Noted. This will be accounted for correctly in future periods.

Prior year observation – Lessor calculations

Error detected within management's lease calculation workings in arriving at the breakdowns of amounts owed to Hyelm (current and non-current).
Implication is that the amounts owed in respect of the lease was incorrectly stated in the year by a material amount. Error was due to simply not having edited the workings to recognise the current year end date within the formula.

Recommendation

Apply care when using these formula driven workings to ensure that all workings have been correctly updated as many of the accounts workings spread sheets are interlinked.

2018 response

The finance team will ensure that all formula driven calculations are reviewed and checked when preparing the accounts for each entity.

Implementation Progress

We identified errors in the 2019 lease calculations owing to one tenant lease calculation not accounting for a break clause lapsing prior to the year end, extending the lease length.

2019 response

This was an oversight and will, if relevant, be accounted for correctly in future periods.

Section 3: Operation of the Accounting and Internal Control Systems

Arthur West House

Current year observation – Purchase invoice cut-off errors

During the audit we identified several invoices dated September 2019 and October 2019 that had not been posted to the ledger at the date of invoice, as per the errors shown in appendix 1, journal 1 and appendix 2, journal 1.

Recommendation

Invoices should always be posted to the purchase ledger on the date of invoice. Where the cost is in arrears or advance, appropriate adjustments to accruals and prepayments should be made, rather than adjusting the date posted to the purchase ledger, to avoid errors arising.

Response

Noted. The issue referred to arose due to misreading the invoice dates resulting in incorrect postings. Additional scrutiny will be applied in future periods.

No management letter points were raised on Arthur West House in 2018.

Section 4: Sector Update

1. Housing SORP Update

In October 2018, the Housing SORP was updating following the completion of a triennial review of FRS 102, the accounting standards applicable to financial statements in the UK and Ireland.

This revised edition reflects the relevant changes to FRS 102 as well as clarifying some other areas of the previous version of the SORP.
The key areas of change include:

- clarifying what is included and excluded from operating surplus
- removing the "undue cost and effort" exemption in valuing investment properties
- allowing an accounting policy choice to carry property rented to other group entities at either cost or fair value
- drawing attention to the requirement to include a net debt reconciliation as part of cash flow disclosures.

The updated SORP will be effective for periods beginning on or after 1 January 2019, although early adoption is permitted provided all aspects are adopted and this fact is disclosed in the financial statements

The updated SORP can be accessed here: https://www.housing.org.uk/resource-library/browse/housing-sorp-2018-update/

2. Accounting Direction for Registered Providers of Social Housing 2019

The Regulator of Social Housing launched a consultation on changes to the Accounting Direction on 8 November 2018. The documents in the consultation included the proposed Accounting Direction for private registered providers of social housing for 2019. The consultation closed on 20 December 2018.

The new Accounting Direction for 2019 can be found here:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/754395/Proposed_Accounting_Direction_2019_for_social_housing_providers.pdf

Section 4: Sector Update

Key changes which will be required for the next published financial statements (December 2019 onwards) will be as follows:

Removal of the Disposals Proceeds Fund

- The requirement to constitute and present a Disposals Proceeds Fund (where applicable) until;
- The fund is exhausted; or
- The PRP notifies the regulator that it is unable to use or allocate, or continue to use or allocate, funds in its DPF in accordance with the Direction; or
- Until 6 April 2020

Whichever is the earliest occurring event.

Value for Money disclosures

The requirement to annually publish information within the statutory accounts to enable stakeholders to understand the Registered Providers:

- Performance against its own value for money targets and any metrics set out by the Regulator, and how that performance compares to peers and targets set
- Measurable plans to address any areas of underperformance, including clearly stating any areas where improvements would not be appropriate, and the rationale for this going forward

Reconciliation of units managed/owned

A requirement to explain the reason for movements in the number of different types of units of social housing between those owned and managed at the start of the accounting period and those owned and managed at the end.

3. NHF Housing Governance Code - Consultation

Hot off the heels of the Charity Governance Code seeking consultation responses for a "refresh" (which can be accessed here - https://www.charitygovernancecode.org/en/about-the-code-1/improving-the-code), the National Housing Federation has also issued its first (of three stages) consultation review of the NHS Governance Code. Last updated in 2015, the Code remains the "go to" document for governance in the Housing sector and the RSH continues to require registered Housing Associations to be complying with "a relevant code" as part of its governance and viability standard.

Section 4: Sector Update

The consultation (available here - https://www.housing.org.uk/resources/code-of-governance-review---first-stage-consultation/) concentrates largely on the principles of the updated Code and is coupled with a detailed consultation response covering a wide range of areas. The current proposed new structure for the Code is as follows:

"In setting out the principles below, we have drawn from those in the 2015 Code of Governance and sought to strengthen and enhance them.
Clarity of purpose: *The board is clear in its role and purpose in setting strategic direction and defining the culture of the organisation.*
Ethics*: The board operates to high ethical standards, explicit values and appropriate codes of governance and conduct.*
Accountability: *There is full accountability to, and involvement of, residents and other stakeholders. Particularly – and where appropriate – in making decisions that affect residents' homes and communities.*
Residents first: *The board acts in a way that empowers residents and facilitates a strong relationship between the organisation and its tenants, residents and service users.*
Transparency*: There is an active and open approach to communicating governance decisions and activities. Full and frequent disclosure of governance matters and other significant information is standard practice.*
Ambition: *Opportunities are actively identified and reviewed considering the need for sustained organisational success.*
Equality, diversity and inclusion: *There is a fairness of equality and opportunity and an active demonstration of diversity in all aspects of the organisation's governance – people, roles and approaches.*
Review: *There are formal processes for the periodic review of the board's own performance and decision-making, which actively encourage scrutiny by residents and service users.*
Clarity*: There is clarity of roles and responsibilities and an appropriate division of responsibilities between the organisation's board members and staff.*
Control*: There is an effective approach to audit, risk management, internal control and financial oversight. Structures: There are effectively resourced staff and committee structures to support the organisation's ambition."*

Although early days in terms of the consultation, the associated documents make it clear that the sector has moved on since the last Code in 2015 and the updated version to be finalised in due course, will be more far reaching in terms of considerations and requirements around (and not limited to) "Safeguarding, health and safety in light of Grenfell, equality and trust).

MOORE Kingston Smith

Section 4: Sector Update

We recommend all our Moore Kingston Smith Housing clients seek to review and feed into the consultation accordingly. The closing date for responses is the 13 March 2020.

4. Significant fraud leads to Governance downgrade

Recent publications from Homes England and the Regulator of Social Housing outline a compliance case involving a South West England based Housing Association that suffered a significant cyber fraud:

Losses as a result of this fraud appear to be significant and could be into seven figures.

The fraud, although complex using cyber and IT techniques to replicate true suppliers, could have been stopped at source had a control in place at the Housing Association (which was implemented) operated correctly (there appears to have been manual error and oversight)

The ramification of a fraud/cyber fraud can now be seen by the sector and the Regulator has provided a downgrade from G1 to G2 largely due to this fraud taking place.

We also reiterate to our Housing clients (and please Common frauds and controls provided to you on a previous sector update) that designing and implementing controls are only effective, if checks and training are undertaken to ensure they are operating.

Further information regarding this case can be found here - **https://redkitehousing.org.uk/latest-news/2020/january/weve-been-cyberconned** and **https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/861113/Red_Kite_Community_Housing_Limited_RJ_29.01.20.pdf**

Moore Kingston Smith can also assist further in this area in relation to fraud and cyber crime via training sessions for Management and/or Board, a review of potential risk areas and cyber crime specific areas such as Cyber Essentials accreditation or penetration testing. Please contact Luke Holt, your Moore Kingston Smith Partner, for further information.

MOORE Kingston Smith

Section 4: Sector Update

5. Financial Comparison Data

Sector analysis has been undertaken on the top 30 Housing Associations in the country and we share with you below the results, for comparison/reference and potentially peer group benchmarking depending on size and complexity. The overall picture appears to be a trend towards an increase from the prior year metrics, except for an erosion of operating surpluses from 2018 through to 2019:-

Turnover – 2019	**Turnover – 2018**	**Difference**	**Change**
£11,882.45M	£11,772.71M	£109.74M	0.93%
Operating Surplus – 2019	Operating Surplus – 2018	Difference	Change
£3,472.27M	£3,609.29M	(£137.02M)	(3.80)%
Repairs Satisfaction – 2019	Repairs Satisfaction – 2018	Difference	Change
89.77%	88.89%	0.87%	0.98%
Operating Cost Per Home – 2019	Operating Cost Per Home – 2018	Difference	Change
£4,073.98	£3,856.12	£217.86	5.65%
Average Days to Relet – 2019	Average Days to Relet – 2018	Difference	Change
27.91	27.54	0.38	1.37%
Repairs & Maintenance Cost Per Home – 2019	Repairs & Maintenance Cost Per Home – 2018	Difference	Change
£1,156.55	£1,105.58	£50.97	4.61%

MOORE Kingston Smith

Section 4: Sector Update

Management Cost Per Home – 2019	**Management Cost Per Home – 2018**	**Difference**	**Change**
£1,092.37	£1,042.19	£50.18	4.82%
Responsive Repairs Service Cost Per Home – 2019	Responsive Repairs Service Cost Per Home – 2018	Difference	Change
£791.64	£736.01	£55.63	7.56%
Routine R & M Expenditure – 2019	Routine R & M Expenditure – 2018	Difference	Change
£1,090.70M	£1,029.75M	£60.95M	5.92%
Planned Maintenance Expenditure – 2019	Planned Maintenance Expenditure – 2018	Difference	Change
£595.51M	£525.36M	£70.16M	13.35%
Improvement Works – 2019	Improvement Works – 2018	Difference	Change
£1,397.90M	£1,252.43M	£145.48M	11.62%
Void Losses – 2019	Void Losses – 2018	Difference	Change
£98.67M	£87.88M	£10.79M	12.27%
Number of Employees – 2019	Number of Employees – 2018	Difference	Change
71,142	71,069	73	0.10%
Wages – 2019	Wages – 2018	Difference	Change
£2,144.07M	£2,070.66M	£73.41M	3.55%

MOORE Kingston Smith

Section 4: Sector Update

Chief Executive pay – 2019	**Chief Executive pay – 2018**	**Difference**	**Change**
£8.31M	£7.74M	£0.57M	7.40%
Chief Executive pay per home – 2019	Chief Executive pay per home – 2018	Difference	Change
£6.48	£5.97	£0.51	8.61%

6. Charity Governance Code - most common areas for feedback/consideration

The revised Charity Governance Code (“CGC”) was issued July 2017 (and is currently out for review and consultation until 28 February 2020) and we have been working with a significant number of clients since that date, undertaking a wide variety of governance projects, underpinned by the Code.

The Code’s Principles, rationale and outcomes apply to all charities, although the recommended practice to meet those Principles will vary. As the Code is not mandatory this offers flexibility, in terms of approach and timing, to charities who are interested in benchmarking themselves against it. Many of our governance reviews focus in some way on looking at all or a selection of the CGC Principles, depending on our client’s needs. We help clients to assess themselves against the CGC, through identifying relevant *best practice* – and benchmarking the organisation against it (we use our wide ranging and extensive experience of the nfp sector, and its subsectors, to help with this).

In relation to the Seven key CGC principles, there are a number of “common” charity governance areas that appear more often than not, outlined below:

- Are all Trustees sufficiently aware of the current requirements of their position – CC3 Trustee guidance, recent changes in the sector and new developments, for example. An induction is an excellent starting point, but there is no replacement for on-going training throughout their term in office.

- How the charity considers the most appropriate skills mix of the Trustee Board (or Committee), when this was last reviewed and whether an external perspective or specialist has even been engaged to advise. Sector publications such as “Taken on Trust in 2018” indicate a dearth of Trustee skills in important areas including fundraising, IT and cyber across the charity sector, how does you charity compare?

- For those larger charities reviewed, on the whole, there are fit for purpose delegation frameworks and terms of reference for Sub-Committees and Working Parties. Often, and somewhat counterintuitively, documentation of those “matters reserved for the Board or Board of Trustees” is usually less well documented and understood.

MOORE Kingston Smith

Section 4: Sector Update

- Diversity is an area where the sector is beginning to make inroads, but the sector as a whole still agrees there is a way to go. Recent sector publications showed the skewed nature of Trusteeship towards certain demographics, and although this only one example of diversity, continued improvement towards more of a status quo in this area is seen as important by Moore Kingston Smith. Likewise, stepping back and considering “what does Diversity mean for our Charity” can lead to an interesting and fulfilling discussion, rather than just considering a generic “diversity objective”.

- A bedrock of the current governance structure in place at the vast majority of charitable organisations is the theme of “strategic versus operational”. The Trustees and Committees of the Board should major on Strategy, with the operational day to day activities the responsibility of the key management personnel.

Where Moore Kingston Smith has undertaken governance reviews as a result of “key event or occurrence” requiring our assistance, it has unfortunately become common place for this grey line between strategy and operations to be overstepped.

Some charities want a comprehensive, independent review of processes, policies and structures. We also help Boards to validate what they are doing or planning to do. Clients see our governance reviews as a positive experience even though, invariably, there are actions / recommendations to consider. Our approach is a combination of desktop review (documents, minutes etc) combined with interviews, discussion, observation – for example, through attending meetings as an observer. However we work with your organisation, we will always ensure that your governance review is proportionate, relevant and tailored to the circumstances and nature of your charity.

Clients value the fact that we are providing an *external* perspective, cutting through any issues of culture, custom and practice, potential or actual conflict. We weigh up options, provide a balanced perspective and help clients to focus on important / urgent things (we ‘Red/Amber/Green’ rate actions).

Following our governance reviews, we often suggest to clients that they revisit one or two Principles of the Code at a time and debate them at pre-agreed slots during the Board meetings over, for example, 12 to 18 months. This works well when different Trustees or sub-groups take the lead for reviewing the Principle/s, leading the debate around it, and assessing progress against action plans – this doesn’t necessarily have to be led by the Board’s Chair.

Integral to the Code’s Principles is the promotion of the importance of sound boardroom *behaviours*. We therefore help Boards to consider their own ‘behaviour’ and ways of working. Behaviour is key to effective governance – a lot of our findings highlight the importance of the ‘softer’ aspects of governance such as behaviour, leadership, teamwork, engagement, interaction – not just the more formal matters of structures, ToR, policies etc. These aspects are explored further by sector publications such as by The Governance Institute in its Guidance Note “Improving charity boardroom behaviours” issued in July 2018 – we often make reference to this in our work.

We note on a significant number of our governance assignments, that the charity in question has been unable to “keep up to speed” with the fast moving and flux nature of the NFP sector. Important updates such as safeguarding, whistleblowing and GDPR (to name just a few) and the associated policies and implementation required have not been achieved. During and post our reviews, we are able to use our multi-disciplinary NFP specialists across Moore Kingston Smith to advise and draft the required policies and frameworks.

Section 4: Sector Update

Although every governance review by Moore Kingston Smith is bespoke and tailored, the output is always different to our clients.

Should you have any questions regarding the above, would be interested in hearing more about our Governance services or would like to instruct Moore Kingston Smith to undertake a review against the Charity Governance Code, please contact NFP Partner, Luke Holt, on lholt@mks.co.uk or 0207 566 3636.

7. Consultation on the Charity Governance Code

Back in July 2017, the sector published the 3rd Edition of its Charity Governance Code for Trustees, which the Charity Commission had endorsed and is using it as their kite-mark (having withdrawn their own guidance "Hallmarks of an Effective Charity").

Following three years of application of the Code (and with recent research indicating more than half of larger charities are making reference to the Code in their Trustees Report), the Steering Group has published a consultation which is now open until 28 Feb 2020.

The focus of the consultation is not a "full re-working" of the Code (it is expected that the seven principles outlined below will remain largely unchanged), more that the Steering Group is aware that a number of areas of the sector have developed since 2017 and require a light touch update.

Responses to the consultation and the overview proposals, can be accessed through the link https://www.charitygovernancecode.org/en/about-the-code-1/improving-the-code

Included within the 15 consultation questions are two areas which are suggesting the largest changes to the Code, which have arisen due to recent sector reports and headlines covering both diversity and safeguarding. These two questions are as follows:

"11. We have identified the following areas where the Code might benefit from immediate changes. The following questions explore these areas:
i. Should the Integrity principle say more about charities' ethical principles and the right to feel safe? If yes, what might it say or require?
ii. Should the Diversity principle be renamed, for example to 'Diversity and Inclusion' or
'Equality, Diversity and Inclusion' to reflect good practice in this area? Please explain your response.
iii. Is there any additional or different recommended practice that should be included as part of this principle regarding diversity? Please provide further information."

Section 4: Sector Update

Included below is the background to the Code for reference.

The Code starts with a ‘foundation principle’ that should be taken as a ‘given’ that all Trustees understand their legal duties and are committed to their cause and good governance. The Code then develops seven principles:

- **Organisational purpose**

  The board is clear about the charity’s aims and ensure that these are being delivered effectively and sustainably.

- **Leadership**

  Every charity is led by an effective board that provides strategic leadership in line with the charity’s aims and values.

- **Integrity**

  The board acts with integrity, adopting values and creating a culture which helps achieve the organisation’s charitable purposes. The board is aware of the importance of the public’s confidence and trust in charities, and trustees undertake their duties accordingly.

- **Decision-making, risk and control**

  The board makes sure that its decision-making processes are informed, rigorous and timely and that the effective delegation, control and risk assessment and management systems are set up and monitored.

- **Board effectiveness**

  The board works as an effective team, using the appropriate balance of skills, experience, backgrounds and knowledge to make informed decisions.

- **Diversity**

  The board’s approach to diversity supports its effectiveness, leadership and decision-making.

MOORE Kingston Smith

Section 4: Sector Update

- **Openness and accountability**

  The board leads the organisation in being transparent and accountable. The charity is open in its work, unless there is good reason for it not to be.

Should you wish to discuss the above in further detail, please contact your usual MKS Partner or Luke Holt (lholt@mks.co.uk) who leads on our governance work in the sector.

8. Essential Cyber Defences for Charities – Cyber Essentials accreditation

Confidentiality of information in Charities has always been of paramount importance. A breach affecting records of its data which could involve donors, children, ethic and religious categories is typically very serious and would invite increased regulatory and public scrutiny with potential severe financial penalties. Uncontrolled disclosure of any sensitive information could severely undermine the trust and confidence of the public engaged with them, as well as compliance issues within the governing structure.

Furthermore, reflecting the general pervasiveness of technology in our lives, charities are much more reliant on IT to both process data, marketing and financial information. An IT outage affecting the computer system may, within quite a short time frame, affect the charity to operate.

The security threat from the simple use of e-mail and the web is very real, with phishing and ransomware attacks commonplace in today's internet-connected world. Successful cyberattacks range from the theft of sensitive information to long-term disruption to the operation of IT systems.

Maintaining a minimum level of cyber compliance across a Charity's IT infrastructure is therefore absolutely key to not falling victim to a cyberattack. As technology constantly evolves becoming more ingrained into daily life, it is often difficult to know what this minimum level looks like in practice. The technical capabilities to strengthen cyber security defences is not always internally available within the Charity. For Trust Governors, it can be challenging to determine whether the Charities its infrastructure is adequately protected against the omnipresent threat of a cyberattack.

This issue facing the sector and other organisations across the country led to the UK Government introducing the Cyber Essentials scheme. The scheme is designed to protect organisations against 80% of the most common cyber-attacks which can impact businesses of all sizes, industries, and sectors. The 5 controls within the Cyber Essentials scheme are designed to protect your organisation against these types of cyber-attacks and guard your internet connection, devices, data and services.

The government overview: https://www.gov.uk/government/publications/cyber-essentials-scheme-overview

Section 4: Sector Update

Basic Level Cyber Essentials is a self-assessment and provides a basic level of assurance that the controls have been implemented correctly by the organisation. ***Cyber Essentials Plus*** covers the same requirements but is based on an on-site audit and therefore provides independent assurance of the effectiveness of these controls.

How can Moore Kingston Smith help you?

Moore Kingston Smith offer Cyber Security and Data Protection solutions which includes Cyber Essentials, Penetration Testing and Auditing along with GDPR and outsourced Data Protection Officer solutions to ensure that your Trust can demonstrate compliance.

To find out more about Moore Kingston Smith's Cyber services, please contact you usual Moore Kingston Smith Partner.

9. Renewing fixed term employment on a regular basis

Employers cannot safely dismiss a fixed term employee just because the contract comes to a natural end if they have renewed the contract for two or more years, without a break of more than two weeks in between contracts.

Many charities benefit from regularly engaging staff on a temporary basis to fulfil functions, whether as a consultant, on a fixed term contract, or temporary staff.

Whilst this can be beneficial for the short term, it is important to bear in mind that hiring employees on this basis means that they accrue service and, after two years, they could gain full employment rights.

Employers should be aware that renewing contracts for longer than 2 years' would also lead to an obligation to follow a formal dismissal process, showing there is a fair reason for not renewing the contract. Failure to do so could lead to claims of unfair dismissal being brought at Tribunal.

A break in between fixed term employment contracts of at least two weeks can reduce employers' risks, breaking continuous service so the next contract is fresh employment instead of continuation of the previous employment.

Appendix 1: Corrected Misstatements and Reclassifications

Hyelm

		SOFA		BS		Surplus /
		DR	**CR**	**DR**	**CR**	**(deficit)**
Per closing trial balance						(109,568)
1	*Being the reclassification/netting off of the amount owed by Arthur West House to Hyelm incorrectly included in trade creditors*					-
	Amounts owed to Arthur West House			14,044		
G01	Other debtors				14,044	
2	*Being reclassification of rent received in advance from accruals to deferred income*					-
	Accruals			28,194		
J04	Deferred income				28,194	
3	*Being recognition of reduced rent*					
	Accrued income			15,321		15,321
T01	Rental income - non social activities		15,321			
Per financial statements						(94,247)

MOORE Kingston Smith

Appendix 1: Corrected Misstatements and Reclassifications

Arthur West House

				P&L		BS		Profit/(loss)
				DR	**CR**	**DR**	**CR**	
Per tral balance								15,676
1	*Being the reclassification/netting off of the amount owed from Arthur West House to Hyelm which was included in trade creditors incorrectly.*							-
J01.xlsx	Dr Trade Creditors					14,044		
	Cr Interco Debtors (Hyelm)						14,044	
Per financial statements								15,676

MOORE Kingston Smith

Appendix 2: Uncorrected Immaterial Misstatements and Reclassifications

Hyelm

		SOFA		BS		Surplus /
		DR	CR	DR	CR	(deficit)
1	*Being reclassification of trade creditor to accruals*					-
	Trade creditors			16,594		
J04	Accruals				16,594	
Potential unadjusted error to surplus/(deficit)						-

Arthur West House

		P&L		BS		Profit/(loss)
		DR	CR	DR	CR	
1	*Being invoices received post year end relating to year which should have been accrued for*					(2,400)
Q01	Dr Expenditure	2,400				
	Cr Trade creditors				1,083	
	Cr Accruals				1,317	
Potential unadjusted error to surplus/(deficit)						(2,400)

Engagement & Independence

Our engagement objective was the audit of "Hyelm Group" including Hyelm and Arthur West House Limited.

We have implemented policies and procedures to meet the requirements of the Financial Reporting Council's (FRC) Ethical Standards. To this end we considered our independence and objectivity in respect of the audit for the period under review before commencing planning our audit and communicated with you on these matters in our pre-audit letter dated 28 November 2019.

No other matters have come to our attention during the audit which we are required to communicate to you and the safeguards adopted were as described in our pre-audit letter.

Qualitative aspects of accounting practices, accounting policies and financial reporting

Based on our audit work performed, we believe that the Trustees'/Directors' Report and financial statements for the period under review comply with United Kingdom Accounting Standards and the Companies Act 2006.

During the course of our audit of the financial statements for the period under review we did not identify any inappropriate accounting policies or practices.

Matters specifically required by other Auditing Standards to be communicated to those charged with governance

Other than as already explained in our Engagement Letter, Pre-Audit Letter/ Planning discussion and this Post-Audit Management Report, there are no other specific matters to communicate as a result of our audit of the financial statements under review.