




Report and Financial Statements 2018/19

Housing 21

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Chairman's and Chief Executive's messages

We are delighted to present our Report and Financial Statements for the year ended 31 March 2019. The year marks a watershed in our journey, as we revert back to our former name of Housing 21 and take the opportunity to refresh our Strategic Plan for the three year period from 2019 to 2022. We have set ourselves some bold and challenging ambitions for the next three years, which we look forward to progressing from a base of financial strength, sound service quality, and confident collective experience and expertise.

Looking back briefly, the following stand out for us over the past year

- We have continued to improve and develop our Retirement Living and Extra Care Living services to meet the needs and aspirations of older people of modest means.
- We had a change of Chair with Lord Ben Stoneham completing his term of office in September 2018. Stephen Hughes had been a Board member for four years, before being appointed as the new Chair of the Board providing continuity of purpose and direction with added aspiration and emphasis.
- We have continued to be recognised as a financially strong and effectively governed organisation by the Regulator of Social Housing, retaining our top V1 and G1 ratings following an In Depth Assessment in January 2019.
- We have refreshed our Strategic Plan and have provided renewed focus for what we want to achieve for the three year period from 2019 to 2022.
- We changed our name back to Housing 21 in April 2019 in response to feedback from residents and other stakeholders. This re-emphasises the importance of our housing service in enabling residents to live with independence and dignity and helps to avoid any perception of institutionalised care home provision whilst maintaining the core of our strong reputation and identity.
- We have continued to make progress in achieving our strategic aims and ambitions, and our refreshed Strategic Plan reflects the achievements we have already made and provides further stretch and focus to our ambitions for the future.
- We have shown we are ready and able to respond positively to changing circumstances and situations. We will, however, retain our commitment to quality, growth, efficiency and innovation and continue to ensure that the interests and wishes of residents are always at the forefront of our plans and priorities.

We want to thank everyone who has played their part in supporting Housing 21 through 2018/19 and who continue to do so.

We are very fortunate to have so many dedicated, committed, talented and passionate employees who define and deliver our services, make Housing 21 such a positive place to work and create great places to live for our residents. The business divisions of Retirement Living and Extra Care Living, together with the corporate service functions, all work together and play their part in our success. They help to ensure that we can be confident about our ability to adapt, change and confront whatever challenges we face so we can continue to look forward with confidence.

We acknowledge and are grateful for the support, vision, trust and assistance we have been shown by our many local authority partners, service commissioners, suppliers and funders.

We of course recognise that above all else we depend upon the goodwill and loyalty of our residents, who also provide us with feedback and to whom we are ultimately accountable.

The Board of Housing 21 plays an essential and valuable governance role holding us true to our purpose, acting as the custodians of our values and culture, driving performance and balancing risk and opportunity. In January 2019 we recruited Christina Law and Ian Skipp, who bring a wealth of professional finance expertise, as independent members of the Audit and Risk Management Committee. In September 2019 we will lose Jenny Owen as a Board Member, after she agreed to extend her term of office in 2017 for further two years. Jenny has been a powerful advocate for doing the right thing, focusing on quality, culture, diversity and care in particular. She will be greatly missed but we hope to recruit new Board Members with skills and experience to help us on our journey.

With renewed strategic focus and a strong team in place we are in a good position to drive the change needed to continuously improve services for residents and to achieve our development aspirations, providing even more homes for older people of modest means. We are proud of our ambitious growth plans and know that we have the infrastructure in place to achieve them. We will not compromise on quality and will continue to work with our staff and suppliers to ensure standards of service and product are high.

We are confident in the ability of our people to achieve even more in the coming year, building on our successes, learning from our experience, and working hard together to ensure Housing 21 continues to be 'better than good'.

Stephen Hughes, Chairman

Bruce Moore, Chief Executive

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Fast facts and financial highlights

G1 & V1

highest Regulatory rating for **Governance** and **Financial Viability**

Largest development programme

of specialist **housing for older people** in England

10% above National Living Wage

pay for **Care Workers**

Largest

provider of **Extra Care housing** in England

Care Quality Commission

94% of all care services rated as **Good** or **Outstanding** by the Care Quality Commission (CQC)

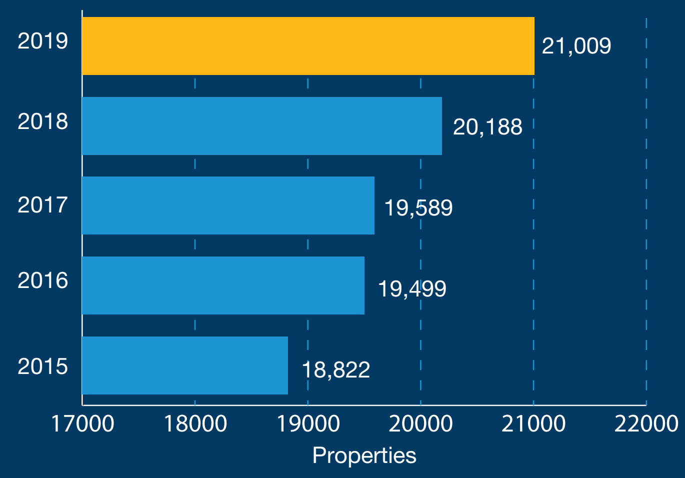
Over **50 years'** experience

Gold

accredited **Investor in People (IIP)**

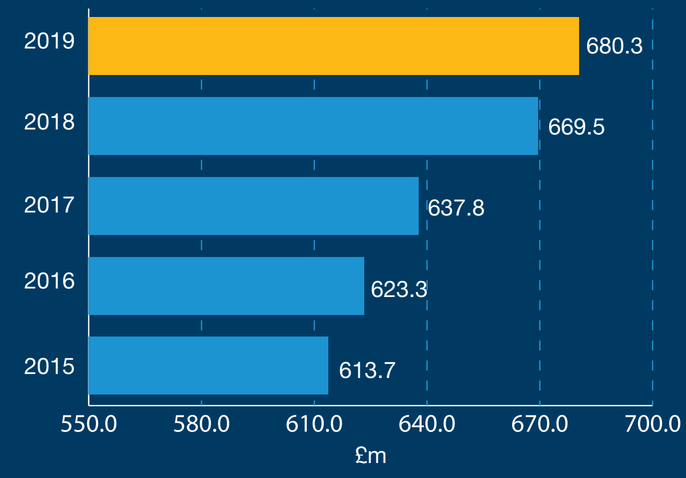
INVESTORS IN PEOPLE | Gold Until 2021

Properties owned and managed



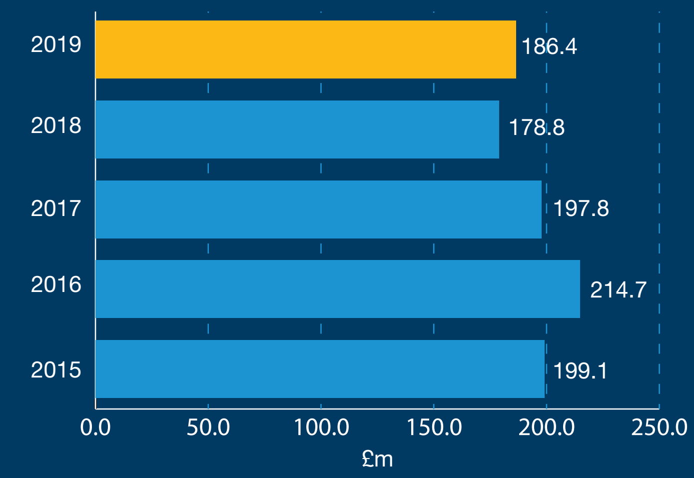
Our property numbers have increased in recent years as a result of development and acquisitions.

Net assets



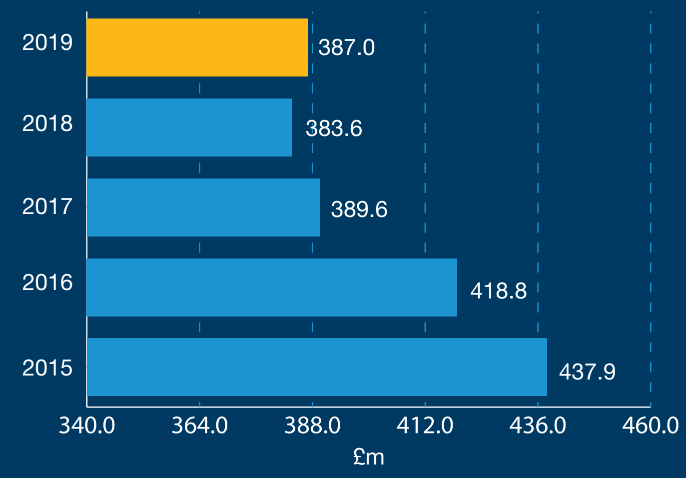
Increases in net assets have been driven by decreasing net debt and increases in property asset base from development and acquisitions.

Total revenue



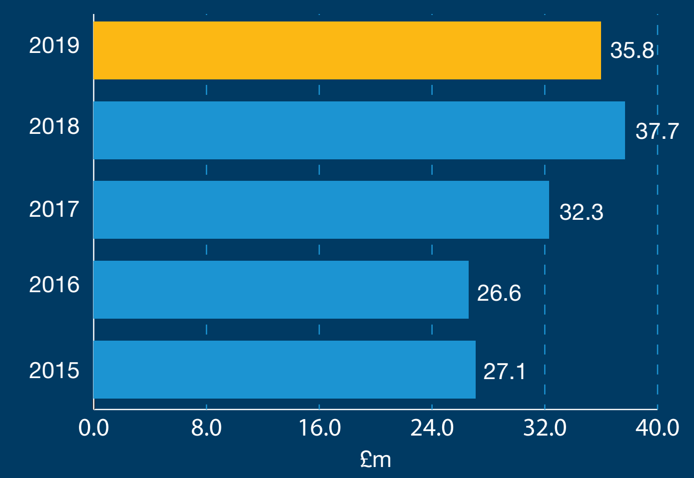
Our lower revenue reflects the consolidation in our operations to the core activities of Retirement Living and Extra Care Living.

Net debt



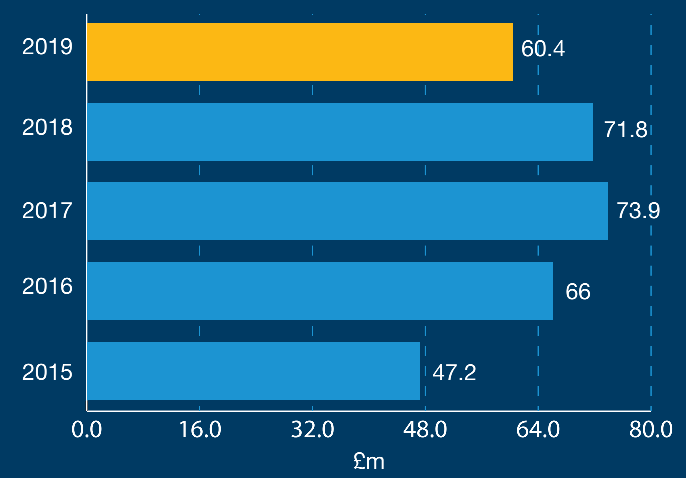
Our lower net debt in recent years reflects our lower development in those years.

Operating surplus



Our operating surplus for the year reflects a £1.4m one-off, non-cash charge for the write-off of goodwill.

Cash flow from operations



Our cash generation from operations remain strong, with a decrease vs previous years as a result of working capital movements.

Who we are

Housing 21 is a leading, not for profit provider of 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. Highly valued by our residents, Court Managers are a vital component of our offer. They provide advice and arrange help if required, as well as manage the building and associated services.

We manage over 14,000 Retirement Living properties in more than 350 locations across England. Most of the properties are available to rent. However, of these there are over 1,000 Retirement Living Leasehold properties that are owner occupied and where we provide a management service.

Retirement Living courts vary in size and facilities but as well as having an alarm system that connects to a 24 hour call centre when the Court Manager is not available, many courts also have a communal lounge, laundry, gardens and a guest room for visitors.

Extra Care Living

Extra Care Living provides care for older people in a housing setting, enabling them to retain the independence of their own home with the reassurance of having Care Workers on-site 24/7. Extra Care is a positive alternative to residential care, often allowing couples to stay together when their care needs vary.

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 provide over 42,000 hours of care a week and are proud of our commitment to providing the highest quality care services.

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 new Extra Care Living schemes. We are a founder member of the Associated Retirement Community Operators (ARCO) and play a leading role in setting standards for this sector.

Extra Care Living schemes tend to be larger than Retirement Living courts and typically have between 60 to 80 properties per site as well as more extensive communal facilities including hair salons, activity rooms 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. Extra Care Living properties are available to rent but also to purchase on a shared ownership basis for those older people who have some housing equity and for whom it makes sense to re-invest in their new home.

All of our properties in Retirement Living and Extra Care Living are pet-friendly and we encourage pet ownership for the positive difference it can make to the lives of our residents.

Our history

We started life in 1964 as the Royal British Legion Housing Association providing housing for veterans and their families. We grew rapidly with the benefit of government funding from the Housing Corporation and developed our specialism as providers of housing for older people.

We changed our name in 1992 to Housing 21 when we confirmed our commitment to help all older people of modest means throughout England, regardless of whether or not they had any connection with the armed forces. The name Housing 21 demonstrated our progressive outlook, looking forward to the millennium as a 21st century organisation.

In 2009 Housing 21 acquired Claimar Care plc, a provider of domiciliary and complex care. This shifted our centre of gravity away from housing and towards care services which proved to be quite a challenge. In 2014 a decision was made to add care into our name to reflect this shift of emphasis so we became Housing & Care 21.

In 2017 Housing & Care 21 sold off the domiciliary home care division and refocused provision on our two service offers, Retirement Living and Extra Care Living. We are still focused on providing quality care as part of our Extra Care offer and provide over 42,000 hours of care per week. Our residents felt that our name needed to reflect the return to the provision of housing for independent living and avoid any perception of a care home or institutional provision. We have therefore taken the step to revert to Housing 21, reinforcing our strong heritage and reputation.

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1964
Established as Royal British Legion Housing Association

1992
Changed name to Housing 21

2009
Acquired Claimar Care plc

2014
Changed name to Housing & Care 21

2017
Sold Home Care division

2019
Reverted name to Housing 21

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What we stand for

- We are **experts in the provision of housing for older people**
- We want **to do more and are committed to development**
- We are **leaders in providing digital connectivity for older people**
- We lead **by providing local choice and control to residents**
- We are **a leading dementia-friendly organisation**
- We want **to be an 'employer of choice'**
- We are **a charitable and not for profit organisation**
- We believe **Court Managers make our Retirement Housing a positive choice**
- We believe **Extra Care provides a more desirable alternative to residential care**
- We are **committed to helping older people of modest means**

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Our new Strategic Plan includes 10 key messages that describe who we are and what we stand for

We are experts in the provision of housing for older people

It is 55 years since we were first established as the Royal British Legion Housing Association providing housing for veterans and their families. By continuing to learn from our experience, and listening to our residents we pride ourselves on being experts in the provision of Retirement Housing and Extra Care for older people of modest means throughout England. We continually review our performance and look for opportunities to improve and innovate.

We want to do more and are committed to development

We have one of the largest development programmes for older people's housing in England and work hard with our partner local authorities to support them in meeting the increasing demand. We completed the development of 202 properties in 2018/19, with an additional 539 properties under construction at year end. We are ambitious in our outlook and remain on track to deliver our target of 2,310 properties by 2022 with a plan to increase our output thereafter from 800 to 1,000 units per annum.

We are leaders in providing digital connectivity for older people

The health and wellbeing of our residents is our priority and we understand how important it is for them to stay connected.

Installing digital call systems in all of our properties provides extra reassurance for our residents that help is on hand when they need it, a vast improvement on the outdated analogue systems. Residents are also increasingly able to access the system on a digital tablet or a smartphone via an app and we continue to work with our partner Appello to explore the full potential of the technology. Another attractive feature is that it has a dementia-friendly clock as the default home screen.

By the end of March 2019 we had installed over 150 new digital call systems and are committed to ensuring that all of our properties are connected to digital call systems before 2025.

Our residents are embracing the opportunities digital technology provides and we will ensure we are at the forefront of any future developments.

We lead by providing local choice and control to residents

We value and respect the resident voice and are committed to giving all of our residents the power to determine how their courts should be run at a local level, whilst also encouraging them to feed in to our wider national strategy. Our recent name change back to Housing 21 was largely resident-led and demonstrated how powerful the resident voice can be.

We encourage engagement, embrace diversity and trust that residents know what is right for their community. Resident forums, conferences and surveys all help to shape our service delivery and priorities and we encourage them to hold us to account if they feel we could be doing more.

We had over 3,000 responses to the resident survey and over 700 residents took part in engagement events last year.

We are a leading dementia-friendly organisation

We are proud to be leading the way in demonstrating the importance of good housing for people living with dementia and are keen to share our knowledge and understanding with others.

We incorporate dementia-friendly design principles into our new developments and in the refurbishment and adaptation of existing properties. We continue to promote the Dementia-friendly housing charter, which we helped to develop together with the Alzheimer's Society, and play a leading role in the Housing and Dementia Research consortium and the Dementia and Housing Working Group.

In 2018/19 we commissioned the University of Worcester to undertake research on people living with dementia who walk with purpose and we are working with stakeholders to roll this out more widely.

We believe in using our influence and position in the sector for social good and are encouraging our contractors and suppliers to commit to being dementia-friendly.

Informing and educating our staff on what it means to live well with dementia is a vital part of being a dementia-friendly organisation and Dementia Friends sessions are an integral part of the induction for all Housing 21 employees. 1,983 employees became Dementia Friends in 2018/19 and we are also well on our way to achieving our target of 10,000 of our residents becoming Dementia Friends too.

We want to be an 'employer of choice'

We recognise that people are at the heart of Housing 21 so we are very proud to have achieved the Investors in People Gold Standard accreditation in June 2018. Although we make a considerable investment in the training and development of our staff and have seen improvements in levels of engagement, recognition and involvement there is more still to do.

We have an action plan for further improvement which re-emphasises the need for effective leadership and management and greater engagement with our care workforce. We are committed to developing our people to reach their full potential, recognise the importance of diversity and flexibility in our workforce and support career and personal development for those who work for us.

Our Median Gender Pay Gap has reduced by 2% to 26%. Whilst this is still high it is largely a consequence of the structure of our workforce and the nature of the work we do. We are committed to addressing it and have improved the terms and conditions for those in frontline care and support roles. We pay equivalent roles at standard rates of pay, irrespective of gender, and work to remove barriers that might otherwise prevent women progressing in their careers or reaching the highest levels of management. We are also seeking to measure and monitor any gaps or inequalities that exist in terms of any other protected characteristics.

We are a charitable and not for profit organisation

We operate as a business and ensure we have efficient and effective business systems and processes in place to help us achieve our goals, but as a not for profit organisation we do not pay profits and dividends to shareholders. Instead our social purpose is of paramount importance. Any surplus we do make is re-invested in providing more and better quality housing, care and support for our residents, doing the right thing and ensuring that more people are able to benefit from the work that we do.

We believe our Court Managers make our Retirement Housing a positive choice

Our residents tell us how important their Court Managers are to them and the difference having a dedicated Court Manager makes to their lives. We are therefore committed to retaining our Court Manager service and will ensure that residents continue to benefit from a trusted and responsive local service, giving them the peace of mind that support is available if and when they need it.

We have continued to invest in our Court Managers to ensure they can provide the best possible service to residents and have recently introduced a new devolved housing management system, giving all Court Managers tablet computers so they can effectively manage things like lettings, repairs and rent payments at a local level, transforming our service to residents.

We want to ensure our residents are happy and proud to live in our properties and as such have continued to invest in our Retirement Housing properties.

We believe Extra Care provides a more desirable alternative to residential care

Keeping couples together and allowing older people to plan for future care needs, Extra Care Living offers a real alternative to residential care, with Care Workers on site but with the privacy of a self-contained, fully accessible apartment.

The health and social care sector is struggling to keep up with the increasing demands of an ageing population, however the local authorities we work with are telling us that our Extra Care offer is providing them with the integrated housing and care that they need, often helping to fill the gap for those who need a little support to live independently but don't need the more intensive and more costly residential care provision. We have developed an effective Extra Care model and are keen to work with more local authority partners to meet the needs of their communities.

We are committed to helping older people of modest means

We are committed to our social purpose, and we are passionate about providing high quality housing and support for those who need it most.

Approximately three-quarters of our residents are in receipt of Housing Benefit and we work hard with our partner local authorities to ensure those who have the greatest need can access our services.

We understand that some older people will have already invested in property and be keen to keep funds invested. Many of our new developments offer the option to purchase a property on a shared ownership basis and our residents tell us that they appreciate the flexibility shared ownership can provide.

Our guiding principles

Our three guiding principles are: 21, Better and Experience. We seek to apply these to all that we do.

21

We are committed to providing a modern, forward-thinking 21st century service. This includes updating and modernising our existing housing, as well as developing new and innovative property designs and service models for the future. We will challenge ourselves to think differently, embracing the disruptive potential of new technologies and the challenges and opportunities of social change.

Better

We strive for continuous improvement and innovation in all that we do. We will never become complacent and will constantly challenge ourselves to do better and achieve improved performance, quality and value for money. We aim to be 'better than good' and work hard to provide excellent services we are proud of and our residents deserve.

Experience

We aim to provide a consistently excellent service and a great experience for all the people we serve. We seek to engage and empower residents to make choices and exercise control over the services they receive and to devolve decision making to local staff who are closest to the residents whenever practicable and possible. We are committed to acting ethically and openly in all that we do, questioning whether we are 'doing the right thing' and being ready to acknowledge and learn from mistakes. Ultimately the success of Housing 21 rests on the satisfaction we provide to our residents.

Developing our values

Apart from the guiding principles, our values are not encapsulated in a set of words or corporate slogans. We have sought to develop a culture that seeks to capture the diversity of personal motivations and commitments that are aligned with and reflect the essence of why our staff want to work for and support Housing 21. We believe in empowering individuals and that trusting them to do the right thing produces better results than telling them what to do or how to do it.

We are committed to working with our residents, staff and other stakeholders to help articulate and develop a broader understanding of Housing 21's values and ensure that we create an authentic culture that is trusted and helps guide us to be our best.

Strategic Report

Our Strategic Plan

Our seven strategic priorities were launched in April 2017 and refreshed in March 2019 with a focus on investing in seven key areas:

They signify the core investments and improvements that we are aiming to achieve on an ongoing basis. Further details can be found in our Strategic Plan 2019 – 2022.

The following sections cover our progress with achieving each of these priorities and our overall business performance and value for money outcomes during the year.

1. Investing in **providing more homes**

With one of the largest development programmes for older people's housing, one of our strategic aims is to deliver **2,310** new properties by 2022, and over **1,000 new properties per annum** thereafter.

We completed the development of

202 properties in 2018/19, with an additional **539** properties under construction at year end.

Of the new properties delivered last year there were **53** Extra Care properties at Thomas Fields in Buxton; **72** Extra Care properties at Casson Court, Thorne; **64** Extra Care properties at Bransdale View, Helmsley; **eight** additional Retirement Housing properties at Richard Onslow Court, Shrewsbury; and **five** additional Retirement Housing properties at Ward Court, Brighouse.

Acquisitions

We are also keen to acquire Retirement Housing and Extra Care properties from other providers as we are passionate about ensuring more older people of modest means can benefit from our skills and experience as an expert landlord. We are proud of our acquisitions, in the last year we acquired two Extra Care schemes; 44 properties at Seagrave Court in Nottingham from Midland Heart; and 33 properties at Blackbourne View in Bury St Edmunds from Havebury Housing Partnership. We also acquired 577 leasehold retirement properties from BUPA, Goldsborough Estates Limited, which will give additional strength and capacity to our highly regarded leasehold management service.

Great results from manufacturing properties off-site

We continue to explore innovative ways to provide more homes for older people and successfully trialled off-site manufacturing to add more Retirement Housing properties to existing courts in Shropshire and West Yorkshire. Manufacturing the properties off-site minimised disruption to existing residents and dramatically reduced build time whilst still providing a high quality product. Another option to consider for future developments.

Supporting diverse communities

We recognise the need for our housing offer to reflect the communities in which we operate and are working hard to meet the needs of BAME and other groups whose housing needs in older age are not being adequately addressed. We are also committed to the creation of co-housing communities and are exploring different options.

We invested **£33.9m** in new **construction and acquisitions (2018: we invested £28.3m)**

Our investment in new construction and acquisitions is across **900 properties**

We acquired: **577 leasehold properties**, Goldsborough Estates Limited, for **£1.7m** from BUPA

We acquired: **77 Extra Care Living** properties: Seagrave Court from Midland Heart and Blackbourne View from Havebury Housing Partnership

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

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.

Income from our property sales has been a relatively small part of our revenue over recent years and we are not reliant on these sales to meet lender covenants or support cash flow. Our developments are 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.

We are committed to **£88m** of **contracted capital commitments** (2018: £10m) and **£60.5m** approved but uncommitted expenditure (2018: £33.6m)

2. Investing in the **quality** of our **existing properties**

We are not only committed to providing more homes but equally to ensuring our existing properties are a positive choice for residents, therefore ensuring continued demand and maintenance of their cash generating capacity in the medium term.

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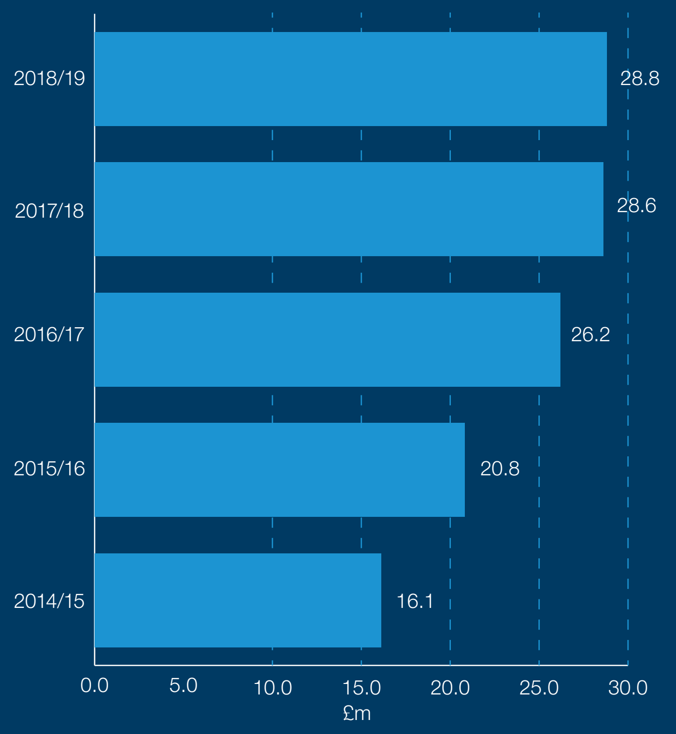
We have completed the third year of our enhanced Stock Investment Programme where we are spending around £135m over a five year period on our existing properties. A significant proportion of the investment is to ensure the following property standards are met in all of our courts:

- All kitchens are no more than 20 years old;
- All bathrooms are no more than 20 years old;
- All properties have an EPC rating of at least C; and
- All courts have had a design-led makeover / redecoration of communal areas within seven years (this expenditure is expensed and not capitalised).

We undertook over **500 capital projects** in the year including **kitchen** and **bathroom** replacements and **mechanical, electrical** and **structural** works

Capitalised maintenance expenditure



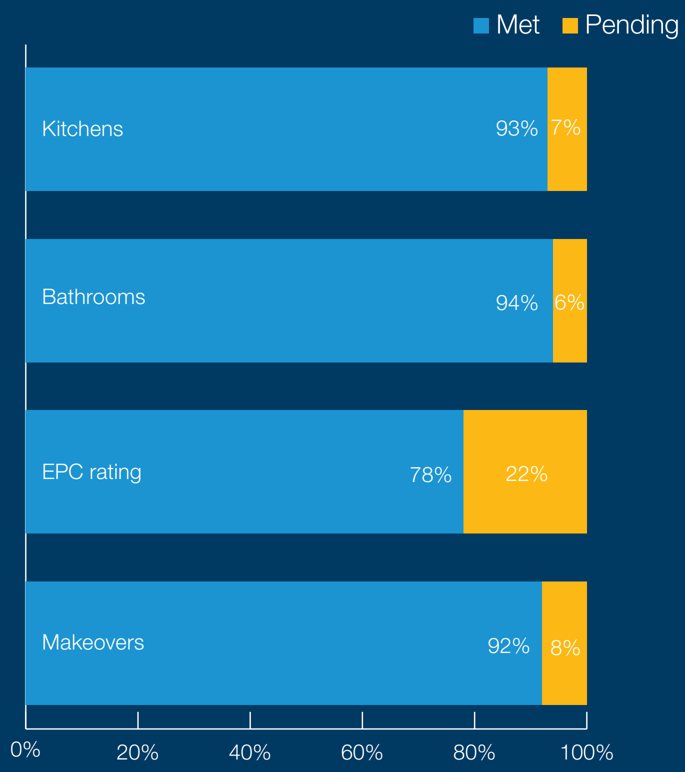
We invested **£9.9m** (of the **£28.8m**) on improving property standards.

Remainder on mechanical, electrical and structural including replacement windows, doors, call systems, roofs, lifts etc

We spent an additional **£3.8m** on **design-led makeovers** and **redecorating communal areas**

Our latest status of achieving our property standards across all of our courts is as follows:

Property standard compliance at 31 March 2019



We are on track to deliver the property standards by March 2021, maintaining them on a rolling basis thereafter.

Other than delivering value for money, we also need to consider our reliance on key contractors and the potential outcomes of the Hackitt Review following the Grenfell fire. We have six courts that are over six storeys high, and we can confirm that none of them have any cladding issues that have been identified as fire risks. In addition, we are confident that all of our courts meet a high standard in fire prevention and protection measures.

Fire safety is at the top of our agenda. We have undertaken a series of programmes to address it including various fire stopping works and the installation of sprinklers in all of our properties above six storeys. We will be reviewing our fire alarm zoning and undertaking Type 4 fire risk assessment surveys in 2019/20.

The outcomes of the Review may have wide ranging implications not only on high rise tower blocks but also on buildings that are classed as 'complex' which could include our Retirement Living and Extra Care courts. We have the financial capacity and resilience to comply with any new standards that may arise.

3. Investing in the quality and responsiveness of our services

We are committed to providing quality services to our residents, ensuring that living in one of our properties is seen as a positive choice whilst also meeting professional standards and business need.

Feedback from our residents is key to ensure we are getting this right and as such we have set ourselves a target to achieve a resident satisfaction level of at least 95% by 2022 with the quality and responsiveness of the services we provide.

We engage with and get feedback from residents in a number of different ways including regional conferences, forums, surveys and via our resident engagement database ‘Viewpoint’. Over 700 residents took part in engagement events last year, we had over 3,000 responses to the resident survey, a 10% increase on 2017/18, and over 300 residents were involved in improvement groups and other forms of consultation.

At a local level courts have committed to having regular meetings with residents, with local and regional managers in attendance, to provide a focus for engagement and decision making. This includes looking at services charges, how money is being spent at a local level and how things could be improved.

More efficient ways of working – our devolved model

We are continuously looking at how to improve our ways of working to best serve our residents and have successfully introduced a new devolved housing management system, enabling managers at Retirement Living and Extra Care Living courts to work more efficiently and effectively at a local level. The tablet based system, which we have been working on throughout the year, was introduced in May 2019. It means managers are no longer restricted to the more time consuming paper-based systems and also enables them to work in a more mobile way across the court.

Affordability and funding

Pivotal to the success of our devolved model, we stand by our decision to retain and invest in our Court Managers, who our residents tell us make the greatest difference to their lives. This service, together with the provision and maintenance of communal spaces, is paid for by residents via their service and support charges which can range from £30-£50 a week and represents a significant expense in addition to the rent they already pay. Therefore Housing Benefit and pension entitlements are critical government welfare policy drivers which affect the affordability of our properties.

We remain abreast of discussions surrounding Universal Credit which, although it does not include retirement age benefits, is relevant to the small number of our residents who are aged between 55 and 65.

Quality of care

We understand how important quality of care is to our Extra Care Living residents and are committed to ensuring that we attract and retain the best staff to provide the best care. In April 2018 we increased the rate of pay for our Care Workers to at least 10% above the National Living Wage (NLW). In addition, we introduced a new salaried role of Assistant Care Manager to provide greater scope for supervision and training.

Our residents also tell us how important continuity of care is to them so we have committed to ensuring that at least 70% of care is delivered by permanent staff employed on guaranteed hours contracts, in turn benefitting both residents and staff. We are already beginning to see the benefits through a reduction in Care Worker turnover.

We are committed to retaining and investing in our Court Managers

Resident engagement increased by 10% compared to 2017/18

We are proud of our Care Workers and are committed to ensuring that the quality of care they provide is recognised externally too. 94% of our Care Quality Commission (CQC) registered services were classified as 'Good' at the end of 2018/19 with one as 'Outstanding'. We are working towards all of our services being rated at least 'Good' with at least 5% rated as 'Outstanding' over the next three years.

Suggestions, comments, compliments or complaints

We understand the need for us to get things right and as such welcome any suggestions, comments, compliments or complaints from residents which will help us to improve our services.

Formal complaints are managed on an individual basis and the Executive Team and the Board receive regular reports, including the nature of the complaint, the region and department concerned. Residents are also members of our Complaints Panel and review complaints, responses and satisfaction levels.

The fact that very few residents choose to progress complaints through to the Housing Ombudsman suggests that our complaints processes are fair and transparent.

During 2018/19 there were 13 approaches from the Housing Ombudsman Service, outcomes have been received for 12.

We had five cases where there was either service failure or reasonable redress and we look to learn from each and put steps in place to ensure they do not reoccur. The findings in the five cases are as follows:

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We believe that through delivering care in our own properties and investing in our Care Workers and their improved management structure we are reducing the likelihood of major quality and/or safeguarding risks occurring and providing the best possible care environment for our residents.

We achieved our first **'Outstanding'** from the **Care Quality Commission (CQC)** for the quality of services provided at **The Watermill** in Walsall

Care Quality Commission

94% of our care services were rated as **'Good'** or **'Outstanding'** by the CQC, compared to a UK average of 82% for Adult Social Care

We **increased Care Worker pay** to at least **10% above the National Living Wage**

We committed to at least **70%** of care being delivered by **permanent staff on guaranteed hours contracts**

4. Investing in our **people** and **potential**

We recognise that our success depends upon the combined skill, commitment and talents of our people. It is through our people that we turn our potential into performance.

INVESTORS IN PEOPLE | Gold Until 2021

Achieved **Investors in People Gold**

Housing 21 Financial Statements 2018/19

We are proud to have achieved the prestigious Investors in People Gold accreditation but our commitment in investing in our people is about more than that. We want all of our people to be inspired and motivated to achieve and recognise that the quality of our leadership and management is critical to achieving this. We are investing in leadership, engagement and development as well as encouraging and equipping managers with skills in coaching and mentoring.

We are committed to ensuring that at least 100% of our Apprenticeship Levy contributions are utilised through the provision of training programmes for operational skills development and professional or academic qualifications. This includes supporting the development of our housing teams through the Chartered Institute of Housing (CIH) Diploma. We currently have 55 members of staff enrolled on the level 2, 3 or 4 qualifications. We also have 47 members of care staff enrolled on the Health & Social Care Diploma at various levels. Both are being delivered via apprenticeships and funded by the Apprenticeship Levy.

The increased investment in our Care Workers, with improved pay and benefits, also shows how committed we are to doing the right thing for our staff and in turn our residents.

Engaging with staff

Happy staff means happy residents so we do everything we can to ensure we create the best working environment for our people and support them by investing in them and their futures.

We regularly engage with staff in a number of ways, listening to their feedback to understand how best to meet their needs:

How we engage with our staff

- Court Manager Group
- Team meetings
- Annual staff conferences
- New parents survey
- Team / departmental away days
- Carer forum
- Staff wellbeing survey
- Housing and Care Manager group
- Annual staff surveys
- Chief Executive's quarterly updates
- Corporate Services group
- FAB ideas

55 staff members enrolled on **Chartered Institute of Housing** qualifications

Over 1,500 employees signed up to **Workplace**

47 members of the care team enrolled on the **Health & Social Care Diploma**

We also encourage information sharing and the sharing of best practice and good ideas. Last year we launched our FAB ideas competition, which engaged staff in our value for money agenda. This is now embedded with staff submitting ideas to save money or improve service quality and process efficiency on an ongoing basis.

We recognise how important it is to communicate with all of our employees, including Care Workers, who are not desk based and do not have email addresses or easy access to staff communication channels. We introduced Workplace to the organisation in January 2018, a social media platform which allows all staff to share stories, celebrate successes, and learn from best practise.

Regular video briefings are also posted on key topics including health and wellbeing and data protection. Chief Executive Bruce Moore holds quarterly live "Ask Bruce" sessions where staff from across the organisation can post questions to be answered via a live video broadcast.

We currently have over 1,500 employees signed up to Workplace and are working hard to increase this.

Equality, Diversity and Inclusion

Our aim is to ensure we maintain a culture where individuals are highly valued for the contribution they make and where diversity is celebrated for the difference it makes to the organisation, both staff and residents alike.

During the year we celebrated a range of cultural and religious festivals and awareness days and encouraged those from different groups and communities to involve and educate others in festivities which hold meaning and are important to them.

We are committed to equal opportunities and promote a safe, supportive and open working environment where employees are encouraged to reach their full potential. Our standards of conduct are of the highest level and we do our best to ensure that no one is harassed, bullied or victimised. All of our locations are fully accessible and we do our best to adapt to the needs of all of our employees. We have a number of policies in place to help maintain and strengthen this culture and environment, including an Equality, Diversity and Inclusion Policy. We recognise that there is still more to do in raising our awareness of what is important to our staff and have acknowledged within our Equality, Diversity and Inclusion Strategy that a positive step would be to collate more meaningful information on staff and resident demographics and ethnicity.

5. Investing in **systems** and **technology**

Systems and technology play a key part in our service delivery and we are working hard to ensure we have the right technology in place to provide a responsive service to our residents and meet the needs of the wider organisation. We focus on three core areas:

Business systems • Resident technology • Cyber security

Business systems

In May 2019 we launched our new tablet based devolved housing management system, which empowers and enables managers on our courts to carry out processes such as lettings, reporting repairs, income management and compliance checks quickly and easily.

Rather than implement a complex Enterprise Resource Planning (ERP) model we chose to use an existing software supplier to provide us with a system for a fraction of the cost, demonstrating excellent value for money. During the year we made £1m (2018: 1.9m) of capital investment in the new system. We plan to continue to invest in digital transformation across the organisation as we focus on moving towards mobile, single device solutions for our staff and away from the centralised, fixed point access to our IT systems.

Resident technology

Health, wellbeing, safety and security are all top priorities for our residents and we understand how important effective digital technology is in supporting them to live well.

We are committed to installing new digital touch screen systems in all of our properties which will enable residents to communicate effectively with support staff and with each other. These will replace the analogue call systems which invariably had poor quality sound and slow response times.

During the year we undertook 48 conversion projects, incurring £2.7m of expenditure (2018: £2.9m). These costs form part of the £135m Stock Investment Programme. During the year we also committed to accelerate the conversion with all systems to be converted by March 2025. Currently we have over 150 digital installations, compared to around 450 courts in total.

We are working with Appello, the digital call system provider, to look at how this infrastructure can support wider digital solutions such as assistive technology via third parties.

Our residents are embracing the opportunities digital technology provides and we will ensure we are at the forefront of any future developments.

Cyber security

Cyber security remains a constant area of attention in order to protect staff and data. Advanced threat detection, training and additional investment in tools and services all form part of our approach in this area.

During the year we undertook **48 digital call system conversion projects**, incurring **£2.7m** expenditure (2018: £2.9m).

These costs form part of the **£135m Stock Investment Programme**

6. Investing to provide **value for money**

Our value for money performance is covered later in this publication in our Value for Money Report on page 41.

7. Investment in **innovation** and **influence**

In 2018/19 we continued our work around ensuring people in our properties can live well with dementia, improving our own offer but also influencing the wider housing sector.

We have taken over chairing the Dementia and Housing Working Group. Its main aim is to forge links and partnerships across health, social care and housing and encourage positive relationships. It also aims to develop a coordinated approach to supporting people with dementia and increase awareness and understanding of dementia across the housing sector. We also joined the Pan-London Dementia and Housing Group, working closely with the Mayor of London with the overarching aim to make London dementia-friendly.

Together with Guinness Care, Housing LIN and Notting Hill Genesis, we delivered two “Rising to the dementia challenge” events during 2018/19 aimed at general needs providers. These events served to educate and inform others and highlight the work which can be undertaken to help people live well with dementia and to introduce the wide range of resources which are available. Representatives from 87 organisations attended including local authorities, other housing associations, not for profit organisations, architects and universities.

During the year we were also shortlisted for the Dementia-friendly organisation of the year (large) award by the Alzheimer’s Society.

Walking with purpose

The University of Worcester was commissioned by Housing 21 to undertake research on people living with dementia who walk with purpose. This is the first research to be done on this subject and its findings are relevant to the wider housing sector. We will disseminate it widely, including speaking at conferences as well as submitting the research to academic journals.

Stakeholder perceptions

A research project was undertaken to assess stakeholder perceptions of us, our strategic direction and any previous experience of working with us. This included local authorities, contractors, partner organisations and networks. The results of this research are being used to shape our influencing work as well as the activities of the business streams to address areas of concern and to strengthen other areas of work.

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.

The annual October conference provided the opportunity to bring together academics and practitioners to debate age-friendly housing and communities. The conference was attended by nearly 200 people and plans are in place for the next conference in October 2019.

Our business performance

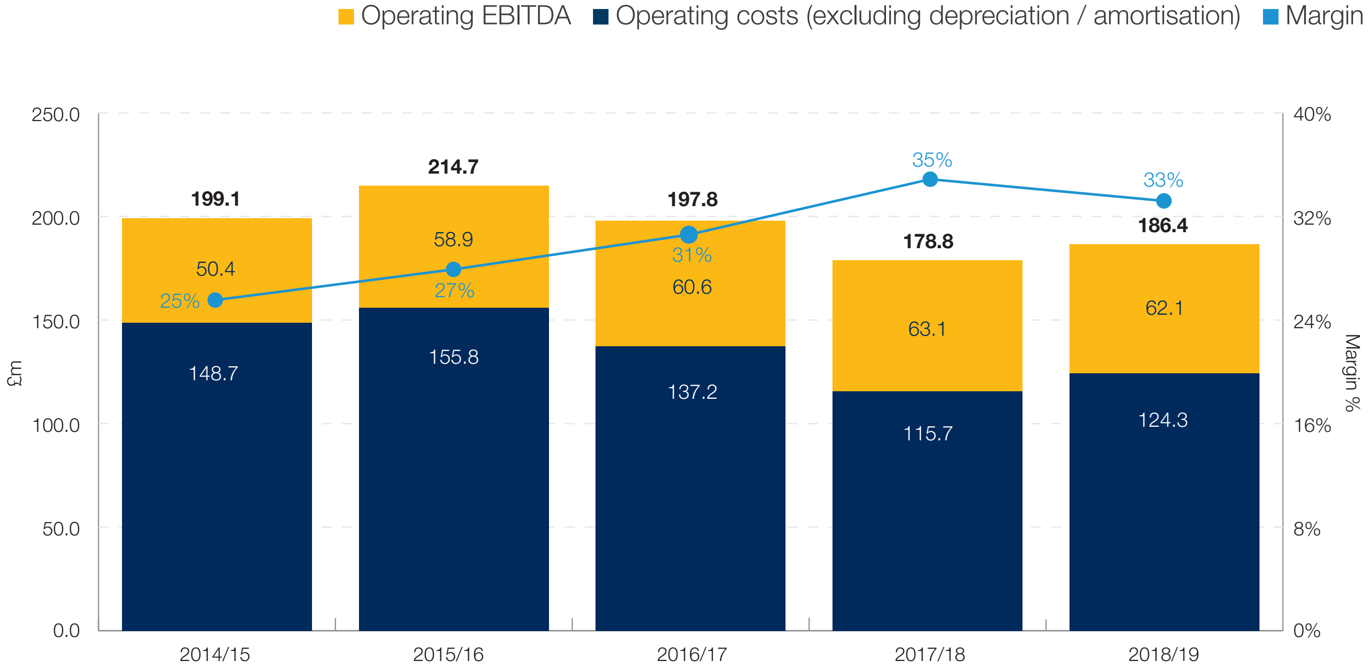
We are pleased to report another strong set of financial results for the year ended 31 March 2019. Our Operating EBITDA[1], which largely reflects our cash generation from operations, is £62.1m (2018: £63.1m) which is a 5.4% increase year-on-year since 2014/15.

The outturn is in line with our budgets and financial projections, meaning that we are well placed to deliver our business plan and Strategic Plan up to March 2022 and beyond.

The five year picture represents the rationalisation of our business in order to focus on our two core service offerings, Retirement Living and Extra Care Living. During this period we have sold our Home Care activities, which by its nature is a low margin business, to other providers. This has resulted in higher margins, despite lower revenues.

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.

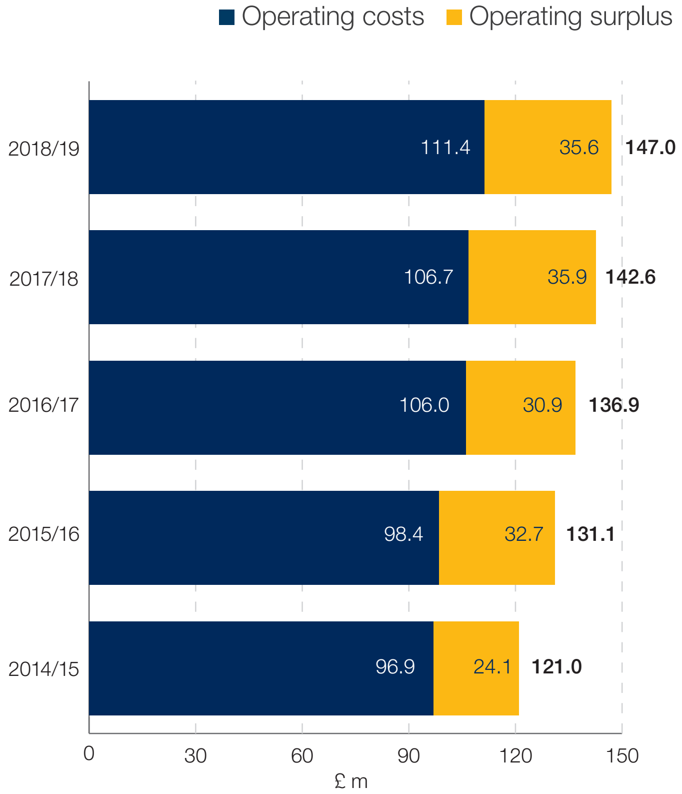
Group Revenue and Operating EBITDA



[1]Earnings Before Interest, Taxation, Depreciation and Amortisation

A. Social housing lettings

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 £147m in the year (2018: £142.6m), an increase of 3.1%. Our rent receivable has increased marginally to £88.4m (2018: £87.7m), an increase of 0.8% despite the application of the 1% rent decrease. The increase in rent receivable has been driven by the impact of new Extra Care properties being commissioned in the year and the full year impact of new properties commissioned in 2017/18. The largest increase in revenues is driven by service and utility charges; these have increased by £3.2m. The increase mirrors the higher service costs incurred on behalf of our residents, therefore, there is no impact on margins as no profits are derived from the management of service charges.

The operating surplus from social lettings has remained relatively static despite the increase in revenues commented on. In addition to the impact of higher service costs on service charges; pay costs and repairs have also been higher than in the previous year.

Pay and headcount inflation have contributed to around £1.4m in the increase in cost base. Despite the 1% rent reductions, we have taken the view that ensuring we are adequately resourced and that our staff receive a fair remuneration package which tracks the cost of living is crucial to achieving our strategic priorities and delivering quality services to our residents. The increases in pay costs are factored into our business plan and financial projections.

Our routine maintenance and major repairs expenditure has increased by £1.3m in the year to £14.3m (2018: £12.9m). This has been driven by adverse weather experienced at the start of the year (the 'beast from the east') and a conscious decision by our local operational teams to undertake major repairs on certain courts in order 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 and a final year of rent reductions. 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.

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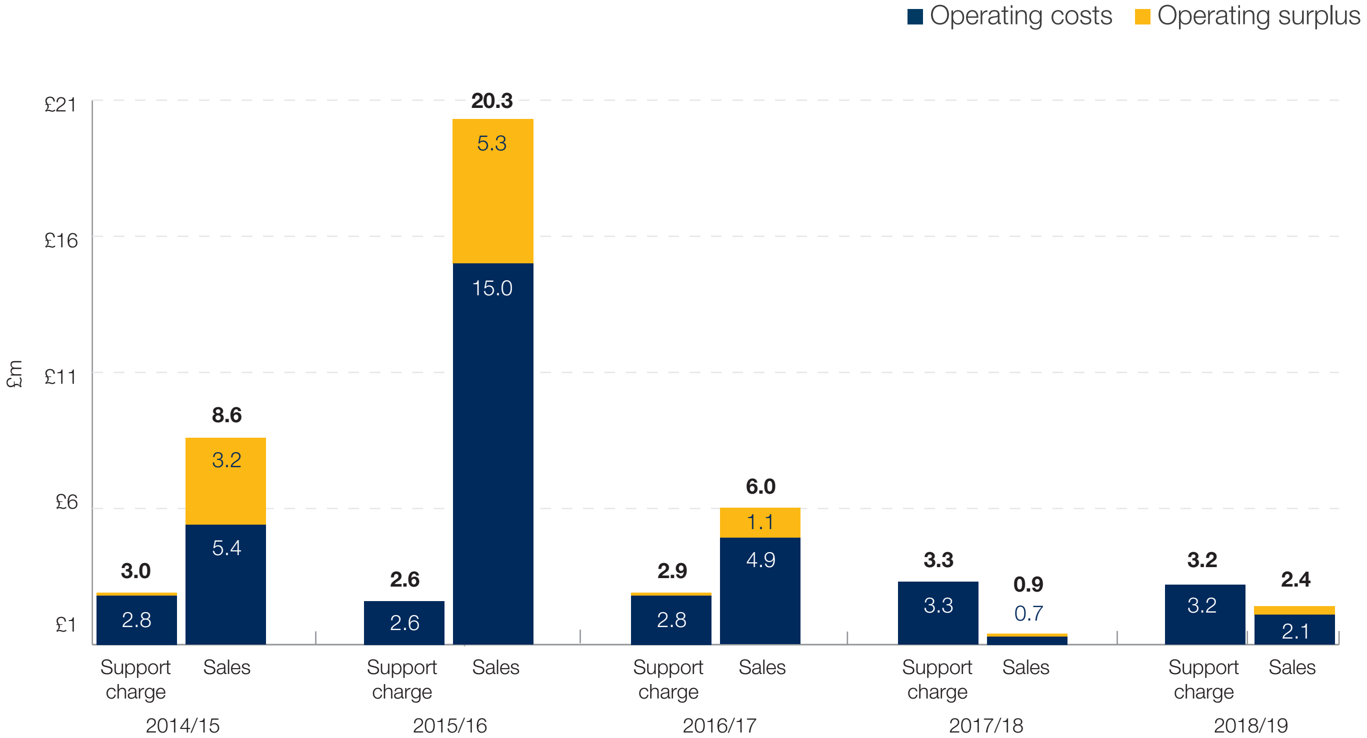
B. Other social housing activities

Other social housing activities



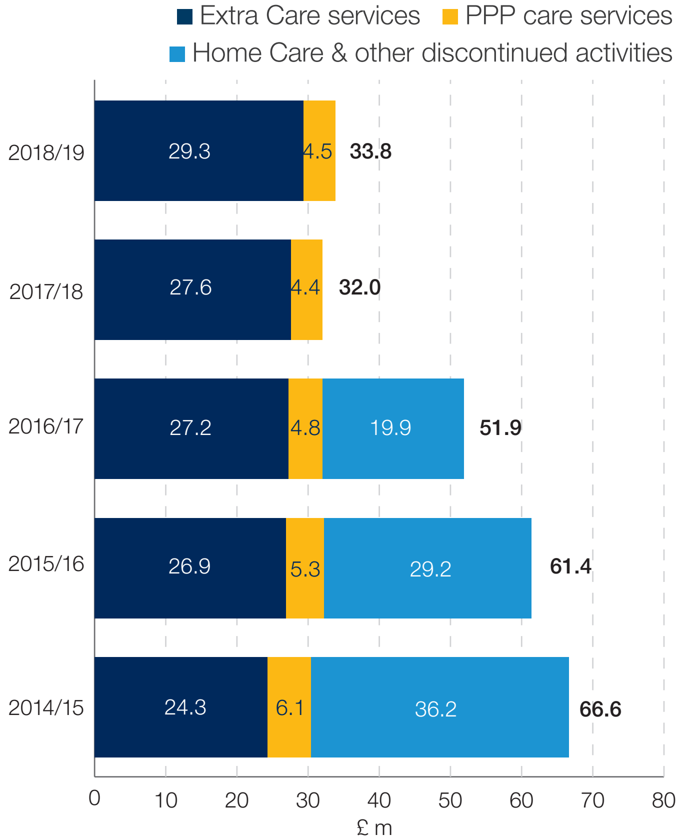
Other social housing activities relate to our support charge, which is around £3m pa with no surplus or deficit, and shared ownership first tranche and outright property sales, which are much more variable depending on the development cycle.

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 19 properties (2018: 8 properties) for a total receipts value of £2.4m (2018: £0.9m). As we have commented earlier, we are not reliant on these properties for cash flow or covenant compliance purposes. We have commented on our business model in respect of development and property sales, along with the associated risks and uncertainties, in section 1 of this Strategic Report.

At 31 March 2019 we had seven unsold properties (2018: nil). We are anticipating a much larger sales programme in 2019/20 as we have a number of schemes which are nearing completion and will be ready to commission early in the new financial year. We are not anticipating any issues regarding our ability to continue selling the properties at the price, rate and equity that we have projected.

C. Non-social housing activities

Non-social housing revenue

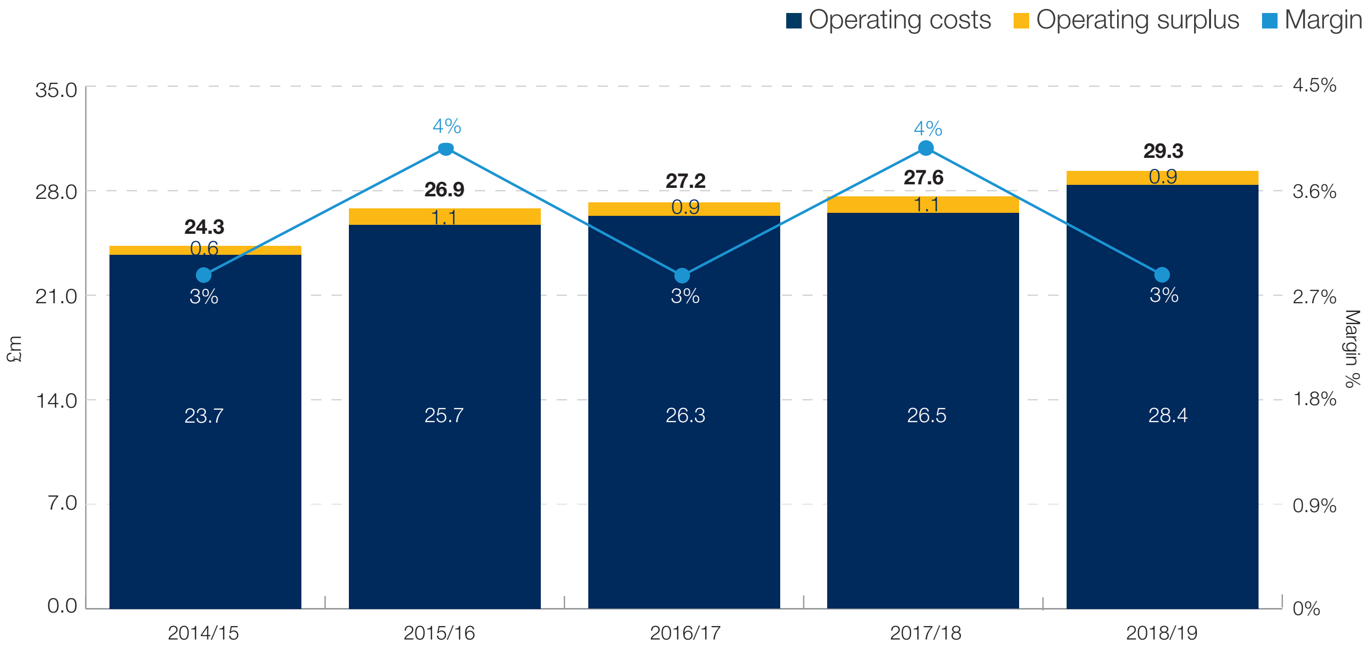


Over the past five years we have significantly reduced and exited from what we would consider our non-core activities. This was primarily our Home Care services which we transferred safely to a specialist provider at the end of 2016/17. Our remaining non-social housing activities now consist of our social care services that we deliver to our own 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 2018/19 our non-social housing care revenue of £33.8m represents 18.1% of our total revenues, whereas this was 33.4% in 2014/15.

The most significant element of our non-social housing activity is our Extra Care services. Our Extra Care business model is to provide care for older people in a housing setting, enabling them to retain the independence of their own home with the reassurance of having Care Workers on-site 24/7. Therefore, our care services form an integrated service offering for our residents, however, they are two very distinct commercial activities. What this means is 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 courts the care services are provided by another organisation. Our strategic aim is to provide integrated housing and care and over time we aim to provide the majority of the care services in our Extra Care courts whilst maintaining acceptable pricing and high quality standards.

Extra Care services



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, (from whom 80% of our revenue is derived (2018: 81%)), and of the challenges of National Living Wage increases.

Despite this we made the strategic decision at the end of 2017/18 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.

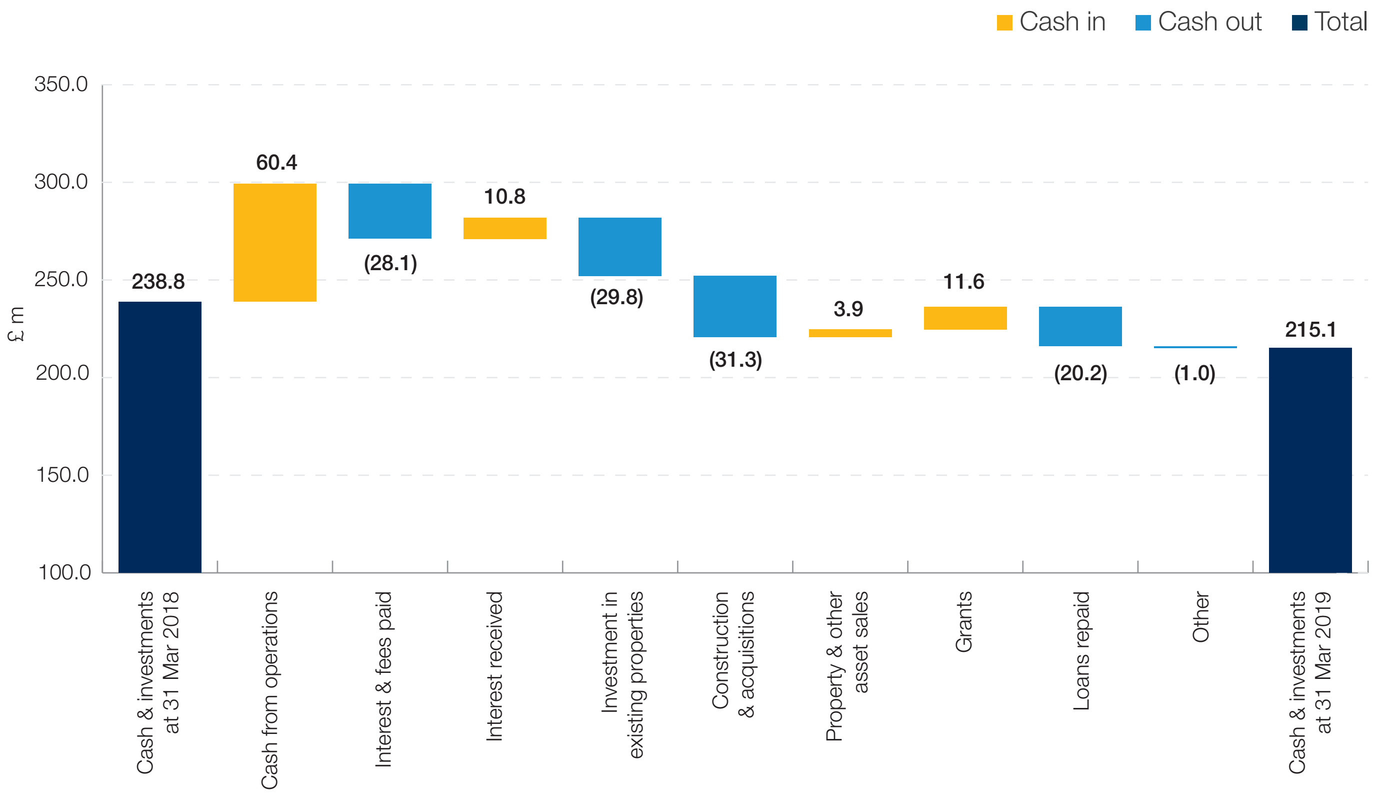
The margins and surpluses of our Extra Care services are very modest compared to our social housing activities; representing just 2.5% (2018: 2.9%) of our overall operating surpluses; therefore, their contribution to our financial performance and strength is minimal. We remain committed over time to 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.

Housing 21 Financial Statements 2018/19

D. 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 2019 our cash and investment holdings are £215.1m (2018: £238.8m) and we have undrawn facilities of £25m (2018: £25m).

Group cash flow 2018/19



We currently do not need to arrange any new or re-financing activities to deliver our contractually committed programme of £88m. We aim to have at least an 18 – 24 month period of available financing at any given time. This ensures we always have sufficient liquidity to meet our commitments.

Our large cash and investment holdings of £215.1m (2018: 238.8m) reflects our first ever £250m public bond issue during 2017/18 and we anticipate that with current projected spend we will need to raise further funds in 2020/21 to support our development aspirations.

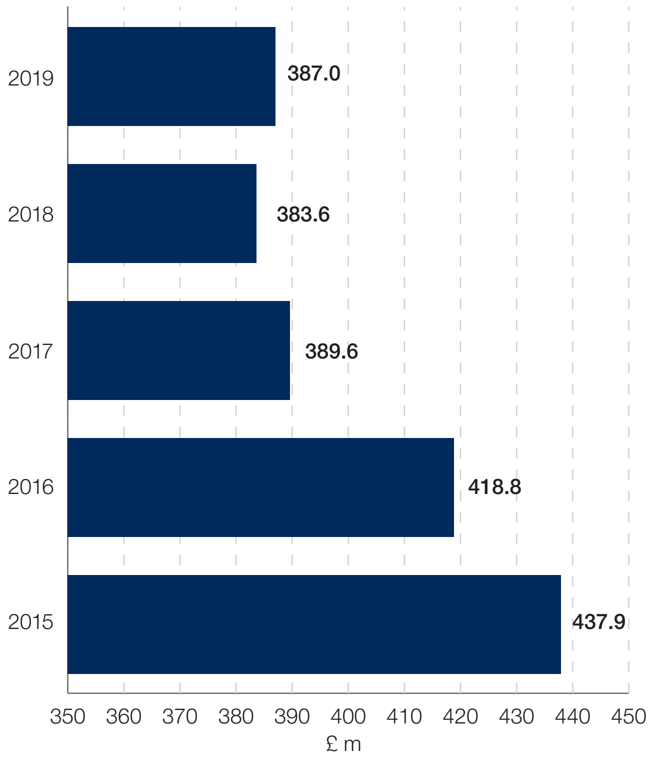
We have maintained our ‘golden rule’ that we will never borrow to service our debt or to invest in our existing properties. These will always be resourced from our operational cash flows. Moreover, neither are we reliant on capital grants or property sales receipts to underpin our debt servicing or investment 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 £60.4m (2018: £71.8m) of cash from our core operations which have paid for our net interest costs of £17.3m (2018: £15.2m) and investment in existing properties of £29.8m (2018: £26.5m), leaving £13.3m capacity for reinvestment and debt repayments.

Housing 21 Financial Statements 2018/19

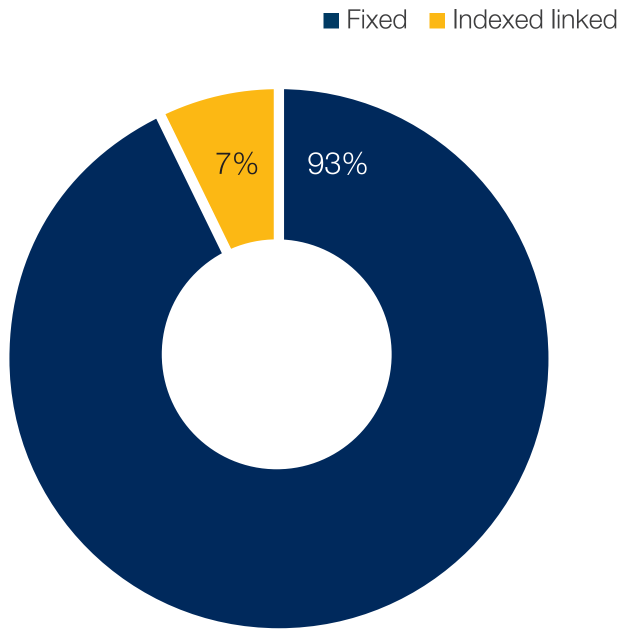
The movement in our net debt has remained relatively consistent over the past three years, as detailed in the chart below, as our development spend has remained low and has been mainly funded from our surpluses.

Group net debt



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 2019 (and 31 March 2018) the debt mix was as follows:

Debt mix



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 that would require them to be held at market value. It is our policy that this will continue to be the case in the future.

Our debt and financing activities are managed by a centralised treasury function, which is overseen by our Chief Financial Officer. 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. These include:

- Ensuring lenders' covenants remain within a set of 'shadow' limits (as opposed to the minimum lenders' requirement);
- Funding is available for at least two years ahead at any given 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.

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

Accounting policy changes

The only major change in accounting policies in the current financial year has been the first time application of pensions accounting for multi-employer schemes in accordance with Section 28 of FRS 102. In previous financial years insufficient information has been provided by the Social Housing Pension Scheme (SHPS) to identify our share of the assets and liabilities, therefore, we have applied the exemption in FRS 102 and accounted for the scheme as if it were a defined contribution scheme. However, during 2018/19 SHPS have 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 (2018: nil). However, we do support the work undertaken by staff and residents in their various charitable initiatives.

Value for Money Report

We are pleased to present our Value for Money (VFM) Report, which also forms our annual self-assessment. Our report focuses on both our VFM metrics against our Strategic Plan 2019 – 2022 and the regulators mandated VFM metrics.

Our VFM targets on our strategic priorities

As part of our Strategic Plan we have established a series of VFM metrics which we use to measure our progress in achieving our priorities. Our performance to date is shown below, along with the strategic targets we have established following our Strategic Plan refresh in March 2019.

1. Investing in providing more homes

Measure	Strategic 2022 target	2018/19 target (if applicable)	Progress
Development of new homes	• 2,100 Extra Care Living properties; and • 210 Retirement Living properties	• 202 new Extra Care properties	On track to deliver the 2022 target All 202 delivered for 2018/19
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.		• 44 properties acquired at Seagrave Court; • 577 leasehold properties acquired through Goldsborough Estates Limited; • 33 properties acquired at Blackbourne View
Establishment of community housing offer for disadvantaged and under recognised communities of older people of modest means	At least one scheme established and opened by 2022		New target set in March 2019. No immediate concerns at this stage.

Housing 21 Financial Statements 2018/19

2. Investing in the quality of our existing properties

Measure	Strategic 2022 target	2018/19 target (if applicable)	Progress
Delivery of Property Standard	• 100% of kitchens are less than 20 years old; • 100% of bathrooms are less than 20 years old; • 100% of all properties are at least EPC rating C; • 100% of courts have had a full makeover in the past seven years	• 93% of kitchens meet the standard; • 94% of bathrooms meet the standard; • 88% of all properties meet the EPC standard; • 92% of courts meet the makeover standard	On track to deliver 2022 target 31 March 2019: • 93% of kitchens meet the standard; • 94% of bathrooms meet the standard; • 78% of all properties meet the EPC standard; • 92% of courts meet the makeover standard
Resident satisfaction with quality of home	95%	95%	94% based on 2018 survey
Courts to have fully digital warden call system	100% by March 2025	33 new installations	New target set in March 2019. No immediate concerns at this stage. 2018/19: 48 installations, bringing total to over 150

We are confident that we will be able to achieve 95% satisfaction with the quality of residents' homes. The property standard works are still in progress and rectification works on new build defects have only just been completed. Therefore, we anticipate these initiatives will have a positive impact on resident survey results by March 2022.

3. Investing in the quality and responsiveness of our services

Measure	Strategic 2022 target	2018/19 target (if applicable)	Progress
Resident satisfaction with quality and responsiveness of the services provided	95%		2018 survey: 87%
Court Service Agreements in place to provide a focus for local engagement and decision making	100% of all courts	100% for all Retirement Living courts	No concerns over achievement of 2022 target 2018/19: 100% achievement for Retirement Living courts
High desirability of properties through low re-let void loss percentage	1% for Retirement Living; 1.5% for Extra Care Living	1.02% for Retirement Living; 1.5% for Extra Care Living	No concerns over achievement of 2022 target 2018/19: 1.1% for Retirement Living; 1.5% for Extra Care Living
CQC care service rating of 'Good' or 'Outstanding'	100% of services	100% of services	94% as at 31 March 2019
Care service user satisfaction with quality and responsiveness of the services provided	95%		2018 survey: 93%
High Care Worker satisfaction and low turnover	Satisfaction of 90%		On track to deliver 2022 targets
	Turnover of 20%	22%	31 March 2019 turnover: 22.3%

We continue to set ourselves ambitious targets to ensure we deliver the high quality services and facilities our residents deserve and expect from us as a leading provider of Retirement Housing and Extra Care.
We are proud of what we have achieved but recognise we can always do more.

Resident satisfaction of 87% is currently lower than our ambitious target of 95%. We are already exploring an extensive array of initiatives which we feel will have a positive impact on resident satisfaction, particularly with shared owners e.g. deferred sinking funds.

Our re-let voids percentage in Retirement Living was slightly higher than we had targeted (1.1% vs 1.02%). This is because we gave ourselves an ambitious target in respect of new properties we acquired from Your Housing Group in 2017/18. In reality, the voids have been higher in these properties as we have undertaken the opportunity to bring the vacant properties to a higher re-lettable standard. This was a conscious decision in order to ensure high quality services can be provided to new residents moving into accommodation that we have recently acquired. As a result, we anticipate that the voids on these properties will reduce in line with our other Retirement Living accommodation in the forthcoming year.

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We work tirelessly to ensure all of our care services are at least rated as 'Good' by the CQC. We are currently at 94%, which is far in excess of the adult social care average as at 31 July 2018 of 82%[2]. In order to meet our target of 100% we internally inspect our own services using the same methodology as the CQC, and take corrective actions as necessary for when the CQC next undertake re-inspection. We are currently either undertaking the corrective actions required or awaiting the CQC's re-inspection.

Our care service user satisfaction score of 93% is currently slightly lower than our 2022 target of 95%. However, we are confident that the care staff structure changes that we have put in place during the year, namely paying National Living Wage + 10% and introducing Assistant Care Managers, will have a positive impact on service quality and subsequently on satisfaction.

4. Investing in our people and potential

Measure	Strategic 2022 target	2018/19 target (if applicable)	Progress
Accreditation as Investors in People (IIP) Gold employer	Retain or improve on our Gold accreditation in July 2021	Achieve Gold accreditation for the first time	No concerns over achievement of 2022 target 2018/19: Achieved in the year
Full utilisation of our Apprenticeship Levy contributions though provision of training	100% utilisation	100% utilisation	Full 100% utilisation to date
Staff say they're proud to work for H21	90%	90%	2018 survey: 91%

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

5. Investing in systems and technology

Measure	Strategic 2022 target	2018/19 target (if applicable)	Progress
Transition from fixed client computing to fully flexible and mobile solutions	For all staff		New target set in March 2019. No immediate concerns at this stage.
Further / phase 2 systems enhancements	Full implementation		New target set in March 2019. Programme to be decided during 2019/20.
Digital systemisation of care records	Trial implementation at Walsall during 2019/20. Full implementation across H21 thereafter if appropriate.		New target set in March 2019. No immediate concerns at this stage.

[2] https://www.cqc.org.uk/publications/major-report/state-care

Our investment in systems and technology over the past two years has included the implementation of the system-enabled devolved customer service model and the transition of our warden call systems from analogue to digital solutions. Both of these initiatives, and associated targets, are now reported as part of our 'investment in the quality and responsiveness of our services' priority.

6. Investing to provide value for money (and financial performance)

We have made value for money a strategic priority in its own right as well as it being reflected very much in the setting of our other six strategic priorities and targets. We consider our medium term targets as part of our financial business planning cycle, which we undertake formally on an annual basis. These then translate into annual targets from our budget setting process, which are shown in the table below.

In order to ensure value for money is embedded throughout our organisation, we have also established a value for money steering group. This group meets on a regular basis and is made up of representatives from across the business; including members from Retirement Living, Extra Care Living, development, asset management and corporate services. The group has worked to develop a series of operational value for money metrics for each area of the business which underpin and supplement the metrics which are shown in the table below. For example our development team monitors economy, efficiency and effectiveness by monitoring (a) actual spend vs lock down appraisals; (b) timescales for delivery of new sites; and (c) levels of defects and demand post-completion of each scheme. This ensures value for money is embedded throughout our day-to-day operations.

Measure	2018/19 target	Progress
Financial performance of Retirement Living	Operating profit (before depreciation): £45.7m	£44.9m
	Operating margin: 56%	55%
	Average re-let days: 25 days	26 days
	Average repair cost per property: £386	£406
Financial performance of Extra Care Living – housing services	Operating profit (before depreciation): £25.1m	£25.3m
	Operating margin: 55%	55%
	Average re-let days: 25 days	24 days
	Average repair cost per property: £461	£490
Financial performance of Extra Care Living – care services	Operating profit (before depreciation and central overheads): £1.9m	£2.3m
	Operating margin: 7%	8%
	Loss-making services: 13	18
	Losses from loss-making services: £229k	£481k
Financial performance of corporate overheads / services	Cost base as % of revenue (excl property sales) less than 10%	2018/19: 9.7%
	£18.2m	2018/19: £17.9m

Retirement Living's financial performance in the year has been impacted by higher than anticipated repairs expenditure resulting in the lower overall operating profit margin and as reflected in the higher average repairs spend. We are undertaking appropriate analysis of the expenditure in the year in order identify the types of works that are contributing to the higher expenditure, and plan to take action as necessary.

The higher average repairs spend in Extra Care Living is being addressed as part of the same process noted above for Retirement Living.

The average re-let days in Retirement Living is slightly higher than our target – 26 days vs. 25 days. Our new system-enabled devolved customer service model, which covers lettings management, is expected provide much improved performance in regard to this metric moving forwards.

Whilst the performance of our Extra Care Living services is ahead of our financial targets for the year, it has nevertheless been impacted by higher than expected loss-making services. These have been driven by the funding pressures faced by local authorities in conjunction with National Living Wage pressures and recruitment challenges requiring agency staff costs. We continually review all our services in detail and have ongoing conversations with local authorities in regard to the volume of service delivered and the rate at which they are paid for. As and when contracts come for renewal and/or retender, we ensure our pricing submissions reflect the risks and challenges that each face on a case-by-case basis. Whilst we are committed to an integrated service offering, we do make it clear to local authorities the price at which it is feasible for us to undertake safely and viably.

7. Investing in innovation and influence

Measure	Strategic 2022 target	2018/19 target	Progress
Residents becoming Dementia Friends or champions	10,000	N/A	28 May 2019: 4,109 On track to meet 10,000 by March 2022
Older peoples annual conference	Host on annual basis		Successfully hosted in 2018/19
Formal recognition as a dementia-friendly Organisation	N/A	Recognition by 2018/19	Achieved in 2018/19

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

Housing 21 Financial Statements 2018/19

Our VFM Metrics on the Regulator's Measures

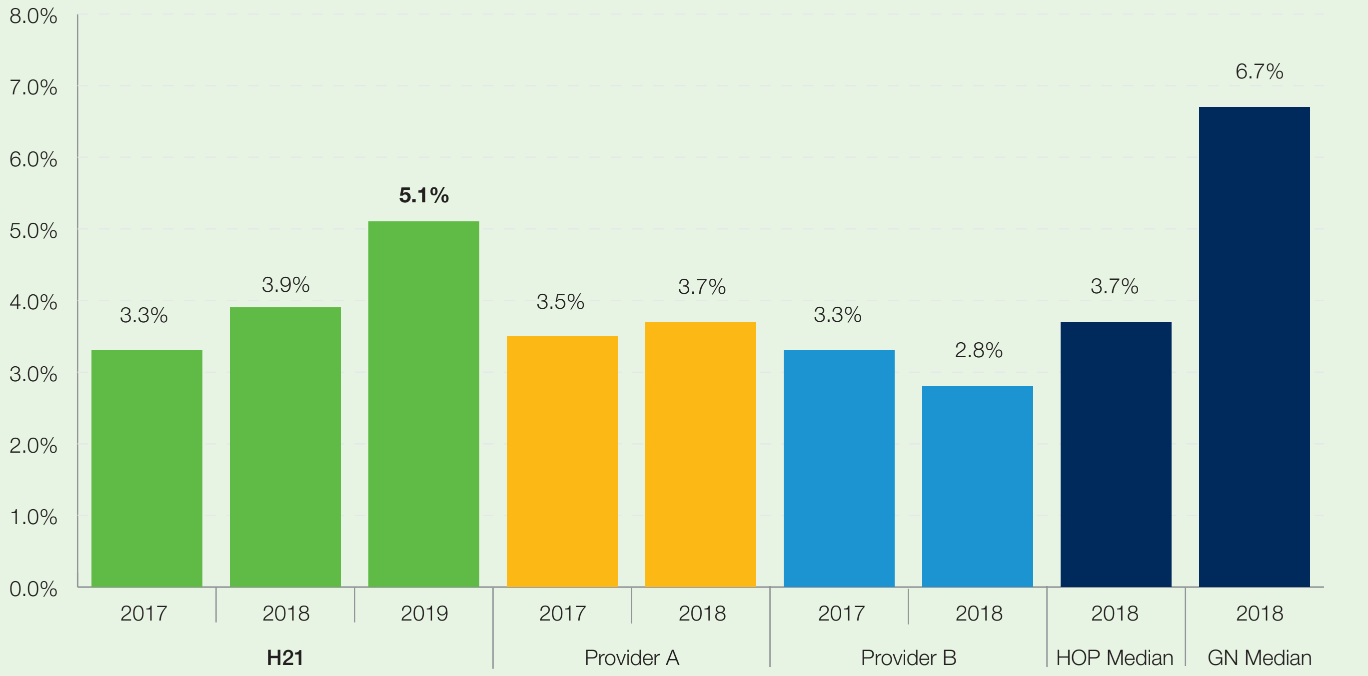
Our results against the Regulator's VFM metrics are shown below.

In addition to showing our own results, we have compared them to two of our peers who also have 100% of their stock dedicated to older people's accommodation, who have over 2,000 properties, and who we have worked with closely over the past two years to benchmark results.

We have also shown the median results ascertained from the Regulator's 2018 Global Accounts Annex – Value for Money metrics publication in regard to housing for older people (HOP) providers and general needs (GN) providers who, like ourselves, have between 10,000 and 19,999 social housing properties.

Within the housing for older people category, there are just nine providers (including ourselves), of which we believe seven will be very small providers of less than 2,000 properties. Within the general needs 10,000 – 19,999 category there are 43 providers.

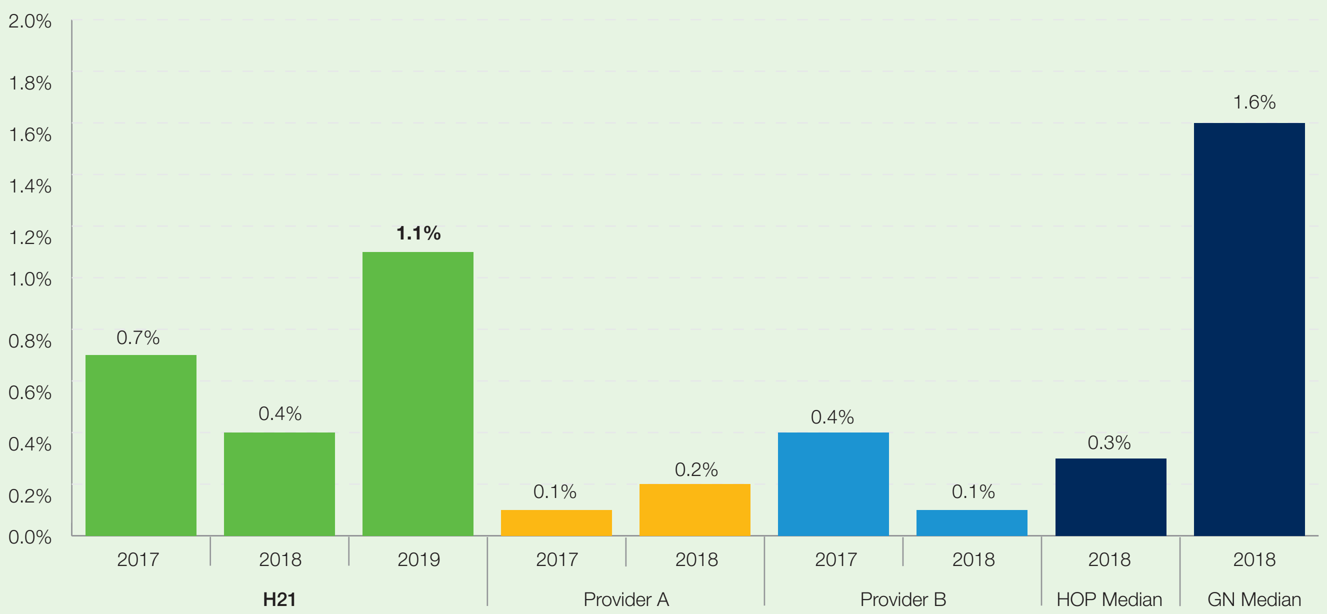
i. Reinvestment %



Our ratio has increased compared to previous years as a result of our growing development expenditure. Our ratios are higher than our peers and with the other older people providers as result of our enhanced capital works programme and our development ambitions.

Our ratio is lower than that of the median for general needs providers of a similar size of 6.7%. The Regulator's analysis suggests that this ratio tends to be lower for older peoples providers compared to the wider sector. This is because the lower margins and surpluses associated with this specialism results in lower levels of development, which is partly offset by higher than average investment in existing properties. The results above do seem to confirm this trend, though we are much closer to wider sector medians as a result of our enhanced major works programme and our development ambitions.

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



The current year ratio of 1.1% reflects the 202 social properties we have completed in the year.

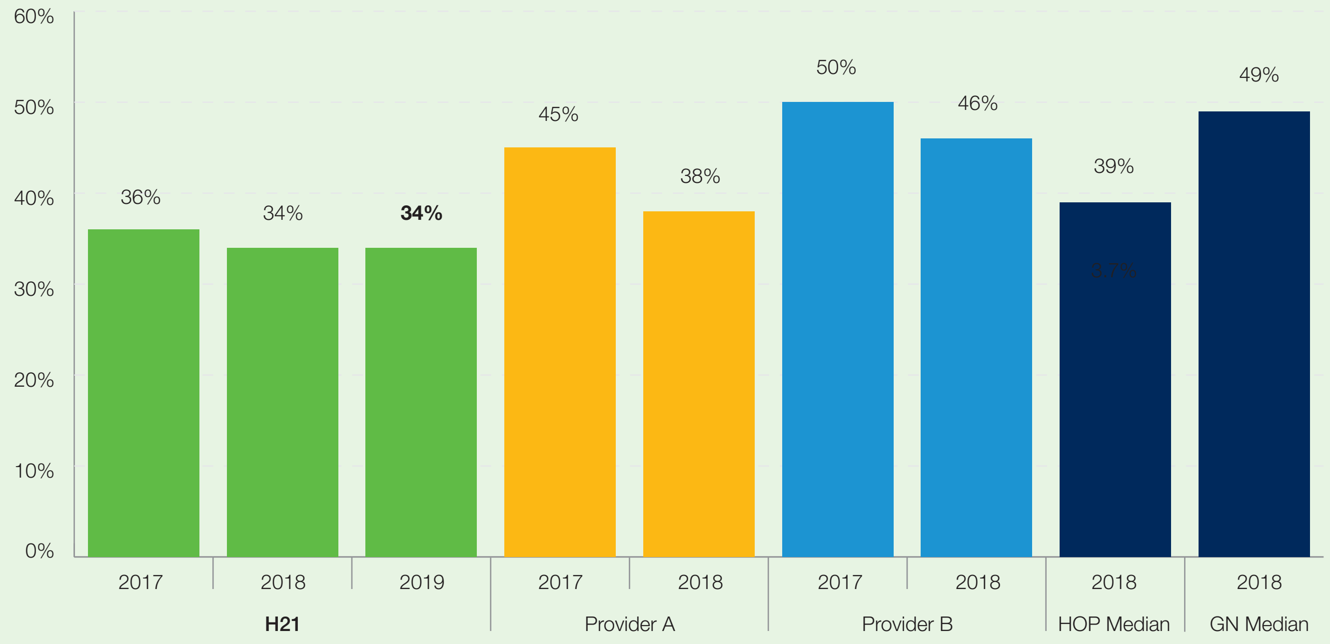
Our higher ratio compared to our peers reflects our strategic priority of providing more homes.

Housing 21 Financial Statements 2018/19

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

We have not developed or acquired any newly built non-social housing in the year (2018: nil).

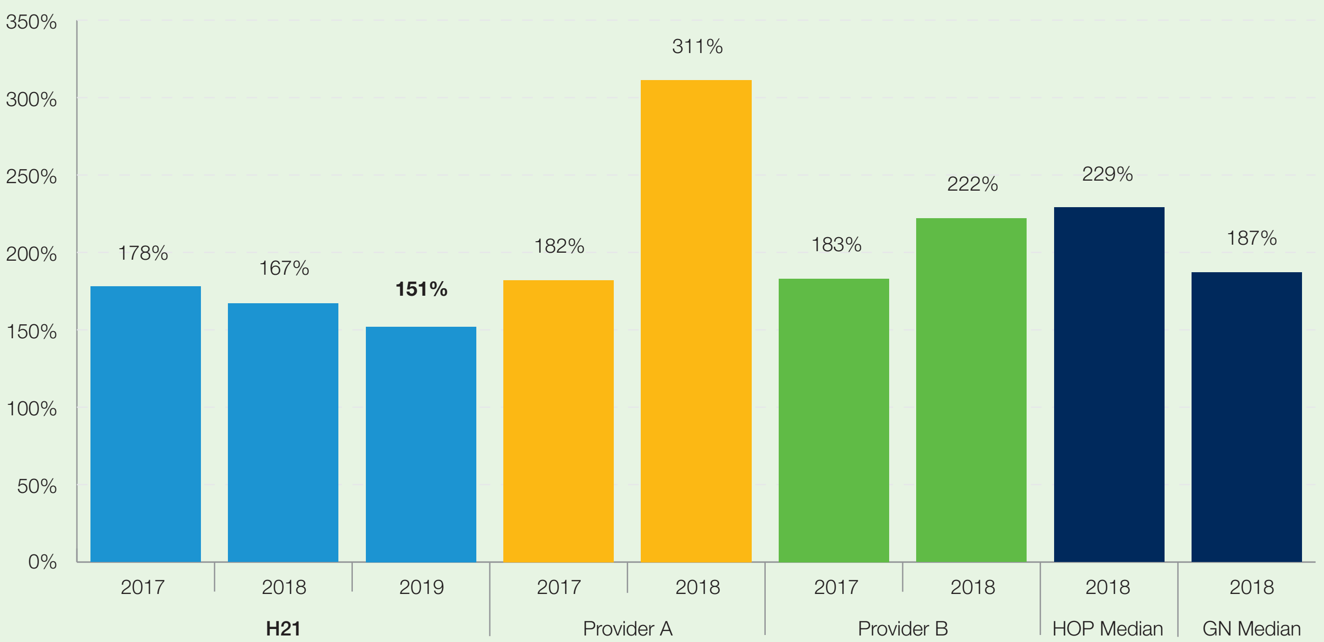
iii. Gearing %



Our gearing ratio is consistent with previous years and is lower than our older people peers. However, an element of this will be a symptom of us holding our housing properties at the higher deemed cost valuation basis, as opposed to historic cost. At historic cost our ratio would be 38%.

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

iv. EBITDA MRI interest cover %

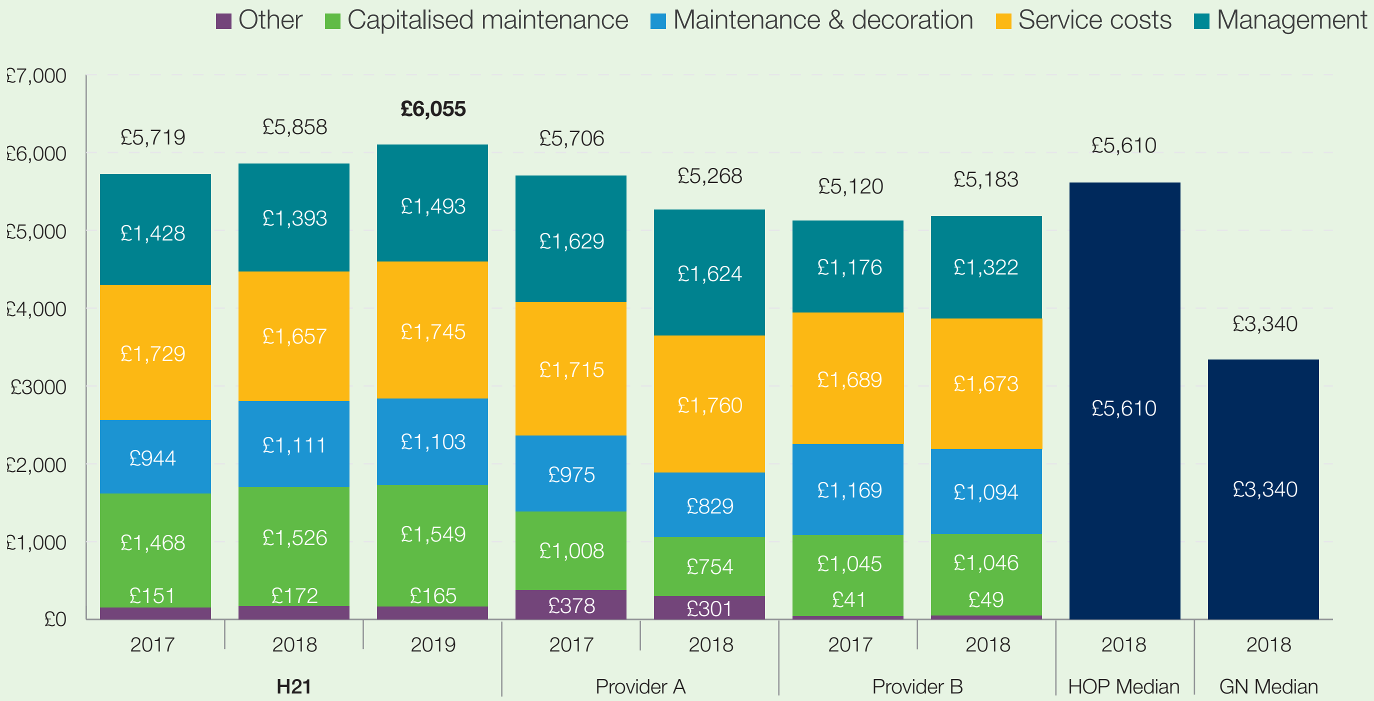


Our EBITDA MRI interest cover ratio has decreased in the year as result of higher interest costs associated with our £250m bond issue in 2017/18, which has yet to translate into higher surpluses being delivered from our development programme. The low ratio compared to our older people and general needs peers is also driven by our current enhanced capital major works programme, whereas the results from our peers suggest that they have actually reduced this expenditure over the same period.

The high older people's median of 229% will also 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 ratios for Provider B.

Provider A's ratio of 311% is caused by a high number of market sales being achieved in that year. We focus on affordable housing where possible, therefore it is unlikely we will ever experience such high ratios.

v. Headline social housing cost per unit



Our headline social housing cost per unit has increased in the year mainly as result of pay and headcount inflation within management costs. This has been required in order to have sufficient resourcing to deliver our strategic priorities, quality customer services and to provide a fair remuneration package which keeps track of the cost of living.

Our cost per unit is higher than our older people peers as result of our enhanced capitalised maintenance programme, which is averaging £1,500 per unit compared to £1,000 per unit for Providers A and B – who have both pulled back on this expenditure. 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 incur somewhat higher costs in order to satisfy the service standards which are contained within the contracts. The cost of delivering these service standards is recovered via the PFI / PPP unitary charge income we receive.

The general needs median of £3,340 is considerably lower than our metric and the wider older people's median. This is driven by their lower capitalised maintenance programmes and by the much lower service costs which general needs providers do not normally incur as they are associated with specialist providers of older people's and supported accommodation.

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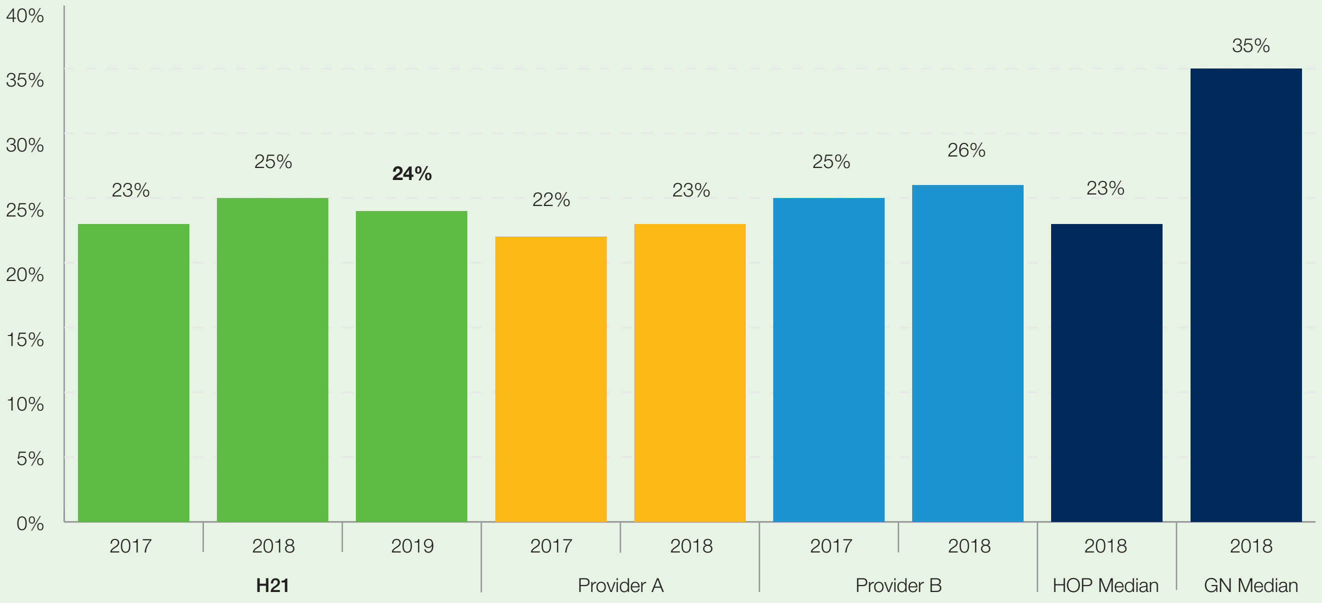
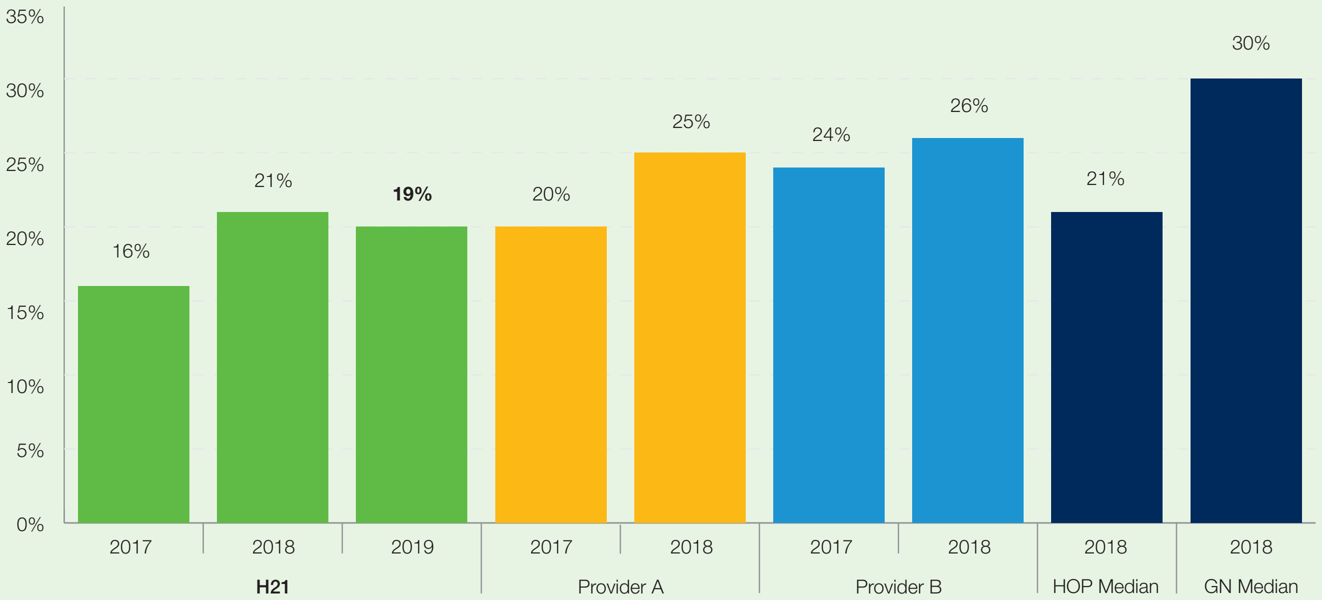
vi. (A) Operating margin % (social housing lettings only)



Our social housing lettings operating margin is broadly in line with previous years and with our older peoples peers.

Our lower performance against the general needs median is the impact of our service and utility charges, where we have large revenues (c£40m) but with little / no surplus from them.

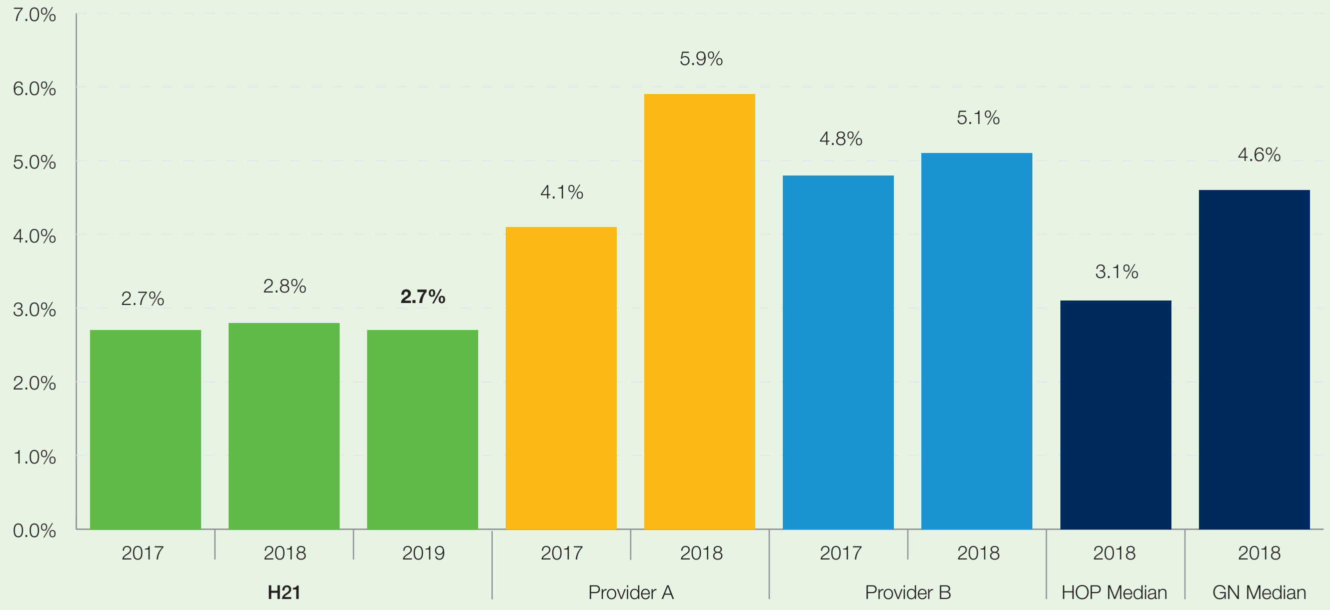
vi. (B) Operating margin % (overall)



Our overall operating margin is in line with the previous year, though it is lower than Providers A and B. This is because of our large care business which generates revenues of £29m pa but with a very modest surplus, whereas neither Provider A or B have no such care services. Despite the impact of the care service on our margins, our metric is in line with the wider older people's median.

Our overall margin is lower than the general needs peers by virtue of our service costs (commented on above) and from our care services – both of which we consider to be integral elements of our core purpose and service offering.

vii. Return on Capital Employed (ROCE) %



Our return on capital employed (ROCE) ratio is impacted by our accounting for our properties at the higher deemed cost and by the impact of our PFIs. It would be higher if we accounted for our properties at the lower historic cost like most of the wider sector and if we included the interest return on our PFI finance assets. However, this would still produce a ROCE lower than our peers and the general needs providers of 3.5% for 2018/19.

Our observation of this difference suggests that the cause is driven by the fact that we have opted to remain committed to our core social purpose; a core aspect of which involves not drifting toward high margin open market sales, but focusing on affordable rent and affordable shared ownership. These offerings invariably produce (a) lower in-year returns; in conjunction with (b) high value of new capital employed i.e. new property assets. Whereby the opposite is true with open market sales where (a) high in-year returns are created; in conjunction with (b) little or no increase in capital employed.

Therefore, our lower ROCE is a result of our conscious and strategic decision to focus on our core purpose.

Overall observations of our Regulator VFM metrics

With a culture of continuous improvement we will never become complacent and we recognise that we can always do more to improve the services and facilities we provide. We are passionate about driving the organisation forward and consistently review our progress to identify areas for improvement, setting ourselves challenging targets to do so.

We have undertaken a considerable amount of work in order to understand our costs and our performance both against our peers and the wider sector. Where we are outliers, we are satisfied that this is are based on conscious strategic decisions that we have made.

We will continue to monitor these metrics against the appropriate benchmarks and track progress over time. In addition to our strategic and Regulator VFM metrics, we also have a significant number of operational VFM metrics which we continually monitor.

Report of the Board

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 the Senior Management Team. The Board has a delegated authority framework which includes specific delegation to the Executive and the Senior Management Team.

Bankers and Advisors

Bankers	Barclays Bank plc	Corporate Banking, One Snowhill, Snow Hill Queensway, Birmingham B4 6GN
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 Action 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 director's and officer's liability insurance to an indemnity limit of £7.5m in respect of their duties as directors of the Group.

Group structure and active companies as at 31 March 2019

Housing 21 (the Parent) 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:

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 Limited (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.

Governance

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

The commitment and contribution from the Board has enabled the organisation to continue to achieve high levels of governance, with the Regulator of Social Housing confirming the robustness of the organisation's governance and financial viability through its In Depth Assessment at the end of March 2019 by maintaining the highest grades of G1/V1.

In discharging their formal duties the Board met formally six times during 2018/19, and held an away day session. At each meeting the Board monitors the Group's performance in relation to the agreed plans, objectives, budgets and risk mitigation, and receives an update on operational and financial performance, progress with development activities, and an update on progress with major projects. In addition, a formal timetable of reporting is in place, thus ensuring those areas of significant importance receive appropriate scrutiny.

The Board exercises control and formulates strategy, both directly and through delegation to its committees. The role and detailed responsibilities of the Board, including those which cannot be delegated, are set out in the Governance Handbook which is aligned to the National Housing Federation (NHF) Code of Governance.

The Board in September 2018 agreed to retain a wholly non-executive Board. The Board delegates some of its responsibilities to committees. Each of these is chaired by a non-executive member of the group with reports from each committee being presented to the Board. An Investment and Development Committee was formed in the year as a result of the increases in development and treasury activities. This Committee along with the Governance Committee and Audit and Risk Management Committee support the overall Board in delivering its duties.

Board members also demonstrate overall responsibilities through:

- Supporting the values and objectives of the Group
- Contributing to the decisions of the Board and any committee of which they are a member
- Representing the Group positively to all external audiences, respecting confidentiality and complying with its chosen Code of Conduct (National Housing Federation)
- Registering all interests that might have a bearing on the Group's work and declaring any potential or actual conflicts of interest as and when they arise

To ensure the Board is effective, it places significant importance on attracting the right mix of skills and experience with members also attending staff and resident engagement events, visiting both Retirement Living and Extra Care Living courts, meeting other providers and external stakeholders and attending conferences.

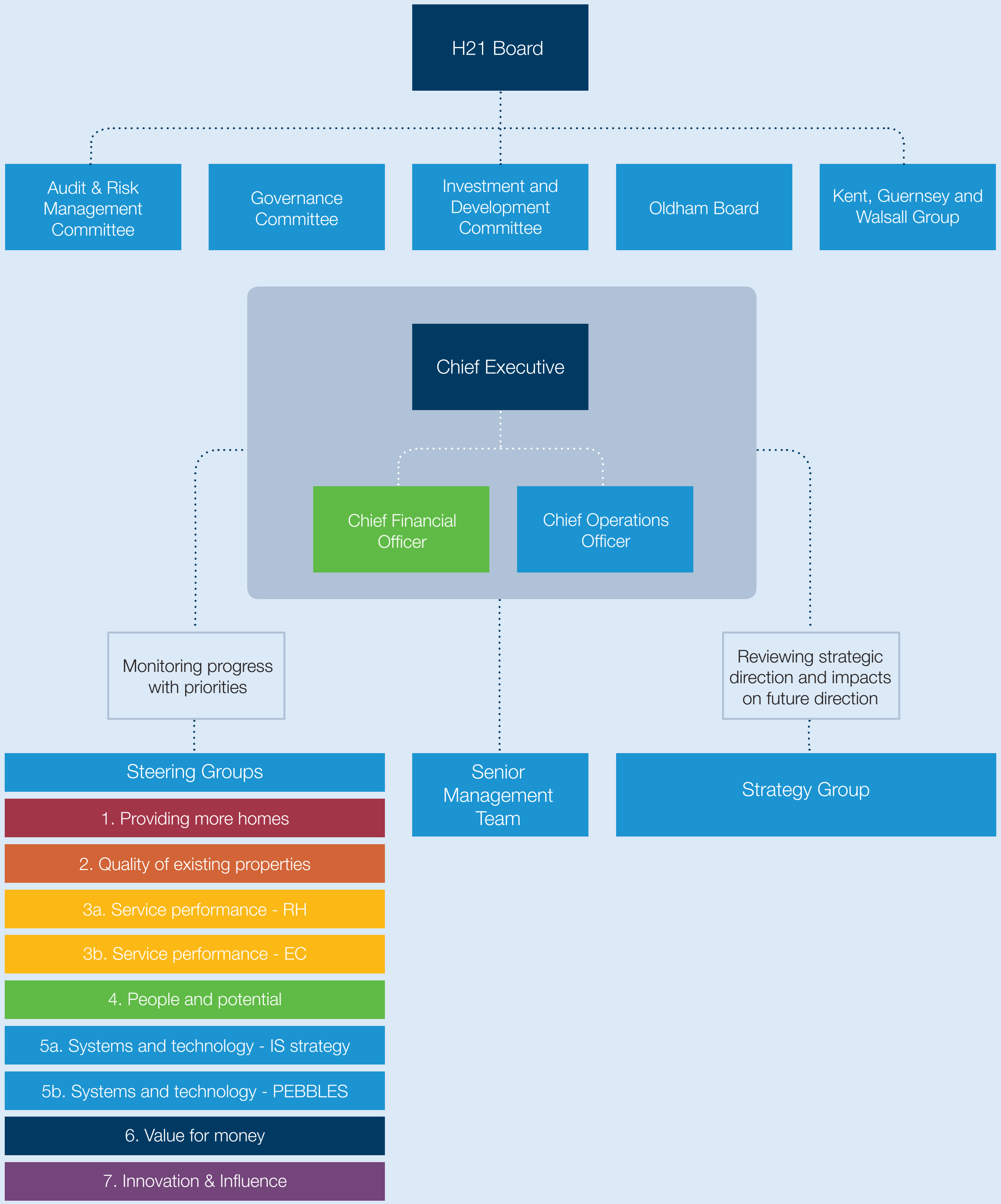
Members receive remuneration for the valuable support they provide, compensating them for their time and effort. The Governance Committee in September 2018 reviewed the levels of remuneration through an independent assessment process, confirming they would be subject to review every two years.

Achieving the role of the Board - Key Agenda Items and Decisions Made			
25 May 2018	• 2018 Business Plan • Risk Profile • Value for Money Benchmarking	30 November 2018	• Resident Engagement / Satisfaction • Risk Appetite • People Strategy and Gender Pay Gap • Value for Money report • Digital Strategy
20 July 2018	• Financial Statements • Internal control effectiveness • Property Compliance • Development appraisal assumptions	1 February 2019	• Environmental Position • Customer Safeguarding • Delegated Authority Review
28 September 2018	• Goldsborough Estates Acquisition • Equality and Diversity Strategy • Social Housing Green Paper	22 March 2019	• Organisational Values • Property Disposals • Strategic Plan and Annual Budget • Treasury Strategy

Reporting to the Board and Committees is supported through a series of management steering groups which are aligned to the organisation's seven strategic priorities.

Housing 21 Financial Statements 2018/19

Governance structure



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

The Audit and Risk Management Committee (ARMC) meets with members of the Executive, Senior Management, internal auditors and external auditors. The Committee reviews specific reporting and internal control matters in order to satisfy itself that systems are operating effectively and to ensure that the highest standards of effective governance are in place.

The Committee meets four times a year, and considers the risk profile, including an update on sector and global risks and a progress report detailing independent Internal Audit Assurance at each meeting. Twice a year the Committee considers the organisations fraud risks. Assurance Reports are also received from members of the Senior Management Team on risk areas.

In reviewing the control environment the Audit and Risk Management Committee is satisfied that the overall framework for internal control is adequate and effective. The Audit and Risk Management Committee acknowledges that it cannot be complacent and recognises that there are mixed levels of performance operationally, and strategic risks which continue to require management.

Achieving the role of the ARMC - Key Agenda Items and Decisions Made			
11 May 2018	• Internal Controls Assurance / Opinion • Regulator of Social Housing Compliance • Committee Effectiveness • Internal Audit Reports	9 November 2018	• Assurance – Assets and Liabilities • Risk Policy • External Audit Effectiveness • Fraud Policy • Internal Audit Reports
15 June 2018	• Assurance – GDPR / Cyber • Going Concern and Financial Statements • External Audit Management Letter • Internal Audit Reports	15 March 2019	• Assurance – Systems Refresh / Rent Setting • External Audit Interim Letter • Internal Audit Effectiveness • Internal Audit Plan • Internal Audit Reports

Governance Committee – maintaining Board skills and effectiveness

The Group's Governance Committee's responsibilities include reviewing compliance with good governance principles along with reviewing and approving nominations and remuneration. For 2018/19 the key focus of the Committee has been reviewing Board skills and succession, and the appointment of a new Chair.

The performance of the Board, its members and committees are appraised on both an individual and collective basis. In September 2018 the Committee reviewed Board size and composition of all Committees, agreeing to appoint independent members to the Audit and Risk Management Committee.

The Governance Committee, in November 2018 commissioned an external review of the Board's effectiveness. This, along with the outcomes of the member appraisal process, and a comprehensive induction process for new members, provides assurance that levels of proficiency and competence across the Board have been maintained.

Achieving the role of the Governance Committee - Key Agenda Items and Decisions Made			
May 2018	• Managing process for Chair recruitment	November 2018	• Executive pay approval • Board Exit interviews
September 2018	• Committee structure and membership • Succession planning	January 2019	• Governance handbook review • Board skill and succession

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

The Committee was formed in late 2018 as a result of the increasing development portfolio, asset management spend and treasury activity. The Committee met in January and February 2019, and is responsible for:

- Reviewing progress with agreed property development targets and outcomes (in terms of number of homes, financial indicators, sales, lettings and qualitative measures)
- Acquisition of properties and/or services
- Delivery of the Asset Management strategy with particular regard to delivery of the agreed property standards
- Reviewing the Treasury and Funding strategy, covenant and policy (including risk mitigation policy) compliance
- Approval of development schemes which are greater than £10m in gross value

Oldham, Kent, Guernsey and Walsall Committees – ensuring continued viability and compliance with requirements

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.

In the year the governance arrangements for Kent, Walsall and Guernsey were consolidated with the aim of sharing best practice and reducing associated administrative burdens.

Further information in respect of our subsidiaries is contained in their Financial Statements and annual reports where applicable.

As a result of the above activities and those included in this Report of the Board, the Board is able to confirm to the best of its knowledge, compliance 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.

Board Members – an active and engaged Board

Name	Appointed	Main Board attendance	ARMC attendance	Governance attendance	IDC attendance	Oldham attendance	Kent / Guernsey / Walsall attendance***
Lord Ben Stoneham*	29/07/2011	2 of 2	1 of 2**	-	-	-	1 of 1
Stephen Hughes	31/01/2014	6 of 6	4 of 4**	3 of 3**	2 of 2**	1 of 1**	**
Kathleen Boyle	31/01/2014	6 of 6	2 of 2	-	-		4 of 4
Stephanie Heeley	01/01/2018	6 of 6	2 of 2	-	-	-	2 of 2
Richard Humphries*	21/10/2009	2 of 2	-	0 of 1	-	-	-
Michael Knott	31/01/2014	6 of 6	3 of 4	-	-	-	3 of 3
Mike McDonagh	01/09/2017	6 of 6	-	3 of 3	2 of 2 Chair	-	1 of 1
Jenny Owen CBE	31/05/2011	6 of 6	-	2 of 3	-	1 of 1	-
Liz Potter	31/01/2014	6 of 6	-	3 of 3(Chair)	1 of 2	-	-
Neil Revely	01/09/2017	6 of 6	-	-	2 of 2	1 of 1(Chair)	1 of 1
Sanaya Robinson*	06/11/2009	2 of 2	2 of 2	-	-	-	-
Anne Turner	01/09/2017	6 of 6	4 of 4 (Chair)	-	2 of 2	-	1 of 1

*Service ended 30 September 2018 **invited to attend all ***attendance either at individual or collective Committee

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

Stephen Hughes (Chair from Sept 2018)

Stephen has extensive local government experience having been the Chief Executive of Birmingham City Council and Interim Chief Executive at Bristol City Council. Stephen is currently a non-executive director on the HS2 project. 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

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.

Neil Revely

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.

Jenny Owen CBE

Jenny brings over 40 years' experience of social care in local authorities, central government and regulation. She was previously Deputy Chief Executive and Director of Adult Social Care at Essex County Council. Jenny is also an experienced non-executive director who was vice chair of the Royal Free Hospital London until 2018 and is Vice chair of the Alzheimer's Society. She is a member of the Association of Directors of Adult Social Services (ADASS) having been the President in 2010.

Kathleen Boyle

Kathleen brings knowledge of and familiarity with 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.

Stephanie Heeley

Stephanie has been a resident of Housing 21 Retirement Living for over four years. She has many years' experience in various managerial roles in both the public and private sector. In her first year on the Board Stephanie played a significant part in the name change and is passionate about ensuring that the organisation is resident- centred.

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Anne Turner

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.

Mike McDonagh

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 has a track record of mentoring. He is currently an Audit Committee member for the Royal Botanic Gardens, Kew.

Michael Knott

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.

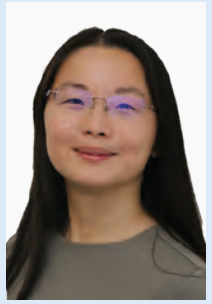
Other committee members

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 a fellow of the Association of Chartered Certified Accountants and has extensive accounting and treasury management knowledge.

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. As an independent non-executive member of the Audit and Risk Management Committee, Christina has worked in areas of internal and external audit and brings expertise on internal controls, risk, treasury management and financial reporting matters. Christina currently works for a large retail consumer co-operative society and also volunteers as a director for a charitable company.

The Executive - providing leadership and ensuring the effective 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.

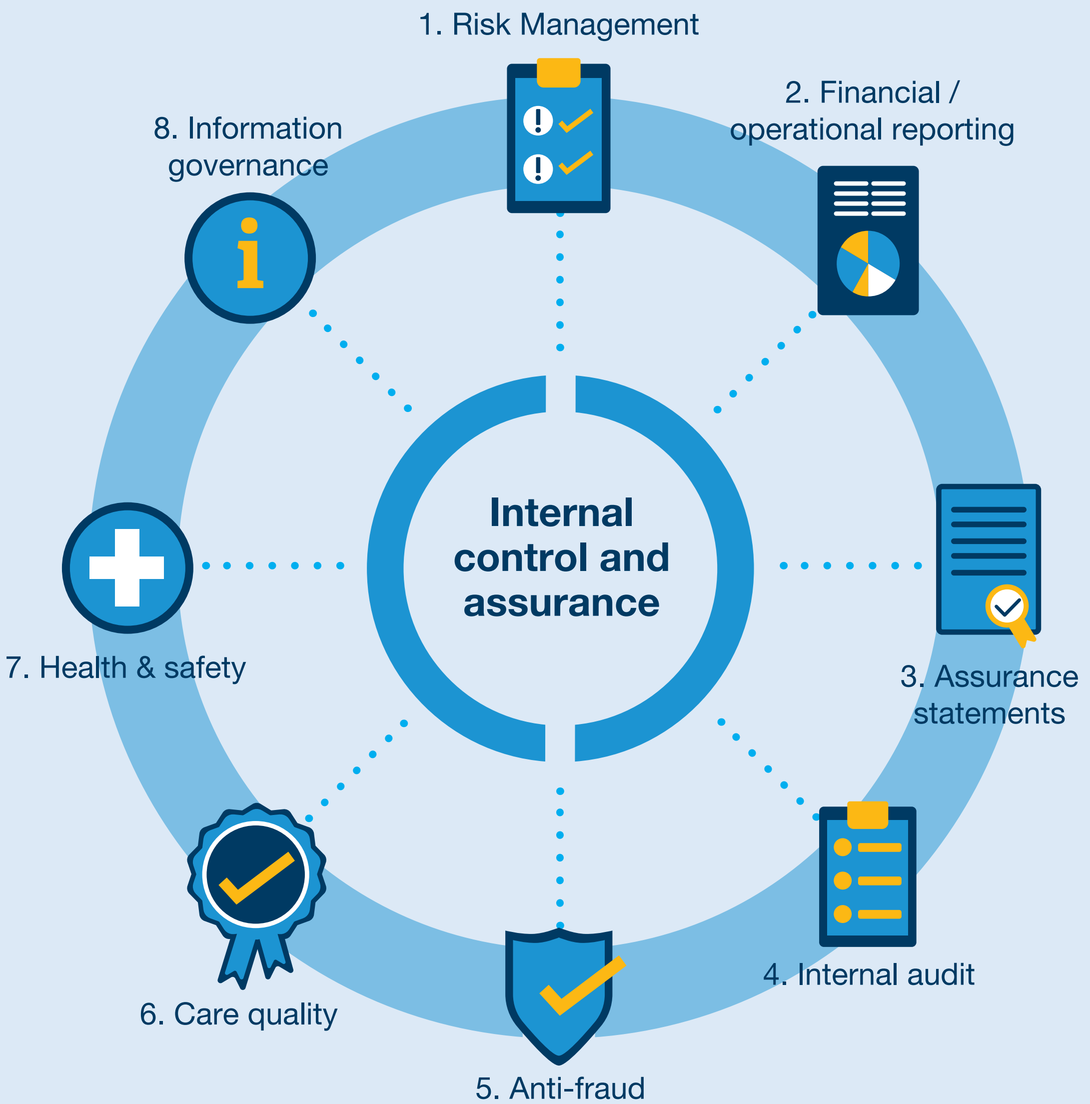
Tony is a Business and Marketing Graduate and a Group Board Member of The Community Housing Group.

Paul Weston - Chief Financial Officer

Paul has over 25 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 the Wrekin Housing Group and Chadd and has previously held non-executive Director roles at Staffordshire and Stoke and Trent Partnership NHS Trust.



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 organisation's objectives.

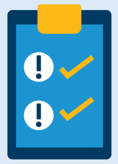
Housing 21 relies upon a range of assurance processes. These are outlined below and in more detail overleaf.

Internal Control Statement

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 overall strategy and policy of Housing 21, the day to day running of the Group is delegated to the 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 by the Board is designed to manage risk and to provide reasonable, but not absolute, assurance that key business objectives and expected outcomes will be achieved. The Board has agreed that the adopted framework of internal control is appropriate for the size, nature and complexity of the Group and is adequate and effective.

During the year ended 31 March 2019, the Group assessed itself as being compliant with its chosen Code of Governance (NHF Code). This includes assessing, based upon the information available, compliance with key aspects of law. Housing 21 retained its top rating in respect of the Regulator of Social Housing (RoSH) regulatory judgements on governance and financial viability (G1 and V1), and continued to achieve positive CQC outcomes well above sector averages.



1. Risk Management – effective management of uncertainty, complexity and opportunity

The management of risk is acknowledged as being fundamentally important to Housing 21. The Board as a whole, including the Audit and Risk Management Committee, considers the nature and extent of the risk management framework to be effective. The risks of not meeting organisational objectives are continually assessed to measure their significance, and required action.

In assessing risks the Board draws upon the wide range of information it receives on each element of the internal control and assurance framework.

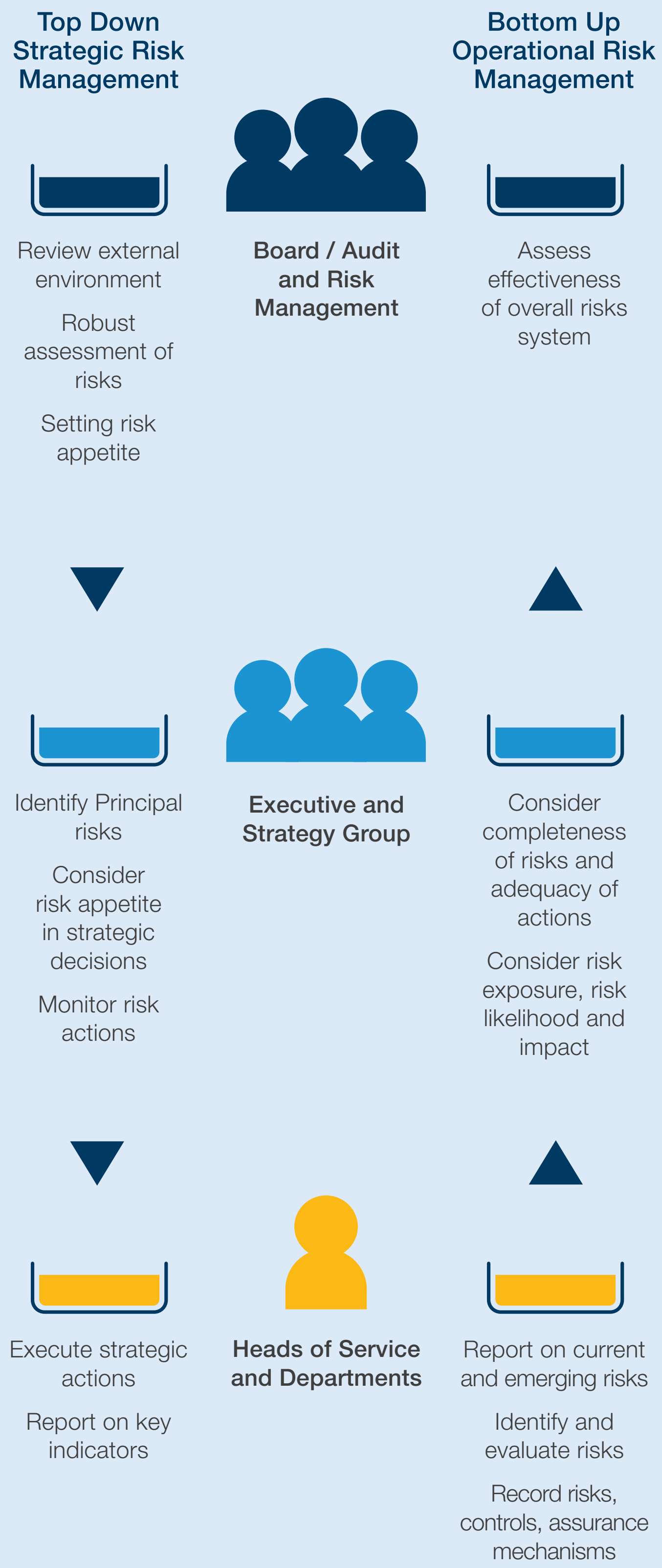
The risk profile overall is considered acceptable to the achievement of organisational objectives with a limited number of individual risks which require management attention in order for them to be managed within the Board's risk appetite.

Risk Appetite level:

(from risk averse to risk hungry)

Financial:	Managed
Legal/Regulatory:	Cautious
Health and Safety:	Averse
Reputational:	Averse
Operational Delivery:	Open
Technological:	Open
People and Capacity:	Open

Our risk management framework



Board Risk Appetite Statement

Housing 21 takes a measured approach to risk mitigation, expecting risks to be considered and managed effectively and within the Board's appetite as part of business-as-usual activities and when new opportunities arise.

The 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 the application of regulatory consumer standards which may cause serious detriment. For the avoidance of doubt, this includes 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. The Board expects reasonable mitigation will take place to limit financial exposures, protecting the long term financial viability of the organisation.

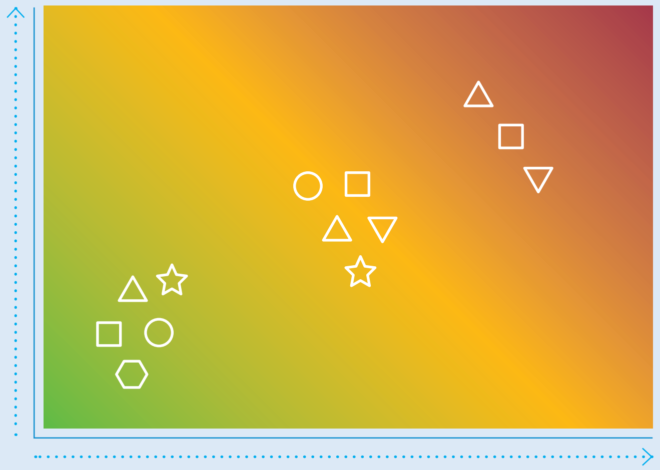
The Board has agreed that they are willing to accept a more open risk culture in the future in the areas of technology and operational delivery, as a result of developments in both technological innovation in the sector and further devolution of services operationally. This is, however, within the boundaries of risks being appropriately considered and effectively managed.

Principal Risks

The principal risks facing Housing 21 are similar to those facing the sector as a whole and are influenced by external factors such as Government policy. There are some specific areas where, by the nature of its focus on older people, the Group has been shielded from certain impacts of welfare reform. In order to allow for the prospect of a more challenging environment as a result of future changes in government policy or direction, we have built in contingency and efficiency improvements to our plans. Our business plan is rigorously stress-tested and we remain vigilant in understanding the impact of potential future changes.

Risk profile

High risk



Low risk High risk

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	⬡

Top risks

Whilst we have made considerable progress in addressing risks and have effective mitigation in place for most risks, there are a limited number of areas where we need to do more work. Below we have highlighted the organisation's top three risks at the end of March 2019.

Risk	Issue	Mitigation
△ New Build Property Sales	The risk score reflects the volume and value of future increase in sales and shared ownership activity and the impact on the organisation's business plan. The score is also influenced by the increased probability of a downturn in the market, which will affect expected return on investment.	In order to achieve sales at the levels within the plan, the capacity of the development team has been increased. Tailored marketing approaches are adopted for each scheme, with milestones in place at various stages of the development cycle to monitor performance. Stress testing of the business plan allows for conversion to rent, there being no breach on covenants, however interest cover does drop and gearing increases.
▽ Achievement of Systems Refresh Outcomes	We have invested in a devolved housing management system with the benefit of improved workflows and the use of mobile devices which aim to transform the way we work and provide better services for residents. The project implementation date was pushed back to May 2019 to ensure key processes were fit for purpose.	Early indications provide a sense of comfort over desired changes in culture. Monitoring of desired outcomes is ongoing. A post-implementation review is scheduled for 2019/20 and further stages are to be considered following initial launch.
□ Equality of Pay	A review of pay has identified areas which require further review to ensure salaries are set at appropriate levels across different functions. The risk score reflects a degree of caution until a full review has taken place.	Pay has been standardised across all operational roles. Within corporate roles we have a process of evaluating and grading jobs and benchmarking their salaries. A wider piece of work is underway to identify and introduce a more formal banding structure.

2. Financial and operational reporting

Housing 21 also incorporates risk management into a range of day to day operational activities. These include financial, operational and governance reporting. For example

- Reporting of operational performance against key performance indicators throughout the year. Performance is reported on a range of indicators which cover housing and care management, repairs and maintenance, customer satisfaction and complaints.
- Actual and forecast reports of operating budgets and longer term business plans
- Monthly budget reviews and detailed quarterly reviews of expected budget outturns with budget holders. The robustness of budget management and reviews provided effective budget outcomes in the year, with agreed surpluses achieved
- Sensitivity analysis over key areas of risk and uncertainty built into our financial forecasts, including multiple stress scenarios
- Assurance over treasury and covenant compliance which includes operating within shadow covenants (see the Cash flow and treasury section in our Strategic Report for more details)
- Setting of Group policies in compliance with legislation and regulatory requirements
- Business continuity plans for all office and operational sites Internal audit using a risk-based approach to the audit programme, based on risk maps, inherent risks and outcomes of performance reporting
- Information security, data protection and disaster recovery arrangements, along with the formal review of General Data Protection Regulations (GDPR) preparedness and compliance, within the Information Governance Steering Group
- Robust employment procedures and the commitment to train, develop and appraise our employees
- Scanning of the housing and care environment and reviewing the impact on the Group

3. Assurance Statements

In addition to the above risk management practices, members of the Senior Management Team provide individual assurance statements on an annual basis. The statements identify risks and areas of concern from an individual operational perspective, and provide information on how identified risks are being managed. The statements also provide information on compliance with key aspects of law and specific responsibilities relating to organisational assets and liabilities. A summary of the statements is provided to the Audit and Risk Management Committee and the Board to enable them to triangulate both performance and assurance information.

As at the end of the year, the Senior Management Team collectively provided assurance that there had been improvements in the management of risks. The actions to manage those significant unmitigated risks arising from the exercise are incorporated into departmental business plans and those of a strategic nature are incorporated into the corporate risk map.

Positive assurance was provided as part of this assurance process over internal control, compliance with law and regulation. As a result, the Board takes assurance from this process.

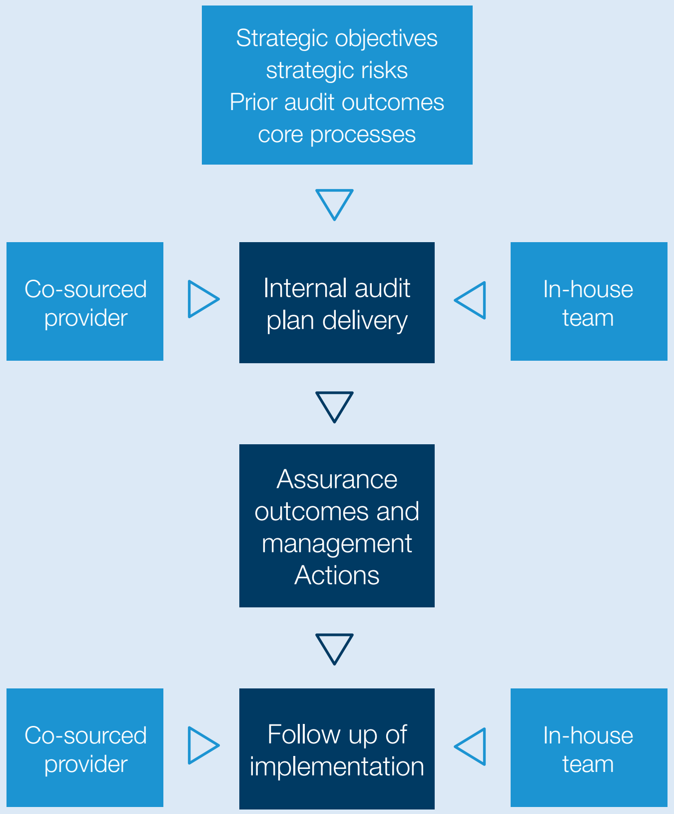
4. Internal Audit – providing effective assurance over key risks and internal control

Housing 21's internal audit function is co-delivered by KPMG, a third party provider, whilst managed and supported by an in-house internal audit function. The in-house internal audit function also delivers operational audits which assess compliance with quality aspects of care management and delivery based on both Housing 21's quality standards and those of the CQC, as well as key controls and reviews of core systems. The function operates independently of management and has no operational responsibility other than for anti-fraud, whistle-blowing and business continuity. KPMG delivers the risk-based internal audit plan.

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 in the year. Although there have been a small number of internal audit outcomes reported as providing partial assurance, these have related to specific areas which are not material to achieving organisational aims and objectives.

Follow up of limited or partial assurance areas is carried out either through an additional internal audit or though specific management assurance reporting. In addition, management provides assurance that recommendations have been implemented, thereby improving the control environment in these specific areas. For 2018/19 management have implemented 93% of recommendations raised within agreed timescales. No overdue recommendations were graded high priority.

Internal audit framework



Report Grading 2018/19	
Significant assurance	2
Significant assurance with minor Improvement	11
Partial assurance with improvements required	3
Advisory	2

Recommendation Priority 2018/19	
High Recommendation	7%
Medium Recommendation	41%
Low Recommendation	41%
Management point	11%

5. Anti-Fraud and Corruption – creating an open and honest culture

The Group is committed to acting at all times with honesty and integrity in safeguarding the resources for which it is responsible. It expects the same from its employees and contractors.

The Group maintains a separate fraud risk register and reviews the effectiveness of fraud controls through the internal audit review process. Staff are required to complete mandatory fraud awareness training which promotes communicating concerns through to management or our confidential reporting line.

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

The Audit and Risk Management Committee receives a report at each meeting detailing the incidents, the actions taken, and improvements in controls as a result of investigations.

Our top fraud risks

Risk	Mitigation
Cyber Fraud	• Technological Controls over Systems access • Mandatory Cyber Fraud Training • Phishing Exercises and Penetration Testing
Over payments / duplicate payments	• Scheme of delegation and authorisation controls • Duplicate payment checks • Budgetary Control
Customer Financial Abuse	• Employment controls • Staff Training • Staff supervisions and process monitoring

Anti-Fraud Framework

Housing 21 Financial Statements 2018/19

6. Care Quality and Safeguarding – committed to the highest standards of quality

Ensuring we deliver quality care is fundamentally important to Housing 21. Our commitment to providing quality services is demonstrated in our target for 100% of services to be rated 'Good' or above and with our commitments to our Care Workers and the quality of our managers.

The Group has an established framework of policies and procedures for ensuring care quality, 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 residents.

To measure compliance with quality standards, regular auditing of Extra Care Living sites is undertaken by the internal audit function. Formal reporting highlights outcomes, areas of non-compliance and themes arising and enables the Group to focus on areas for attention and improvement. Services are also subject to CQC inspections.

There have been improvements in our care outcomes year on year both from Internal Audit and the CQC. No services were rated as non-compliant overall by the Care Quality Commission. We achieved our first Outstanding Service in the year at the Watermill, with 11% of our sites receiving 'Outstanding' in one of the five assessed domains: safe, caring, responsive, effective, well-led. To be assessed 'Outstanding' overall, two domains need to be assessed as 'Outstanding'.

Where improvements are required management implement specific action plans to ensure full compliance.

Key areas for development

Audit Outcomes	Areas of Focus
Support Plans	• Person Centred • Reviewed and Updated
Staff training and supervision	• Complete and up to date • Transparent learning outcomes
Medication Management	• Completeness of documentation • Local audit arrangements

Care Quality Framework

Care Quality Outcomes - % schemes rated good and above

Care Quality Commission		
March 2017	March 2018	March 2019
85%	94%	94%

Internal Audit		
March 2017	March 2018	March 2019
74%	90%	96%

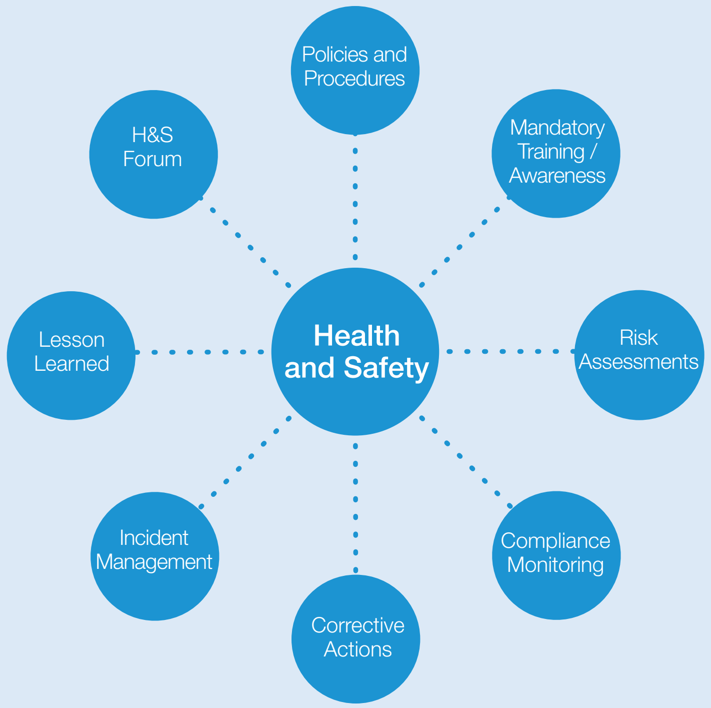
The differences between Care Quality Commission and Internal Audit outcomes are as a result of timing of visits and scope of work. Where there are differences in gradings produced by CQC to those produced by Internal Audit these are investigated to ensure the continued robustness of the Internal Audit process.

7. Health and Safety – committed to protecting residents, employees and contractors

The health and safety of our residents, employees and contractors is a top priority and is an area where the Board has no tolerance for any non-compliance. Dedicated health and safety managers manage a devolved framework, review the policies and procedures, supervise and review risk assessments, and manage key actions arising from the risk assessments. This includes a Property Compliance team who review the governance and compliance arrangements for gas, fire, electrical, asbestos, legionella and lifts.

The Board receives reports on all matters relating to health and safety, including reportable incidents and all aspects of property safety, and, as such, has approved detailed health and safety policies and procedures and has reviewed performance indicators.

Anti-Fraud Framework



Indicator		Our commitment and progress
Gas Safety Certificate	100%	Undertaken annually.
Fire Risk Assessment	100%	Undertaken at least on 18 month cycle. For high rise buildings, undertaken on 12 month cycle.
Emergency Lighting servicing and testing	99%	Undertaken on 12 month cycle. Five courts not serviced / tested as new installations are imminent or on-site.
Fire Alarms servicing and testing	100%	Undertaken every six months.
Water Hygiene Risk Assessments	99%	Undertaken every two years. One court not assessed within timescales as other major works were taking place. To be assessed immediately after works completed.
Asbestos Management Surveys	92%	Undertaken on 24 month cycle. Work ongoing to complete works by December 2019.
Electrical Hardwire Testing – communal areas	99%	Undertaken every five years. One court not assessed within timescales as other major works were taking place. To be assessed immediately after works completed.
Electrical Hardwire Testing – individual properties	95%	Undertaken every ten years.
Portable / Fixed Appliance Testing (PAT / FAT)	98%	Undertaken on 24 month cycle. Work ongoing on seven courts to complete works by December 2019 as result of other major works being undertaken.

Our arrangements are reviewed annually as part of the Contractors Health and Safety Assessment Scheme Accreditation, and to further strengthen our arrangements we have an ongoing Primary Authority Partnership with Cambridgeshire Fire Authority. When incidents arise these are managed sensitively with lessons learned as a result.

8. 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 and as such the organisation has invested in ensuring continued implementation and compliance with the General Data Protection Regulations (GDPR) which came into effect 25 May 2018.

An Information Governance Steering Group chaired by the Chief Operations Officer who is also the organisations Senior Information Responsible Officer (SIRO) has reviewed core policies and procedures, mandatory training, compliance with the Regulations, and the reporting to the Information Commissioners Office (ICO) of any potential data breaches. Subject access requests and potential breaches are managed effectively by our Data Protection Officer and responded to within statutory timescales.

The open culture within the organisation ensures that all incidents are reported to the Data Protection Officer, who assesses the requirement, based on impact to the individuals concerned, and the requirement to report to the ICO. No significant breaches have arisen in the year, and where minor breaches have been reported to the ICO, these have not resulted in any regulatory action.

Our core risks relate to staff inadvertently sharing data with third parties. To protect our data subjects we have invested in encryption software and specific campaigns to raise awareness of this risk.

Independent assurance provided in 2018 identified that measures taken to achieve compliance were as expected.

Our investment also includes robust information security defences, intrusion monitoring reporting, mandatory training, and regular staff phishing exercises.

By order of the Board

Paul Hutton

Secretary
12 July 2019

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 (2014) have been followed, subject to any material departures disclosed and explained in the Financial Statements
- Prepare the Financial Statements on a going concern basis unless it is inappropriate to 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 2015. 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.

The Board is responsible for ensuring that the Report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2014.

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.

Housing 21 Financial Statements 2018/19

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 2019, 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 2019 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 2015.

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.

Housing 21 Financial Statements 2018/19

Recognition and measurement of liabilities related to the Social Housing Pension Scheme and related presentation and disclosure

As disclosed in Note 25 and in the accounting policies a method for the determination of sufficient information for full defined benefit accounting has been determined and information to facilitate inclusion of the share of assets and liabilities on the balance sheet has been provided to the association and group. FRS 102 has also been amended to reflect accounting requirements in such an event. The policy and note explain that these changes have been early-adopted and explain the how this change has been reported in respect of:

- De-recognising the previously recognised SHPS deficit reduction liability
- Recognising the Association's share of the assets and liabilities of SHPS
- The value of the assets and liabilities recognised
- The effect on the opening and closing balances.

This was a key audit matter because of the effect of this adjustment on the Financial Statements, including disclosures, the level of judgement and estimation involved in the determination of amounts to recognise, the timeliness of the provision of relevant information and the level of audit attention given to these changes.

Our response to the key audit matter

Our specific audit testing in this regard included:

- A determination of whether the accounting entries had been made in accordance with the requirements of the revised FRS 102. Our work included specific consideration of the related disclosures. We assessed the following against the requirements of the standard in this respect:
  - The updated SHPS-related accounting policies
  - The disclosure concerning the early adoption of new requirements
  - The reporting of key judgements and estimates
  - The discussion of the accounting implications of the change of approach to calculation of the SHPS liability within the pension note

Securing appropriate audit evidence in respect of SHPS-related accounting entries and disclosures from a number of key sources including:

- The Scheme Trustee
- Control assurance provider
- An auditor's pension and actuarial expert

Our work in respect of each involved appropriate involvement in setting the scope of the work and assessing suitability of the output derived from other sources as audit evidence and covered both the opening and year-end positions.

- Performing testing, on a sample basis, of certain inputs to the SHPS tool which were derived from the Association's records and considered the appropriateness of assumptions used in calculating the outputs at each of the relevant dates

Key observations

Our work identified no misstatements or inappropriate application of judgement or estimation. Based on our procedures we noted no exceptions and found management's key assumptions to be within a reasonable range and the effect of the changes related to the SHPS liability to be appropriately disclosed.

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 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 £22,614,000 (2018: £22,414,000), which represents 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 £3,074,000 (2018: £3,145,000), which is 5% (2018: 5%) of adjusted operating profit.

We used gross 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 £19,989,000 (2018: £19,704,000) with a specific materiality set at £2,816,000 (2018: £2,858,000).

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% (2018: 75%) of materiality or specific materiality depending on the Financial Statement area being audited. In setting the level of performance materiality. 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 £453,000 (2018: £449,000) for areas considered using Financial Statement materiality and £62,000 (2018: £63,000) 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' application 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 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 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 and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

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
- a satisfactory system of control has not been maintained over transactions
- the parent Association Financial Statements are not in agreement with the accounting records and returns
- we have not received all the information and explanations we require for our audit

Housing 21 Financial Statements 2018/19

Responsibilities of the Board

As explained more fully in the Board members' responsibilities statement set out on page 72, 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 2019 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 16 years covering the year to 31 March 2019.

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 the 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 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

Phillip Cliftlands, Senior Statutory Auditor

For and on behalf of BDO LLP, Statutory Auditor

Gatwick
United Kingdom

Date: 26 July 2019

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

Housing 21 Financial Statements 2018/19

Group Comprehensive Income Statement

		2019			2018		
	Note	**Ongoing activities**	**one-off items**	**Total**	*Ongoing activities*	*Discontinued activities*	*Total*
		£'000	**£'000**	**£'000**	*£'000*	*£'000*	*£'000*
Turnover	3	186,449	-	**186,449**	*178,770*	-	*178,770*
Operating costs and cost of sales	3	(149,182)	(1,446)	**(150,628)**	*(141,106)*	-	*(141,106)*
Operating surplus	3	**37,267**	**(1,446)**	**35,821**	*37,664*	-	*37,664*
Surplus on disposal of other housing properties and other assets	5	981	-	**981**	*204*	*1,011*	*1,215*
Other interest receivable and similar income	8	8,276	-	**8,276**	*7,650*	-	*7,650*
Interest and financing costs	9	(27,339)	-	**(27,339)**	*(25,115)*	-	*(25,115)*
Movement in fair value of financial instruments	18	354	-	**354**	*63*	-	*63*
Surplus before taxation		**19,539**	**(1,446)**	**18,093**	*20,466*	*1,011*	*21,477*
Tax on surplus	11	(20)	-	**(20)**	*(30)*	-	*(30)*
Surplus for the financial year		**19,519**	**(1,446)**	**18,073**	*20,436*	*1,011*	*21,447*
Net impact of the initial recognition of multi-employer defined benefit scheme	25	(3,200)	-	**(3,200)**	-	-	-
Actuarial (losses)/gains in respect of pensions	25	(2,846)	-	**(2,846)**	*7*	-	*7*
Effective movement in fair value of hedged financial instrument	9 & 18	(1,287)	-	**(1,287)**	*10,273*	-	*10,273*
Total comprehensive income for the financial year		**12,186**	**(1,446)**	**10,740**	*30,716*	*1,011*	*31,727*

The notes on pages 89 to 132 form part of the Financial Statements.

Association Comprehensive Income Statement

		2019			2018		
	Note	**Ongoing activities**	**one-off items**	**Total**	*Ongoing activities*	*Discontinued activities*	*Total*
		£'000	**£'000**	**£'000**	*£'000*	*£'000*	*£'000*
Turnover	3	180,179	-	180,179	*172,583*	-	*172,583*
Operating costs and cost of sales	3	(147,537)	(1,446)	(148,983)	*(139,511)*	-	*(139,511)*
Operating surplus	**3**	**32,642**	**(1,446)**	**31,196**	*33,072*	-	*33,072*
Surplus on disposal of other housing properties and other assets	5	981	-	**981**	*204*	*1,011*	*1,215*
Other interest receivable and similar income	8	3,023	-	**3,023**	*2,299*	-	*2,299*
Interest and financing costs	9	(20,095)	-	**(20,095)**	*(17,622)*	-	*(17,622)*
Surplus before taxation		**16,551**	**(1,446)**	**15,105**	*17,953*	*1,011*	*18,964*
Tax on surplus	11	-	-	**-**	-	-	-
Surplus for the financial year		**16,551**	**(1,446)**	**15,105**	*17,953*	*1,011*	*18,964*
Net impact of the initial recognition of multi-employer defined benefit scheme	25	(3,200)	-	**(3,200)**	-	-	-
Actuarial (losses)/gains in respect of pensions	25	(2,846)	-	**(2,846)**	*7*	-	*7*
Effective movement in fair value of hedged financial instrument	9 & 18	(122)	-	**(122)**	*2,786*	-	*2,786*
Total comprehensive income for the financial year		**10,383**	**(1,446)**	**8,937**	*20,746*	*1,011*	*21,757*

The notes on pages 89 to 132 form part of the Financial Statements.

Group Statement of Changes in Reserves

	2019				*2018*			
	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	**421,581**	**(53,730)**	**301,673**	**669,524**	*398,360*	*(64,003)*	*303,440*	*637,797*
Surplus for the financial year	18,073	-	-	18,073	*21,447*	-	-	*21,447*
Net impact of the initial recognition of multi-employer defined benefit scheme	(3,200)	-	-	(3,200)	-	-	-	-
Actuarial (losses)/gains on defined benefit scheme	(2,846)	-	-	(2,846)	*7*	-	-	*7*
Movement in the FV of hedged financial instrument	-	(1,287)	-	(1,287)	-	*10,273*	-	*10,273*
Other comprehensive income for the year	**(6,046)**	**(1,287)**	**-**	**(7,333)**	*7*	*10,273*	-	*10,280*
Transfer from revaluation reserve to income and expenditure reserve	(60)	-	60	-	*1,767*	-	*(1,767)*	-
Balance at 31 March	**433,548**	**(55,017)**	**301,733**	**680,264**	*421,581*	*(53,730)*	*301,673*	*669,524*

The notes on pages 89 to 132 form part of the Financial Statements.

Association Statement of Changes in Reserves

	2019				*2018*			
	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	**409,207**	**(5,191)**	**284,099**	**688,115**	*388,469*	*(7,977)*	*285,866*	*666,358*
Surplus for the financial year	15,105	-	-	15,105	*18,964*	-	-	*18,964*
Net impact of the initial recognition of multi-employer defined benefit scheme	(3,200)	-	-	(3,200)	-	-	-	-
Actuarial (losses)/gains on defined benefit scheme	(2,846)	-	-	(2,846)	*7*	-	-	*7*
Movement in the FV of hedged financial instrument	-	(122)	-	(122)	-	*2,786*	-	*2,786*
Other comprehensive income for the year	**(6,046)**	**(122)**	**-**	**(6,168)**	*7*	*2,786*	-	*2,793*
Transfer from revaluation reserve to income and expenditure reserve	(60)	-	60	-	*1,767*	-	*(1,767)*	-
Balance at 31 March	**418,206**	**(5,313)**	**284,159**	**697,052**	*409,207*	*(5,191)*	*284,099*	*688,115*

The notes on pages 89 to 132 form part of the Financial Statements.

Housing 21 Financial Statements 2018/19

Group and Association Balance Sheets

Registered number 16791R

	Note	Group		Association	
		2019	*2018*	**2019**	*2018*
		£'000	*£'000*	**£'000**	*£'000*
Tangible fixed assets					
Housing properties	12	**1,144,196**	*1,113,571*	**1,060,652**	*1,028,956*
Other fixed assets	13	**2,991**	*2,546*	**2,991**	*2,546*
Investments	26	**-**	*-*	**6,739**	*6,485*
		1,147,187	*1,116,117*	**1,070,382**	*1,037,987*
Current assets					
Housing properties and stock for sale	14	**9,710**	*4,946*	**9,710**	*4,946*
Debtors — receivable after one year	15	**112,521**	*115,504*	**44,272**	*44,897*
Debtors — receivable within one year	15	**21,827**	*18,095*	**14,655**	*11,397*
Short term investments	21	**49,600**	*53,100*	**33,300**	*51,000*
Cash and cash equivalents	21	**165,501**	*185,737*	**158,831**	*165,230*
		359,159	*377,382*	**260,768**	*277,470*
Creditors: amounts falling due within one year	16	**(118,280)**	*(103,389)*	**(94,095)**	*(77,895)*
Net current assets		**240,879**	*273,993*	**166,673**	*199,575*
Total assets less current liabilities		**1,388,066**	*1,390,110*	**1,237,055**	*1,237,562*
Creditors: amounts falling due after more than one year	17	**(693,667)**	*(720,397)*	**(525,868)**	*(549,258)*
Provision for defined benefit pension liabilities	25	**(14,135)**	*(189)*	**(14,135)**	*(189)*
Net Assets		**680,264**	*669,524*	**697,052**	*688,115*
Capital and Reserves					
Share capital	22	-	*-*	**-**	*-*
Cash flow hedge reserve		**(55,017)**	*(53,730)*	**(5,313)**	*(5,191)*
Revaluation reserve		**301,733**	*301,673*	**284,159**	*284,099*
Income and expenditure reserve		**433,548**	*421,581*	**418,206**	*409,207*
		680,264	*669,524*	**697,052**	*688,115*

The notes on pages 89 to 132 form part of the Financial Statements.

These Financial Statements were approved and authorised for issue by the Board on 12 July 2019 and are signed on behalf of the Board by:

Stephen Hughes (Chairman)

Anne Turner (Director)

Paul Hutton (Secretary)

Group and Association Cash Flow Statements

	Note	Group		Association	
		2019	*2018*	**2019**	*2018*
		£'000	*£'000*	**£'000**	*£'000*
Cash from operations	20	**60,449**	*71,824*	**51,935**	*64,203*
Taxation		**(28)**	*(19)*	**-**	*-*
Net cash generated from operating activities		**60,421**	*71,805*	**51,935**	*64,203*
Cash flow from investing activities					
Proceeds from the sale of housing properties		**3,566**	*5,182*	**3,566**	*5,182*
Expenditure on housing properties		**(59,432)**	*(57,112)*	**(59,187)**	*(56,856)*
Expenditure on other fixed assets		**(1,228)**	*(1,489)*	**(1,228)**	*(1,489)*
Receipt of capital grants		**11,622**	*2,404*	**11,622**	*2,404*
Interest received		**10,786**	*7,180*	**4,905**	*2,241*
Net return from subsidiaries		**-**	*-*	**478**	*689*
Net proceeds from sale of other assets		**305**	*391*	**305**	*391*
Purchase of subsidiary undertaking		**(1,700)**	*-*	**(1,700)**	*-*
Cash acquired with subsidiary undertaking		**273**	*-*	**-**	*-*
Maturity / (purchase) of short term investments		**3,500**	*(53,100)*	**17,700**	*(51,000)*
Net cash from investing activities		**(32,308)**	*(96,544)*	**(23,539)**	*(98,438)*
Cash flow from financing activities					
Repayment of finance lease obligations		**(2,014)**	*(96)*	**(2,014)**	*(96)*
Repayment of bank borrowings		**(18,209)**	*(86,604)*	**(12,459)**	*(83,938)*
Proceeds from new loans		**-**	*250,000*	**-**	*250,000*
Debt issue costs incurred		**(93)**	*(1,814)*	**(93)**	*(1,814)*
Interest paid		**(28,033)**	*(20,542)*	**(20,229)**	*(13,542)*
Net cash used in financing activities		**(48,349)**	*140,944*	**(34,795)**	*150,610*
Net increase in cash and cash equivalents		**(20,236)**	*116,205*	**(6,399)**	*116,374*
Cash and cash equivalents at the beginning of the year		**185,737**	*69,532*	**165,230**	*48,856*
Cash and cash equivalents at the end of the year		**165,501**	*185,737*	**158,831**	*165,230*

The notes on pages 89 to 132 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" 2014
- Accounting Direction for Private Registered Providers of Social Housing 2015

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.

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. This has resulted in changes to the accounting policy for the SHPS multi-employer scheme from the start of the reporting period. This means that accounting for SHPS has not been consistently applied as compared to reporting in prior years. Further information on the impact of early adopting these requirements is set out in Note 25.

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.

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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
- 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 included in the Comprehensive Income Statement as Turnover.

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.

In previous years, insufficient information was available for the SHPS defined benefit pension scheme to apply defined benefit accounting rules and the exemption was applied to account for the scheme as if it were a defined contribution scheme. In addition, the Group has recognised a liability for the contributions payable as a result of the agreement to fund the past service deficit. During the year sufficient information has become available in order to account for the scheme under defined benefit accounting rules. The change in accounting basis is not a new accounting policy, nor is it a change arising from employee service during the period or those arising from changes in the plan. Therefore, the transition from defined contribution accounting to defined benefit accounting is shown in Other Comprehensive Income in accordance with the FRC's published Amendments to FRS 102 – Multi-employer defined benefit plans.

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
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 of subsequent tranches are treated as a part disposal of fixed asset housing properties.

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.

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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 are recognised within surplus / (loss) on disposal of fixed assets 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 2014. 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 2014. 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 2014, 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). Therefore, any amortised grant associated with a sold property is reversed through the Comprehensive Income Statement as a charge in order to account for it in the recycled capital grant fund.

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 19.

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 will be 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. Stock

Stock 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.

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

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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 2019.

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 number of properties 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.

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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 25 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 and outright sale properties** 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 20).

2.10. The **sale of other properties and assets** (including staircasing) are included below Operating Surplus. This is because they are adjudged to be non-operating activities that do not form part of core day-to-day operations, but a reflection of reorganisation and rationalisation of existing core activities. This is in contrast to the sale of shared ownership first tranche and outright sale properties which are developed with the intention of sale from the outset.

2.11. 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.

2.12. 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.

2.13. 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.

2.14. **Group goodwill** arising from the acquisition of Goldsborough Estates Limited of £1,446k (2018: nil) has been written off in full in the year. The £1,700k purchase price which gives rise to the goodwill was on the basis of cash flow generation over the period of the underlying leases, usually in excess of 80 years. The long period over which the economic benefits are expected to be derived means that there is a degree of uncertainty over the timing of their crystallisation. The default useful economic life of goodwill where a reasonable life cannot be determined is 10 years, however, this is not considered an appropriate timeframe for the long term nature of the lease arrangements. Had the default 10 years been applied, the Group's operating surplus would be £145k lower per year by virtue of goodwill amortisation, meaning the operating surplus and net assets for the year ended 31 March 2019 would have been £1,301k higher than reported. Full details of the Goldsborough Estates Limited acquisition are provided in Note 27.

2.15. The parent Association's £1,700k **investment** in Goldsborough Estates Limited has been written down to £254k in the year (2018: nil), reflecting the fair value of the net assets acquired. The intention is to hive-up the trade and assets of Goldsborough Estates Limited into the parent Association in due course, with the company being subsequently struck off as a result. Therefore, the write-off is an anticipatory adjustment to the Financial Statements. If investment had not been written off, the Association's operating surplus and net assets would be £1,446k higher than reported. Full details of the Goldsborough Estates Limited acquisition are provided in Note 27.

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

Group	2019			2018		
	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)	**146,981**	**(111,367)**	**35,614**	*142,612*	*(106,690)*	*35,922*
Other social housing activities						
Support charge	3,205	(3,205)	-	*3,299*	*(3,299)*	-
First Tranche low cost home ownership sales	1,011	(880)	131	*870*	*(670)*	*200*
Outright sales	1,426	(1,213)	213	-	-	-
	5,642	**(5,298)**	**344**	*4,169*	*(3,969)*	*200*
Total social housing activities	**152,623**	**(116,665)**	**35,958**	*146,781*	*(110,659)*	*36,122*
Non-social housing activities						
Extra Care services	29,313	(28,376)	937	*27,616*	*(26,492)*	*1,124*
PPP care services	4,513	(4,341)	172	*4,373*	*(4,155)*	*218*
Other	-	200	200	-	*200*	*200*
One-off goodwill write-off	-	(1,446)	(1,446)	-	-	-
	33,826	**(33,963)**	**(137)**	*31,989*	*(30,447)*	*1,542*
Total	**186,449**	**(150,628)**	**35,821**	*178,770*	*(141,106)*	*37,664*

Total development administration costs capitalised were £880k (2018: £659k) for both Group and Association.

The one-off item included in non-social housing activities is the goodwill write-off associated with the acquisition of Goldsborough Estates Limited in 2019. Further details are disclosed in Note 2.14.

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

Association	2019			2018		
	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)	**140,711**	**(109,722)**	**30,989**	*136,425*	*(105,095)*	*31,330*
Other social housing activities						
Support charge	3,205	(3,205)	-	*3,299*	*(3,299)*	-
First Tranche low cost home ownership sales	1,011	(880)	131	*870*	*(670)*	*200*
Outright sales	1,426	(1,213)	213	-	-	-
	5,642	**(5,298)**	**344**	*4,169*	*(3,969)*	*200*
Total social housing activities	**146,353**	**(115,020)**	**31,333**	*140,594*	*(109,064)*	*31,530*
Non-social housing activities						
Extra Care services	29,313	(28,376)	937	*27,616*	*(26,492)*	*1,124*
PPP care services	4,513	(4,341)	172	*4,373*	*(4,155)*	*218*
Other	-	200	200	-	-	-
One-off investment write-off	-	(1,446)	(1,446)	-	*200*	*200*
	33,826	**(33,963)**	**(137)**	*31,989*	*(30,447)*	*1,542*
Total	**180,179**	**(148,983)**	**31,196**	*172,583*	*(139,511)*	*33,072*

Total development administration costs capitalised were £880k (2018: £659k) for both Group and Association.

The one-off item included in non-social housing activities is the investment write-off associated with the acquisition of Goldsborough Estates Limited in 2019. Further details are disclosed in Note 2.15.

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

Group	2019					2018
	Retirement Housing	Extra Care	PFI / PPP	Corporate	Total	*Total*
	£'000	£'000	£'000	£'000	£'000	*£'000*
Turnover from social housing lettings						
Rents net of identifiable service charges	54,502	29,624	4,351	(23)	**88,454**	*87,738*
Service and utility charges	24,129	15,021	2,163	-	**41,313**	*38,145*
Amortisation of government grants	-	311	-	-	**311**	*309*
Other income	1,812	669	13,037	1,385	**16,904**	*16,420*
	80,443	**45,625**	**19,551**	**1,362**	**146,981**	*142,612*
Expenditure on social housing lettings						
Management	(5,183)	(3,616)	(4,650)	(15,583)	**(29,032)**	*(26,739)*
Service and utility costs	(19,518)	(12,539)	(1,887)	-	**(33,944)**	*(31,817)*
Routine maintenance	(7,193)	(2,891)	(2,923)	-	**(13,007)**	*(12,301)*
Planned maintenance	(2,995)	(2,007)	(939)	(2,513)	**(8,454)**	*(9,031)*
Major repairs	(612)	(348)	(345)	-	**(1,305)**	*(658)*
Bad debts	(4)	(17)	(5)	(287)	**(313)**	*(192)*
Depreciation of housing properties	(14,623)	(8,637)	(1,497)	-	**(24,757)**	*(25,310)*
Other depreciation	-	-	-	(555)	**(555)**	*(642)*
	(50,128)	**(30,055)**	**(12,246)**	**(18,938)**	**(111,367)**	*(106,690)*
Operating surplus on social housing lettings	**30,315**	**15,570**	**7,305**	**(17,576)**	**35,614**	*35,922*
Void losses	(1,372)	(897)	(34)	(23)	**(2,326)**	*(2,546)*

- 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 £101k (2018: £223k).

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

Association	2019					2018
	Retirement Housing	Extra Care	PFI / PPP	Corporate	Total	*Total*
	£'000	£'000	£'000	£'000	£'000	*£'000*
Turnover from social housing lettings						
Rents net of identifiable service charges	54,502	29,273	4,351	(23)	**88,103**	*87,402*
Service and utility charges	24,129	14,786	2,163	-	**41,078**	*37,921*
Amortisation of government grants	-	311	-	-	**311**	*309*
Other income	1,812	811	7,210	1,386	**11,219**	*10,793*
	80,443	**45,181**	**13,724**	**1,363**	**140,711**	*136,425*
Expenditure on social housing lettings						
Management	(5,183)	(3,584)	(6,501)	(15,583)	**(30,852)**	*(28,382)*
Service and utility costs	(19,518)	(12,310)	(1,887)	-	**(33,715)**	*(31,593)*
Routine maintenance	(7,193)	(2,875)	(1,886)	-	**(11,954)**	*(11,233)*
Planned maintenance	(2,995)	(1,997)	27	(2,512)	**(7,477)**	*(8,239)*
Major repairs	(612)	(342)	(345)	-	**(1,299)**	*(658)*
Bad debts	(4)	(17)	(5)	(287)	**(313)**	*(192)*
Depreciation of housing properties	(14,623)	(8,500)	(434)	-	**(23,557)**	*(24,156)*
Other depreciation	-	-	-	(555)	**(555)**	*(642)*
	(50,128)	**(29,625)**	**(11,031)**	**(18,938)**	**(109,722)**	*(105,095)*
Operating surplus on social housing lettings	**30,315**	**15,556**	**2,693**	**(17,575)**	**30,989**	*31,330*
Void losses	(1,372)	(896)	(34)	(23)	**(2,326)**	*(2,543)*

- 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 £101k (2018: £223k).

5. Surplus on disposal of housing properties and other assets

Group and Association	2019				2018			
	Shared ownership staircasings	**Other housing properties**	**Sale of Home Care**	**Total**	*Shared ownership staircasings*	*Other housing properties*	*Sale of Home Care*	*Total*
	£'000	**£'000**	**£'000**	**£'000**	*£'000*	*£'000*	*£'000*	*£'000*
Proceeds	350	795	105	**1,250**	*347*	*3,991*	*137*	*4,475*
Costs of sale at carrying value	(246)	(222)	199	**(269)**	*(264)*	*(3,870)*	*874*	*(3,260)*
Surplus on disposal	**104**	**573**	**304**	**981**	*83*	*121*	*1,011*	*1,215*

The disposals of the above housing properties and other assets on a historical cost basis would have resulted in a gain of £726k (2018: £3,052k).

6. 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 (2018:12).

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

		2019	2018
		£'000	*£'000*
S Hughes (Chair)		**21**	*10*
A Turner		**13**	*7*
K Boyle		**10**	*10*
S Heeley		**10**	*2*
M Knott		**10**	*10*
M McDonagh		**10**	*6*
J Owen CBE		**10**	*10*
L Potter		**10**	*10*
N Revely		**10**	*6*
B Stoneham	Resigned 28 Sep 2018	**11**	*20*
S Robinson	Resigned 28 Sep 2018	**7**	*13*
R Humphries	Resigned 28 Sep 2018	**5**	*10*
S Fanshawe OBE	Resigned 28 Sept 2017	**-**	*5*
K Jeffries	Resigned 28 Sept 2017	**-**	*5*
Total		**127**	*124*

S Heeley is a resident Board member, and was a resident of the Association for 12 months of the year. Her tenancy is on the same terms and conditions as other residents. She is 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 £4,813 (2018: £4,862) and she had a credit balance of £249 at 31 March 2019 (2018: £250).

S Hughes was appointed chair on 28 September 2018 when Lord Stoneham stepped down as chair after 7 years. S Hughes has been a non-executive Board member since 2014.

The Executive team received the following emoluments during the financial year:

	2019	2018
	£'000	*£'000*
Emoluments	**560**	*553*
Pension contributions	**48**	*46*
Total	**608**	*599*

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

	2019	2018
	£'000	*£'000*
Emoluments	**238**	*238*
Pension contributions	**28**	*28*
Total	**266**	*266*

The Chief Executive is an ordinary member of the SHPS (Defined Contribution) pension scheme as set out in Note 25. Employer's contribution in respect of the Chief Executive's pension in the year was £28k (2018: £28k), of which £18k (2018: £18k) was taken as cash. The above remuneration excludes any employer's social security costs.

7. 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	
	2019	*2018*	**2019**	*2018*
Management, court managers and administration	**1,300**	*1,126*	**1,281**	*1,123*
Care and ancillary	**1,850**	*1,838*	**1,849**	*1,836*
	3,150	*2,964*	**3,130**	*2,959*

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Staff costs (including the Executive team) consist of:

	Group		Association	
	2019	2018	2019	2018
Wages and salaries	58,161	54,093	58,066	54,001
Redundancy and other costs	166	357	166	357
Social security costs	4,341	3,921	4,334	3,915
Pension costs	2,205	1,470	2,205	1,470
	64,873	59,841	64,771	59,743

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	
	2019	2018
£230,000 – £239,999	1	1
£170,000 – £179,999	1	-
£160,000 – £169,999	1	2
£100,000 – £109,999	3	2
£90,000 – £99,999	5	5
£80,000 – £89,999	-	2
£70,000 – £79,999	7	4
£60,000 – £69,999	4	5
	22	21

8. Interest receivable and similar income

	Group		Association	
	2019	2018	2019	2018
Interest received on cash deposits and short term investments	1,377	568	1,265	515
Finance asset interest	6,899	7,082	359	368
Interest receivable from group undertakings	-	-	1,399	1,416
	8,276	7,650	3,023	2,299

9. Interest and financing costs

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	(26,933)	(23,304)	(19,806)	(15,926)
All other loans	(27)	(767)	(27)	(767)
Finance leases	(5)	(57)	(5)	(57)
Other financing fees and charges	(451)	(1,103)	(334)	(988)
Net interest on pension liabilities	(293)	(143)	(293)	(143)
	(27,709)	(25,374)	(20,465)	(17,881)
Interest capitalised on construction of housing properties	370	259	370	259
	(27,339)	(25,115)	(20,095)	(17,622)
Other financing costs through Other Comprehensive Income: (Loss) / gain on fair value of hedged derivative instruments (see Note 18)	(1,287)	10,273	(122)	2,786

10. Operating surplus on ordinary activities before tax

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
This is arrived at after (charging) / crediting:				
Depreciation of housing properties	(24,757)	(25,310)	(23,557)	(24,156)
Write-off of goodwill	(1,446)	-	-	-
Write-off of investment	200	200	(1,246)	200
Depreciation on other fixed assets	(555)	(642)	(555)	(642)
Amortisation of grant	311	309	311	309
Interest element of finance lease payments	(5)	(57)	(5)	(57)
Payments under operating leases				
- land & buildings	(533)	(962)	(533)	(962)
- other	(149)	(137)	(149)	(136)
Auditors' remuneration (excluding VAT):				
- In their capacity as auditors	(88)	(86)	(72)	(73)
- Covenants compliance audit	(3)	(3)	(3)	(3)
- Leasehold audit	(6)	(5)	(6)	(5)

11. 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:

Current taxation	Group		Association	
	2019	*2018*	**2019**	*2018*
	£'000	*£'000*	**£'000**	*£'000*
UK Corporation Tax	**(20)**	*(30)*	**-**	-

Current tax reconciliation

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

	Group		Association	
	2019	*2018*	**2019**	*2018*
	£'000	*£'000*	**£'000**	*£'000*
Surplus on ordinary activities before taxation	**18,093**	*21,477*	**15,105**	*18,964*
Tax at the main rate of corporation tax of 19% (2018: 19%)	**(3,438)**	*(4,081)*	**(2,870)**	*(3,603)*
Effects of:				
Exemption for charitable activities	**3,418**	*4,051*	**2,870**	*3,603*
Total current tax (charge) / credit	**(20)**	*(30)*	**-**	-

12. 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 2018	799,525	48	421,125	21,168	112,638	749	9,066	3,691	**1,368,010**
Acquisitions & construction costs	-	43	4,062	-	-	-	14,311	15,436	**33,852**
Works to existing properties	26,501	-	2,319	-	-	-	-	-	**28,820**
Transfers to current assets	-	-	-	(867)	-	-	-	(5,989)	**(6,856)**
Completed property transfers	-	-	4,041	2,098	-	-	(4,041)	(2,098)	**-**
Disposals	(17,649)	-	(799)	(204)	(48)	(4)	-	-	**(18,704)**
31 March 2019	**808,377**	**91**	**430,748**	**22,195**	**112,590**	**745**	**19,336**	**11,040**	**1,405,122**
Accumulated depreciation and impairments									
1 April 2018	(176,999)	(2)	(62,978)	(934)	(13,491)	(35)	-	-	**(254,439)**
Charge in the year	(14,622)	(1)	(8,427)	(210)	(1,490)	(7)	-	-	**(24,757)**
Eliminated on disposals	17,452	-	813	-	5	-	-	-	**18,270**
31 March 2019	**(174,169)**	**(3)**	**(70,592)**	**(1,144)**	**(14,976)**	**(42)**	**-**	**-**	**(260,926)**
Net book value									
31 March 2019	**634,208**	**88**	**360,156**	**21,051**	**97,614**	**703**	**19,336**	**11,040**	**1,144,196**
31 March 2018	*622,526*	*46*	*358,147*	*20,234*	*99,147*	*714*	*9,066*	*3,691*	*1,113,571*
Land tenure									
Freehold	577,108	88	224,291	16,411	9,260	-	-	-	**827,158**
Long leasehold	57,100	-	135,865	4,640	88,354	703	19,336	11,040	**317,038**
31 March 2019	**634,208**	**88**	**360,156**	**21,051**	**97,614**	**703**	**19,336**	**11,040**	**1,144,196**

Depreciation charge in the year of £24,757k includes £4,986k of accelerated depreciation on replaced components (2018: £5,300k).

12. 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 2018	799,525	48	415,677	21,168	22,842	749	9,066	3,691	**1,272,766**
Acquisitions & construction costs	-	43	4,062	-	-	-	14,311	15,436	**33,852**
Works to existing properties	26,501	-	2,189	-	-	-	-	-	**28,690**
Transfers to current assets	-	-	-	(867)	-	-	-	(5,989)	**(6,856)**
Completed property transfers	-	-	4,041	2,098	-	-	(4,041)	(2,098)	**-**
Disposals	(17,649)	-	(705)	(204)	(48)	(4)	-	-	**(18,610)**
31 March 2019	**808,377**	**91**	**425,264**	**22,195**	**22,794**	**745**	**19,336**	**11,040**	**1,309,842**
Accumulated depreciation and impairments									
1 April 2018	(176,999)	(2)	(61,952)	(933)	(3,889)	(35)	-	-	**(243,810)**
Charge in the year	(14,622)	(1)	(8,290)	(210)	(427)	(7)	-	-	**(23,557)**
Eliminated on disposals	17,452	-	720	-	5	-	-	-	**18,177**
31 March 2019	**(174,169)**	**(3)**	**(69,522)**	**(1,143)**	**(4,311)**	**(42)**	**-**	**-**	**(249,190)**
Net book value									
31 March 2019	**634,208**	**88**	**355,742**	**21,052**	**18,483**	**703**	**19,336**	**11,040**	**1,060,652**
31 March 2018	*622,526*	*46*	*353,725*	*20,235*	*18,953*	*714*	*9,066*	*3,691*	***1,028,956***
Land tenure									
Freehold	577,218	88	219,873	16,412	-	-	-	-	**813,591**
Long leasehold	56,990	-	135,869	4,640	18,483	703	19,336	11,040	**247,061**
31 March 2019	**634,208**	**88**	**355,742**	**21,052**	**18,483**	**703**	**19,336**	**11,040**	**1,060,652**

Depreciation charge in the year of £23,557k includes £4,937k of accelerated depreciation on replaced components (2018: £5,300k).

12. 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	
	2019	*2018*	2019	*2018*
	£'000	*£'000*	£'000	*£'000*
New components capitalised	**17,699**	*15,505*	**17,685**	*15,505*
Capitalised enhancements	**11,121**	*13,135*	**11,005**	*13,140*
Major repairs expensed (see note 4)	**1,305**	*658*	**1,299**	*658*
	30,125	*29,298*	**29,989**	*29,303*

The total amount of interest capitalised in the year was £370k (2018: £259k) and interest is capitalised at a rate of 4.5% (2018: 4.5%). The cumulative value of capitalised interest included in the net book value in Note 12 and properties held for sale in Note 14 is not separately recorded.

Housing accommodation

	Group		Association	
	2019	*2018*	2019	*2018*
	No.	*No.*	No.	*No.*
Retirement Housing				
Rented	**11,607**	*11,608*	**11,607**	*11,608*
Rented - general needs / family	**63**	*64*	**63**	*64*
Shared ownership	**12**	*12*	**12**	*12*
Leasehold	**1,316**	*739*	**739**	*739*
Staff accommodation	**121**	*138*	**121**	*138*
Owned but managed by others	**222**	*224*	**222**	*224*
Managed for others	**29**	*29*	**606**	*29*
	13,370	*12,814*	**13,370**	*12,814*
Extra Care				
Rented	**4,520**	*4,352*	**4,469**	*4,301*
Shared ownership	**894**	*803*	**894**	*803*
Leasehold	**123**	*109*	**88**	*74*
Staff accommodation	**1**	*1*	**1**	*1*
Managed for others	**-**	*8*	**86**	*94*
	5,538	*5,273*	**5,538**	*5,273*
PFI / PPP				
Rented	**555**	*555*	**555**	*215*
Shared ownership	**70**	*70*	**70**	*70*
Managed for others	**1,476**	*1,476*	**1,476**	*1,816*
	2,101	*2,101*	**2,101**	*2,101*
Total	**21,009**	*20,188*	**21,009**	*20,188*
Properties in development				
For rent	**275**	*83*	**275**	*83*
For shared ownership	**264**	*91*	**264**	*91*
For outright sale	**-**	*15*	**-**	*15*
Total	**539**	*189*	**539**	*189*

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12. 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	
	2019	*2018*	**2019**	*2018*
	£'000	*£'000*	**£'000**	*£'000*
Historic cost (including assets under the course of construction)	**1,257,042**	*1,221,215*	**1,178,727**	*1,142,937*
Accumulated depreciation	**(256,935)**	*(250,443)*	**(245,194)**	*(239,812)*
	1,000,107	*970,772*	**933,533**	*903,125*

13. Other fixed assets

Group	Leasehold offices & improvements	IT & other equipment	Total
	£'000	£'000	£'000
Cost			
At 1 April 2018	1,507	19,675	21,182
Additions	42	964	1,006
Disposals	(436)	(11,235)	(11,671)
At 31 March 2019	**1,113**	**9,404**	**10,517**
Accumulated depreciation			
At 1 April 2018	(980)	(17,656)	(18,636)
Charge for the year	(85)	(470)	(555)
Disposals	437	11,228	11,665
At 31 March 2019	**(628)**	**(6,898)**	**(7,526)**
Net book value			
at 31 March 2019	**485**	**2,506**	**2,991**
at 31 March 2018	*527*	*2,019*	*2,546*

13. Other fixed assets (continued)

Association	Leasehold offices & improvements	IT & other equipment	Total
	£'000	£'000	£'000
Cost			
At 1 April 2018	1,507	19,666	**21,173**
Additions	42	964	**1,006**
Disposals	(436)	(11,235)	**(11,671)**
At 31 March 2019	**1,113**	**9,395**	**10,508**
Accumulated depreciation			
At 1 April 2018	(980)	(17,647)	**(18,627)**
Charge for the year	(85)	(470)	**(555)**
Disposals	437	11,228	**11,665**
At 31 March 2019	**(628)**	**(6,889)**	**(7,517)**
Net book value			
at 31 March 2019	**485**	**2,506**	**2,991**
at 31 March 2018	*527*	*2,019*	*2,546*

14. Housing properties and stock for sale

	Group and Association	
	2019	*2018*
	£'000	*£'000*
Low Cost Home Ownership & Outright Sale properties available for sale	**4,408**	-
Low Cost Home Ownership & Outright Sale properties under construction	**5,302**	*4,946*
	9,710	*4,946*

15. Debtors

	Group		Association	
	2019	*2018*	**2018**	*2018*
	£'000	*£'000*	**£'000**	*£'000*
Greater than one year				
Finance asset receivable	**112,521**	*115,504*	**5,863**	*6,009*
Amounts owed by group undertakings	**-**	*-*	**2,129**	*2,130*
Amounts owed by group undertakings – concessionary loans	**-**	*-*	**36,280**	*36,758*
	112,521	*115,504*	**44,272**	*44,897*
Within one year				
Rent and service charge arrears	**2,311**	*2,245*	**2,307**	*2,240*
Less provision for bad debts	**(1,559)**	*(1,390)*	**(1,557)**	*(1,387)*
	752	*855*	**750**	*853*
Trade debtors	**2,715**	*3,209*	**2,715**	*3,212*
Amounts owed by group undertakings	**-**	*-*	**1,406**	*497*
Prepayments, accrued income and other debtors	**16,276**	*14,031*	**7,700**	*6,835*
SHG and other capital grants receivable	**2,084**	*-*	**2,084**	*-*
	21,827	*18,095*	**14,655**	*11,397*

Other debtors include £600k (2018: £800k) 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 2018	**Movement**	**31 March 2019**
	£'000	**£'000**	**£'000**
Kent Community Partnership	*6,976*	-	**6,976**
Oldham Retirement Housing Partnership	*29,782*	(478)	**29,304**
	36,758	(478)	**36,280**

The interest rates on the concessionary loans are as follows:

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

16. Creditors: amounts falling due within one year

	Group		Association	
	2019	*2018*	**2019**	*2018*
	£'000	*£'000*	**£'000**	*£'000*
Loans and borrowings (see Note 17)	**(31,926)**	*(17,830)*	**(27,678)**	*(12,080)*
Finance leases (see Note 17)	**-**	*(85)*	**-**	*(85)*
Trade creditors	**(4,785)**	*(2,037)*	**(4,785)**	*(2,043)*
Amount owed to Group undertakings	**-**	*-*	**(7,031)**	*(6,830)*
Other creditors	**(11,418)**	*(13,531)*	**(10,548)**	*(12,804)*
Accruals and deferred income	**(70,151)**	*(68,798)*	**(44,053)**	*(42,945)*
SHPS pension deficit contribution	**-**	*(1,108)*	**-**	*(1,108)*
	(118,280)	*(103,389)*	**(94,095)**	*(77,895)*

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

	Group		Association	
	2019	*2018*	**2019**	*2018*
	£'000	*£'000*	**£'000**	*£'000*
Loans and borrowings	**(570,187)**	*(602,492)*	**(453,035)**	*(481,091)*
Finance leases	**-**	*(2,005)*	**-**	*(2,005)*
	(570,187)	*(604,497)*	**(453,035)**	*(483,096)*
Less: funding costs to be amortised	**2,899**	*2,939*	**1,636**	*1,601*
Interest rate swap	**(66,476)**	*(65,544)*	**(14,963)**	*(14,841)*
Deferred capital grants (see Note 19)	**(49,556)**	*(35,761)*	**(49,556)**	*(35,761)*
Recycled capital grants fund	**(1,310)**	*(1,635)*	**(1,310)**	*(1,635)*
Leasehold sinking fund balances	**(9,037)**	*(8,299)*	**(8,640)**	*(7,926)*
SHPS pension deficit contribution	**-**	*(7,600)*	**-**	*(7,600)*
	(693,667)	*(720,397)*	**(525,868)**	*(549,258)*

The Recycled Capital Grant Fund balance consists of:

Group and Association	**2019**	*2018*
	£'000	*£'000*
At 1 April	**(1,635)**	*(2,005)*
Grants recycled	**(65)**	*(122)*
Transferred to deferred capital grants	**400**	*500*
Interest accrued	**(10)**	*(8)*
At 31 March	**(1,310)**	*(1,635)*

17. 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	
	2019	*2018*	**2019**	*2018*
Weighted Average Interest rate	**4.41%**	*4.58%*	**4.08%**	*4.20%*

At the 31 March 2019, the Group and Association had undrawn loan facilities of £25,000k (2018: £25,000k).

The loans and finance lease repayments are due as follows:

Group	2019			*2018*
	Bank loans	Other loans	Total	*Total*
	£'000	£'000	**£'000**	*£'000*
In one year or less, or on demand (see Note 16)	(31,923)	(3)	**(31,926)**	*(17,915)*
In more than one year and less than two years	(17,679)	(3)	**(17,682)**	*(31,976)*
In more than two years and less than five years	(51,786)	(10)	**(51,796)**	*(56,523)*
More than five years	(250,561)	(250,148)	**(500,709)**	*(515,998)*
	(351,949)	**(250,164)**	**(602,113)**	*(622,412)*

Association	2019			*2018*
	Bank loans	Other loans	Total	*Total*
	£'000	£'000	**£'000**	*£'000*
In one year or less, or on demand (see Note 16)	(27,675)	(3)	**(27,678)**	*(12,165)*
In more than one year and less than two years	(13,643)	(3)	**(13,646)**	*(27,728)*
In more than two years and less than five years	(36,839)	(10)	**(36,849)**	*(43,192)*
More than five years	(152,392)	(250,148)	**(402,540)**	*(412,176)*
	(230,549)	**(250,164)**	**(480,713)**	*(495,261)*

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18. Financial instruments

	Group		Association	
	2019	*2018*	**2019**	*2018*
	£'000	*£'000*	**£'000**	*£'000*
Financial assets				
Financial assets measured at historical cost				
- Rental & Service charge debtors (Note 15)	**752**	*855*	**750**	*853*
- Trade debtors (Note 15)	**2,715**	*3,209*	**2,715**	*3,212*
- Other debtors	**16,958**	*13,023*	**8,598**	*5,989*
- Investments in subsidiaries (Note 26)	**-**	*-*	**6,739**	*6,485*
- Cash and cash equivalents (Note 21)	**165,501**	*185,737*	**158,831**	*165,230*
- Short term investments (Note 21)	**49,600**	*53,100*	**33,300**	*51,000*
- Amounts owed from group undertakings - concessionary loans (Note 15)	**-**	*-*	**36,280**	*36,758*
- Finance lease asset (Note 15)	**112,521**	*115,504*	**5,863**	*6,009*
Total financial assets	**348,047**	*371,428*	**253,076**	*275,536*
Financial liabilities				
Financial liabilities measured at amortised cost				
- Loans payable (Note 17)	**(602,113)**	*(620,322)*	**(480,712)**	*(493,170)*
Financial liabilities measured at historic cost				
- Trade creditors (Note 16)	**(4,785)**	*(2,037)*	**(4,785)**	*(2,043)*
- Other creditors	**(29,780)**	*(30,599)*	**(26,349)**	*(26,796)*
- SHPS pension deficit contribution (Notes 16 and 17)	**-**	*(8,708)*	**-**	*(8,708)*
- Defined benefit pension liabilities (Note 25)	**(14,135)**	*(189)*	**(14,135)**	*(189)*
- Amounts owed to group undertakings (Note 16)	**-**	*-*	**(7,031)**	*(6,830)*
- Finance leases (Note 17)	**-**	*(2,090)*	**-**	*(2,090)*
Derivative financial instruments designated as hedges of variable interest rate risk (Note 17)	**(66,477)**	*(65,544)*	**(14,963)**	*(14,841)*
Total financial liabilities	**(717,290)**	*(729,489)*	**(547,975)**	*(554,667)*

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	Underlying interest rate	Interest rate swap	Maturity of swap
	£'000			
Housing & Care 21	(35,000)	LIBOR	Receive LIBOR, pay a fixed 5.3%	April 2040
Oldham Retirement Housing Partnership	(66,412)	LIBOR	Receive LIBOR, pay a fixed 4.8%	October 2034
Kent Community Partnership	(28,922)	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

18. 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:

Group	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.

19. Deferred capital grants

Group	Retirement Housing	Extra Care	PFI/PPP	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Grants					
1 April 2018	(197,492)	(279,810)	(11,363)	(5,497)	**(494,162)**
Grants received	-	-	-	(13,720)	**(13,720)**
Transfer to/(from) RCGF	182	14	-	(400)	**(204)**
Completions		(1,880)		1,880	**-**
31 March 2019	**(197,310)**	**(281,676)**	**(11,363)**	**(17,737)**	**(508,086)**
Amortisation					
1 April 2018	197,492	249,546	11,363	-	**458,401**
Charge for the year	-	311	-	-	**311**
Disposals	(182)	-	-	-	**(182)**
31 March 2019	**197,310**	**249,857**	**11,363**	**-**	**458,530**
Net book value					
31 March 2019	**-**	**(31,819)**	**-**	**(17,737)**	**(49,556)**
31 March 2018	-	*(30,264)*	-	*(5,497)*	*(35,761)*

19. Deferred capital grants (continued)

Association	Retirement Housing	Extra Care	PFI/PPP	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Grants					
1 April 2018	(197,492)	(274,148)	(11,363)	(5,497)	**(488,500)**
Grants received	-	-	-	(13,720)	**(13,720)**
Transfer to/(from) RCGF	182	14	-	(400)	**(204)**
Completions	-	(1,880)	-	1,880	**-**
31 March 2019	**(197,310)**	**(276,014)**	**(11,363)**	**(17,737)**	**(502,424)**
Amortisation					
1 April 2018	197,492	243,884	11,363	-	**452,739**
Amortisation in the year	-	311	-	-	**311**
Disposals	(182)	-	-	-	**(182)**
31 March 2019	**197,310**	**244,195**	**11,363**	**-**	**452,868**
Net book value					
31 March 2019	**-**	**(31,819)**	**-**	**(17,737)**	**(49,556)**
31 March 2018	-	*(30,264)*	-	*(5,497)*	*(35,761)*

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 2019, the total value of grant recycled is £1,310k (2018: £1,635k). See Note 17 for more information.

The Group and Association also has £25,260k of grants (2018: £21,067k) associated with properties that it has acquired from other providers that are not shown in the analyses above.

20. Reconciliation of operating surplus to cash from operations

	Group		Association	
	2019	*2018*	**2019**	*2018*
	£'000	*£'000*	**£'000**	*£'000*
Operating surplus	**35,821**	*37,664*	**31,196**	*33,072*
Depreciation of housing properties	**24,757**	*25,310*	**23,557**	*24,156*
Depreciation of other fixed assets	**555**	*642*	**555**	*642*
Write-off of goodwill	**1,446**	-	**-**	-
Write-off of investment	**-**	-	**1,446**	-
Grant amortisation	**(311)**	*(309)*	**(311)**	*(309)*
Property sales included in Operating Surplus	**(343)**	*(200)*	**(343)**	*(200)*
SHPS deficit contributions paid	**(1,108)**	*(1,069)*	**(1,108)**	*(1,069)*
(Increase) / decrease in debtors	**(149)**	*5,489*	**(2,270)**	*4,499*
(Decrease) / increase in creditors	**(219)**	*4,297*	**(787)**	*3,412*
Cash from operations	**60,449**	**71,824**	**51,935**	*64,203*

21. Analysis of the changes in net debt

Group	*At 1 April 2018*	Cash Flows	Non-cash movement	At 31 March 2019
	£'000	£'000	£'000	**£'000**
Cash	*185,737*	(20,236)	-	**165,501**
Short term investments	*53,100*	(3,500)	–	**49,600**
Bank loans and bonds (excl. capitalised debt issue costs)	*(620,322)*	18,209	–	**(602,113)**
Finance leases	*(2,090)*	2,014	76	**-**
Net debt	*(383,575)*	(3,513)	**76**	**(387,012)**

Association	*At 1 April 2018*	Cash Flows	Non-cash movement	At 31 March 2019
	£'000	£'000	£'000	**£'000**
Cash	*165,230*	(6,399)	-	**158,831**
Short term investments	*51,000*	(17,700)	–	**33,300**
Bank loans and bonds (excl. capitalised debt issue costs)	*(493,170)*	12,457	–	**(480,713)**
Finance leases	*(2,090)*	2,014	76	**-**
Net debt	*(279,030)*	(9,628)	**76**	**(288,582)**

22. Share capital

	2019	*2018*
	£'000	*£'000*
Allotted, issued and fully paid	**21**	*21*

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.

23. Capital commitments

	Group and Association	
	2019	*2018*
	£'000	*£'000*
Capital expenditure contracted but not provided for	**87,994**	*9,978*
Capital expenditure approved but not contracted for	**60,486**	*33,602*
	148,480	*43,580*

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 2019 will be funded by:

	Group and Association	
	2019	*2018*
	£'000	*£'000*
Grants	**32,202**	*8,916*
Existing cash and short term investment reserves	**116,278**	*34,664*
	148,480	*43,580*

24. Commitments under operating leases

Amounts payable as lessee	Group		Association	
	2019	*2018*	**2019**	*2018*
	£'000	*£'000*	**£'000**	*£'000*
On land and buildings:				
Not later than 1 year	**446**	*530*	**446**	*530*
Later than 1 year and not later than 5 years	**1,673**	*1,913*	**1,673**	*1,913*
Later than 5 years	**1,898**	*2,310*	**1,898**	*2,310*
	4,017	*4,753*	**4,017**	*4,753*
On other assets:				
Not later than 1 year	**96**	*220*	**96**	*220*
Later than 1 year and not later than 5 years	**35**	*131*	**35**	*131*
Later than 5 years	**-**	*-*	**-**	*-*
	131	**351**	**131**	*351*

25. Pensions

Housing 21 participates in a number of defined benefit and defined contribution schemes. At the balance sheet date, 2,711 (2018: 2,541) 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 87 (2018: 96) 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.

25.1. 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 (2018: £170k) with 73 employee members at the year-end (2018: 78). This includes £22k (2018: £22k) outstanding contributions at the Balance Sheet date.

25.2. 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 £7k (2018: £12k) with two employee members at the year-end (2018: six). This includes £nil (2018: £1k) outstanding contributions at the Balance Sheet date.

25.3. 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 £637k (2018: £192k) with 1,931 employee members at the year-end (2018: 1,815). This includes £93k (2018: £27k) outstanding contributions at the Balance Sheet date.

25.4. 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 £1,108k (2018: £854k) with 616 employee members at the year-end (2018: 548). This includes £255k (2018: £200k) outstanding contributions at the Balance Sheet date.

25.5. 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).

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.

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25. Pensions (continued)

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 £43,265k, liabilities of £57,203k and a deficit of £13,938k.

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

	31 March 2019	1 April 2018
	£'000	*£'000*
Fair value of plan assets	**43,265**	*42,115*
Present value of defined benefit obligation	**(57,203)**	*(54,023)*
Deficit in plan	**(13,938)**	*(11,908)*
Unrecognised surplus	**-**	*-*
Defined benefit liability to be recognised	**(13,938)**	*(11,908)*
Deferred tax	**-**	*-*
Net defined benefit liability to be recognised	**(13,938)**	*(11,908)*

This is the first year of recognising the SHPS defined benefit liability under the defined benefit accounting rules. There was no liability in the prior year accounts and there has been no prior year adjustment. The new liability recognised as at 1 April 2018 of £11,908k replaces the funding deficit liability that was previously recognised of £8,708k, with the £3,200k difference taken through Other Comprehensive Income in accordance with the Notes 1.2 and 1.13.

Reconciliation of opening and closing balances of the defined benefit obligation

	31 March 2019
	£'000
Defined benefit obligation at start of period	54,023
Current service cost	-
Expenses	43
Interest expense	1,346
Actuarial losses/(gains) due to scheme experience	418
Actuarial losses/(gains) due to changes in demographic assumptions	169
Actuarial losses/(gains) due to changes in financial assumptions	3,225
Benefits paid and expenses	(2,021)
Defined benefit obligation at end of period	**57,203**

25. Pensions (continued)

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

	31 March 2019
	£'000
Fair value of plan assets at start of period	42,115
Interest income	1,058
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	966
Contributions by the employer	1,147
Benefits paid and expenses	(2,021)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	**43,265**

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £2,024,000.

Reconciliation of movement in net liability

	31 March 2019
	£'000
Net defined benefit liability at start of period	(11,908)
Defined benefit costs recognised in the Comprehensive Income Statement (CIS)	(331)
Defined benefit costs recognised in Other Comprehensive Income (OCI)	(2,846)
Past service funding deficit contributions and expenses paid	1,147
Net defined benefit liability at end of period	**(13,938)**

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

	31 March 2019
	£'000
Current service cost	-
Expenses	43
Net interest expense	288
Losses/(gains) on business combinations	-
Losses/(gains) on settlements	-
Losses/(gains) on curtailments	-
Losses/(gains) due to benefit changes	-
Defined benefit costs recognised in the comprehensive income statement (CIS)	**331**

25. Pensions (continued)

Defined benefit costs recognised in Other Comprehensive Income (OCI)

	31 March 2019
	£'000
Experience on plan assets (excluding amounts included in net interest cost) – gain/(loss)	966
Experience gains and losses arising on the plan liabilities - gain /(loss)	(418)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/(loss)	(169)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	(3,225)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain/(loss)	(2,846)
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)	**(2,846)**

Assets

	31 March 2019	1 April 2018
	£'000	*£'000*
Global Equity	**7,280**	*8,318*
Absolute Return	**3,743**	*5,145*
Distressed Opportunities	**786**	*407*
Credit Relative Value	**792**	-
Alternative Risk Premia	**2,495**	*1,597*
Fund of Hedge Funds	**195**	*1,387*
Emerging Markets Debt	**1,493**	*1,698*
Risk Sharing	**1,307**	*390*
Insurance-Linked Securities	**1,241**	*1,106*
Property	**974**	*1,939*
Infrastructure	**2,269**	*1,080*
Private Debt	**581**	*375*
Corporate Bond Fund	**2,019**	*1,730*
Long Lease Property	**636**	-
Secured Income	**1,549**	*1,561*
Over 15 Year Gilts	**-**	-
Liability Driven Investment	**15,822**	*15,343*
Net Current Assets	**83**	*39*
Total assets	**43,265**	*42,115*

25. Pensions (continued)

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

	2019 % per annum	*2018 % per annum*
Discount Rate	**2.28%**	*2.54%*
Inflation (RPI)	**3.30%**	*3.20%*
Inflation (CPI)	**2.30%**	*2.20%*
Salary Growth	**3.30%**	*3.20%*
Allowance for commutation of pension for cash at retirement	**75% of maximum allowance**	*75% of maximum allowance*

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2019	**21.8**
Female retiring in 2019	**23.5**
Male retiring in 2039	**23.2**
Female retiring in 2039	**24.7**

25.6. Local authority pension schemes

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

25.6.1. 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% (2018: 20.0%) totalling £33k (2018: £34k). This includes £3k (2018: £4k) outstanding contributions at the Balance Sheet date. There were 6 employee members at the year-end (2018: 8). Employee contributions were between 5.8% and 6.5% (2018: 5.8% - 6.5%).

25.6.2. 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.

25. Pensions (continued)

During the financial year Housing 21 paid contributions at 24.7% (2018: 24.7%) totalling £326k (2018: £326k). There were 74 employee members at the year-end (2018: 81). This includes £23k (2018: £21k) 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% (2018: 5.5% - 6.8%).

25.6.3. 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% (2018: 25.1%) totalling £14k (2018: £14k). This includes £1k (2018: £1k) outstanding contributions at the Balance Sheet date. There were 4 (2018: 5) employee members at the year end. Employee contributions were between 5.5% and 5.8% (2018: 5.5% - 5.8%).

25.6.4. 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 contributions at 5% (2018: 5%) totalling £1k (2018: £1k). This includes £nil (2018: £1k) outstanding contributions at the Balance Sheet date.

There was nil employee members at the year-end (2018: 1). Employee contributions were 5.5% (2018: 5.5%).

25.6.5. 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 2016. Actuarial valuations have been prepared as at 31 March 2019 on behalf of Housing 21 (the Employer). For this purpose the value of the Funds as at 31 March 2019 have been estimated based upon the latest split of investments by category which was at 31 December 2016. The value of the Funds' liabilities as at 31 March 2019 were assessed by rolling forward the value of the Employer's liabilities reported as at the latest valuation.

25. Pensions (continued)

Reconciliation of defined benefit contributions

	31 March 2019	31 March 2018
	£'000	£'000
Opening defined benefit obligation	510	511
Current service costs	7	10
Interest cost on defined benefit obligation	13	13
Contributions by members	1	2
Actuarial gains / (losses)	19	(7)
Benefits paid	(19)	(19)
Closing defined benefit obligation	531	510

Reconciliation of fair value of assets employed

	31 March 2019	31 March 2018
	£'000	£'000
Opening fair value of assets employed	321	324
Interest income on plan assets	8	8
Contributions by members	1	2
Contributions by employers	4	6
Actuarial gains / (losses)	19	-
Benefits paid	(19)	(19)
Closing fair value of assets employed	334	321

	31 March 2019	31 March 2018
	£'000	£'000
Fair value of plan assets	334	321
Present value of plan liabilities	(531)	(510)
Net pension scheme liability	(197)	(189)

Analysis of actuarial loss recognised in Other Comprehensive Income

	31 March 2019	31 March 2018
	£'000	£'000
Changes in financial assumptions	(19)	7
Other experience	-	-
Return on assets excluding amounts included in net interest	19	-
	-	7

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25. Pensions (continued)

Composition of plan assets

	31 March 2019	31 March 2018
	£'000	£'000
Equities	59%	58%
Bonds	25%	25%
Property	8%	8%
Cash	8%	9%

Principal actuarial assumptions used at the balance sheet date

	31 March 2019	31 March 2018
	£'000	£'000
Pension increase rate	2.5%	2.4%
Salary increase rate	3.2%	3.1%
Discount rate	2.4%	2.6%

Mortality

Vita Curves with improvements in line with the CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% per annum. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	31 March 2019	
	Males	Females
Current pensioners	22.2 years	24.6 years
Future pensioners*	24.0 years	26.5 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 (2018: £6k). This includes £1k (2018: £1k) outstanding contributions at the Balance Sheet date.

There were 1 employee members at the end of the year (2018: 1). The average contribution rate of the Association for the year ended 31 March 2019 was 22.9% (2018: 22.9%) and for employees 5.8% (2018: 5.8%).

25.7. Closed schemes

There are no closed schemes in the year.

26. Investments and subsidiary undertakings

	Group £'000	Association £'000
Cost		
1 April 2018	-	25,602
Additions	-	1,700
31 March 2019	-	27,302
Accumulated impairments		
1 April 2018	-	(19,117)
Charge for the year	-	(1,446)
31 March 2019	-	(20,563)
Net book value		
31 March 2019	-	**6,739**
31 March 2018	-	*6,485*

Details of the £1,700k investment made by the Association in the year (2018: nil) are shown in Note 27. £1,446k of the investment has been written off in the year (2018: nil). The basis is explained in Note 2.15.

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 and the provision of care services	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

26. 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:

	2019				*2018*
	Turnover	Operating costs	Interest payable	Total	*Total*
	£'000	£'000	£'000	£'000	*£'000*
Kent Community Partnership	2,245	(555)	(767)	**923**	*854*
Housing 21 Guernsey LBG	-	(143)	-	**(143)**	*(140)*
Oldham Retirement Housing Partnership	-	(4,015)	(632)	**(4,647)**	*(4,402)*
Total	**2,245**	**(4,713)**	**(1,399)**	**(3,867)**	*(3,688)*

27. Acquisition of subsidiary

On 11 December 2018 the parent Association acquired 100% of the issued share capital of Goldsborough Estates Limited, a company undertaking the management, rental and sale of assisted living and retirement properties. The acquisition has significantly increased the Group's portfolio of leasehold service provision.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration:

	31 March 2019
	£'000
Cash paid for shares	1,700
Total purchase consideration	**1,700**

Fair value of assets and liabilities recognised as a result of the acquisition:

	31 March 2019
	£'000
Trade debtors	153
Cash	273
Trade creditors	(172)
Net identifiable assets acquired	**254**
Add: goodwill	1,446
Net assets acquired	**1,700**

There were no acquisitions in the year ending 31 March 2018.

The goodwill arising from the acquisition has been written-off in full to the Comprehensive Income Statement in the year. The basis is explained in Note 2.14.

No turnover or profit has been recognised in the Group Financial Statements since the acquisition. The turnover and profit for the period from 11 December 2018 to 31 March 2019 would be insignificant to the Group's results.

If the acquisition had occurred on 1 April 2018, turnover and profit for the year ended 31 March 2019 would have been an estimated £400k and £50k respectively. These amounts have been estimated using the subsidiary's prior year reported results.

28. 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.

29. Post-balance sheet events

There are no post balance sheet events.

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