REPORT AND FINANCIAL STATEMENTS

2019/20

Housing 21

Contents

Housing 21 at a glance

Housing 21 is a leading, not for profit provider of Retirement Housing and Extra Care for older people of modest means

INVESTORS IN PEOPLE
We invest in people Gold

21 Provide a modern, forward thinking 21st century service, updating and modernising existing housing, developing new and innovative property designs and service models for the future

Better Strive for continuous improvement and innovation, challenge ourselves to do better and achieve greater value for money and never become complacent

Experience Provide a consistently good service and great customer experience, empower residents to make choices and devolve decision making to local staff

- Own and/or manage over 20,000 Retirement Housing and Extra Care properties
- The largest provider of Extra Care and leading provider of affordable Retirement Housing in England
- Limited exposure to welfare reform as a result of resident demographics
- Provides social care services in Extra Care no clinical or extensive nurse-led care
- S&P credit rating A stable
- Provides high quality Retirement Housing and Extra Care for older people of modest means

Our services

We have two distinct service offers: Retirement Living and Extra Care Living.

Retirement Living
Retirement Living offers older people the opportunity to remain independent in their own home but in a community setting, with the added benefit of support from a dedicated Court Manager and a 24 hour emergency alarm system.

Court Managers are a vital component of our offer and are highly valued by our residents. They provide advice and arrange help if required whilst also managing the building and associated services.

We manage over 14,000 Retirement Living properties in more than 350 locations across England. They vary in size and facilities but many have a communal lounge, gardens and a guest room for visitors. Most are available to rent however there are over 1,000 leasehold properties where we provide a management service.

Extra Care Living
Extra Care Living provides care for older people in a housing setting, enabling them to maintain their independence with the reassurance of having Care Workers on site 24/7. Extra Care is also a positive alternative to residential care, allowing couples to stay together when their care needs vary. All of our properties are pet-friendly and we encourage pet ownership for the positive difference it can make to the lives of our residents.

Our preference is to integrate the management of housing and care, providing care with our own Care Workers. Although we do not provide the care to all of our Extra Care residents we do deliver over 42,000 hours of care a week and are proud of our commitment to providing the highest quality care services, leading in the sector with over 94% of our Extra Care schemes rated ‘Good’ or ‘Outstanding’ by the Care Quality Commission (CQC) as at 31 March 2020.

Extra Care schemes tend to be larger than Retirement Living schemes and typically have between 60 to 80 properties per site as well as more extensive communal facilities including hair salons and on-site restaurants providing freshly cooked meals. We develop Extra Care schemes in partnership with local authorities as Extra Care often offers a cost effective way to provide for care needs. Properties are available to rent but also to purchase on a shared ownership basis for older people who have some housing equity.

Housing 21 is the largest provider of Extra Care in England with over 6,000 properties, around 10% of Extra Care provision, and is set to retain this position as a major developer of Extra Care.

A leading provider of Extra Care and Retirement Housing for older people of modest means

Over 94% of care services rated 'Good' by CQC with six services rated 'Outstanding'

127 Extra Care Courts - over 6,000 Extra Care properties

334 Retirement Living Courts - over 14,000 properties

Over 42,000 hours of care delivered to over 5,000 service users each week in Extra Care

Working with over 240 local authorities nationwide

3,200 (FTE) staff employed in Extra Care, Retirement Living and our corporate business streams

We are a leading dementia-friendly organisation

Charitable not for profit organisation

55 Over 55 years' experience

We are experts in the provision of housing for older people

Chairman's and Chief Executive's messages

'Doing the Right Thing' was the theme and message for our 2019/20 staff and resident conferences. This emphasised the importance of being true to our purpose of providing more and better Retirement Housing and Extra Care for older people of modest means and the value of a strong and positive culture. This philosophy of 'Doing the Right Thing' and our devolved operating model also enabled us to respond quickly, effectively and responsibly to protect residents and maintain vital services when faced with the Covid-19 pandemic which was beginning to take hold at the end of the financial year.

Our committed frontline staff stepped up to the challenge and have shown heroic dedication - going above and beyond the call of duty to maintain safe services and care for those in greatest need and at most risk. The steps previously taken to recognise and value our Care Workers, with guaranteed hour contracts and our promise to pay in excess of the National Living Wage, showed their value in helping to maintain a stable and committed workforce. This commitment has been enhanced with free meals for Care Workers and improved occupational sick pay protection, as well as providing sufficient and suitable Personal Protective Equipment (PPE). We would like to thank all of our staff in all roles for being simply brilliant in their willingness to adapt and respond positively and flexibly and for continuing to do the right thing.

The Covid-19 pandemic has certainly had an impact both in terms of human lives and also on business operations, but we ended the last financial year in a strong position and we have shown good progress against each of our seven Strategic Priorities:

Providing More Homes: We had 19 schemes and a total of 1,195 new Retirement Housing and Extra Care properties on site and under construction as at 31 March 2020. In addition we acquired two Extra Care schemes with a total of 95 properties during 2019/20 from Hyde Housing Association.

The Quality of Existing Properties: We have made great progress in renewing kitchens and bathrooms and refreshing the design and layout of our older Retirement Housing schemes but at the end of March 2020 we still had 67 sites where further works were required to ensure all our properties meet a minimum of an Energy Performance Certificate level C.

Quality Services: We are proud that six of our 72 registered care sites have achieved the highest rating of 'Outstanding' from the Care Quality Commission although we are still concerned about the six that are currently graded as requiring improvement. It is assuring that residents receiving care from us gave an overall satisfaction rating with their care of 97%. We have also made progress towards our target of achieving at least 95% satisfaction across all our housing services, currently at 94% for Retirement Housing and 92% for Extra Care.

People and Potential: We received recognition for commitment to our staff by winning the Investors in People 'Best Third Sector Employer' Award in November 2019. Staff commitment remains high with 96% saying they share the organisation's values. The 2020 staff survey shows improvements against almost every measure.

Systems and Technology: We went live with our devolved housing management system in May 2019 and it has already proved successful in equipping frontline staff to manage processes more effectively and efficiently as well as being able to continue to work remotely during the Covid-19 lockdown. There are further business systems improvements and projects underway.

We are also proud to be working with Appello in developing digital call systems which offer residents much greater peace of mind. The digital systems provide almost immediate emergency access as well as other features like video calling and door entry. There have been 178 installations and this year we have also started trials involving access via a mobile app and using the call system to offer WiFi hubs for residents.

Value for Money: We take account of resident feedback and satisfaction with costs and services as a key factor in determining value for money, but benchmarking and cost comparison are also vitally important to challenge ourselves to do as much as possible with the resources available to us. We have consciously been investing more than many other providers of Retirement Housing to ensure that our properties remain contemporary, desirable and energy efficient.

Innovation and Influence: We look to influence and have a voice beyond Housing 21 by engaging with key stakeholders and have added value and demonstrated our particular expertise in respect of housing and dementia, design and digital inclusion.

We are definitely not complacent and continue to challenge ourselves to go further and do more by identifying five important areas for further consideration and attention. These are:

- Accountability – to ensure we are not just listening to and engaging with our residents and stakeholders, but also enabling them to have a real and active say in setting the priorities for the services they receive and how the organisation is managed.
- Diversity – to ensure that there is a commitment to diversity in representation and recognition at all levels so that all views and interests are fairly considered and appropriately prioritised in directing our efforts and investment.
- Sustainability – to ensure Housing 21 is playing its part and being proactive in protecting the environment and considering ways to minimise and mitigate any harm caused.
- Technology – to ensure that we are embracing and making the most of its potential to transform our ways of working and engagement with residents and each other.
- Quality – to ensure our focus remains on quality with the satisfaction and perceptions of residents remaining our primary indicator of success and effectiveness.

After having our G1/V1 regulatory status confirmed by an In Depth Assessment in March 2019, it is deeply disappointing that Housing 21 has been downgraded to G2 status because of our approach to maintaining variable service charges for affordable rent properties and historical rents on the Extra Care schemes provided under the Walsall PPP contract and other historical funding settlements. We are absolutely committed to working with the Regulator of Social Housing to address these issues and provide assurance that our commitment to doing the right thing also extends to good governance and doing things right.

Housing 21 has a strong and effective Board that plays a vital role in ensuring we are not diverted from our purpose and remain true to our values and culture as well as driving performance and balancing risks and opportunities. Last year we were pleased to welcome two new Board Members, David Clark and Elaine Elkington, who bring a wealth of experience and expertise in property and development matters combined with a clear commitment to our purpose and values. In September 2020 we will however lose two other strong Board Members, Kathleen Boyle and Michael Knott, who sadly have to stand down from the Board after completing their six year term of office. We are seeking new Board Members to bring new skills as well as hopefully adding to the Board's diversity of perspective. We were also sad that Stephanie Heeley had to step down as Resident Board Member at the end of January 2020 because she moved to other accommodation. We remain committed to appointing a Resident Board Member to replace Stephanie who was a strong and effective advocate for resident engagement, but we have had to pause the selection process due to the Covid-19 restrictions.

We remain confident and committed to pursuing our progressive and ambitious strategy, to do more and better to serve the needs of older people of modest means through the provision of quality Retirement Housing and Extra Care.

Stephen Hughes, Chairman **Bruce Moore, Chief Executive**

Post year-end Covid-19 update

The Covid-19 pandemic is perhaps the issue that had the biggest risk impact on society as a whole in a generation and in March 2020 became the major focus for risk monitoring and attention. We responded quickly, establishing a Task Group at the outset to ensure an effective, co-ordinated response across our three service areas of Extra Care, Retirement Living and Corporate Services. The safety and wellbeing of our residents, staff and contractors has been our key priority and we continue to work hard to ensure this is maintained.

Extra Care and Retirement Living properties enable each resident to live independently within their own self-contained apartment with their own front door so are distinct and different from care home settings. As a consequence, whilst Covid-19 has unfortunately impacted a few of our residents, where it has occurred it has been easier to isolate and control.

Our devolved housing management system and the rapid roll-out of Microsoft Teams enabled housing management and corporate services teams to work effectively from home. Where staff needed to be on site with residents they were supported and equipped to do so safely. Personal Protective Equipment (PPE) plays a vital part in ensuring staff can continue to support and care for residents safely. Ensuring that enough of the right type of PPE was available where it was needed was at times a particular concern, but we responded quickly and by redeploying resources to focus on sourcing the supplies required we never went short.

Our Court Managers have embraced digital working making regular, and in some cases more frequent, contact with residents as well as making weekly visits to courts to ensure all compliance checks are carried out. These checks, together with revised protocols for residents to support social distancing and increased cleaning regimes at our schemes, help to protect residents from any outbreaks and maintain the quality of our buildings.

Across Extra Care our emphasis on 'Doing the Right Thing' over the last few years has resulted in an engaged and committed workforce who have been truly amazing in the way they have responded and coped with the extraordinary challenges of Covid-19. Staff have always put residents first with some choosing to stay on site, away from their own families, in order to keep their residents safe. The strength of community support for our schemes has also been heart-warming with local school children sending pictures, cards and letters to residents not to mention the generous donations of food and supplies from local stores.

As an organisation, we have gone further than our previous commitment to provide guaranteed hours and pay 10% above the National Living Wage for our Care Workers, by providing enhanced occupational sickness pay for all Care Workers as well as free meals for those on each shift. We are proud of our reduction in Care Worker turnover which was already under 20% before the Covid-19 crisis and are continuing to work to recruit and retain the best people to provide the best service for our residents.

Whilst we invoked our Covid-19 planning in March 2020, there has not been a financial impact on our reported results in the year 2019/20. Whilst the financial results for 2020/21 will be impacted, our early assessment is that this will not be as significant as first expected. Any Covid-19 related costs are likely to be more than offset by the deferral of some of our major capital works. In our care settings the costs of additional PPE and additional measures are also likely to benefit from at least some contribution from the £3.2 billion set aside to support local authorities in maintaining social care.

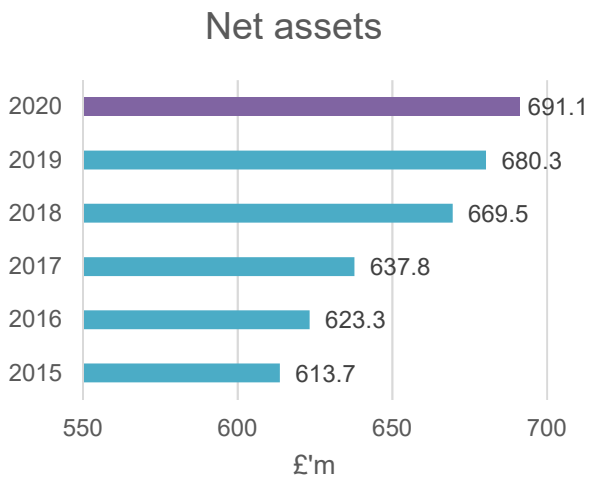
Across our Retirement Living and Extra Care housing services we might expect to have 50 properties become vacant and re-let in a typical week. During Covid-19 we were unable to re-let initially but more recently lettings have recommenced.

Looking beyond Covid-19, with work on our new developments having also recommenced sooner than predicted, our business plan is indicating that over the next five years our net profits should increase to around £25 million a year after a fall in 2021/22.

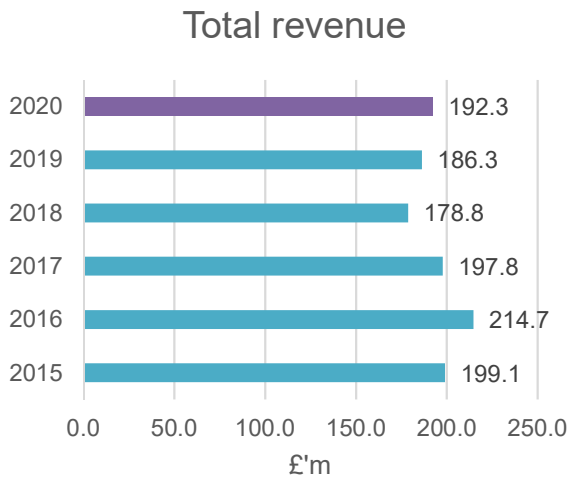
Fast facts and financial highlights*

- Largest provider of Extra Care housing in England
- 94% of care services rated as 'Good' or 'Outstanding' by the Care Quality Commission (CQC)
- Largest development programme of specialist housing for older people in England
- G2 & V1 Regulatory rating for Governance and Financial Viability
- 10% above National Living Wage pay for Care Workers
- 97% Resident satisfaction with the care they receive
- Over 55 years' experience
- Gold accredited Investor in People (IIP)
  *As of 31 March 2020

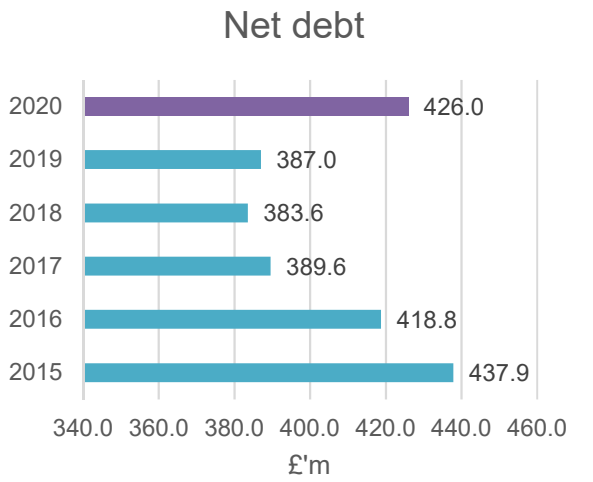
Our property numbers continue to grow through new developments and acquisitions from other providers



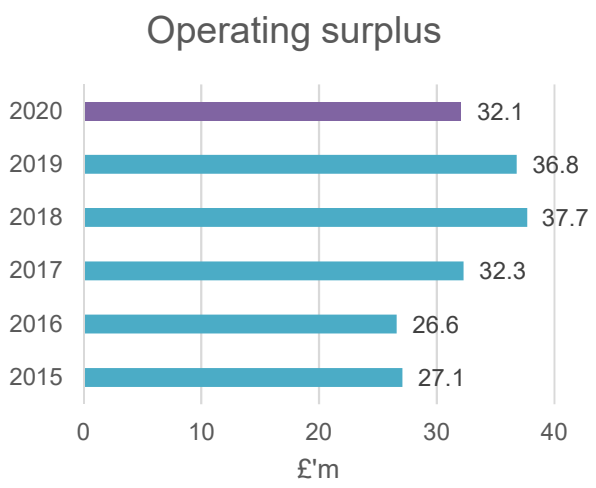
Net assets have increased from investment into our existing and new properties offset by increasing net debt



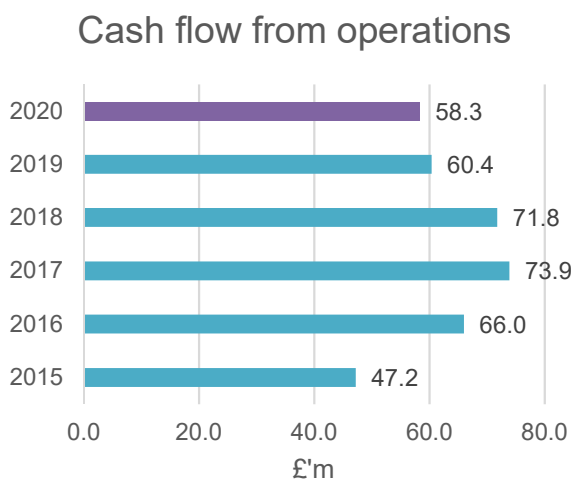
Revenues increased in recent years from new developments and acquisitions, even during a period of rent decreases



Net debt has increased in the year as result of the growing development programme and continued investment into our existing schemes



Our operating surplus in 2020 reflects a £2.8m one-off charge for the over collection of service charge



Cash generation from operations is strong and is consistent with prior year. This enables the continued investment in our existing properties

Strategic Report

We refreshed our seven Strategic Priorities in March 2019 to clarify our aims for investment and improvement whilst ensuring a focus on providing Value for Money (VFM) for our residents, and 'Doing the Right Thing' as an organisation. Our Strategic Plan 2019 – 2022 set targets for achievement as part of each priority, including a series of VFM metrics, to measure our progress which are regularly reviewed at Board level.

1. Investing in providing more homes

Housing 21 remains committed to one of the largest development programmes for older people's housing in England. We are working hard with partner local authorities, developers and contractors to deliver our growth targets, aiming to provide at least 800 new properties per annum by 2022/23.

During 2019/20, 11 schemes started on site. By year end we had 19 schemes on site, 17 Extra Care, two Retirement Housing and a total of 1,195 properties under construction. We invested £71.4m in developing new properties (*2019: £33.9m*). 57% of homes were for affordable rent, 41% for shared ownership and 2% for outright sale.

Acquisitions

Following the acquisition of Goldsborough Estates Limited and 577 properties in December 2018, we have worked hard to improve levels of service for residents and in January 2020 we combined patches with our existing Leasehold Team. This strengthened our capacity and enabled us to directly manage another 212 miscellaneous older people's properties, previously managed by a third party agent, saving costs and facilitating direct contact with Housing 21 residents.

We acquired two new Extra Care schemes from Hyde Housing on 9 December 2019, Limetree House, in Peckham, with 54 properties available for rent and Bellerophon House, in Rochester, Kent, with 41 properties for rent.

Supporting diverse communities

We are committed to developing in areas of greatest need and are working hard to develop new schemes in urban areas, reflecting the diversity of these communities and meeting the needs of BAME and other groups which are not currently being met.

We are in negotiations to acquire two sites in inner city Birmingham for potential co-housing schemes, where we could build approximately 25 homes on each for rent, and potentially shared ownership depending on demand, ready for occupation in 2023.

Our vision is to give local older people in these communities the opportunity to shape the design of the properties and communal spaces and to have a say in how the community facilities will operate. We will launch a programme of extensive two-way engagement, developing trust and dialogue to the mutual benefit of all involved.

Looking ahead

- 20 schemes in the pipeline progressing towards starting on site, 12 Extra Care and eight Retirement Housing meaning another 1,083 properties for older people due for delivery.

- We have renewed our focus on providing high quality accommodation for older people of modest means and are now looking to develop a minimum of 75% rental and 25% shared ownership properties. Previously 50% / 50%.

- We are targeting an annual development programme of 800 units a year, looking to work with more local authorities to develop much needed older people's housing and with a renewed emphasis on environmental considerations.

- We will develop using more off-site manufacture following encouraging results from our first off-site schemes back in March 2019. Both are very high quality with limited defects.

2. Investing in the quality of our existing properties

We are committed to ensuring our residents live in properties which are built and maintained to a high standard, making our properties an attractive choice whilst maintaining their cash generating capacity. We have completed the fourth year of a five year investment programme to invest more than £135 million in enhancing the design and specification of existing properties. We were on track to complete by 2021 but this has been delayed due to Covid-19.

In 2019/20 we successfully delivered £32.5m investment into our properties and made significant progress towards meeting our enhanced property standards on all schemes.

We undertook over 500 capital projects in the year including kitchen and bathroom replacements, digital emergency call systems, lifts, windows, and other mechanical, electrical and structural works. In addition we invested £4.6m on design-led makeovers and redecorating communal areas, working together with residents and involving them in the designs.

Fire safety

Fire safety and protection has always been of paramount importance and we have undertaken a thorough reappraisal of fire management, building on existing good practice and providing greater assurance, following Grenfell and the Hackitt Review. Our fire management strategy has been developed in close collaboration with our fire safety partners Cambridge Fire & Rescue Service.

Housing 21 has not been solely led by outcomes of the Review and had already taken steps to ensure the fire safety of our residents and buildings including;

- Installing sprinklers in all of our properties above six storeys
- Various fire stopping works
- Reviewing our fire alarm zoning
- Undertaking Type 4 fire risk assessment surveys

Property compliance

Ensuring our buildings provide a safe environment to live and operate in is a critical function of the Asset Management Team, achieved through assessments, inspections and servicing regimes.

Over the past year compliance performance has been consistently high, achieved through robust contract management and regular communication with our operational staff. We continuously review our compliance strategies, not only to fulfil our statutory obligations but to demonstrate best-practice and ensure value for money.

We also regularly identify retendering opportunities to help ensure we work with suitably competent and qualified contractors who are committed to delivering high-quality, compliant services.

Looking ahead

- Programme delivery significantly impacted by Covid-19. Property standards target postponed by 12 months until 31 March 2022, previously due for completion March 2021, depending on how and when restrictions are lifted.

- Average energy use per property should fall as further improvements are made to current stock and new developments achieve higher energy rating levels.

- Sourcing all electricity from renewable sources with immediate effect.

- No fossil fuel heating systems to be installed for new developments or refurbishments completed after 31 December 2022.

3. Investing in the quality and responsiveness of services

We are working hard to ensure that living in one of our properties is a positive choice and encourage regular feedback from residents. All schemes have regular resident meetings, providing a focus for engagement and decision making and including detailed discussion on service charges and other local spending.

We set ourselves a target to achieve a resident satisfaction level of at least 95% by 2022 with the quality and responsiveness of our services. Achieving 94% satisfaction in Retirement Housing and 92% in Extra Care shows that we are well on track to hitting our overall target of 95% by 2021.

Resident events

Following resident feedback we took a more localised approach and organised events regionally. It worked! Over 470 Retirement Housing residents attended and over 1,500 from Extra Care, compared to just 100 the previous year. Feedback was positive and residents heard directly from the senior team about organisational performance and what it means for them.

Regional reports

2019/20 saw the launch of these reports, celebrating successes alongside operational performance. The reports were well received and we have committed to publishing them annually.

Resident survey results

The results show that we are continuing to 'Do the Right Thing' for our residents with improvements across Extra Care and Retirement Housing. We received over 3,300 responses, including scheme specific results and feedback, with improved satisfaction across all regions.

Care satisfaction

We received 1,187 responses to the care survey (47%) and achieved an overall satisfaction score of 97%, exceeding our 2022 target of 95%. This is a great achievement, particularly as a number of local services achieved 100% Feedback will be used for continuous improvement.

Resident involvement in the recruitment of Court Managers

Over 50% of Court Manager recruitment in 2019/20 involved residents and this continues to increase. Where it does not occur, this is usually due to a lack of desire for involvement or disagreements as to resident representation.

Working to a devolved model – focus on the frontline

The new housing management system enables managers to work more effectively at a local level, putting them at the centre of providing a high quality service. Investment in the system reaffirms our commitment to retain our Court Managers. We will continue to develop them and use their feedback to build services. Staff turnover is low and below the benchmark for similar roles.

We also recognise the importance of our frontline Care Workers and believe that by investing in and valuing them, they provide the best care for our residents. We have worked hard to increase Care Worker engagement, including the launch of Care Worker forums and events. We have seen improved satisfaction, commitment and retention amongst the care workforce, including a 114% increase in the number of Care Workers and ancillary staff who completed the staff survey compared to last year, with 87% feeling satisfied with their role.

Care Worker turnover is now at 19.7%, hitting the 2021 target of less than 20%.

#TodayIWas

We launched the #TodayIWas campaign in February 2020 to challenge the perception of a career in care and encourage people to work with us. This has improved our attraction and continues to drive traffic to our careers web pages.

Quality of care – the road to Outstanding!
At the start of 2019, we didn't have a single service graded 'Outstanding' by the Care Quality Commission (CQC). At the start of 2020 six of our services, 8%, were graded 'Outstanding' and we are leading in the sector. This is a direct result of over two years' worth of investment and dedication to improving the quality of our care services. 94% of services now rated 'Good' or 'Outstanding' by the CQC as at 31 March 2020.

Suggestions, comments, compliments or complaints
The decentralisation of the complaints service is helping us to resolve more issues at a local level. In 2019/20 59 formal complaints were raised, 28 not upheld, 31 partly upheld/upheld.

During the year we introduced the 'Director's Review' stage for formal complaints, in line with best practice and Housing Ombudsman Service (HOS) feedback. Of the 31 complaints partly upheld / upheld, 13 Director's Reviews were completed and six went to HOS. Of these, two were resolved at Residents Panel and four did not escalate. Of the remaining seven, two found 'Maladministration' but appeals have been registered. We will look to learn from each and put steps in place to ensure they do not reoccur.

Looking ahead

- Continued focus on Care Worker engagement to further reduce turnover.
- Improving communication and engagement with residents including a census style survey.
- Working hard to replace all of our 'Requires Improvement' CQC grades with 'Good' or 'Outstanding'.

4. Investing in our people and potential

We understand that our success depends on the success and combined skill, commitment and talents of our people. We are proud to hold the Investors in People Gold accreditation, but are committed to doing more as we start 'pursuing Platinum' for our Investors in People assessment in 2021.

Staff survey
Results show a marked improvement, with responses also increasing by 21% to 60%, helping us to get a more accurate picture. We listened to feedback and ensured the questions were clear and easy to understand and will continue to work hard to ensure results improve year on year.

Key highlights

- Commitment to Housing 21 increased by 3% to 94%
- I am treated with respect by colleagues: 93%
- 96% of staff share the organisation's values
- 94% said diversity was welcome
- 96% said their work was interesting
- 89% confirmed that they challenge behaviours that do not match the organisations values
- 7% increase in people feeling supported in their personal development

The greatest improvement was a 9% increase in people being able to do their job in the hours available. This is likely to reflect the introduction of the devolved housing management system, giving operational staff more control.

Recruitment / employer brand
As part of our commitment to being an 'employer of choice' we have enhanced our employer brand, including the creation of 10 people promises, reflecting what our people value about working for us, and the 'Today I Was' recruitment campaign.

A renewed focus on promoting the culture, benefits and flexible working will help us attract new talent and we are also using new software which utilises research into gender bias to ensure our adverts appeal to a diverse audience.

Staff events
We recognise the importance of staff engagement and held 10 'Doing the Right Thing' staff events attended by over 1,000 members of staff. We also delivered 109 bite size events at 58 Extra Care schemes, increasing our reach to 999 Care Workers.

Training and development
There has been considerable investment in staff training and development, including our apprenticeship offer, with 228 members of staff currently working towards an apprenticeship. We also expanded our leadership development offer to include an 'Inspiring Excellence' programme.

Pay review / gender pay gap
Our gender pay gap is 25%, 1% lower than 2018/19, but still high largely due to the structure of the workforce in the sector in which we operate. Care Workers, Cleaners and Court Managers account for the vast majority of our staff and more than 90% of the people in these roles are female.

We are committed to transparency and fairness in our pay structure and completed phase 1 of the pay review of almost 200 staff in Corporate Services, removing complexity and reducing the number of pay scales. Salaries increased for the majority of roles as a result and the review also removed the potential for any unconscious bias in setting salaries going forward. Phase 2 will be completed for the remaining corporate roles in 2020/21.

Equality Diversity and Inclusion
Housing 21 is committed to equal opportunities and has an Equality, Diversity (EDI) and Inclusion Policy and supporting strategy which is refreshed annually. Our aim is not to just to comply with legal aspects relating to equality and diversity but to create an environment where individuals are highly valued with the contributions that they make as a result of their skills, experiences, characteristics and outlooks, recognised and respected.

We are committed to providing great services and ensuring that individuals have good experiences in an environment which is safe, welcoming, open and transparent and which values difference. We promote an environment where standards of conduct are of the highest level and where no one is harassed, bullied or victimised, and provide a range of options for staff and residents to raise any concerns that they may have.

During the year we formed a staff Equality, Diversity and Inclusion (EDI) group to collectively ensure we positively celebrate difference, raising awareness through news articles, celebratory events and informative workshops. We also carried out a data review to collect more meaningful information and focus our EDI strategy.

Looking ahead

- Working towards achieving a Platinum accreditation from Investors in People in 2021.
- Plans for a Care Apprentice Pilot and Apprentice Assistant Court Manager creating a talent pipeline.
- Launching our bespoke Level 5 Diploma in Leadership and Management and Level 7 Post Graduate Certificate in Leadership & Management with Worcester University. Currently exploring options for digital delivery due to Covid-19.
- Working towards earlier availability of gender pay gap information and reporting on the ethnicity pay gap.
- Rolling out the employer branding project phase 2, including reviewing our selection practices in Extra Care.

5. Investing in systems and technology

"Supporting the devolved model through transformative technology"

Our Information Systems (IS) support our devolved operating model through the provision of transformative technology, key to providing a responsive service to our residents and meeting the needs of the wider organisation. The emphasis is on migrating from a static operating platform to a flexible, modern, on demand model. The IS Strategy is built around three key pillars:

Business systems
We are developing systems to allow remote access for frontline staff. Over 700 members of staff are using mobile technology to deliver an efficient response to residents. Plans include moving to cloud based applications where appropriate and extending the delivery of services from mobile devices.

Staff technology
'New Ways of Working' (NWOW) aims to deliver a revised technology landscape for staff and includes a comprehensive review of technology, software, connectivity, devices and supporting infrastructure, driven by increased mobile working and working from home which has accelerated since the Covid-19 outbreak. New services and video technology have been rolled out to hundreds of staff and a significant proportion of information technology provision is being moved to the cloud.

Resident technology
Analogue emergency call systems are being replaced with digital and we are introducing additional features including WiFi and Bluetooth as part of the standard offering. Digital brings with it faster emergency connections and a wealth of additional applications and features including digital calling to Court Managers and other residents. Work is ongoing to extend the range of apps and features available. Working with Appello we have now completed 178 digital upgrades.

The three pillars are supported by our Cyber Security Strategy which aims to ensure we maintain a safe, secure and reliable network. We continue to invest in advanced threat protection and our Cyber Security Strategy helps to raise awareness with phishing simulations, cyber resilience for email, awareness training and security controls.

Looking ahead
Key technology projects in 2019/20 for development into 2020/21:

- Introducing a new rostering and Care Management System for Extra Care
- Introducing a better Case Management System
- Improving Business Information Reporting

6. Investing to provide value for money

An update on the sixth priority, Value for Money, is included as a separate section later in the report.

7. Investment in innovation and influence

We are committed to playing a leading role in the provision of housing, care and support services for older people of modest means and will speak up for and advocate on issues that are of importance and concern to our residents. We will also continue to challenge ourselves and others to think about what current and future generations will want and expect and use these insights to help shape our service provision and offer.

Conferences and events
Our annual October conference brought together over 150 delegates to hear the thoughts of academics and practitioners surrounding 'Is the UK Institutionally Ageist?' Debates focused on how ageism is embedded and reinforced by society through assumptions around ageing going unchallenged, making it the only form of acceptable discrimination.

In November 2019, our Productive Planning Partnership event focussed on the challenges faced in developing Extra Care housing, exploring the relationships between local authorities, planners, social services and housing teams and highlighting tensions and solutions to effectively deliver housing and care for older people of modest means.

We continue to support the All-Party Parliamentary Group on housing and care for older people and actively contribute to publications arising from that group.

Friends of Housing 21
This initiative was started to enable ex-Board Members to remain connected to Housing 21 and also includes engaged stakeholders, both of which we value in influencing our thinking.

We hosted two events during the year, each attended by approximately 20 people. Debates included what our residents currently valued and what we would need to change to meet the changing demands and aspirations of future generations together with what the Retirement Housing product should be in the future.

Our work on dementia
We remain committed to being a dementia-friendly organisation and have sought to include consideration of dementia throughout our services, from the initial design of our buildings and the incorporation of good design in our refurbishments and makeovers through to the extensive training which we provide for our staff. All staff become Dementia Friends during their induction and we have extended this to our contractors, who we expect to engage with the Dementia Friends initiative.

Looking ahead

- Launching guides to provide practical information for staff, residents, family and friends around different aspects of dementia such as supporting someone who walks with purpose.

- Re-launching the Dementia-Friendly Housing Charter together with the Alzheimer's Society.

- Continuing to chair the national Housing and Dementia Working Group to forge links and partnerships across health, social care and housing. This will increase awareness of dementia and the positive role which appropriate housing can have in helping people live well with dementia.

Summary of social impact report / 'Doing the Right Thing'

This is the first year we will be publishing our 'Doing the Right Thing' report. It demonstrates the positive impact we have on our residents, staff and our communities. We want to be bold, we want to be brilliant and we want to keep focused on doing the right thing through our focus on residents, being an employer of choice and our impact on communities and the economy. We have four key areas of focus:

1. Supporting our residents to live well

We actively listen to our residents to understand how well we are doing and where we could do more. We engage with them in a variety of ways, both informally and formally, always tailored to the local situation and with a positive, can do attitude. Our annual events enable residents to question our Board and Executive Team and resident satisfaction remains high.

We are a dementia-friendly organisation and enable people affected by dementia to live well.
We proactively offer support and advice to our residents who fall into rent arrears and we are currently working with them to maintain their tenancies.

Keeping residents safe and secure is at the heart of what we do. The key focus of our safeguarding work is on prevention. We are providing the tools and knowledge to our staff to further build their confidence to manage safeguarding concerns whilst empowering residents.

All of our properties are pet-friendly and we support pet ownership for the positive difference it makes to the lives of our residents.

2. Investing in our staff / being an employer of choice

Our people are at the heart of what we do. We welcome the social responsibility which we have as an employer to do the right thing for our people. Last year:

- 2013 members of staff attended the annual staff events
- 120 volunteer days were taken
- 22,793 e-learning sessions were accessed
- 846 face to face training sessions were held
- 130 members of staff started on our Leadership Development Programme
- 228 members of staff started working towards an Apprenticeship from Level 2 to an MBA

We value the opinions of our people and believe that they are key to helping us move forward and fulfil our purpose.

- We have five staff representative groups
- 90% of our staff are satisfied working for Housing 21
- We have a FAB ideas initiative to encourage innovation

3. Investing in communities and the economy

At Housing 21, we want our independent living schemes to be an integral part of their local community so residents can connect with, and influence, that community.

Our first co-housing project has identified two pieces of land in Birmingham. Both wards have significant deprivation and a large BAME community. We aim to provide housing which meets the needs of the local community as well as giving potential residents the opportunity to shape the design of the scheme and communal spaces.

4. The positive choices we are making for the environment are covered in the following section.

Our environmental sustainability strategy

Housing, or the residential sector, is responsible for about one-fifth of UK carbon emissions. If construction is included it is significantly higher. We are early in our environmental journey and are working hard to raise our environmental standards and decrease fuel poverty. We are committed to supporting the government's environmental strategy and we are targeting not to install any fossil fuel heating systems in new developments from 2023 in order to meet the government's target of becoming net zero carbon by 2050. 84% of our properties are already EPC C or above.

The Board are keen to act in the areas that would make most difference and has agreed that the emphasis should be on five key areas of:

- Carbon Impact/Energy Consumption
- Climate Change Resilience
- Water Usage
- Waste Management and Recycling
- Transport

It has also been agreed that we should seek to go beyond legal requirements, exceed minimum standards and strive to achieve a position of 'doing no harm', although it was also recognised that this was likely to have knock-on implications and consequences.

The Board will act as the champions of the environmental agenda, with leadership from the Chief Executive, and have set some initial targets to drive action in respect of the five key areas:

Carbon Impact/Energy Consumption

- Quantification of the energy savings achieved to date through investment in bringing properties up to at least EPC level C and use this metric to monitor further improvement. Average energy use per property should fall as further improvements are made to current stock and new developments achieve higher energy rating levels.

- All electricity to be sourced from renewable sources with immediate effect.

- No fossil fuel heating systems to be installed for new developments or refurbishments completed after 31 December 2022.

Climate Change Resilience

- Every scheme will be audited for Climate Change Resilience during the next 12 months. Action plans will be produced and works scheduled to address any issues.

- All new developments to be subject to a climate risk assessment and evaluation of options as well as alternative solutions to reduce carbon impact, water usage and waste.

Water Usage

- Establish a baseline level and means of measurement/monitoring water usage.

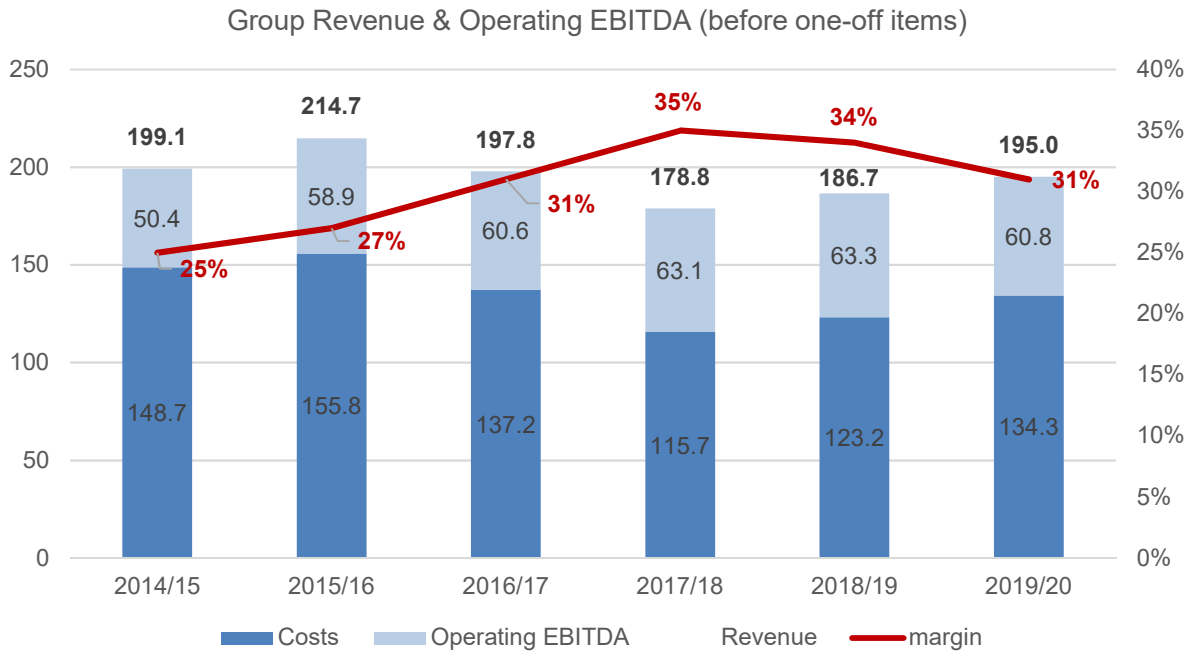
Waste Management and Recycling

- Provide a baseline position on waste produced and proportion recycled by September 2020 (with the exception of Property Maintenance, due to difficulty of monitoring waste and material use by maintenance contractors).

Transport

- Reduce travel costs in the 2020/21 budgets by at least 5% and reduce car travel by 10%, but these need to be linked to a review of car and travel policies and new ways of working in the IS Strategy.

Our business performance



We are pleased to report our financial results for the year ended 31 March 2020. Our Operating EBITDA[1] before one-off items, which largely reflects our cash generation from operations, is £60.8m *(2019: £63.3m).*

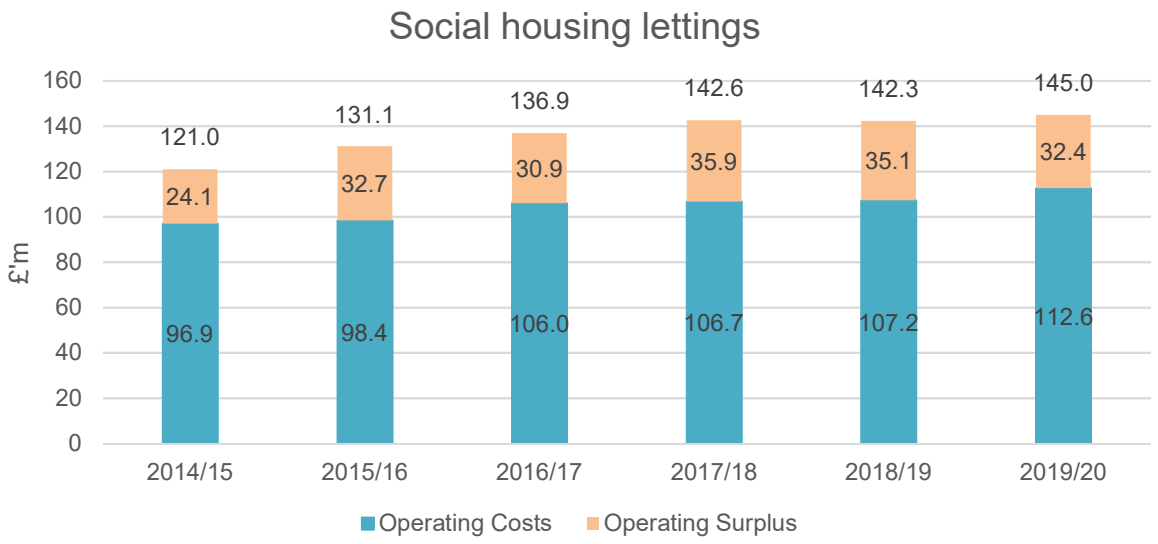
The outturn for the year represents a year of investment resulting in slightly lower EBITDA due to some higher departmental costs, for example larger development teams, to support our plans to develop 800 units a year in line with our financial projections. The size and nature of our developments results in almost a three-year cycle from inception until completion. We are now on site developing 1,195 units with the expectation that we will hit 800 completions per annum from 2022/23, a year later than planned due to the inevitable challenges around planning for these size of developments.

The historic six-year picture represents the rationalisation of our organisation to focus on two core service offerings, Retirement Living and Extra Care Living. During this period we sold our Home Care activities, which by its nature is a low margin business, to other providers. This resulted in higher margins, despite lower revenues. Over this period we had minimal development and as our future developments come on stream this will increase our EBITDA.

The majority of our Operating EBITDA is used for capital investment in our existing properties and the servicing of our debt costs. Any remaining surpluses are used for investment in new developments and housing supply.

[1] Earnings Before Interest, Taxation, Depreciation and Amortisation and one off item

a. Social housing lettings



Our social housing lettings represent our Retirement Living and Extra Care Living housing services, including the housing services delivered through our three PFI / PPP contracts. The social care services that we deliver to our residents in our Extra Care properties are not included here, but are included within 'non-social housing activities'.

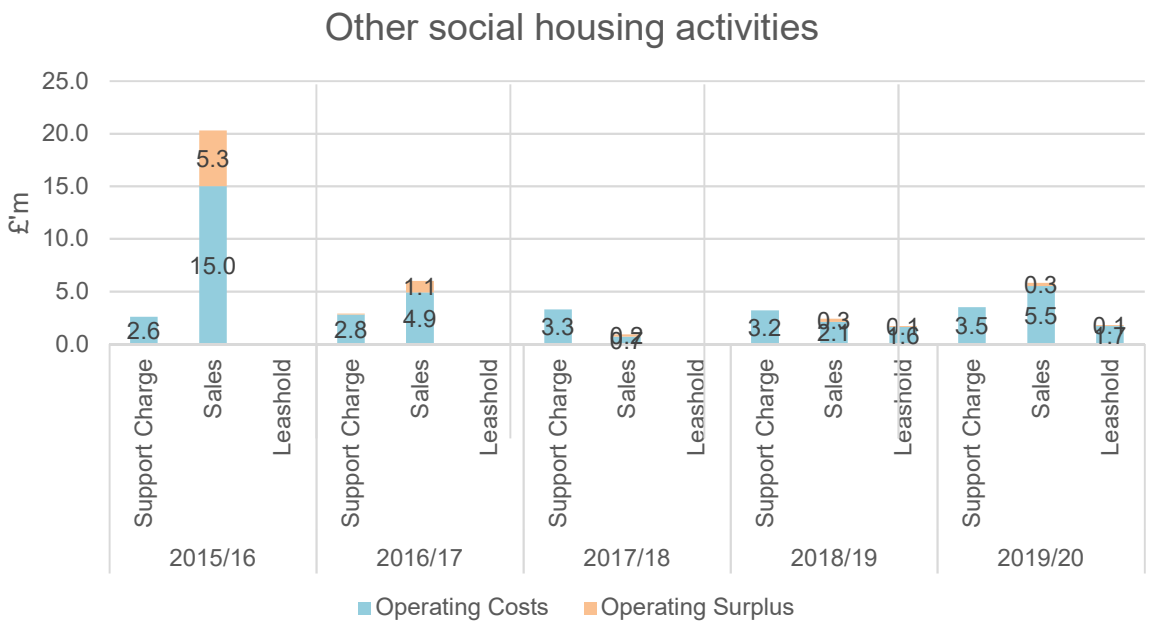
The revenues from our core social housing lettings activities have increased to £145.0m in the year (*2019: £142.3m*), an increase of 1.9%. Our rent receivable has increased marginally to £89.2m (*2019: £88.6m*) despite the application of the 1% rent decrease. The increase in rent receivable has been driven by the impact of acquisitions in the year, the full year impact of new properties commissioned and acquisitions in 2018/19. A significant part of our revenues relates to service and utility charges which mirrors the higher variable service costs incurred on behalf of our residents.

The operating surplus from social lettings at £32.4m, compared to £35.1m, includes £0.9m higher spend in property maintenance costs, £0.9m higher depreciation charges and our higher investment in management costs as we build up property development volumes to 800 units a year which will start to come on stream in 2022/23.

Our routine and planned maintenance and major repairs expenditure has increased by £0.9m in the year to £23.5m (*2019: £22.6m*). This, together with our capital investment in the year of £32.5m (*2019: £28.8m*) in our properties, reflects our continued focus on investing in our properties to ensure they are let at an appropriate quality standard.

Our aim and challenge moving forward is to continue delivering high quality housing services in the face of continuing cost pressures. The management of costs which are passed to our residents (through service, utility and support charges) is also a key aim to ensure our properties remain affordable.

b. Other social housing activities



Other social housing activities relate to our support charge, which is around £3m per annum with no surplus or deficit, social leasehold services where all revenue relates to service and utility charges, with the small surplus generated from an admin fee and shared ownership first tranche and outright property sales, which are much more variable depending on the development cycle.

Since the delivery of the AHP1 properties at the end of 2014/15 which resulted in a major spike in subsequent property sales in 2015/16, our level of sales activity has been low. During the year, we sold 61 properties (*2019: 19 properties*) for a total receipts value of £5.8m (*2019: £2.4m*). The majority of sales this year were shared ownership sales with only five outright sales.

At 31 March 2020 we had 26 unsold properties, the majority of which relate to a scheme in North Yorkshire *(2019: seven across England).* Depending on Covid-19 we anticipate that these units will be sold or converted to rent in the year to meet further rental demand. With a focus on an annual development program of 800 units, we are anticipating a sales programme going forward of between 150-200 shared ownership units a year. We are not anticipating any issues with continuing to sell the properties at the price, rate and equity that we have projected. However, with our focus increasing on meeting demand in the rented sector, we have the option to switch these if required.

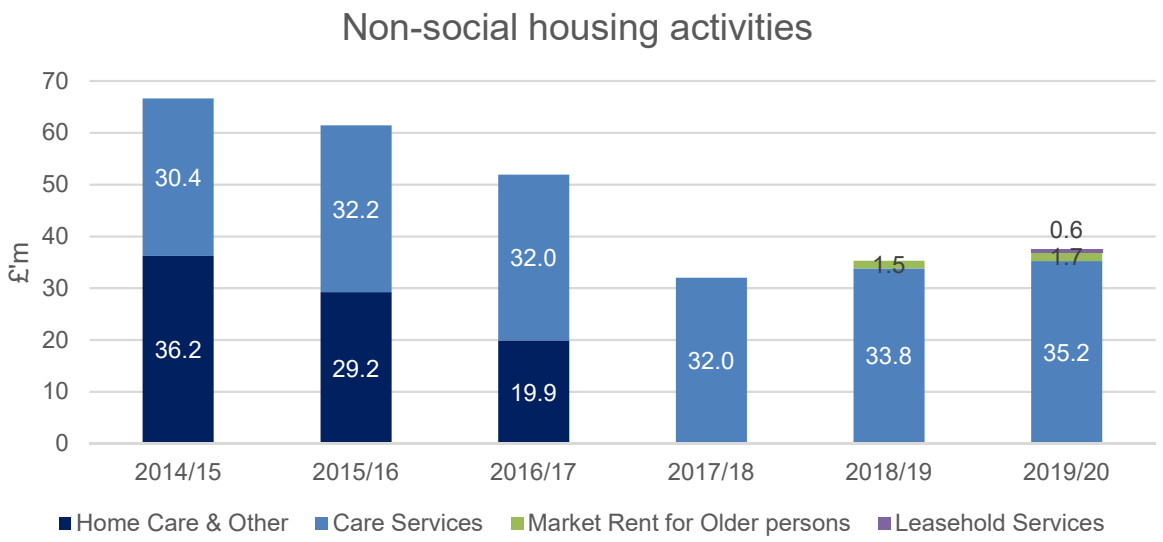
We are proud of our social housing roots and do not develop commercially to cross-subsidise social housing developments.

Our development strategy going forward is to focus more on rented stock, 75% on rented and 25% on shared ownership, and no outright sales. Income from our shared ownership sales has been and will remain a relatively small part of our revenue and we are not reliant on these sales to meet lender covenants or support cash flow. Our development sales risk is also less exposed than others in the housing market as our buyers are primarily those with existing capital who won't be subject to mortgage affordability and interest rate changes. Even if all of our unsold and committed future sales properties were converted to rental we would still be able to meet all of our covenants with ease.

In the main we do not bank land and instead work closely with local authorities, the NHS and private developers to identify and provide for the needs of an older population. Our biggest challenge is securing viable sites to be able to achieve our build ambitions but we are working hard with our partners and continuously developing new partnerships to help us do so.

We also reflect the one off service charge adjustment of £2.8m in respect of the affordable rent service credit we committed to as part of the rent regulatory issue. To address the concerns raised by the Regulator of Social Housing, Housing 21 has confirmed that it will in future aggregate rents and service charges when applying permitted increases or decreases in the charges for all existing affordable rent tenancies. Housing 21 has also confirmed that rents for new tenancies will either be set as social/formula rents with a variable service charge or set on a fixed gross rent basis (inclusive of service charge) linked to a discount below 80% of the market rent position. We anticipate these changes will result in higher income going forward.

Non-social housing activities



*Market rent for older persons and leasehold services were previously disclosed in social housing (pre 2018/19)

Over the past five years we have significantly reduced and exited from what we would consider our non-core activities. This was primarily our Home Care service which we transferred safely to specialist providers at the end of 2016/17. Our remaining non-social housing activities now consist of our social care services that we deliver to our residents in our Extra Care and Walsall PPP courts. We consider these services as integral to fulfilling our core purpose of providing high quality Retirement Housing and Extra Care for older people of modest means.

During 2019/20 our non-social housing revenue of £37.5m represents 19.5% of our total revenues, whereas this was 33.4% in 2014/15.

The most significant element of our non-social housing activity is our care service. Our care business model is to provide care for older people in a housing setting, enabling them to retain their independence with the reassurance of having Care Workers on-site 24/7. Therefore, our care services form an integrated service for our residents, however, they are two very distinct commercial activities. This means that the housing service and the care service can be delivered independently of each other – illustrated by the fact that currently in around half of our Extra Care Living schemes, the care services are provided by another organisation. Our strategic aim is to provide integrated services and over time we aim to provide the majority of the care in our Extra Care schemes whilst maintaining acceptable pricing and high quality standards.

We have been successful over the previous few years, in achieving modest growth in our revenues through some new services; growth in hours; and obtaining higher charge rates, whilst maintaining relatively consistent margins of 3% – 4%. This has been achieved despite funding pressures from local authority commissioners and the challenges of National Living Wage increases.

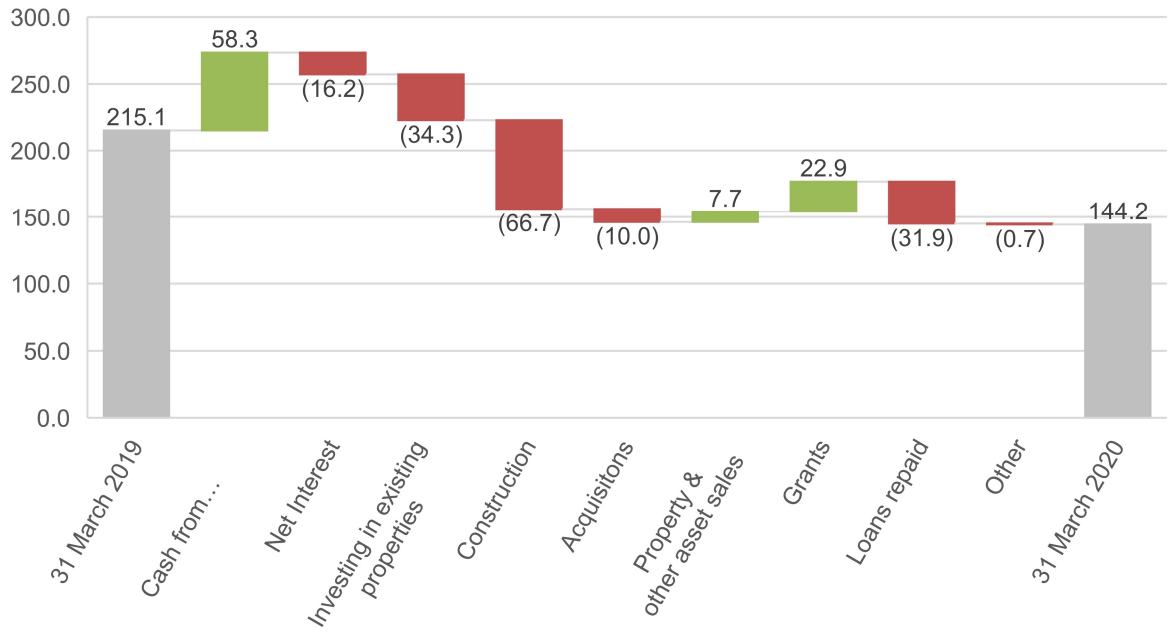
In addition we made the strategic decision two years ago to pay all of our Care Workers at least National Living Wage + 10%, with the aim of enhancing service quality through increasing staff engagement and reducing staff turnover.

The margins and surpluses of our care services are very modest compared to our social housing activities; representing just 3.5% of our overall operating surpluses; therefore, their contribution to our financial performance and strength is minimal. We remain committed over time to ensure our care services at least breakeven whilst providing a high quality service and a fair remuneration to our Care Workers. We make it clear to care commissioners that our proposition and business model is predicated on quality and being a 'better than good' provider in the market. For that service, there is a minimum price which needs to be paid for us to continue providing the service and bidding for contracts. If commissioners are unwilling to meet this, we would hand the contract back to the council or to a new provider via the TUPE process. This effectively results in zero to minimal risk of exit of these care services if this eventuality arose.

Also included in non-social housing is the leasehold services provided to properties managed by Goldsborough Estates Limited (£0.6m revenue; £0.2m surplus) which the Group acquired in the prior year and 212 market rent properties for older people owned by the Group and managed by an external company (£1.7m revenue; £0.5m surplus) which were previously included in social housing activities.

c. Cash flow and treasury

Our capital / development commitments will be funded by a mixture of grants, sales proceeds, operating cash flows and borrowings. We have sufficient cash holdings, secured grant and secured financing which is available for immediate drawdown to meet all of our contractually approved capital commitments. As at 31 March 2020 our cash and investment holdings are £144.2m (*2019: £215.1m*) and we have undrawn facilities of £25m (*2019: £25m*).



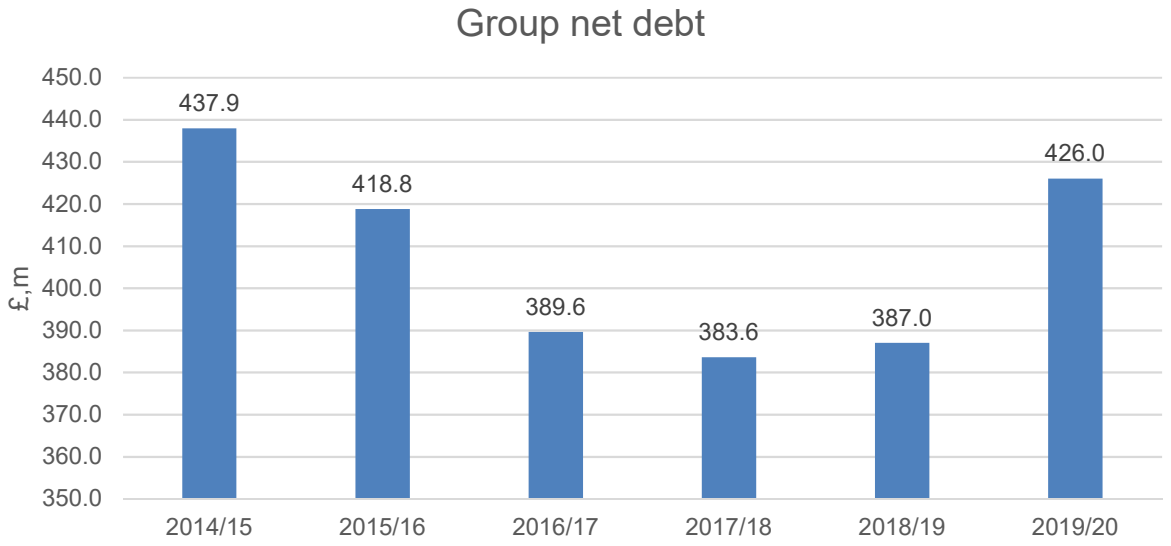
We currently do not need to arrange any new or re-financing activities to deliver our contractually committed programme of £119m. We aim to have at least an 18 month period of available financing at any given time. This ensures we always have sufficient liquidity to meet our commitments.

Our cash and investment holdings of £144.2m (*2019: £215.1m*) reflects our first ever £250m public bond issue during 2017/18 and we anticipate that with current projected spend we will raise further funds in 2020/21 to support our development aspirations.

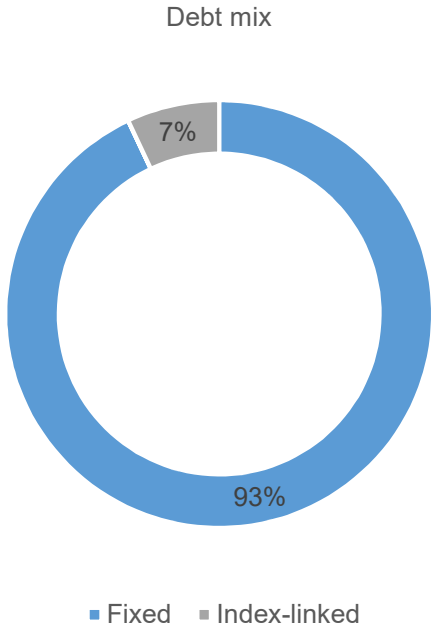
We have maintained our 'golden rule' that we will never borrow to service our debt or to invest in our existing properties. These will always be resourced from our operational cash flows. Moreover, neither are we reliant on capital grants or property sales receipts to underpin our debt servicing or investment in existing properties – development inflows (i.e. grants and sales receipts) and loans are effectively 'ring-fenced' for investments in new properties only.

During the year we generated £58.3m (*2019: £60.4m*) of cash from our core operations which paid for our net interest costs of £16.2m (*2019: £17.3m*) and investment in existing properties of £34.3m (*2019: £29.8m*), leaving £7.8m capacity for reinvestment and debt repayments.

The movement in our net debt had remained relatively consistent over the previous three years, as detailed in the chart below, as our development spend had remained low and could be mainly funded from our surpluses. During this year as we progressed with the build up to our 800 development units per annum, we have seen a significant increase in our development expenditure of £66.7m (*2019: £31.3m*) and the acquisition of two Extra Care schemes from Hyde Housing Association cost £10m.



We continue to be almost entirely sheltered from interest rate volatility by virtue of our loan book being mainly on fixed rates, which includes fixing arrangements and interest rate swaps. As at 31 March 2020 (and 31 March 2019) the debt mix was as follows:



The overall nature of our loan book and financing arrangements is very basic and simple. This means that we are not subject to onerous financing terms and are relatively sheltered from volatility in the capital markets. We have just four derivative swap instruments, three of which are embedded within the PFI contract terms, and we have no complex loans to be held at market value. It is our policy that this will continue to be the case.

Our debt and financing activities are managed by our centralised treasury function, which is overseen by our Chief Financial Officer and our Investment and Development Committee. The treasury function ensures it operates within the parameters of a Board approved Treasury Management Policy. The Policy ensures appropriate management of certain key treasury risks including:

- Ensuring lenders' covenants remain within a set of 'shadow' limits (as opposed to the minimum lenders' requirement);
- Funding is targeted to be available at least 18 months ahead of time;
- Speculative investments / options are not undertaken; and
- Interest rate risk is minimised.

Creditor payment policy

We agree payment terms with our suppliers when we enter into binding contracts. We seek to abide by these terms when we are satisfied that the supplier has provided the goods or services in accordance with agreed terms and conditions.

Going concern

After making enquiries, the Board has a reasonable expectation that we have adequate resources to continue in operational existence for the foreseeable future. The Board obtains further assurance of financial viability through the annual budgeting, quarterly re-forecasting and long-term business planning exercises. Within all these exercises, we assess and stress test the availability of funding, liquidity and compliance with lenders' covenants over at least a three-year period. This ensures the Board has a continual and rolling process of reviewing and assessing our financial strength and viability.

Whilst we invoked our Covid-19 planning in March 2020, there has not been a financial impact on our reported results in the year 2019/20. Whilst the financial results for 2020/21 will be impacted, our early assessment is that this will not be as significant as first expected. Any Covid-19 related costs are likely to be more than offset by the deferral of some of our major capital works. In our care settings the costs of additional PPE and additional measures are also likely to benefit from at least some contribution from the £3.2 billion set aside to support local authorities in maintaining social care.

Across our Retirement Living and Extra Care housing services we might expect to have 50 properties become vacant and re-let in a typical week. During Covid-19 we were unable to re-let initially but more recently lettings have recommenced.

Looking beyond Covid-19, with work on our new developments having also recommenced sooner than predicted, our business plan is indicating that over the next five years our net profits should increase to around £25 million a year after a fall in 2021/22.

For this reason, the going concern basis has been adopted in these Financial Statements.

Accounting policy changes

We have not made any other changes to our accounting policies in the current financial year. However, there was a disclosure change in the Comprehensive Income Statement where we have included the sale of other properties (including staircasing) as part of Operating Surplus in accordance with the SORP.

Last year the first time application of pensions accounting for multi-employer schemes in accordance with Section 28 of FRS 102 was reflected as an accounting policy change. In previous financial years, insufficient information had been provided by the Social Housing Pension Scheme (SHPS) to identify our share of the assets and liabilities. Therefore prior to 2018/19, we had applied the exemption in FRS 102 and accounted for the scheme as if it were a defined contribution scheme. However, during 2018/19 SHPS made sufficient information available in order to account for the full pension liability for the first time. Full details of the accounting policy are disclosed in the notes to the Financial Statements.

We have not made any other changes to our accounting policies in the current financial year. The other key accounting policies are also stated in the notes to the Financial Statements and have been consistently applied throughout the year in preparing these documents.

Charitable and political gifts

We did not directly make any charitable or political donations in the year (*2019: nil*). However, we do support the work undertaken by staff and residents in their various charitable initiatives.

Value for Money Report

We continue to challenge ourselves to make the most of our resources and demonstrate how we balance cost, quality and performance to provide the best results for our residents. To facilitate this our Value for Money (VFM) steering group meets regularly and has representation from across the organisation to ensure VFM is embedded throughout and is inherent in every decision we make. The steering group continue to set and monitor a series of operational metrics for each area which underpins our Strategic Priorities.

Value for money is not all about cutting costs; improving efficiency and effectiveness of our services is just as important. We continually review our service provision to make the most of our resources and provide the best results for our residents. Specialist housing for older people has a pivotal role to play in reducing the number of hospital visits, improving wellbeing and reducing loneliness and this year we have produced a separate report, 'Doing the Right Thing', which looks at some of the social value benefits created by the services we provide. A summary of this report can be found on page 17 and the full report will be available on the Housing 21 website.

We are currently about to embark on a 'New Ways of Working' project to identify further efficiencies and learning from experiences we have encountered since Covid-19 and are exploring the next steps in meeting environmental targets as outlined on page 18. Our Strategic Plan 2019 /2022 highlighted three key targets for each of our seven Strategic Priorities. We report on progress below.

Our Strategic Priority VFM targets

1. Investing in providing more homes

Measure	Strategic 2022 target	Progress
Development of new homes	2,100 Extra Care Living properties 210 Retirement Living properties	We project that we will hit this target by March 2023, achieving up to 800 units per annum thereafter
Acquisition of existing homes from other providers	No specific target other than to ensure acquisitions result in better service outcomes for the residents of the properties acquired	Acquired 95 properties in year
Establishment of community housing offer for disadvantaged and under-recognised communities of older people of modest means	At least one established and opened by 2022	Two potential sites have been identified. Aiming for completion in 2023

We have a healthy pipeline of future Extra Care and Retirement schemes and the Development Steering Group has approved a further 20 schemes, totalling 1,083 units to progress. Hopefully some of these will be on site by the end of the financial year. We have slipped behind our strategic target for 2022 as it is taking slightly longer to bring sites forward due to delays in planning, lack of certainty of Homes England funding post March 2021 and Covid-19, but we expect to have achieved this by March 2023 and will then work towards the target of 800 units per annum.

We are also exploring further acquisitions of older people's housing from other Registered Providers and are in advanced negotiations to purchase 73 units of Retirement Housing.

2. Investing in the quality of our existing properties

Measure	Strategic 2022 target	Progress
Delivery of property standard	All kitchens less than 20 years old All bathrooms less than 20 years old All properties with an EPC rating of at least C All schemes to have had a makeover in the past seven years	96% of kitchens meet the standard 98% of bathrooms meet the standard 84% meet the EPC standard 95% meet the makeover standard
Resident satisfaction with quality of home	95%	Retirement Housing: 92% Extra Care: 90%
Courts to have fully digital warden call system	100% by March 2025	178 schemes

We have made improvements across all the key metrics in our property standards. Furthermore 28 schemes have had a digital warden call system installed in the year. Satisfaction remains high and we are on track to achieve our target of 95%.

3. Investing in the quality and responsiveness of services

Measure	Strategic 2022 target	Progress
Overall satisfaction with Housing 21	95%	Retirement Housing: 94% Extra Care: 92%
Local Service Agreements in place, providing a focus for local engagement and decision making	All schemes	All Retirement Housing schemes have individual service agreements. Extra Care schemes are working towards having them in place
High desirability of properties through low re-let void loss percentage	Retirement Housing: 1% Extra Care: 1.5%	Retirement Housing: 0.9% Extra Care: 1.3%

Resident satisfaction scores with quality of service have increased since last year (*87% in 2018/19*) as we are starting to see the benefits of the initiatives implemented over the last few years. We continue to engage with residents on key decisions that impact them to ensure they have a voice in how our services are delivered.

We are ahead of our void targets for re-lets demonstrating that people want to live in our properties and if a property does become void, we have a healthy waiting list of people wanting to move in.

Measure	Strategic 2022 target	Progress
CQC care service rating of 'Good' or 'Outstanding'	100% of services	94%
Care service user satisfaction with quality and responsiveness of the services provided	95%	97%
High Care Worker satisfaction and low turnover	Satisfaction: 90% Turnover: 20%	Satisfaction: 87% Turnover: 20%

We now have six Extra Care services rated as 'Outstanding' and are focussing on the remaining six

which do not currently meet our 'Good' target. Care service user satisfaction has increased in the year to 97% (*93% in 2018/19).* Care Worker satisfaction is nearing target at 87% and turnover is 20% (*22% in 2018/19)* meeting our 2022 target. We continue to invest in and value our care staff. For the first time we held 109 smaller staff engagement events at 58 Extra Care sites in the year to help those who, due to their nature of their work, are normally unable to join our regional staff events. 999 Care Workers attended.

4. Investing in our people and potential

Measure	Strategic 2022 target	Progress
Accreditation as Investors in People Gold (IIP) employer	Retain or improve on Gold accreditation	Working towards IIP Platinum
Full utilisation of our Apprenticeship Levy contributions through provision of training	100% utilisation	48% at 31 March 2020 but we anticipate using all of our Apprenticeship Levy within the permitted timescales
Staff say they are proud to work for Housing 21	90%	Feel committed: 94% Share our values: 96% Staff satisfaction: 90%

We comment on our activities in this area in our Strategic Report.

5. Investing in systems and technology

Measure	Strategic 2022 target	Progress
Transition from fixed client computing to fully flexible and mobile solutions	For all staff	Pilot underway, cloud migration plans established
Further / phase 2 housing management systems enhancements	Full implementation	Enhancement projects underway as part of BAU
Digital systemisation of care records	Trial in Walsall 2019/20. Full implementation thereafter if appropriate	Positive results at mid-point review with the success measures either improving or remaining the same

We successfully launched our devolved housing management system in May 2019. While further work is to be done and a number of enhancements have been identified and are being rolled out, this project has been handed over to our IS team so that the Business Transformation team can focus on delivering new projects.

Since last year our third target has been expanded to a wider Extra Care system implementation project which will include care rostering and as well as the digital systemisation of care records. We are planning to roll this out to all sites by 2022.

6. Investing to provide value for money

We have established a suite of operational metrics for each key area of the business which underpin the strategic measures. By bringing together all areas to review key performance metrics we can identify areas of best practice. These operational targets are key to budget setting and to ensure service provision continually improves both in our frontline services and support roles.

We need to undertake further work with other organisations, both within and outside of the sector, to understand how our performance compares and look to identify further improvements.

7. Investment in innovation and influence

Measure	2022 target	Progress
Residents becoming Dementia Friends or Champions	10,000	5,070 in total (961 in the year)
Housing 21's annual conference - bringing academics and practitioners together	Host annually	Successfully hosted third annual conference
Embedding dementia-friendly principles into our work	N/A	Ongoing

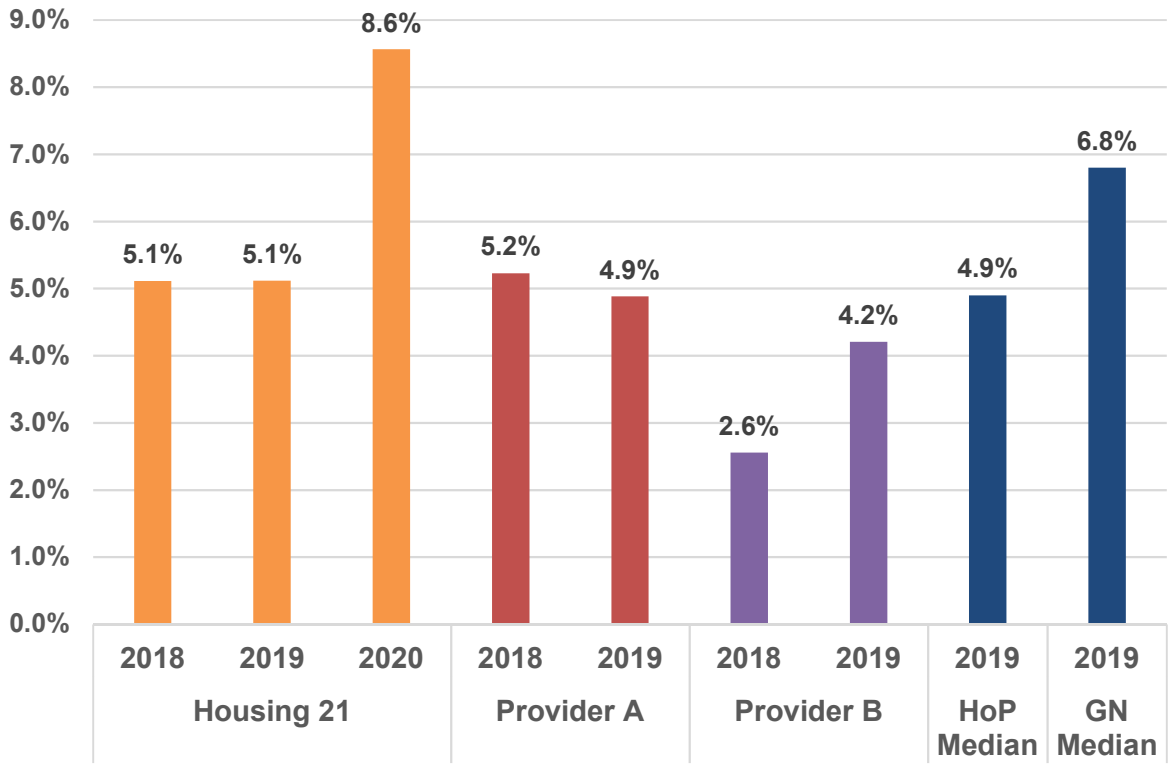
We continue to be very active in this area and have commented in our Strategic Report.

Our VFM metrics on the Regulator's measures

Our results against the Regulator's Value for Money metrics can be found below together with a comparison to our peers who also have a high proportion of older people's housing. We have benchmarked against the median results for housing for older persons (HoP) and general needs (GN) providers taken from the Regulator's 2019 Global Accounts Annex.

This year is a stepping stone towards our higher aspirational growth and we have been gearing up our operational and corporate services to support plans to develop 800 units a year going forward. As such some of our metrics have been impacted, however we expect them to improve in future years as we start to see the benefits of this investment.

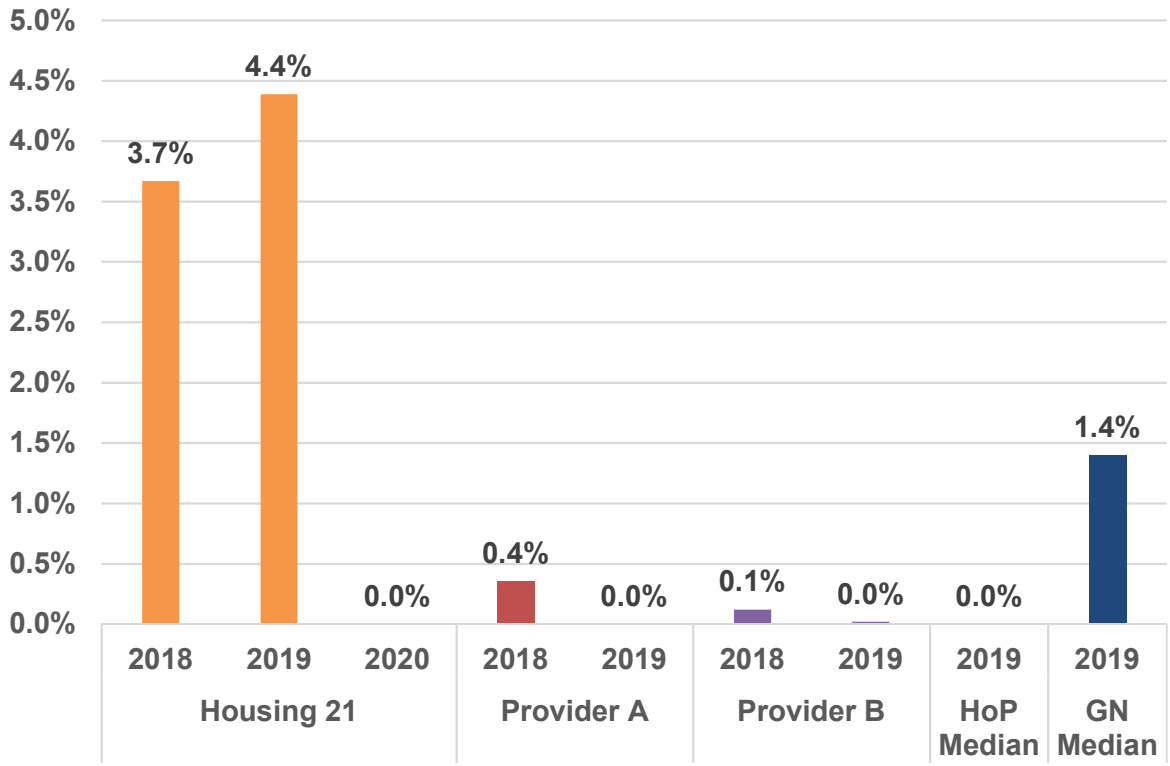
i. Reinvestment %



Our ratio has increased when compared to the previous year and our peers as our development programme grows and we continue to invest in our existing properties. At year-end we had 19 schemes on site, totalling 1,195 units in development.

When the Welfare Reform and Work Act 2016 came into effect, which introduced 1% rent reductions per annum up to March 2020, a number of providers delayed their development programme; however, we continued to increase our pipeline. We are now seeing the benefits of this decision hence why our ratio is higher than that of our peers and general needs providers.

ii. (A) new supply delivered % (social housing)

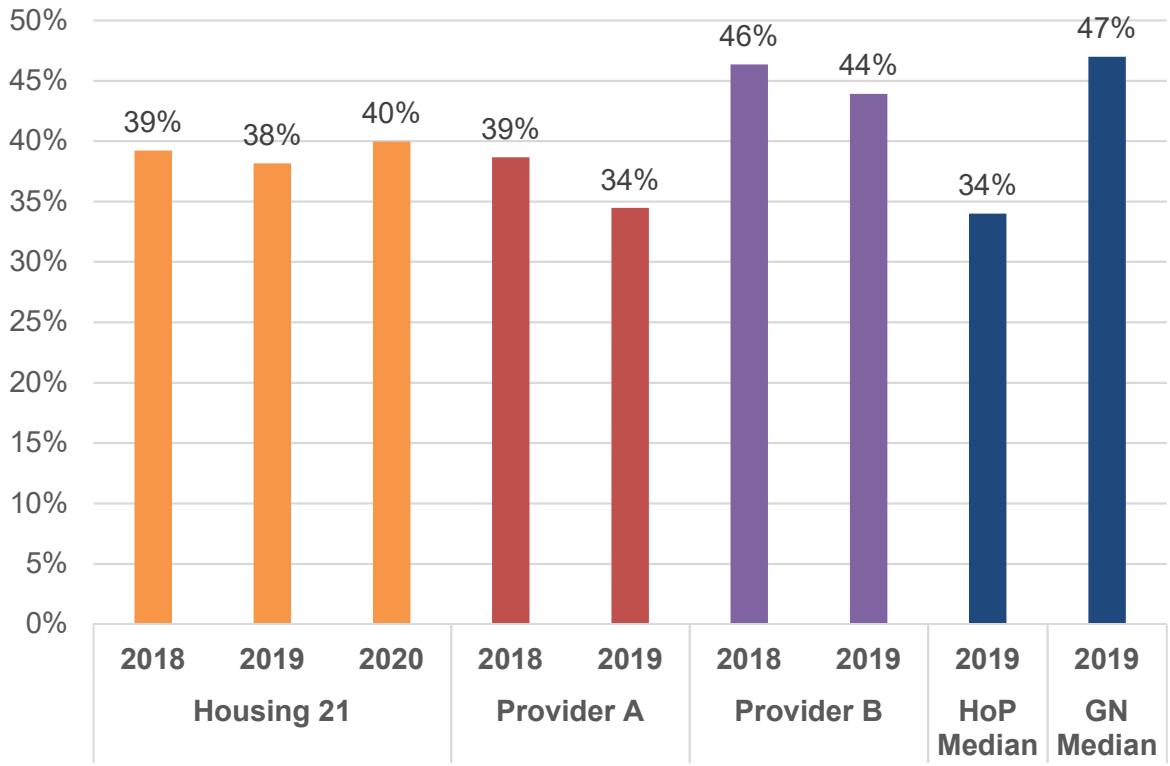


No units reached practical completion in the year, primarily because of the Covid-19 pandemic where a number of development sites closed in March 2020. Since year-end, two schemes have completed (106 units) which were originally forecast to complete in March. In year we have acquired 95 units of Extra Care from Hyde Housing however they are excluded from the metric above as they are not a new supply of affordable housing to the sector overall.

ii. (B) New supply delivered % (non-social housing)

We have not developed any non-social housing in the year, nor do we have plans to develop such properties going forward

iii. Gearing

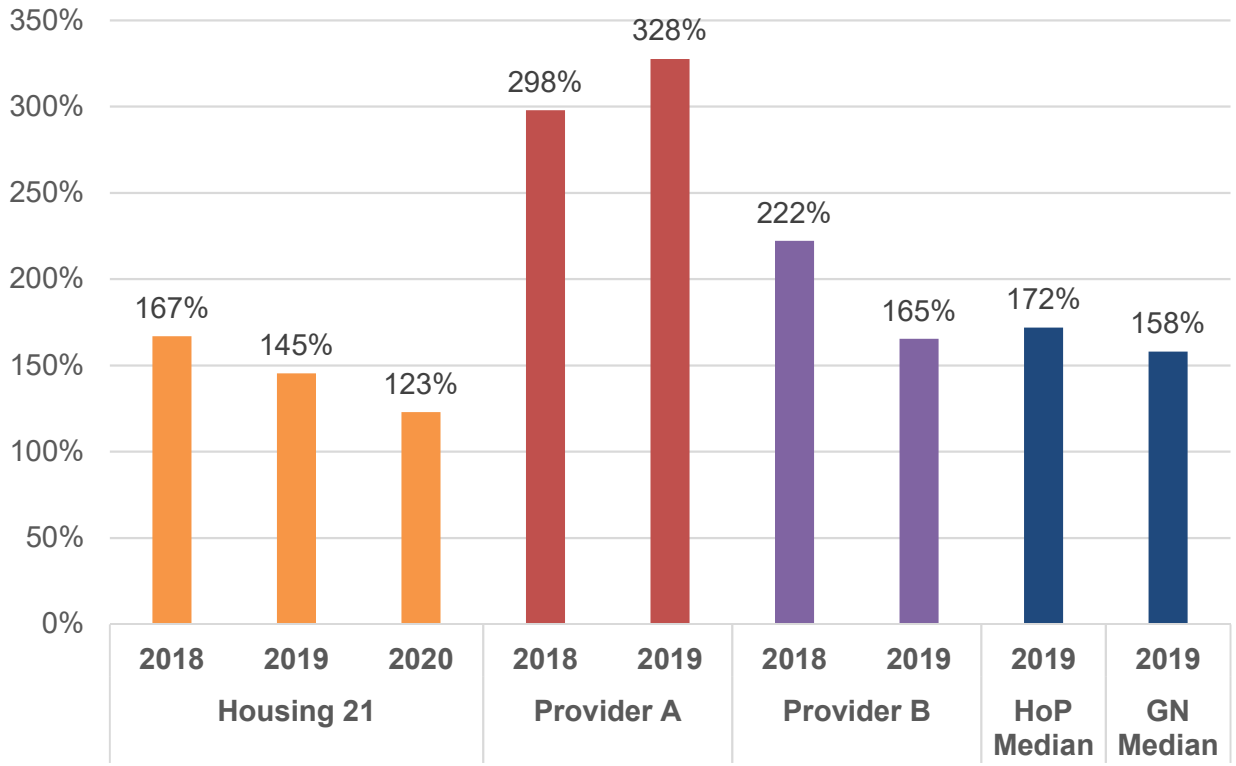


Our Gearing has increased compared to last year primarily as a result of our continued investment in new and existing schemes, meaning our cash reserves are lower, although still healthy 2020: £84m (*2019: £165m*). The gearing ratio excludes any cash held in short term investments which was £60m at year end (*2019: £50m*). If this cash were included, our revised gearing ratio is 34% in 2019 and 35% in 2020. Our Gearing is also higher because of the way the Oldham PFI contract is held in our books.

The Group holds the external loans for the Oldham PFI contract (£57.1m), however as these assets (£106.3m) are not owned by the Group they are classified as a finance asset instead, they fall outside of this metric.

Gearing tends to be higher amongst general needs providers as they have larger levels of debts associated with large development programmes, which they can sustain by virtue of higher operating surpluses. Our gearing ratio is expected to increase in future years as our development programme continues to grow.

iv. EBITDA MRI Interest Cover %

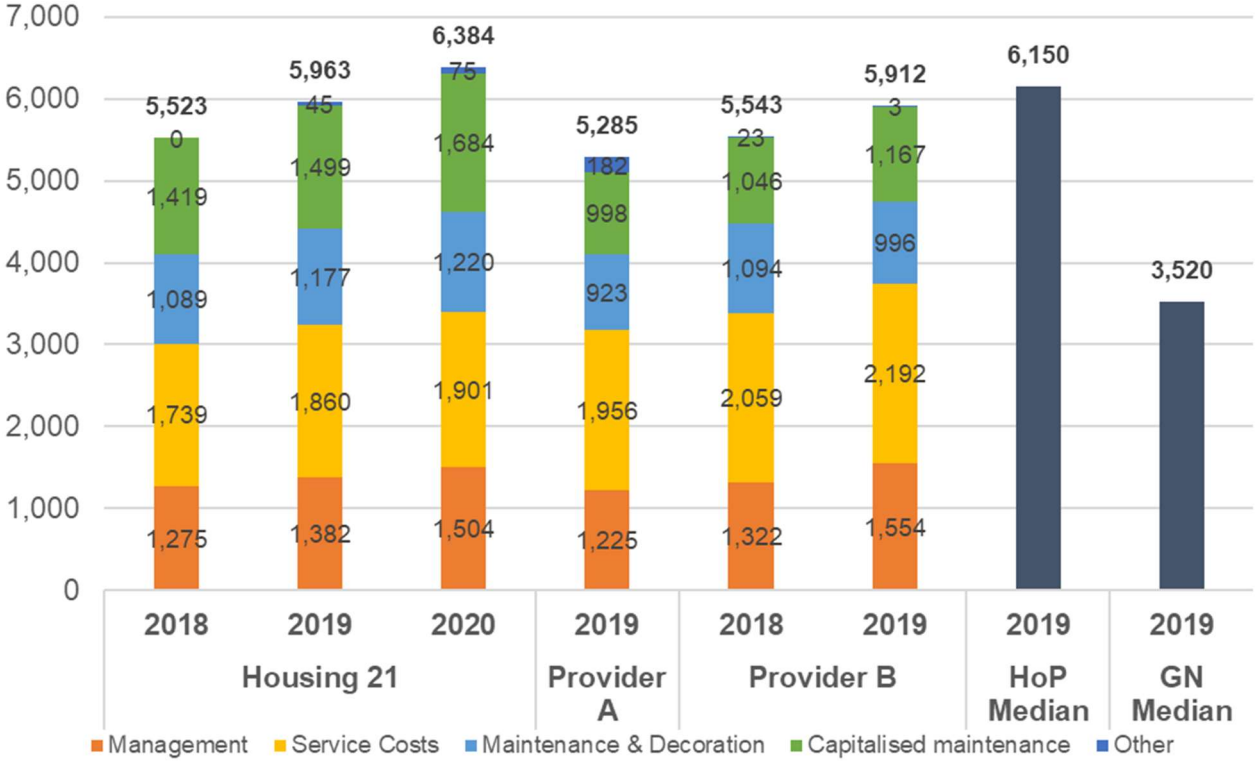


Our EBITDA MRI interest ratio has decreased since prior years as our investment into existing schemes has increased by £3.7m (2020: £32.5m; 2019: £28.8m), however EBITDA has fallen due to higher property maintenance costs and higher management costs as we gear up to developing 800 units per annum. Furthermore, 2020 results include the one-off service charge adjustment of £2.8m, excluding this our metric would have been 133%.

Provider A's ratio is a result of high number of leasehold property sales, whereas our focus is the development of affordable housing.

The higher older people's median of 172% will be reflective of a small number of very small providers who have very low interest costs by virtue of their limited development programmes and associated debt. The same dynamic explains the higher ratio for Provider B.

v. Headline social housing cost per unit £



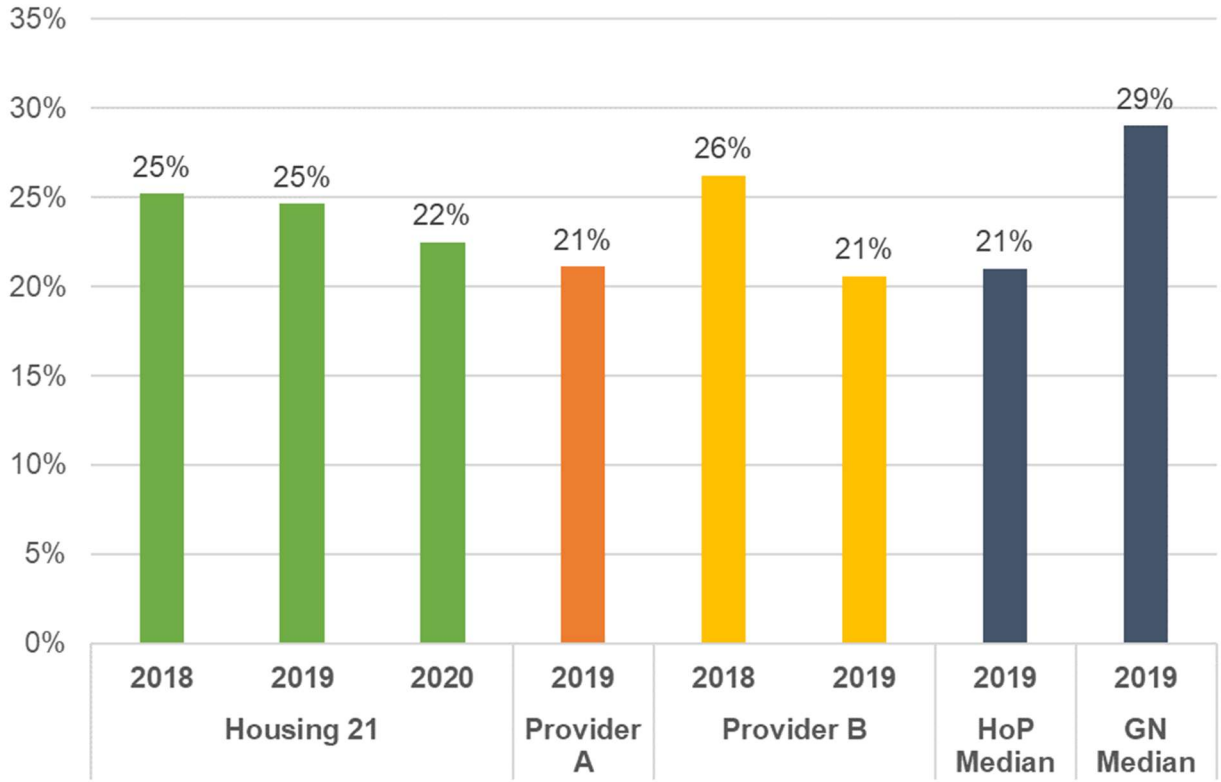
* Provider A merged with another organisation last year so 2018 comparatives are not available

Our headline cost has increased in the year because of the expansion of our headcount as we gear up to develop 800 units per annum, wage cost inflation and our continued investment into our existing schemes, via ongoing maintenance and capital improvements, which has risen to £1,684 per unit whereas Provider A and Provider B are nearer £1,000 per unit.

In addition, our three large PFI and PPP contracts also have a disproportionate impact on our management and maintenance cost per unit. The nature of the contracts mean that we provide a wider range of services under the contract and the cost of delivering these service standards is recovered via the PFI / PPP unitary charge income we receive.

Service and utility costs continues to be our biggest outlay, however this is recovered from residents and is cost neutral. It is lower than our peers year on year but higher when compared to general needs providers due to the additional costs associated with being a specialist provider of older people's and supported accommodation.

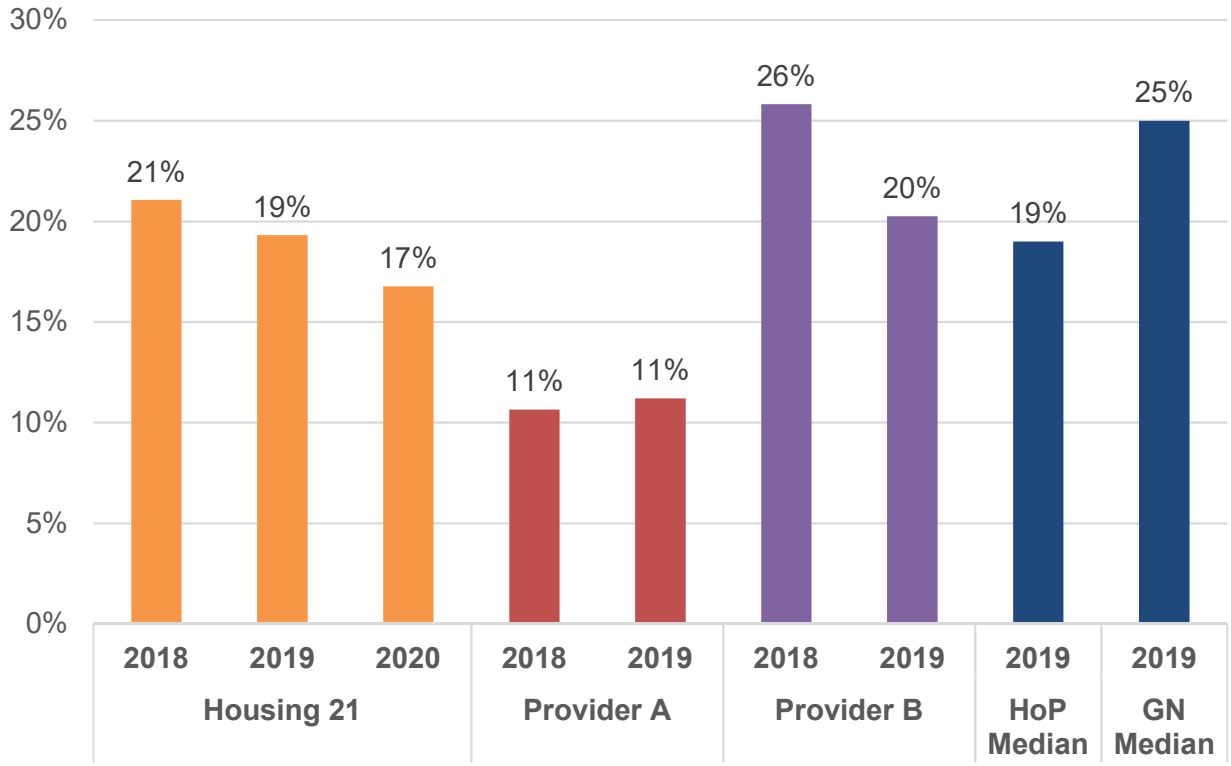
vi. (A) Operating margin % (social housing lettings only)



Our social housing lettings operating margin has fallen since last year, however if you exclude the one-off service charge adjustment our EBITDA margin would have been 24%, so in line with previous years. Our margin is largely consistent with our peers and the housing for older persons median.

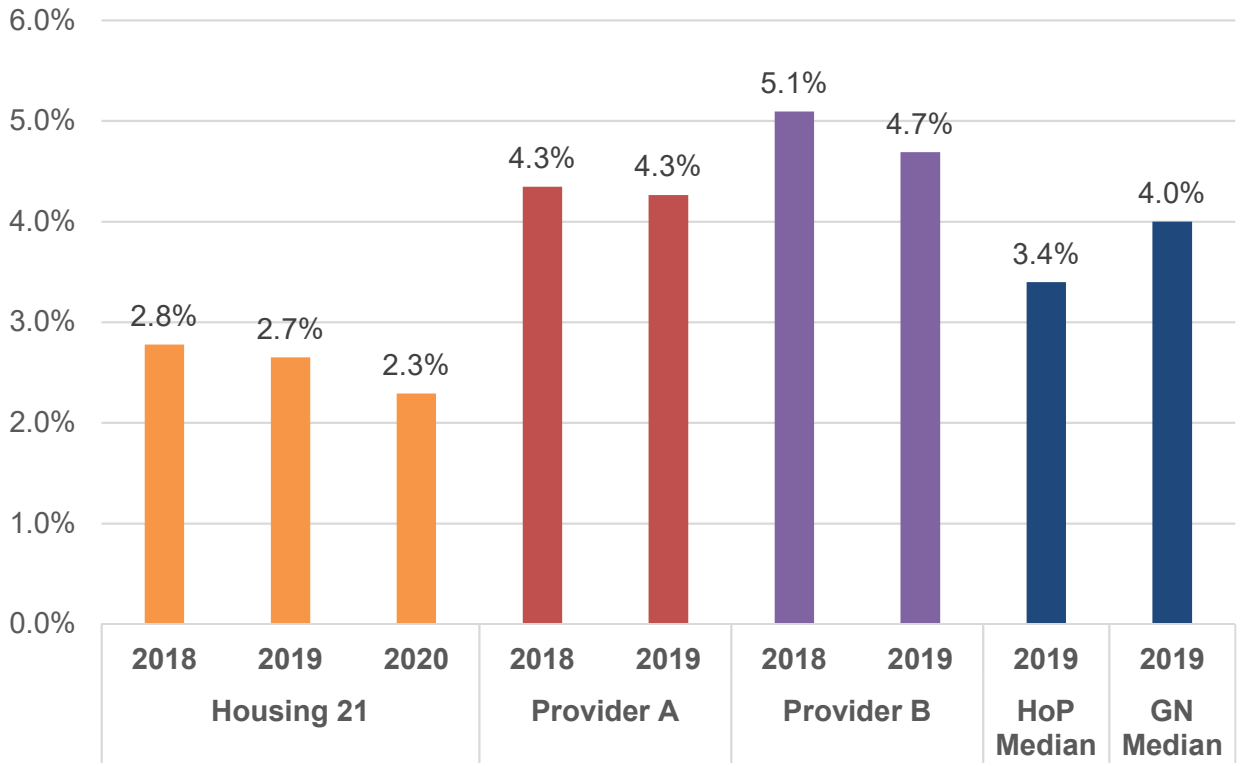
The lower margin when compared to general needs providers is because of the nature of our higher service charges, although we generate £40.5m of income, this is effectively cost neutral so overall margins are negatively affected.

vi. (B) Operating margin % (overall)



Our overall margins have fallen since prior year in part due to points already raised above which affected our social housing margin. Our care business has a detrimental impact on our overall margin due to low profits this service provision produces (which is also the case for Provider A). Those registered providers only providing housing services, like Provider B, or general needs providers who have lower service costs generally generate higher margins. However, our margin is consistent with the wider older people's median.

vii. Return on Capital Employed (ROCE) %



Our ROCE ratio is impacted by our accounting for our properties at the higher deemed cost and the impact of our PFIs. If we accounted for our properties at the lower historic cost like most of the wider sector and if we included interest return on our PFI finance assets this would produce a ROCE of 3.0%, which is lower than our peers and the general needs providers. Our in year ratio is also lower due to impact of increased cost base and one-off adjustments impacting operating surplus (as covered above).

We have remained committed to our core purpose of providing a higher proportion of affordable rent than shared ownership. This has a negative impact on this metric due to the high value of capital employed, but returns are generated over a longer period compared to our peers who generate higher returns from a higher proportion of market sales, with little or no increase in their overall asset base.

Report of the Board

Group structure and active companies as at 31 March 2020

Housing 21 is a Community Benefit Society with exempt charitable status. As a Registered Provider of Social Housing, it provides care and housing with associated amenities. It is registered with the Financial Conduct Authority (FCA), its housing activities are regulated by the Regulator of Social Housing and its care activities are regulated by the Care Quality Commission (CQC). Its constitution is contained in its Rule Book.

The Group's active subsidiaries are:

Housing 21 Guernsey LBG (H21G) is a private company limited by guarantee and incorporated under and subject to the law of the States of Guernsey. The purpose of this subsidiary is the ownership and management of an Extra Care scheme in Guernsey.

Kent Community Partnerships Limited (KCP) is a Community Benefit Society with exempt charitable status. It is a special purpose vehicle set up under the Private Finance Initiative (PFI) to build and manage Extra Care housing in Kent under a contract with Kent County Council.

Oldham Retirement Housing Partnership Limited (ORHP) is a Community Benefit Society with exempt charitable status. It is a special purpose vehicle set up under the PFI to refurbish and manage Retirement Housing properties in Oldham under a contract with Oldham Metropolitan Borough Council.

Goldsborough Estates Ltd (GEL) is a private company limited by shares. Acquired in 2018 GEL owns and manages the reversion to 577 leasehold retirement properties located in England and Wales.

Executive and Secretary

Executive Name	Position
Bruce Moore	Chief Executive
Paul Weston	Chief Financial Officer
Tony Tench	Chief Operations Officer
Secretary Name	**Position**
Paul Hutton	Head of Legal Services and Company Secretary

The Executive is supported by a strong and effective team of highly skilled and experienced leaders of operational and corporate functions. The Board has a delegated authority framework which includes specific delegation to the Executive and senior managers.

Bankers and Advisors

Bankers	**Barclays Bank plc**	Corporate Banking, Level 1, 2 Churchill Place, London E14 5RB
Independent external auditors	**BDO LLP**	2 City Place, Beehive Ring Road, Gatwick RH6 0PA
Principal solicitors	**Devonshires LLP**	30 Finsbury Circus, London EC2M 7DT
	Trowers and Hamlins LLP	3 Bunhill Row, London EC1Y 8YZ

Registration

Housing 21 is incorporated under the Co-operative and Community Benefit Society Act 2014 (Registered number 16791R) and registered under the Housing and Regeneration Act 2008 (Number L0055). Housing 21 is an exempt charity. Housing 21's registered office is Tricorn House, 51-53 Hagley Road, Edgbaston, Birmingham B16 8TP.

Insurance of Directors and Officers

Directors are covered by Directors and Officers liability insurance to an indemnity limit of £7.5m in respect of their duties as Directors of the Group.

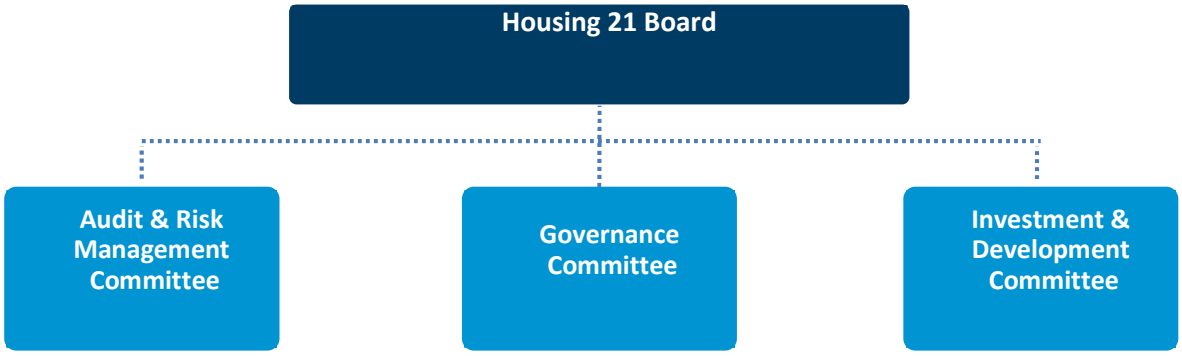
Group Governance

Group Board - committed to maintaining the high standards of organisational governance

Our Board Members are aware of the significance of their role and act both collectively and individually in the best interests of the organisation in the knowledge that they are ambassadors and custodians for Housing 21. Our Board is committed to doing the right thing, based on balanced decision making, which safeguards the organisation, whilst having a positive impact for current and future residents.

Their roles and detailed responsibilities, including those which cannot be delegated, and roles of the Committees, are set out in the Governance Handbook which is aligned to the National Housing Federation (NHF) Code of Governance, the Groups chosen Code of Governance.

Our Board formulates strategy, both directly and through delegation to its Committees and has considered a wide range of matters as well as discussing new and existing areas of strategic direction. In the year they continued to review key matters arising, supporting and challenging the Executive.



We have a wholly non-executive Board which applies the principles of good governance through the adoption of its chosen Code of Governance. Each of the Committees are chaired by a non-executive Board Member. In April 2020 the Board agreed that that there was not a requirement to appoint a Senior Independent Director, due to the transparency of reporting by the Executive, the variety of skills on the Board, their overall challenge on matters presented, and the objectivity of the Chair.

An independent review of Governance in 2019 concluded that our Board form a lively, committed and reflective group of colleagues, interested in ensuring that the organisation is ambitious, honest and focused on the right outcomes for its residents.

The organisation's purpose and mission was seen to form a powerful golden thread which permeates through the structure. In addition, the Board were seen to constructively challenge the Executive, discuss the impact of any changes and explore what they might mean for overall governance. The assurance the Board received was found to be balanced, as they were informed of operational performance and compliance alongside the resident experience.

An effective Board – key Board considerations **Standing agenda items 2019/20**			
• KPI Dashboard • Chief Executive Report • Development and Sales Report		• Extra Care Operational Report • Retirement Housing Operational Report • Group Management Accounts	
Other key agenda items/decisions made 2019/20			
23 May	• Risk Profile • Business Plan • Equality, Diversity, Inclusion • IS Strategy	6 December	• Communications Strategy • Fire Safety Strategy • Risk Profile • People and Strategy
12 July	• Value for Money • Stakeholder Perceptions • Safeguarding	7 February	• Value for Money • Health and Safety and Safeguarding • IS Strategy
27 September	• Rent setting • Treasury Strategy • Complaints and Compliments • Corporate Pay Structure Review	27 March	• Care Contract Performance • Quality Standards • Resident Engagement • Rent Policy

Our policy with regards to rent setting was discussed regularly in the year with the Board informed of the Regulator's interest and the specific areas of challenge. The Board maintained oversight on application of the rent standard in the year, reviewing the rent policy, commissioning independent guidance on the historical application of the standard, as well as receiving assurance reports on rents set in the year. In addition, the Board were informed of progress with responding to the Regulator and areas of challenge.

Our Board has effectively steered the strategic direction of the organisation with continued commitment. During the September 2019 Away Day they revisited our Strategic Priorities and considered whether any changes were required to stretch, review or re-direct them. They focused on development targets, and the amount of new shared ownership development, with more focus on the rental offer, whilst challenging us to accelerate the digital offer for residents and widen our reach on the dementia in housing agenda. Further clarity was requested on the future environmental strategy and there was debate surrounding alternative models of resident engagement and accountability which continues to receive focus.

To ensure our strategic focus receives external challenge, we developed a Friends of Housing 21 forum. This informal forum includes a selection of ex-Board Members and stakeholders within the housing, care and local government sector, who act as a sounding board, debating issues which are pertinent to us and our operating environment. Two sessions were held in the year with debates including what our residents valued and how we might need to adapt to meet the changing demands and aspirations of future generations.

In addition to the six Board meetings in the financial year, our Board Members collectively visited 24 schemes and attended seven resident events, engaging personally with residents to develop a greater knowledge of the resident experience.

Governance Committee – maintaining an effective and competent Board

The Group's Governance Committee's responsibilities include reviewing compliance with good governance principles, assessing Board skills and future succession, along with reviewing and approving nominations and remuneration. The Committee held three meetings in the year and focused much of its work on implementing the outcomes of the independent review of Governance. This review noted that there had been progress in a wide range of areas since the prior review in 2016, which included ensuring that Board succession planning is explicit about who leaves when, along with a stronger focus on individual Board Member performance.

The Committee continued to review current skills, future succession requirements and Board Member recruitment. Two new Board Members were appointed in the year, bringing further knowledge of property development and core housing and care services. Looking ahead the Committee will ensure the Board continues to be skilled and knowledgeable in the areas which are of importance to the Group. For 2020/21 they will be recruiting new Members with care skills and knowledge, and increasing diversity beyond gender.

Other key actions implemented in the year include:

- Reviewing and updating the Governance Handbook
- Reviewing proposals to improve accountability to residents
- Development of a Governance Framework and improvement plan
- Development of a Committee Effectiveness Model for all Committees
- Assessing skills and future requirements for Board Member recruitment

The Committee formally reviewed Board Member remuneration in 2018, confirming it would be subject to review every two years, and the Board agreed that remuneration provided compensation for the valuable support Members provide, and for their time and effort in discharging their duties.

The Audit and Risk Management Committee – overseeing internal control and risk management

The Audit and Risk Management Committee met four times in the financial year to assure itself and the Board that systems of internal control and risk management are operating effectively. In assessing the effectiveness of internal control and risk management the Committee draws upon Members' collective knowledge of the organisation, the sector and the external environment, and also utilises the expertise of the internal and external auditors. The two independent Committee Members have brought further insights and constructive challenge to the Committee's work.

In reviewing its effectiveness in the year, the Committee reflected positively on how it has brought matters to the attention of the Board, maintained oversight of the historical rent setting policy concerns, commissioned an Internal Audit Review of current rent setting controls and directed improvements in risk reporting which included clear analysis of risk triggers and documentation of clear rationale relating to future timescales for expected risk resolution. The Committee agreed to continue to receive assurance updates directly from operational management, supporting the assurance provided by the Internal Audit Service. It also agreed that further management assurance was required in the coming year over those risks where there was a negative direction of travel and where there is significant reliance placed on complex internal controls.

For 2019/20 the Audit and Risk Management Committee was satisfied that the overall framework for internal control is adequate and effective, with the exception of a small number of specific areas which have been reported by Internal Audit as providing partial assurance. The Committee recognises that the organisation cannot be complacent and continues to review the effectiveness of internal controls and risk mitigation, with systems and procedures being reflective of good practice.

An effective Committee – Key Board Considerations **Standing agenda items 2019/20**			
• Strategic Risk Review • Horizon Scanning – Global and Sector risk • Fraud Register Review		• Internal Audit Progress and Outcomes • Progress with audit recommendations • Operational Audit Outcomes	
Other key agenda items/decisions made 2019/20			
17 May 2019	• Pensions Briefing • Key year end issues • Regulatory Compliance • Committee Effectiveness	8 November 2019	• Assurance – Rent Compliance • External Audit Effectiveness • Policy Review – risk / fraud • Insurance arrangements
14 June 2019	• Internal Controls Opinion • Going Concern and Financial Statements • External Audit Management Letter	28 February 2020	• Assurance – Assets and Liabilities • Rent Compliance Update • External Audit Interim Letter • Internal Audit Effectiveness • Internal Audit Plan

Investment and Development Committee – maintaining oversight of investments in new and existing properties

The Group's Investment and Development Committee reviews specific matters to ensure delivery of our property development targets and the asset management strategy whilst maintaining future financial viability.

The Committee, established in 2018 as a result of the increasing development programme and complexity around asset management, has provided further oversight of specific investment and property risks and approved the development and commissioning of new systems in line with the Board's scheme of delegation. Committee members have visited schemes in construction as well as newly completed schemes to further appreciate the operational context of its decisions.

The Committee has overseen improvements in the detail and format of information presented, supporting the achievement of best practice. For the coming year the Committee agreed to undertake further strategic thinking and direction on specific issues including future markets and models of provision.

During its five meetings in the year the Committee:

- Reviewed progress with agreed property development targets and outcomes (in terms of number of homes, financial indicators, sales, lettings and qualitative measures)
- Assessed and approved new schemes for development, revisiting appraisal assumptions
- Reviewed progress with the delivery of property standards as per the Asset Management Strategy
- Considered alternatives to fossil fuel heating
- Reviewed and approved the Treasury and Funding Strategy, and received reports on covenant compliance and treasury policy

Subsidiary Committees – ensuring continued viability and compliance with requirements

Kent, Walsall and Guernsey Subsidiary Boards and Oldham Partnership

Meetings have been held in the year to ensure that we continue to meet contractual requirements of our Public Finance Initiatives (Oldham/Kent), Public Private Partnership (Walsall) and specific arrangements with the States of Guernsey in respect of our Extra Care Scheme in Guernsey.

Due to the nature of arrangements each contract is different, with varying degrees of complexity. However, general Board business consists of reviewing financial and operational reporting, which includes budget performance and significance of contract deductions, reviewing quality of care or property investment delivery including service demand, and approving the statutory financial statements.

Board Members also carry out site visits liaising with both internal and external stakeholders.

Further information in respect of our subsidiaries is contained in related Financial Statements and Annual Reports where applicable.

Our Board Members – providing robust governance as a result of skills and experience

Stephen Hughes (Chair)	Stephen has extensive local government experience having been the Chief Executive of Birmingham City Council and Interim Chief Executive at Bristol City Council. He is a qualified accountant and also a member of the Institute of Customer Service. Stephen brings insight into strategic financial planning and management as well as delivering first class customer services in the housing and social care environment and knowledge and experience of PFI projects.	Liz Potter (Chair of Governance Committee)	Liz brings over 30 years of housing, care and support experience to the Board, including a previous national policy role at the NHF. She is currently the Chair of Curo, having previously been Chair of Orbit Housing Group. Liz is a governance consultant and an executive coach, and a Board Member of Care and Repair England. Liz is a member of the Investment and Development Committee.
Kathleen Boyle	Kathleen brings knowledge and familiarity of the housing and care sectors through 30 years' experience working in national and local organisations. Her roles have included policy development at the NHF, Board Member at Croydon Churches Housing Association and Deputy National Leader for L'Arche UK, a charity providing housing and care. Kathleen is a member of the Audit and Risk management and Kent, Walsall and Guernsey Committees.	Neil Revely (Chair of Oldham Retirement Housing Partnership)	Neil has extensive experience in the social care sector with Durham County Council, North Yorkshire County Council and as Executive Director of Health, Housing and Adult Services for Sunderland City Council. He now provides consultancy across health, housing, and adult Services and is a Care & Health Improvement Adviser with the Local Government Association. He is a member of the National Executive of the Association of Directors of Adult Social Services and Co-Chairs the ADASS Housing Policy Network. He also Chairs Disability Action Yorkshire. Neil is a member of the Governance Committee.
Michael Knott (Chair of Kent, Walsall and Guernsey Committee)	Michael provides an extensive range of experience from a career that has moved from consumer goods, through engineering and then to health and social care. Michael founded Caring and Support Today Limited, an organisation dedicated to providing help and advice for people seeking care. Michael was also previously the managing director of Shaw Healthcare. Michael is a member of the Audit and Risk Management Committee.	Anne Turner (Chair of Audit and Risk Management Committee)	Anne is a qualified accountant who worked for 25 years in executive positions in three large housing association groups in the Midlands. She was Chief Operating Officer at Orbit Group until March 2016 and now uses her experience in non-executive positions. She is currently on the group boards of two other large housing associations where she chairs their treasury and audit committees. Anne has also served on numerous NHF and CIPFA committees and working groups. Anne is a member of the Investment and Development Committee.

Mike McDonagh (Chair of Investment and Development Committee)	Mike is a former KPMG Partner who has held a number of senior leadership roles including serving as a Member of KPMG's UK Executive and being the Global Lead Partner for a FTSE 15 company. He has also specialised in public sector services, is a keen supporter of diversity and a track record of mentoring. He is currently an Audit Committee member for the Royal Botanic Gardens, Kew and Chair of Essex Cares Ltd - an arm's length company wholly owned by Essex County Council Mike is a member of the Governance Committee.		In the year both Jenny Owen and Stephanie Heeley resigned from the Board.
David Clark (from August 19)	David is a residential property management specialist and chair and co-owner at Mainstay Group, a national residential leasehold and mixed use asset manager based in Worcester. David also sits on the Board of Platform Housing Group and chairs their Property Care division as well as acting as an independent director for Queen Alexander College Enterprises. He is a former chair of the Association of Residential Managing Agents (ARMA) and past chair and fellow of the Institute of Residential Managing Agents (IRPM) who provide education and qualifications in the residential sector. David is a member of the Oldham Retirement Housing Partnership Board and the Investment and Development Committee.	Elaine Elkington (from October 19)	Elaine has an extensive background in public sector housing and is a Fellow of the Chartered Institute of Housing; for six years she held a position of Trustee on their Governing Body. In the last seven years, Elaine has worked as a freelance consultant in housing, development, regeneration and planning in both public, private and housing association sectors. She has worked at Executive level in some national challenging roles such as interim CEO at Kensington and Chelsea Tenant Management Organisation after the Grenfell Tragedy. She is also a Trustee of Standing Together Against Domestic Violence, a national charity which campaigns for justice for victims and cross-sector structural reform across all services to eliminate the causes of domestic abuse. Elaine is a member of the Kent, Walsall and Guernsey and Investment and Development Committees.

Christina Law (Independent - ARMC)	Christina is a chartered accountant with experience across multiple industries including investment and trading properties, retail, financial services and not for profit organisations. This includes working with member orientated organisations including co-operatives, academies, mutual organisations and privately and publicly owned entities. As an independent non-executive member of the Audit and Risk Committee, Christina has worked in areas of internal and external audit and is bringing expertise on internal controls, risk, treasury management and financial reporting matters.	Ian Skipp (Independent - ARMC)	Ian is the Group Director of Finance and Resources at Futures Housing Group. In addition to having specialist knowledge of social housing he has wide ranging commercial experience obtained from working with a range of organisations including multi-national PLCs. He is adept at putting in place and maintaining robust governance and risk management frameworks, achieving operating efficiencies, maximising income, developing corporate structures to meet strategic objectives as well as maintaining regulatory compliance. He is a fellow of the Association of Chartered Certified Accountants and has extensive accounting and treasury management knowledge.

A register of interests is maintained by the Company Secretary, with Members also declaring any potential or actual conflicts of interest during meetings as and when they arise.

An active and engaged Board - attendance at meetings

Name	Appointed	Main Board	ARMC	Governance	IDC	Oldham	Kent / Guernsey / Walsall
Stephen Hughes ***	31.01.2014	6 of 6	***	***	***	***	***
Kathleen Boyle	31.01.2014	5 of 6	4 of 4	-	-	--	2 of 3
David Clark	01.08.2019	4 of 4			1 of 2	1 of 1	
Elaine Elkington	01.10.2019	3 of 3			1 of 1		1 of 1
Stephanie Heeley**	01.01.2018	5 of 5		-	-	1	2 of 2
Michael Knott	31.01.2014	4 of 6	4 of 4	-	-	-	3 of 3
Mike McDonagh	01.09.2017	5 of 6	-	3 of 3	4 of 5 (Chair)	-	
Jenny Owen CBE *	31.05.2011	2 of 2		2 of 2		1	-
Liz Potter	31.01.2014	5 of 6	-	3 of 3 (Chair)	5 of 5	2 of 2	-
Neil Revely	01.09.2017	6 of 6	-	1 of 1	2 of 2	1 of 1 (Chair)	1 of 1
Anne Turner	01.09.2017	6 of 6	4 of 4 (Chair)	-	5 of 5	-	-

*Service ended 27.09.2019 **Service ended 29.02.2020
*** invited to attend all meetings as ex-officio member but attendance not always necessary

The Executive – Providing leadership and ensuring implementation of our strategy

Bruce Moore	Chief Executive	Bruce joined Housing 21 as Chief Executive in 2013 with a track record of successfully managing change and addressing challenges in order to improve the provision of housing and care services for older people. Bruce has previously been Chief Executive for Hanover Housing Group, Chief Executive of Wolverhampton Homes and Deputy Chief Executive of Anchor Trust. Bruce has served as a Board Member for a number of housing associations and charities including twice serving as an appointee on behalf of the regulator. He completed a PhD considering the differences in attitudes and expectation of the governance role of Boards of housing associations in 2017 and is currently studying for a further PhD on the priorities and preferences of residents of Retirement Housing and Extra Care.
Tony Tench	Chief Operations Officer	Tony has over 20 years of experience in housing, development, asset management and social care and as Chief Operations Officer for Housing 21 is responsible for Retirement Housing, Extra Care, asset management, property development and business transformation projects. Tony's previous experience includes a number of Executive roles at Hanover Housing Association, prior to that leading on Extra Care housing development for Anchor Trust. Tony is a Business and Marketing Graduate and a Group Board Member of the Community Housing Group.
Paul Weston	Chief Financial Officer	Paul has over 30 years of experience in finance. Paul's first introduction to the housing world was in 2012 when he was appointed as the interim Chief Financial Officer for The Home Group, a large national social housing and supported living provider. Paul has previously been Chief Financial Officer for The Allied Healthcare Group and has held senior finance roles at SSL International plc, a worldwide manufacturer and distributor of healthcare and consumer brands and leading worldwide garment manufacturer and distributor, Fruit of the Loom. In addition to his executive role at Housing 21, Paul currently holds Non-Executive Director roles at Churches Association of Dudley and District (Chadd) and Shropshire Towns and Rural Housing. He has previously held Non-Executive Director roles at Staffordshire and Stoke on Trent Partnership NHS Trust and Wrekin Housing Group.

Group Internal Control and Assurance

Core elements of Housing 21's Internal Control and Assurance Framework:

The Group Board are responsible for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. The system is designed to manage, rather than eliminate the risk of failure to achieve the organisations objectives. Our assurance processes are outlined in more detail below.

Internal Control Statement by the Board

The Board acknowledges that it has overall responsibility for establishing and maintaining the system of internal control and for reviewing its adequacy and effectiveness. This applies in respect of all companies and subsidiaries within the Group. While the Board is responsible for our overall strategy and policy, the day to day running of the Group is delegated to our Chief Executive and other Executives.

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk however the system of internal control adopted is designed to manage risk and provide reasonable, but not absolute, assurance that key business objectives and expected outcomes will be achieved. The Board agreed that the adopted framework of internal control is appropriate for the size, nature and complexity of the Group and is adequate and effective.

As a result of the activities of the Board and its Committees, the Board is able to confirm to the best of its knowledge it has complied with its adopted code of governance (NHF Code), and the regulatory requirements as established by the Regulator of Social Housing including compliance with all aspects of law. The exception to this is our policy with regard to rents and service charge for our affordable rent properties and some historical Extra Care schemes where rents were initially set at higher than formula levels. This non-compliance has been assessed by the Regulator as a failure of governance concern which resulted in a regulatory downgrade from G1/V1 to G2/V1 in June 2020.

Risk Management - effective management of uncertainty, complexity and opportunity

Board Risk Appetite Statement

We take a measured approach to risk mitigation expecting risks to be considered and managed effectively. Our Board however has no appetite to accept risk which could have a detrimental impact on the health, safety and wellbeing of our staff, residents and partners, this includes the quality of care we provide to our residents and all aspects of regulatory property compliance.

In addition, it has limited appetite for accepting risks that would significantly damage the organisation's reputation, unless the likelihood is very low/remote and expects reasonable mitigation.

Looking ahead, our Board is willing to accept a more open risk culture in the areas of technology and operational delivery as a result of developments in both technological innovation in the sector and further devolution of operational services. This is however within the boundaries of risks being appropriately considered and effectively managed.

We acknowledge that the management of risk is fundamentally important to us as an organisation. Our Board as a whole, including the Audit and Risk Management Committee, considers the nature and extent of the risk management framework to be effective. A detailed review of the Regulator's Risk Profile provided comfort that we are considering risks effectively.

The strategic risks have been grouped into six areas with a number of risks aligned to each area:

- **Governance and viability -** Board effectiveness, compliance with regulation/legislation, business planning and financial viability.
- **More homes -** Delivery of development programme, new build property sales, supply chain disruption
- **Quality of properties -** Meeting customer requirements, investment in existing stock, critical supplier management, health and safety
- **Quality and responsiveness of services -** Management of quality of care, new scheme commissioning, attracting and retaining talent
- **Systems and technology -** Incident prevention, detection, response and systems investment
- **Innovation and influence -** Sector influence, future thinking

Key risks

In addition to Covid-19, our Board focused on the following key risks in 2019/20.

Lack of affordable land / protracted planning and/or lack of grant affects development pipeline post 2022

The risk score is impacted by the financial value and volume of development opportunities which are being managed, rather than lack of effective internal control.

The development pipeline is actively monitored through management oversight at the Development Steering Group and through the Board Investment and Development Committee along with regular and transparent dialogue on progress with on-site construction with Homes England.

A regulatory downgrade as a result of non-compliance or inability to demonstrate compliance

The Board has had a consistent watching brief on this risk, receiving regular assurance on the differing aspects of compliance with the Regulator of Social Housing Standards as routine business.

Whilst continuing to receive assurance over many aspects of compliance, there were specific independent reviews of the application of the Rent Standard and the internal control environment for rent setting and validating the accuracy of rent charged, this being as a result of the Regulator querying historical rent setting and the application of the Welfare Reform and Work Act 2016 for Affordable Rented properties.

The outcome of the Regulator review resulted in the risk being crystallised. The risk narrative has since been amended to reflect the need to redress the downgrade and to ensure compliance is maintained in all other areas.

Negotiating with local authorities which impacts on care service financial viability

The increases in National Living Wage has put pressure on operating margins, reducing the profit of the Extra Care business stream.

Routine reporting on the financial position of each Extra Care - Care contract takes place highlighting any schemes which are loss making. Dialogue with Local Authorities continues to negotiate rate increases.

Three significant risks reported in 2018/19 were managed to acceptable levels during the year:

- New build property sales – the Board revised its targets for shared ownership and outright sales
- Equality of pay – a full review of pay and grading was completed in the year within Corporate Services, reviewing job profiles and implementing a new grading structure
- Systems Refresh – the devolved housing management system was launched in May 2019. Monitoring of desired outcome continues with further system improvements being implemented.

Internal Audit – providing effective assurance over key risks and internal control

Internal Audit Annual Opinion
As a result of the specific internal audit work completed in the year and a review of key aspects of governance and risk management, the function concluded that there was an adequate and effective system of internal control in place, with the exception of a small number of assurance outcomes which have been assessed as providing partial assurance.

Our internal audit function is co-delivered with KPMG, a third party provider, whilst managed and supported by an in-house internal audit function.

The delivery of the internal audit plan ensures a wide range of both operational and strategic areas of risk are reviewed with internal controls and compliance with policy and regulatory standards assessed. The in-house internal audit function also delivers operational audits which assess compliance with quality aspects of care management and delivery based on both our quality standards and those of the Care Quality Commission. The in-house function operates independently of management. The team has operational responsibility for risk management, information governance, anti-fraud and whistle-blowing, and business continuity. For these areas the co-sourced partner provides assurance.

The outcomes of Internal Audit Activity are reported to the Audit and Risk Management Committee along with progress in implementing recommendations arising. For 2019/20 25 areas were reviewed by internal audit with 124 recommendations raised.

The areas reported as providing partial assurance were rent setting, rent arrears management and staff supervision. Of those recommendations which are overdue none are high priority, as such do not have a significant impact on the internal controls.

Report Grading 2019/20		Recommendation Priority 2019/20	
Significant	4	High	6
Significant with minor Improvement	17	Medium	56
Partial with improvements required	3	Low	54
Advisory	1	Management point	8
Percentage of recommendations Implemented in timescales			85%

Health and Safety – committed to protecting residents, staff and contractors
The health and safety of our residents, staff and contractors is a top priority and our Board do not have any tolerance for non-compliance. Dedicated health and safety managers manage a devolved framework and review the policies and procedures, supervise and review risk assessments, and manage key actions arising. This includes a Property Compliance Team who review the governance and compliance arrangements for gas, fire, electrical, asbestos, legionella and lifts, as reported earlier.

A well-established Health and Safety Forum is in place chaired by our Chief Operations Officer. The Board receives reports on all matters relating to health and safety (including reportable incidents and all aspects of property safety) and has approved detailed health and safety policies and procedures arising from the Forum. The main focus of the Forum has been continuing to review the wide range of health and safety areas and to ensure our response to fire risks remains robust and that our commitments in responding to Type 4 Fire Risk assessments are achieved.

Our Health and Safety Manager worked diligently responding to the Covid-19 pandemic ensuring we complied with relevant guidelines to keep residents, staff and contactors safe.

Care Quality and Safeguarding – committed to the highest standards of quality
The delivery of high quality care is of primary importance to us and our commitment to providing quality services is demonstrated through our continued investment in our management and care teams and also through our target for 100% of services to be rated 'Good' or above.

The Group has a dedicated Quality and Commissioning team who establish and oversee the framework of care quality policies and procedures and for raising and reporting of safeguarding incidents. Registered managers on our Extra Care courts are fully accountable for ensuring care quality and the safeguarding of our residents.

To measure compliance with quality standards, regular auditing of Extra Care sites is undertaken by the internal audit function and by management. Formal reporting highlights outcomes, areas of non-compliance and themes arising and enables us to focus on areas for attention and improvement.

In the year Quality Matters Roadshows were launched along with a regular Quality Assurance Newsletter with the aim of raising awareness of policy requirements as well as the sharing good practice.

We are proud that our standards of care quality are high, reflected in Care Quality Commission inspection results together with positive resident feedback. We are not complacent in our approach to quality and in the year there have been developments in the way we manage and report safeguarding incidents and how we appraise the competence of our Care Workers within supervisions. In addition we are reviewing end-of-life care services working proactively in order to anticipate residents' needs and reduce the number of end-of-life care crisis admissions to hospital. We are also reviewing how the use of technology can improve the transparency of care quality compliance whilst reducing the administrative burden.

Anti-fraud and Corruption – creating an open and honest culture
We are committed to act at all times with honesty and integrity in safeguarding the resources for which we are responsible and expect the same from our staff and contractors.

We maintain a separate fraud risk register and hold a register of fraud. Both are reported to the Audit and Risk Management Committee. Top inherent fraud risks include cyber fraud, payment fraud, and financial abuse of residents.

During the year the organisation was subject to a low number of low value frauds which were identified as a result of whistle-blowing and management review of system controls. Formal disciplinary action against those concerned took place, with losses recovered wherever possible.

Staff are required to complete mandatory fraud awareness training which promotes communicating concerns through to management or our confidential reporting line.

Information Governance – committed to protecting personal and sensitive information
The commitment to the privacy and security of personal and sensitive data is of significant importance to the organisation. The Group has a well-established Information Governance Steering Group which is responsible for the effectiveness of the organisation's information governance and security controls. Our Chief Operations Officer is the organisation's Senior Information Risk Owner (SIRO).

Subject access requests and breaches / near misses are managed effectively by our Data Protection Officer and responded to within statutory timescale. No significant breaches have arisen in the year, and where minor breaches have been reported to the Information Commissioners Office (ICO), these have not resulted in any regulatory action. Breaches and near misses are reported to the Audit and Risk Management Committee.

Our core risks relate to staff inadvertently sharing data to third parties. To protect our data subjects we have invested in encryption software and specific campaigns to raise awareness of this risk. Our investment also includes robust Information Security defences, intrusion monitoring reporting, mandatory training, and regular staff phishing exercises.

Management Oversight – embedding a control framework
A range of routine management oversight processes are a core element of the system of internal control. These activities support us in achieving robust operational governance.

- Financial / operational performance indicators
- Actual and forecast budgets and their review
- Longer term business planning and sensitivity analysis
- Treasury and covenant compliance reviews
- Resource planning and people management
- Routine trend analysis and exception reporting
- Information security measures
- Data quality measures
- Policy and procedure framework
- Compliance with law reviews
- Regulatory compliance reviews
- Annual management assurance statements

By order of the Board

Paul Hutton
Secretary
24 July 2020

Responsibilities in Respect of the Report of the Board and the Financial Statements

Board Members' Responsibilities

Board Members are responsible for preparing the Report of the Board and the Financial Statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law and social housing legislation require the Board Members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these Financial Statements, the Board Members are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers (2018) have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Association will continue in business.

Board Members are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Association's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Association and enable them to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. They are also responsible for safeguarding the assets of the Group and Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial Statements are published on the Association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of Financial Statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Association's website is the responsibility of the Board. Board Members' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

Disclosure of Information to the Auditors

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

Independent Auditor's Report to the Members of Housing 21

Opinion

We have audited the financial statements of Housing 21 ("the Association") and its subsidiaries ("together the Group") for the year ended 31 March 2020 which comprise the Group and Association Comprehensive Income Statement, the Group and Association Statement of Changes in Reserves, the Group and Association Balance Sheets, the Group and Association Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2020 and of the Group's and the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	Our response to the key audit matter
Going Concern	
As disclosed in note 1, following the outbreak of COVID-19, and the resultant impact on the overall economy, management has considered the appropriateness of the going concern basis of preparation for the group as well as the parent association The directors' assessment of going concern involves a number of subjective judgements including the anticipated future levels of bad debts, voids, the rate of inflation, costs of borrowing and the level of property sales, which have been impacted by the current COVID-19 pandemic. We have therefore spent significant audit effort in assessing the appropriateness of the assumptions involved and to ensure the adequacy of the disclosure in the accounting policy in relation to the steps undertaken by the board to gain assurance that there is not a material uncertainty around the adoption of the going concern basis of preparing the financial statements. Therefore this area was identified as a Key Audit Matter.	Our audit response involved the following: • Assessment of the internal forecasting process to confirm the projections are prepared by appropriate personnel that are aware of the detailed figures in the forecast but also to have a high level understanding of the entity's market, strategy and profile in the customer base, and the potential impact that COVID-19 might have on these projections. • Obtaining and assessing the availability of financing facilities, including the nature of facilities, repayment terms and financial covenants. We considered management's financial covenant compliance calculations through to March 2022 and concluded on the consistency of such calculations with the ratios stated in the relevant lender agreements. • Consideration of the forecasts prepared by management and challenge of the key assumptions based on our knowledge of the business. • As referred to in note 1, management has modelled reasonably possible downside scenarios to incorporate the expected impact of the COVID-19 pandemic. We have considered the appropriateness of the downside scenarios in respect of the impact of COVID-19 and challenged management to confirm that they have suitably addressed the inputs, which are most susceptible to change, including those in respect of revenue, margins and cost savings. • We considered the adequacy of the disclosures in the financial statements against the requirements of the accounting standards and consistency of the disclosure against the forecasts and downside scenarios. *Key observations:* Our key observations are set out in the conclusions related to going concern section of our audit report.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We determined materiality for the financial statements as a whole to be £22,503,000 (2019 - £22,614,000) which represents 1.5% of total assets (2019 – 1.5% of total assets).

We also apply a specific materiality level for all items comprising operating profit (including related disclosures) as that term is defined for the purposes of the entities' lending covenants. This therefore involves adjusting operating profit for depreciation, amortisation and impairment. The specific materiality level that we applied was £3,094,000 (2019 - £3,074,000), which is 5.0% of adjusted operating profit (2019 – 5.0%).

We used total assets and adjusted operating profit as our chosen benchmarks to determine materiality and for specific materiality as these are considered to be the areas of the financial statements of greatest interest to the principal users of the financial statements and the areas which will have greatest impact on investor and lender decisions.

Materiality for the parent Association was set at £19,775,000 (2019 - £19,989,000) with a specific materiality set at £2,815,000 (2019 - £2,816,000).

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 75% (2019 – 75%) of materiality or specific materiality depending on the financial statement area being audited. We considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.

We agreed with the Audit and Risk Management Committee that misstatements in excess of £451,000 (2019 - £449,000) for areas considered using financial statement materiality and £62,000 (2019 - £62,000) for areas considered using specific materiality, which were identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

An overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In establishing the overall approach to the Group audit, we assessed the audit significance of each reporting component in the Group by reference to both its financial significance and other indicators of audit risk, such as the complexity of operations and the degree of estimation and judgement in the financial results.

Extent to which the audit is capable of detecting irregularities, including fraud

The extent to which the audit is capable of detecting irregularities is affected by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud usually are inherently more difficult to detect than irregularities that result from error.

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud. We considered the Association's compliance with laws and regulations that have a direct impact on the financial statements such as the Co-operative and Community Benefit Societies Act 2014 (and related Directions and regulations), the Housing and Regeneration Act 2008 and other laws and regulations applicable to a registered social housing provider in England. We also considered the risks of non-compliance with the other requirements imposed by the Regulator of Social Housing, and we considered the extent to which non-compliance might have a material effect on the group financial statements.

We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our tests included agreeing the financial statement disclosures to underlying supporting documentation, enquiries of the Board and of management and enquiries of third parties, where information from that third party has been used by the Association in the preparation of the financial statements.

There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Board that represented a risk of material misstatement due to fraud.

Classification of components

A full scope statutory audit was carried out for each subsidiary that we considered to be a significant and non-significant component of the group.

Audit work on all components was performed by BDO UK both for the purposes of reporting on the individual financial statements and for the group/ consolidation purposes. The only significant component for group purposes was the parent entity.

Other information

The Board is responsible for the other information. Other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information 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 including the Strategic Report, Value for Money Report, Report of the Board and Group Governance Reportand, 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the parent Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the parent Association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Board members' responsibilities statement set out on page 58, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Other matters

Following the recommendation of the Audit and Risk Management Committee, we were appointed by the Board in 2003 to audit the Financial Statements for the year ending 31 March 2004 and subsequent financial periods. In respect of the year ended 31 March 2020 we were reappointed as auditors by members of the Board at the annual general meeting held on 27 September 2018. The period of total uninterrupted engagement is 17 years covering the year to 31 March 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent Association and we remain independent of the Group and parent Association in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit and Risk Management Committee.

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP.

Philip Cliftlands, Senior Statutory Auditor
For and on behalf of BDO LLP, Statutory Auditor
Gatwick
United Kingdom

Date: 29 July 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Group Comprehensive Income Statement

	Note	2020			*2019 (Restated)*		
		Ongoing activities	**One-off items**	**Total**	*Ongoing activities*	*One-off items*	*Total*
		£'000	**£'000**	**£'000**	*£'000*	*£'000*	*£'000*
Turnover	3	195,047	(2,790)	**192,257**	*186,280*	*-*	*186,280*
Operating costs and cost of sales	3	(160,176)	-	**(160,176)**	*(148,032)*	*(1,446)*	*(149,478)*
Operating surplus	3	**34,871**	**(2,790)**	**32,081**	*38,248*	*(1,446)*	*36,802*
Other interest receivable and similar income	7	8,027	**-**	**8,027**	*8,276*	*-*	*8,276*
Interest and financing costs	8	(26,017)	**-**	**(26,017)**	*(27,339)*	*-*	*(27,339)*
Movement in fair value of financial instruments	17	3,218	**-**	**3,218**	*354*	*-*	*354*
Surplus before taxation		**20,099**	**(2,790)**	**17,309**	*19,539*	*(1,446)*	*18,093*
Tax on surplus	10	(32)	-	**(32)**	*(20)*	*-*	*(20)*
Surplus for the financial year		**20,067**	**(2,790)**	**17,277**	*19,519*	*(1,446)*	*18,073*
Recycled capital grants	16	(1,041)	-	**(1,041)**	*-*	*-*	*-*
Net impact of the initial recognition of multi-employer defined benefit scheme	24	-	-	**-**	*(3,200)*	*-*	*(3,200)*
Actuarial gains/(losses) in respect of pensions	24	7,796	-	**7,796**	*(2,846)*	*-*	*(2,846)*
Effective movement in fair value of hedged financial instrument	8 & 17	(13,233)	-	**(13,233)**	*(1,287)*	*-*	*(1,287)*
Total comprehensive income for the financial year		**13,589**	**(2,790)**	**10,799**	*12,186*	*(1,446)*	*10,740*

The notes on pages 70 to 113 form part of the Financial Statements.

Association Comprehensive Income Statement

	Note	2020			*2019 (Restated)*		
		Ongoing activities	**One-off items**	**Total**	*Ongoing activities*	*One-off items*	*Total*
		£'000	**£'000**	**£'000**	*£'000*	*£'000*	*£'000*
Turnover	3	188,656	(2,790)	**185,866**	*180,009*	*-*	*180,009*
Operating costs and cost of sales	3	(158,374)	-	**(158,374)**	*(146,386)*	*(1,446)*	*(147,832)*
Operating surplus	3	**30,282**	(2,790)	**27,492**	*33,623*	*(1,446)*	*32,177*
Other interest receivable and similar income	7	3,018	-	**3,018**	*3,023*	*-*	*3,023*
Interest and financing costs	8	(18,999)	-	**(18,999)**	*(20,095)*	*-*	*(20,095)*
Movement in fair value of financial instruments	17	3,105	-	**3,105**	*-*	*-*	*-*
Surplus activities before taxation		**17,406**	**(2,790)**	**14,616**	*16,551*	*(1,446)*	*15,105*
Tax on surplus	10	**-**	**-**	**-**	*-*	*-*	*-*
Surplus for the financial year		**17,406**	**(2,790)**	**14,616**	*16,551*	*(1,446)*	*15,105*
Recycled capital grants	16	(1,041)	-	**(1,041)**	*-*	*-*	*-*
Net impact of the initial recognition of multi-employer defined benefit scheme		-	-	**-**	*(3,200)*	*-*	*(3,200)*
Actuarial gains/(losses) in respect of pensions	24	7,796	-	**7,796**	*(2,846)*	*-*	*(2,846)*
Effective movement in fair value of hedged financial instrument	8 & 17	(4,590)	-	**(4,590)**	*(122)*	*-*	*(122)*
Total comprehensive income for the financial year		**19,571**	**(2,790)**	**16,781**	*10,383*	*(1,446)*	*8,937*

The notes on pages 70 to 113 form part of the Financial Statements.

Group Statement of Changes in Reserves

	2020				*2019*			
	Income and expenditure reserve	**Cash flow hedge reserve**	**Revaluation reserve**	**Total**	*Income and expenditure reserve*	*Cash flow hedge reserve*	*Revaluation reserve*	*Total*
	£'000	**£'000**	**£'000**	**£'000**	*£'000*	*£'000*	*£'000*	*£'000*
Balance at 1 April	**433,548**	**(55,017)**	**301,733**	**680,264**	*421,581*	*(53,730)*	*301,673*	*669,524*
Surplus for the financial year	**17,277**	**-**	**-**	**17,277**	*18,073*	*-*	*-*	*18,073*
Recycled capital grants	(1,041)	-	-	**(1,041)**	-	-	-	-
Net impact of the initial recognition of multi-employer defined benefit scheme	-	-	-	**-**	*(3,200)*	*-*	*-*	*(3,200)*
Actuarial gains/(losses) on defined benefit scheme	7,796	-	-	**7,796**	*(2,846)*	*-*	*-*	*(2,846)*
Movement in the FV of hedged financial instrument	-	(13,233)	-	**(13,233)**	*-*	*(1,287)*	*-*	*(1,287)*
Other comprehensive income/(deficit) for the year	**6,755**	**(13,233)**	**-**	**(6,478)**	*(6,046)*	*(1,287)*	*-*	*(7,333)*
Transfer from revaluation reserve to income and expenditure reserve	294	-	(294)	**-**	*(60)*	*-*	*60*	*-*
Balance at 31 March	**457,874**	**(68,250)**	**301,439**	**691,063**	*433,548*	*(55,017)*	*301,733*	*680,264*

The notes on pages 70 to 113 form part of the Financial Statements.

Association Statement of Changes in Reserves

	2020				*2019*			
	Income and expenditure reserve	**Cash flow hedge reserve**	**Revaluation reserve**	**Total**	*Income and expenditure reserve*	*Cash flow hedge reserve*	*Revaluation reserve*	*Total*
	£'000	**£'000**	**£'000**	**£'000**	*£'000*	*£'000*	*£'000*	*£'000*
Balance at 1 April	**418,206**	**(5,313)**	**284,159**	**697,052**	*409,207*	*(5,191)*	*284,099*	*688,115*
Surplus for the financial year	**14,616**	**-**	**-**	**14,616**	*15,105*	*-*	*-*	*15,105*
Recycled capital grants	(1,041)	-	-	**(1,041)**	-	-	-	-
Net impact of the initial recognition of multi-employer defined benefit scheme	-	-	-	**-**	*(3,200)*	*-*	*-*	*(3,200)*
Actuarial gains/(losses) on defined benefit scheme	7,796	-	-	**7,796**	*(2,846)*	*-*	*-*	*(2,846)*
Movement in the FV of hedged financial instrument	-	(4,590)	-	**(4,590)**	*-*	*(122)*	*-*	*(122)*
Other comprehensive income/(deficit) for the year	**6,755**	**(4,590)**	**-**	**2,165**	*(6,046)*	*(122)*	*-*	*(6,168)*
Transfer from revaluation reserve to income and expenditure reserve	294	-	(294)	**-**	*(60)*	*-*	*60*	*-*
Balance at 31 March	**439,871**	**(9,903)**	**283,865**	**713,833**	*418,206*	*(5,313)*	*284,159*	*697,052*

The notes on pages 70 to 113 form part of the Financial Statements.

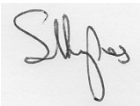
Group and Association Balance Sheets

Registered number 16791R

	Notes	Group		Association	
		2020 £'000	*2019 £'000*	**2020 £'000**	*2019 £'000*
Tangible fixed assets					
Housing properties	11	**1,206,806**	*1,144,196*	**1,124,287**	*1,060,652*
Other fixed assets	12	**2,869**	*2,991*	**2,808**	*2,991*
Investments	25	**-**	*-*	**6,739**	*6,739*
		1,209,675	*1,147,187*	**1,133,834**	*1,070,382*
Current assets					
Housing properties and stock for sale	13	**28,724**	*9,710*	**28,724**	*9,710*
Debtors – receivable after one year	14	**109,254**	*112,521*	**43,349**	*44,272*
Debtors – receivable within one year	14	**22,101**	*21,827*	**14,509**	*14,655*
Short term investments	20	**60,000**	*49,600*	**60,000**	*33,300*
Cash and cash equivalents	20	**84,153**	*165,501*	**59,699**	*158,831*
		304,232	*359,159*	**206,281**	*260,768*
Creditors: amounts falling due within one year	15	**(113,742)**	*(118,280)*	**(85,582)**	*(94,095)*
Net current assets		**190,490**	*240,879*	**120,699**	*166,673*
Total assets less current liabilities		**1,400,165**	*1,388,066*	**1,254,533**	*1,237,055*
Creditors: amounts falling due after more than one year	16	**(703,898)**	*(693,667)*	**(535,496)**	*(525,868)*
Provision for defined benefit pension liabilities	24	**(5,204)**	*(14,135)*	**(5,204)**	*(14,135)*
Net assets		**691,063**	*680,264*	**713,833**	*697,052*
Capital and Reserves					
Share capital	21	**-**	*-*	**-**	*-*
Cash flow hedge reserve		**(68,250)**	*(55,017)*	**(9,903)**	*(5,313)*
Revaluation reserve		**301,439**	*301,733*	**283,865**	*284,159*
Income and expenditure reserve		**457,874**	*433,548*	**439,871**	*418,206*
		691,063	*680,264*	**713,833**	*697,052*

The notes on pages 70 to 113 form part of the Financial Statements.

These financial statements were approved and authorised for issue by the Board on 24 July 2020 and are signed on behalf of the Board by:



……..	……..	……..
Stephen Hughes (Chairman)	Anne Turner (Director)	Paul Hutton (Secretary)

Group and Association Cash Flow Statements

	Notes	Group		Association	
		2020 £'000	*2019 £'000*	**2020 £'000**	*2019 £'000*
Cash from operations	19	**58,339**	*60,449*	**51,627**	*51,935*
Taxation		**(32)**	*(28)*	**-**	*-*
Net cash generated from operating activities		**58,307**	*60,421*	**51,627**	*51,935*
Cash flow from investing activities					
Proceeds from the sale of housing properties		**6,391**	*3,566*	**6,391**	*3,566*
Expenditure on housing properties		**(110,964)**	*(59,432)*	**(110,822)**	*(59,187)*
Expenditure on other fixed assets		**(700)**	*(1,228)*	**(700)**	*(1,228)*
Receipt of capital grants		**22,884**	*11,622*	**22,884**	*11,622*
Interest received		**10,851**	*10,786*	**4,654**	*4,905*
Net return from subsidiaries		**-**	*-*	**-**	*478*
Net proceeds from sale of other assets		**1,305**	*305*	**1,305**	*305*
Purchase of subsidiary undertaking		**-**	*(1,700)*	**-**	*(1,700)*
Cash acquired with subsidiary undertaking		**-**	*273*	**-**	*-*
(Purchase) / maturity of short term investments		**(10,400)**	*3,500*	**(26,700)**	*17,700*
Net cash from investing activities		**(80,633)**	*(32,308)*	**(102,988)**	*(23,539)*
Cash flow from financing activities					
Repayment of finance lease obligations		**-**	*(2,014)*	**-**	*(2,014)*
Repayment of bank borrowings		**(31,928)**	*(18,209)*	**(27,677)**	*(12,459)*
Debt issue costs incurred		**-**	*(93)*	**-**	*(93)*
Interest paid		**(27,094)**	*(28,033)*	**(20,094)**	*(20,229)*
Net cash used in financing activities		**(59,022)**	*(48,349)*	**(47,771)**	*(34,795)*
Net decrease in cash and cash equivalents		**(81,348)**	*(20,236)*	**(99,132)**	*(6,399)*
Cash and cash equivalents at the beginning of the year		**165,501**	*185,737*	**158,831**	*165,230*
Cash and cash equivalents at the end of the year		**84,153**	*165,501*	**59,699**	*158,831*

The notes on pages 70 to 113 form part of the Financial Statements.

Notes to the Financial Statements

1. Principal accounting policies

The Financial Statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for Housing 21 includes the:

- Cooperative and Community Benefit Societies Act 2014 (and related group accounts regulations)
- Housing and Regeneration Act 2008
- FRS 102 “the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland”
- Statement of Recommended Practice (SORP) for Registered Social Housing Providers, “Accounting by registered social housing providers” 2018
- Accounting Direction for Private Registered Providers of Social Housing 2019

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

The Group and Association are Public Benefit Entities (PBEs) for the purpose of the application of certain accounting policies.

1.1. Parent Association disclosure exemptions

In preparing the separate Financial Statements of the parent Association, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group and the parent Association would be identical
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent Association, because their remuneration is included in the totals for the Group as a whole

1.2. Basis of preparation

The Financial Statements are prepared on a going concern basis and under the historic cost basis, as modified for (a) the valuation of derivative financial instruments; and (b) the deemed cost basis of valuation of housing properties upon transition to FRS 102 on 1 April 2014.

After making enquiries, the Board has a reasonable expectation that we have adequate resources to continue in operational existence for the foreseeable future. The Board obtains further assurance of financial viability through the annual budgeting, quarterly re-forecasting and long term business planning exercises. Within all these exercises, we assess and stress test the availability of funding, liquidity and compliance with lenders’ covenants over at least a three year period. These stresses typically include:

- Increase in inflation and interest rates
- Sales prices are reduced or all properties for sale are converted to rent
- Increase in construction costs and reduction in grant rates
- Reduction in operating surpluses though either decrease in rents or increase in voids
- Combination of the above in a perfect storm or the most conceivable combination

This ensures the Board has a continual and rolling process of reviewing and assessing our financial strength and viability. For this reason, the going concern basis has been adopted in these Financial Statements.

In the preparation of these financial statements, the requirements set out in “Amendments to FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland: Multi-employer defined benefit plans” have been adopted early.

1.3. Basis of consolidation

The consolidated Financial Statements present the results of Housing 21 – registered provider of social housing and its subsidiary companies ("the Group") as if they formed a single entity. Transactions and balances between Group companies are therefore eliminated in full to show transactions and balances with third parties only.
The consolidated Financial Statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the identifiable assets, liabilities and contingent liabilities of the acquired entity are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Comprehensive Income Statement from the date on which control is obtained (usually also the acquisition date). They are deconsolidated from the date control ceases.

1.4. Business combinations and goodwill

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of the assets and liabilities, plus costs directly attributable to the business combination.

Any excess of the purchase price over the fair value of the identifiable assets and liabilities is recognised as goodwill in ‘intangible assets’. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life. If a reliable or reasonable estimate cannot be made, the useful life of goodwill is presumed to be nil.

1.5. Turnover

Turnover is measured at the fair value of the cash consideration received or receivable. The Group generates the following material income streams:

- Rental income receivable (after deducting lost rent from empty properties available for letting)
- Service charges receivable (see **Service charges – Note 1.8**);
- First tranche sales of Low Cost Home Ownership housing properties developed for sale;
- Sales of Outright sale housing properties;
- Invoiced amounts receivable from the delivery of care services; and
- Invoiced amounts receivable from the delivery of housing and care services under PFI and PPP contract arrangements (see **Long term PFI and PPP contracts – Note 1.6**).

Rental income is recognised from the point when properties under development reach practical completion and are let.

Income from first tranche sales and sales of properties built for sale is recognised in full at the point of legal completion of the sale.

Income from care is recognised at the point of delivery of the service to the service user.

1.6. Long term PFI and PPP contracts

Income and profit is recognised with reference to the stage of completion and/or delivery of services and milestones associated with the long-term contract. Income recognised from such contracts is stated at the total costs incurred in delivering the contract (including finance costs) plus any attributable profit assessed to have been earned to date, less amounts recognised in previous years.

Any excess of total income invoiced to date above the calculated stage of completion is recognised as a creditor on the Balance Sheet as deferred income. Any shortfall between the total income invoiced

compared to the total costs incurred to date is accrued and recognised as a debtor on the Balance Sheet.

Where any losses over the life of the contract including future losses are identified which cannot be recovered from invoiced income, then appropriate provisions are made in full in the year that they are identified.

1.7. **Supporting People**

The Group receives Supporting People grants from a number of local authorities. The grants received in the period as well as costs incurred by the Group in the provision of support services have been included in the Comprehensive Income Statement. Any excess of cost over the grant received is borne by the residents through their support charge. Any excess of grant received over the cost incurred is recognised as a creditor on the Balance Sheet as deferred income until utilised.

1.8. **Service charges**

The Group adopts the variable method for calculating and charging service charges to its residents and leaseholders. Expenditure is recorded when a service is provided and charged to the relevant service charge account or to a sinking fund. Income is recorded based on the amount of service charge receivable from residents, including sinking fund contributions from rental tenants for future capital works.

Any excess of service charge receivable over service costs is deferred to the Balance Sheet as deferred income and is used to offset future years charges. Any shortfall between service charge receivable and service costs is accrued and recognised as a debtor on the Balance Sheet and recovered from residents in future years' charges.

1.9. **Taxation**

The Group is exempt from Corporation Tax on income and gains to the extent that these are derived from the Group's charitable objectives. The tax expense in the year relates to Group companies that are subject to UK taxation in addition to the non-exempt tax for the parent Association.

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Comprehensive Income Statement, except for any changes attributable:

- to items of income or expense recognised as Other Comprehensive Income
- to an item recognised directly in equity

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Association's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met
- Where timing differences relate to interests in subsidiaries and the Group can control their reversal and such reversal is not considered probable in the foreseeable future

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

1.10. **Valued Added Tax (VAT)**

The majority of services supplied by the Group are exempt from VAT. However, the Group does charge VAT on its management contracts and PFI unitary charge income. This enables the Group to recover part of the VAT it incurs on expenditure under a Partial Exemption Special Method (PESM) calculation agreed with HM Revenue & Customs (HMRC).

The Financial Statements include VAT to the extent that it is incurred by the Group and not recoverable from HMRC. All expenditure is shown inclusive of VAT and the recoverable VAT arising from partially exempt activities is netted off in the Comprehensive Income Statement against management costs.

1.11. **Interest and financing costs**

Finance costs are charged to the Comprehensive Income Statement based on the interest rate applicable on the debt in the year. Loan issue costs (including costs associated with arranging security charges on properties for new loans) are initially capitalised as an offset against the principal and then subsequently amortised to the Comprehensive Income Statement over the life of the new loan facility. Non-utilisation and other loan fees for existing debt are charged to the Comprehensive Income Statement.

1.12. **Interest receivable on finance lease assets**

The Group’s finance lease assets represent the capital costs incurred on its PFI and PPP contracts – where the underlying properties and associated services are fundamentally controlled by another party. The debt is recovered via the unitary charge contract income over the remaining life of the contract. Until the debtor is fully recovered, an interest charge is released to the Comprehensive Income Statement which is based upon the value of the financial debt outstanding. This interest is included within interest receivable.

1.13. **Pension costs**

The Group participates in a number of defined contribution and closed defined benefit pension schemes.

Contributions to the Group's defined contribution pension schemes are charged to the Comprehensive Income Statement in the year in which they become payable.

The Group historically participated in a number of multi-employer defined benefit pension schemes (which are now closed to both new and current members). The Group also participates in a number of Local Government Pension Schemes (LGPS). The current service costs and costs from settlements and curtailments are charged against operating surplus. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and expected return on scheme assets are included net in other finance costs/income. Actuarial gains and losses are reported in Other Comprehensive Income.

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the project unit method and are discounted at appropriate high quality bond rates. The net deficit, adjusted for deferred tax, is presented separately from other assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the Group.

1.14. **Holiday pay accrual**

A liability is recognised to the extent of any unused holiday pay entitlement for care staff which has accrued at the Balance Sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement at the Balance Sheet date.

1.15. **Tangible fixed assets – housing properties**

Housing properties constructed or acquired (including land) on the open market since the date of transition to FRS 102 are stated at cost less depreciation and impairment (where applicable). The cost of housing land and property represents their purchase price and any directly attributable costs of acquisition which may include an appropriate amount for staff costs and other costs of developing the property.

Directly attributable costs of acquisition include capitalised interest calculated, on a proportional basis, using finance costs on borrowing which has been drawn in order to finance the relevant construction or acquisition. Where housing properties are in the course of construction, finance costs are only capitalised where construction is ongoing and has not been interrupted or terminated.

Planned expenditure on major component replacements and refurbishments to properties is capitalised where the works:

- Increase the rental stream over the life of the property
- Reduce the future maintenance costs of the property
- Subsequently extend the life of the property
- Constitute replacement of major components where the replaced component can be identified and written off (see also **Depreciation of housing property – Note 1.16**)

All other repair and replacement expenditure is charged to the Comprehensive Income Statement.

Mixed developments, excluding the estimated cost of the element of shared ownership properties held for sale (if any) as first tranche, are held within fixed asset housing properties and accounted for at cost less depreciation.

Housing properties in the course of construction, excluding the estimated cost of the element of shared ownership properties expected to be sold in first tranche (see **Shared ownership properties and staircasing – Note 1.18**), are included in fixed asset housing properties and held at cost less any impairment, and are transferred to completed properties when ready for letting.

1.16. **Depreciation of housing property**

Housing land and property is split between land, structure and other major components that are expected to require replacement over time.

Land is not depreciated on account of its indefinite useful economic life. The portion of shared ownership property retained or expected to be retained is depreciated over 100 years.

Assets in the course of construction are not depreciated until they are ready for letting to ensure that they are depreciated only in periods in which economic benefits are expected to be materially consumed.

The cost of housing property (net of accumulated depreciation to date and impairment, where applicable) and components are depreciated over the useful economic lives of the assets on the following basis:

Component	**Years**
Land	Infinite
Structure	100
Roof	50
Windows & doors	30

Component	Years
Kitchens & bathrooms	20
Mechanical services	20
Heating & plumbing	25
Fit out costs	25

Housing properties are split between the structure and the major components which require periodic replacement. The costs of replacement or restoration of these components are capitalised and depreciated over the determined average useful economic life.

Where a major component is replaced before the end of its economic useful life and is not fully depreciated, an additional charge (accelerated depreciation), equivalent to the remaining net book value of the component, is recognised in the Comprehensive Income Statement.

1.17. **Donated land and other assets**

Land and other assets donated by local authorities and other government sources are added to cost at the fair value of the asset at the time of the donation. The donation is treated as a non-monetary grant and recognised in the Balance Sheet as a liability.

Where the donation is from a non-public source the value of the donation is included as income.

1.18. **Shared ownership properties and staircasing**

All of the Group's shared ownership properties are low cost home ownership properties. Under low cost home ownership arrangements, the Group disposes of a long lease on low cost home ownership housing properties for a share ranging between 25% and 75% equity. The buyer has the right to purchase further proportions up to 75% based on the market valuation of the property at the time each purchase transaction is completed.

Low cost home ownership properties are split proportionately between current and fixed asset housing properties based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover. The remaining element, staircasing element, is classed as fixed asset housing properties and included in completed housing property at cost and any provision for impairment. Sales proceeds of subsequent tranches are included in turnover.

Low cost home ownership properties are depreciated over 100 years. Any impairment in the value of such properties is charged to the Comprehensive Income Statement.

Costs are allocated to the appropriate tenure on a floor area or unit basis depending on the appropriateness for each scheme. When a sale occurs of a property, a proportionate amount is written off to the Comprehensive Income Statement as a cost of sale based on the number of properties and equity percentage sold.

Sales and marketing costs incurred on low cost home ownership properties under construction at the year end is deferred until the scheme reaches practical completion and sales commence. At this point the associated sales & marketing expenditure is recognised in the Comprehensive Income Statement.

1.19. **Tangible fixed assets – other**

Other tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

1.20. **Depreciation of other tangible fixed assets**

Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Component	**Years**
Leasehold office	Over the remaining period of the lease
Office furniture & equipment	10
Motor vehicles	4
Computer software	5
Computer hardware	3

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Surpluses and losses on disposals are determined by comparing the proceeds with the carrying amount and the related sales proceeds are included in turnover in the Comprehensive Income Statement.

1.21. **Government grants**

Grants received in relation to those properties that are presented at deemed cost at the date of transition (1 April 2014) have been accounted for using the performance model as required by Housing SORP 2018. In applying this model, the grant has been presented as if it were originally recognised as income within the Comprehensive Income Statement in the year the associated housing properties were completed and is therefore included within brought forward reserves.

Grant received since the transition date in relation to newly acquired or developed housing properties is accounted for using the accrual model set out in FRS 102 and the Housing SORP 2018. Grant is carried as deferred income in the Balance Sheet and released to the Comprehensive Income Statement on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with Housing SORP 2018, the useful economic life of the housing property structure has been selected (100 years).

Where Social Housing Grant (SHG) funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a replacement property (see **Recycled Capital Grant Fund – Note 1.22**). The treatment depends on when the underlying grant was received:

- Any grant received pre 1 April 2014 is reversed directly through reserves and included within Other Comprehensive Income.
- Any grant received post 1 April 2014 is transferred from the deferred capital grants within long-term liabilities.

If there is no requirement to recycle or repay the grant on disposal of the assets, any unamortised grant remaining within creditors is released and recognised as income within the Comprehensive Income Statement.

Grants relating to revenue are recognised in the Comprehensive Income Statement over the same period as the expenditure to which they relate once performance related conditions have been met.

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

Where properties are acquired from other providers where the purchase price includes the associated grant, no accounting adjustment is made for the grant. The acquired grant is disclosed as a contingent liability in Note 18.

1.22. **Recycled Capital Grant Fund**

On the occurrence of certain relevant events, primarily the sale of properties, Homes England can direct the Group to recycle capital grants, or to make repayments of the recoverable amount. The Group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three year period, it may become repayable to Homes England with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used or repaid within one year is disclosed in the Balance Sheet under creditors due after more than one year. The remainder is disclosed under creditors due within one year.

1.23. **Impairments of fixed assets**

The housing property portfolio for the Group is assessed for indicators of impairment at each Balance Sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of the assets to whichever is higher of the following:

- Net realisable value based on social housing market sale (if known)
- Value in use based on the net present value of future cash flows
- Value in use based on the depreciated replacement cost of a similar asset (which reflects the social purpose of holding the asset)

Depreciated replacement cost is calculated based on the rebuild cost of a similar asset, adjusted for the same period of depreciation of the asset being assessed.

Where the carrying value is higher than all three of the assessment outcomes listed above, an impairment charge is recognised for the difference in the Comprehensive Income Statement and the carrying value of the asset adjusted on the Balance Sheet accordingly.

Impairment assessments are undertaken on ‘cash generating units’. The Group defines cash generating units as individual courts or schemes.

1.24. **Housing properties and stock for sale**

Housing properties and stock for sale represents work in progress and completed properties developed for outright sale and shared ownership. For shared ownership properties the value held as stock is the estimated cost to be sold as a first tranche.

The stock is stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales proceeds after allowing for all further costs to completion and selling costs.

1.25. **Debtors and creditors**

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Comprehensive Income Statement.

1.26. **Recoverable amount of rental and other trade debtors**

The Group estimates the recoverable value of rental and other debtors and impairs the debtor by appropriate amounts. When assessing the amount to impair it also reviews the age profile of the debt, historical collection rates and the class of debt.

1.27. Loans, investments and short term investments

All loans, investments and short term deposits held by the Group are classified as 'basic' financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however, the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost.

Loans and investments that are payable or receivable on demand or within one year are not discounted.

1.28. Cash and cash equivalents

Cash and cash equivalents in the Group's Balance Sheet consist of cash at bank, in hand, deposits and short-term investments which can be accessed instantly.

1.29. Derivative instruments and hedge accounting

The Group holds some floating rate loans which expose the Group to interest rate risk. To mitigate against this risk the Group uses interest rate swap instruments which fix the amount payable over a certain period of time. These instruments are measured at fair value at each reporting date. They are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The Group has designated each of the swaps against drawn floating rate debt.

To the extent to which the hedge is effective in mitigating interest rate risk, the movements in fair value (other than adjustments for own or counter party credit risk) are not recognised in the Comprehensive Income Statement but adjusted directly on the Balance Sheet via Other Comprehensive Income, and presented in a separate Cash Flow Hedge Reserve, which represents all effective cumulative movements in fair value. Any movements in fair value relating to ineffectiveness (and adjustments for our own or counter party credit risk) are recognised in the Comprehensive Income Statement.

1.30. Leases

Where assets are financed by leasing agreements that, to all intents and purposes, give rights of ownership (finance leases), the assets are treated as if they has been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease.

The corresponding leasing commitments are shown as amounts payable (excluding the interest). Depreciation on the relevant assets is charged to the Comprehensive Income Statement over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the Comprehensive Income Statement over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable on the Balance Sheet.

All other leases are treated as operating leases. Their annual rentals are charged to the Comprehensive Income Statement on a straight-line basis over the term of the lease.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard (1 April 2014) to continue to be charged over the period to the first break clause rather than the term of lease.

For leases entered into on or after 1 April 2014, reverse premiums and similar incentives received to enter into operating lease agreements are released to the Comprehensive Income Statement over the term of the lease.

1.31. **Leasehold sinking funds**

Unexpended amounts collected from leaseholders for major repairs on leasehold schemes and any interest received are included in creditors.

1.32. **Contingent liabilities**

A contingent liability is recognised for a possible obligation, for:

- When it is not yet confirmed that a present obligation exists that could lead to an outflow of resources
- Where a present obligation that does not meet the definitions of a provision as it is not probable that an outflow of resources will be required
- When a sufficiently reliable estimate of the amount cannot be made

Contingent liabilities exist on grants which are dependent on the disposal or cessation for the social letting of related properties.

1.33. **Reserves**

On transition to FRS 102 the Group took the option of freezing its valuation of housing properties and using that amount as deemed cost. To determine the deemed cost at 1 April 2014, the Group utilised its valuation as at 31 March 2014 which was undertaken by Deloitte Real Estate to value housing properties on an EUV-SH basis. Housing properties will subsequently be measured at cost less depreciation. The deemed cost approach has resulted in a Revaluation Reserve remaining on the Balance Sheet. On disposal of a property or court, a transfer is made from the Revaluation Reserve to the Income and Expenditure Reserve of an amount equal to the difference between the historical cost and the deemed cost.

The Cash Flow Hedge Reserve is created from the movements in the fair value of hedging derivatives that are assessed as effective (see **Derivative instruments and hedge accounting – Note 1.29**).

2. Judgements in applying accounting policies and key sources of estimation

In preparing these Financial Statements, the key judgements and estimations have been made in respect of the following:

2.1. All housing properties are classified as **property, plant and equipment**, including the shared ownership properties – as opposed to investment properties. This is because all are judged to be held for their 'social benefit' which is a key criterion in FRS 102 for the classification as property, plant and equipment. The Group does not have any commercial or student accommodation.

2.2. Group **housing property components** have been identified and their associated useful economic lives set (as shown in Note 1.16) with reference to the National Housing Federation (NHF) and Savills' 2011 publication on national property component matrix for sheltered flats.

2.3. When undertaking **impairment** assessments on housing properties, it is judged that an active market does not exist for the sale of sheltered accommodation between registered social providers. Therefore, value in use on the a) net present value of future cash flows or b) depreciated replacement cost is used.

The net present value of future cash flows is based on the current rentals and cost base of the scheme. These are uplifted by the same inflationary assumptions used in new development appraisals. The cash flows are discounted using the Group's current weighted average cost of capital of its debt. The period over which the cash flows are projected and discounted is based on the estimated remaining useful economic life determined on a case-by-case basis.

The depreciated replacement cost is ascertained by the latest average build cost determined by the Group's development team for a similar sheltered or extra care court.

An impairment assessment is undertaken when an indicator of impairment is identified in the year. There were no such indicators in the year ended 31 March 2020.

2.4. **Unplanned major repairs and component replacements** on discrete properties are not capitalised in accordance with Accounting Policy 1.15, but expensed as repairs to the Comprehensive Income Statement. This is because the Group judges that such expenditure does not enhance the value of the overall scheme but maintains the quality of the property in line with the wider scheme. Only planned stock investment projects for the entire scheme are capitalised.

2.5. For **mixed tenure housing properties**, an estimate is made in order to allocate the appropriate element of cost between the following categories:

- Fixed asset housing properties – rented accommodation
- Fixed asset housing properties – shared ownership accommodation
- Current asset housing properties held for sale – shared ownership and outright sale accommodation

This is because the construction costs are for the court as a whole and are not split between the different tenures. The apportionment is based on the property sizes for each tenure type and the expected first tranche sales equity – both with reference to the final completed tenure mix or the latest development appraisal (if under construction).

Any associated Homes England (HE) grant is assigned to individual properties in the HE's Investment Management System (IMS), therefore this is split based on actual allocations. Any grants from non-HE sources are all allocated to the rented portion. No grant is assumed to be associated with first tranche sales.

2.6. The Group has agreed **repayment plans** for certain residents and service users on their rent arrears and care services. These arrangements represent financing arrangements (in that they are credit terms outside the normal course of business, therefore representing interest free loans) that should be discounted using an equivalent market rate of interest for a similar loan.

However, no adjustments have been made in the Financial Statements. This is because discounting would result in the applicable debt being carried on the Balance Sheet at virtually nil, but debts where payment plans are in place would invariably be impaired through a bad debt provision resulting in a materially similar net balance.

2.7. The **defined benefit accounting liability for the SHPS** pension scheme has been provided by the scheme administrator, The Pensions Trust (TPT). The accounting liability has been formulated based on a series of assumptions which are set out in Note 24 to the financial statements. TPT provide a standard set of assumptions which it deems are appropriate, however, these are adjustable by individual providers to meet their own circumstances. The standard assumptions have been adopted by the Group as they are judged to be appropriate and reasonable. If the discount rate was lower, and/or the inflation rates and life expectancy rates were higher, then the liability would increase. Conversely, if the discount rate was higher, and/or the inflation rates and life expectancy rates were lower, then the liability would decrease.

2.8. **Hedge accounting effectiveness** is determined by use of the 'critical terms method'. It is deemed effective where the terms of the underlying loan match the swap instrument exactly. Where it is not possible, all hedging instruments are judged to be in accordance with the risk management strategies of the Group in regard to interest rate cash flow risk, and therefore, the 'hypothetical derivative method' is used to assess effectiveness.

The hypothetical value is assessed against the actual fair value of the instrument. Where the fair value is favourable to the hypothetical value, the hedge is deemed to be effective. Where the fair value is adverse to the hypothetical value, the cumulative difference between the two is taken to be ineffective, and this portion taken through the Comprehensive Income Statement.

2.9. The **sales of first tranche shared ownership, outright sale and sale of other properties (including starcasing)** are reported in the Comprehensive Income Statement as part of Operating Surplus in accordance with the SORP. However, the associated cash flows are judged to meet the FRS 102 criteria of cash flow from Investing Activities, as opposed to Cash from Operations, because of their association and relationship with the wider development-related capital cash flows. Therefore, they are reported in the Cash Flow Statement as Investing Activities. The surpluses on sale are shown as an adjustment when reconciling the Operating Surplus to Cash from Operations (Note 19).

Furthermore, these properties should be accounted for at the lower of the cost or their net realisable value. If the associated net realisable value falls below the cost, this could be an indicator for impairment. No such indicators of impairment existing at 31 March 2020.

2.10. As part of the PFI contracts the parent Association has **invested equity into the special purpose vehicles** holding the PFI contracts. These are judged to meet the FRS 102 criteria of concessionary loans to public benefit entities and have therefore been accounted as the amount receivable to the Association.

2.11. The FRS 102 transitional exemption has been adopted for the accounting for **service concession arrangements** (the PFI and PPP contracts). These are reported the same under these FRS 102 accounts as they were historically. This is to ensure the ease of comparability with previous years and to ensure continual integration with the original operating and financial close models.

2.12. The level of income (and profit) recognised on the **PFI and PPP contracts** is based on the estimated stage of completion, which is based on the total expenditure incurred to date compared to the total amount of expenditure expected to be incurred over the life of the contract, and the probability of any losses being incurred on the contract.

The total expected contract costs on the Kent PFI and Walsall PPP are currently expected to be in line with the original models. The total expected contract costs for Oldham PFI have been amended to include the rectification expenditure with the associated knock-on effect on income recognition appropriately reflected in the accounts.

2.13 The one-off service charge adjustment relates to the increases in our variable service charges which were in excess of permitted levels under Welfare Reform and Work Act (WRWA) which will be refunded in due course. We had complied with WRWA in respect of rent reductions on our rent charges but as we operated a policy of variable service charges, this deduction had not been applied to the service charge element of our affordable rent units. The Act dictates that the 1% reduction should have been applied to gross rents (service charges as well as rents) for our 3,297 affordable rent units, hence this resulted in the one-off adjustment in respect of service charges. Due to the significant nature, this has been disclosed separately as a one-off item in the Comprehensive Income Statement.

3. Turnover, cost of sales, operating costs and operating surplus

Group	2020			*2019 (Restated)*		
	Turnover	**Operating costs and cost of sales**	**Operating surplus**	*Turnover*	*Operating costs and cost of sales*	*Operating surplus*
	£'000	**£'000**	**£'000**	*£'000*	*£'000*	*£'000*
Social housing lettings (Note 0)	**144,931**	**(112,566)**	**32,365**	*142,309*	*(107,249)*	*35,060*
Other social housing activities						
Support charge	3,456	(3,456)	-	*3,205*	*(3,205)*	*-*
Leasehold Services	1,746	(1,664)	82	*1,712*	*(1,615)*	*97*
First Tranche low cost home ownership sales	4,877	(4,705)	172	*1,011*	*(880)*	*131*
Outright sales	908	(789)	119	*1,426*	*(1,213)*	*213*
Staircasing sales	597	(551)	46	*350*	*(246)*	*104*
Other asset sales	1,104	(1,012)	92	*900*	*(23)*	*877*
	12,688	**(12,177)**	**511**	*8,604*	*(7,182)*	*1,422*
One-off service charge adjustment (Note 2.13)	(2,790)	-	(2,790)	*-*	*-*	*-*
	9,898	**(12,177)**	**(2,279)**	*8,604*	*(7,182)*	*1,422*
Total social housing activities	**154,829**	**(124,743)**	**30,086**	*150,913*	*(114,431)*	*36,482*
Non-social housing activities						
Care services	35,215	(34,095)	1,120	*33,826*	*(32,717)*	*1,109*
Market Rent for Older Persons	1,650	(1,157)	493	*1,541*	*(1,084)*	*457*
Leasehold Services	563	(381)	182	*-*	*-*	*-*
Other	-	200	200	*-*	*200*	*200*
One-off goodwill write off	-	-	-	*-*	*(1,446)*	*(1,446)*
	37,428	**(35,433)**	**1,995**	*35,367*	*(35,047)*	*320*
Total	**192,257**	**(160,176)**	**32,081**	*186,280*	*(149,478)*	*36,802*

The following restatements have made for the prior year for the Group and Association:

- Turnover and costs derived from our pure leasehold schemes and market rent for older persons properties were previously included in note 4 ; however this is now disclosed separately as Leasehold Services (social housing) and Market Rent for Older Persons (non-social).
- Surplus on disposal of Staircasing sales (£104k) and Other asset sales (£877k) are now included in operating surplus line. This is a requirement of the Housing SORP 2018.
- £963k of VAT recoveries from Other income to Management costs. There is no impact of this adjustment on operating or net surpluses (Refer to note 4).

Total development administration costs capitalised were £1,217k (*2019: £880k*) for the Association.
The one-off item relates to service charge income which was above levels permitted by Welfare Reform and Work Act (WRWA). Further details are disclosed in Note 2.13. The one-off item included in the non-social housing activities in the prior year was the investment write-off associated with the acquisition of Goldsborough Estates Limited in 2019.

3. Turnover, cost of sales, operating costs and operating surplus (continued)

Association	**2020**			*2019 (Restated)*		
	Turnover	**Operating costs and cost of sales**	**Operating surplus**	*Turnover*	*Operating costs and cost of sales*	*Operating surplus*
	£'000	**£'000**	**£'000**	*£'000*	*£'000*	*£'000*
Social housing lettings (Note 4)	**139,103**	**(111,145)**	**27,958**	*136,038*	*(105,603)*	*30,435*
Other social housing activities						
Support charge	3,456	(3,456)	-	*3,205*	*(3,205)*	*-*
Leasehold Services	1,746	(1,664)	82	*1,712*	*(1,615)*	*97*
First Tranche low cost home ownership sales	4,877	(4,705)	172	*1,011*	*(880)*	*131*
Outright sales	908	(789)	119	*1,426*	*(1,213)*	*213*
Staircasing sales	597	(551)	46	*350*	*(246)*	*104*
Other asset sales	1,104	(1,012)	92	*900*	*(23)*	*877*
	12,688	(12,177)	511	*8,604*	*(7,182)*	*1,422*
One-off service charge adjustment (Note 2.13)	(2,790)	-	(2,790)	*-*	*-*	*-*
	9,898	**(12,177)**	**(2,279)**	*8,604*	*(7,182)*	*1,422*
Total social housing activities	**149,001**	**(123,322)**	**25,679**	*144,642*	*(112,785)*	*31,857*
Non-social housing activities						
Care services	35,215	(34,095)	1,120	*33,826*	*(32,717)*	*1,109*
Market Rent for Older Persons	1,650	(1,157)	493	*1,541*	*(1,084)*	*457*
Other	-	200	200	*-*	*200*	*200*
One-off goodwill write off	-	-	-	*-*	*(1,446)*	*(1,446)*
	36,865	**(35,052)**	**1,813**	*35,367*	*(35,047)*	*320*
Total	**185,866**	**(158,374)**	**27,492**	*180,009*	*(147,832)*	*32,177*

4. Turnover, operating costs and operating surplus from social housing lettings

Group	**2020**					*2019 (Restated)*
	Retirement Housing	**Extra Care**	**PFI / PPP**	**Corporate**	**Total**	*Total*
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	*£'000*
Turnover on social housing lettings						
Rents net of identifiable service charges	53,916	30,869	4,438	(59)	**89,164**	*88,636*
Service & utility charges	21,536	16,672	2,290	-	**40,498**	*39,604*
Amortisation of government grants	-	327	-	-	**327**	*311*
Other income	10	699	13,954	279	**14,942**	*13,758*
	75,462	**48,567**	**20,682**	**220**	**144,931**	*142,309*
Expenditure on social housing lettings						
Management	(4,417)	(4,469)	(5,450)	(14,717)	**(29,053)**	*(26,561)*
Service & utility costs	(17,184)	(14,067)	(2,003)	-	**(33,254)**	*(32,562)*
Routine maintenance	(6,762)	(3,345)	(2,763)	(5)	**(12,875)**	*(12,940)*
Planned maintenance	(3,431)	(1,806)	(880)	(2,919)	**(9,036)**	*(8,375)*
Major repairs	(473)	(424)	(761)	-	**(1,658)**	*(1,306)*
Bad debts	(44)	(170)	(4)	(346)	**(564)**	*(313)*
Depreciation of housing properties	(14,120)	(9,587)	(1,538)	-	**(25,245)**	*(24,637)*
Other depreciation	-	-	-	(881)	**(881)**	*(555)*
	(46,431)	**(33,868)**	**(13,399)**	**(18,868)**	**(112,566)**	*(107,249)*
Operating surplus on social housing lettings	**29,031**	**14,699**	**7,283**	**(18,648)**	**32,365**	*35,060*
Void losses	(993)	(1,035)	(41)	(156)	**(2,225)**	*(2,145)*

- Retirement Housing, Extra Care, PFI / PPP and Corporate all represent 'supported housing and housing for older people'.
- Included within void losses are first-let voids on new properties of £397k (*2019: £101k*).

4. Turnover, operating costs and operating surplus from social housing lettings (continued)

Association	**2020**					*2019 (Restated)*
	Retirement Housing	**Extra Care**	**PFI / PPP**	**Corporate**	**Total**	*Total*
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	*£'000*
Turnover on social housing lettings						
Rents net of identifiable service charges	53,916	30,510	4,438	(59)	**88,805**	*88,285*
Service & utility charges	21,536	16,448	2,290	-	**40,274**	*39,368*
Amortisation of government grants	-	327	-	-	**327**	*311*
Other income	10	821	8,587	279	**9,697**	*8,074*
	75,462	**48,106**	**15,315**	**220**	**139,103**	*136,038*
Expenditure on social housing lettings						
Management	(4,417)	(4,417)	(7,003)	(14,717)	**(30,554)**	*(28,379)*
Service & utility costs	(17,184)	(13,849)	(2,003)	-	**(33,036)**	*(32,332)*
Routine maintenance	(6,762)	(3,342)	(2,025)	(5)	**(12,134)**	*(11,886)*
Planned maintenance	(3,431)	(1,791)	(80)	(2,919)	**(8,221)**	*(7,401)*
Major repairs	(473)	(422)	(782)	-	**(1,677)**	*(1,299)*
Bad debts	(44)	(169)	(4)	(346)	**(563)**	*(313)*
Depreciation of housing properties	(14,120)	(9,483)	(476)	-	**(24,079)**	*(23,438)*
Other depreciation	-	-	-	(881)	**(881)**	*(555)*
	(46,431)	**(33,473)**	**(12,373)**	**(18,868)**	**(111,145)**	*(105,603)*
Operating surplus on social housing lettings	**29,031**	**14,633**	**2,942**	**(18,648)**	**27,958**	*30,435*
Void losses	(993)	(1,033)	(41)	(156)	**(2,223)**	*(2,144)*

- Retirement Housing, Extra Care, PFI / PPP and Corporate all represent 'supported housing and housing for older people'.
- Included within void losses are first-let voids on new properties of £397k (*2019: £101k*).

5. Directors' and Executive Team remuneration

The directors of Housing 21 are defined as members of the Board and the Executive team. The Board consists of 9 non-executive members (*2019: 9*). In addition there are 2 (*2019: 2*) independent audit members

The non-executive Board members received the following emoluments during the year.

		2020	*2019*
		£'000	*£'000*
S Hughes (Chair)		**20**	*21*
A Turner		**13**	*13*
K Boyle		**10**	*10*
M Knott		**10**	*10*
M McDonagh		**10**	*10*
L Potter		**10**	*10*
N Revely		**10**	*10*
D Clark	Appointed 1 Aug 2019	**7**	*-*
E Elkington	Appointed 1 Oct 2019	**5**	*-*
S Heeley	Resigned 29 Feb 2020	**9**	*10*
J Owen CBE	Resigned 27 Sep 2019	**5**	*10*
C Law (Independent audit members)	Appointed 1 Feb 2019	**4**	*1*
I Skipp (Independent audit members)	Appointed 1 Feb 2019	**4**	*1*
B Stoneham	Resigned 28 Sep 2018	**-**	*11*
S Robinson	Resigned 28 Sep 2018	**-**	*7*
R Humphries	Resigned 28 Sep 2018	**-**	*5*
Total		**117**	*129*

S Heeley was a resident Board member, and was a resident of the Association until February 2020. Her tenancy was on the same terms and conditions as other residents. She was unable to use her position as a Board member to any advantage in her relationship with the Association as a resident. The rent & service charged for the year was £7,415 (*2019: £6,473*) and she had a balance of £nil at 31 March 2020 (*2019: £249*).

The Executive team (see page 40 for more information) received the following emoluments during the financial year:

	2020	*2019*
	£'000	*£'000*
Emoluments	**567**	*560*
Pension contributions	**48**	*48*
Total	**615**	*608*

5. Directors' and Executive Team remuneration (continued)

The highest paid director in the year was the Chief Executive. His emoluments were as follows:

	2020	*2019*
	£'000	*£'000*
Emoluments	**238**	*238*
Pension contributions	**29**	*28*
Total	**267**	*266*

The Chief Executive is an ordinary member of the SHPS (Defined Contribution) pension scheme as set out in Note 24. Employer's contribution in respect of the Chief Executive's pension in the year was £29k (*2019: £28k*), of which £19k (*2019: £18k*) was taken as cash. The above remuneration excludes any employer's social security costs.

6. Employee information

The average number of people employed (including the Executive team) expressed as full-time equivalents (calculated on a standard working week of 35 hours) during the year was as follows:

	Group		**Association**	
	2020	*2019*	**2020**	*2019*
	No.	*No.*	**No.**	*No.*
Management, court managers and administration	**1,376**	*1,300*	**1,356**	*1,281*
Care and ancillary	**1,824**	*1,850*	**1,822**	*1,849*
	3,200	*3,150*	**3,178**	*3,130*

Staff costs (including the Executive team) consist of:

	Group		**Association**	
	2020	*2019*	**2020**	*2019*
	£'000	*£'000*	**£'000**	*£'000*
Wages and salaries	**62,125**	*58,161*	**61,781**	*58,066*
Redundancy and other costs	**45**	*166*	**45**	*166*
Social security costs	**4,699**	*4,341*	**4,671**	*4,334*
Pension costs	**2,717**	*2,205*	**2,717**	*2,205*
	69,586	*64,873*	**69,214**	*64,771*

Detailed below is the full time equivalent number of staff whose remuneration payable in relation to the period was in excess of £60,000:

	Group & Association	
	2020	*2019 (Restated)*
£260,000 - £269,999	1	*1*
£170,000 - £179,999	2	*1*
£160,000 – £169,999	-	*1*
£100,000 – £109,999	7	*3*
£90,000 – £99,999	-	*5*
£80,000 – £89,999	2	*-*
£70,000 – £79,999	15	*9*
£60,000 – £69,999	14	*15*
	41	*35*

7. Interest receivable and similar income

	Group		Association	
	2020	*2019*	**2020**	*2019*
	£'000	*£'000*	**£'000**	*£'000*
Interest received on cash deposits and short term investments	**1,325**	*1,377*	**1,162**	*1,265*
Finance asset interest	**6,702**	*6,899*	**350**	*359*
Interest receivable from group undertakings	**-**	*-*	**1,396**	*1,399*
Other income	**-**	*-*	**110**	*-*
	8,027	*8,276*	**3,018**	*3,023*

8. Interest and financing costs

	Group		Association	
	2020	*2019*	**2020**	*2019*
	£'000	*£'000*	**£'000**	*£'000*
Bank loans and overdrafts	**(25,957)**	*(26,933)*	**(19,057)**	*(19,806)*
All other loans	**(27)**	*(27)*	**(26)**	*(27)*
Finance leases	**-**	*(5)*	**-**	*(5)*
Other financing fees and charges	**(879)**	*(451)*	**(762)**	*(334)*
Net interest on pension liabilities	**(307)**	*(293)*	**(307)**	*(293)*
	(27,170)	*(27,709)*	**(20,152)**	*(20,465)*
Interest capitalised on construction of housing properties	**1,153**	*370*	**1,153**	*370*
	(26,017)	*(27,339)*	**(18,999)**	*(20,095)*
Other financing costs through Other Comprehensive Income:				
Loss on fair value of hedged derivative instruments (Note 17)	**(13,233)**	*(1,287)*	**(4,590)**	*(122)*

9. Operating surplus before tax

	Group		Association	
	2020	*2019*	**2020**	*2019*
	£'000	*£'000*	**£'000**	*£'000*
This is arrived at after (charging) / crediting:				
Depreciation of housing properties	**(25,367)**	*(24,757)*	**(24,200)**	*(23,557)*
Write-off of goodwill	**-**	*(1,446)*	**-**	*-*
Write-off of investment	**200**	*200*	**200**	*(1,246)*
Depreciation on other fixed assets	**(881)**	*(555)*	**(881)**	*(555)*
Amortisation of grant	**327**	*311*	**327**	*311*
Interest element of finance lease payments	**-**	*(5)*	**-**	*(5)*
Payments under operating leases				
- land & buildings	**(502)**	*(533)*	**(502)**	*(533)*
- other	**(122)**	*(149)*	**(121)**	*(149)*
Auditors' remuneration (excluding VAT):				
- In their capacity as financial statement auditors	**(91)**	*(88)*	**(75)**	*(72)*
- Covenants compliance audit	**-**	*(3)*	**-**	*(3)*
- Leasehold audit	**(6)**	*(6)*	**(6)**	*(6)*

10. Taxation

Housing 21, Kent Community Partnership Limited and Oldham Retirement Housing Partnership Limited have charitable status and therefore are exempt from Corporation Tax on their income and gains to the extent that these are derived from their charitable objectives.

Housing 21 Guernsey Limited by Guarantee - the Administrator of Income Tax in Guernsey has agreed that the company's profits are exempt from Guernsey tax due to the company's charitable activities. The company is managed in such a way that it is treated as being a UK tax resident and therefore it will be subject to UK tax.

Goldsborough Estates Limited generates taxable trading profits that would in principle be chargeable to UK corporation tax. However, as a wholly owned subsidiary of a charitable parent, Goldsborough can make gift aid payments that enable it to reduce its corporation tax liability to nil.

The UK taxation charge for the year is analysed as follows:

	Group		**Association**	
Current taxation	**2020**	*2019*	**2020**	*2019*
	£'000	*£'000*	**£'000**	*£'000*
UK Corporation Tax	**(32)**	*(20)*	**-**	-

Current tax reconciliation
The tax charge differs from the standard rate of corporation tax in the UK. A reconciliation is shown below:

	Group		**Association**	
	2020	*2019*	**2020**	*2019*
	£'000	*£'000*	**£'000**	*£'000*
Surplus before taxation	**17,309**	*18,093*	**14,616**	*15,105*
Tax at the main rate of corporation tax of 19% (*2019: 19%*)	**(3,289)**	*(3,438)*	**(2,777)**	*(2,870)*
Effects of:				
Exemption for charitable activities	**3,257**	*3,418*	**2,777**	*2,870*
Total current tax charge	**(32)**	*(20)*	**-**	-

11. Housing properties at deemed historic cost

Group

	Retirement Housing		Extra Care		PFI & PPP		Assets under construction		Total
	Rented	Shared ownership	Rented	Shared ownership	Rented	Shared ownership	Rented	Shared ownership	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Deemed historic cost									
1 April 2019	808,377	91	430,748	22,195	112,590	745	19,336	11,040	**1,405,122**
Acquisitions & construction costs	-	-	9,954	-	-	-	38,100	33,283	**81,337**
Works to existing properties	29,664	-	2,806	-	51	-	-	-	**32,521**
Transfers to current assets	-	-	-	-	-	-	-	(24,208)	**(24,208)**
Re-classifications	(3,590)	-	3,590	-	-	-	-	-	**-**
Completed property transfers	1,779	-	7,556	4,427	-	-	(9,335)	(4,427)	**-**
Disposals	(16,390)	-	(1,443)	(587)	(47)	(75)	-	-	**(18,542)**
31 March 2020	**819,840**	**91**	**453,211**	**26,035**	**112,594**	**670**	**48,101**	**15,688**	**1,476,230**
Accumulated depreciation & impairment									
1 April 2019	(174,169)	(3)	(70,592)	(1,144)	(14,976)	(42)	-	-	**(260,926)**
Charge in the year	(14,242)	(1)	(9,362)	(219)	(1,536)	(7)	-	-	**(25,367)**
Re-classifications	38	-	(38)	-	-	-	-	-	**-**
Eliminated on disposals	15,381	-	1,438	-	50	-	-	-	**16,869**
31 March 2020	**(172,992)**	**(4)**	**(78,554)**	**(1,363)**	**(16,462)**	**(49)**	**-**	**-**	**(269,424)**
Net book value									
31 March 2020	**646,848**	**87**	**374,657**	**24,672**	**96,132**	**621**	**48,101**	**15,688**	**1,206,806**
31 March 2019	*634,208*	*88*	*360,156*	*21,051*	*97,614*	*703*	*19,336*	*11,040*	*1,144,196*
Land tenure									
Freehold	593,018	87	247,216	17,855	-	-	26,648	6,600	**891,424**
Long leasehold	53,830	-	127,441	6,817	96,132	621	21,453	9,088	**315,382**
31 March 2020	**646,848**	**87**	**374,657**	**24,672**	**96,132**	**621**	**48,101**	**15,688**	**1,206,806**

Depreciation charge in the year of £25,367k includes £3,723k of accelerated depreciation on replaced components (*2019: £4,986k*).

11. Housing properties at deemed historic cost (continued)

Association

	Retirement Housing		Extra Care		PFI & PPP		Assets under construction		Total
	Rented	Shared ownership	Rented	Shared ownership	Rented	Shared ownership	Rented	Shared ownership	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Deemed historic cost									
1 April 2019	808,377	91	425,264	22,195	22,794	745	19,336	11,040	**1,309,842**
Acquisitions & construction costs	-	-	9,954	-	-	-	38,100	33,283	**81,337**
Works to existing properties	29,664	-	2,664	-	51	-	-	-	**32,379**
Transfers to current assets	-	-	-	-	-	-	-	(24,208)	**(24,208)**
Re- classifications	(3,590)	-	3,590	-	-	-	-	-	**-**
Completed property transfers	1,779	-	7,556	4,427	-	-	(9,335)	(4,427)	**-**
Disposals	(16,390)	-	(1,420)	(587)	(47)	(75)	-	-	**(18,519)**
31 March 2020	**819,840**	**91**	**447,608**	**26,035**	**22,798**	**670**	**48,101**	**15,688**	**1,380,831**
Accumulated depreciation & impairments									
1 April 2019	(174,169)	(3)	(69,522)	(1,143)	(4,311)	(42)	-	-	**(249,190)**
Charge in the year	(14,242)	(1)	(9,260)	(220)	(470)	(7)	-	-	**(24,200)**
Re- classifications	38	-	(38)	-	-	-	-	-	**-**
Eliminated on disposals	15,381	-	1,418	-	47	-	-	-	**16,846**
31 March 2020	**(172,992)**	**(4)**	**(77,402)**	**(1,363)**	**(4,734)**	**(49)**	**-**	**-**	**(256,544)**
Net book value									
31 March 2020	**646,848**	**87**	**370,206**	**24,672**	**18,064**	**621**	**48,101**	**15,688**	**1,124,287**
31 March 2019	*634,208*	*88*	*355,742*	*21,052*	*18,483*	*703*	*19,336*	*11,040*	*1,060,652*
Land tenure									
Freehold	593,018	87	242,764	17,855	-	-	26,648	6,600	**886,972**
Long leasehold	53,830	-	127,442	6,817	18,064	621	21,453	9,088	**237,315**
31 March 2020	**646,848**	**87**	**370,206**	**24,672**	**18,064**	**621**	**48,101**	**15,688**	**1,124,287**

Depreciation charge in the year of £24,200k includes £3,712k of accelerated depreciation on replaced components (*2019: £4,937k*).

11. Housing properties at deemed historic cost (continued)

Works to existing properties

Expenditure on existing properties, other than on routine and planned maintenance, was as follows:

	Group		Association	
	2020	*2019*	**2020**	*2019*
	£'000	*£'000*	**£'000**	*£'000*
New components capitalised	**19,925**	*17,699*	**19,925**	*17,685*
Capitalised enhancements	**12,596**	*11,121*	**12,454**	*11,005*
Major repairs expensed (Note 0)	**1,658**	*1,306*	**1,677**	*1,299*
	34,179	*30,126*	**34,056**	*29,989*

The total amount of interest capitalised in the year was £1,153k (*2019: £370k)* and interest is capitalised at a rate of 4.5% *(2019: 4.5%)*. The cumulative value of capitalised interest included in the net book value in Note 11 and properties held for sale in Note 13 is not separately recorded.

Housing accommodation

	Group		Association	
	2020	*2019*	**2020**	*2019*
	No.	*No.*	**No.**	*No.*
Retirement Housing				
Rented – social rents	**11,461**	*11,607*	**11,461**	*11,607*
Rented - general needs / family	**63**	*63*	**63**	*63*
Shared ownership	**12**	*12*	**12**	*12*
Leasehold	**1,316**	*1,316*	**739**	*739*
Staff accommodation	**105**	*121*	**105**	*121*
Owned but managed by others	**212**	*222*	**212**	*222*
Managed for others	**29**	*29*	**606**	*606*
	13,198	*13,370*	**13,198**	*13,370*
Extra Care				
Rented – social rents	**1,464**	*1,356*	**1,413**	*1,305*
Rented – affordable rents	**3,297**	*3,164*	**3,297**	*3,164*
Shared ownership	**891**	*894*	**891**	*894*
Leasehold	**123**	*123*	**88**	*88*
Staff accommodation	**1**	*1*	**1**	*1*
Managed for others	**-**	*-*	**86**	*86*
	5,776	*5,538*	**5,776**	*5,538*
PFI / PPP				
Rented – social rents	**555**	*555*	**215**	*215*
Shared ownership	**70**	*70*	**70**	*70*
Managed for others	**1,473**	*1,476*	**1,813**	*1,816*
	2,098	*2,101*	**2,098**	*2,101*
Total	**21,072**	*21,009*	**21,072**	*21,009*
Properties in development				
For rent	**684**	*275*	**684**	*275*
For shared ownership	**487**	*264*	**487**	*264*
For outright sale	**24**	*-*	**24**	*-*
Total	**1,195**	*539*	**1,195**	*539*

11. Housing properties at deemed historic cost (continued)

Housing accommodation

Group

	1 April 2019	Acquired	Disposed	Awaiting disposal	Remodelled /Reclassified	Transfers between tenures	31 March 2020
Retirement Housing							
Rented – social rents	11,607	-	(18)	(15)	(139)	26	11,461
Rented – gen. needs / family	63	-	-	-	-	-	63
Shared ownership	12	-	-	-	-	-	12
Leasehold	1,316	-	-	-	-	-	1,316
Staff accommodation	121	-	-	-	-	(16)	105
Owned but managed by others	222	-	-	-	-	(10)	212
Managed for others	29	-	-	-	-	-	29
	13,370	**-**	**(18)**	**(15)**	**(139)**	**-**	**13,198**
Extra Care							
Rented – social rents	1,356	95	-	-	143	(130)	1,464
Rented – affordable rents	3,164	-	-	-	-	133	3,297
Shared ownership	894	-	-	-	-	(3)	891
Leasehold	123	-	-	-	-	-	123
Staff accommodation	1	-	-	-	-	-	1
	5,538	**95**	**-**	**-**	**143**	**-**	**5,776**
PFI / PPP							
Rented – social rents	555	-	-	-	-	-	555
Shared ownership	70	-	-	-	-	-	70
Managed for others	1,476	-	-	-	(3)	-	1,473
	2,101	**-**	**-**	**-**	**(3)**	**-**	**2,098**
Total	**21,009**	**95**	**(18)**	**(15)**	**1**	**-**	**21,072**

Association

	1 April 2019	Acquired	Disposed	Awaiting disposal	Remodelled /Reclassified	Transfers between tenures	31 March 2020
Retirement Housing							
Rented – social rents	11,607	-	(18)	(15)	(139)	26	11,461
Rented – gen. needs / family	63	-	-	-	-	-	63
Shared ownership	12	-	-	-	-	-	12
Leasehold	739	-	-	-	-	-	739
Staff accommodation	121	-	-	-	-	(16)	105
Owned but managed by others	222	-	-	-	-	(10)	212
Managed for others	606	-	-	-	-	-	606
	13,370	**-**	**(18)**	**(15)**	**(139)**	**-**	**13,198**
Extra Care							
Rented – social rents	1,305	95	-	-	143	(130)	1,413
Rented – affordable rents	3,164	-	-	-	-	133	3,297
Shared ownership	894	-	-	-	-	(3)	891
Leasehold	88	-	-	-	-	-	88
Staff accommodation	1	-	-	-	-	-	1
Managed for others	86	-	-	-	-	-	86
	5,538	**95**	**-**	**-**	**143**	**-**	**5,776**
PFI / PPP							
Rented – social rents	215	-	-	-	-	-	215
Shared ownership	70	-	-	-	-	-	70
Managed for others	1,816	-	-	-	(3)	-	1,813
	2,101	**-**	**-**	**-**	**(3)**	**-**	**2,098**
Total	**21,009**	**95**	**(18)**	**(15)**	**1**	**-**	**21,072**

11. Housing properties at deemed historic cost (continued)

Historic cost

If housing property had been accounted for under historic cost accounting rules, the properties would have been measured as follows:

	Group		Association	
	2020	*2019*	**2020**	*2019*
	£'000	*£'000*	**£'000**	*£'000*
Historic cost (including assets under the course of construction)	**1,355,071**	*1,257,042*	**1,276,638**	*1,178,727*
Accumulated depreciation	**(265,429)**	*(256,935)*	**(252,548)**	*(245,194)*
	1,089,642	*1,000,107*	**1,024,090**	*933,533*

12. Other fixed assets

Group	**Leasehold offices & improvements £'000**	**IT & other equipment £'000**	**Total £'000**
Cost			
At 1 April 2019	1,113	9,397	**10,510**
Additions	75	684	**759**
Disposals	-	(3,561)	**(3,561)**
At 31 March 2020	**1,188**	**6,520**	**7,708**
Accumulated depreciation			
At 1 April 2019	(628)	(6,891)	**(7,519)**
Charge for the year	(87)	(794)	**(881)**
Disposals	-	3,561	**3,561**
At 31 March 2020	**(715)**	**(4,124)**	**(4,839)**
Net book value at 31 March 2020	**473**	**2,396**	**2,869**
at 31 March 2019	*485*	*2,506*	*2,991*

Association	**Leasehold offices & improvements £'000**	**IT & other equipment £'000**	**Total £'000**
Cost			
At 1 April 2019	1,113	9,397	**10,510**
Additions	14	684	**698**
Disposals	-	(3,561)	**(3,561)**
At 31 March 2020	**1,127**	**6,520**	**7,647**
Accumulated depreciation			
At 1 April 2019	(628)	(6,891)	**(7,519)**
Charge for the year	(87)	(794)	**(881)**
Disposals	-	3,561	**3,561**
At 31 March 2020	**(715)**	**(4,124)**	**(4,839)**
Net book value at 31 March 2020	**412**	**2,396**	**2,808**
at 31 March 2019	*485*	*2,506*	*2,991*

13. Housing properties and stock for sale

	Group and Association	
	2020	*2019*
	£'000	*£'000*
Low Cost Home Ownership & Outright Sale properties available for sale	**2,616**	*4,408*
Low Cost Home Ownership & Outright Sale properties under construction	**26,108**	*5,302*
	28,724	*9,710*

14. Debtors

	Group		Association	
	2020	*2019*	**2020**	*2019*
	£'000	*£'000*	**£'000**	*£'000*
Greater than one year				
Finance asset receivable	**109,254**	*112,521*	**5,739**	*5,863*
Amounts owed by group undertakings	**-**	-	**2,129**	*2,129*
Amounts owed by group undertakings – concessionary loans	**-**	-	**35,481**	*36,280*
	109,254	*112,521*	**43,349**	*44,272*
Within one year				
Rent and service charge arrears	**3,169**	*2,311*	**3,157**	*2,307*
Less provision for bad debts	**(2,169)**	*(1,559)*	**(2,166)**	*(1,557)*
	1,000	*752*	**991**	*750*
Trade debtors	**3,615**	*2,715*	**4,273**	*2,715*
Amounts owed by group undertakings	**-**	-	**975**	*1,406*
Prepayments, accrued income & other debtors	**17,486**	*16,276*	**8,270**	*7,700*
SHG and other capital grants receivable	**-**	*2,084*	**-**	*2,084*
	22,101	*21,827*	**14,509**	*14,655*

Other debtors include £400k (*2019: £600k*) owing as deferred consideration from the sale of Surecare and First Call subsidiary companies in November 2015.

Housing 21 provides concessionary loan funding to the following subsidiaries:

	1 April 2019	Movement	**31 March 2020**
	£'000	£'000	**£'000**
Kent Community Partnership	*6,976*	-	**6,976**
Oldham Retirement Housing Partnership	*29,304*	(799)	**28,505**
	36,280	(799)	**35,481**

14. Debtors (continued)

The interest rates on the concessionary loans are as follows:

	Kent Community Partnership	Oldham Retirement Housing Partnership
Interest rate	**11%**	**2%**

15. Creditors: amounts falling due within one year

	Group		Association	
	2020	*2019*	**2020**	*2019*
	£'000	*£'000*	**£'000**	*£'000*
Loans and borrowings (Note 16)	**(17,682)**	*(31,926)*	**(13,646)**	*(27,678)*
Trade creditors	**(3,066)**	*(4,785)*	**(2,671)**	*(4,785)*
Amount owed to Group undertakings	**-**	*-*	**(7,134)**	*(7,031)*
Interest rate swaps	**(4,864)**	*-*	**(974)**	*-*
Other creditors	**(11,143)**	*(11,418)*	**(10,423)**	*(10,548)*
Accruals and deferred income	**(76,987)**	*(70,151)*	**(50,734)**	*(44,053)*
	(113,742)	*(118,280)*	**(85,582)**	*(94,095)*

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

	Group		Association	
	2020	*2019*	**2020**	*2019*
	£'000	*£'000*	**£'000**	*£'000*
Loans and borrowings	**(552,506)**	*(570,187)*	**(439,389)**	*(453,035)*
Less: funding costs to be amortised	**2,767**	*2,899*	**1,579**	*1,636*
Interest rate swaps	**(71,628)**	*(66,476)*	**(15,474)**	*(14,963)*
Deferred capital grants (Note 18)	**(70,588)**	*(49,556)*	**(70,588)**	*(49,556)*
Recycled capital grants fund	**(2,076)**	*(1,310)*	**(2,076)**	*(1,310)*
Leasehold sinking fund balances	**(9,867)**	*(9,037)*	**(9,548)**	*(8,640)*
	(703,898)	*(693,667)*	**(535,496)**	*(525,868)*

The Recycled Capital Grant Fund balance consists of:

	Group and Association	
	2020	*2019*
	£'000	*£'000*
At 1 April	**1,310**	*1,635*
Grants recycled	**1,262**	*65*
Transferred to deferred capital grants	**(500)**	*(400)*
Interest accrued	**4**	*10*
At 31 March	**2,076**	*1,310*

Included in grants recycled is £1,041k (2019: £nil) which has been recognised in Other Comprehensive Income.

16. Creditors: amounts falling due after more than one year (continued)

Loans are secured by charges on the assets of the Association including specific charges on certain housing properties. Repayment of loans within the PFI special purpose vehicles are secured through charges on the income of the underlying PFI contract over their lifetime. Kent Community Partnership loans are also secured by charges on the assets of the company.

The Association entered into two finance lease agreements, commencing January 1997. These agreements are 35 years in duration and are full repairing and insuring leases, with an option for reversion during the 35th year. Under the terms of the lease contract, the Association had an obligation to make rental payments increasing at a compound rate of 3.5% per annum over the 35 year lease duration. The decision was taken in 2019 to repay these agreements early.

The weighted average interest rate is shown in the table below:

	Group		**Association**	
	2020	*2019*	**2020**	*2019*
Weighted Average Interest rate	**4.45%**	*4.41%*	**4.12%**	*4.08%*

At the 31 March 2020, the Group and Association had undrawn loan facilities of £25,000k (*2019: £25,000k).*

The loans repayments are due as follows:

Group		**2020**		*2019*
	Bank loans	Other loans	**Total**	*Total*
	£'000	£'000	**£'000**	*£'000*
In one year or less, or on demand (Note 15)	(17,679)	(3)	**(17,682)**	*(31,926)*
In more than one year and less than two years	(18,799)	(3)	**(18,802)**	*(17,682)*
In more than two years and less than five years	(73,399)	(13)	**(73,412)**	*(51,796)*
More than five years	(210,149)	(250,143)	**(460,292)**	*(500,709)*
	(320,026)	**(250,162)**	**(570,188)**	*(602,113)*

Association		**2020**		*2019*
	Bank loans	Other loans	**Total**	*Total*
	£'000	£'000	**£'000**	*£'000*
In one year or less, or on demand (Note 15)	(13,643)	(3)	**(13,646)**	*(27,678)*
In more than one year and less than two years	(14,658)	(2)	**(14,660)**	*(13,646)*
In more than two years and less than five years	(57,616)	(13)	**(57,629)**	*(36,849)*
More than five years	(116,957)	(250,143)	**(367,100)**	*(402,540)*
	(202,874)	**(250,161)**	**(453,035)**	*(480,713)*

17. Financial instruments

	Group		Association	
	2020	*2019*	**2020**	*2019*
	£'000	*£'000*	**£'000**	*£'000*
Financial assets				
Financial assets measured at historical cost				
- Rental & Service charge debtors (Note 14)	**1,000**	*752*	**991**	*750*
- Trade debtors (Note 14)	**3,615**	*2,715*	**4,273**	*2,715*
- Other debtors	**15,028**	*16,958*	**6,715**	*8,598*
- Investments in subsidiaries (Note 25)	**-**	*-*	**6,739**	*6,739*
- Cash and cash equivalents (Note 20)	**84,153**	*165,501*	**59,699**	*158,831*
- Short term investments (Note 20)	**60,000**	*49,600*	**60,000**	*33,300*
- Amounts owed from group undertakings - concessionary loans (Note 14)	**-**	*-*	**35,481**	*36,280*
- Finance lease asset (Note 14)	**109,254**	*112,521*	**5,739**	*5,863*
Total financial assets	**273,050**	*348,047*	**179,637**	*253,076*
Financial liabilities				
Financial liabilities measured at amortised cost				
- Loans payable (Note 16)	**(570,188)**	*(602,113)*	**(453,035)**	*(480,713)*
Financial liabilities measured at historic cost				
- Trade creditors (Note 15)	**(3,066)**	*(4,785)*	**(2,671)**	*(4,785)*
- Other creditors	**(34,866)**	*(29,780)*	**(31,568)**	*(26,349)*
- Defined pension benefit liabilities (Note 24)	**(5,204)**	*(14,135)*	**(5,204)**	*(14,135)*
- Amounts owed to group undertakings (Note 15)	**-**	*-*	**(7,134)**	*(7,031)*
Derivative financial instruments designated as hedges of variable interest rate risk				
- Interest rate swaps due within one year (Note 15)	**(4,864)**	*-*	**(974)**	*-*
- Interest rate swaps due after one year (Note 16)	**(71,628)**	*(66,476)*	**(15,474)**	*(14,963)*
Total financial liabilities	**(689,816)**	*(717,289)*	**(516,060)**	*(547,976)*

Hedges

To hedge the potential volatility in future interest cash flows arising from movements in LIBOR, the Group has the following floating to fixed interest rate swaps.

Entity	**Underlying loan £'000**	**Underlying interest rate**	**Interest rate swap**	**Maturity of swap**
Housing 21	(21,517)	LIBOR	Receive LIBOR, pay a fixed 5.3%	April 2040
Oldham Retirement Housing Partnership	(57,176)	LIBOR	Receive LIBOR, pay a fixed 4.8%	October 2034
Kent Community Partnership	(27,369)	LIBOR	Receive LIBOR, pay a fixed 5.3%	September 2037
Kent Community Partnership	(32,607)	LIBOR	Receive LIBOR, pay a fixed 5.0%	March 2039

17. Financial Instruments (continued)

The derivatives are accounted for as hedges of variable rate of interest, in accordance with FRS 102 and had the following fair values:

	1 April 2019	Ineffective movement recognised in CIS	Effective movement recognised in OCI	**31 March 2020**
	£'000	£'000	£'000	**£'000**
Housing 21	*(14,963)*	3,105	(4,590)	**(16,448)**
Oldham Retirement Housing Partnership	*(18,196)*	113	(2,015)	**(20,098)**
Kent Community Partnership	*(33,318)*	-	(6,628)	**(39,946)**
Group	*(66,477)*	3,218	(13,233)	**(76,492)**

	1 April 2018	Ineffective movement recognised in CIS	Effective movement recognised in OCI	**31 March 2019**
	£'000	£'000	£'000	**£'000**
Housing 21	*(14,841)*	-	(122)	**(14,963)**
Oldham Retirement Housing Partnership	*(18,318)*	354	(232)	**(18,196)**
Kent Community Partnership	*(32,385)*	-	(933)	**(33,318)**
Group	*(65,544)*	354	(1,287)	**(66,477)**

The Group's hedging instruments qualify for hedge accounting as they are in accordance with the objectives of managing interest rate cash flow risk. As a result, while the derivatives are recognised on the Balance Sheet, movements are taken straight to reserves through Other Comprehensive Income to the extent they are effective. The element that is not effective is taken through the Comprehensive Income Statement.
The method of assessing hedge effectiveness is disclosed in Note 2.8.

18. Deferred capital grants

Group

	Retirement Housing	Extra Care	PFI / PPP	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Grants					
1 April 2019	(197,310)	(281,676)	(11,363)	(17,737)	**(508,086)**
Grants received	-	-	-	(20,910)	**(20,910)**
Reclassification	6,763	(6,763)	-	-	**-**
Transfer to/(from) RCGF	1,041	51	-	(500)	**592**
Completions	(831)	(5,999)	-	6,830	**-**
31 March 2020	**(190,337)**	**(294,387)**	**(11,363)**	**(32,317)**	**(528,404)**
Amortisation					
1 April 2019	197,310	249,857	11,363	-	**458,530**
Charge for the year	-	327	-	-	**327**
Reclassification	(6,763)	6,763	-	-	**-**
Disposals	(1,041)	-	-	-	**(1,041)**
31 March 2020	**189,506**	**256,947**	**11,363**	**-**	**457,816**
NBV					
31 March 2020	**(831)**	**(37,440)**	**-**	**(32,317)**	**(70,588)**
31 March 2019	-	(31,819)	-	(17,737)	(49,556)

Association

	Retirement Housing	Extra Care	PFI / PPP	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Grants					
1 April 2019	(197,310)	(276,014)	(11,363)	(17,737)	**(502,424)**
Grants received	-	-	-	(20,910)	**(20,910)**
Reclassification	6,763	(6,763)	-	-	**-**
Transfer to/(from) RCGF	1,041	51	-	(500)	**592**
Completions	(831)	(5,999)	-	6,830	**-**
31 March 2020	**(190,337)**	**(288,725)**	**(11,363)**	**(32,317)**	**(522,742)**
Amortisation					
1 April 2019	197,310	244,195	11,363	-	**452,868**
Charge for the year	-	327	-	-	**327**
Reclassification	(6,763)	6,763	-	-	**-**
Disposals	(1,041)	-	-	-	**(1,041)**
31 March 2020	**189,506**	**251,285**	**11,363**	**-**	**452,154**
NBV					
31 March 2020	**(831)**	**(37,440)**	**-**	**(32,317)**	**(70,588)**
31 March 2019	-	*(31,819)*	-	*(17,737)*	*(49,556)*

The Group receives grants from the Homes England and from the Greater London Authority, which are used to fund the acquisition and development of housing properties and their components. The Group may have a future obligation to recycle such grant once the properties are disposed of. At 31 March 2020, the total value of grant recycled is £2,076k (*2019: £1,310k)*. See Note 16 for more information.

The Group and Association also has £33,546k of grants (*2019: £25,260k*) associated with properties that it has acquired from other providers that are not shown in the analyses above.

19. Reconciliation of operating surplus to cash from operations

	Group		Association	
	2020	*2019 (Restated)*	**2020**	*2019 (Restated)*
	£'000	*£'000*	**£'000**	*£'000*
Operating surplus	**32,081**	*36,802*	**27,492**	*32,177*
Depreciation of housing properties (Note 11)	**25,367**	*24,757*	**24,200**	*23,557*
Depreciation of other fixed assets (Note 12)	**881**	*555*	**881**	*555*
Pension adjustment (Note 24)	**33**	-	**33**	-
Write-off of goodwill (Note 3)	**-**	*1,446*	**-**	*1,446*
Grant amortisation (Note 4)	**(327)**	*(311)*	**(327)**	*(311)*
Property sales included in Operating Surplus	**(430)**	*(1,324)*	**(430)**	*(1,324)*
SHPS deficit contributions paid (Note 24)	**(1,475)**	*(1,108)*	**(1,475)**	*(1,108)*
Gift aid	**-**	-	**110**	-
(Increase) / decrease in debtors	**2,146**	*(149)*	**524**	*(2,270)*
(Decrease) / increase in creditors	**63**	*(219)*	**619**	*(787)*
Cash from operations	**58,339**	*60,449*	**51,627**	*51,935*

20. Analysis of the changes in net debt

Group	*At 1 April 2019*	Cash Flows	Non-cash movement	**At 31 March 2020**
	£'000	£'000	£'000	**£'000**
Cash	*165,501*	(81,348)	-	**84,153**
Short term investments	*49,600*	10,400	-	**60,000**
Bank loans and bonds (excl. capitalised debt issue costs)	*(602,113)*	31,925	-	**(570,188)**
Net debt	*(387,012)*	(39,023)	-	**(426,035)**

Association	*At 1 April 2019*	Cash Flows	Non-cash movement	**At 31 March 2020**
	£'000	£'000	£'000	**£'000**
Cash	*158,831*	(99,132)	-	**59,699**
Short term investments	*33,300*	26,700	-	**60,000**
Bank loans and bonds (excl. capitalised debt issue costs)	*(480,712)*	27,677	-	**(453,035)**
Net debt	*(288,581)*	(44,755)	-	**(333,336)**

21. Share capital

	2020	*2019*
	£	*£*
Allotted, issued and fully paid	**16**	*16*

Each member of the Association holds a non-equity share of £1 in the Association.

The shares carry no right to dividends. The shares are cancelled on the resignation of members from the Association. The shares carry the right to vote at meetings of the Association on the basis of one share one vote. No rights to participate in the net assets of the Association in the event of a winding up are conferred by the shares.

22. Capital commitments

	Group and Association	
	2020	*2019*
	£'000	*£'000*
Capital expenditure contracted but not provided for	**118,506**	*87,994*
Capital expenditure approved but not contracted for	**2,000**	*60,486*
	120,506	*148,480*

Capital expenditure contracted but not provided for represents the amount committed to development sites for which the Group has a contractual obligation. Capital expenditure approved but not contracted represents potential commitments to development schemes which are approved by the Development Steering Group and where they are at the lockdown investment appraisal stage. A formal investment appraisal is conducted on each development scheme before the Group enters a contractual obligation.

The capital commitments at 31 March 2020 will be funded by:

	Group and Association	
	2020	*2019*
	£'000	*£'000*
Grants	**14,053**	*32,202*
Existing cash and short term investment reserves	**106,453**	*116,278*
Total	**120,506**	*148,480*

23. Commitments under operating leases

Amounts payable as lessee	**Group**		**Association**	
	2020	*2019*	**2020**	*2019*
	£'000	*£'000*	**£'000**	*£'000*
On land and buildings:				
Not later than 1 year	**434**	*446*	**434**	*446*
Later than 1 year and not later than 5 years	**1,648**	*1,673*	**1,648**	*1,673*
Later than 5 years	**1,485**	*1,898*	**1,485**	*1,898*
	3,567	*4,017*	**3,567**	*4,017*
On other assets:				
Not later than 1 year	**176**	*96*	**176**	*96*
Later than 1 year and not later than 5 years	**312**	*35*	**312**	*35*
	488	*131*	**488**	*131*

24. Pensions

The Provision for defined benefit pension liabilities consists of:

	Group & Association 2020			Group & Association 2019		
	£'000 SHPS	**£'000 Lewisham**	**£'000 Total**	**£'000 SHPS**	**£'000 Lewisham**	**£'000 Total**
At 1 April	**(13,938)**	**(197)**	**(14,135)**	*(11,908)*	*(189)*	*(12,097)*
Actuarial gains/(losses) recognised within OCI	**7,706**	**90**	**7,796**	*(2,846)*	*-*	*(2,846)*
Interest and other charges	**(302)**	**(5)**	**(307)**	*(288)*	*(5)*	*(293)*
Pension deficit contributions paid	**1,475**	**-**	**1,475**	*1,147*	*-*	*1,147*
Current service costs	**(30)**	**(3)**	**(33)**	*(43)*	*(3)*	*(46)*
At 31 March	**(5,089)**	**(115)**	**(5,204)**	*(13,938)*	*(197)*	*(14,135)*

Housing 21 participates in a number of defined benefit and defined contribution schemes. At the balance sheet date, 2,801 (*2019: 2,711)* employees contributed to a defined contribution scheme with the majority of employees a member of the National Employment Savings Trust (NEST).

At the balance sheet date 77 (*2019: 87)* employees were members of a defined benefit scheme. All schemes' assets are held in separate funds administered by the Trustees of each scheme. All defined benefit schemes are closed to new entrants.

24.1. Group Stakeholder Plan with Axa Sun Life

Following the closure of the Social Housing Pension Scheme (SHPS) defined benefit scheme to new members, employees have been offered the opportunity to join the Group Stakeholder Plan. The pension cost of this scheme for the Association was £168k (*2019: £168k*) with 68 employee members at the year-end (*2019: 73*). This includes £23k (*2019: £22k*) outstanding contributions at the Balance Sheet date.

24.2. Prudential Group Savings Plan

This scheme has been closed to new members since 1997. The Prudential Group Savings Plan is a defined contribution scheme. The pension cost of this scheme for the Association was £nil (*2019: £7k*) with no employee members at the year-end (*2019: 2*). This includes £nil (*2019: £nil*) outstanding contributions at the Balance Sheet date.

24.3. National Employment Savings Trust

To meet the new requirements of auto-enrolment in October 2013 all employees not part of one of the existing schemes were enrolled into the National Employment Savings Trust (NEST). This is a defined contribution scheme. The pension cost of this scheme for the Association was £1,149k (*2019: £637k)* with 2,054 employee members at the year-end (*2019: 1,931*). This includes £155k (*2019: £93k*) outstanding contributions at the Balance Sheet date.

24.4. Social Housing Pension Scheme – Defined Contribution (administered by The Pensions Trust)

Following the closure of the SHPS Defined Benefit structure to new members, employees have been offered the opportunity to join the SHPS Defined Contribution structure. The pension cost of this scheme for the Association in the year was £1,285k (*2019: £1,108k*) with 602 employee members at the year-end (*2019: 616*). This includes £180k (*2019: £255k*) outstanding contributions at the Balance Sheet date.

24.5. Social Housing Pension Scheme – Defined Benefit (administered by The Pensions Trust)

The Board decided to close the scheme to new employees at 30 June 2002 and to existing employees at 31 December 2002. From those dates employees have been offered the opportunity to join the group stakeholder pension plan or the SHPS Defined Contribution plan. The Board also decided to close the scheme to active members from 1 April 2015. This means that Housing 21 is no longer accruing benefits in this scheme but retain responsibility for deferred and pensioner benefits earned up to 31 March 2015. Accordingly, Housing 21 is still responsible for meeting deficit payments and expenses for its proportion of SHPS liabilities relating to past membership up to this date (see below).

24. Pensions (continued)

Housing 21 accounts for less than 1% of the SHPS total membership.

The following disclosure has been provided by the administrators:

Housing 21 participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for Housing 21 to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore, Housing 21 is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2017. This showed assets of £44,725k, liabilities of £49,814k and a deficit of £5,089k.

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

	31 March 2020 £'000	*31 March 2019 £,000*
Fair value of plan assets	**44,725**	*43,265*
Present value of defined benefit obligation	**49,814**	*57,203*
Deficit in plan	**(5,089)**	*(13,938)*

Reconciliation of opening and closing balances of the defined benefit obligation

	31 March 2020 £'000
Defined benefit obligation at start of period	57,203
Current service cost	-
Expenses	44
Interest expense	1,283
Actuarial losses/(gains) due to scheme experience	(59)
Actuarial losses/(gains) due to changes in demographic assumptions	(523)
Actuarial losses/(gains) due to changes in financial assumptions	(5,962)
Benefits paid and expenses	(2,172)
Defined benefit obligation at end of period	**49,814**

24. Pensions (continued)

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

	31 March 2020 £'000
Fair value of plan assets at start of period	43,265
Interest income	981
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	1,162
Contributions by the employer	1,489
Benefits paid and expenses	(2,172)
Fair value of plan assets at end of period	**44,725**

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £2,143k.

Defined benefit costs recognised in the Comprehensive Income Statement (CIS)

	31 March 2020 £'000
Expenses	44
Net interest expense	302
Defined benefit costs recognised in the comprehensive income statement (CIS)	**346**

Defined benefit costs recognised in Other Comprehensive Income (OCI)

	31 March 2020 £'000
Experience on plan assets (excluding amounts included in net interest cost) – gain/(loss)	1,162
Experience gains and losses arising on the plan liabilities - gain /(loss)	59
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/(loss)	523
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	5,962
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain/(loss)	7,706
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in Other Comprehensive Income - gain (loss)	**7,706**

24. Pensions (continued)

Assets

	31 March 2020 £'000	*1 April 2019 £'000*
Global Equity	6,542	*7,280*
Absolute Return	2,332	*3,743*
Distressed Opportunities	862	*786*
Credit Relative Value	1,227	*792*
Alternative Risk Premia	3,127	*2,495*
Fund of Hedge Funds	26	*195*
Emerging Markets Debt	1,354	*1,493*
Risk Sharing	1,510	*1,307*
Insurance-Linked Securities	1,374	*1,241*
Property	985	*974*
Infrastructure	3,329	*2,269*
Private Debt	901	*581*
Opportunistic Illiquid Credit	1,082	*-*
Corporate Bond Fund	2,550	*2,019*
Liquid Credit	18	*-*
Long Lease Property	774	*636*
Secured Income	1,697	*1,549*
Liability Driven Investment	14,844	*15,822*
Net Current Assets	191	*83*
Total assets	**44,725**	*43,265*

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

Key Assumptions

	2020 % per annum	*2019 % per annum*
Discount Rate	2.39%	*2.28%*
Inflation (RPI)	2.65%	*3.30%*
Inflation (CPI)	1.65%	*2.30%*
Salary Growth	2.65%	*3.30%*
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	*75% of maximum allowance*

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2020	21.5
Female retiring in 2020	23.3
Male retiring in 2040	22.9
Female retiring in 2040	24.5

24. Pensions (continued)

24.6. Local authority pension schemes

Due to the TUPE transfer of staff, the Association participates in the following multi-employer defined benefit pension schemes:

24.6.1. Oldham Metropolitan Borough Council Pension Scheme

Oldham Metropolitan Borough Council's Pension Scheme is a defined benefit scheme. However, Housing 21's liability in relation to its employees is capped at 20%. The scheme is therefore accounted for as a defined contribution scheme in accordance with Section 28 of FRS 102 as the charge in the Comprehensive Income Statement represents the employer contribution payable.

During the financial year Housing 21 paid contributions at 20.6% (*2019: 20.6%)* totalling £29k (*2019: £33k*). This includes £3k (*2019: £3k*) outstanding contributions at the Balance Sheet date. There were 6 employee members at the year-end (*2019: 6*). Employee contributions were between 5.8% and 6.5% (*2019: 5.8% - 6.5%*).

The 0.6% difference between Housing 21's capped employer contributions (20%) and actual employer contributions (20.6%) is reclaimed from Oldham Metropolitan Borough Council.

24.6.2. Walsall Metropolitan Borough Council Pension Scheme

Walsall Metropolitan Borough Council's Pension Scheme is a defined benefit scheme. However Housing 21's liability in relation to its employees is capped at 14.7%. The scheme is therefore accounted for as a defined contribution scheme in accordance with Section 28 of FRS 102 as the charge in the Comprehensive Income Statement represents the employer contribution payable.

During the financial year Housing 21 paid contributions at 24.7% (*2019: 24.7%)* totalling £300k (*2019: £326k*). There were 66 employee members at the year-end (*2019: 74*). This includes £33k (*2019: £23k*) outstanding contributions at the Balance Sheet date.

The 10% difference between Housing 21's capped employer contributions (14.7%) and actual employer contributions (24.7%) is reclaimed from Walsall Metropolitan Borough Council. Employee contributions were between 5.5% and 6.8% (*2019: 5.5% - 6.8%*).

24.6.3. Suffolk County Council Pension Scheme

The Association is an admitted body to the Suffolk County Council Pension Scheme which is administered by Suffolk County Council. Suffolk County Council's pension scheme is a defined benefit scheme. However, Housing 21's liability in relation to its employees is capped at 20.8%. The scheme is therefore accounted for as a defined contribution scheme in accordance with Section 28 of FRS 102 as the charge in the Comprehensive Income Statement represents the employer contribution payable.

During the financial year Housing 21 paid contributions at 25.1% (*2019: 25.1%)* totalling £11k (*2019: £14k*). This includes £1k (*2019: £1k*) outstanding contributions at the Balance Sheet date. There were 4 (*2019: 4*) employee members at the year end. Employee contributions were between 5.5% and 5.8% (*2019: 5.5% - 5.8%*).

24.6.4. North Yorkshire Pension Scheme

The Association is an admitted body to the North Yorkshire County Council Pension Scheme which is administered by North Yorkshire County Council. North Yorkshire County Council's pension scheme is a defined benefit scheme. However, Housing 21's liability in relation to its employees is capped at 5.0%. The scheme is therefore accounted for as a defined contribution scheme in accordance with Section 28 of FRS 102 as the charge in the Comprehensive Income Statement represents the employer contribution payable.

During the financial year Housing 21 paid £nil contributions at 5% (*2019: 5%*) (*2019: £1k)*. This includes £nil (*2019: £nil)* outstanding contributions at the Balance Sheet date.

There were no employee members at the year-end (*2019: nil*). Employee contributions were 5.5% (*2019: 5.5%*).

24. Pensions (continued)

24.6.5. London Borough of Lewisham Pension Scheme

The Association is an admitted body to Lewisham Pension Schemes (the Fund) which is administered by the London Borough of Lewisham under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme.

The last formal valuation of the Funds was at 31 March 2019. Actuarial valuations have been prepared as at 31 March 2020 on behalf of Housing 21 (the Employer). For this purpose the value of the Funds as at 31 March 2020 have been estimated based upon the latest split of investments by category which was at 31 March 2019. The value of the Funds' liabilities as at 31 March 2020 were assessed by rolling forward the value of the Employer's liabilities reported as at the latest valuation.

Reconciliation of defined benefit contributions

	31 March 2020 £'000	*31 March 2019 £'000*
Opening defined benefit obligation	**531**	*510*
Current service costs	**7**	*7*
Interest cost on defined benefit obligation	**13**	*13*
Contributions by members	**1**	*1*
Actuarial (losses) / gains	**(125)**	*19*
Benefits paid	**(15)**	*(19)*
Closing defined benefit obligation	**412**	*531*

Reconciliation of fair value of assets employed

	31 March 2020 £'000	*31 March 2019 £'000*
Opening fair value of assets employed	**334**	*321*
Interest income on plan assets	**8**	*8*
Contributions by members	**1**	*1*
Contributions by employers	**4**	*4*
Actuarial (losses) / gains	**(35)**	*19*
Benefits paid	**(15)**	*(19)*
Closing fair value of assets employed	**297**	*334*

	31 March 2020 £'000	*31 March 2019 £'000*
Fair value of plan assets	**297**	*334*
Present value of plan liabilities	**(412)**	*(531)*
Net pension scheme liability	**(115)**	*(197)*

24. Pensions (continued)

Analysis of actuarial loss recognised in Other Comprehensive Income

	31 March 2020 £'000	*31 March 2019 £'000*
Changes in financial assumptions	**21**	*(19)*
Changes in demographic assumptions	**12**	-
Other experience	**92**	-
Return on assets excluding amounts included in net interest	**(35)**	*19*
	90	-

Composition of plan assets

	31 March 2020	*31 March 2019*
Equities	**65%**	*59%*
Bonds	**25%**	*25%*
Property	**8%**	*8%*
Cash	**2%**	*8%*

Principal actuarial assumptions used at the balance sheet date

	31 March 2020	*31 March 2019*
Pension increase rate	**2.0%**	*2.5%*
Salary increase rate	**2.7%**	*3.2%*
Discount rate	**2.3%**	*2.4%*

Mortality

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and long term rates of 1.25% p.a. for males and females.

		31 March 2020
	Males	**Females**
Current pensioners	**20.9 years**	**23.5 years**
Future pensioners*	**22.2 years**	**24.8 years**

* Figures assume members aged 45 as at the last formal valuation date.

The pension costs of this scheme to the Association for the year was £4k (*2019: £4k*). This includes £1k (*2019: £1k*) outstanding contributions at the Balance Sheet date.

There was 1 employee member at the end of the year (*2019: 1*). The average contribution rate of the Association for the year ended 31 March 2020 was 22.9% (*2019: 22.9%)* and for employees 5.8% (*2019: 5.8%*).

24.7. Closed schemes

There are no closed schemes in the year.

25. Investments and subsidiary undertakings

	Group £'000	Association £'000
Cost		
At 1 April 2019 and 31 March 2020	-	27,302
Accumulated impairments		
At 1 April 2019 and 31 March 2020	-	(20,563)
Net book value		
At 31 March 2019 and 31 March 2020	**-**	**6,739**

The following comprise the subsidiary undertakings for incorporation into the consolidated accounts for the Group in accordance with the Co-operative and Community Benefit Society and Financial Reporting Standards.

Active trading subsidiary companies

Name and principal activity	Country of registration	Status	Basis of control
Housing 21 Guernsey LBG Development and management of housing properties	Guernsey	Private company limited by guarantee	Housing 21 is a member and controls the composition of the Board
Kent Community Partnership Limited Building and managing stock in Kent	England and Wales	Co-operative and Community Benefit Society	Housing 21 is a member and controls the composition of the Board
Oldham Retirement Housing Partnership Limited Management of sheltered housing stock in Oldham	England and Wales	Co-operative and Community Benefit Society	Housing 21 is a member and controls the composition of the Board
Goldsborough Estates Limited Management of leasehold properties	England and Wales	Private limited company	Ownership of 1,000 £1 shares being 100% of the issued share capital

25. Investments and subsidiary undertakings (continued)

Dormant subsidiary companies

Name	Country of registration	Status	Basis of control
Claimar Care Limited	England and Wales	Private limited company	Ownership of 4,000,000 £1 shares being 100% of the issued share capital
Claimar Care Group Limited	England and Wales	Private limited company	Ownership of 4,999,514 £1 shares being 100% of the issued share capital
Housing 21 Development Services Limited	England and Wales	Private limited company	Ownership of one £1 shares being 100% of the issued share capital
Housing 21 Property Services Limited	England and Wales	Private limited company	Ownership of two £1 shares being 100% of the issued share capital

Housing 21 Group consists of Housing 21, a registered provider of social housing, and the subsidiary companies listed above.

Transactions with non-regulated entities

Housing 21 provides a number of services to its subsidiaries. The services are recharged based on the actual or estimated use of Housing 21's resources.

These services are apportioned as follows:

	2020				*2019*
	Turnover	**Operating costs**	**Interest payable**	**Total**	*Total*
	£'000	**£'000**	**£'000**	**£'000**	*£'000*
Kent Community Partnership	2,313	(569)	(774)	**970**	*923*
Housing 21 Guernsey LBG	-	(122)	-	**(122)**	*(143)*
Oldham Retirement Housing Partnership	-	(4,472)	(622)	**(5,094)**	*(4,647)*
Total	**2,313**	**(5,163)**	**(1,396)**	**(4,246)**	*(3,867)*

26. Related party transactions

No related party transactions have been entered into during the year, other than those disclosed in the Financial Statements, which might reasonably affect any decision made by the users of these Consolidated Financial Statements.

27. Post-balance sheet events

There are two post balance sheet events, the regulatory downgrade from G1 to G2 and the implications of the Covid-19 pandemic, neither of which has had any impact on the financial results for the current financial year.

Both points are covered in further detail as part of the Chairman's and Chief Executive's messages on pages 5 to 7 and on our website (https://www.housing21.org.uk/).