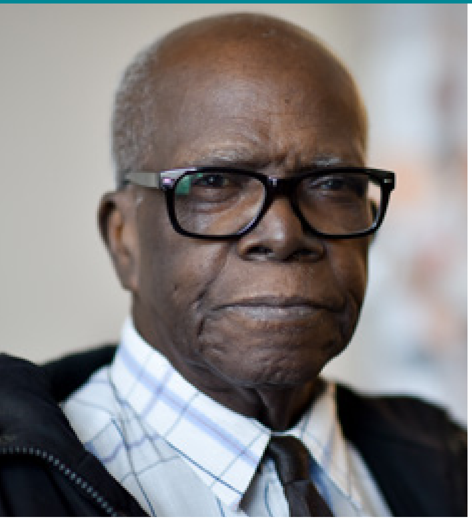
Housing 21



Report and Financial Statements

2020/21

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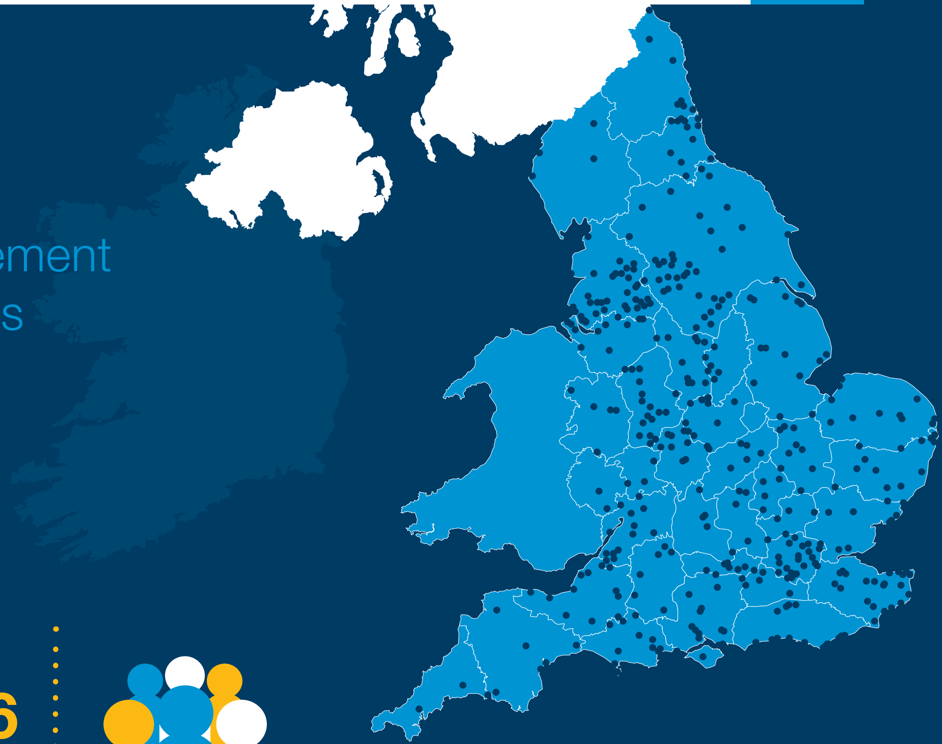
Housing 21 at a glance



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

INVESTORS IN PEOPLE®
We invest in people Platinum

Over **38,000 hrs** of care delivered to **over 5,000 service users** each week in Extra Care

Over **90%** of care services rated '**Good**' by CQC with six services rated '**Outstanding**'

*as of 31 March 2020

143 Extra Care schemes – **over 6,700 Extra Care properties**

395 Retirement Living schemes – over 14,000 properties

We are a leading **dementia-friendly organisation**

3,146 (FTE) staff employed in **Extra Care, Retirement Living** and our corporate business streams

We are **experts in the provision of housing** for older people

Working with **over 240** local authorities nationwide

Charitable not-for-profit organisation

Over 55 years' experience

Our services

We have two distinct service offers which provide safe, attractive and comfortable accommodation for older people of modest means; Retirement Living and Extra Care Living.

Retirement Living

In Retirement Living we offer housing and services with residents' wellbeing and safety at heart, providing high quality properties which are comfortable, modern, safe and secure and have the right amount of support from our dedicated managers and 24-hour emergency alarm systems so older people can continue to live independently. All of our residents have their own front door but are also part of a vibrant community.

Scheme Managers are a vital component of our offer and are highly valued by our residents. They provide advice and support for residents while also managing the building and associated services.

We also have a focus on involving our residents in a variety of ways, a commitment to enhancing wellbeing and sustaining a healthy tenancy for everyone.

We manage over 14,000 Retirement Living properties in more than 395 schemes across England. Many have a communal lounge, gardens and a guest room for visitors. Most are available to rent however there are over 1,300 leasehold properties where we provide a management service.

We have ambitious plans to continue to improve our Retirement Living properties and services, making them something that older people continue to aspire to live in.

Extra Care Living

Extra Care at Housing 21 is a high-quality integrated housing and care option for older people of modest means. By living in one of our Extra Care schemes, Housing 21 residents have flexible access to care and support as and when they need it, while enjoying the independence of having their own front door and individual, private apartment. In addition, people living in our Extra Care schemes have access to on-site facilities which typically include a hair salon, café/bistro, landscaped gardens and communal lounges where social activities will often be taking place.

As an alternative to residential care, Extra Care Living provides an opportunity for people to live within a supportive community setting, which has a positive effect on wellbeing. It ensures peace of mind and a feeling of safety and security provided by the presence of a 24/7 on-site care team who are on hand to provide tailored care and support within the privacy of people's homes.

Our Extra Care properties, typically apartments or bungalows, are designed to high standards and adhere to guidelines for accessibility and dementia-friendly design. All of our communal areas are open to the public when safe to do so, meaning residents can enjoy time with friends and family on their doorstep. Our Extra Care schemes also regularly run social activities, which help reduce loneliness and isolation.

As the largest provider of Extra Care in England, with over 143 schemes and providing over 38,000 hours of social care each week, Housing 21 has an important role to play in improving the lives of older people. We develop Extra Care schemes in partnership with local authorities as a cost-effective way to meet housing and care needs. Our focus on supporting people of modest means sees us operate 70% of schemes in deprived areas.

We continue to be focussed on developing our schemes in the locations where good quality housing with care for older people is so desperately needed and can have such a positive impact.

Stephen Hughes,
Chairman

Bruce Moore,
Chief Executive

Chairman's and Chief Executive's messages

The year from April 2020 to March 2021 was truly extraordinary and exceptional. But, notwithstanding the unprecedented impact of Covid-19, Housing 21 has continued to demonstrate its resilience, resolve and commitment to put the best interests of its residents at the forefront of all its actions and decisions. We have been particularly heartened and impressed by the way that everyone within Housing 21 has adapted, responded and worked flexibly to provide help and support where and when it was needed most.

We want to record our thanks for the remarkable dedication our people have shown throughout the pandemic, especially our Care Workers, Cleaners and Scheme Managers who have been on-site providing direct support and assistance. Scheme Managers were a constant source of assurance and assistance to residents in our Retirement Living services, maintaining contact so no one was ever alone or forgotten.

As well as strengthening links between neighbours and with the wider community who were so generous with their support. Care Workers and managers ensured that residents in Extra Care continued to receive the care they needed and when Covid-19 infections occurred some Care Workers stayed on site for up to 14 days to guarantee that services could be maintained whilst minimising the risk of transmission of the virus. Employees in corporate roles also played their part, adapting to new ways of working as well as making incredible efforts to procure and distribute sufficient PPE (Personal Protective Equipment) to guarantee that nobody went unprotected. In addition, our asset management, development and construction colleagues continued to invest in and commission new developments and improve the quality and safety of our existing properties.

We are pleased that Housing 21's commitment to quality, innovation and improvement has received external recognition including UK Housing Award's 'Best Older People's Landlord' for 2020/21. We hope that this will also serve as an acknowledgement of the many distinctive and vital contributions to the success of Housing 21 and allow people to feel justifiably proud of the role they play and impact they make to improve the housing and lives of so many older people.

Despite our achievements and successes, we know we can never become complacent, and we will continue to challenge ourselves to go further and do more. We are determined to remain focused on understanding and responding to the needs and preferences of our current and future residents, so ensuring that Housing 21's properties remain great places to live and where we provide incredible services.

We welcome the positive agenda of the Charter for Social Housing Residents set out in the Social Housing White Paper and are already working on demonstrating how these standards are being achieved and can be used to hold ourselves accountable for our performance. Alongside Housing 21's seven areas of strategic ambition, we are challenging ourselves to do more and go further in pursuit of priorities in respect of:

Sustainability

As we make clear in our Doing the Right Thing Report and in social impact sections of this report, we have a desire to reach a position where the net effect of our activities does no harm to the environment. We have formed an Environmental Steering Group to monitor and drive progress towards our environmental objectives and challenge our approach and assumptions.

Accountability

We recognise the importance of ensuring our residents can influence and shape the services we provide. To achieve this we are creating additional forums and opportunities for residents to feed into local and national decision making and debates that feed into and inform the assessments and judgements of Housing 21's Executives and Board.

Diversity, Respect and Inclusion

We value diversity and the need to understand and respect difference. The Black Lives Matter campaign has challenged us all to think differently and, in many cases, opened our eyes to subtle prejudices and acts of micro discrimination that may have previously gone unnoticed. We do not tolerate acts of discrimination amongst our people or our residents and are working to share knowledge and experience to promote an inclusive environment for all.

Quality

Despite economic pressures and the challenges of Covid-19, we will not compromise on our commitment to maintain quality and have continued to invest in our properties, services and people.

Technology and digital inclusion

Like many organisations, Housing 21 has adapted quickly to adopt new ways of working supported by new technology. However, too many of our residents still lack access to equipment, connections and support needed to take advantage of what the digital world can provide. We are seeking ways to help residents overcome the digital divide and ensure that our technological offer will not only help support existing residents, but also meet the expectations of new cohorts and generations of older people.

We remain committed to focusing on the things that matter, challenging ourselves to do better and providing a great customer experience as we continue to deliver quality housing and care for those who need it most. We always want to do the right thing, but it is clear that we have made some serious past mistakes in setting our rents and service charges.

We are very sorry for allowing this to happen, and have made significant changes and checks to ensure that our rents and charges are now fully compliant and are committed to making full recompense for the amounts that were over charged. We have, as a consequence, moved all our rents to social formula rents and away from the generally higher affordable rents in order to ensure that they are genuinely affordable as well as maintaining the transparency and accountability that is achieved from variable rather than fixed service charges.

We are working closely with the Regulator of Social Housing to address the issues and root causes of the rent mistakes as well as checking and strengthening our governance, oversight and assurance in order to regain our G1 status in 2021. As part of this process of review we have also strengthened the Executive Team with the addition of four new Executive Directors:

- Kris Peach as Executive Director of Extra Care
- Pam Mastrantonio as Executive Director of Retirement Living
- Amina Graham as Executive Director of People and Systems
- Andy Howarth as Chief Finance Officer; in place of Paul Weston who left Housing 21 to pursue new opportunities in early 2021.

Tony Tench has also moved from being Chief Operations Officer to a new role as Deputy Chief Executive with a strong focus on development and asset management alongside a number of key project roles and responsibilities.

Housing 21 has a strong and effective Board that plays a vital role in ensuring we are not diverted from our purpose and remain true to our values and culture as well as driving performance and balancing risks and opportunities.

In September 2020 we were pleased to welcome three new Board Members: Suki Kalirai, William Roberts and Lara Oyedele, who have each brought considerable new expertise as well as diversity to the Board. We have also appointed Shelagh Robinson as a new Resident Board Member following a comprehensive, but virtual recruitment process.

We are, however, sad to have had to say goodbye to Kathleen Boyle and Michael Knott who left the Board in September 2020, having completed six years of service and added great value to Housing 21. In September 2021 we will also lose the wisdom and influence of Liz Potter who has made an immense contribution to Housing 21 since she joined the Board in 2014 in a number of key roles and most recently as Deputy Chair and we want to thank her for her great service.

Although we moved into 2021/22 financial year, we were still subject to many Covid-19 related restrictions and were not able to meet in person without protective facemasks and social distancing. We are hopeful that with the benefits of vaccination we will soon be able to return to a more normal set of circumstances.

As we adapt to a new post-pandemic normality, we remain confident that Housing 21 will continue in its commitment to pursuing a progressive and ambitious strategy, to do more and better to serve the needs of older people of modest means through the provision of quality Extra Care and Retirement Living.

Bruce Moore Chief Executive

Stephen Hughes Chairman

Our move to social (formula) rent

In June 2020 Housing 21 was downgraded by the Regulator of Social Housing for our governance of rent setting. The breaches related to two long standing aspects of our approach to rent setting which were believed to be exempt or permitted to deviate from the Rent Standard. The first issue was that re-let rents on Extra Care and Retirement Living properties should have been set at formula rents from the inception of the Rent Standard in 2012, not the prevailing rent. The second issue related to compliance with the Welfare Reform and Work Act that required registered supported housing providers to reduce gross affordable rents (including service charges) by 1% for three years from 2017. However, Housing 21 had incorrectly applied the 1% reduction to net rents and maintained a variable service charge to recover the cost of services agreed with residents.

Housing 21 is incredibly sorry for these mistakes and is keen to learn from them and make full recompense where possible.

Following the downgrade, Housing 21 immediately employed third party legal and housing organisations to assist in a root and branch review of our rent setting. This has led to an extensive process of review and strengthening of processes with the aim of ensuring full rent compliance and significantly improving transparency and Board oversight of rent setting and remediation of all past mistakes.

As part of the review, the Board set out some guiding principles that enshrined our commitment to providing rents which are affordable for older people of modest means and maintaining variable service charges which provide accountability and reflect the service choices of residents.

Housing 21 has applied a revised Rent Setting Policy in April 2021 and moved all lettings to social rents based on a formula (most recently set out in the Policy Statement on Rents for Social Housing*) which takes into account property size, values and local incomes. This means we no longer apply affordable rents (which could be set at up to 80% of market rent including service charges) to existing or to new properties. Applying social rents means that our residents still benefit from variable service charges based on the services they have requested and agreed as part of local consultations which gives them the opportunity to influence and determine the services they receive. The social rent is generally lower than 80% of the market rent which ensures that residents will also benefit from generally lower rents. The move to social rents, however, has resulted in a reduction in rent income of £2.8m per year from 2021/22.

Following the setting of rents in April 2021 and application of our new policy, external advisors carried out a detailed validation process that provided substantial assurance that our rents are now correct in relation to our policy and are compliant with the Rent Standard.

We are working to refund previous overcharges and a substantial proportion of the sums to be refunded will be due to Housing Benefit departments of local authorities or the Department of Work and Pensions. Following a process set out by our legal advisors we will ensure that any refund due to the Housing Benefit authorities or Department of Work and Pensions is satisfied before we inform residents of any residual refund that they will receive. We are keeping all current residents that are affected updated on progress and are seeking to have substantially completed refunds to current and former tenants by end of March 2022.

These overcharges, which amount to £9.7m since 2012, will be fully provided for as one-off items in our accounts and matched to the relevant accounting years: £0.6m in 2021, £2.0m in 2020, and the balance of £7.1m will be charged to historic reserves.

*Policy statement on rents for social housing, Ministry of Housing, Communities and Local Government, February 2019.

Extra Care and Retirement Living – Meeting the Covid-19 challenge

The Covid-19 pandemic has had a huge impact on us all and has been of great concern for older people and those with underlying health conditions. As a specialist provider of housing and care for older people of modest means, our residents have been particularly vulnerable to the virus and we have sought to fulfil our duty of care to keep both our residents and employees as safe as possible, whilst also supporting them to maintain their wellbeing.

Housing 21 reacted very quickly to the challenges we faced during Covid-19 and maintained a calm and proportionate response. The robust nature of our service delivery, together with our devolved operating model which equips frontline employees to manage services across over 500 locations, enabled our local managers to step in and 'Do the Right Thing' for our residents. Every resident was offered daily contact and support to access medical help, repairs or food parcels if needed.

Our residents, together with those living in Retirement and Extra Care communities across the country, benefited from having the additional support from frontline employees if needed, but also from their own home, typically a flat or bungalow, and their own front door meaning that those shielding or needing to self-isolate they could do so easily.

Living in one of our Retirement or Extra Care Living properties offers attractive communal grounds and facilities for residents to enjoy. During lockdown we restricted access to residents only and encouraged social distancing, but we acknowledged and promoted the importance of social interaction with residents being able to enjoy the outside space and talk to neighbours, abiding by social distancing, for their own wellbeing and mental health.

We flexed our cleaning services and regimes to make sure the high contact areas were frequently cleaned throughout our schemes. In Extra Care, the catering services continued to provide nutritional meals for residents which were delivered to their own homes. To further support resident wellbeing, our Scheme Managers continued to provide residents with activities, puzzles and communal events in gardens throughout lockdown.

Thanks to our continued investment in technology for both employees and residents, we were able to offer remote support services very effectively for those residents who were shielding. Our Scheme Managers can use digital tablets to manage repairs, lettings, income collection and to make calls to residents from any location – supporting their ability to work flexibly.

The installation of digital call systems, replacing the dated analogue warden call, provided residents with the added security of knowing they could access emergency help within seconds. In some schemes, the system also helped to reduce isolation by enabling residents to video call friends in the schemes and receive daily support calls from their local manager.

Care and support

For our more vulnerable and frail residents living in Extra Care, we offer very high levels of assurance and support through our on-site 24/7 care service. Our Care Workers rose to the challenge of the pandemic and have been fantastic throughout, always putting the health and wellbeing of our residents first, often at their own personal expense.

Where one of our schemes had a high number of Covid-19 cases, the Care Workers were the first to agree to a full lockdown, some moving into the scheme to provide much needed care and support to residents. Shifts were flexible so Care Workers who were supporting residents with symptoms were not allocated to well residents to avoid cross contamination.

Joanne Swan, a Housing and Care Manager at Fountain Court in Gateshead, was awarded a British Empire Medal for her contribution to the Coronavirus response.

With guidance from Public Health England, Joanne took the decision to completely lockdown the scheme during the pandemic and arranged to stay at the scheme for 14 nights to limit the transmission of the virus to the rest of the community in Gateshead.

There were many others across Housing 21 who showed outstanding commitment and dedication to the organisation during the pandemic, both in keeping residents safe and also in continuing to provide high standards of service and business continuity throughout.

Despite higher than usual employee absences due to colleagues rightly self-isolating when they had symptoms, prior to testing being widely available, we were able to maintain all essential care calls and delivery across our Extra Care service.

A special thanks to our Local Authority Commissioning Partners who have been really supportive throughout the pandemic and have assisted us in meeting some of the higher costs associated with maintaining safe and quality services in the pandemic via Infection Control funding.

Care Worker turnover is at its lowest rate ever

16.9%

Doing the Right Thing for our people

Prior to Covid-19, Housing 21 had invested in our Care Workers, recognising the value of the service provided to residents, and had invested in training and development, guaranteed hours and committed to paying a minimum of at least 10% above National Living Wage.

In response to the pandemic, we went further to ensure all frontline employees were supported and recognised for their outstanding work during a particularly uncertain time. We:

- Used our scale to ensure all appropriate PPE was in place for all.
- Provided free meals per shift (at a time of supermarket shortages and when we encouraged people not to go out to shops during breaks), also supporting our catering partners.
- Introduced Occupational Sick Pay for Cleaners and Care Workers. This was a significant step in making sure everyone was on comparable terms and ensuring frontline employees would not be penalised financially for taking time off if they experienced illness or Covid-19 symptoms.

By doing the right thing for our people, they have continued to deliver a great service for our residents. Sickness levels have not exceeded 4% (currently 1%) and Care Worker turnover is at its lowest rate ever of 16.9%, significantly lower than the industry norm for social care (typically nearer to 35%).

The Board of Housing 21 is keen to recognise and thank all employees for all their commitment and fantastic service throughout the pandemic.

Continued demand

Housing 21 is committed to maintaining our existing homes and services as well as developing new homes for older people of modest means.

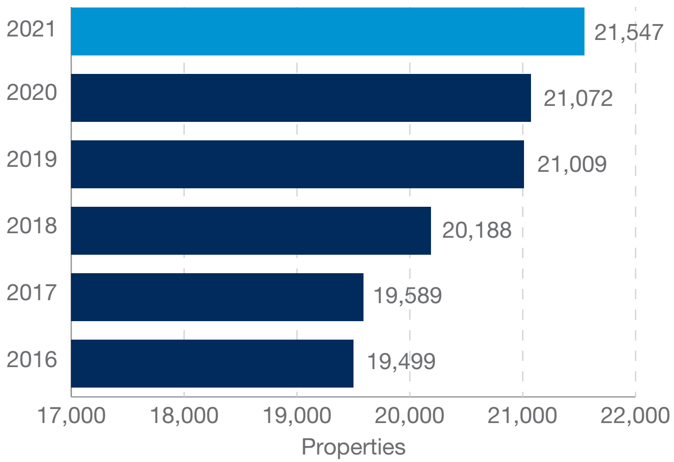
As lockdown measures ease, we are letting and selling homes once again and demand is buoyant. We delivered seven new developments during the last financial year and all properties for sale and rent have been well received.

We believe that for many older people, good quality housing and support is a positive choice and a better alternative to more institutional forms of care. That is, possibly, even more the case today as it appears care homes and institutional care settings have been less well equipped to manage infection control than a supported housing environment.

With renewed confidence following the roll-out of vaccines, demand is increasing and now more than ever people have placed added importance on their home. The sector needs to build more specialist older people's housing to meet the ever-increasing demands, providing choice, or face a national crisis further down the line where there simply are not enough specialist homes for the older people who need it.

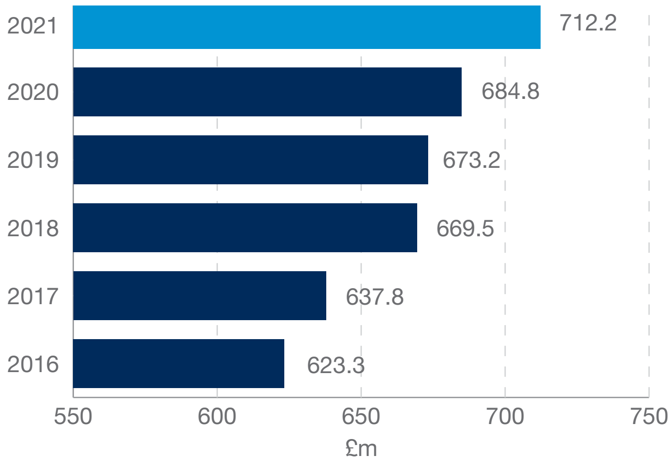
Financial highlights

Properties owned and managed



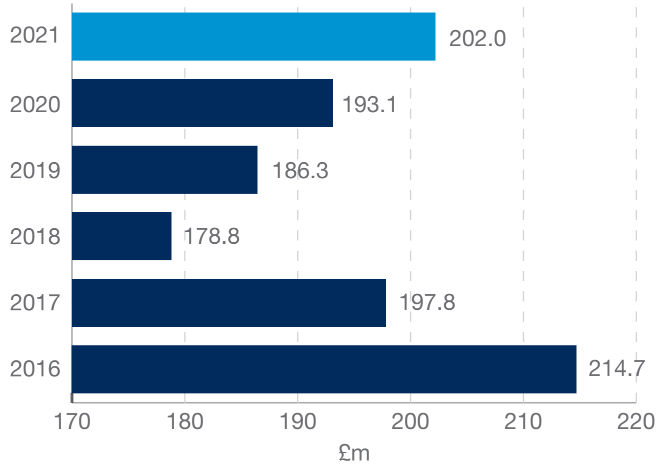
400 new properties developed in the year, making Housing 21 the 36th biggest builder in Inside Housing's annual survey. 73 properties acquired from other registered providers.

Net assets



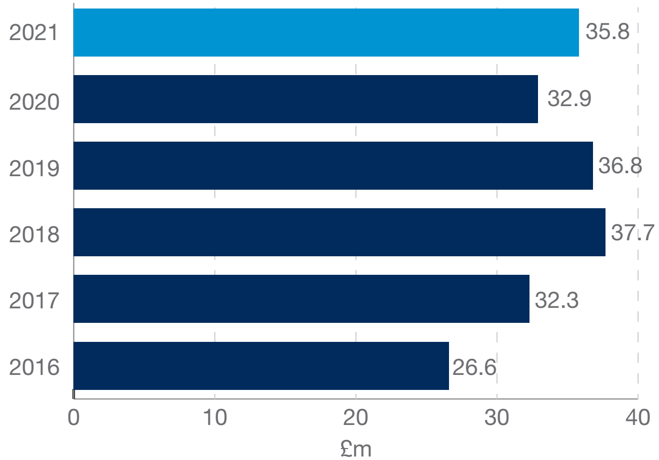
Net assets have increased from investment into our existing and new properties offset by increasing net debt.

Total revenue



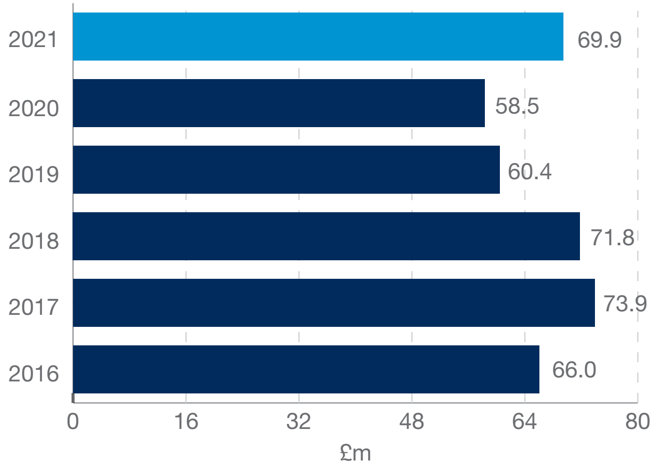
Revenues have increased from more development sales and the annual regulatory rent increase.

Operating surplus



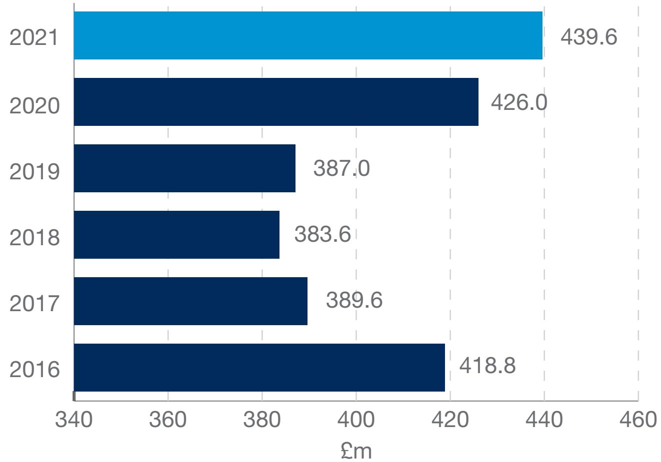
Our operating surplus in 2021 has increased due to higher development profit.

Cash flow from operations



Cash-flows from operations continue to grow to enable the continued investment in our stock and servicing of debt.

Net debt (excluding derivatives)



Despite drawing down £120m of new debt, overall net debt remains stable. This new debt secures the development programme for the next two years.

Strategic Report

We will be reviewing our seven Strategic Priorities in 2021 to ensure they continue to be fit for purpose and provide clarity and direction to the wider organisation, as we continue to focus on providing Value for Money (VFM) for our residents, and 'Doing the Right Thing' as an organisation.

Our Strategic Plan will be refreshed later this year to reflect our renewed focus and vision for the years ahead.

1. Investing in providing **more homes**

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

143 Extra Care schemes – **over 6,700 Extra Care properties**

395 Retirement Living schemes – **over 14,000 properties**

The development team faced many challenges in 2020 as restrictions due to the pandemic impacted our ways of operating, but we still invested £81.8m in developing new properties (2019/2020: £71.4m).

We also completed 79 Shared Ownership sales during the year.

Through outstanding partnership working with our development partners we delivered 400 much needed new homes for older people across seven schemes providing 351 Extra Care homes in six schemes and 49 Retirement Living homes in one scheme. Schemes launched in 2020/21:

- Claremont House, Derby
- Fry Court, Great Ayton
- Strawberry Gardens, Yatton
- Box Tree Court, Boston Spa
- Monaveen, West Sussex
- Meadow Walk, Fakenham
- Lady Ida Lodge, Cookridge

This was achieved in the face of the pandemic and move ins had to be done differently in order to keep people safe.

We ended 2020/21 with 13 schemes on site, made up of 12 Extra Care and one Retirement Living scheme, working to deliver 875 much needed homes for older people of modest means, 536 rental properties, 315 shared ownership, and 24 outright sale. 691 of these properties are due to complete in 2021/2022.

Acquisitions

We successfully transferred 73 properties in two schemes in Birmingham from Optivo into Housing 21's ownership. Barbara Glasgow House and Harmony House are situated in the culturally diverse communities of East Birmingham. These schemes will support us to diversify our customer base in Birmingham, giving those from the city's BAME communities access to our offer.

Supporting diverse communities

We are committed to developing in areas of greatest need and are working hard to develop new schemes in urban areas, reflecting the diversity of these communities and meeting the needs of minority ethnic elders which are not currently being adequately addressed.

Working in partnership with Birmingham City Council we have identified two sites in inner city Birmingham for potential co-housing schemes, one in Lozells and one in Washwood Heath, both deprived areas of the city. We will build approximately 25 homes on each site for rent, and potentially shared ownership depending on demand, ready for occupation in 2023.

Our vision is to give local older people in these communities the opportunity to shape the design of the properties and communal spaces and just as importantly to shape the ethos and community aspects of co-housing. Extensive two-way engagement with local older people is essential to ensure we understand and are able to meet their needs. Whilst restrictions imposed as a result of the pandemic in 2020/21 made this community engagement more challenging, we managed to hold two consultation meetings and received invaluable feedback in relation to design principles.

Our aim is to relaunch extensive consultation events in 2021 if the Covid-19 restrictions are relaxed as planned. Local inner-city charity, Legacy WM are supporting us with this key engagement piece and are helping to ensure we reach a diverse audience within the local communities. In addition, we have established a 'focus group' which is made up of members of the community, networks interested in co-housing and academics to capture the journey and the lessons learnt in order to share them with the wider sector.

Looking ahead

The targets within the development strategy are:

- To develop up to 800 new homes a year of which:
  – 640 will be extra care
  – 160 will be retirement living
- Half of new developments will be in the most deprived areas
- 10% will be for the BAME community
- 10 sites for co-housing over the next five years
- 75% of new development will be for rent at social rent
- 25% of new development will be for shared ownership
- Target new local authority partners
- Low carbon and sustainability approach to be implemented in design and delivery

In 2021/22:

- We are aiming to sell 268 units and generate £35m sales receipts
- 722 properties will start on site / 15 schemes (417 Extra Care/305 Retirement Living)
- We will complete 691 of the 875 units currently on site (11 schemes)

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

The safety and wellbeing of our residents is of paramount importance to us and over the last year we have built on the good practice that Housing 21 already has in place and given ourselves greater assurance that all of our homes are safe places to live. We are also committed to ensuring our residents live in properties which are built and maintained to a high standard, making our properties an attractive choice.

We were on track to complete our five-year investment programme in 2020/21, investing more than £135 million in enhancing the design and specification of existing properties but understandably the Covid-19 pandemic has had a significant impact. We still managed to successfully deliver £18.4m investment into our properties and continued to make progress to meet our enhanced property standards but have had to delay completely achieving our property standards on all schemes and properties from April 2021 to April 2022.

At the end of March 2021 our progress against the standards was:

94% **Of all kitchens are no more than 20 years old**

96% **Of all bathrooms are no more than 20 years old**

91% **Of all properties have an EPC rating of at least C**

97% **Of all schemes have had a design-led makeover / redecoration of communal areas**

The pandemic highlighted to us how important it was to have maintained a consistently high performing property compliance record and that the advances made in technology allowed us to operate safely and effectively, even in exceptional circumstances.

It is important for us to continue to make advances in technology, innovation and systems, whilst embracing the environmental and sustainability challenges that we must adopt to offer contemporary homes to those of modest means.

Despite the restrictions and lockdowns, we managed to adapt and programme and still deliver circa 300 capital projects, such as external works, communal works, digital emergency call systems, lifts, windows, and other mechanical, electrical and structural works.

In addition to the above we spent an additional £2.7m on design-led makeovers and redecorating communal areas.

Fire Safety

We continue to take a very proactive approach to fire safety and property compliance, by adopting and extending the recommendations within the White Paper and Hackitt Report. Our fire management strategy has been developed in close collaboration with our Primary Authority and fire safety partners Cambridge Fire & Rescue Service.

We already have taken steps and implemented initiatives in order to ensure the fire safety of our residents and buildings, these include:

- Fire stopping works
- Installation of sprinklers in all of our properties over six storeys
- Completed our fire alarm re-zoning project on Retirement Living schemes
- Completed Type 4 fire risk assessment surveys on our Extra Care schemes

The Fire Safety Act, which received Royal Assent, in April 2021, has implications for Housing 21, specifically the risk assessment of external cladding, fire doors and the role of the Building Safety Manager. Whilst the legislation may only apply to buildings deemed to be high risk and in particular high-rise properties, we believe it would be appropriate and advantageous to adopt the principles for all our schemes.

The Act also creates an obligation on building owners to create two new roles to manage building safety, and in particular fire safety:

An Accountable Person (AP) with overall responsibility and accountability for fire safety management and general building compliance.

A Building Safety Manager (BSM) will receive instruction and guidance from the Health and Safety Manager and Property Improvement Manager regarding good practice and statutory obligations.

Property Compliance

Property Compliance is a critical function of the Asset Management department. Our objective is to ensure we meet full statutory compliance across our property portfolio and have a robust management approach to protect our residents, employees, visitors and the business from foreseeable and unreasonable levels of risk.

We allocate substantial resources to meet this purpose and activity, managed through a dedicated compliance team, delivered via a framework of competent contractors and specialist suppliers, supported by the on-site Scheme Managers and mobile surveying teams.

Although Covid-19 has caused significant disruption to our investment programme, we are proud to be in the envious position to have continued to maintain high levels of property compliance throughout the pandemic.

We spent an additional £2.7m on design-led makeovers and redecorating communal areas.

Looking ahead

- Programme delivery significantly impacted by Covid-19. Delivery of property standards target postponed by 12 months until 31 March 2022.
- Average energy use per property should fall as further improvements are made to current stock and new developments achieve higher energy rating levels.
- Aiming to ensure that no fossil fuel heating systems are installed for new developments or refurbishments completed after 31 December 2022.

3. Investing in the **quality and responsiveness** of services

We want living in a Housing 21 property to be a positive choice and experience for our residents and work hard to ensure we provide the best possible services. Regular feedback is important to us to help us shape and design our services and we are encouraged by the consistently high levels of resident satisfaction which tell us we are listening and 'doing the right thing' for the people we serve.

Our resident survey did not go ahead during 2020 due to the pandemic, but we look forward to the results of our Resident Census in 2021/22 which will hopefully help us towards our target of achieving at least 95% resident satisfaction by 2022.

The resident voice

The 2020/21 year has been a challenging year for us all, but no doubt more so for our residents. The value of living in one of our properties has never been clearer.

The sense of community, comradery and support for each other, both those working and living at our schemes, shone through as we all worked hard to support residents to stay safe and well in their homes. We explored new ways to engage with our resident communities, including more regular newsletters, and launched Resident Engagement Groups for Retirement Living and Extra Care.

Over 140 residents signed up to be involved in these groups, expressing an interest in areas such as service charges, communication and scheme makeovers (asset management). Technology brought us together and online meetings are now taking place regularly across both service areas. Representatives from these groups will feedback to both the Extra Care and Retirement Living Committees which feed through to the Housing 21 Board.

A variety of virtual engagement events have been held across Retirement Living and Extra Care to keep residents informed on how the organisation is performing and also for us to hear their feedback on the services we provide.

Our operational teams adapted quickly to ensure service charge meetings were held either online or over the phone and supported these by distributing more detailed written materials which were positively received by residents.

We launched a dedicated 'Resident Information' section on the website where residents can keep up to date on the latest news and updates from the Resident Engagement Groups and also find other information of relevance to them.

Regional reports

Each region celebrated achievements and resident stories in their regional reports, available on the Resident Information section of the Housing 21 website, showcasing life with Housing 21 and recognising the valuable contribution our schemes make to their communities.

Focus on quality

We maintained our 97% care satisfaction rating with 98% of residents telling us they feel their care service kept them safe – particularly important given the pressure faced by teams.

97% resident satisfaction for the care they receive

We overhauled our medication practices to improve and enhance them and to provide further assurance recruited 74 Medication Coaches responsible for training colleagues at scheme level and re-trained circa 2,000 employees in the new procedures within a three-month time frame.

Improving our services

Currently 90% of our Extra Care services are rated as ‘Good’ or ‘Outstanding’ by the Care Quality Commission (CQC) with six of our services rated ‘Outstanding’. Whilst we are ahead in the sector for the number of ‘Outstanding’ and ‘Good’ services we have, we are not complacent and recognise that there are still opportunities for us to improve the quality of care across our service areas.

90% of our Extra Care services are rated as ‘Good’ or ‘Outstanding’

Care Worker satisfaction

Care Worker satisfaction has also improved at 90% in 2020/21, up from 87% in 2019/20. This is an incredible achievement for Extra Care particularly in view of how challenging the last 12 months have been when responding to the pandemic. Further information from the 2020/21employee survey shows that our Care Workers feel most engaged in sharing our organisational values and finding their work interesting.

Our residents tell us that continuity of care is really important to them so we are delighted that more Care Workers than ever before are choosing to stay with Housing 21, with Care Worker turnover at its lowest ever rate of 16.9%.

Housing Quality Standards

Because providing quality services to our residents is key, it is important for us to be able to measure the services we provide across all of our properties as well as celebrating successes and highlighting areas for improvement. As the care we provide in our Extra Care schemes is already measured by the Care Quality Standards set by the Care Quality Commission, in 2020/21 we launched the Housing Quality Standards for all properties where we are responsible for the housing and associated services. We focused on five key areas; communication, compliance, community spirit, leadership and quality, and rated each from inadequate to outstanding.

Although our Scheme Managers found it challenging to gather all the evidence to support their submissions, they found it rewarding to be able to start validating the fantastic quality of their services.

The devolved model

Implementing new leadership structures across both services has helped to provide more support to employees at all levels.

During 2020/21 our devolved model really came into its own in managing to maintain services to our residents. In Retirement Living and Extra Care, local groups of Scheme Managers formed “clusters” in order to support and cover one another, which also improved our communication with residents and helped us to be more responsive. In Extra Care, teams moved in to live on schemes where there was an outbreak. In a year when it might have been reasonable to see a reduction in employee satisfaction we have actually seen an improvement to 95% which is testament to the structure we have in place to support our teams.

Stakeholder relationships

Across both services we have continued to build strong working relationships with stakeholders locally and nationally. The introduction of Microsoft Teams, taking meetings online, has supported this relationship building. During lockdown we worked closely with local voluntary services and local authorities to ensure that our most vulnerable residents had access to vital supplies. As the vaccination programme started to roll-out we had several schemes working with local health services in setting up their communal spaces as vaccination hubs. In Extra Care, our local authority relationships were strengthened as we worked together with our commissioning partners and Public Health England, introducing mass testing and vaccination programmes for our people and residents.

Suggestions, comments, compliments or complaints

From 1 January 2021 we implemented a two stage complaints policy which includes a devolved informal stage where frontline managers are encouraged to resolve issues locally before it reaches a formal stage. Where a resident remains unhappy, they can access a Director's Review as the final internal stage. We have also introduced tighter timescales for responses to complaints to be made and employees across the business have received training on this new policy.

We work closely with the Housing Ombudsman and in December 2020 we undertook a self-assessment against their Complaints Handling Code. Housing 21 is compliant with all areas and have published the results on the external website.

During the year 2020/21 we received over 950 compliments and 104 formal complaints across all business streams. Of these 43 were not upheld, 39 partially upheld and 22 upheld. The main areas of complaint related to housing services, repairs and maintenance and our employees.

Looking ahead

- A full resident census will be completed during 2021/22.
- Continued focus on Care Worker engagement to further reduce turnover.
- Improving communication and engagement with residents.
- Working hard to replace any 'Requires Improvement' CQC grades with 'Good' or 'Outstanding'.

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

We understand that our success depends on the success and combined skill, commitment and talents of our people. We are proud to have held the Investors in People Gold accreditation since June 2019, but are absolutely delighted that we achieved the top Platinum standard in July 2021 underpinning our commitment to make work better for our people and placing us among the top 2% of organisations assessed.

Employee experience

Our annual employee survey results show continuous improvement, with a 9% increase in responses compared to last year at 69%, helping us to get a more accurate picture. With 92% of respondents satisfied with working for Housing 21 the results speak for themselves, but we will continue to improve our employee experience by listening and acting upon feedback from our people.

Key highlights

Commitment to Housing 21 increased by 2% to 96%

95% of respondents said they were treated with respect by colleagues

97% of employees share the organisation's values

96% said diversity was welcome

96% said their work was interesting

91% confirmed that they challenge behaviours that do not match the organisation's values

The greatest improvement was a 5% increase in people feeling appreciated for the work they do. This is likely to also reflect the extra steps taken to reward front line employees throughout the pandemic.

Investing in our Care Workers

We continue to work hard to ensure our Care Workers are valued for the essential role they play in enabling our residents to live safely and independently in their own homes.

An increased focus on improving Care Worker benefits over the last few years, including paying 10% above the National Living Wage, increased holiday allowance and introducing an improved management and leadership structure have all contributed to us having a stable and engaged workforce.

We will continue to ensure that working for Housing 21 is a positive choice for our Care Workers and will do our best to ensure we recruit and retain the best people to provide quality care for our residents.

- According to Skills for Care, turnover in the adult social care sector is 30.4%
- As of March 2021 Care Worker turnover was 16.19% (2019/20: 20%) which is our lowest reported statistic to date and significantly lower than the sector
- Our Care Worker turnover target is 15%

Covid-19 response

We recognise the pressure that the last year has placed on our people, particularly those working in frontline roles. Employees across both Retirement Living and Extra Care have shown outstanding commitment to our residents throughout, continuing to provide excellent services and often putting residents first, above all else.

The pandemic has highlighted the dedication and commitment of all our employees, from customer facing employees to corporate teams rolling out the IT equipment needed for people working from home. We chose not to furlough anyone but redeployed people from teams whose work was temporarily halted to teams where extra help was needed, such as the Procurement Team in procuring PPE at that difficult time.

We did our best to support our people, expanding our Occupational Sick Pay scheme to all roles, minimising financial hardship for those unable to work from home but who needed to isolate in accordance with Government guidelines.

We increased our employee communications to ensure people felt connected to the wider organisation, providing support and improving wellbeing with a wide range of activities accessible to all including winter and summer festivals and Halloween celebrations.

We also recognised the emotional impact experienced by those who had recently lost loved ones and residents, an impact which has been much greater over the last year due to the pandemic. In some cases, our people held the hands of residents who passed away without being able to have their families by their side.

As a result we are strengthening our approach to how we support those who are bereaved, together with those who support residents at the their end of their lives.

We are launching new guidance for line managers about how to support employees, updating our bereavement policies and launching Death Cafes to encourage people to have conversations about death and dying and provide support to each other.

Developing our people

At Housing 21 we believe that everyone plays a leadership role and hence we design, procure, and deliver learning programmes that enable our people to deliver our strategic objectives. This year we focused on coaching, a skill that has become invaluable in the light of delivering our services during a pandemic and have launched an online bite sized Coaching Conversations course available to all.

We have refined our in-house leadership programmes, so they are available virtually and recently witnessed some amazing improvement projects that have been completed as part of these courses. This is coupled with our partnership with De Monfort University who have been commissioned to provide Level 5 and Level 7 Leadership qualifications for Housing 21.

We have widened participation of those accessing an apprenticeship and have active qualifications in a number of key business areas including Care Leadership and Management and Housing / Property Management and Construction.

Engaging our people

Though we were not able to deliver our employee engagement events in 2020, we have seen an increase in engagement with our people. Hundreds of our people tuned in every week to watch our Chief Executive's 'keeping in touch' broadcasts being live-streamed via Facebook Workplace. Housing 21 has seen a shift to digital communication by default, seeing an increase in touch points which have improved both business outcomes and the social and psychological wellbeing of our people during challenging times.

In May 2021 we delivered our first ever virtual Employee Engagement Events, It Takes a Team. Nearly 900 people attended and everyone in the organisation received an It Takes a Team goody bag delivered directly to their home.

Pay review / pay gap

Our median gender pay gap is 30.6%. This is high largely due to the structure of the workforce in the sector in which we operate. Care Workers, Cleaners and Scheme Managers account for the vast majority of our employees and more than 90% of the people in these roles are female.

For the first time we reported on our ethnicity pay gap. The pay gap of White British employees compared to all others is a mean of -5.5%.

We are committed to transparency and fairness in our pay structure and completed phase 2 of our pay review, which focused on corporate roles and support roles in operational teams. This aligned these roles with our wider pay structure, ensuring we can evidence why roles receive their salary and removing any potential risks regarding equal pay.

Equality Diversity and Inclusion (EDI)

Housing 21 is committed to equal opportunities and has an Equality, Diversity and Inclusion Policy and supporting strategy. Our aim is not to just to comply with legal and regulatory aspects relating to equality and diversity but to create an environment where individuals are highly valued with the contributions that they make as a result of their skills, experiences, characteristics and outlooks, recognised and respected. We want everybody we interact with, either our people or our residents, to feel as though they belong.

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

Our employee Respect and Inclusion group and EDI Subgroups continue to ensure we positively celebrate difference and raise awareness, providing a space for the business to learn and listen. Moving forward, these groups will be fundamental in ensuring our policies, job descriptions and training are as inclusive as possible. In addition, the Make Work Better group has been created to bring leads from all our employee working groups, from EDI to menopause to wellbeing, together, enhancing their ability to support each other and achieve common aims.

We have also recruited our first Respect and Inclusion Lead, who will work across the organisation to enhance our approach to EDI for residents and colleagues. They are developing a new organisational Respect and Inclusion Strategy, looking to ensure that the diversity of our people and residents is key to our success and that respect and inclusion is embedded throughout everything that we do.

For the first time, we have included questions in our annual people survey around EDI and can interpret the data through characteristic groups. In addition to an improved response rate to this survey, this has allowed us to collect data that will be crucial towards establishing priorities for our people moving forward.

Our co-housing projects continue to use effective community engagement to inform these new developments. Through this method, we are able to learn as an organisation about what is important to characteristic groups and ensure that we can cater for the diverse needs of older adults.

EDI in Extra Care

Extra Care represents the largest proportion of the Housing 21 workforce, and the new Extra Care Strategy includes specific aims for diversity and inclusion including:

- Recruiting more male Care Workers.
- Increased representation from Black, Asian and ethnic minority communities across Extra Care frontline employees and leadership.
- Increase the profile of young workers through the Government Kickstart scheme: 30+ Extra Care locations taking part.

A new Extra Care Diversity and Inclusion network has just been launched, comprised of employees from ethnic minority backgrounds to:

- Provide a platform to hear their views and experiences, allowing us to understand how we can work together with colleagues to improve how we tackle issues of discrimination.
- Understand any potential barriers to career progression for ethnic minorities.
- Understand challenges that are faced when working with our residents.

We are working with Skills for Care to gain best practice knowledge on how to increase diverse representation across EC – specifically increased representation of male Care Workers and ethnic minority communities.

Recruitment / employer brand

As part of our commitment to being an 'employer of choice' we are continuing to enhance our employer brand, building on the work undertaken last year. We have created dedicated career webpages for our different business areas to show potential employees the difference they could make to the lives of our residents and hear from some of our people. In the last 12 months visits to our careers' landing page have increased by 52% (Q3 2019 to Q3 2020), and we continue to celebrate our people through sharing case studies and sharing internally and externally.

Looking ahead

- Celebrating a Platinum accreditation from Investors in People in 2021.
- Plans for a Care Apprentice Pilot and Apprentice Assistant Scheme Manager creating a talent pipeline.
- Thirty 16-24 year olds, who are currently accessing Universal Credit will join us in September as part of the Kickstart programme in newly created roles across Extra Care.
- Piloting our 'QUEST for OUTSTANDING' development programme, a skills assessment and building tool, to ensure continuous improvement for Scheme Managers in Retirement Living.
- Expansion of our pay gap reporting to include additional categories.
- Reviewing our performance / appraisal process to ensure it is fit for purpose.
- Holistic review of total reward, and introduction of total reward statements.

5. Investing in **systems and technology**

Changes in Ways of Working

The digital transformation journey within Housing 21 continues at pace. Over the past year a significant shift in moving to a mobile working environment, further accelerated by the pandemic, has resulted in the rapid deployment of mobile devices. Upgraded equipment and infrastructure has enabled greater connectivity to cloud based on-demand applications. This high paced transition, with many employees who were previously based at head office now working from home, has seen people utilising technology wherever they are based, whenever they need to be connected.

Our people have embraced the shift to mobile working and have welcomed using new systems and processes, such as Microsoft Teams, to make their working lives easier and enable business continuity through challenging times.

Building on the strong foundations we have put in place across the organisation, we are now exploring opportunities to further modernise our systems and ensure we invest in new, cloud-based technology which is scalable, adaptable, available on demand and has greater self-service functionality for our people, our residents and our partners.

We have established a new directorate to lead the transformation required across our people, our processes and our technology and recognise that using the right technology will play a key part in this. We will empower our people by ensuring they are able to access the right information, at the right time and on any device, enabling them to in turn provide a great customer experience for our residents and other stakeholders.

We are refreshing our data strategy to ensure any changes we make are carried out in a joined up and systematic way, to ensure we collect, store and manage our data safely, that it is easily accessible to all, and ultimately that we use it to make better, more informed business decisions.

We will build capability in our IT and Business Systems teams, and more generally with our employees, enabling our people to deliver better services to our residents, whilst improving our efficiency and effectiveness.

Our goal is to be great to do business with, understanding customer needs and going beyond the provision of housing and care services to enhance the lives of our residents. We want to keep residents at the heart of what we do and ensure that we have the right systems and processes in place to achieve this.

Facilitating digital inclusion for our residents

For our residents, the vision is to facilitate digital inclusion by exploring, developing and introducing technology to help support independent living.

Work on the digitisation of the emergency call system is continuing and we have now completed 221 digital upgrades (from 178 in 2019/20) with full digitisation now expected by 2026. As equipment and features increase, we will seek to adopt the additional functionality where this will benefit residents.

Central to this vision is developing an environment which provides:

- A simple means of access
- Reliable high-quality connectivity
- A secure, robust infrastructure

Wi-Fi connectivity at our schemes continues to be an area of focus. In parallel with our technology transformation, we are working on providing connectivity that can deliver ultrafast broadband via full fibre connections for residents who choose to have it, through our relationships with infrastructure providers such as Openreach and Virgin Media.

Our plans to provide the best digital experience for our residents align to fibre connection targets outlined in the 2025 Government National Infrastructure Strategy which aim to ensure 85% gigabit capable coverage.

Digital inclusion for all our residents remains a firm aspiration and will be enabled by the above programme, already underway.

Cyber Threat and management

Housing 21 takes all Cyber Security matters seriously and employs a number of tools and processes to maintain a secure, controlled and reliable infrastructure environment. This includes the provision of security solutions as well as ongoing employee awareness programmes aimed at increasing awareness of phishing, Malware, Denial of Service etc.

Our evolving focus in this area is moving from passive detection tools and applications to more advanced threat detection, supported by a greater focus on proactive monitoring, analysis and professional resources and support services.

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

An update on the sixth priority, Value for Money, is included as a separate section on page 46.

7. Investment in **innovation and influence**

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

We continue to build strong relationships with external stakeholders through regular communication and engagement.

During 2020/21 we wrote to all MPs with a Housing 21 scheme in their constituency to explain how living in one of our properties was helping to support the safety and wellbeing of their constituents, celebrating the value of living in one of our properties. This resulted in a number of MP visits to our schemes and offers of support.

We will continue to build on these relationships during 2021/22.

Thought leadership

In an ordinary year we deliver a whole range of events and conferences to share our knowledge and expertise. Unfortunately, due to Covid-19, this has not been possible during 2020/21. However, we took advantage of the technology available and delivered a number of webinars, including three in partnership with Foundations focused on design aspects of housing, including dementia-friendly design. Each webinar was attended by approximately 150 people.

We also presented at a couple of large events including Dementia Congress and the International Technology Enabled Care Conference, speaking about our response to Covid-19 and the support which we provided to residents and employees.

Looking ahead

- In October 2021, we plan to deliver our annual conference face to face. The theme this year is housing and its importance in helping older people live with dementia as well as the need to understand the diversity of the older population when seeking to interpret and provide for their needs. As in previous years this will seek to bring together a range of academics and practitioners as speakers.
- We also hope to resume our Friends of Housing 21 sessions when we are able to do so. These provide current and ex-Board Members the opportunities to meet with our ‘friends’ in the housing sector to discuss pertinent topics to influence the work of Housing 21.

Our work on dementia

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

During the last year we have launched dementia factsheets to provide practical information for employees, residents, family and friends around different aspects of dementia such as supporting someone who ‘walks with purpose’, or displays a distressed response.

We worked with Alzheimer’s Society to refresh the Dementia-friendly Housing Charter which signposts organisations to a range of resources to amend their services to become more dementia-friendly.

Looking ahead

- We will recruit more Dementia Advocates to support colleagues and residents across the organisation.
- Each Extra Care scheme where we provide the care will have an employee who is a dementia specialist to provide additional support for care planning.

Looking ahead

Through continuing to chair the national Housing and Dementia Working Group, we will take forward the recommendations of the recent APPG inquiry into people living with dementia and housing.

All-Party Parliamentary Group (APPG)

We continue to sponsor the APPG on Housing and Care for Older People chaired by Lord Best. We actively participated in their recent inquiry on housing and people living with dementia which resulted in the report Housing for People with Dementia – Are We Ready. The report contains over 40 recommendations aimed at a range of audiences.

Environmental, Social and Governance (ESG) Reporting

The Sustainability Reporting Standard for Social Housing was launched in November 2020 by the Environmental, Social and Governance (ESG) working group. The ESG reporting framework has been developed to establish a transparent, consistent and comparable set of ESG criteria across the housing sector.

For the first time, we have reported our performance against 12 core themes within the standard and this is included in our 'Doing the Right Thing' report, which sets out our Social Impact.

A summary of key points from the report follows the Environmental section below. Key information about our Governance structures is included in the Board Report on page 60.

Environmental Sustainability Strategy

Housing, and the residential sector, is responsible for about one-fifth of UK carbon emissions. If construction is included it is significantly higher. We are at the beginning of our environmental journey and are working hard to raise our environmental standards. The Housing 21 Board has agreed that we should be ambitious in our commitment to sustainability, focusing on areas where we can make the biggest impact, reflected in our Sustainability Strategy. Our position is to go beyond compliance to achieve a net zero carbon position of 'do no harm'.

An Environment Steering Group, led by the Chief Executive, has been established to monitor and drive progress towards our environmental objectives, challenge our approach and assumptions and seek to be ambitious in our sustainability commitments.

We are committed to supporting the Government's environmental strategy and are targeting not to install any fossil fuel heating systems in new developments from 2023, ahead of most other providers; 91% of our properties are already EPC C or above.

Our initial focus, and emphasis, was on five key areas and issues where we believed we could have the biggest impact and really make a difference:

1. Carbon impact / energy consumption

2. Climate change resilience

3. Water usage

4. Waste management and recycling

5. Transport

However, after further review and investigative studies, we have concluded that both water usage and waste management can be effectively managed at a local level - we will not be actively monitoring water or waste nationally.

We have agreed that facilities to promote water efficiency will be included as part of the standard specification for each scheme and recorded in a local sustainability assessment.

Scheme Managers will work with residents locally to encourage them to participate in local recycling schemes wherever possible, seeking to reduce waste and recycle where appropriate.

The greatest emphasis of the Housing 21 environmental sustainability strategy nationally has therefore been on reducing the energy consumption by making buildings more energy efficient and then seeking to minimise the level of carbon used to heat and live within them.

KPMG undertook a review of Housing 21's Sustainability Strategy in early 2021 and whilst the report provided substantial assurance over the steps taken thus far, they made recommendations in respect of the next steps to ensure that Housing 21 was effectively reporting its environmental position and pursuit of a net zero carbon standard.

Progress has been made in the following areas:

Carbon impact / energy consumption

- We will achieve EPC C across all properties no later than April 2022. In working towards this target, we have already achieved an estimated 25% saving on energy costs (circa. £140 per property and an annual benefit to residents of over £525K per annum).
- We will continue to focus on sustainability, measure average carbon use for each scheme and track improvements to our overall carbon footprint.
- We will seek to find suitable alternative heating system options to avoid, if possible, the installation of fossil fuel heating systems for new developments or comprehensive renewals of existing systems due to be completed after 31 December 2022.
- Stretching environmental standards will be set for all new developments.
- We plan to have removed fossil fuel heating systems in all schemes by 31 December 2042 and will report annually on progress.
- Policy of only sourcing electricity from certified renewable sources took effect from beginning of 2020.

Climate Change Resilience

- We have undertaken a Scheme Climate Change Resilience Survey and analysed the results.
- We are addressing short-term resilience issues and producing action plans for each scheme to plan longer-term environmental sustainability.

Transport

- Targets were set to reduce travel costs in the 2020/21 budgets by at least 5% and reduce car travel by 10%. Covid-19 had a dramatic impact on employee travel from March 2020 and demonstrated the potential for better use of video conferencing and home working. We will use data from 2019/20 as a benchmark year and seek to reduce travel costs and amount of car travel with reference to that year by at least 25% in 2021/22.
- We will ensure travel policies encourage and are not counter to sustainable travel.

Scheme Sustainability Strategies

Looking ahead, a sustainability plan and strategy will be produced for every scheme in 2021, following active engagement with residents, based on its current environmental position and potential to identify challenges, opportunities and guide future investment decisions.

Summary of social impact report / ‘Doing the Right Thing’

This is the second year we will publish our ‘Doing the Right Thing’ report, demonstrating the positive impact we have on our residents, employees and our communities. We want to be bold, we want to be brilliant and we want to keep focused on doing the right thing through our focus on residents, being an employer of choice and our impact on communities and the environment. We have three key areas of focus.

1. Supporting our residents to live well

Last year our **Tenancy Gurus** were established to promote and support our tenancy sustainment

Dementia-friendly organisation to help people live well with dementia

As a customer focused organisation, Housing 21 is committed to meeting the needs and aspirations of residents. We know resident involvement makes us more successful, responsive and helps us to understand the challenges our residents face. The opinions of our residents are essential to future proofing our service provision, predicting future trends and planning for change. We are working on improving our new Resident Involvement and Engagement strategy to help ensure the resident voice is at the heart of everything we do.

Regular, ongoing consultation and communication with residents is crucial to ensure that we continue to provide high quality services. One of the main ways our residents can be heard and have genuine influence is through their Scheme Service Agreement, a live document, reviewed with the residents at quarterly engagement meetings.

Last year our Tenancy Gurus were established to promote and support our tenancy sustainment agenda which we call ‘Helping Hands’. We recruited 50 gurus from across the organisation who received enhanced training on a range of topics such as benefits awareness and talking about money in a positive way. The gurus are now working with their colleagues to promote tenancy sustainment.

One of the ways we are doing this is through our ‘Making a Difference’ days, where the whole organisation is encouraged to do something that will make a difference to our residents. The first day focused on access to benefits although we also had people making calls to focus on wellbeing and even delivering flowers to residents.

Keeping residents safe and secure is at the heart of what we do. The key focus of our safeguarding work is on prevention. We are providing the tools and knowledge to our employees to build their confidence to manage safeguarding concerns whilst empowering residents. All of our properties are pet-friendly and we support pet ownership for the positive difference it makes to the lives of our residents.

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

92% of respondents are satisfied working for Housing 21, up from 90% last year.

We have delivered **3,865 training sessions** in the last 12 months

Housing 21 also directly paid the **full salary** of any colleague shielding

2020 was the year that our people shone, from our corporate teams maintaining business as usual, whilst working from home, and juggling competing demands, to our frontline colleagues keeping our residents safe, connected, and happy during a national pandemic. We really could not be prouder of our people. Our people matter, our people drive performance and our people are at the heart of Housing 21.

Over the last year we have had the opportunity to demonstrate our commitment to Doing the Right Thing time and time again. The adaptability, resilience, and sheer dedication of our people across the organisation, have enabled us to maintain stellar service delivery during the most challenging operational year to date. This year we were particularly delighted that 92% of respondents are satisfied working for Housing 21, up from 90% last year.

We welcome the social responsibility which we have as an employer to do the right thing for our people. Last year:

- 22,793 e-learning sessions were accessed
- 45 employees undertook our Leading to Excellence training programme
- 19 completed our Inspiring Excellence programme which is Leadership and Management Level 5 accredited, these are both endorsed by the Institute of Leadership and Management
- 246 employees are working towards an Apprenticeship from Level 2 to an MBA
- We have delivered 3,865 training sessions in the last 12 months

We also made sure that no one was at risk of financial hardship if they could not work due illness; full sick pay was given to those colleagues who needed to self-isolate. Housing 21 also directly paid the full salary of any employee who was shielding, so although we chose not to draw upon the furlough scheme, we still ensured that the affected employees received the same level of benefit.

As the pandemic meant we could not hold our annual engagement events in 2020 and we didn't get the chance to demonstrate our appreciation to the everyday heroes in our organisation, but instead we developed 'Housing 21 Heroes' a monthly award and recognition event that is hosted by our Chief Executive. Nominations come from across the business and each winner receives a 'shout out' at Bruce's' keeping in touch session and a letter of thanks.

Housing 21 increased its focus and work around respect and inclusion. We have recruited a dedicated Respect and Inclusion Lead to work across the whole organisation to ensure that all aspects of inclusion and diversity are embedded and that any inappropriate behaviour or language is addressed in the most appropriate way. We are ensuring that the respect and inclusion agenda is integral in all that we do from policies through to providing advice and support.

- 96% of employees say that diversity is welcomed at Housing 21
- 95% of our people think that diversity and inclusion is important to us as an organisation.

Last year, we bought our various representative groups under one umbrella group, 'Make Work Better'. This group is made up of the leads of all employee forums in the organisation to ensure that there is one group which has an overview of all the issues being discussed. It also ensures that any idea or initiative takes into consideration the views of the various respect and inclusion and employee groups.

3. Investing in communities and the economy

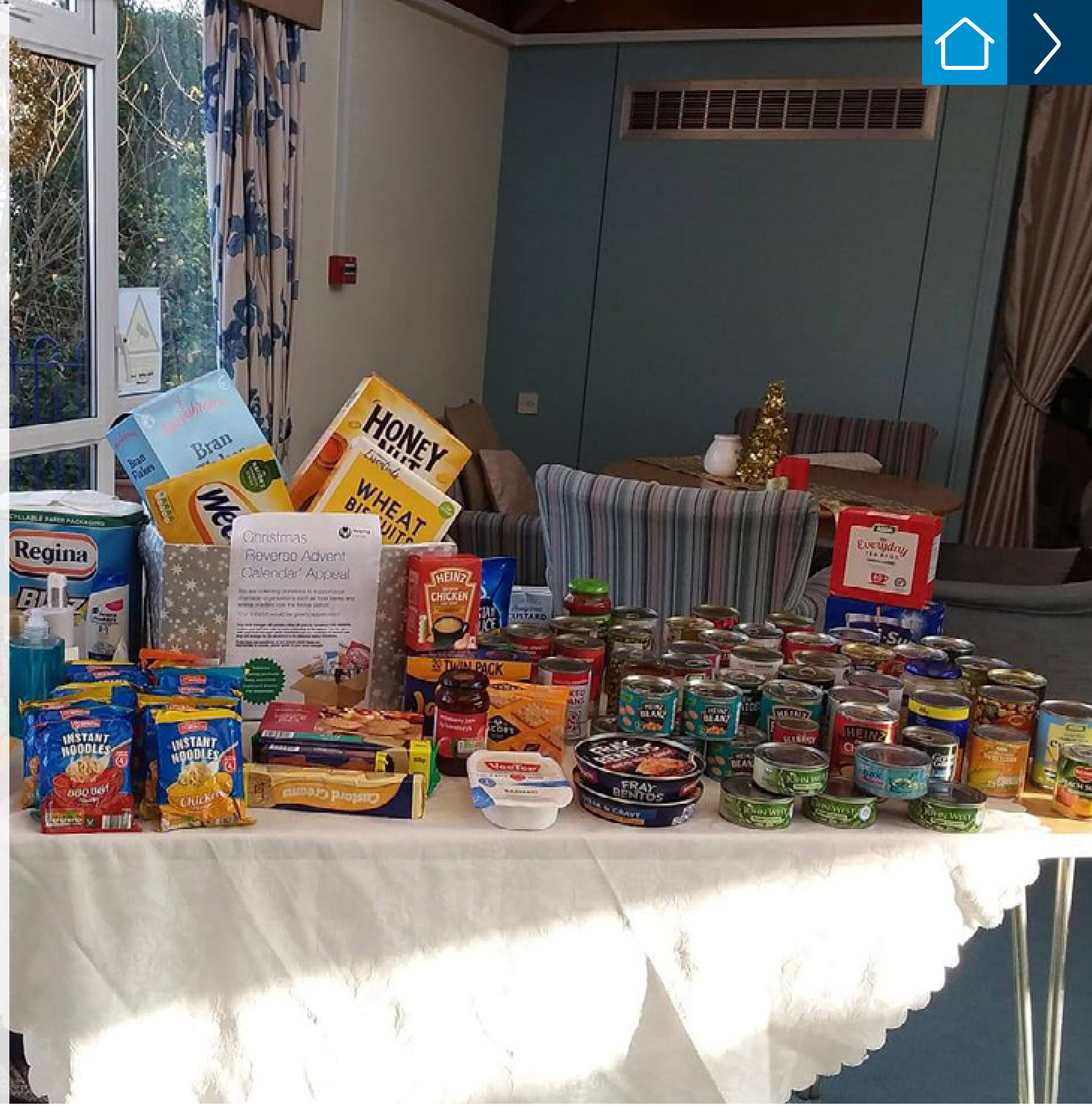
At Housing 21, we want our independent living schemes to be an integral part of their local community so residents can connect with, and influence in those communities.

The last year has been difficult for so many. Charities have stepped up and provided much needed services and provisions for those adversely affected by the pandemic.

Our people and residents are passionate about helping local communities and raising funds and donations for charity. Over the past year, despite the pandemic, our people and residents have kept giving, some examples are:

- Easter 2021 saw our employees and residents collect over 3,000 Easter eggs to be donated to various charities, foodbanks and schools
- One of our schemes supported a local charity to support victims of domestic abuse by donating food and toys
- A charity who supports veterans in crisis received donations of sweets and toys from one of our schemes

Our reverse advent calendar appeal has been an initiative at Housing 21 for the past three years. This is where each Christmas our people and residents donate something for local food banks and animal shelters. Year on year the donations have been increasing. This year our residents and employees once again did us proud and we collected £3,175 worth of food and toiletries. We gave all of this to local foodbanks, hostels, the Salvation Army and local charities.



Our business performance

Our financial results for the year ended 31 March 2021 have generated an operating surplus, after one-off items of £35.8m (2020: £32.9m) and turnover has grown to £202.0m (2020: £193.1m).

The pandemic impacted our performance this year with additional costs incurred for personal protective equipment ('PPE'), higher sickness costs (we decided not to furlough any of our people), and an increased number of void properties. However, with the restrictions during the year, social distancing requirements and the nature of our schemes and residents, this placed limitations on the level of investment in our schemes either through large capital projects or more routine cyclical maintenance. As a result, our repairs and maintenance costs were lower by £2.0m and our annual stock investment was £18.4m compared to an original budget of £30.0m, both of which helped offset some of the higher costs and lost income.

Despite these challenges, we continued to invest in new developments and in year completed on 400 properties across seven schemes, split between 208 rented properties and 192 shared ownership properties, making Housing 21 the 36th biggest builder in Inside Housing's annual survey. We have sold an equity stake in 79 properties (2020: 61) generating additional turnover of £4.6m and surpluses of £2.1m when compared to 2020. A further 691 properties are expected to complete in 2022, with 404 properties expected to complete in the first quarter. Furthermore, we completed on the acquisition of 73 Retirement Living properties from Optivo Housing Group.

Right is summary of our financial performance which is covered in further detail over the next few pages.

Summary of operating surplus

	Turnover £m		Surplus £m		Margin %	
	2021	*2020*	**2021**	*2020*	**2021**	**2020**
Social Housing	**146.1**	***144.9***	**34.8**	***32.4***	**23.8%**	**22.7%**
Development sales	10.4	*5.8*	2.2	*0.3*	21.2%	4.5%
Other Activities and Costs	6.3	*6.9*	(0.5)	*0.2*	(7.9%)	(1.4%)
One-off items	(0.6)	*(2.0)*	(0.6)	*(2.0)*	-	-
Other social housing activities	**16.1**	***10.7***	**1.1**	***(1.5)***	**-**	**-**
Care	35.6	*35.2*	0.6	*1.1*	1.7%	3.1%
Other	4.2	*2.3*	(0.7)	*0.9*	-	-
Non-social housing activities	**39.8**	***37.5***	**(0.1)**	***2.0***	**0.3%**	**5.8%**
Total*	**202.0**	***193.1***	**35.8**	***32.9***	**17.7%**	**17.0%**

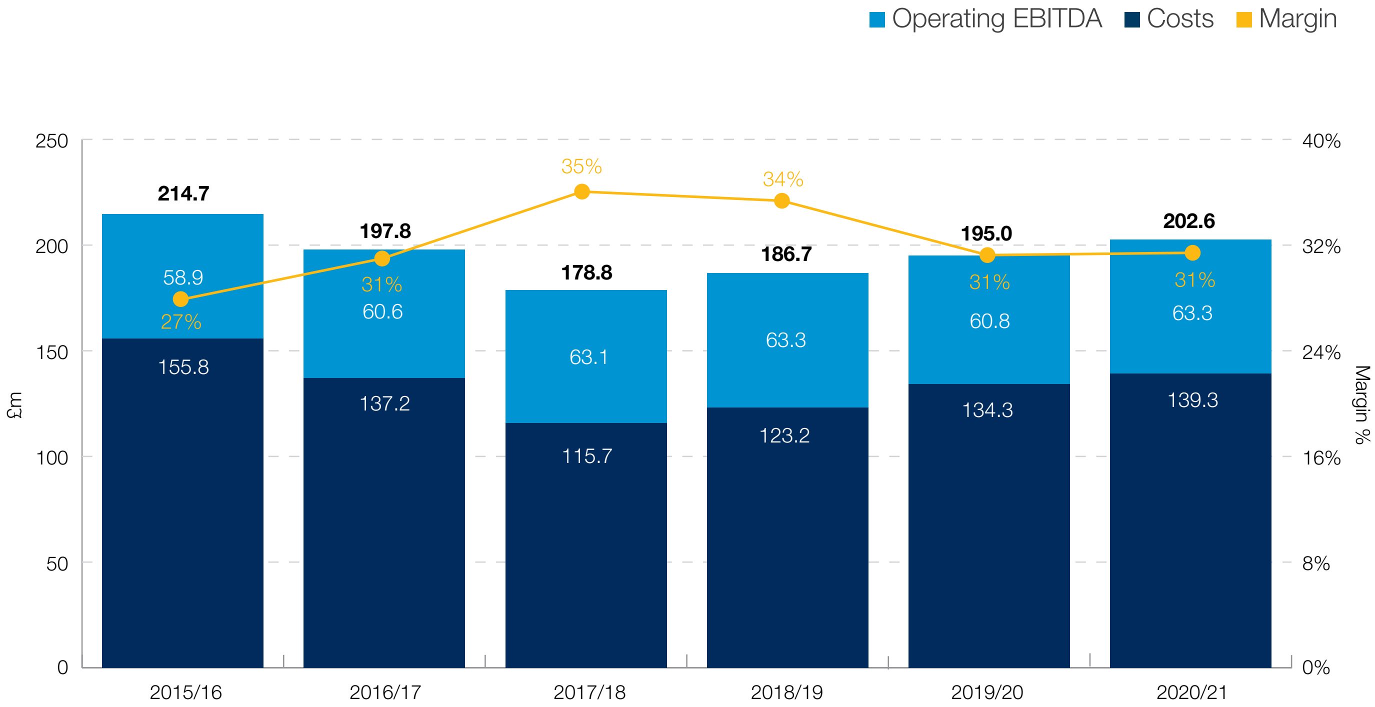
*Due to rounding, numbers may be marginally different to that disclosed in notes 2 & 3.

Social housing continues to be the main contributor towards Housing 21's operating surplus, and results have improved year on year and margins remain healthy. Development sales have increased in year as new schemes come on board.

Despite the low margins generated by our care activities, it continues to provide a small contribution to the overall business and is essential to our delivery model.

Our Group Operating EBITDA[1], before one-off items and impairments, has increased to £63.3m (2020: £60.8m). 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.

Revenue and Operating EBITDA (before one-off items)



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

a. Social housing lettings

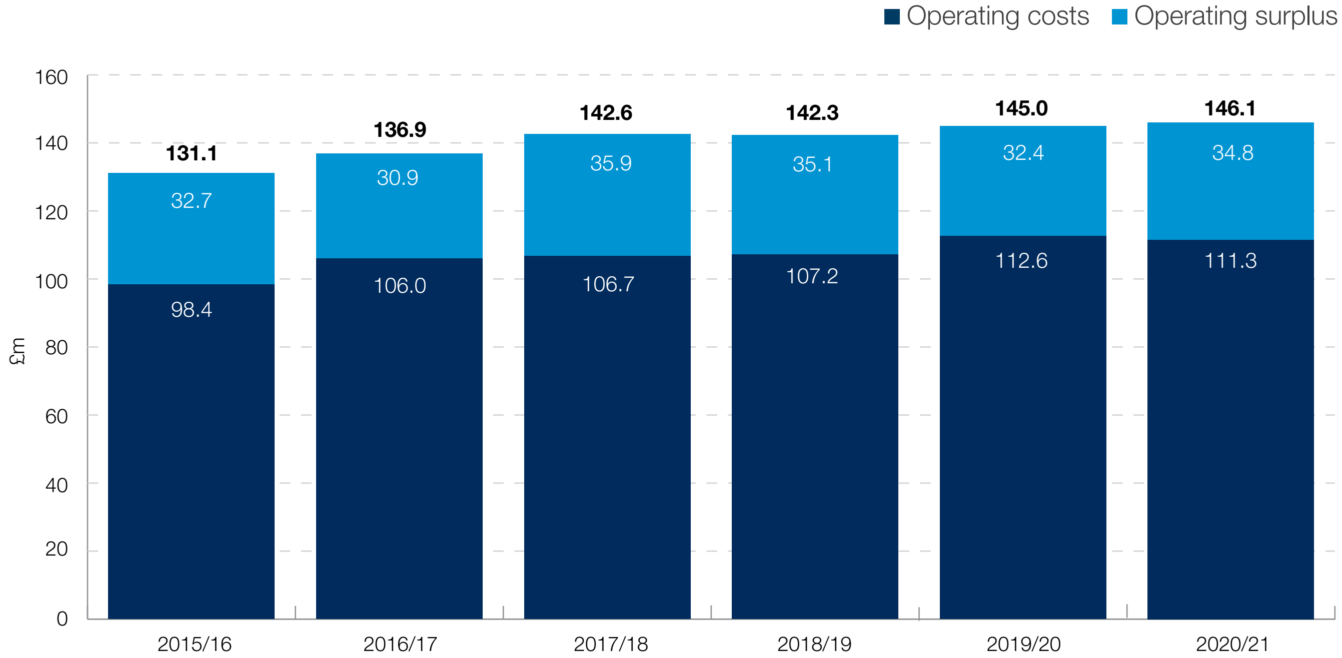
Our social housing lettings represent our Retirement Living and Extra Care Living housing services, including the housing services delivered through our three PFI / PPP contracts. The social care services that we deliver to our residents in our Extra Care properties are included within 'non-social housing activities' reported on below.

Social housing revenues have increased by £1.1m primarily due to an increase in net rents. Gross rents increased by £3.0m year on year because of the application of regulatory 2.7% increase applied, the benefit of new schemes coming onboard and the acquisitions in the previous year. While several new schemes practically completed during the year, the majority of these was in last quarter so the benefits will not materialise until the next financial year.

However, the number of voids has increased because of the pandemic and in total £4.1m (2020: £2.2m) of rent and service charges was lost because of void properties, an increase of £1.9m compared to the previous years. At year end there were 456 properties available to let, compared to 243 the year before. The number of voids has fallen consequently since February 2021, and we anticipate void levels returning to pre-Covid levels by March 2022.

Operating surpluses from social housing lettings have increased by £1.9m, in addition to the higher net rent, there was a reduction in property maintenance costs in year as more routine, non-essential works were delayed, with a focus to ensure all essential and health and safety works were completed. We are still committed to delivering against our enhanced property standards, with an aim of ensuring all schemes are compliant by April 2022.

Social housing lettings



A high proportion our cost base is incurred through delivery of services to our residents, which are funded through their service charge so profit neutral to Housing 21.

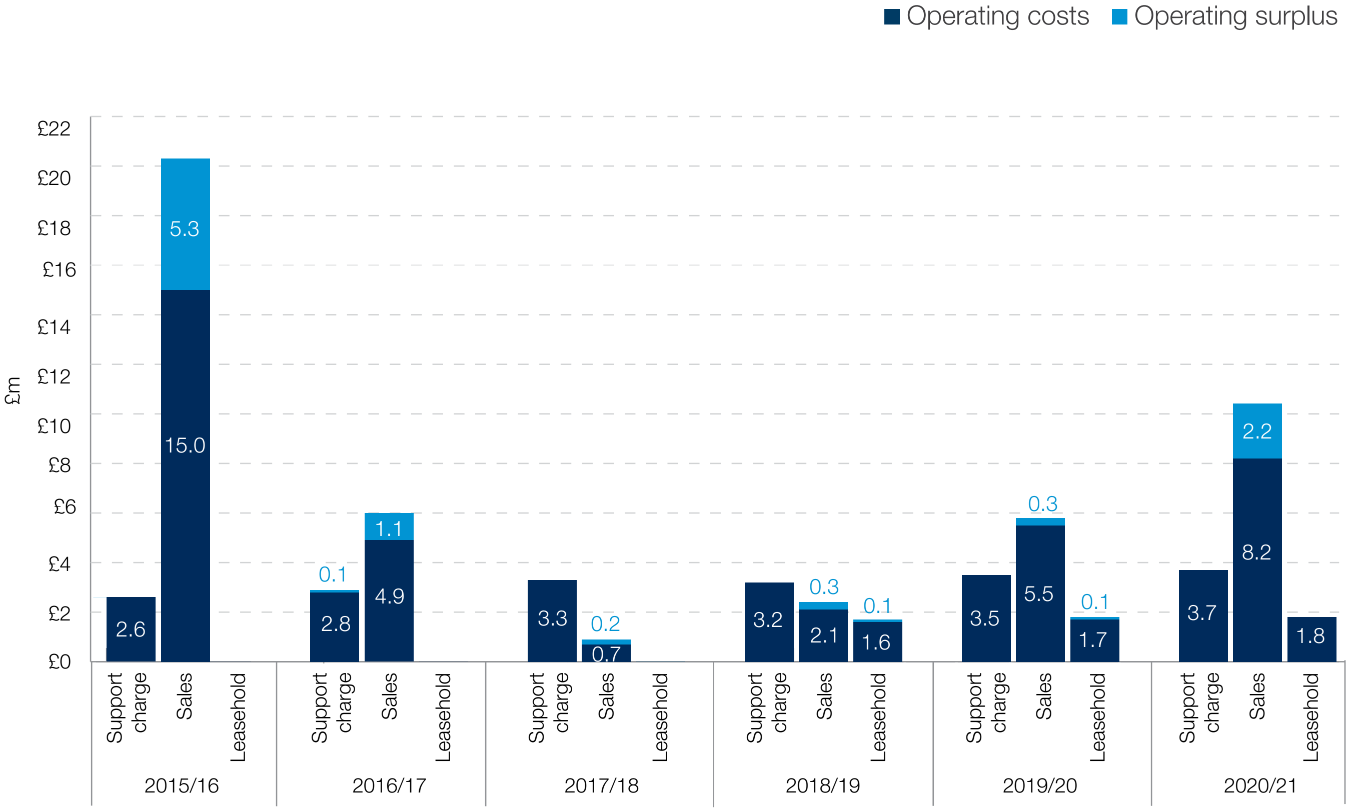
b. Other social housing activities

Other social housing activities include the support charge and social leasehold services, both of which are profit neutral, as all turnover received is used to fund delivery of communal services, the back office costs to support our development and sales activities and the sale of properties, primarily through first tranche low-cost home ownership.

Most of the surplus from other social housing activities is derived from development sales. Total sales receipts for the year were £10.4m (2020: £5.8m), generated from the sale of 79 (2020: 61) first tranche low-cost home ownership, with an average equity purchase of 62%, generating profits of £2.2m (2020: £0.3m). At the end of the year, 29 properties were available for sale, of which 21 have been reserved and are expected to sell in the first quarter of 2021/22.

The volume and value of property sales will vary each year depending on the tenure mix of properties developed. In the next two years, Housing 21 expect to sell 439 properties, however the Development Strategy approved by the Board looks to reduce the number of shared ownership properties we develop going forward to a maximum of 25%. We are also looking to develop at least 50% of the programme going forward in the most deprived areas of the country where a sales offering is not always a viable option due to either low sales values or lack of demand and allows us to focus on meeting the demand for social rented properties. We do not currently aspire to develop properties for outright sale to cross subsidise our social housing offering.

Other social housing activities



We have also included a charge of £0.7m, in addition to the £2.0m recognised last year, for the provision for backdated conversion to social rents. Furthermore £7.1m has been corrected in historic reserves.

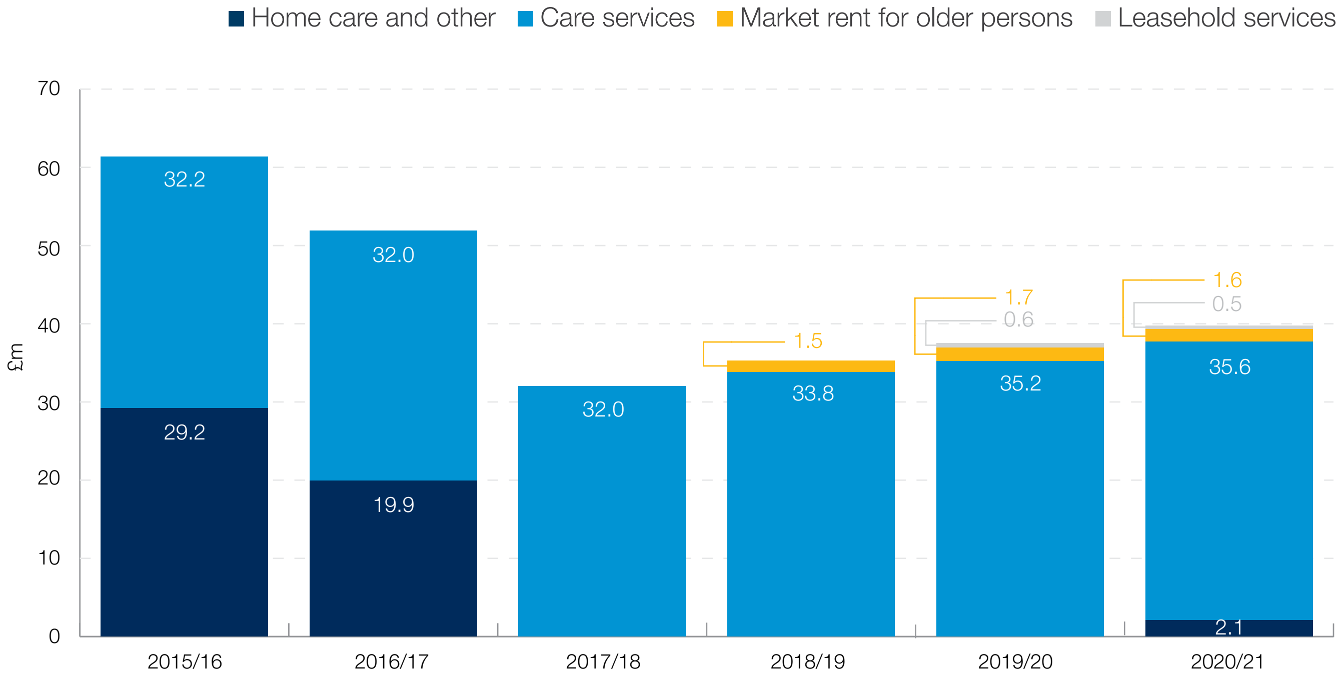
c. Non-social housing activities

Most of our non-social housing activity consists of our social care services provided to residents in our Extra Care schemes and under the Walsall PPP contract. The provision of care is an integral part of the experience of our residents, enabling them to retain their independence with the reassurance of being able to access the necessary care and support 24/7. We always seek to be the provider of care into our schemes and obtaining the contracts of care services being delivered by third party care providers into our scheme continue to be a focus.

The pandemic has resulted in increased costs, and we have worked closely with local authorities in obtaining additional contributions of £2.1m which was used in to ensure we had sufficient levels of PPE for our Care Workers and to offer additional support to our residents where they had no other support. We did not furlough any employees over the last 12 months but ensured any people self-isolating or unable to work received Occupational Sick Pay, regardless of their entitlement. The net cost on care services because of the pandemic was close to £1.0m.

We continue to pay our Care Workers at least National Living Wage + 10% to ensure we attract and retain high quality employees. This continues to put pressure on profit margins of our care services, and we continue to work with commissioners to ensure we receive a fair rate of pay.

Non-social housing activities



Despite the reduction in hours, due to the increased number of voids, turnover has remained relatively stable due to the annual increase in rates agreed plus the on-boarding of new contracts this year.

Also included in non-social housing activities are small surpluses generated through the Goldsborough leasehold properties and 211 market rent properties for older people. During the year, the Goldsborough properties have been hived up into Housing 21 from the Goldsborough subsidiary.

The integration of these services, along with the social leasehold properties, should hopefully create synergies going forward, lowering cost and improve the quality of service to our residents. The management of the market rent properties, which were previously managed by a third party, was brought back in-house in April 2020.

d. Cash flow and treasury

During the year we raised an additional £120m at an all-in rate of 2.19% through tapping the 2047 bond that was originally agreed in 2017/18. The interest rate agreed was at a more preferential rate compared to the original bond (3.29%) resulting in the receipt of an additional £27.0m in the form of a loan premium. This loan premium will be amortised over the life of the bond.

Whist this cash was not needed for the current financial year, and we have sufficient cash holdings and secured grant to meet all contractual commitments, the additional funding secures the development pipeline for another two years at a preferential rate and ensures we are maintaining at least 18 months' worth of liquidity. At the year end, we had £232.9m (2020: £144.2m) in cash holdings.

Development cashflows increased during the year and we invested £80.1m (2020: £66.7m) in the development of new properties and £3.3m (2020: £10.0m) acquiring properties from other registered providers or buying back leasehold properties. Cash out flows from development was significantly less than we originally anticipated at the start of the financial year as we encountered several delays in development projects which are on-site and new schemes coming forward due to the pandemic.

We have maintained our golden rule of not borrowing to service debts or to fund investment in our existing stock. During the year we generated £69.9m (2020: £58.5) from operating activities, of which £19.5m (2020: £16.2m) was used to service debt and £19.3m (2020: £34.3m) to invest in our properties leaving £31.1m capacity for reinvestment and debt repayments.

Development cashflows increased during the year and we invested

£80.1m (2020: £66.7m)

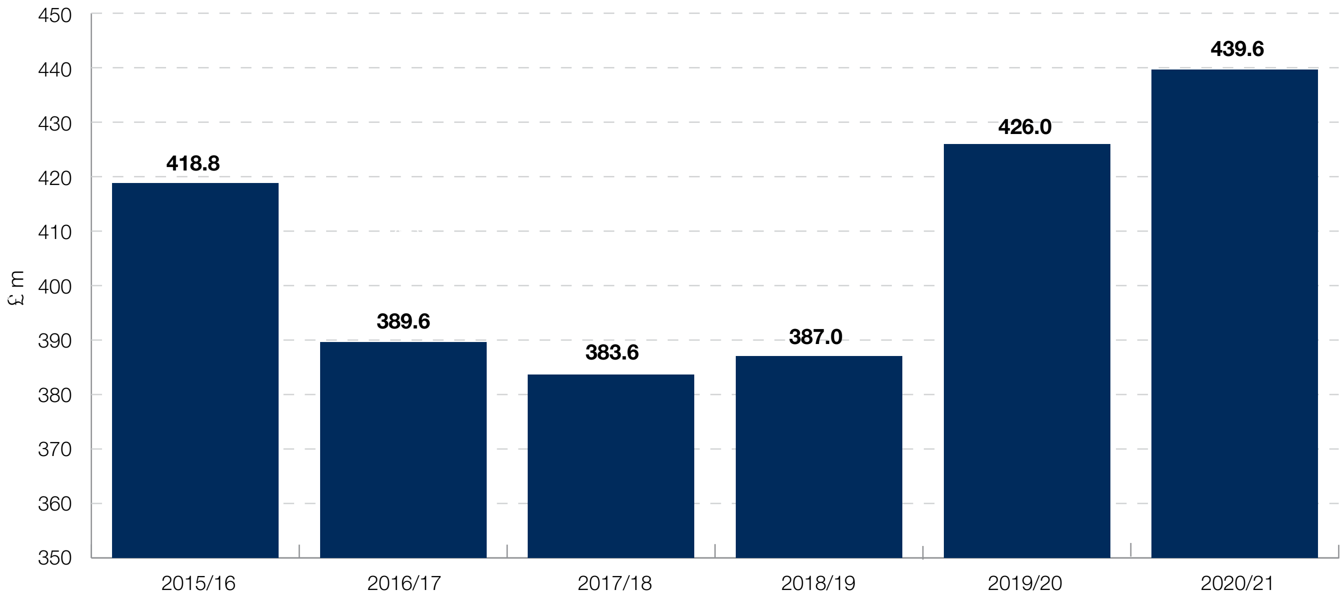
Group net debt

Although we raised an additional £120m in bond financing, the Group's net debt of £439.6m (2020: £426.0m) remains relatively consistent to the prior year with only a small increase of £13.6m despite spending £102.7m on developing new stock (£80.1m), enhancing our existing stock (£19.3m) and acquiring additional units (£3.3m). We continue to utilise the £250m bond financing raised in 2017/18 to fund these development and contractual loan repayments.

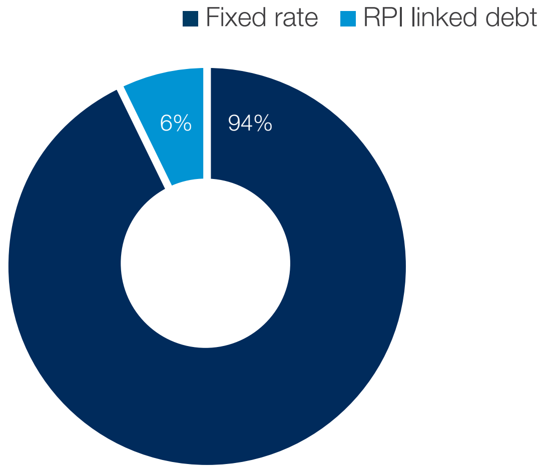
The additional £120m will be utilised over the coming year as we continue to develop, with 875 units on-site and expected to complete over the next few years and a further 1,476 properties in the development pipeline.

The Group have total facilities of £697.5m, split between £559.4m in the Association and £113.1m to support the PFI contracts held by Housing 21's subsidiaries. Most of these facilities have been drawn except for a £25m revolving facility.

Group net debt



Debt mix



Debt mix

94% of loan book is fixed (2020: 93%) with only 7% (2020: 6%) is subject to fluctuations in the Retail Price Index ('RPI'). Our loan book and financing arrangements are relatively simple. This means we are not subject to onerous financing terms and are relatively sheltered from volatility in the capital markets. We have four derivative swap instruments, three of which are embedded within the PFI contract terms, and we have no complex loans to be held at market value. It is our policy that this will continue to be the case.

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

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

Creditor payment policy

We agree payment terms with our suppliers when we enter 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.

Going Concern

After making enquires, the Board has a reasonable expectation that we have adequate resources to continue in operational existence for the foreseeable future. The Board obtains assurance of financial viability through the annual budgeting, re-forecasting, and long-term business planning exercises. As part of this, we assess and stress test the availability of funding, liquidity, and compliance with lenders' covenants alongside other key metrics considered by other key stakeholders such as our regulators and credit rating agencies. Together, this ensures the Board has a continual and rolling process of reviewing and assessing our financial strength and viability.

At year end we had £232.9m in cash holdings, an agreed £25m revolving facility which could be drawn at short notice and plans to agree further revolving facilities soon. There are sufficient cash holdings for all contractual commitments at year end.

While the pandemic impacted our financial results for 2020/21 through increased voids and a higher cost base for the delivery of care, we were able to reduce, and delay spend in other areas to compensate. All lenders' covenants have been met for the year with a healthy headroom.

Looking forward, despite the reduced income from converting all our affordable rented properties to social rents, which has an impact of about £2.8m per year, we are starting to realise the benefits of the investment in new developments and acquisitions over the last few years, and the additional surpluses and cash-flows from these developments will go towards offsetting this lost income. We continue to have a higher than usual number of voids, however we have seen continual improvements since February 2021 and expect this to continue.

With the rollout of the national vaccine programme and the easing of restrictions, we expect a return to normal void levels by March 2022. The Government has also agreed to extend the provision of free PPE until March 2022. If we experience further cost pressures, the Board has several mitigating strategies which they could put in place to manage the potential financial implications.

For this reason, the going concern basis has been adopted in these financial statements.

Charitable and political gifts

We did not directly make any charitable or political donations in the year (2020: nil). However, we do support the work undertaken by staff and residents in their various charitable initiatives.

Value for Money

The overall approach to Value for Money has been developed from the Strategic Plan 2019 – 2022 and is based on what is required to deliver our Strategic Priorities and ensuring that we optimise the use of our resources in delivering value for our residents and our stakeholders.

We have adopted the three E's as the guiding principles for our strategic approach, which are:

- **economy** – for us this means optimising our costs while continuing to deliver quality homes and services to our residents.
- **efficiency** – we will seek to do more for less thereby getting more from our resources.
- **effectiveness** – we will spend wisely and use our resources to achieve our Strategic Plan aims and social purpose.

Our strategic approach is underpinned by careful financial management and good governance. It builds on a strong culture of performance management and continuous improvement. It is supported by creative thinking that promotes innovation, including investment in technology that adds value and improves the customer experience.

Creating value for money allows us to provide as many new homes as possible and sustain investment in our existing homes, backed by high quality services.

Effective governance

Our strategic approach to delivering value for money is embedded throughout our governance structures across the Group and key business strategies. Our Board sets the strategic approach to value for money and checks it is being delivered. It is a skills-based Board with Members with a range or experience and knowledge who ensure our growth and non-housing activity is well managed.

Through our devolved operating model, our residents are encouraged to provide feedback and work with us to continually improve our services. This ensures we are providing value for money for the rent and service charges that our residents pay.

Our strategic priority VFM targets

1. Investing in providing more new homes

Measure	Strategic 2022 target	Progress
Development of new homes	2,100 Extra Care Living properties 210 Retirement Living properties	Due to the pandemic the delivery of 2,310 properties is now expected to be achieved by March 2024. 691 homes are expected to complete in 2022.
Acquisition of existing homes from other providers	No specific target other than to ensure acquisitions result in a better service outcome for the residents of the properties acquired	Acquired 73 properties in year
Establishment of community housing offer for disadvantaged and under-recognised communities of older people of modest means	At least one established and opened by 2022	A further three sites have been identified during the year through our continued work with Birmingham City Council bringing the total number of sites to five, totalling 118 properties. The first scheme is expected to complete in June 2023.

During the year we completed on 400 properties, across seven schemes, bringing the total number of completions over the last few years to 792. The board re-confirmed our development aspirations as part of the latest business plan update to deliver 800 units per year.

Over the year our development pipeline has grown and at year end we had 875 units on-site across 12 Extra Care and 1 Retirement Living schemes, with most of these units expected to complete in the first half of 2022, and a further 1,476 units approved to progress to lockdown by our Development Steering Group. The pandemic has caused delays in the delivery of new schemes and the new Affordable Homes Programme provided by Homes England was only finalised in April 2022, resulting in the delay of bringing schemes forward. We have already had four schemes approved under the new programme and several bids coming forward.

We continue to acquire stock from other providers, with an aim of delivering a better service outcome to the residents, and in year we acquired 73 Retirement Living properties in Birmingham from Optivo Housing Group.

The Board has also approved a framework for the provision of community housing with aspirations to initially develop 10 sites.

2. Investing in the quality of our existing properties

Measure	Strategic 2022 target	Progress
Delivery of property standards	All kitchens less than 20 years old All bathrooms less than 20 years old Al properties with an EPC rating of at least C All schemes to have had a makeover in the past seven years	94% of kitchens meet the standard 96% of bathrooms meet the standard 91% meet the EPC standard 97% meet the makeover standard
Resident satisfaction with quality of home	95%	Our resident survey did not go ahead during 2020 due to the pandemic
Schemes to have fully digital warden call system	100% by March 2025	48% complete

The Covid-19 pandemic has had a significant impact on our investment programme, which has caused a delay in achieving our Property Standard, however, we are in a strong position both in achieving the standards by April 2022 and in ensuring high property compliance across our stock.

Our aim to have fully digital warden call systems installed by 2025 has also been pushed back by a year with a small number of installations now planned in the following year.

3. Investing in the quality and responsiveness of services

Measure	Strategic 2022 target	Progress
Overall satisfaction with Housing 21	95%	Our resident survey did not go ahead during 2020 due to the pandemic
Local service agreements in place providing a focus for local engagement and decision making	All schemes	All Retirement Living schemes have a service agreement and Extra Care are working towards having these in place by the end of the year
High desirability of properties through low re-let void loss percentage	Retirement Living: 1.0% Extra Care: 1.5%	Retirement Living: 1.4% Extra Care: 3.1%

This year we did not achieve our voids' target due to the pandemic. When properties became void we found it more difficult to let as potential residents were reluctant to move in due to the communal nature of our schemes. We have seen continual improvements since February 2021 and expect void levels to return to pre-pandemic levels by March 2022.

3. Investing in quality and responsiveness of services (cont.)

Measure	Strategic 2022 target	Progress
CQC care service rating of 'Good' or 'Outstanding'	100% of services	90% of our Extra Care services are rated as 'Good' or 'Outstanding' with six of our services rated 'Outstanding'
Care service user satisfaction with quality and responsiveness of the services provided	95%	97% resident satisfaction with the care they receive
High Care Worker satisfaction and low staff turnover	Satisfaction: 90% Turnover: 20%	Satisfaction: 90% Turnover: 16.9%

The achievement of our high CQC scores is sector leading but is down slightly from 94% we reported last year. However, the most recent data published by the CQC shows an average performance of 85%. Furthermore, the 10% of schemes requiring improvements compares to a national average of 15%. In addition, there are seven new schemes awaiting their first inspection which are, as yet, ungraded.

Despite the challenging year we have just been through, our Care Worker turnover is at its lowest ever rate and we are reaping the rewards from the commitment to continue to pay our employees above the National Living Wage and the continued investment into their training and development. This is also reflected in our care satisfaction scores which is up from 87% last year and we are meeting our target early.

4. Investing in our people and potential

Measure	Strategic 2022 target	Progress
Accreditation as Investors in People Gold (IIP) employer	Retain or improve on Gold accreditation	Working towards IIP Platinum during the year, which was achieved in July 2021
Full utilisation of our Apprenticeship Levy contributions through provision of training	100% utilisation	65% at 31 March 2021 and we anticipate using all of our Apprenticeship Levy within the permitted timescales
Employees say they are proud to work for Housing 21	90%	Feel committed: 96% Share our value: 97% Employee satisfaction: 91%

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

5. Investing in systems and technology

Measure	Strategic 2022 target	Progress
Transition from fixed client computing to fully flexible and mobile solutions	For all employees	The roll out of 'New Ways of Working' as more employees adapt to ways of working Work on-going to deliver further mobile and cloud-based solutions
Further / phase 2 housing management system enhancements	Full implementation	Commented on below
Digital systemisation of care contracts	Trial in Walsall 2019/20 Full implementation thereafter if appropriate	A feasibility review has been undertaken on a digital care rostering and contracts system.

The pandemic resulted in us thinking differently about how we utilise systems and technology to deliver our services. Overnight we moved from a predominately fixed workplace to most employees working remotely. We have issued all employees with new equipment to allow them to work more flexibly, reducing travel and allowing for easier engagement throughout the organisation through use of applications such as Microsoft Teams.

As part of the next refresh of our Group strategy and with the appointment of the Executive Director of People & Systems we will be undertaking a comprehensive review of our systems and how we utilise technology across the whole organisation.

6. Investing to provide Value for Money

The Group Board recognise their responsibility for meeting the requirements of the RSH's Value for Money standard and to take a strategic approach in managing the performance of the Group's assets and the utilisation of the Group's resources. Despite a difficult operating year, the Group has generated a surplus, continued to invest in existing and new homes, and maintain customer satisfaction with homes and services, demonstrating the efficiency and effectiveness of the business.

We are in the process of refreshing our Value for Money strategy and as part of the next iteration of our Group Strategy will be reviewing our Value for Money targets.

7. Investing in innovation and influence

Measure	Strategic 2022 target	Progress
Residents becoming Dementia Friends or Champions	10,000	5,070 in total
Housing 21's annual conference – bringing academics and practitioners together	Host annually	Postponed in 2020 due to the pandemic however was replaced by other virtual sessions.
Embedding dementia-friendly principles into our work	n/a	On-going

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

Our VFM metrics on the Regulator's measures

The Regulator of Social Housing (RSH) has defined seven Value for Money (VFM) metrics for providers to report and compare. The table below shows our historic performance and a comparison to a sample taken from the latest Global Accounts published by the RSH, which reports sector performance for 2019/20. This is a very comprehensive data set for comparison purposes, and it includes a sub-sector analysis by size of organisation and by cost factor.

Whilst most registered providers own and or manage some housing for older people units, there are a minority of providers, such as Housing 21, where this activity forms a material part of their business. The Housing for Older People (HOP) sub sector is defined as providers with at least 30% HOP homes and it includes seven organisations who collectively own 3.1% of the total social stock.

Further analysis of each of our VFM metrics is outlined on the following pages with comparison against prior years, and additional comparisons against peers who have a high proportion of older people's housing, the median results for HOP and the overall sector median.

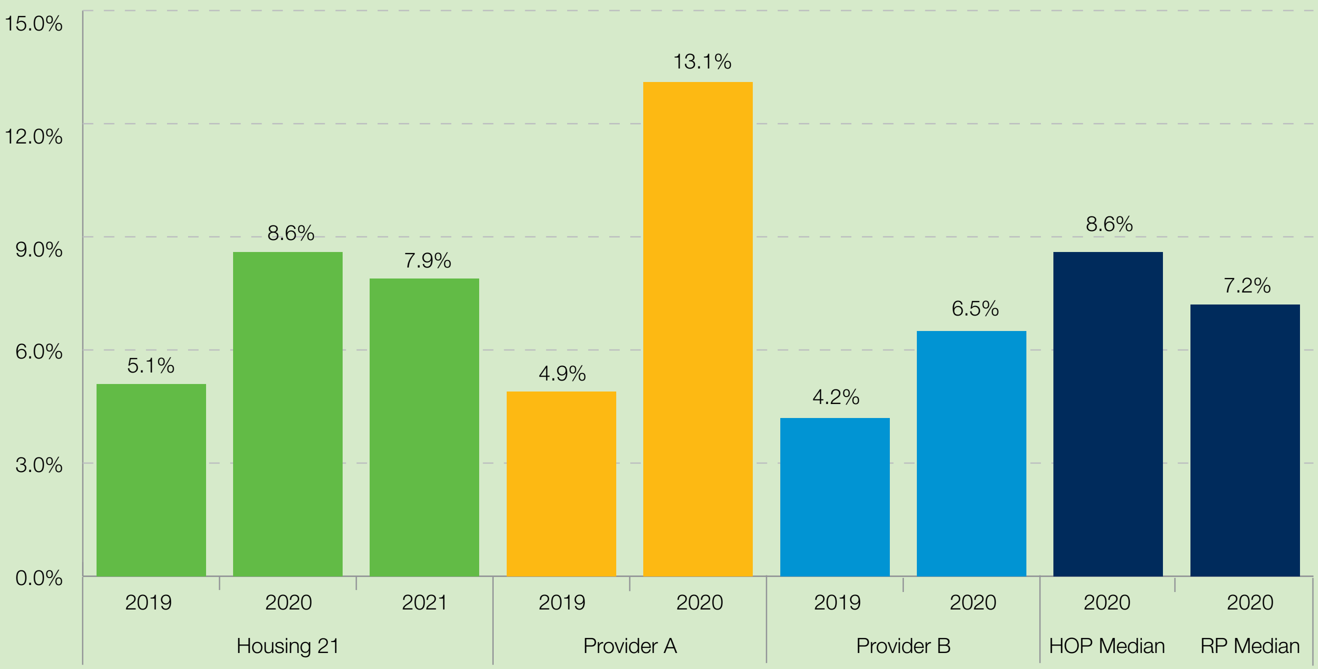
Value for money metrics		Housing 21			HOP
		2018/19	2019/20	2020/21	2019/20
1.	Reinvestment	5.1%	8.6%	7.9%	8.6%
2a.	New supply social	4.4%	0.0%	2.1%	0.8%
3.	Gearing	38.2%	40.3%	34.8%	38.7%
4.	EBITDA MRI interest cover	145.4%	125.8%	185.5%	162.0%
5.	Headline Social Housing CPU	£5,963	£6,384	£5,493	£6,440
6a.	Operating margin – social	24.6%	22.7%	23.9%	19.8%
6b.	Operating margin – overall	19.4%	17.1%	17.7%	16.8%
7.	Return on capital employed	2.7%	2.4%	2.3%	4.2%

Metric 1

We continue to invest in the provision of new social housing for older people and in the year, we spent £81.8m on new developments as well as £18.4m on our existing stock.

The pandemic impacted our investment in our existing stock given the nature of our schemes with a focus on essential and health and safety works, with non-essential works delayed. Furthermore, we have experienced longer development times due to social distancing requirements on site and a delay in key materials with several schemes originally earmarked for completion in 2021, now expected to complete in 2022.

Reinvestment %



Metric 2a

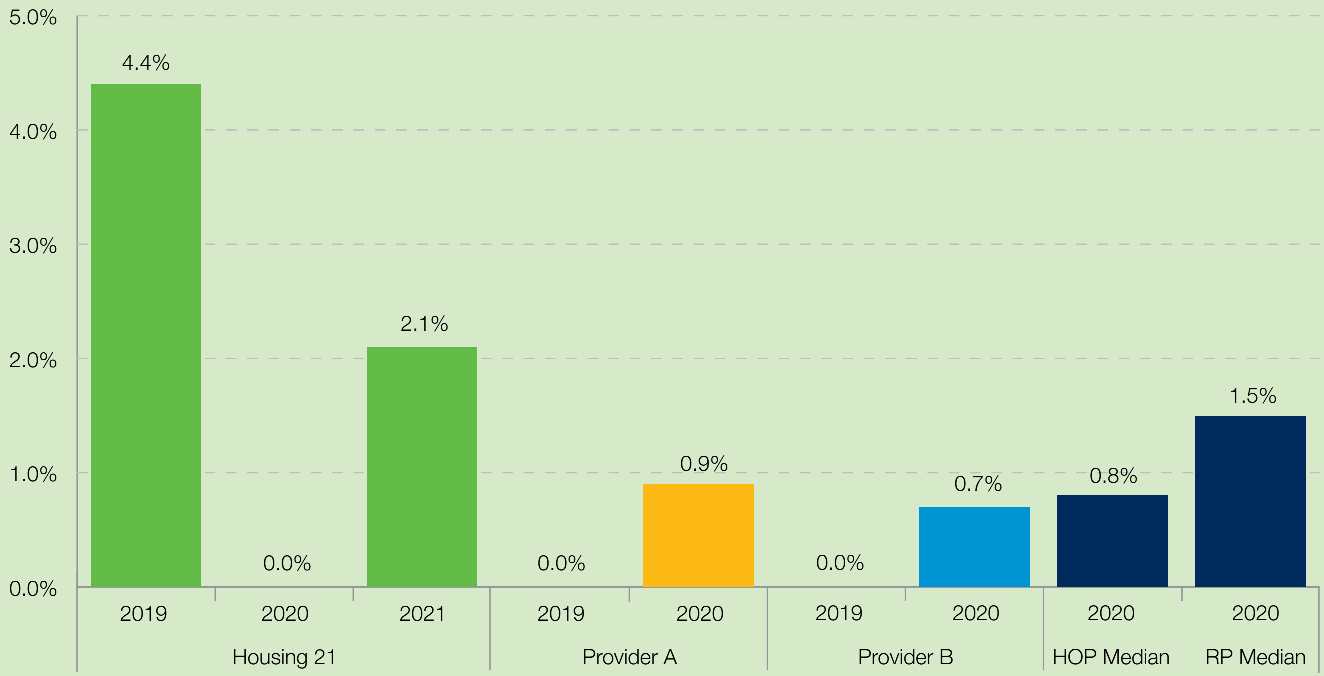
During the financial year we reached practical completion of 400 properties consisting of 208 properties for rent and 192 for shared ownership across seven schemes. This number would have been greater however as explained above, we have experienced delays in the completion of new developments.

In addition to the 73 Retirement Living properties acquired from Optivo Housing Group in Birmingham, Housing 21 has created an additional 27 properties available for social rent through re-modelling existing properties and converting old Scheme Manager properties, however they are excluded from the metric above as they are not a new supply of affordable housing to the sector.

At the year-end we had a further 875 properties on site across 13 schemes and, since the year end, Homes England funding has been confirmed on another 137 properties across four schemes from the new 2021-26 Affordable Homes Programme.

As part of the annual Business Planning update, the Board has re-confirmed Housing 21's aspirations to develop 800 properties per annum.

New supply delivered % (social housing)



Metric 2b – New supply delivered % (non-social housing)

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

Metric 3

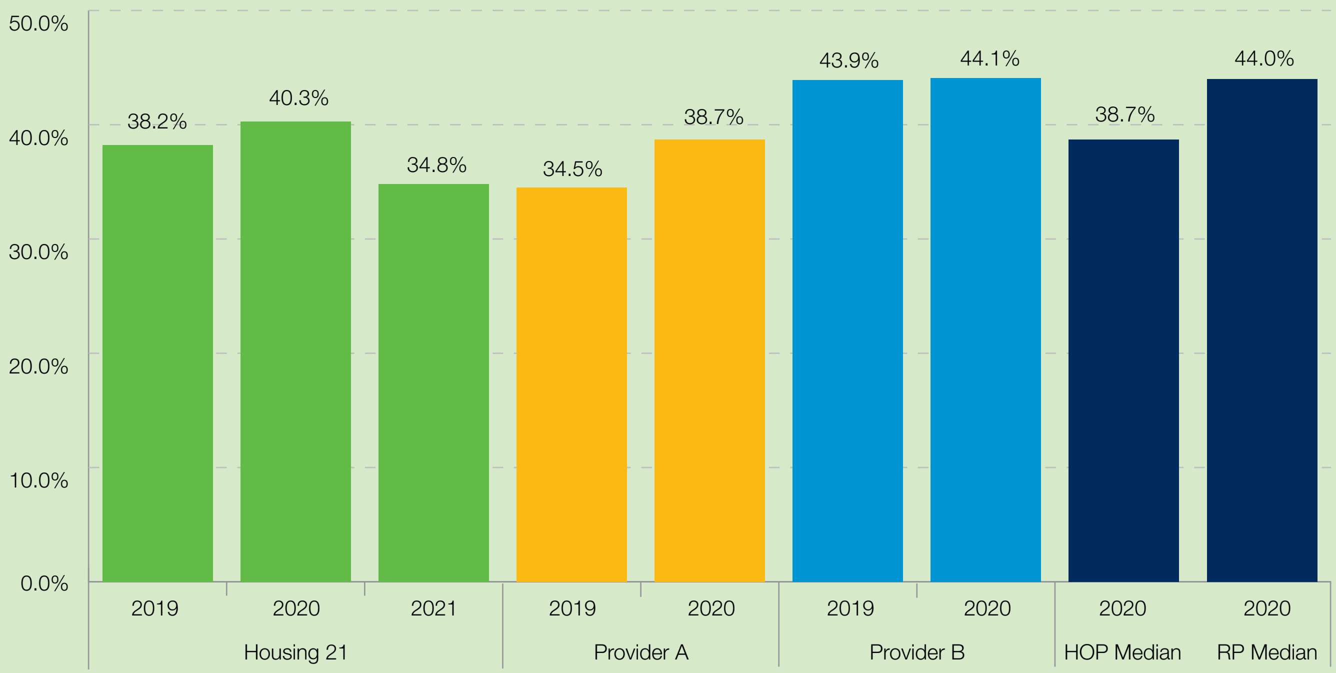
Gearing has improved from last year, but this is primarily because no cash was held in short-term investments at year end compared to £60m in 2020, which are excluded from this calculation. The true comparator to last year is 35%.

Gearing continues to be below our peers and the median for housing for older people providers which demonstrates our business is self-sufficient and does not rely on external borrowing to fund day-to-day activities, including the investment in our existing stock. All new loan financing is used for the provision of new social housing or to manage our loan book.

Our gearing is also higher because of the way the Oldham PFI contract is held in our books. The Group holds the external loans for this contract (£53.8m), however as these assets (£102.6m) are not owned by the Group they are classified as a finance asset instead, they fall outside of this metric.

Our gearing ratio is expected to increase in future years as our development programme continues to grow.

Gearing %



Metric 4

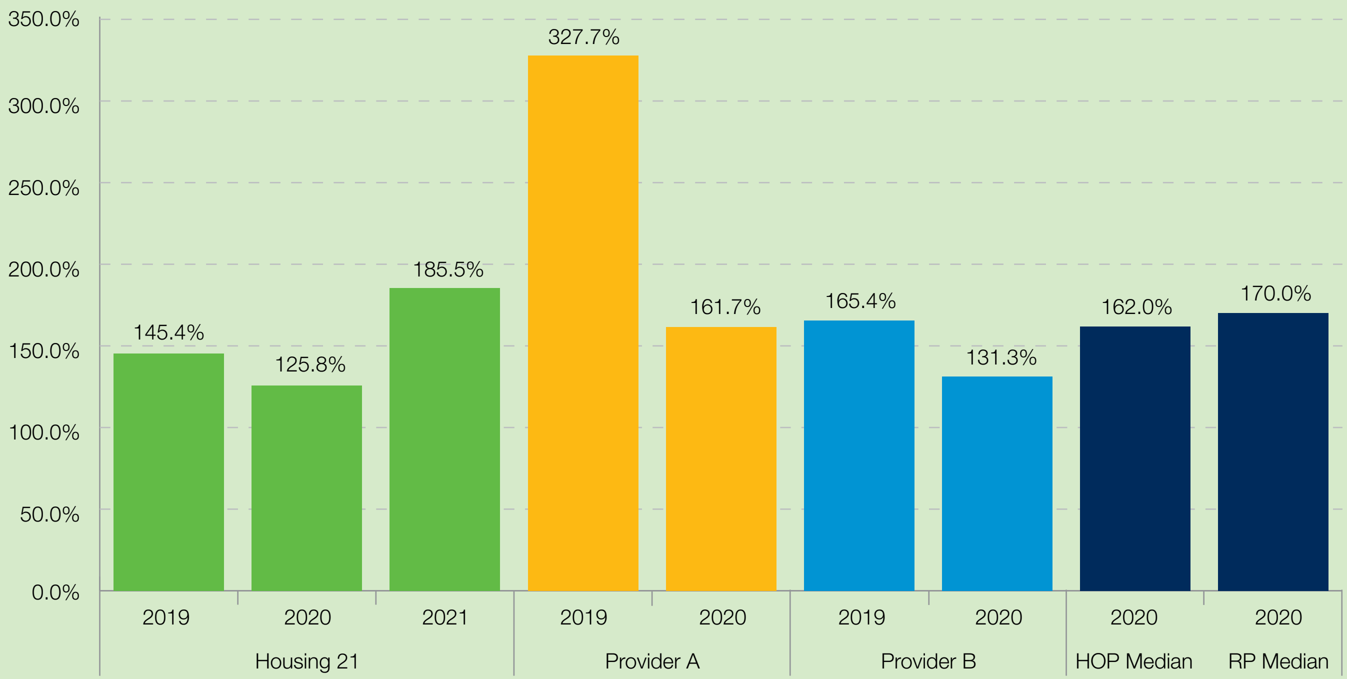
Our Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover ratio has improved since previous years. The main driver for this increase is lower investment in our existing stock (£18.4m in year compared to a recent annual investment of around £30m) and delays in non-routine maintenance because of the pandemic.

EBITDA MRI is expected to fall in the next couple of years before recovering thereafter due to the planned catch up on stock investment work that was originally planned for the current financial year but could not be completed. Furthermore, with the switch to social rents, surpluses will fall but in the coming year we will start to realise the benefit from the investment in new developments, with only a small proportion completing to date. There are several developments coming on-stream in the first half of 2022 which will boost the EBITDA while our interest payable, at least in the short-term, is expected to remain relatively stable.

The reduction in Provider A and B's ratios is because in 2020 they increased their investment in their existing stock whereas we have had an enhanced stock investment programme for the last five years.

Although not a regulated VFM metric, we also monitor our EBITDA MRI generated from social housing lettings, ensuring this does not fall below 110%.

EBITDA MRI Interest Cover %



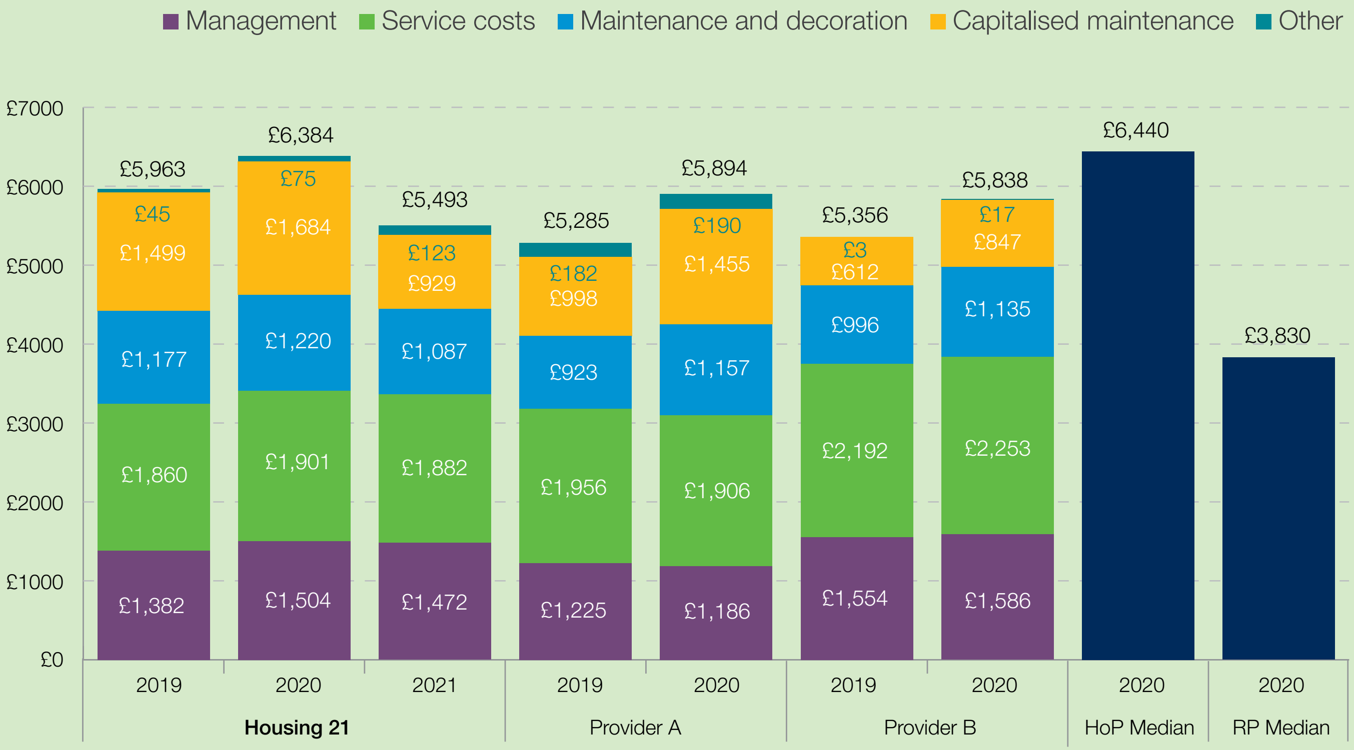
Metric 5

Our headline cost has fallen in year due to the reduction in investment in our existing stock, which has fallen from £1,684 to £929 per property and lower maintenance costs (£1,087 vs £1,220), relating to lower planned maintenance as already explained above. Management costs have also reduced (£1,472 vs £1,504) primarily as a reduction in travel and training costs over the last 12 months.

As a provider of housing for older people, our cost base is recognised as higher when compared to the rest of the overall sector due to the nature of the services we provide. Whilst service costs continue to be our biggest outlay, they also remain lower than our peers year on year. These costs are recovered from our residents and are, therefore, cost neutral.

In addition, our three PFI and PPP contracts have a disproportionate impact on our management and maintenance cost per property. The nature of these contracts mean that we incur somewhat higher costs to satisfy the service standards, which are specified by the contract. The cost of delivering these service standards is recovered via the unitary charge income we receive.

Headline social housing cost per property £

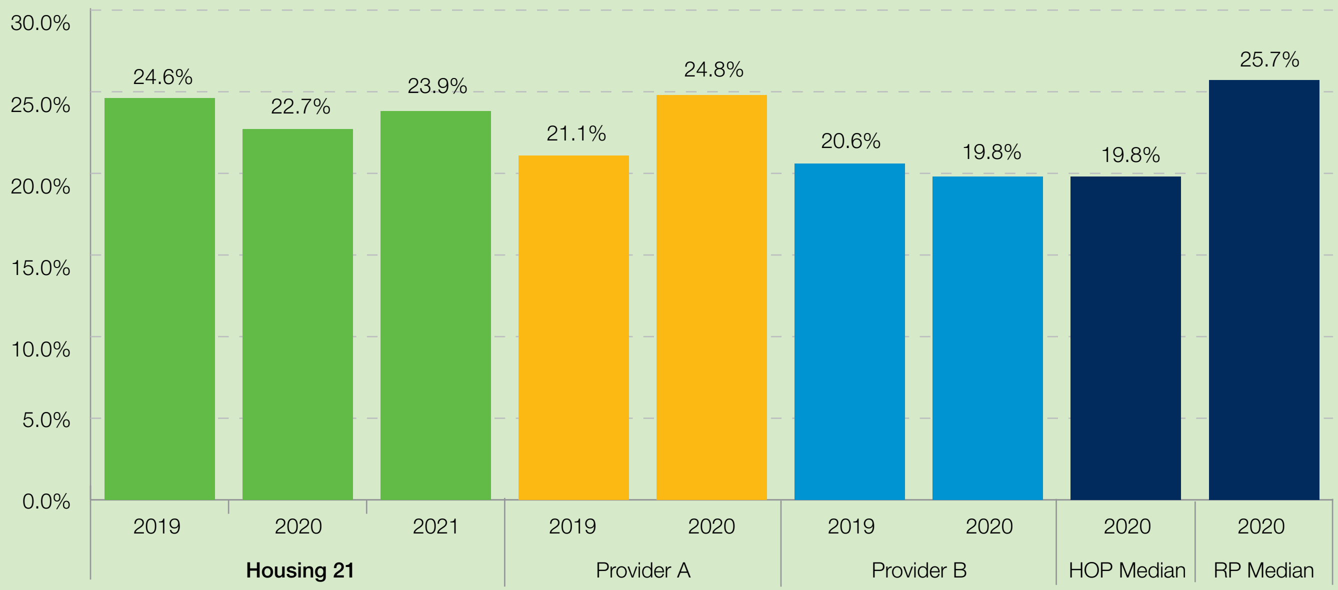


Metric 6a

Our social housing lettings operating margin has increased since last year, this is despite all the challenges faced as part of the pandemic. The increase has been derived from the annual rent increase and a reduction in planned maintenance.

The lower margin when compared to general needs providers is because of the gross impact of our recoverable service charges. Although we generate £41.0m of service charge income, this is effectively cost neutral, so margins are negatively affected.

Operating margin % (social housing lettings only)

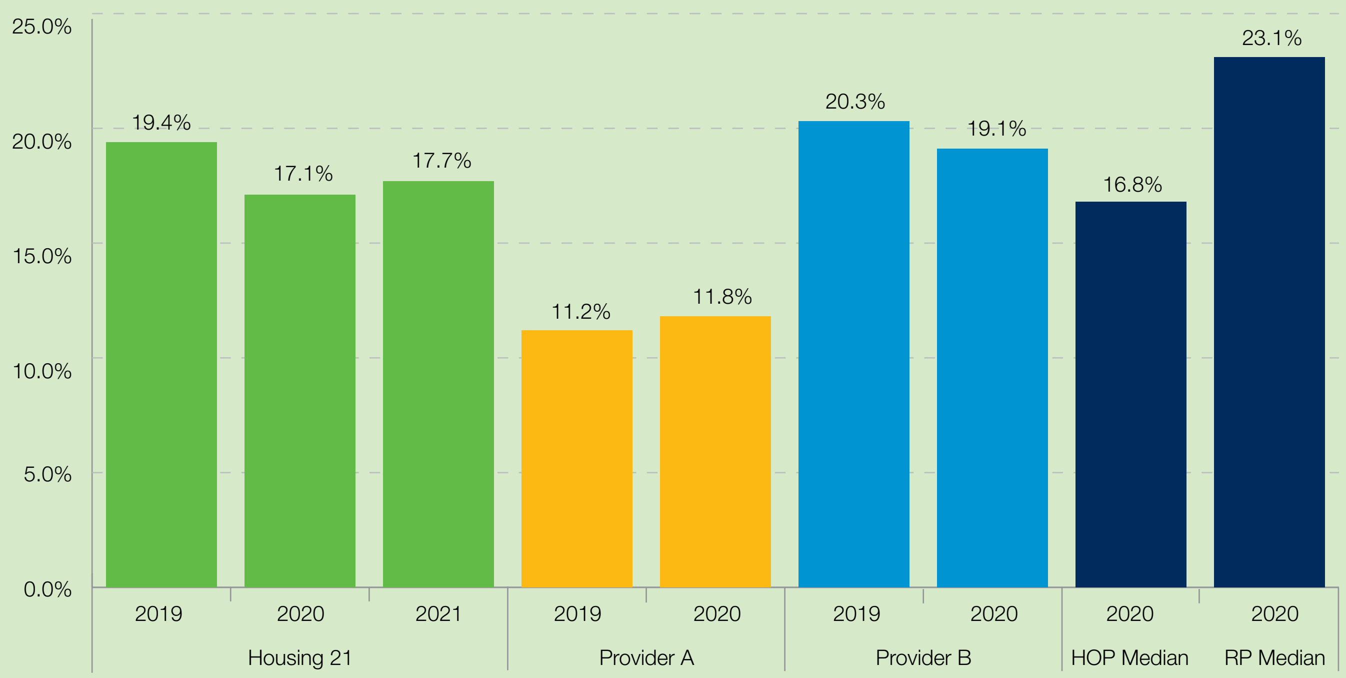


Metric 6b

Our overall margin has increased since the prior year and remains above the median for Housing for Older Persons.

Our care business has a detrimental impact on our overall margin due to the low surplus this service provides (which is also the case for Provider A) however is integral to the service offering we provide. Those registered providers that only provide housing services generally generate higher margins.

Operating margin % (overall)

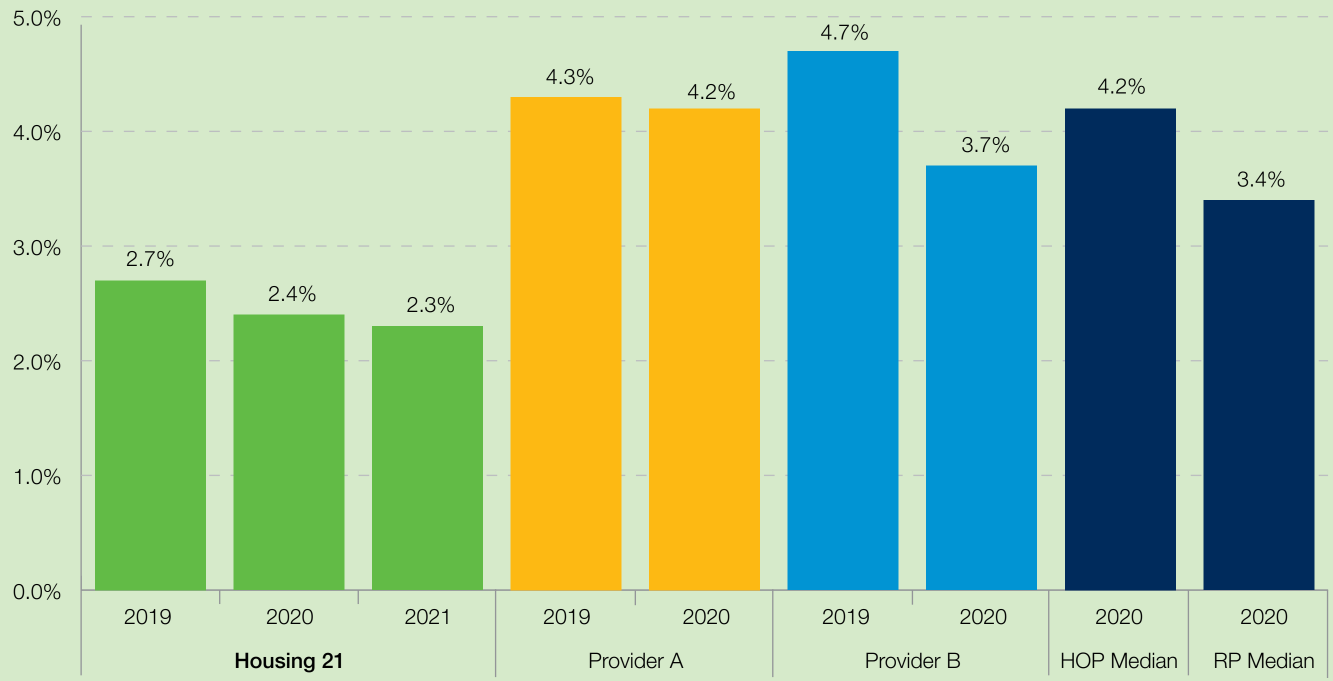


Metric 7

Our return on capital employed has marginally decreased this year due the additional bond financing raised in the year which has increased our asset base but has yet to be invested in new developments and returns have yet to be generated.

As new schemes start to come on-line, we would expect this ratio to improve. However, as we remain true to our core purpose with the development of a higher number of rented properties, all of which will be at social rents, our metric will continue to be below our peers and wider housing for older persons' providers who continue to develop a higher number or market sales and affordable rent properties, which generate higher returns.

Return on Capital Employed (ROCE) %



Report of the Board

Group structure and active companies as at 31 March 2021

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

The Group's active subsidiaries are:

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

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

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

Goldsborough Estates Ltd (GEL) is a private company limited by shares acquired in 2018. GEL has been hived up into Housing 21 in the year and has been dormant since January 2021.

Executive and secretary

Executive Name	Position
Bruce Moore	Chief Executive
Tony Tench	Deputy Chief Executive
Andy Howarth	Chief Financial Officer
Amina Graham	Executive Director – People and Systems
Kris Peach	Executive Director – Extra Care
Pam Mastrantonio	Executive Director – Retirement Living
Secretary Name	Position
Paul Hutton	Head of Legal Services and Company Secretary

Bankers and advisors

Bankers	Barclays Bank plc	Corporate Banking, Level 28, 1 Churchill Place, Canary Wharf, London E15 5HP
Independent external auditors	BDO LLP	Two Snowhill, Birmingham, B46 GA

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

Group Governance Report

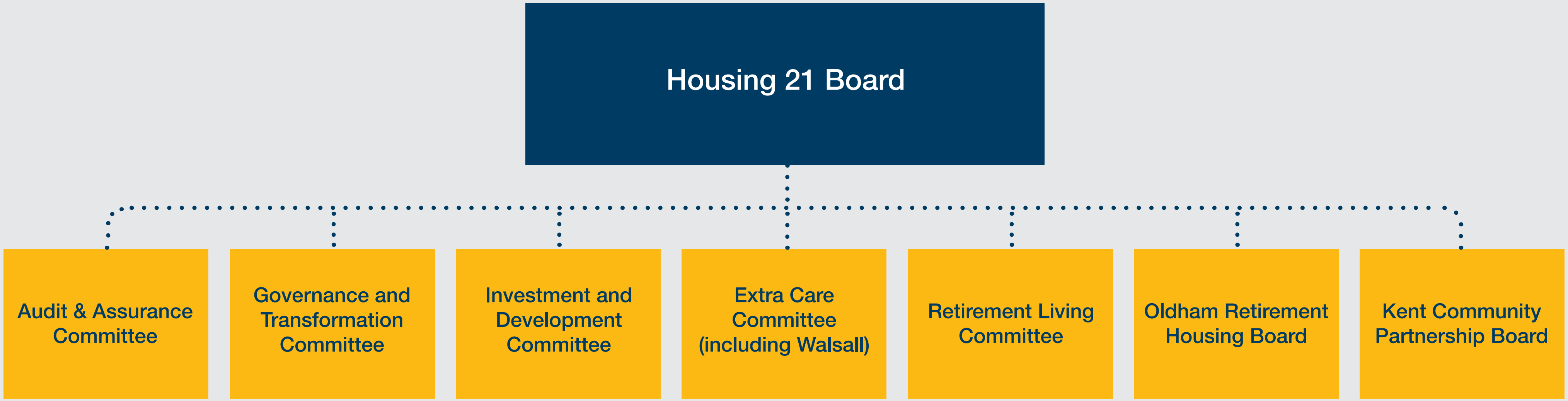
Group Board – committed to maintaining high standards of organisational governance

The Board and Members play a significant role in ensuring Housing 21 achieves the highest standards of governance, and act both collectively and individually in the best interests of Housing 21 in the knowledge that they are the organisation's ambassadors and custodians.

The Board formulates strategy, both directly and through delegation to its committees and considers a wide range of matters which safeguards the organisation, whilst having a positive impact for current and future residents and staff.

During 2020/21 the Board commissioned a root and branch review of its governance arrangements making changes to the Committee structure, adapting new ways of working as well as reviewing the principles contained in the 2020 National Housing Federation (NHF) Code of Governance.

Changes in the committee structure were made to include the additions of an Extra Care Committee and a Retirement Living Committee, strengthening operational oversight which also provides further space for the Board to continue to consider items of strategic importance, including progress made with complying with the Regulator of Social Housing (RSH) Rent Standard and the rectification for previous incorrect charging. These changes also aligned to the broadening of the Executive Team Structure, enabling the further development of strategy in both operational areas and a range of areas of organisational transformation, whilst ensuring greater diversity of thought is achieved. The Board agreed to adopt the NHF 2020 Code of Governance as its chosen Code after previously adopting the NHF 2015 Code of Governance.



Housing 21's Governance Guiding Principles

The Board has documented Housing 21's Governance responsibilities in a Governance Handbook which clearly sets out the roles and detailed responsibilities of the Board, including those matters which cannot be delegated, how the Board conducts its business along with key processes for Board Member succession. The Handbook also defines the roles of the Board Members collectively and individually as well as the roles of the committees.

1. Mission and Values

The Board sets and actively drives Housing 21's social purpose, mission, values and ambitions, and through these embeds a positive culture with high standards of probity and conduct, protecting the organisation's reputation while being accountable to residents and customers.

2. Strategy and Delivery

The Board sets ambitions, plans and strategies and monitoring mechanisms which enable the organisation to fulfil its social purpose, legal and regulatory responsibilities. It ensures plans are financially viable, with consideration of value for money and environmental and social sustainability.

3. Board Effectiveness

The Board and work of the Board is appropriately structured with clear roles and responsibilities which enable good governance. The Board ensures that it is skilled and diverse, considering the impact of its decisions on the communities within which Housing 21 works.

4. Control and Assurance

The Board actively manages risks faced by the organisation, and obtains robust assurance that controls are effective. Opportunities are available for concerns to be raised without fear of reprisal.

Effectiveness of Governance:

The Board has led on ensuring the continued effectiveness of its governance arrangements, challenging itself to ensure it adopts high standards of good governance and has:

– reviewed its effectiveness both from a compliance and cultural perspective through independent reviews and self-assessment processes

– reviewed compliance with the letter and spirit of the 2015 and 2020 NHF Code of Governance

– reviewed the governance structures including compliance with the Board's role and the role of committees

The Board has assessed itself as being materially compliant with its Code of Governance. Several areas included in the new 2020 NHF Code were actively considered by the Board prior to the publication of the new code including the sustainability, diversity and resident engagement agendas. As anticipated with the adoption of the 2020 NHF Code and reviewing the Housing White Paper, further consideration is needed in respect of the following:

1. NHF Code of Governance Principle 1.6 Accountability Part 3 – Opportunities and information are provided for residents and customers to scrutinise the work of the organisation, hold it to account, the Board reviews these arrangements regularly.
2. NHF Code of Governance Principle 3.4 – Board election, selection and appointment Part 4 – People with direct lived experience of (or particular insight into) the communities served by the organisation are meaningfully engaged in governance structures.

In response to the above, the Board has ensured that there are numerous mechanisms at an operational level to enable residents to influence the services they receive which affect them on their schemes, however there is potential to further enhance this and improve strategic engagement opportunities for residents, enabling them to have a real and active say in setting the strategic priorities for Housing 21 and how the organisation is managed. In addition, although the Board ensures it sees comments and feedback from resident surveys, a mechanism for capturing and responding to resident comments more frequently, which enables the Board to have direct sight of and be engaged with this process, has been recognised as an area for development.

The Board has been keen to ensure there is a resident voice on the Board and has one resident Board Member, however through the Committee structure there is recognition that this is not enough. To further support engagement of individuals with direct lived experience or insight, new resident groups are being established for both Extra Care and Retirement Living and will be closely aligned with the Extra Care and Retirement Living Committees. To enhance this further, the Committees are also exploring co-opting resident Board members onto the committees.

To continue to adopt good practice the Board has in the year strengthened governance arrangements including:

- Full review and refresh of the Governance Handbook including Board consideration of Board culture and behaviours.
- Documenting a Board Assurance Framework to clearly highlight control weaknesses and assurance gaps for areas classed as significant, those impacting health and safety, property compliance, key aspects of law and regulatory compliance.
- Reviewing internal governance arrangements for the Executive and Executive led groups.
- Enhancing Board reporting to document key matters to aid decision making including alignment to strategic objectives, financial impact, risks and their mitigation, value for money, and resident involvement and engagement.
- Completing a review of Board culture and behaviours. The Board recently developed a clear set of values and behaviour statements.

Key activities of the Board in the year

Housing 21's position with regards to rent setting was reported and discussed in detail in the year with the Board commissioning comprehensive independent root and branch reviews of governance arrangements and rent compliance. Detailed information on the rent position is documented on page 8.

As a result of responding to the rent position and the Board request to be kept fully informed of progress with rent rectification and the management of impacts relating to the Covid-19 pandemic (see page 9), the Board met more frequently than in the past, ensuring timely oversight and decision making was sustained on these two key areas as well as business as usual activities. The Board reviewed key risks, discussed and validated Executive decisions and reviewed the adequacy and completeness of mitigating actions.

Along with considering routine items which include reviewing organisational performance and risk mitigation, approving policies as per the policy framework, and reviewing decisions and recommendations from each committee, the Board also discussed the following key areas, validating and enhancing recommendations made by the Executive:

- **Annual Budget and Business Plan approval** – including consideration of the impact of and mitigations around key risks associated with development, property sales, voids, repairs, and care performance, and the impact of the pandemic.
- **Investment Strategy and approval of the Treasury strategy** – which included reducing counter party risk.
- **Development Strategy approval** – which included agreeing targets for delivering new affordable homes for older people in both Extra Care and Retirement Living, overall tenure mix between rented and shared ownership, with a proportion of developments being in areas of deprivation and also those where there are populations from BAME backgrounds.
- **Fire Safety Strategy** – which included reviewing progress with fire re-zoning works and Type 4 surveys and the implementation of the Fire Safety Act.
- **Complaints performance** – including reviewing the organisation's self assessment against the Housing Ombudsman Code and approving the updated complaints policy.
- **Pay proposals including extension of Occupational Sick Pay to Care Workers** – the Board continuing to commit to a pay structure that aligns both corporate and operational roles.
- **Insurance** – reviewing the adequacy of and approving organisational wide insurance cover.

Board Members were also actively involved in the recruitment of new members and members of the Executive Team participating in the selection process and approving appointments.

The Board has agreed that member remuneration provides compensation for the valuable support members provide, and for their time and effort in discharging their duties with the Governance and Transformation Committee regularly reviewing remuneration levels.

Governance and Transformation Committee – maintaining an effective and competent Board, supporting the business transformation agenda

The Board expanded the Group's Governance Committee's responsibilities to include treasury and business planning activities along with reviewing the business transformation agenda.

The committee's principle responsibilities include considering the broader performance aspects of the organisation's governance and culture including strategic aims for organisational improvement and business transformation, as well as assisting the Board in the oversight of longer-term planning and treasury management, making recommendations for Board approval of the Treasury Policy and Strategy and Business Plan.

In addition to the above, the committee assists the Board in ensuring the effectiveness of arrangements for Board governance, making recommendations to the Board in respect of member succession planning, recruitment, remuneration, evaluation of performance and opportunities for development which ensure compliance with the Board's chosen Code of Governance.

In the five committee meetings held in the year the committee:

- Oversaw the future succession requirements and related Board Member recruitment activity. Four new Board Members were appointed in the year, bringing further knowledge and diversity to the Board.
- Reviewed the levels of members' remuneration in the year along with the Executive Team, seeking external assurance that levels established were reasonable.
- Completed a review of the 2020 NHF Code of Governance, making recommendations to the Board for its adoption as Housing 21's chosen Code of Governance.
- Oversaw a comprehensive review of the Governance Handbook.
- Monitored progress with the governance improvement plan including reviewing compliance with the Code of Governance.
- Considered the annual Treasury Report and Investment Policy, making recommendations to the Board for approval.
- Reviewed compliance with covenant policies.
- Considered the gender pay gap report and related actions.
- Discussed transformation priorities, reviewing the initial strategies for Information Technology, People, and Communications and Marketing.

The Audit and Assurance Committee – overseeing internal control and assurance

The Audit and Assurance Committee is responsible for assisting the Board to fulfil its statutory and regulatory obligations, specifically this covers advising the Board on whether there are effective internal controls, an adequate risk management framework and sufficient and objective assurance in place across the activities of the organisation.

The committee is also accountable to the Board for both the internal and external audit arrangements. In assessing the effectiveness of internal control and risk management, the committee draws upon members' collective knowledge of the organisation, the sector and the external environment, and also utilises the expertise of the internal and external auditors. Two independent committee members bring further insights and constructive challenge to the committee's work.

The committee met five times in the financial year and along with reviewing routine matters including approving plans and receiving reports from internal audit and external audit on the control environment and related recommendations, the committee also reviewed the following:

- Strategic and operational risks including the sector risk profile, making recommendations to the Board on the content of the risk policy and risk management strategy.
- Risks and incidents relating to fraud and data and related lessons learned, approving related policies and procedures.
- Financial regulations and the financial authority matrix making recommendations to the Board for approval.
- Compliance with returns and reporting required by the Regulator of Social Housing.
- Compliance with the Regulator of Social Housing Regulatory Standards.
- Deep dive into cyber risk and controls, assets and liabilities' register, and business continuity arrangements with the management of Covid-19 pandemic.

The committee also reviewed its effectiveness in the year and lessons learned arising from the rent position, agreeing to a full review of the assurance activities linked to the development of the Board Assurance Framework. Areas for committee development include balancing the nature and depth of challenge on assurance received, continuing to maintain sight of risks and assurance in the new committee structure, and ongoing review of agendas and the volume and quality of papers to ensure matters continue to be reported clearly.

The committee has concluded that it is satisfied that the overall internal control framework is adequate and effective, with the exception of a small number of specific areas which have been reported by Internal Audit as providing partial assurance. The committee continues to recognise that the organisation cannot be complacent and continues to review the effectiveness of internal controls and risk mitigation, with systems and procedures being reflective of good practice.

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

The committee provides oversight and assurance in relation to the delivery of the Group's development and asset management strategies and related risks and their mitigation. This includes the delivery of the agreed property development targets and outcomes (in terms of number of homes, financial indicators, sales, lettings, sustainability and qualitative measures) and the delivery of the Asset Management Strategy with particular regard to delivery of the agreed property standards, including property safety compliance and decarbonisation of our properties.

The committee met five times in the financial year, with a focus on the following areas;

- Assessing and approving new schemes for development along with progress including post appraisal assessments.
- Revisiting appraisal assumptions as a result of the impact arising from Housing 21's social rent policy.
- Approving the co-housing strategy, recognising that the operating model differs to traditional social housing offer.
- Reviewing the controls over the procurement of development sites and construction.
- Reviewing the acquisition strategy and delegated authorities making recommendation to the Board for approval.
- Reviewing progress with the delivery of property standards as per the asset management strategy and approved a new investment strategy and separate compliance strategy, which includes enhanced property standards.
- Progress with low carbon construction.

In addition, the committee reviewed specific property acquisitions from other registered providers and prior to the change in committee structure oversaw raising of £120m in August 2020 by tapping the 2047.

Extra Care Committee – maintaining oversight of operational performance

The committee held its first meeting in November 2020 having a purpose to support, scrutinise, monitor and review the strategic and operational performance and potential of Housing 21's Extra Care services as well as providing specific oversight and acting as the Board of Housing 21 Guernsey LBG (H21 Guernsey).

The committee routinely reviews operational performance and risks at each meeting including the position on care quality and safeguarding. The committee also reviewed budget assumptions and care contract performance including negotiations with local authorities on contract rates in the year and received updates on transformation projects involving technology.

In addition an introductory session was held with some members of the newly formed Resident Engagement Group to start to identify future areas for improvement in services.

Retirement Living Committee – maintaining oversight of operational performance

The committee held its first meeting in October 2020 with the purpose to support, scrutinise, monitor and review the strategic and operational performance and potential of Housing 21's Retirement Living services which include Housing 21 Leasehold properties and services.

The committee routinely reviews operational performance and risks at each meeting and has had a focus on tenant engagement and tenancy sustainability. The committee also reviewed budget assumptions and targets around voids and repairs costs.

Subsidiary Committees – ensuring continued viability and compliance with requirements

Kent Community Partnership and Oldham Retirement Housing Partnership Subsidiary Boards have met in the year to review financial and operational performance and to ensure that we continue to meet contractual requirements of our Public Finance Initiatives. Due to the alignment with Extra Care and Retirement Living operations, the meetings follow on from routine committee business with the same committee members in attendance.

General committee/Board business includes budget performance, operational performance and the risk relating to contract deductions, and approving the statutory financial statements.

The Board of Goldsborough Estates Limited approved the hiving up of all activities into the parent company and this subsidiary is now dormant.

Further information in respect of our subsidiaries is contained in related financial statements and annual reports where applicable.

Our current Board Members – providing robust governance and diversity of thought

Stephen Hughes

Chairman

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 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.

Stephen is a Board Member for the Valuation Office Agency and High Speed Two (HS2) Ltd.

Liz Potter

Deputy Chair
Chair of Governance and Transformation Committee to September 2020

Liz brings over 30 years of housing, care and support experience to the Board, including a previous national policy role at the National Housing Federation (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.

Anne Turner

Chair of Audit and Assurance Committee

Anne is a qualified accountant and has spent 25 years in executive positions in three large housing association groups in the Midlands.

Anne 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 Network Homes and PA Housing. Anne has also served on numerous NHF and CIPFA committees and working groups.

Mike McDonagh

Chair of Governance and Transformation Committee from September 2020,
Chair of Investment and Development Committee to September 2020

Michael is a former KPMG Partner who has held a number of senior leadership roles with the UK firm. He specialises in the broader public sector and has worked with many of the most influential and prestigious organisations in the country. As a keen supporter of the diversity agenda, Michael has a history of mentoring across the business. He is a current Audit Committee Member for the Royal Botanic Gardens, Kew, Chair of the Board at Essex Cares Ltd and is also the Chief Executive for C.Co, CIPFA's Collaborative Consultancy.

Michael's ambition is for Housing 21 to be to be an organisation that continues to put older people at the centre of everything it does, challenging itself to continually improve and innovate to achieve outstanding outcomes for customers.

Our Board Members (cont.)

Neil Revely

Chair of Retirement Living Committee from September 2020

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.

David Clark

Chair of Investment and Development Committee from September 2020

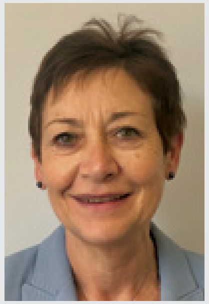
David is a residential property management specialist and, until recently, chair and co-owner at Mainstay Group, a national residential leasehold and mixed use asset manager based in Worcester.

David also sits on the Board of Platform Housing Group and chairs their Property Care division as well as acting as an independent director for Queen Alexander College Enterprises.

He is a former chair of the Association of Residential Managing Agents (ARMA) and past chair and fellow of the Institute of Residential Managing Agents (IRPM) who provide education and qualifications in the residential sector.

Elaine Elkington

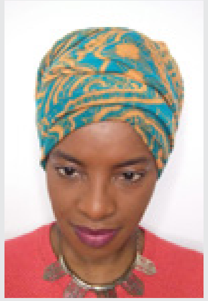
Chair of Extra Care Committee from September 2020



Elaine has an extensive background in public sector housing and is a Fellow of the Chartered Institute of Housing; for six years she served as Trustee on their Governing Body. Elaine works as a freelance consultant in housing, development, regeneration and planning in both public, private and housing association sectors. She has worked at executive level in some national challenging roles such as interim CEO at Kensington and Chelsea Tenant Management Organisation after the Grenfell tragedy. She is also a Trustee of Standing Together Against Domestic Violence, a national charity which campaigns for justice for victims and cross-sector structural reform across all services to eliminate the causes of domestic abuse. Elaine previously held NED roles at Extra Care Charitable Trust and Trident Housing.

Lara Oyedele

from September 2020



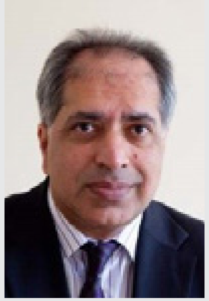
Originally trained as a journalist, Lara has almost 30 years' professional experience working in housing associations, local authorities, private sector management companies and homelessness charities. A former Housing Association CEO, Lara was the founding Chair of, and creative force behind, BME National, the coalition which promotes the role of ethnic minority housing associations in England. Lara is an alumni of London School of Economics and Henley Business School.

Lara has served on the Board of Southern Housing Group as well as equality advisory board to the housing regulator. She is currently a trustee of homelessness charity, Hope Housing (Bradford Ltd). Lara runs a training company, manages an extensive buy-to-let portfolio and is developing an affordable housing company.

Our Board Members (cont.)

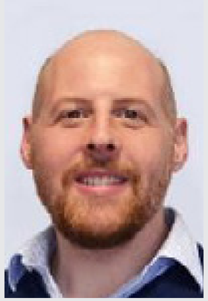
Suki Kalirai

from September 2020



Suki has spent overlapping time in multiple roles including over 20 years in non-executive director roles in a diverse range of fast moving consumer goods, building and e-commerce sectors as well as Charities and Industry Association Boards in the leisure and hospitality sector most recently as Chair of the UK Government sector skills body for sport, physical activity and aesthetic wellbeing. Inaugural Chair of the UK Government's Institute for Apprenticeships & Technical Education Employer Panel and a member of the All Party Parliament Group Apprenticeship Sector Development Board.

William Roberts

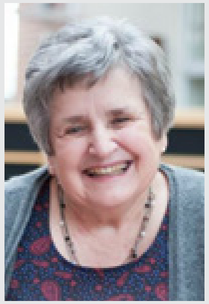


William has held a number of roles across health and social care over the last 20 years, including working in a number of strategic roles in the NHS. William is a trustee at Terrence Higgins Trust and is currently the Deputy Chair, having been a Board Member since 2014.

He is currently Head of Health and Social Care at the Innovation Unit, a not-for-profit consultancy, where he leads their work around health and social care innovation and improvement.

Shelagh Robinson

Resident Board Member



In Shelagh's working life, she had been a counsellor, a carer and set up a women's refuge and so describes herself as 'lucky' in that she was able to spot some of the early signs of something not being quite right, as she was diagnosed with Alzheimer's disease in 2011.

After sharing her experience on social media, Shelagh was approached by the Alzheimer's Society to become an ambassador, campaigning for the rights of people living with dementia.

Shelagh has spearheaded a campaign for better post diagnosis support for people living with dementia, appearing on BBC news and in national newspapers, a public speaker with her very own TEDx Talk as well as being a regular 'Dementia Diarist' with the aim of prompting dialogue and changing attitudes towards dementia.

Christina Law

Independent — Audit and Assurance Committee

Christina is a chartered accountant with experience across multiple industries including investment and trading properties, retail, financial services and not-for-profit organisations.

This includes working with member orientated organisations including co-operatives, academies, mutual organisations and privately and publicly owned entities.

As an independent non-executive member of the Audit and Assurance Committee, Christina has worked in areas of internal and external audit and is bringing expertise on internal controls, risk, treasury management and financial reporting matters.

Our Board Members (cont.)

Ian Skipp

Independent — Audit and Assurance Committee

Ian is the Group Director of Finance and Resources at Futures Housing Group. In addition to having specialist knowledge of social housing he has wide ranging commercial experience obtained from working with a range of organisations including multi-national PLCs.

He is adept at putting in place and maintaining robust governance and risk management frameworks, achieving operating efficiencies, maximising income, developing corporate structures to meet strategic objectives as well as maintaining regulatory compliance.

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

In September 2020 both Michael Knott and Kathleen Boyle resigned as their terms of office came to an end.

A register of interests is maintained by the Company Secretary and members actively declare any potential or actual conflicts of interest during meetings as and when they arise.

Our Board Members – an active and engaged Board							
Name	Appointed	Main Board	Audit Assurance	Governance Transformation	Investment Development	Retirement Living and Oldham	Extra Care Kent / Guernsey / Walsall
		Number of meetings – 6****	Number of meetings – 5	Number of meetings – 5	Number of meetings – 5	Number of meetings – 5	Number of meetings – 3
Stephen Hughes	31.01.2014	6 out of 6	***	***	***	***	***
Kathleen Boyle*	31.01.2014	3 out of 3	3 out of 3	-	-	-	1 out of 1
David Clark	01.08.2019	6 out of 6	-	-	5 out of 5	5 out of 5	-
Elaine Elkington	01.10.2019	4 out of 6	-	-	4 out of 5	-	3 out of 3
Suki Kalirai**	25.09.2020	3 out of 3	2 out of 2	3 out of 3	2 out of 2	-	-
Michael Knott*	31.01.2014	3 out of 3	3 out of 3	-	-	-	1 out of 1
Mike McDonagh	01.09.2017	6 out of 6	2 out of 2	5 out of 5	3 out of 3	-	-
Lara Oyedele**	25.09.2020	3 out of 3	-	3 out of 3	-	3 out of 3	-
Liz Potter	31.01.2014	6 out of 6	-	5 out of 5	5 out of 5	-	-
Neil Revely	01.09.2017	6 out of 6	-	4 out of 5	-	5 out of 5	-
William Roberts**	25.09.2020	6 out of 6	-	-	2 out of 2	-	3 out of 3
Anne Turner	01.09.2017	6 out of 6	5 out of 5	***	3 out of 3	-	2 out of 2

*Service ended September 2020.
**Service commenced September 2020.
*** invited to attend all meetings as ex officio member but attendance not always necessary, no voting rights.
**** does not include additional Board meetings for discussion of rent or Covid-19.

The Executive – Providing leadership and ensuring implementation of our strategy

Bruce Moore

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 two PhDs from studying the governance of housing associations and the preference and priorities of residents of Extra Care and Retirement Living properties.

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.

Bruce is also is a Board Member of St. Johns Winchester, Essex Cares Ltd and Elderly Accommodation Counsel.

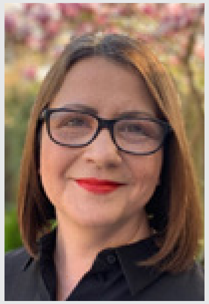
Tony Tench

Tony joined Housing 21 in 2014 with over 20 years of experience in housing, development, asset management and social care. As Deputy Chief Executive for Housing 21, he is responsible for leading on health and safety, property development, asset management, acquisitions and business transformation projects.

Tony's previous experience includes a number of executive roles at Hanover Housing Association (including Director of Extra Care, Director of Strategic Improvement and Director of Retirement Housing and Property Services), and prior to that leading on Extra Care Housing Development for Anchor Trust.

He is a Group Board Member of The Community Housing Group where he is also a member on the maintenance (Oak Leaf Commercial Services) and telecare (Amica 24) subsidiaries.

Amina Graham



Amina began her career in retail management, undertaking various leadership roles during her 22 years' service at Marks and Spencer, before moving into the housing sector as Executive Director of Corporate Services at RHP, and later, Director of Change and Transformation at L&Q.

She also holds a non-executive role at Network Homes Group on the Customer Services Committee.

Amina has a wealth of business experience in transforming organisations, customer service, people management, organisational development and bringing about complex change through the harmonisation of people, technology, and processes.

Kris Peach

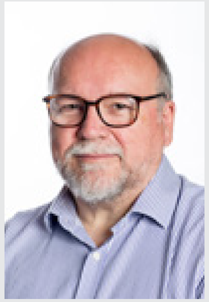
Kris joined Housing 21 in July 2010 following a period of time working for a specialist supported housing provider. He previously worked for Claimar Care for over 10 years in operational and development roles, managing and commissioning new Home Care and Extra Care services.

Since working for Housing 21, Kris has seen the impressive expansion of Extra Care across the country. As the Executive Director of Extra Care, Kris is responsible for providing the strategic leadership, direction and oversight for the development of Extra Care at Housing 21.

Kris is also a Board Member of Trafford Housing Trust.

The Executive (cont.)

Andy Howarth

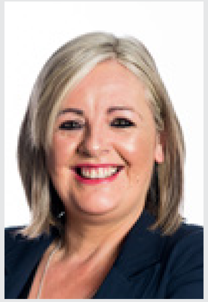


Andy has amassed a wealth of knowledge throughout his career, which recently included roles as Group Finance Director at Platform Housing Group, and Executive Director of Finance at Fortis Living.

Andy has also held several non-executive roles in local charities and was a founding member of a sector-based procurement consortium.

Andy is currently a Board Member of New Hope Worcestershire.

Pam Mastrantonio



Pam has 30 years' experience working in the housing sector in a mixture of general needs, supported, and older person's housing, working for local authorities, large scale stock transfers and housing associations.

Previously, she has held roles as; Head of Neighbourhoods in Braintree (Essex), Assistant Director of Retirement Housing and Director of Operational Transformation at Hanover, and most recently Head of Retirement Living (North) at Housing 21 before being appointed Executive Director of Retirement Living in 2020.

Group Internal Control and Assurance

The Board retains ultimate responsibility for the organisation's compliance with all legal, statutory, regulatory and constitutional requirement.

The Board is responsible for establishing and maintaining the whole system of internal control and for reviewing its effectiveness, and is also responsible for the active management of risks faced by the organisation.

The Board relies upon a range of assurance mechanisms which includes routine management oversight processes and independent assurance through Internal Audit and other third party assurance providers. In the year, the Board directed the development of a Board Assurance Framework to improve oversight on controls and assurance mechanisms.

Board review of the routine assurance activities including reviewing reports, policies and other documents as well as commissioning further reviews in additional areas of interest assist the Board in demonstrating compliance with the NHF Code of Governance, and Regulatory Standards which enables the Board to make its formal statement on the organisation's system of internal controls.

Internal Control Statement by the Board

Purpose: The statement of internal control provides an opinion to internal and external stakeholders on how effectively the organisation governs its business so as to manage the key risks to the successful delivery of its business and financial plan. The Board, in making the following statement, has drawn upon a variety of sources of assurance which supports the internal control framework.

Board 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.

As a result of the activities of the Board and its committees, the Board is able to confirm to the best of its knowledge it has complied with its adopted code of governance (2020 NHF Code), and the regulatory requirements as established by the Regulator of Social Housing including compliance with all aspects of law, with the exception of compliance with the Rent Standard and Welfare Reform and Work Act. Full compliance with the Rent Standard has been achieved as of 1 April 2021, the Board receiving independent assurance of compliance with rents set at that time.

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

The Board has established a range of assurance processes which it relies upon. Key elements include processes around risk management, independent assurance provided through internal audit, oversight in routine areas as well as those with a higher degree of risk for example within health and safety and information governance, as well as through policies and procedures over fraud and whistleblowing and the reporting on significant incidents. The Risk Management Framework and risk appetite is set by the Board and establishes the boundaries within which the organisation works within.

Board Risk Appetite Statement

Given the changing nature of the operating environment Housing 21 operates within, the Board assesses its appetite in relation to risk, keeping under review the impact risks have individually and collectively on the organisation's operating environment and the achievement of its overall objectives.

The Board reviews risk appetite annually and also when there are significant changes in internal and external factors.

Housing 21 has identified the following risk appetite which balances risk and opportunity:

The Board is ambitious in its outlook for Housing 21, in particular around growth through investing in new development along with progressing with its co-housing, technology and sustainability agenda.

The Board is however clear that the objectives and ambitions need to be achieved while maintaining a focus on good governance and internal control, the ambitions of the organisation never jeopardising the fundamentals of sound operations, providing good quality services that listen and respond to the needs of our residents, and reputational and financial integrity.

As such the Board continues to expect a measured approach to risk, there being no complacency in the assessment of risks, with comprehensive understanding of risks and their mitigation at the outset of any decision making.

Although ambitious in its outlook, the Board maintains a wholly averse risk appetite in respect non-compliance with regulation and law, including any failures of health and safety. The Board expects a 'compliance first' approach to be taken and evidenced by the organisation.

Internal Control Framework

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 Assurance Committee, considers the nature and extent of the risk management framework to be effective. A detailed review of the Regulators Risk Profile provided comfort to the Board that Housing 21 is considering risks effectively, and the development of the new committee structure ensures there is greater oversight of operational risks.

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

- **Governance and viability** – Board and Executive effectiveness, compliance with regulation / legislation and restoration of governance rating, business planning financial operating margins, rent setting framework.
- **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 to aid transformation
- **Innovation and influence** – future thinking, environmental impact, engaging and responding to customers and post pandemic opportunities

Key risks mitigation

The following are core mitigations managing the key risks being reviewed by the Board:

Covid-19 pandemic (management and transformational benefits) – ongoing decision making based upon confirmed employee and resident cases and clear adherence to Government policy and guidelines with regular communications to employees and residents along with increased reporting on health and safety compliance and wellbeing. Establishment of new ways of working supported by improved technology enablers to aid achievement of post Covid-19 benefits.

Rent Standard Compliance and Assurance – detailed framework for establishing compliance including refresh of policy and procedure, increased management oversight and in-depth independent assurance on compliance and rectification programme. Clear communication with stakeholders including the Regulator, funders, residents, employees and local authorities on the mistakes made, financial impact and plans for rectification.

Restoration of governance grading and assurance on compliance – root and branch review of governance effectiveness and implementation of resulting action plan. Regular reporting to the Regulator and Board on improvement activities with further independent assurance mechanism to confirm adequacy of progress.

Tight operating margins affecting confidence – in depth review of business planning and forecasting along with a wide variety of stress scenarios. Clear reporting to the Board on financial impact of decisions made. Refreshing of priorities and value for money targets.

Supply Chain disruption / pricing and critical supplier management – continued assessment of contractor reliance and resilience with increased oversight of continuity planning where applicable. Splitting of local and national contractors for property compliance, repairs/ improvements works. Variety of contractors, regional and national, supporting the development programme. Assigned stock provisions with call off orders for essential supplies such as PPE.

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

Housing 21's internal audit function is co-delivered with third party providers, whilst managed and supported by an in-house internal audit function. For 2020/21 third party assurance was provided by both KPMG and Mazars. The in-house function operates independently of management, the team however has operational responsibility for risk management, information governance, anti-fraud and whistle-blowing, and business continuity, for these areas the co-sourced partner provides assurance.

Internal audit provides an annual opinion on the system of internal control. The Audit and Assurance Committee directs the work of the internal audit service requested deep dives into areas of risk identified either by the committee and/or Board. In arriving at the annual audit opinion the following has been considered in the year:

- The overall delivery and coverage of the internal audit plan, where audits opinions have been provided for within 22 areas. The small number of areas on the plan which were not been delivered have not impacted the ability to provide an opinion. A small number of areas were postponed as they were not seen to be of significant priority while operationally there was a focus on day to day management of the Covid-19 pandemic.
- The outcomes of the assurance activity, and where there is a partial assurance outcome arising from internal audit work, management have made genuine commitments to review systems in their entirety. The areas reported as providing partial assurance were rent setting – non compliance with the rent standard, IT hardware assets – record keeping, care billing – reliance on corrective controls, and specific areas where data reconciliations were missing.
- The quality control over internal audit activity which enables appropriate opinions to be made, which is also based upon the ability to complete work independently, without influence, with information requested being provided.
- The positive outcome of the audit on risk management completed by independent auditors and the continued awareness and management of risks during the year.
- The overall management of business continuity in response to the Covid-19 pandemic and the ability of management to provide assurance on the ongoing delivery of operational matters including the management of key health and safety and property compliance risks.
- The work of other third parties in the areas of governance along with the good progress made in implementing actions arising from the reviews.
- The ongoing implementation of internal audit recommendations and management positive response to implementation overall.
- The review of compliance with the Regulator of Social Housing Standards (RSH) which identified overall compliance with the exception of rent setting. The compliance has been addressed in the year with compliant rents set from 1 April 2021. There has also been significant improvements in the control environment for rent setting including management oversight, increased assurance as well as Board approval of policy. Both the accuracy of rents charged and improvements in the control environment have been assessed externally with regular reporting to the Board.
- The ongoing review of fraud arrangements and fraud risks in the year highlighted that the fraud risk register and fraud controls are overall adequate and that the organisation meets expected good practice in the areas of policy and raising awareness.

Internal Audit Annual Opinion

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

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 Care Quality Commission (CQC). As a result of not being able to physically travel to sites in the year the programme of assurance was reduced with a small volume of desktop reviews carried out.

An internal review of the service was completed; the Audit and Assurance Committee confirmed the service overall as being effective.

Management Oversight – embedding a control framework

A core element of the system of internal controls embedded within the organisation are a range of routine management oversight processes. These activities individually and collectively support Housing 21 in achieving robust operational governance.

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

In the year the organisation developed a Board Assurance Framework which documented internal controls and assurance mechanism for a range of processes. This process has been valuable in improving the awareness of the control framework.

The Board routinely receives reports on all of the above areas approving key strategies and policies.

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 and review the policies and procedures, supervise and review risk assessments, and manage key actions arising. This includes a Property Compliance Team who review the governance and compliance arrangements for gas, fire, electrical, asbestos, legionella and lifts, as reported earlier.

A well established Health and Safety Forum is in place chaired by the Deputy Chief Executive. The Board receives reports on all matters relating to health and safety (including reportable incidents and all aspects of property safety) and has approved detailed health and safety policies and procedures arising from the forum. The main focus of the forum has been continuing to review the wide range of health and safety areas and to ensure Housing 21's response to fire risks remains robust and that the Board's commitment in responding to Type 4 Fire Risk assessments is achieved.

The Board's Investment and Development Committee also receive detailed reports on property compliance and reviews and approves strategies which ensure continued compliance.

The Group Health and Safety Manager worked diligently responding to the Covid-19 pandemic ensuring Housing 21 complied with relevant guidelines to keep residents, employees and contractors safe.

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 commitment to our Care Workers and the quality of our managers.

The Group has a dedicated Quality and Commissioning Team who establish and oversee the framework of policies and procedures for ensuring care quality, and for raising and reporting of safeguarding incidents. Registered managers on our Extra Care schemes are fully accountable for ensuring care quality and the safeguarding of residents. In the year, the Board has ensured greater oversight of the quality standards through the development of the new Extra Care Committee.

Anti Fraud and Corruption – creating an open and honest culture

The Group is committed to act 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 holds a register of fraud, both are reported to the Audit and Assurance Committee. Top inherent fraud risks include cyber fraud, payment fraud, asset abuse, and financial abuse of residents.

Employees are required to complete mandatory fraud awareness training which promotes communicating concerns through to management or our confidential reporting line. This training has been supplemented by additional employee sessions which raise awareness of what types of concerns should be raised and how to raise them informally to management and formally through the organisation's whistle-blowing policy.

Information Governance – committed to protecting personal and sensitive information

The commitment to the privacy and security of personal and sensitive data is of significant importance to the organisation. The Group has a well-established Information Governance Steering Group which is responsible for the effectiveness of the organisation's information governance and security controls. The Deputy Chief Executive is the organisation's Senior Information Risk Owner.

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

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

By order of the Board

Paul Hutton, Secretary
25 August 2021

Responsibilities in respect of the report of the Board and the financial statements

Board Members' Responsibilities

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

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

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

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

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

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

Disclosure of Information to the Auditors

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

Independent Auditor's Report to the Members of Housing 21

Opinion on the financial statements

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 2021 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 requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

We have audited the financial statements of Housing 21 ("the Association") and its subsidiaries ("together the Group") for the year ended 31 March 2021 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the Audit and Assurance Committee, we were appointed by Group Board to audit the financial statements for the year ended 31 March 2004 and subsequent financial periods. In respect of the year ended 31 March 2021 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 including retenders and reappointments is 18 years, covering the years ended 31 March 2004 to 31 March 2021.

We remain independent of the Group and the Parent 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 as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Association.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Board's assessment of the Group and the Parent Association's ability to continue to adopt the going concern basis of accounting included:

1. obtaining management's assessment that supports the Board's conclusions with respect to the disclosures provided around going concern;
2. considering the appropriateness of management's forecasts by reviewing and assessing assumptions applied by management, assessing historical forecasting accuracy and understanding management's consideration of downside sensitivity analysis;
3. obtaining an understanding of the financing facilities from the finance agreements, including the nature of the facilities, covenants and attached conditions;

4. assessing the facility and covenant headroom calculations, and re-performing sensitivities and stress testing; and
5. reviewing the wording of the going concern disclosures, and assessing its consistency with management's forecasts.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Housing 21's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Board that may have represented a risk of material misstatement.

A full scope statutory audit was carried out for each subsidiary that we considered to be a significant and non-significant component of the group. Audit work on all components was performed by BDO UK both for the purposes of reporting on the individual financial statements and for group/consolidation purposes.

We identified three components which, in our view required an audit of their complete financial information due to their size or risk characteristics and were therefore considered to be significant components.

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.

Overview

<table>
<tr><td>Coverage</td><td colspan="3">A full statutory audit was carried out for each trading subsidiary of the Group.</td></tr>
<tr><td rowspan="4">Key audit matters</td><td></td><td>2021</td><td>2020</td></tr>
<tr><td>Going concern</td><td>✘</td><td>✔</td></tr>
<tr><td>NRV of property developed for sale</td><td>✔</td><td>✘</td></tr>
<tr><td colspan="3">Going concern is no longer considered to be a key audit matter in 2021. Whilst there are uncertainties arising from the pandemic, the impact on business plans has been less than expected and this is no longer considered a significant risk to the Group.</td></tr>
<tr><td>Materiality</td><td colspan="3">Group financial statements as a whole
£2,867,000 (2020: £22,503,000) based on 5.0% (2020: 1.5%) of adjusted operating profit (2020: total assets).</td></tr>
</table>

Key audit matter		How the scope of our audit addressed the key audit matter
Net realisable value of property held for sale	As explained in the accounting policies and note 12, properties developed for sale, including shared ownership first tranches and properties developed for outright sale, are measured at the lower of cost and net realisable value resulting in an amount recognised in the balance sheet of £43,096,000 (2020 - £28,724,000). For completed properties at the balance sheet date, an assessment is needed of an anticipated selling price. For properties in development at the balance sheet date, an assessment is needed of an anticipated selling price and a determination of the expected costs to complete. Due to the volume of properties under construction and the level of judgement involved in estimating both selling price and costs to complete we considered there to be a significant risk that the carrying amount of properties developed for sale is misstated and was therefore a key audit matter.	Having obtained management's assessment of the net realisable value of properties developed for sale, we tested this on a sample basis. Our samples were chosen from the populations of items that represented both developments under construction as well as completed developments at year-end. For a sample of completed properties that sold after 31 March 2021 we agreed the sales proceeds to completion statement and bank receipt to confirm that net realisable value was greater than cost. For a sample of complete properties that remained unsold and for schemes in development we obtained third-party housing market information to confirm that properties were held at the lower of cost and net realisable value. We identified the third party valuer and checked they were independent and that their existence and expertise is suitable for our purposes. For a sample of properties under development we obtained details of the expected costs to complete from the scheme budget for that development and agreed the budgeted contracted cost of the development to the latest contract documentation. We examined supporting documentation for anticipated sales proceeds and we compared the incurred expenditure to the balance sheet date to the estimated amount at that date. We also assessed the accuracy of cost forecasting by looking at outturn costs compared to budget on schemes that completed in the year. ***Key observations:*** Based on the evidence obtained we did not identify any indications that the assessments of the carrying amount made by management were inappropriate.

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.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent Association financial statements	
	2021 £'000	*2020 £'000*	**2021 £'000**	*2020 £'000*
Materiality	**2,867**	*22,503*	**2,579**	*19,775*
Basis for determining materiality	**5.0% of adjusted operating surplus**	*1.5% of Total Assets*	**5.0% of adjusted operating surplus**	*1.5% of Total Assets*
Performance materiality	**2,150**	*16,877*	**1,934**	*14,831*
Basis for determining performance materiality	**75%**	*75%*	**75%**	*75%*

Rationale for the benchmark applied

For the current year we have used 5.0% of adjusted operating surplus as the basis of materiality. The adjustments to operating surplus are to add back depreciation, impairment and amortisation which is in line with the strictest loan covenant definition. We have used this benchmark as we considered this the area of financial statements with the greatest interest to the principle users and the area with the greatest impact on investor and lender decisions. In the prior year we used 1.5% of total assets as we considered this to be the area of financial statements with the greatest interest to the principle users.

Specific materiality

In the prior year we also determined that for all items comprising adjusted operating profit (including related disclosures), a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined materiality for these items based on 5.0% of adjusted operating profit. We further applied a performance materiality level of 75% of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Component materiality

We set materiality for each component of the Group based on a percentage of between 1% and 95% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £9,000 to £2,579,000. In the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the audit committee that we would report to them all individual audit differences in excess of £57,000 (2020: £451,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Board is responsible for the other information. The other information comprises the information included in the 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.

Our responsibility is to read the other information including the Chairman's and Chief Executive's Messages, the Our Move to Social (Formula) Rent report, the Extra Care and Retirement Living report, the Financial Highlights, the Strategic Report, the Value for Money report and Report of the Board 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; or
- a satisfactory system of control has not been maintained over transactions; or
- the Parent Association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Board Members' responsibilities statement set out on page 84, 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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the Group and Association and the industry in which it operates, we identified that the principal laws and regulations that directly affect the financial statements to be the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

In addition, the Group and Association are subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: employment law, data protection and health and safety legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Board and other management and inspection of regulatory and legal correspondence if any.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements. Our tests included, but were not limited to:

- agreement of financial statements disclosures to underlying supporting documentation;
- enquiries of the Audit and Assurance Committee and management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- review of minutes of Board meetings throughout the year; and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

In our assessment the areas of the financial statements most susceptible to material misstatement (either from fraud or error) are the carrying amount of properties developed for resale, the calculation of any required impairments to assets and risk of management override of controls. This is because these areas require a high degree of management judgment, accounting estimation or potential override of controls. The responsible individual specifically reviewed the individuals allocated to work on these sections to ensure that they have the requisite competence to perform this work and to ensure they would identify any applicable non-compliance with laws and regulations.

Audit response to risks identified

- We reviewed the financial statement disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- We made enquiries of the Audit and Assurance Committee, management and reviewed internal audit findings reports;
- We reviewed the fraud log submitted to the Audit and Assurance Committee which includes known attempted frauds, actual instances of fraud and non-compliance with laws and regulations and we read minutes of meetings of those charged with governance;
- In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; considered completeness of related party transactions; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed 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 are to become aware of it.

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

Use of our report

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

Kyla Bellingall, Senior Statutory Auditor

For and on behalf of BDO LLP

Birmingham

United Kingdom

Date: 31 August 2021

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

Group Comprehensive Income Statement

		2021			*2020 (restated)*		
	Note	**Ongoing activities**	**One-off items**	**Total**	*Ongoing activities*	*One-off items*	*Total*
		£'000	**£'000**	**£'000**	*£'000*	*£'000*	*£'000*
Turnover	2	202,620	(635)	**201,985**	*195,047*	*(1,971)*	*193,076*
Operating costs and cost of sales	2	(165,804)	(376)	**(166,180)**	*(160,176)*	-	*(160,176)*
Operating surplus	2	**36,816**	**(1,011)**	**35,805**	*34,871*	*(1,971)*	*32,900*
Other interest receivable and similar income	6	6,988	-	**6,988**	*8,027*	-	*8,027*
Interest and financing costs	7	(25,276)	-	**(25,276)**	*(26,017)*	-	*(26,017)*
Movement in fair value of financial instruments	16	(350)	-	**(350)**	*3,218*	-	*3,218*
Surplus before taxation		**18,178**	**(1,011)**	**17,167**	*20,099*	*(1,971)*	*18,128*
Tax on surplus	9	(33)	-	**(33)**	*(32)*	-	*(32)*
Surplus for the financial year		**18,145**	**(1,011)**	**17,134**	*20,067*	*(1,971)*	*18,096*
Recycled capital grants	15	(130)	-	**(130)**	*(1,041)*	-	*(1,041)*
Actuarial (losses) / gains in respect of pensions	23	(6,303)	-	**(6,303)**	*7,796*	-	*7,796*
Effective movement in fair value of hedged financial instrument	7 & 16	16,684	-	**16,684**	*(13,233)*	-	*(13,233)*
Total comprehensive income for the financial year		**28,396**	**(1,011)**	**27,385**	*13,589*	*(1,971)*	*11,618*

The notes on pages 98 to 138 form part of the Financial Statements.

Association Comprehensive Income Statement

		2021			2020 (restated)		
	Note	Ongoing activities	One-off items	Total	Ongoing activities	One-off items	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Turnover	2	196,787	(635)	**196,152**	188,656	(1,971)	186,685
Operating costs and cost of sales	2	(164,333)	(2,331)	**(166,664)**	(158,374)	-	(158,374)
Operating surplus	2	**32,454**	**(2,966)**	**29,488**	30,282	(1,971)	28,311
Other interest receivable and similar income	6	2,170	1,967	**4,137**	3,018	-	3,018
Interest and financing costs	7	(18,514)	-	**(18,514)**	(18,999)	-	(18,999)
Movement in fair value of financial instruments	16	(574)	-	**(574)**	3,105	-	3,105
Surplus activities before taxation		**15,536**	**(999)**	**14,537**	17,406	(1,971)	15,435
Tax on surplus	9	-	-	**-**	-	-	-
Surplus for the financial year		**15,536**	**(999)**	**14,537**	17,406	(1,971)	15,435
Recycled capital grants	15	(130)	-	**(130)**	(1,041)	-	(1,041)
Actuarial (losses) / gains in respect of pensions	23	(6,303)	-	**(6,303)**	7,796	-	7,796
Effective movement in fair value of hedged financial instrument	7 & 16	3,853	-	**3,853**	(4,590)	-	(4,590)
Total comprehensive income for the financial year		**12,956**	**(999)**	**11,957**	19,571	(1,971)	17,600

The notes on pages 98 to 138 form part of the Financial Statements.

Group Statement of Changes in Reserves

	2021				*2020 (restated)*			
	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 2020 per prior year accounts	-	-	-	-	*433,548*	*(55,017)*	*301,733*	*680,264*
Prior Period Adjustment (note 29)	-	-	-	-	*(7,070)*	-	-	*(7,070)*
Balance at 1 April (restated)	**451,623**	**(68,250)**	**301,439**	**684,812**	*426,478*	*(55,017)*	*301,733*	*673,194*
Surplus for the financial year	**17,134**	-	-	**17,134**	*18,096*	-	-	*18,096*
Recycled capital grants	(130)	-	-	**(130)**	*(1,041)*	-	-	*(1,041)*
Actuarial (losses)/ gains on defined benefit schemes	(6,303)	-	-	**(6,303)**	*7,796*	-	-	*7,796*
Movement in the fair value of hedged financial instruments	-	16,684	-	**16,684**	-	*(13,233)*	-	*(13,233)*
Other comprehensive (deficit)/ income for the year	**(6,433)**	**16,684**	-	**10,251**	*6,755*	*(13,233)*	-	*(6,478)*
Transfer from revaluation reserve to income and expenditure reserve	206	-	(206)	-	*294*	-	*(294)*	-
Balance at 31 March	**462,530**	**(51,566)**	**301,233**	**712,197**	*451,623*	*(68,250)*	*301,439*	*684,812*

The notes on pages 98 to 138 form part of the Financial Statements.

Association Statement of Changes in Reserves

	2021				*2020 (restated)*			
	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 2020 per prior year accounts	-	-	-	-	*418,206*	*(5,313)*	*284,159*	*697,052*
Prior Period Adjustment (note 29)	-	-	-	-	*(7,070)*	*-*	*-*	*(7,070)*
Balance at 1 April (restated)	**433,620**	**(9,903)**	**283,865**	**707,582**	*411,136*	*(5,313)*	*284,159*	*689,982*
Surplus for the financial year	**14,537**	-	-	**14,537**	*15,435*	*-*	*-*	*15,435*
Recycled capital grants	(130)	-	-	**(130)**	*(1,041)*	*-*	*-*	*(1,041)*
Actuarial (losses)/ gains on defined benefit schemes	(6,303)	-	-	**(6,303)**	*7,796*	*-*	*-*	*7,796*
Movement in the fair value of hedged financial instruments	-	3,853	-	**3,853**	*-*	*(4,590)*	*-*	*(4,590)*
Other comprehensive (deficit)/ income for the year	**(6,433)**	**3,853**	-	**(2,580)**	*6,755*	*(4,590)*	*-*	*2,165*
Transfer from revaluation reserve to income and expenditure reserve	206	-	(206)	-	*294*	*-*	*(294)*	*-*
Balance at 31 March	**441,930**	**(6,050)**	**283,659**	**719,539**	*433,620*	*(9,903)*	*283,865*	*707,582*

The notes on pages 98 to 138 form part of the Financial Statements.

Group and Association Balance Sheets Registered number 16791R

	Note	Group		Association	
		2021	*2020*	**2021**	*2020*
		£'000	*£'000 (restated)*	**£'000**	*£'000 (restated)*
Tangible fixed assets					
Housing properties	10	**1,261,867**	*1,206,806*	**1,180,549**	*1,124,287*
Other fixed assets	11	**4,293**	*2,869*	**4,293**	*2,808*
Investments	24	**-**	*-*	**6,485**	*6,739*
		1,266,160	*1,209,675*	**1,191,327**	*1,133,834*
Current assets					
Housing properties and stock for sale	12	**43,096**	*28,724*	**43,096**	*28,724*
Debtors — receivable after one year	13	**105,544**	*109,254*	**42,397**	*43,349*
Debtors — receivable within one year	13	**26,571**	*22,101*	**19,026**	*14,509*
Short-term investments	19	**-**	*60,000*	**-**	*60,000*
Cash and cash equivalents	19	**232,858**	*84,153*	**206,349**	*59,699*
		408,069	*304,232*	**310,868**	*206,281*
Creditors: amounts falling due within one year	14	**(128,969)**	*(119,993)*	**(100,534)**	*(91,833)*
Net current assets		**279,100**	*184,239*	**210,334**	*114,448*
Total assets less current liabilities		**1,545,260**	*1,393,914*	**1,401,661**	*1,248,282*
Creditors: amounts falling due after more than one year	15	**(822,952)**	*(703,898)*	**(672,011)**	*(535,496)*
Provision for defined benefit pension liabilities	23	**(10,111)**	*(5,204)*	**(10,111)**	*(5,204)*
Net Assets		**712,197**	*684,812*	**719,539**	*707,582*
Capital and Reserves					
Share capital	20	-	-	**-**	-
Cash flow hedge reserve		**(51,566)**	*(68,250)*	**(6,050)**	*(9,903)*
Revaluation reserve		**301,233**	*301,439*	**283,659**	*283,865*
Income and expenditure reserve		**462,530**	*451,623*	**441,930**	*433,620*
		712,197	*684,812*	**719,539**	*707,582*

These Financial Statements were approved and authorised for issue by the Board on 25 August 2021 and are signed on behalf of the Board by:

Stephen Hughes
(Chairman)

Anne Turner
(Director)

Paul Hutton
(Secretary)

The notes on pages 98 to 138 form part of the Financial Statements.

Group and Association Cash Flow Statements

	Note	Group		Association	
		2021	*2020*	**2021**	*2020*
		£'000	*£'000 (restated)*	**£'000**	*£'000 (restated)*
Cash from operations	18	**69,919**	*58,501*	**61,724**	*51,789*
Taxation		**(33)**	*(32)*	**-**	*-*
Net cash generated from operating activities		**69,886**	*58,469*	**61,724**	*51,789*
Cash flow from investing activities					
Net proceeds from the sale of housing properties		**9,727**	*6,229*	**9,727**	*6,229*
Expenditure on housing properties		**(102,988)**	*(110,964)*	**(102,678)**	*(110,822)*
Expenditure on other fixed assets		**(1,380)**	*(700)*	**(1,380)**	*(700)*
Receipt of capital grants		**2,446**	*22,884*	**2,446**	*22,884*
Interest received		**7,279**	*10,851*	**2,460**	*4,654*
Net proceeds from sale of other assets		**73**	*1,305*	**73**	*1,305*
Leasehold sinking funds recognised on Goldsborough hive up (see note 25)		**1,133**	*-*	**1,133**	*-*
Maturity/ (purchase) of short-term investments		**60,000**	*(10,400)*	**60,000**	*(26,700)*
Net cash used in investing activities		**(23,710)**	*(80,795)*	**(28,219)**	*(103,150)*
Cash flow from financing activities					
Repayment of bank borrowings		**(17,683)**	*(31,928)*	**(13,646)**	*(27,677)*
Proceeds from new loans		**120,000**	*-*	**120,000**	*-*
Loan premium		**26,984**	*-*	**26,984**	*-*
Interest paid		**(26,772)**	*(27,094)*	**(20,193)**	*(20,094)*
Net cash from/ (used in) financing activities		**102,529**	*(59,022)*	**(113,145)**	*(47,771)*
Net increase/ (decrease) in cash and cash equivalents		**148,705**	*(81,348)*	**146,650**	*(99,132)*
Cash and cash equivalents at the beginning of the year		**84,153**	*165,501*	**59,699**	*158,831*
Cash and cash equivalents at the end of the year		**232,858**	*84,153*	**206,349**	*59,699*

The notes on pages 98 to 138 form part of the Financial Statements.

Notes to the Financial Statements

1a. Principal accounting policies

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

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

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

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

1.1. Parent Association disclosure exemptions

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

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

1.2. Basis of preparation

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

After making enquiries, the Board has a reasonable expectation that we have adequate resources to continue in operational existence for a period of at least 12 months from the date of signing these accounts. 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, the Board assess and stress test the availability of funding, liquidity and compliance with lenders' covenants over at least a three year period. These stresses typically include:

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

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

1.3. Basis of consolidation

The consolidated Financial Statements present the results of Housing 21 – registered provider of social housing and its subsidiary companies ("the Group") as if they formed a single entity. Transactions and balances between Group companies are therefore eliminated in full to show transactions and balances with third parties only.

The consolidated Financial Statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the identifiable assets, liabilities and contingent liabilities of the acquired entity are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Comprehensive Income Statement from the date on which control is obtained (usually also the acquisition date). They are deconsolidated from the date control ceases.

1.4. Business combinations and goodwill

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

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

1.5. Turnover

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

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

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

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

Income from care is recognised at the point of delivery of the service to the service user. Income received from local authorities and / or the Infection Control Fund to help reduce the rate of transmission of Covid-19 is recognised in full once received, with the exception of any amounts that may be repaid, recognised as a creditor on the Balance Sheet as deferred income.

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).

VAT incurred on the construction of new housing properties can be recovered at a ratio of the number of sale units, shared ownership and outright sales, in comparison to total units on individual schemes under a separate PESM calculation agreed with HRMC.

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

1.11. Interest and financing costs

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

Loan premiums received on the issue of new debt finance are deferred to the Balance Sheet and included in long-term creditors and initially recognised as the amount received. This amount is amortised using the effective interest rate method and charged to the Comprehensive Income Statement over the life of the loan.

1.12. Interest receivable on finance lease assets

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

1.13. Pension costs

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

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

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

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

1.14. Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement for Care Workers 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 employee 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 and doors	30
Kitchens and bathrooms	20
Mechanical services	20
Heating and plumbing	25
Fit out costs	25

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

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

1.17. Donated land and other assets

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

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

1.18. Shared ownership properties and staircasing

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

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

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

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

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

1.19. Tangible fixed assets – other

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

1.20. Depreciation of other tangible fixed assets

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

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

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

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

1.21. Government grants

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

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

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

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

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

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

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

Where properties are acquired from other providers where the purchase price includes the associated grant, no accounting adjustment is made for the grant. The acquired grant is disclosed as a contingent liability in Note 17.

1.22. Recycled Capital Grant Fund

On the occurrence of certain relevant events, primarily the sale of properties, Homes England can direct the Group to recycle capital grants, or to make repayments of the recoverable amount. The Group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three year period, it may become repayable to Homes England with interest.

Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used or repaid within one year is disclosed in the Balance Sheet under creditors due after more than one year. The remainder is disclosed under creditors due within one year.

1.23. Impairments of fixed assets

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

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

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

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

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

1.24. Housing properties and stock for sale

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

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

1.25. Debtors and creditors

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

1.26. Recoverable amount of rental and other trade debtors

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

1.27. Loans, investments and short-term investments

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

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

1.28. Cash and cash equivalents

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

1.29. Derivative instruments and hedge accounting

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

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

1.30. Leases

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

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

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

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

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

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

1.31. Leasehold sinking funds

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

1.32. Contingent liabilities

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

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

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

1.33. Reserves

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

1b. 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:

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. 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.
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 Retirement Living or Extra Care scheme.

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 2021.

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.

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

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

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.

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 23 to the financial statements. TPT provides 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.

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.

9. **The sales of first tranche shared ownership, outright sale and sale of other properties (including staircasing)** 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 18).

   Furthermore, these properties should be accounted for at the lower of the cost or their net realisable value. If the associated net realisable value falls below the cost, this could be an indicator for impairment. No such indicators of impairment existing at 31 March 2021.

10. As part of the PFI contracts the Parent Association has **provided loan funding to 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.

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

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

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

13. **Goodwill** arising in the Association from the hive up of Goldsborough Estates Limited of £1,700k (2020: £nil) has been written off in full in the year. The purchase price which gives rise to the goodwill was based on 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 current year operating surplus would have been £1,657k higher and future annual operating surpluses would be lower by £170k.

    The remaining Group goodwill which was generated upon the initial acquisition of Goldsborough Estates Limited in 2018/19 of £376k has also been impaired for the same reasons. Full details of the Goldsborough Estates Limited hive up are provided in Note 25.

14. It is considered that Housing 21's investment of £631k in Goldsborough Estates Limited is no longer supported by the underlying net assets of the company, leading to the impairment of investment of £631k (2020: £nil).

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

Group	2021			*2020 (restated)*		
	Turnover	**Operating costs and cost of sales**	**Operating surplus**	*Turnover*	*Operating costs and cost of sales*	*Operating surplus*
	£'000	**£'000**	**£'000**	*£'000*	*£'000*	*£'000*
Social housing lettings (Note 3)	**146,071**	**(111,276)**	**34,795**	*144,931*	*(112,566)*	*32,365*
Other social housing activities						
Support charge	3,698	(3,698)	-	*3,456*	*(3,456)*	-
Leasehold Services	1,795	(1,750)	45	*1,746*	*(1,664)*	*82*
First tranche low cost home ownership sales	10,432	(8,227)	2,205	*4,877*	*(4,705)*	*172*
Outright sales	-	-	-	*908*	*(789)*	*119*
Development service	156	(972)	(816)	-	-	-
Staircasing sales	583	(346)	237	*597*	*(551)*	*46*
Other asset sales	73	(53)	20	*1,104*	*(1,012)*	*92*
One-off rent and service charge adjustment	(635)	-	(635)	*(1,971)*	-	*(1,971)*
	16,102	**(15,046)**	**1,056**	*10,717*	*(12,177)*	*(1,460)*
Total social housing activities	**162,173**	**(126,322)**	**35,851**	*155,648*	*(124,743)*	*30,905*
Non-social housing activities						
Care services	35,587	(34,943)	644	*35,215*	*(34,095)*	*1,120*
Market rent	1,640	(1,064)	576	*1,650*	*(1,157)*	*493*
Leasehold services	514	(486)	28	*563*	*(381)*	*182*
One - off impairment	-	(376)	(376)	-	-	-
Other	*2,071*	(2,989)	(918)	-	*200*	*200*
	39,812	**(39,858)**	**(46)**	*37,428*	*(35,433)*	*1,995*
Total	**201,985**	**(166,180)**	**35,805**	*193,076*	*(160,176)*	*32,900*

Total development administration costs capitalised were £1,074k (2020: £1,217k) for the Group.

The one-off item in other social housing activities of £635k (2020: £1,971) relates to rent and service charge income which was above levels permitted by Welfare Reform and Work Act (WRWA) and will be refunded in due course. The one-off item included in the non-social housing activities of £376k (2020: £nil) is the goodwill write-off associated with Goldsborough Estates Limited (see note 25).

Included within other in non-social housing is the additional income of £2,071k (2020: £nil) and additional costs of £3,089k (2020: £nil) incurred in the delivery of care services as result of Covid-19.

2. Turnover, cost of sales, operating costs and operating surplus (cont.)

Association	2021			*2020 (restated)*		
	Turnover	**Operating costs and cost of sales**	**Operating surplus**	*Turnover*	*Operating costs and cost of sales*	*Operating surplus*
	£'000	**£'000**	**£'000**	*£'000*	*£'000*	*£'000*
Social housing lettings (Note 3)	**140,324**	**(109,940)**	**30,384**	*139,103*	*(111,145)*	*27,958*
Other social housing activities						
Support charge	3,698	(3,698)	-	*3,456*	*(3,456)*	-
Leasehold services	1,795	(1,750)	45	*1,746*	*(1,664)*	*82*
First tranche low cost home ownership sales	10,432	(8,227)	2,205	*4,877*	*(4,705)*	*172*
Outright sales	-	-	-	*908*	*(789)*	*119*
Development service	156	(972)	(816)	-	-	-
Staircasing sales	583	(346)	237	*597*	*(551)*	*46*
Other asset sales	73	(53)	20	*1,104*	*(1,012)*	*92*
One-off rent & service charge adjustment	(635)	-	(635)	*(1,971)*	-	*(1,971)*
	16,102	**(15,046)**	**1,056**	*10,717*	*(12,177)*	*(1,460)*
Total social housing activities	**156,426**	**(124,986)**	**31,440**	*149,820*	*(123,322)*	*26,498*
Non-social housing activities						
Care services	35,587	(34,943)	644	*35,215*	*(34,095)*	*1,120*
Market rent	1,640	(1,064)	576	*1,650*	*(1,157)*	*493*
Leasehold services	428	(351)	77	-	-	-
One - off impairment	-	(2,331)	(2,331)	-	-	-
Other	*2,071*	(2,989)	(918)	-	*200*	*200*
	39,726	**(41,678)**	**(1,952)**	*36,865*	*(35,052)*	*1,813*
Total	**196,152**	**(166,664)**	**29,488**	*186,685*	*(158,374)*	*28,311*

Total development administration costs capitalised were £1,074k (2020: £1,217k) for the Association.

The one-off item in other social housing activities of £635k (2020: £1,971k) relates to rent and service charge income which was above levels permitted by Welfare Reform and Work Act (WRWA) and will be refunded in due course (see note 29). The one-off item included in the non-social housing activities of £2,331k (2020: £nil) is the goodwill and investment write-off associated with Goldsborough Estates Limited (see note 25).

Included within other in non-social housing is the additional income of £2,071k (2020: £nil) and additional costs of £3,089k (2020: £nil) incurred in the delivery of care services as result of Covid-19.

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

Group	2021					2020
	Retirement Living	**Extra Care**	**PFI / PPP**	**Corporate**	**Total**	*Total*
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	*£'000*
Turnover on social housing lettings						
Rents net of identifiable service charges	54,864	31,155	4,411	(137)	**90,293**	*89,164*
Service and utility charges	21,938	16,774	2,243	-	**40,955**	*40,498*
Amortisation of government grants	-	419	-	-	**419**	*327*
Other income	93	705	13,606	-	**14,404**	*14,942*
	76,895	**49,053**	**20,260**	**(137)**	**146,071**	*144,931*
Expenditure on social housing lettings						
Management	(4,593)	(4,556)	(5,596)	(14,328)	**(29,073)**	*(29,053)*
Service and utility costs	(17,499)	(13,999)	(1,978)	-	**(33,476)**	*(33,254)*
Routine maintenance	(6,996)	(3,489)	(2,805)	-	**(13,290)**	*(12,875)*
Planned maintenance	(2,399)	(1,081)	(604)	(2,721)	**(6,805)**	*(9,036)*
Major repairs	(477)	(464)	(439)	-	**(1,380)**	*(1,658)*
Bad debts	(201)	(276)	(1)	-	**(478)**	*(564)*
Depreciation of housing properties	(13,676)	(10,567)	(1,544)	-	**(25,787)**	*(25,245)*
Other depreciation	-	-	-	(987)	**(987)**	*(881)*
	(45,841)	**(34,432)**	**(12,967)**	**(18,036)**	**(111,276)**	*(112,566)*
Operating surplus on social housing lettings	**31,054**	**14,621**	**7,293**	**(18,173)**	**34,795**	*32,365*
Void losses	(1,833)	(2,085)	(67)	(137)	**(4,122)**	*(2,225)*

- Retirement Living, 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 £405k (2020: £397k).

3. Turnover, operating costs and operating surplus from social housing lettings (cont.)

Association	2021					2020
	Retirement Living	Extra Care	PFI / PPP	Corporate	Total	*Total*
	£'000	£'000	£'000	£'000	£'000	*£'000*
Turnover on social housing lettings						
Rents net of identifiable service charges	54,864	30,798	4,411	(137)	**89,936**	*88,805*
Service and utility charges	21,938	16,525	2,243	-	**40,706**	*40,274*
Amortisation of government grants	-	419	-	-	**419**	*327*
Other income	93	856	8,314	-	**9,263**	*9,697*
	76,895	**48,598**	**14,968**	**(137)**	**140,324**	*139,103*
Expenditure on social housing lettings						
Management	(4,575)	(4,511)	(7,206)	(14,328)	**(30,620)**	*(30,554)*
Service and utility costs	(17,499)	(13,768)	(1,978)	-	**(33,245)**	*(33,036)*
Routine maintenance	(6,996)	(3,473)	(1,986)	-	**(12,455)**	*(12,134)*
Planned maintenance	(2,399)	(1,080)	(21)	(2,721)	**(6,221)**	*(8,221)*
Major repairs	(477)	(464)	(365)	-	**(1,306)**	*(1,677)*
Bad debts	(201)	(276)	(1)	-	**(478)**	*(563)*
Depreciation of housing properties	(13,676)	(10,471)	(481)	-	**(24,628)**	*(24,079)*
Other depreciation	-	-	-	(987)	**(987)**	*(881)*
	(45,823)	**(34,043)**	**(12,038)**	**(18,036)**	**(109,940)**	*(111,145)*
Operating surplus on social housing lettings	**31,072**	**14,555**	**2,930**	**(18,173)**	**30,384**	*27,958*
Void losses	(1,833)	(2,077)	(67)	(137)	**(4,114)**	*(2,223)*

4. 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 11 non-executive members (2020: 9). In addition, there are two (2020: 2) independent audit members.

The non-executive Board Members received the following emoluments during the year:

		2021	*2020*
		£'000	*£'000*
S Hughes (Chair)		**22**	*20*
A Turner		**14**	*13*
M McDonagh		**13**	*10*
L Potter		**13**	*10*
N Revely		**12**	*10*
C Law (Independent audit member)		**4**	*4*
I Skipp (Independent audit member)		**4**	*4*
D Clark		**12**	*7*
E Elkington		**12**	*5*
S Kalirai	Appointed 25 Sep 2020	**6**	*-*
W Roberts	Appointed 25 Sep 2020	**6**	*-*
L Oyedele	Appointed 25 Sep 2020	**6**	*-*
S Robinson	Appointed 17 Nov 2020	**2**	*-*
J Owen CBE	Resigned 27 Sep 2019	**-**	*5*
S Heeley	Resigned 29 Feb 2020	**-**	*9*
K Boyle	Resigned 25 Sep 2020	**5**	*10*
M Knott	Resigned 25 Sep 2020	**5**	*10*
Total		**136**	*117*

S Heeley was a resident Board Member and was a resident of the Association until February 2020. Her tenancy was on the same terms and conditions as other residents. She was unable to use her position as a Board Member to any advantage in her relationship with the Association as a resident. The rent and service charged for the year was £nil (2020: £7,415) and she had a balance of £nil at 31 March 2021 (2020: £nil).

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

	2021	*2020*
	£'000	*£'000*
Emoluments	**881**	*567*
Pension contributions	**70**	*48*
Total	**951**	*615*

The Executive Team was expanded during the year through the appointment of an Executive Director of Extra Care, Executive Director of Retirement Living and Executive Director of People and Systems. Further details of our Executive Team are outlined on pages 74 and 75.

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

	2021	*2020*
	£'000	*£'000*
Emoluments	**245**	*238*
Pension contributions	**29**	*29*
Total	**274**	*267*

The Chief Executive is an ordinary member of the SHPS (Defined Contribution) pension scheme as set out in Note 23. Employer's contribution in respect of the Chief Executive's pension in the year was £29k (2020: £29k), of which £19k (2020: £19k) was taken as cash. The above remuneration excludes any employer's social security costs.

5. 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	
	2021 No.	*2020 No.*	**2021 No.**	*2020 No.*
Management, scheme managers and administration	**1,370**	*1,376*	**1,353**	*1,356*
Care and ancillary	**1,776**	*1,824*	**1,774**	*1,822*
	3,146	*3,200*	**3,127**	*3,178*

Employee costs (including the Board and the Executive Team) consist of:

	Group		Association	
	2021	*2020*	**2021**	*2020*
	£'000	**£'000**	*£'000*	*£'000*
Wages and salaries	**66,215**	*62,125*	**65,899**	*61,781*
Redundancy and other costs	**234**	*45*	**234**	*45*
Social security costs	**5,075**	*4,699*	**5,046**	*4,671*
Pension costs	**2,982**	*2,717*	**2,970**	*2,717*
	74,506	*69,586*	**74,149**	*69,214*

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

	Group and Association	
	2021 No.	*2020 No.*
£270,000 – 279,000	**1**	-
£260,000 – £269,999	**-**	*1*
£210,000 – 219,999	**1**	-
£180,000 – 189,999	**1**	-
£170,000 – £179,999	**-**	*2*
£130,000 – £139,999	**1**	-
£110,000 – £119,999	**4**	-
£100,000 – £109,999	**2**	*7*
£90,000 – £99,999	**1**	-
£80,000 – £89,999	**4**	*2*
£70,000 – £79,999	**14**	*15*
£60,000 – £69,999	**20**	*14*
	49	*41*

6. Interest receivable and similar income

	Group		Association	
	2021	*2020*	**2021**	*2020*
	£'000	**£'000**	*£'000*	*£'000*
Interest received on cash deposits and short-term investments	**497**	*1,325*	**458**	*1,162*
Finance asset interest	**6,491**	*6,702*	**342**	*350*
Interest receivable from group undertakings	**-**	*-*	**1,370**	*1,396*
Gift aid	**-**	*-*	**1,967**	*110*
	6,988	*8,027*	**4,137**	*3,018*

Finance asset interest of £6,491k (2020: £6,720k) for the Group and £342k (2020: £350k) for the Association is generated from the finance asset associated with the Walsall PPP contract (Group and Association) and Oldham Retirement Housing Partnership PFI project (Group only). Until the finance asset receivable is fully settled, an interest receivable is generated on the outstanding balance. This is recovered via the Unitary Charge.

7. Interest and financing costs

	Group		Association	
	2021	*2020*	**2021**	*2020*
	£'000	*£'000*	**£'000**	*£'000*
Bank loans and overdrafts	**(27,116)**	*(25,957)*	**(20,470)**	*(19,057)*
All other loans	**(26)**	*(27)*	**(26)**	*(26)*
Other financing fees and charges	**(541)**	*(879)*	**(425)**	*(762)*
Amortisation of loan premium	**467**	*-*	**467**	*-*
Net interest on pension liabilities	**(105)**	*(307)*	**(105)**	*(307)*
	(27,321)	*(27,170)*	**(20,559)**	*(20,152)*
Interest capitalised on construction of housing properties	**2,045**	*1,153*	**2,045**	*1,153*
	(25,276)	*(26,017)*	**(18,514)**	*(18,999)*

8. Operating surplus before tax

	Group		Association	
	2021	*2020*	**2021**	*2020*
	£'000	*£'000*	**£'000**	*£'000*
This is arrived at after (charging) / crediting:				
Depreciation of housing properties	**(25,924)**	*(25,367)*	**(24,765)**	*(24,200)*
Impairment of investment	**-**	*-*	**(631)**	*-*
Impairment of goodwill	**(376)**	*-*	**(1,700)**	*-*
Impairment of other assets	**100**	*200*	**100**	*200*
Depreciation on other fixed assets	**(987)**	*(881)*	**(987)**	*(881)*
Amortisation of grants	**419**	*327*	**419**	*327*
Payments under operating leases				
- Land and buildings	**(518)**	*(502)*	**(516)**	*(502)*
- Other	**(91)**	*(122)*	**(90)**	*(121)*
Auditors' remuneration (excluding VAT):				
- In their capacity as financial statement auditors	**(111)**	*(94)*	**(92)**	*(77)*
- Covenants compliance audit	**(3)**	*(3)*	**(3)**	*(3)*
- Leasehold audit	**(12)**	*(10)*	**(12)**	*(10)*

9. 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 generated taxable trading profits that would, in principle, be chargeable to UK corporation tax. However, as a wholly owned subsidiary of a charitable parent, Goldsborough has been able to make gift aid payments that enable it to reduce its corporation tax liability to £nil, with amounts received by Housing 21 disclosed in Note 6. These activities have now been hived up into the parent company.

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

Current taxation	Group		Association	
	2021	*2020*	**2021**	*2020*
	£'000	*£'000*	**£'000**	*£'000*
UK Corporation Tax	**(33)**	*(32)*	**-**	-

Current tax reconciliation

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

	Group		Association	
	2021	*2020*	**2021**	*2020*
	£'000	*£'000 (restated)*	*£'000*	*£'000 (restated)*
Surplus before taxation	**17,134**	*18,096*	**14,537**	*15,435*
Tax at the main rate of corporation tax of 19% (2020: 19%)	**(3,255)**	*(3,438)*	**(2,762)**	*(2,933)*
Effects of:				
Exemption for charitable activities	**3,222**	*3,406*	**2,762**	*2,933*
Total current tax charge	**(33)**	*(32)*	**-**	-

10. Housing properties at deemed historic cost

Group	Retirement Living		Extra Care		PFI and 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 2020	819,840	91	453,211	26,035	112,594	670	48,101	15,688	**1,476,230**
Acquisitions and construction costs	2,703	-	647	-	-	-	47,345	34,453	**85,148**
Works to existing properties	15,098	-	3,242	3	12	-	-	-	**18,355**
Transfers from / (to) current assets	-	4	931	67	-	-	49	(23,174)	**(22,123)**
Re-classifications	-	-	594	(594)	-	-	-	-	**-**
Completed property transfers	3,331	415	26,808	12,490	-	-	(30,139)	(12,905)	**-**
Disposals	(12,650)	-	(2,572)	(321)	(67)	(21)	-	-	**(15,631)**
31 March 2021	**828,322**	**510**	**482,861**	**37,680**	**112,539**	**649**	**65,356**	**14,062**	**1,541,979**
Accumulated depreciation and impairments									
1 April 2020	(172,992)	(4)	(78,554)	(1,363)	(16,462)	(49)	-	-	**(269,424)**
Charge in the year	(13,808)	(5)	(10,269)	(299)	(1,538)	(6)	-	-	**(25,925)**
Eliminated on disposals	12,526	-	2,644	-	67	-	-	-	**15,237**
31 March 2021	**(174,274)**	**(9)**	**(86,179)**	**(1,662)**	**(17,933)**	**(55)**	**-**	**-**	**(280,112)**
Net book value									
31 March 2021	**654,048**	**501**	**396,682**	**36,018**	**94,606**	**594**	**65,356**	**14,062**	**1,261,867**
31 March 2020	*646,848*	*87*	*374,657*	*24,672*	*96,132*	*621*	*48,101*	*15,688*	*1,206,806*
Land tenure									
Freehold	599,402	501	251,605	26,922	-	-	46,038	6,686	**931,154**
Long leasehold	54,646	-	145,077	9,096	94,606	594	19,318	7,376	**330,713**
31 March 2021	**654,048**	**501**	**396,682**	**36,018**	**94,606**	**594**	**65,356**	**14,062**	**1,261,867**

Depreciation charge in the year of £25,925k includes £3,527k of accelerated depreciation on replaced components (2020: £3,723k).

10. Housing properties at deemed historic cost (cont.)

Association	Retirement Living		Extra Care		PFI and 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 2020	819,840	91	447,608	26,035	22,798	670	48,101	15,688	**1,380,831**
Acquisitions and construction costs	2,703	-	647	-	-	-	47,345	34,453	**85,148**
Works to existing properties	15,098	-	3,284	3	12	-	-	-	**18,397**
Transfers from / (to) current assets	-	4	931	67	-	-	49	(23,174)	**(22,123)**
Re-classifications	-	-	594	(594)	-	-	-	-	**-**
Completed property transfers	3,331	415	26,808	12,490	-	-	(30,139)	(12,905)	**-**
Disposals	(12,650)	-	(2,572)	(321)	(67)	(21)	-	-	**(15,631)**
31 March 2021	**828,322**	**510**	**477,300**	**37,680**	**22,743**	**649**	**65,356**	**14,062**	**1,446,622**
Accumulated depreciation and impairments									
1 April 2020	(172,992)	(4)	(77,402)	(1,363)	(4,734)	(49)	-	-	**(256,544)**
Charge in the year	(13,808)	(5)	(10,172)	(299)	(475)	(6)	-	-	**(24,765)**
Eliminated on disposals	12,526	-	2,643	-	67	-	-	-	**15,236**
31 March 2021	**(174,274)**	**(9)**	**(84,931)**	**(1,662)**	**(5,142)**	**(55)**	**-**	**-**	**(266,073)**
Net book value									
31 March 2021	**654,048**	**501**	**392,369**	**36,018**	**17,601**	**594**	**65,356**	**14,062**	**1,180,549**
31 March 2020	*646,848*	*87*	*370,206*	*24,672*	*18,064*	*621*	*48,101*	*15,688*	*1,124,287*
Land tenure									
Freehold	599,402	501	247,293	26,922	-	-	46,038	6,686	**926,842**
Long leasehold	54,646	-	145,076	9,096	17,601	594	19,318	7,376	**253,707**
31 March 2021	**654,048**	**501**	**392,369**	**36,018**	**17,601**	**594**	**65,356**	**14,062**	**1,180,549**

Depreciation charge in the year of £24,765k includes £3,527k of accelerated depreciation on replaced components (2020: £3,712k).

10. Housing properties at deemed historic cost (cont.)

Works to existing properties

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

	Group		Association	
	2021	*2020*	**2021**	*2020*
	£'000	*£'000*	**£'000**	*£'000*
New components capitalised	**9,703**	*19,925*	**9,703**	*19,925*
Capitalised enhancements	**8,652**	*12,596*	**8,694**	*12,454*
Major repairs expensed (see note 3)	**1,380**	*1,658*	**1,306**	*1,677*
	19,735	*34,179*	**19,703**	*34,056*

The total amount of interest capitalised in the year was £2,045k (2020: £1,153k) and interest is capitalised at a rate of 4.5% up to August 2020, then 4% thereafter (2020: 4.5%). The cumulative value of capitalised interest included in the net book value in Note 10 and properties held for sale in Note 12 is not separately recorded.

Housing accommodation

	Group		Association	
	2021	*2020*	**2021**	*2020*
	No.	*No.*	**No.**	*No.*
Retirement Living				
Rented	**11,597**	*11,461*	**11,597**	*11,461*
General needs / family	**62**	*63*	**62**	*63*
Market rent	**211**	*-*	**211**	*-*
Shared ownership	**24**	*12*	**24**	*12*
Leasehold	**1,317**	*1,316*	**1,317**	*739*
Employee accommodation	**83**	*105*	**83**	*105*
Owned but managed by others	**-**	*212*	**-**	*212*
Managed for others	**29**	*29*	**29**	*606*
	13,323	*13,198*	**13,323**	*13,198*
Extra Care				
Rented	**4,949**	*4,761*	**4,899**	*4,710*
Shared ownership	**1,061**	*891*	**1,061**	*891*
Leasehold	**114**	*123*	**79**	*88*
Employee accommodation	**2**	*1*	**1**	*1*
Managed for others	**-**	*-*	**86**	*86*
	6,126	*5,776*	**6,126**	*5,776*
PFI / PPP				
Rented	**555**	*555*	**215**	*215*
Shared ownership	**70**	*70*	**70**	*70*
Managed for others	**1,473**	*1,473*	**1,813**	*1,813*
	2,098	*2,098*	**2,098**	*2,098*
Total	**21,547**	*21,072*	**21,547**	*21,072*
Properties in development				
For rent	**536**	*684*	**536**	*684*
For shared ownership	**315**	*487*	**315**	*487*
For outright sale	**24**	*24*	**24**	*24*
Total	**875**	*1,195*	**875**	*1,195*

10. Housing properties at deemed historic cost (cont.)

Housing accommodation

Group	1 April 2020	New developments	Acquired from another RP	Remodelled / Reclassified	Awaiting disposal / disposed	Transfers between tenures	31 March 2021
Retirement Living							
Rented	11,461	37	73	8	(3)	21	**11,597**
General needs / family	63	-	-	-	-	(1)	**62**
Market rents	-	-	-	212	(1)	-	**211**
Shared ownership	12	12	-	-	-	-	**24**
Leasehold	1,316	-	-	1	-	-	**1,317**
Employee accommodation	105	-	-	(2)	-	(20)	**83**
Owned but managed by others	212	-	-	(212)	-	-	**-**
Managed for others	29	-	-	-	-	-	**29**
	13,198	**49**	**73**	**7**	**(4)**	**-**	**13,323**
Extra Care							
Rented	4,761	171	-	-	-	17	**4,949**
Shared ownership	891	180	-	-	-	(10)	**1,061**
Leasehold	123	-	-	(1)	-	(8)	**114**
Employee accommodation	1	-	-	-	-	1	**2**
	5,776	**351**	**-**	**(1)**	**-**	**-**	**6,126**
PFI / PPP							
Rented	555	-	-	-	-	-	**555**
Shared ownership	70	-	-	-	-	-	**70**
Managed for others	1,473	-	-	-	-	-	**1,473**
	2,098	**-**	**-**	**-**	**-**	**-**	**2,098**
Total	**21,072**	**400**	**73**	**6**	**(4)**	**-**	**21,547**

10. Housing properties at deemed historic cost (cont.)

Housing accommodation

Association	1 April 2020	New developments	Acquired from another RP	Remodelled / Reclassified	Awaiting disposal / disposed	Transfers between tenures	31 March 2021
Retirement Living							
Rented	11,461	37	73	8	(3)	21	**11,597**
General needs / family	63	-	-	-	-	(1)	**62**
Market rents	-	-	-	212	(1)	-	**211**
Shared ownership	12	12	-	-	-	-	**24**
Leasehold	739	578	-	-	-	-	**1,317**
Employee accommodation	105	-	-	(2)	-	(20)	**83**
Owned but managed by others	212	-	-	(212)	-	-	**-**
Managed for others	606	(578)	-	1	-	-	**29**
	13,198	**49**	**73**	**7**	**(4)**	**-**	**13,323**
Extra Care							
Rented	4,710	171	-	-	-	18	**4,899**
Shared ownership	891	180	-	-	-	(10)	**1,061**
Leasehold	88	-	-	(1)	-	(8)	**79**
Employee accommodation	1	-	-	-	-	-	**1**
Managed for others	86	-	-	-	-	-	**86**
	5,776	**351**	**-**	**(1)**	**-**	**-**	**6,126**
PFI / PPP							
Rented	215	-	-	-	-	-	**215**
Shared ownership	70	-	-	-	-	-	**70**
Managed for others	1,813	-	-	-	-	-	**1,813**
	2,098	**-**	**-**	**-**	**-**	**-**	**2,098**
Total	**21,072**	**400**	**73**	**6**	**(4)**	**-**	**21,547**

10. Housing properties at deemed historic cost (cont.)

Historic cost

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

	Group		Association	
	2021	*2020*	**2021**	*2020*
	£'000	*£'000*	**£'000**	*£'000*
Historic cost (including assets under the course of construction)	**1,398,912**	*1,355,071*	**1,320,520**	*1,276,638*
Accumulated depreciation	**(276,117)**	*(265,429)*	**(262,077)**	*(252,548)*
	1,122,795	*1,089,642*	**1,058,443**	*1,024,090*

11. Other fixed assets

Group	Leasehold offices and improvements	IT and other equipment	Total
	£'000	£'000	£'000
Cost			
At 1 April 2020	1,188	6,520	**7,708**
Additions	(61)	2,472	**2,411**
Disposals	-	(1,572)	**(1,572)**
At 31 March 2021	**1,127**	**7,420**	**8,547**
Accumulated depreciation			
At 1 April 2020	(715)	(4,124)	**(4,839)**
Charge for the year	(91)	(896)	**(987)**
Disposals	-	1,572	**1,572**
At 31 March 2021	**(806)**	**(3,448)**	**(4,254)**
Net book value			
At 31 March 2021	**321**	**3,972**	**4,293**
At 31 March 2020	*473*	*2,396*	*2,869*

11. Other fixed assets (cont.)

Association	Leasehold offices and improvements	IT and other equipment	Total
	£'000	£'000	£'000
Cost			
At 1 April 2020	1,127	6,520	**7,647**
Additions	-	2,472	**2,472**
Disposals	-	(1,572)	**(1,572)**
At 31 March 2021	**1,127**	**7,420**	**8,547**
Accumulated depreciation			
At 1 April 2020	(715)	(4,124)	**(4,839)**
Charge for the year	(91)	(896)	**(987)**
Disposals	-	1,572	**1,572**
At 31 March 2021	**(806)**	**(3,448)**	**(4,254)**
Net book value			
At 31 March 2021	**321**	**3,972**	**4,293**
At 31 March 2020	*412*	*2,396*	*2,808*

12. Housing properties and stock for sale

	Group and Association	
	2021	*2020*
	£'000	*£'000*
Low cost home ownership and outright sale properties available for sale	**15,296**	*2,616*
Low cost home ownership and outright sale properties under construction	**27,800**	*26,108*
	43,096	*28,724*

13. Debtors

	Group		Association	
	2021	*2020*	**2021**	*2020*
	£'000	*£'000*	**£'000**	*£'000*
Greater than one year				
Finance asset receivable	**105,544**	*109,254*	**5,546**	*5,739*
Amounts owed by group undertakings	**-**	*-*	**2,129**	*2,129*
Amounts owed by group undertakings – concessionary loans	**-**	*-*	**34,722**	*35,481*
	105,544	*109,254*	**42,397**	*43,349*
Within one year				
Rent and service charge arrears	**3,034**	*3,169*	**3,030**	*3,157*
Less provision for bad debts	**(2,195)**	*(2,169)*	**(2,194)**	*(2,166)*
	839	*1,000*	**836**	*991*
Trade debtors	**3,203**	*3,615*	**3,203**	*4,273*
Amounts owed by group undertakings	**-**	*-*	**1,268**	*975*
Prepayments, accrued income and other debtors	**18,067**	*17,486*	**9,257**	*8,270*
Social housing grant and other capital grants receivable	**4,462**	*-*	**4,462**	*-*
	26,571	*22,101*	**19,026**	*14,509*

13. Debtors (cont.)

Housing 21 provides concessionary loan funding to the following subsidiaries:

	1 April 2020	Movement	31 March 2021
	£'000	£'000	**£'000**
Kent Community Partnership	6,976	-	**6,976**
Oldham Retirement Housing Partnership	28,505	(759)	**27,746**
	35,481	(759)	**34,722**

The interest rates on the concessionary loans are as follows:

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

14. Creditors: amounts falling due within one year

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000 (restated)	**£'000**	£'000 (restated)
Loans and borrowings (Note 15)	**(18,799)**	(17,682)	**(14,658)**	(13,646)
Loans premium	**(745)**	-	**(745)**	-
	(19,544)	(17,682)	**(15,403)**	(13,646)
Trade creditors	**(2,437)**	(3,066)	**(2,437)**	(2,671)
Amount owed to Group undertakings	**-**	-	**(7,470)**	(7,134)
Other creditors	**(10,552)**	(11,143)	**(9,743)**	(10,423)
Interest rate swaps	**(5,186)**	(4,864)	**(956)**	(974)
Accruals and deferred income	**(91,250)**	(83,238)	**(64,525)**	(56,985)
	(128,969)	(119,993)	**(100,534)**	(91,833)

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

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Loans and borrowings	**(653,706)**	(552,506)	**(544,731)**	(439,389)
Loans premium	**(25,773)**	-	**(25,773)**	-
	(679,479)	(552,506)	**(570,504)**	(439,389)
Less: funding costs to be amortised	**3,080**	2,767	**1,967**	1,579
Interest rate swaps	**(54,972)**	(71,628)	**(12,214)**	(15,474)
Deferred capital grants (Note 17)	**(77,950)**	(70,588)	**(77,950)**	(70,588)
Recycled capital grants fund	**(1,787)**	(2,076)	**(1,787)**	(2,076)
Leasehold sinking fund balances	**(11,844)**	(9,867)	**(11,523)**	(9,548)
	(822,952)	(703,898)	**(672,011)**	(535,496)

The Recycled Capital Grant Fund balance consists of:

Group and Association		
	2021	2020
	£'000	£'000
At 1 April	**2,076**	1,310
Grants recycled	**208**	1,262
Transferred to deferred capital grants	**(500)**	(500)
Interest accrued	**3**	4
At 31 March	**1,787**	2,076

Included in grants recycled is £130k (2020: £1,041k) which has been recognised in Other Comprehensive Income.

15. Creditors: amounts falling due after more than one year (cont.)

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 weighted average interest rate is shown in the table below:

	Group		Association	
	2021	*2020*	**2021**	*2020*
Weighted Average Interest rate	**3.97%**	*4.45%*	**3.62%**	*4.12%*

At 31 March 2021, the Group and Association had undrawn loan facilities of £25,000k (2020: £25,000k).

The loans repayments are due as follows:

Group	**2021**			*2020*
	Bank loans	**Other loans**	**Total**	*Total*
	£'000	£'000	**£'000**	*£'000*
In one year or less, or on demand (see Note 14)	(18,797)	(2)	**(18,799)**	*(17,682)*
In more than one year and less than two years	(19,824)	(3)	**(19,827)**	*(18,802)*
In more than two years and less than five years	(61,584)	(16)	**(61,600)**	*(73,412)*
More than five years	(202,141)	(370,138)	**(572,279)**	*(460,292)*
	(302,346)	**(370,159)**	**(672,505)**	*(570,188)*

Association	**2021**			*2020*
	Bank loans	**Other loans**	**Total**	*Total*
	£'000	£'000	**£'000**	*£'000*
In one year or less, or on demand (see Note 14)	(14,656)	(2)	**(14,658)**	*(13,646)*
In more than one year and less than two years	(14,670)	(3)	**(14,673)**	*(14,660)*
In more than two years and less than five years	(47,398)	(16)	**(47,414)**	*(57,629)*
More than five years	(112,506)	(370,138)	**(482,644)**	*(367,100)*
	(189,230)	**(370,159)**	**(559,389)**	*(453,035)*

In August 2020, an additional £120m of bond financing was raised at an all-in rate of 2.187% through tapping the 2047 Bond that was originally agreed in 2017/18. The interest rate agreed in year was at a preferential rate compared to the original bond (3.288%) resulting in the receipt of a £27.0m loan premium. This loan premium will be amortised on a straight-line basis to the Comprehensive Income Statement over the life of the bond and is included in both note 14 and note 15.

16. Financial instruments

	Group		Association	
	2021	*2020*	**2021**	*2020*
	£'000	*£'000 (restated)*	**£'000**	*£'000 (restated)*
Financial assets				
Financial assets measured at historical cost				
- Rental and Service charge debtors (Note 13)	**839**	*1,000*	**836**	*991*
- Trade debtors (Note 13)	**3,203**	*3,615*	**3,203**	*4,273*
- Other debtors	**20,898**	*15,028*	**12,323**	*6,715*
- Investments in subsidiaries (Note 24)	**-**	*-*	**6,485**	*6,739*
- Cash and cash equivalents (Note 19)	**232,858**	*84,153*	**206,349**	*59,699*
- Short-term investments (Note 19)	**-**	*60,000*	**-**	*60,000*
- Amounts owed from group undertakings (Note 13)	**-**	*-*	**3,397**	*-*
- Amounts owed from group undertakings – concessionary loans	**-**	*-*	**34,722**	*35,481*
- Finance lease asset (Note 13)	**105,544**	*109,254*	**5,546**	*5,739*
Total financial assets	**363,342**	*273,050*	**272,861**	*179,637*
Financial liabilities				
Financial liabilities measured at amortised cost				
- Loans payable (Note 15)	**(672,505)**	*(570,188)*	**(559,389)**	*(453,035)*
Financial liabilities measured at historic cost				
- Trade creditors (Note 14)	**(2,438)**	*(3,066)*	**(2,438)**	*(2,671)*
- Other creditors	**(45,333)**	*(41,118)*	**(42,100)**	*(37,820)*
- SHPS pension deficit contribution (Note 23)	**(10,111)**	*(5,204)*	**(10,111)**	*(5,204)*
- Amounts owed to group undertakings (Note 14)	**-**	*-*	**(7,470)**	*(7,134)*
- Loan premium due within one year (Note 14)	**(745)**	*-*	**(745)**	*-*
- Loan premium due after one year (Note 15)	**(25,773)**	*-*	**(25,773)**	*-*
Derivative financial instruments designated as hedges of variable interest rate risk				
- Interest rate swaps due within one year (Note 14)	**(5,186)**	*(4,864)*	**(956)**	*(974)*
- Interest rate swaps due after one year (Note 15)	**(54,972)**	*(71,628)*	**(12,214)**	*(15,474)*
Total financial liabilities	**(817,063)**	*(696,068)*	**(661,196)**	*(522,312)*

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 21	(14,345)	LIBOR	Receive LIBOR, pay a fixed 5.3%	April 2040
Oldham Retirement Housing Partnership	(53,776)	LIBOR	Receive LIBOR, pay a fixed 4.8%	October 2034
Kent Community Partnership	(26,733)	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

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 2020*	Ineffective movement recognised in CIS	Effective movement recognised in OCI	31 March 2021
	£'000	£'000	£'000	**£'000**
Housing 21	*(16,448)*	(574)	3,853	**(13,169)**
Oldham Retirement Housing Partnership	*(20,098)*	224	4,217	**(15,657)**
Kent Community Partnership	*(39,946)*	-	8,614	**(31,332)**
Group	*(76,492)*	(350)	16,684	**(60,158)**

16. Financial instruments (cont.)

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

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 1b.

In the March 2021 financial statements, the Group has applied the December 2019 Amendments to FRS 102: Interest rate benchmark reform. The amendments provide relief in applying the requirements of hedge accounting to certain hedges, including allowing the Group to assume that interest rate benchmarks on which hedged cash flows are based (i.e. LIBOR) will not be altered as a result of interest rate benchmark reform. Consequently, hedging relationships that may have been otherwise impacted by interest rate benchmark reform have remained in place and no additional ineffective portion of the hedge has been recognised. The Group has taken advantage of these amendments in relation to the LIBOR interest rate noted above.

17. Deferred capital grants

Group	Retirement Living	Extra Care	PFI / PPP	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Grants					
1 April 2020	(190,337)	(294,387)	(11,363)	(32,317)	**(528,404)**
Grants received	-	-	-	(7,360)	**(7,360)**
Transfer to / (from) RCGF	90	108	10	(500)	**(292)**
Completions	-	(15,213)	-	15,213	**-**
31 March 2021	**(190,247)**	**(309,492)**	**(11,353)**	**(24,964)**	**(536,056)**
Accumulated amortisation					
1 April 2020	189,506	256,947	11,363	-	**457,816**
Charge for the year	8	411	-	-	**419**
Disposals	(90)	(29)	(10)	-	**(130)**
31 March 2021	**189,424**	**257,329**	**11,353**	**-**	**458,106**
Net book value					
31 March 2021	**(823)**	**(52,163)**	**-**	**(24,964)**	**(77,950)**
31 March 2020	*(831)*	*(37,440)*	-	*(32,317)*	*(70,588)*

17. Deferred capital grants (cont.)

Association	Retirement Living	Extra Care	PFI / PPP	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Grants					
1 April 2020	(190,337)	(288,725)	(11,363)	(32,317)	**(522,742)**
Grants received	-	-	-	(7,360)	**(7,360)**
Transfer to / (from) RCGF	90	108	10	(500)	**(292)**
Completions	-	(15,213)	-	15,213	**-**
31 March 2021	**(190,247)**	**(303,830)**	**(11,353)**	**(24,964)**	**(530,394)**
Accumulated amortisation					
1 April 2020	189,506	251,285	11,363	-	**452,154**
Charge for the year	8	411	-	-	**419**
Disposals	(90)	(29)	(10)	-	**(129)**
31 March 2021	**189,424**	**251,667**	**11,353**	**-**	**452,444**
Net book value					
31 March 2021	**(823)**	**(52,163)**	**-**	**(24,964)**	**(77,950)**
31 March 2020	*(831)*	*(37,440)*	-	*(32,317)*	*(70,588)*

The Group receives grants from 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 2021, the total value of grant recycled is £1,787k (2020: £2,076k). See Note 15 for more information.

The Group and Association also has £36,368k of grants (2020: £33,546k) associated with properties that it has acquired from other providers that are not shown in the analysis above.

18. Reconciliation of operating surplus to cash from operations

	Group		Association	
	2021	*2020 (restated)*	**2021**	*2020 (restated)*
	£'000	*£'000*	**£'000**	*£'000*
Operating surplus	**35,805**	*32,900*	**29,488**	*28,311*
Depreciation of housing properties (Note 10)	**25,925**	*25,367*	**24,765**	*24,200*
Depreciation of other fixed assets (Note 11)	**987**	*881*	**987**	*881*
Pension adjustment (Note 23)	**4**	*33*	**4**	*33*
One off Impairment adjustment (Note 2)	**376**	-	**2,331**	-
Grant amortisation (Note 3)	**(419)**	*(327)*	**(419)**	*(327)*
Property sales included in operating surplus	**(2,462)**	*(268)*	**(2,462)**	*(268)*
SHPS deficit contributions paid (Note 23)	**(1,501)**	*(1,475)*	**(1,501)**	*(1,475)*
Gift aid	**-**	-	**59**	*110*
Decrease in debtors	**5,255**	*2,146*	**2,800**	*524*
Increase in creditors	**5,949**	*(756)*	**5,672**	*(200)*
Cash from operations	**69,919**	**58,501**	**61,724**	*51,789*

19. Analysis of the changes in net debt

Group	*At 1 April 2020*	Cash Flows	Non-cash movement	At 31 March 2021
	£'000	£'000	£'000	**£'000**
Cash	*84,153*	148,705	-	**232,858**
Short-term investments	*60,000*	(60,000)	-	**-**
Bank loans and bonds (excl. capitalised debt issue costs)	*(570,188)*	(102,317)	-	**(672,505)**
Net debt (excluding derivatives)	*(426,035)*	**(13,612)**	**-**	**(439,647)**
Interest rate swaps	*(76,492)*	–	16,334	**(60,158)**
Net debt	*(502,527)*	**(13,612)**	**16,334**	**(499,805)**

Association	*At 1 April 2020*	Cash Flows	Non-cash movement	At 31 March 2021
	£'000	£'000	£'000	**£'000**
Cash	*59,699*	146,650	-	**206,349**
Short-term investments	*60,000*	(60,000)	-	**-**
Bank loans and bonds (excl. capitalised debt issue costs)	*(453,035)*	(106,354)	-	**(559,389)**
Net debt (excluding derivatives)	*(333,336)*	**(19,704)**	**-**	**(353,040)**
Interest rate swaps	*(16,448)*	-	3,279	**(13,169)**
Net debt	*(349,784)*	**(19,704)**	**3,279**	**(366,209)**

20. Share capital

	2021	*2020*
	£	£
Allotted, issued and fully paid	**16**	*16*

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

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

21. Capital commitments

	Group and Association	
	2021	*2020*
	£'000	*£'000*
Capital expenditure contracted but not provided for	**51,339**	*118,506*
Capital expenditure approved but not contracted for	**28,243**	*2,000*
	79,582	*120,506*

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 develop schemes which have been approved by the Development Steering Group and Investment & Development Committee. Where a scheme is at lockdown investment stage, the tender spend is included or where at initial feasibility stage, the budget to progress the scheme to lockdown is included. A formal investment appraisal is conducted on each development scheme before the Group enters a contractual obligation.

21. Capital commitments (cont.)

The capital commitments at 31 March 2021 will be funded by:

	Group and Association	
	2021	*2020*
	£'000	*£'000*
Grants	**18,044**	*14,053*
Existing cash and short-term investment reserves	**61,538**	*106,453*
Total	**79,582**	*120,506*

22. Commitments under operating leases

Amounts payable as lessee	**Group**		**Association**	
	2021	*2020*	**2021**	*2020*
	£'000	*£'000*	**£'000**	*£'000*
On land and buildings:				
Not later than 1 year	**412**	*434*	**412**	*434*
Later than 1 year and not later than 5 years	**1,648**	*1,648*	**1,648**	*1,648*
Later than 5 years	**1,073**	*1,485*	**1,073**	*1,485*
	3,133	*3,567*	**3,133**	*3,567*
On other assets:				
Not later than 1 year	**155**	*176*	**155**	*176*
Later than 1 year and not later than 5 years	**81**	*312*	**81**	*312*
	236	*488*	**236**	*488*

23. Pensions

The Provision for defined benefit pension liabilities consists of:

	Group and Association			*Group and Association*		
	2021			*2020*		
	£'000 SHPS	**£'000 Lewisham**	**£'000 Total**	*£'000 SHPS*	*£'000 Lewisham*	*£'000 Total*
At 1 April	(5,089)	(115)	(5,204)	*(13,938)*	*(197)*	*(14,135)*
Actuarial (losses) / gains recognised within OCI	(6,278)	(25)	(6,303)	*7,706*	*90*	*(7,796)*
Interest and other charges	(103)	(2)	(105)	*(302)*	*(5)*	*(307)*
Pension deficit contributions paid	1,547	-	1,547	*1,475*	*-*	*1,475*
Current service costs	(44)	(2)	(46)	*(30)*	*(3)*	*(33)*
At 31 March	**(9,967)**	**(144)**	**(10,111)**	*(5,089)*	*(115)*	*(5,204)*

Housing 21 participates in several defined benefit and defined contribution schemes. At the balance sheet date, 2,881 (2020: 2,801) employees contributed to a defined contribution scheme with most employees a member of the National Employment Savings Trust (NEST).

At the balance sheet date 72 (2020: 77) 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.

23.1. 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 £166k (2020: £168k) with 60 employee members at the year-end (2020: 68). This includes £22k (2020: £23k) outstanding contributions at the Balance Sheet date.

23. Pensions (cont.)

23.2. 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 NEST. This is a defined contribution scheme. The pension cost of this scheme for the Association was £1,244k (2020: £1,149k) with 2,126 employee members at the year-end (2020: 2,054). This includes £151k (2020: £155k) outstanding contributions at the Balance Sheet date.

23.3. 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 £1,370k (2020: £1,285k) with 623 employee members at the year-end (2020: 602). This includes £193k (2020: £180k) outstanding contributions at the Balance Sheet date.

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

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

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

	31 March 2021	*31 March 2020*
	£'000	*£'000*
Fair value of plan assets	**49,463**	*44,725*
Present value of defined benefit obligation	**59,430**	*49,814*
Deficit in plan	**(9,967)**	*(5,089)*

Reconciliation of opening and closing balances of the defined benefit obligation

	31 March 2021	*31 March 2020*
	£'000	*£'000*
Defined benefit obligation at start of period	**49,814**	*57,203*
Expenses	**44**	*44*
Interest expense	**1,171**	*1,283*
Actuarial losses / (gains) due to scheme experience	**(644)**	*(59)*
Actuarial losses / (gains) due to changes in demographic assumptions	**229**	*(523)*
Actuarial losses / (gains) due to changes in financial assumptions	**10,406**	*(5,962)*
Benefits paid and expenses	**(1,590)**	*(2,172)*
Defined benefit obligation at end of period	**59,430**	*49,814*

23. Pensions (cont.)

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

	31 March 2021	31 March 2020
	£'000	£'000
Fair value of plan assets at start of period	44,725	43,265
Interest income	1,068	981
Experience on plan assets (excluding amounts included in interest income) - gain	3,713	1,162
Contributions by the employer	1,547	1,489
Benefits paid and expenses	(1,590)	(2,172)
Fair value of plan assets at end of period	**49,463**	44,725

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2021 was £4,781k.

Defined benefit costs recognised in the Comprehensive Income Statement

	31 March 2021	31 March 2020
	£'000	£'000
Expenses	44	44
Net interest expense	103	302
Defined benefit costs recognised in the Comprehensive Income Statement	**147**	346

Defined benefit costs recognised in Other Comprehensive Income

	31 March 2021	31 March 2020
	£'000	£'000
Experience on plan assets (excluding amounts included in net interest cost) – gain	3,713	1,162
Experience gains and losses arising on the plan liabilities – gain	644	59
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – (loss) / gain	(229)	523
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – (loss) / gain	(10,406)	5,962
Total amount recognised in Other Comprehensive Income – loss / (gain)	**(6,278)**	7,706

23. Pensions (cont.)

Assets

	31 March 2021	*1 April 2020*
	£'000	*£'000*
Global Equity	**7,883**	*6,542*
Absolute Return	**2,730**	*2,332*
Distressed Opportunities	**1,428**	*862*
Credit Relative Value	**1,556**	*1,227*
Alternative Risk Premia	**1,863**	*3,127*
Fund of Hedge Funds	**6**	*26*
Emerging Markets Debt	**1,997**	*1,354*
Risk Sharing	**1,801**	*1,510*
Insurance-Linked Securities	**1,188**	*1,374*
Property	**1,027**	*985*
Infrastructure	**3,298**	*3,329*
Private Debt	**1,180**	*901*
Opportunistic Illiquid Credit	**1,258**	*1,082*
High Yield	**1,481**	-
Opportunistic Credit	**1,356**	-
Cash	**1**	-
Corporate Bond Fund	**2,922**	*2,550*
Liquid Credit	**590**	*18*
Long Lease Property	**969**	*774*
Secured Income	**2,057**	*1,697*
Liability Driven Investment	**12,571**	*14,844*
Net Current Assets	**301**	*191*
Total assets	**49,463**	*44,725*

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

	31 March 2021 % per annum	*31 March 2020 % per annum*
Discount Rate	**2.14%**	*2.39%*
Inflation (RPI)	**3.30%**	*2.65%*
Inflation (CPI)	**2.85%**	*1.65%*
Salary Growth	**3.85%**	*2.65%*
Allowance for commutation of pension for cash at retirement	**75% of maximum allowance**	*75% of maximum allowance*

The mortality assumptions adopted imply the following life expectancies at age 65 years:

	31 March 2021 (Years)	*31 March 2020 (Years)*
Male retiring in 2021	**21.6**	*21.5*
Female retiring in 2021	**23.5**	*23.3*
Male retiring in 2040	**22.9**	*22.9*
Female retiring in 2040	**25.1**	*24.5*

23.5. Local authority pension schemes

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

23.5.1. 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.

23. Pensions (cont.)

During the financial year Housing 21 paid contributions at 20.6% (2020: 20.6%) totalling £30k (2020: £29k). This includes £3k (2020: £3k) outstanding contributions at the Balance Sheet date. There were six employee members at the year-end (2020: six). Employee contributions were between 5.8% and 6.5% (2020: 5.8% – 6.5%).

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

23.5.2. Walsall Metropolitan Borough Council Pension Scheme

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

During the financial year Housing 21 paid contributions at 11.6% (2020: 11.6%) totalling £144k (2020: £300k). There were 61 employee members at the year-end (2020: 66). This includes £17k (2020: £33k) outstanding contributions at the Balance Sheet date.

The 3.1% difference between Housing 21's capped employer contributions (14.7%) and actual employer contributions (11.6%) is payable to Walsall Metropolitan Borough Council. Employee contributions were between 5.5% and 6.8% (2020: 5.5% – 6.8%).

23.5.3. 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 20.8% (2020: 25.1%) totalling £9k (2020: £11k). This includes £1k (2020: £1k) outstanding contributions at the Balance Sheet date. There were four (2020: four) employee members at the year end. Employee contributions were between 5.5% and 5.8% (2020: 5.5% – 5.8%).

23.5.4. 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, a defined benefit scheme.

The last formal valuation of the Funds was at 31 March 2019. Actuarial valuations have been prepared as at 31 March 2021 on behalf of Housing 21 (the Employer). For this purpose, the value of the Funds as at 31 March 2021 have been estimated based upon the latest split of investments by category which was at 31 March 2020. The value of the Funds' liabilities as at 31 March 2021 were assessed by rolling forward the value of the Employer's liabilities reported as at the latest valuation.

Reconciliation of defined benefit contributions

	31 March 2021	*31 March 2020*
	£'000	*£'000*
Opening defined benefit obligation	**412**	*531*
Current service costs	**6**	*7*
Interest cost on defined benefit obligation	**9**	*13*
Contributions by members	**1**	*1*
Actuarial losses/ (gains)	**72**	*(125)*
Benefits paid	**(15)**	*(15)*
Closing defined benefit obligation	**485**	*412*

23. Pensions (cont.)

Reconciliation of fair value of assets employed

	31 March 2021	31 March 2020
	£'000	£'000
Opening fair value of assets employed	297	334
Interest income on plan assets	7	8
Contributions by members	1	1
Contributions by employers	4	4
Actuarial (losses)/ gains	47	(35)
Benefits paid	(15)	(15)
Closing fair value of assets employed	341	297

	31 March 2021	31 March 2020
	£'000	£'000
Fair value of plan assets	341	297
Present value of plan liabilities	(485)	(412)
Net pension scheme liability	(144)	(115)

Analysis of actuarial loss recognised in Other Comprehensive Income

	31 March 2021	31 March 2020
	£'000	£'000
Changes in financial assumptions	(67)	21
Changes in demographic assumptions	(9)	12
Other experience	4	92
Return on assets excluding amounts included in net interest	47	(35)
	(25)	90

Composition of plan assets

	31 March 2021	31 March 2020
Equities	62%	65%
Bonds	24%	25%
Property	7%	8%
Cash	7%	2%

Principal actuarial assumptions used at the balance sheet date

	31 March 2021	31 March 2020
Pension increase rate	2.9%	2.0%
Salary increase rate	3.6%	2.7%
Discount rate	2.0%	2.3%

Mortality

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

	31 March 2021	
	Males	Females
Current pensioners	21.4 years	24.0 years
Future pensioners*	22.8 years	25.8 years

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

The pension costs of this scheme to the Association for the year was £4k (*2019: £4k*). This includes £1k (*2020: £1k*) outstanding contributions at the Balance Sheet date.

There was one employee member at the end of the year (*2019: one*). The average contribution rate of the Association for the year ended 31 March 2021 was 22.9% (*2020: 22.9%*) and for employees 5.8% (*2020: 5.8%*).

24.7. Closed schemes

There are no closed schemes in the year.

24. Investments and subsidiary undertakings

	Association £'000
Cost	
At 1 April 2020 and 31 March 2021	27,302
Additions	1,700
Reclassification	377
31 March 2021	29,379
Accumulated impairments	
At 1 April 2020 and 31 March 2021	(20,563)
Charge for the year	(2,331)
31-Mar-21	(22,894)
Net book value	
31 March 2021	**6,485**
31 March 2020	*6,739*

The trade and assets of Goldsborough Estates Limited (GEL) were hived up into Housing 21 in January 2021 for a consideration of £1,700k. As a result, Housing 21's investment in GEL is no longer supported by net assets of the subsidiary and as such an impairment charge of £2,331k (2020: £nil) has been recognised. Further information on the hive up is included in note 25.

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

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
Goldsborough Estates Limited	England and Wales	Private limited company	Ownership of 1,000 £1 shares being 100% of the issued share capital

24. Investments and subsidiary undertakings (cont.)

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

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:

	2021				2020
	Turnover	**Operating costs**	**Interest payable**	**Total**	*Total*
	£'000	**£'000**	**£'000**	**£'000**	*£'000*
Kent Community Partnership	2,381	(583)	(765)	**1,033**	*970*
Housing 21 Guernsey LBG	-	(151)	-	**(151)**	*(122)*
Oldham Retirement Housing Partnership	-	(4,329)	(605)	**(4,934)**	*(5,094)*
Total	**2,381**	**(5,063)**	**(1,370)**	**(4,052)**	*(4,246)*

25. Goldsborough hive up

During the year, the trade and assets of Goldsborough Estates Limited (GEL) have been hived up into Housing 21 for a consideration of £1,700k plus £244k for the transfer of the working capital of the company. Upon the hive up, a goodwill balance of £1,700k (2020: £nil) was recognised in the Association, representing the difference between the consideration payable and GEL's net assets, which has subsequently been impaired. Together with the impairment of the £631k investment (see note 24) this generates a total one-off impairment of £2,331k (2020: £nil) recognised in note 2.

GEL has also agreed a gift aid payment of £1,967k (2020: £110k) for the year (included in note 6), resulting in a net cost of the hive up of £364k.

The Group impairment of £376k (2020: £nil) recognised in note 2 represents the impairment of the remaining goodwill generated upon the initial acquisition in 2018/19.

Leaseholder sinking funds and associated cash balances of £1,133k, which were previously unrecognised, have been transferred and recognised in long-term creditors and cash, impacting the balance sheet of both the Association and the Group.

26. Related party transactions

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

27. Guarantees

The Association is a party to a guarantee of £550,750 in favour of Warwickshire County Council within their banking facility.

28. Post-balance sheet events

There are no post balance sheet events.

29. Prior Period Adjustments

In June 2020 Housing 21 was downgraded by the Regulator of Social Housing for our governance of rent setting. The breaches related to two long standing aspects of our approach to rent setting which were believed to be exempt or permitted to deviate from the Rent Standard.

- The first issue was that re-let rents on Extra Care and Retirement Living properties should have been set at formula rents from the inception of the Rent Standard in 2012, not the prevailing rent.
- The second issue related to compliance with the Welfare Reform and Work Act that required registered supported housing providers to reduce gross affordable rents (including service charges) by 1% for three years from 2017. However, Housing 21 had incorrectly applied the 1% reduction to net rents and maintained a variable service charge to recover the cost of services agreed with residents.

Housing 21 has applied a revised Rent Setting Policy in April 2021 and moved all lettings to social rents based on a formula most recently set out in the Policy Statement on Rents for Social Housing (Ministry of Housing, Communities and Local Government, February 2019).

To redress the previous overcharging of rents and service charges, refunds due dating back to 2012 have been calculated. The final confirmed total provision amounts to £9,676k which has now been matched to the relevant accounting years: £635k in 2021, £1,971k in 2020, and the balance of £7,070k charged to historic reserves. An initial provision for these refunds of £2,790k was made in 2019/20 has been restated in these accounts.

	2020 Group		2020 Association	
	Original	**Restated**	Original	**Restated**
	£'000	**£'000**	£'000	**£'000**
Statement of Comprehensive Income				
Turnover	192,257	**193,076**	185,866	**186,685**
Operating surplus	32,081	**32,900**	27,492	**28,311**
Surplus for the financial year	17,277	**18,096**	14,616	**15,434**
Balance Sheet				
Creditors: amounts falling due after more than one year	(113,742)	**(119,993)**	(85,582)	**(91,833)**
Net assets	691,063	**684,812**	713,833	**707,582**
Income & Expenditure reserve	457,874	**451,623**	439,871	**433,620**
Statement of Changes in Reserves				
Income & Expenditure reserve	457,874	**451,623**	439,871	**433,620**
Cash flow statements				
No impact				

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Regulated by the Social Housing Regulator Reg. No. L0055
Community Benefit Society FCA Reg. No. 16791R