FINANCIAL ANNUAL REPORT

Year ended 31 March 2021

Creating more places for people to thrive and be recognised as a sector leading landlord

Co-operative and Community Bene it Society Registration Number: 30666R
Regulator of Social Housing Registration Number: L4203
Company Registration Number: IP030666

Contents

Board and Senior Officers

Non – Executive Directors

Kathy Doran	Chair
Val Aherne	(Resigned 31 December 2020)
Alison Cambage	
Derek Cash	
David Done	(Appointed 1 January 2021)
Roy Grant	
Richard Groome	
Chris MacKenzie-Grieve	
Darrell Mercer	(Appointed 1 January 2021)
Brenda Smith	
Paula Steer	

Executive Directors

Brian Cronin	
Jeremy Earnshaw	(Resigned 22 December 2020)

Company Secretary

Clare Oakley

Registered Office

130 Birchwood Boulevard
Warrington
WA3 7QH

External auditor

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Internal auditor

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PwC (from 1 April 2021)
No 1 Spinningfields
1 Hardman Square
Manchester

Key Achievements In The Year

In a year dominated by a global pandemic, we are proud that we have continued to look after our customers and employees, have remained resilient as a business and continued to consistently deliver against our strategic priorities. Below are some key achievements we are proud of in the year.

- **100% COMPLIANCE**

  The Health & Safety of our customers continues to be our number one priority and during the year we maintained 100% compliance in respect of our statutory compliance activities.

- **IMPROVED CUSTOMER SATISFACTION**

  This year we saw a 15% improvement in overall customer satisfaction, reflecting improvements we have made in service, standards and communication.

- **MORE NEW HOMES DELIVERED**

  This year we continued to work in partnership with Homes England to deliver our strategic ambition of building new homes and to play our part in helping to solve the housing crisis. During the year we took handover of 100 new homes, acquired 1,255 plots of new land and started on site with 836 new homes.

- **£31.1M OF ASSET INVESTMENT DELIVERED**

  This year we have invested over £31.1m in our assets, delivering thousands of new kitchens, bathrooms and other improvements to our customers' homes and doubling our year on year investment, despite the pandemic.

- **SUSTAINED EMPLOYEE ENGAGEMENT**

  We recognise that our workforce is pivotal in delivering services to our customers and helping us to achieve our ambitious plans. We have not only sustained an amazing Employee Net Promoter Score of 82% but also had the same level of staff engagement in Fix360 demonstrating that, no matter where you work in the Group, it's a great place to work that staff would recommend.

- **£120M FACILITIES IN PLACE**

  This year we successfully obtained £120m of private placement funding from the debt capital markets of which £45m was received in year and a further £75m will be delivered in FY22.

- **MOVE TO HOME WORKING**

  The Covid-19 pandemic demonstrated the benefit to our business, customers and employees of homeworking. We have now implemented a permanent homeworking capability with 45% of employees on homeworking contracts.

Chair and Chief Executives Introduction

The last year has been one very much dominated by the Covid-19 outbreak, which, of course, has had far reaching impacts throughout the country, and indeed the world. Against this backdrop, we have continued to deliver our essential services and business objectives whilst ensuring the safety and wellbeing of our residents and employees. Our priority was to look after our residents, particularly those more vulnerable and our employees have continued to go the extra mile to ensure that happened.

We are pleased to report that despite the turbulence the pandemic has caused, we have continued to deliver performance in accordance with our strategic objectives.

We have maintained 100% of all statutory compliance activity within required timescales, notwithstanding the challenges of gaining access to homes during lockdown. Through our asset investment programme we have invested over £31.1m in improvements to existing homes, including 1,617 new kitchens and bathrooms for our customers. We know that for many customers, the most important service is our repairs and maintenance and we are really pleased with the progress of Fix 360, our in-house contractor where we have seen a 29% increase in customer satisfaction. As a Board, however, we think there is more that can be done to ensure that this service is effective and efficient whilst continuing to deliver what is important to customers, and so in FY21 we have decided to transfer Fix 360 into Your Housing Limited.

Building safety remains high on our agenda and we have invested nearly £6m this year on fire and other related safety improvement works. We are preparing for the Building Safety Bill and already have a project underway to ensure we will have necessary processes and procedures in place. We have also acquired 100% of the shareholding of Avantage PFI in the year. This will enable us to provide capital facilities to expedite the rebuild of the Beechmere Scheme which was devastated by fire in 2019 and rectification works at the other schemes.

We feel, more than ever, good quality, affordable housing will be important for people and we are still doing our bit to contribute to resolving the housing crisis. This year, even in the midst of Covid-19, we delivered 100 new homes and started on site with another 836. It was really pleasing that as a Board we were able to approve one of our first land led schemes, Edge Lane, which will deliver 216 new affordable homes. The modelling for this scheme demonstrates the benefit of our land strategy giving us greater control over delivery and costs and driving savings. We did take the decision to withdraw from our Liverpool Waters scheme, a planned high-rise development on the riverfront in Liverpool. The predicted costs for this scheme had increased and it was likely that Covid-19 would have an impact on demand for private rented accommodation in city centres, both of which would diminish the returns. Although, this has resulted in an impairment, the Board felt this was the right long-term decision and now allows us to focus our resources on our core strategy.

This year the government published its Social Housing White Paper, signalling some of the biggest changes in the sector for many years. The Board have reviewed the White Paper and as an organisation we are working to ensure we are prepared to meet all the requirements when it becomes regulation. We believe our new Landlord Strategy, which the Board agreed this year clearly articulates how we will achieve this, including how we will strengthen our engagement with customers ensuring their voices are heard and their views reflected in our decision making. We are strengthening assurance around delivery in this area through a new Customer Services Committee, which will include four customer members who will sit alongside four non- executive directors.

In FY20 the Regulator regraded our governance to G2. Whilst this is still a compliant grade we were disappointed. We agreed an action plan with the Regulator and have been working hard during the year to implement it with a view to returning to G1 as soon as possible. We have also strengthened our Board this year with the addition of two new Directors, both who have senior executive and board experience within the housing sector. These appointments not only complement the Board with great skills and experience, but also allow sector comparison and the sharing of best practice within our boardroom.

Financial viability is extremely important to ensure our business remains sustainable and we are able to deliver all our strategic objectives. In December, last year the Regulator issued a revised regulatory judgement and regraded our financial viability to V2. We understand that this is due to the level of ambition within our business plan to both invest in our existing assets whilst also developing many new homes, which the Regulator feels increases our risk profile. We have carefully assessed the risks within our plan, understand our available unsecured assets and have built sufficient liquidity within the business plan to manage any unforeseen events. The strength of our model has been recognised by the markets where we were successful in securing £120m in private placement funding in July 2020 and a further £130m in April 2021.

Whilst the health and economic impacts of a global pandemic have made this an unprecedented year and a difficult one for many, we are really proud that we have continued as a business to implement our strategies and look after our customers. We are grateful to all the employees who have continued to put our customers first. As we move forward to the new year, we know that the services we deliver will become even more important to our customers and we will continue to focus on our plans to become a sector leading landlord.

K Doran

Kathy Doran
Chair

B Cronin

Brian Cronin
Group Chief Executive

Strategic Report – Our Strategy and Performance

WHO ARE WE?

Your Housing Group (the 'Group' or YHG) is one of the largest providers of affordable housing in the UK, managing over 27,000 homes across the North West, Yorkshire and the Midlands.
The Group provides:

- Affordable homes to rent
- Community regeneration schemes, creating sustainable neighbourhoods
- Hostels and Foyer accredited schemes, which support vulnerable people
- Specialist retirement solutions for older people
- Homes for sale, both outright and through shared ownership
- Key worker accommodation
- Private Rent Sector (PRS) lettings

OUR BUSINESS STRATEGY

There were significant developments in the housing sector last year with the publication of both the draft Building Safety Bill, representing some of the most significant and fundamental changes to building safety legislation in decades, and the Social Housing White Paper, the Government's Charter for residents in social housing. We believe our strategy of safety first and putting customers at the heart of what we do, aligns perfectly with the changing legislative environment and the work we have already done means we are well prepared for the changes.

Our strategy is overseen and directed by the Group Board. During the year we confirmed our business priorities and refined our business plan, to deliver our overall enduring purpose which is stated in our corporate mission:

"Through our innovative approach we will finance, build and manage more homes to increase choice and drive value for our customers"

Our vision is:

"Creating more places for people to thrive and be recognised as a sector leading landlord"

We know that people need quality homes that they can afford.

Our strategy is designed to ensure we build and manage appropriate homes for our customers at all stages of their life's journey and that we make our customers' lives easier by offering great quality homes at a price they can afford. This means delivering a mixed tenure portfolio of developments and taking a commercial approach to delivery to demonstrate value for money. It also means that we will provide appropriate services to suit the needs of the customer. To achieve this, we are continuing to transform and evolve our business model, driving out further cost efficiencies whilst retaining and improving our relationship with our customers.

We will continue to use technology and digital innovations to improve our business systems, increasing efficiency and improving productivity. Through the operational efficiencies we will be able to reinvest in our existing assets and maintain our profitability.

People are at the core of our strategy, together we will demonstrate our values and behaviours in accordance with our desired culture; to be 'a place where people can thrive'. When people are thriving, they are constantly growing, developing, learning, performing and flourishing.

We will continue to listen and engage with our colleagues via our surveys, conferences and employee feedback channels, working together we will provide clarity, consistency and a commitment to improving and modernising the way that we work. Pushing the boundaries of both the employee and employer experience.

HOW OUR STRATEGY DELIVERS VALUE FOR MONEY

Having our clearly articulated corporate strategy means that we are clear where we are focusing our finite resources. If decisions need to be made about the allocation or use of resources we are guided by the prioritisation provided by the Board. This means there is a clear direction and resources are used to deliver the strategy.

At a delivery level each of the underpinning strategies is clear how its operation will deliver VFM, either from greater efficiency, better effectiveness or optimising economy.

The Board has set targets for the delivery of the strategic objectives and monitors performance against these targets as part of its balanced scorecard. Where performance is not on target the Board is able to understand the reasons for this, challenge management and approve improvement plans.

The Board has developed a Financial Plan, which together with the Corporate Strategy, makes up the Business Plan. In developing the five year plan the Board has allocated financial resources in accordance with the agreed priorities. It has also included efficiency targets looking to reduce overall spend on corporate overhead over the life of the plan. We will do this by using innovation and technology to drive efficiency. This will allow us to direct more resources to the frontline, help services be delivered more effectively and ensure we are delivering on our objectives of keeping everyone safe and being a great landlord.

In agreeing the Financial Plan the Board has been clear that investment in delivering new affordable homes can only be undertaken after it has met its obligations to invest in its existing assets. It has considered its approach and appetite for risk. In particular it has considered how much it is prepared to borrow against existing assets to enable it to meet its objective of delivering more affordable homes. It has taken a balanced and manageable approach in determining the number of new homes it will develop.

More information on our performance against the Regulator's Value For Money metrics can be found on page 23.

OUR BUSINESS PRIORITIES

To deliver our strategy and allocate our resources we must make choices. We have prioritised four key areas of our business. These cover what we do and how we do it:

Priority 1 - Keep everyone safe
Priority 2 - Be a great landlord
Priority 3 - Maintain business viability and balance sheet strength
Priority 4 - Deliver new affordable homes

Underpinning and central to all of this are our employees, and our aim is to provide a working environment where people can thrive. Investing in the right technologies will help us deliver all that we do in a more efficient and effective way for the benefit of our customers.

PRIORITY 1 – KEEP EVERYONE SAFE

Our number one business priority is to keep everyone safe. To provide safe homes for our customers and ensure that our staff are safe doing their job.

Safety remains central to all that we do, and never more so than in the current climate. All through the pandemic we have taken decisions to make sure that we followed government guidance to keep our employees and customers safe. We rolled out revised risk assessments reflecting the impact of Covid-19, to ensure our employees were safe in their jobs, implemented new ways of working and spent an additional £561K on Personal Protective Equipment. We introduced extra cleaning services on schemes, particularly where our most vulnerable customers lived. We have supported the businesses, such as hairdressers and bistros, within our retirement living schemes to ensure they also followed the guidance, with the safety of our residents paramount. To provide assurance, our Health & Safety team have completed a programme of visits to ensure safe ways of working and compliance with the Covid-19 control measures.

We know that the pandemic and lockdowns have impacted on people's mental health and personal circumstances, and our employees are no different. So this year we have produced a Wellbeing Strategy which focusses on physical, mental and financial wellbeing.

In addition to our Covid-19 related work, we have also made great strides this year in delivering our project to prepare for the upcoming Building Safety Bill. We have formed a Building Safety Core Group which meets regularly to review progress, have appointed a Head of Resident Safety and identified an Accountable Person. We have also already made significant progress towards changes required by the new Fire Safe Order such as the installation of Premises Information Boxes and Wayfinding. We are ensuring that our building safety work is aligned to and embedded in our customer voice and engagement networks so that our customers have a clear mechanism for their views and concerns to be heard when it comes to safety in their homes.

We have continued to increase our year on year spend on this priority, and in FY21 spent nearly £6m on works to enhance building safety. We take a systematic approach to ensure that our resources are effectively directed, informed by data from the estate and stock surveys we have also undertaken in the year. We have implemented a Risk Prioritisation Matrix, which has already been rolled out and applied to all buildings over 18 metres tall and by the end of calendar year 2021 will have also been applied to all buildings over 11 metres.

Our performance in regard to employee health and safety has been good, with accidents significantly below the previous year (35 vs 115). We record all staff accidents, however small so we can ensure we learn from them and improve, only 2 accidents of the 35 were RIDDOR reportable.

Our Performance

The following is our performance against the Key Performance Indicators for this business priority in FY21.

100% Compliance with Statutory Landlord compliance

35
Employee Health & Safety Accidents

PRIORITY 2 – BE A GREAT LANDLORD

We are first and foremost a social landlord and we want to provide homes which are decent and services which reflect the needs of our customers and which they value. We are building stronger, long-term relationships with our customers, based upon knowledge and respect.

A highlight this year is the level of investment we have made in existing customers homes. Although the £31.1m was slightly behind our original plans, it is still twice the level of investment activity than we delivered in FY20 and, more importantly, delivers on our commitment to our customers, representing nearly 1,800 new kitchens, bathrooms and heating systems. This great performance has been delivered despite the challenges presented by the pandemic, where people were understandably reluctant to have contractors in their homes. Next year we plan to deliver even more and are confident that we will do so as we have already completed the detailed planning and procurement for the works.

We understand the responsibility to invest our resources effectively and key to this is the data we hold on our properties. Although we are confident in the quality of the data we hold, we want to ensure that it is constantly validated, refreshed and updated, so this year we have commenced a programme of surveys of both estates and assets which will feed into our asset investment decisions. We have also implemented our APE model, a stock grading system which will help us define and focus our investment. Sometimes we may determine that we are unable to invest in properties at the right level or provide appropriate services to our customers in particular locations, and then we will look to identify a more fitting provider. This year we divested of 146 homes in East Riding which no longer matched our geographical footprint and where we determined a local provider would be better placed to serve residents.

We know that it's not just investment in homes that is important to customers, they also want an effective and efficient repairs service when things go wrong. We embarked on our journey with repairs in 2017 with the launch of Fix 360, our in-house contractor. Fix 360 has made great progress over the last three years, improving productivity and customer satisfaction and in the last year satisfaction improved by another 29%. We now feel the time is right to take this even further and in FY21 the Board took the decision to fully integrate Fix 360 into the YHL Asset management team. This will enable us to further enhance our customer focused approach, providing an easier experience for customers and driving further productivity improvements by removing duplication and streamlining processes. Joining up our repairs and asset investment teams will also mean that we will get real time feedback and repairs data to further inform our asset investment programme.

To support the improvements in Fix 360 this year we have completed our Repairs 2020 project which redesigned the customer journey for reporting repairs, alongside improvements in technology and the implementation of Customer Relationship Management System (CRM) in our Contact Centre. The final part of this, Dynamic Scheduling, is due to launch in May which will make the service we offer even more efficient and effective.

Customers are at the heart of everything we do as a business and it is vitally important that the services we offer meet their needs. This year we have agreed and implemented a new Landlord Strategy including our Customer Connect Framework which articulates for customers, and employees, the expected standards for our frontline services. It embeds our Customer First approach and our Every Contact Counts culture. It is important that our customers views are listened to and reflected in the design and standards of our services, including in respect of their safety. That is why this year we have gone even further with our customer engagement activities, rolling out our Customer Voice Network as part of the Landlord Strategy. We co-designed the network with our customers, and it will provide an opportunity for an even more diverse range of residents to engage with us in the way that suits them, whether that's through everyday conversations or more formal panels and groups.

This year we have also implemented a new complaints procedure so customers can easily tell us when our services don't reach the right standard and we can move quickly to put things right. We have reviewed our policy and implemented a new system to improve tracking and reporting of complaints and we have now seen a 31% increase in performance in managing complaints within our policy timeframes a result. We've also implemented processes to ensure we are learning from where things go round and driving constant improvement.

We know remaining flexible and adapting the way we do things is important if we are to constantly improve. This year we have demonstrated our ability to do this during the pandemic when we utilised video viewings of properties for relet and our digital sign up, this has proved popular with customers and improved productivity within our lettings teams that we will continue even after restrictions have lessened.

We know the pandemic had a great impact on the lives of our customers and particularly those who were most vulnerable, but we used our resources to support them. In addition to keeping in daily contact with those living on our sheltered and supported housing schemes, our staff also volunteered to make over 17,000 welfare calls and to offer porterage services for food and medicines. We also used our Money Advice Team to support those whose circumstances had changed to access benefits and continue to pay their rent.

Our performance

The following is our performance against the Key Performance Indicators for this business priority in FY21.

£31.1m investment in existing homes

£6m spent on building safety improvements

15% improvement in customer satisfaction

4,976 property upgrades

£1.13m invested in communities

225,000 customer contacts

7.26% tenancy turnover

211 customer engagement opportunities

PRIORITY 3 – MAINTAIN BUSINESS VIABILITY AND BALANCE SHEET STRENGTH

Our ambitious growth strategy needs a solid platform and our plan continues to maintain a resilient business.

We will ensure that we can deliver on our investment and development plans whatever the economic or political hindrances.

Our treasury strategy is designed over a ten-year period to ensure that there is enough funding in place to deliver the business plan, with enough liquidity for the next 24 months.

During the FY21 the Group executed its first two Private Placements totalling £120 million. The first transaction completed in July 2020 and the proceeds of £45 million were used to repay revolving credit facilities. The second transaction of £75m completed in two tranches, £20m was received May 2021 with a final £55m tranche contracted to complete in November 2021. These proceeds will also be used to repay revolving credit facilities

Subsequent to 31 March 2021, the Group has executed three further Private Placements totalling £130 million. These completed in May 2021 and the proceeds were used to repay revolving credit facilities. These new facilities are on consistent terms with the Private Placements executed during the year ended 31 March 2021.

During the year on the 8th December 2020 the remaining share capital for Avantage was acquired so it is now a fully owned subsidiary. This has brought an additional £43.8m of existing debt into the group which is now showing within the total debt figures. For further information on Avantage see note 31.

At the 31st March Your Housing Limited had a gearing ratio of 40.7%. This is forecast to increase over the next few years as debt is drawn down as per the Board approved Business Plan to 45% but still leaves the entity with substantial headroom from lender covenants.

LIBOR will cease to exist as a reference rate after 31 December 2021. YHG's approach is to replace the LIBOR rate with the SONIA reference rate plus a credit adjustment spread. This spread has been agreed by the SONIA working group and the Bank of England.

In December 2020 the Regulator of Social Housing issued its latest Regulatory Judgement for the Group and changed our Viability grade from V1 to V2. In its judgement, the Regulator confirmed that the Group complies with the viability element of the Governance and Financial Viability Standard and that our financial plans are consistent with and support our financial strategy. The Regulator cited the Group's increased asset investment programme alongside its development programme, which has of course led to a requirement for an increase in debt, which in the Regulator's view makes the Group's financial profile weaker.

In developing our business plan the Board has carefully considered the level of debt it will take on, alongside the available security we have and any potential risks. We want to ensure we have a resilient plan and so the Board has agreed it will maintain a significant amount of undrawn revolving credit facilities at all times ("liquidity buffer"), so that we are well placed to manage any risks or unforeseen circumstances which may arise. As described above we have been successful in obtaining funding from the capital markets, and we will use these funds to periodically repay the revolving credit as we work through our programmes to maintain our buffer.

At 31 March 2021, £98.6 million of undrawn committed revolving credit facilities were available to the Group. Of this amount £98 million of facilities mature in February 2030.

Maintaining our income is, of course, essential to our financial viability and during the year we have worked hard to support our residents and ensure they continue to pay their rent. Despite the impact of the pandemic our rent collection has remained at 99.7%. We have seen a slight increase in our void loss as a result of the pandemic, due to the inability and reluctance of people to move, however the use of video tours and digital sign up have kept this to a minimum and our occupancy is at 99.5%.

The Group has a number of investments which whilst aligned to our business are not classed as core, these include investments in PFI schemes where the Group is a minority shareholder and delivers some landlord and housing management functions. In August 2019, there was a significant fire at the Beechmere Extra Care facility in Crewe which was part of the Avantage PFI project. Everyone was safely evacuated but the building was unfortunately destroyed and will need to be rebuilt. The investigation into the fire also identified some latent defects in the construction of the building, which exist in the other buildings in the project. The project agreement entered into default in April 2020. We worked hard with our partners to try to resolve the issues, but despite our best efforts it became clear this year that progress on remediating the project was too slow and that the required capital was not available through the majority shareholder. Therefore, in December 2020, Your Housing Limited acquired the remainder of the share capital of Avantage (making it the sole shareholder) and the Board agreed to provide capital facilities initially of £3m to expedite the rebuild and rectification works. Both the Local Authority partners and Avantage's funders have now agreed Standstill Agreements, which reduce the risk of project termination and allow us time to restructure the project to ensure it is sustainable in the future. Please refer to note 31 for details of the accounting treatment and financial impact of the acquisition.

Our performance

The following is our performance against the Key Performance Indicators for this business priority in FY21.

48 months liquidity

12.1% Operating Margin

99.7% rent collected

40.7% Gearing

99.5% occupancy

PRIORITY 4 – DELIVER NEW AFFORDABLE HOMES

Our plan sets out an ambitious growth strategy for the future. We are committed to help solve the national housing crisis and meet the demand for new homes.

Our growth strategy delivers a balanced portfolio of developments to serve the needs of a range of customers and that will deliver revenues which are counter cyclical, and resistant to economic and political influences that cannot be controlled by YHG. Our plan is to hold our new assets, with only a nominal amount for open market sale and the remainder predominantly (80%) for social /affordable rent. We are developing mixed tenure sites in mostly urban locations with good transport links, good schools and local amenities that our customers need.

To help us achieve our objectives, in 2019 we entered into a strategic partnership with Homes England, this gives us security of grant when considering schemes for the development of new social housing. We are now 50% through our programme and meet regularly with Homes England who are pleased with our progress.

A key part of our growth strategy was reducing the time and cost to build. We have implemented two significant actions in the year which help us achieve this. Firstly, we have rolled out our land strategy and secured 1,255 plots into ownership. This approach puts us firmly in control, we are remediating the land and taking sites through the planning process. Not only does this mean that we have security of supply into the future but it also means we benefit from the planning uplift, which would have been a premium in traditional developer led schemes, but is now a significant cost saving for us.

Secondly, during the year, we also procured a development partner framework with two suppliers, Lovell and Amwyl. Our aim is to work closely with these two developers, sharing details of our pipeline and working in partnership to deliver cost savings and more social value.

Through both the land strategy and the use of development partners we will deliver real benefit to our development programme. At our recent Edge Land site, we estimate overall savings to be in the region of 10-15% compared to a traditional developer led scheme and we are also able to deliver additional social value with the contractor pledging local employment and apprenticeships during the build-out.

We are keen to continue to innovate in the supply of new homes, but we want to do this in a measured way which ensures we maximise value and manage risks. A great example of this is our pilot this year of the construction of seven modular homes in Anfield. At the moment we know that modular construction is more expensive than traditional build (as the UK market is not well developed), but it is much quicker to deliver on site. We also want to understand what the longer-term opportunities and risks are for both us and our residents and that is why we are working with Liverpool John Moores University to monitor the performance of these new homes. Already we are seeing positive benefits - early feedback from one family is that they are seeing a significant reduction in their utility bills which is supporting our approach to reducing fuel poverty for our customers.

Our Edge Lane development out-performs the energy requirements of the building regulations by 11%. We are also working with our new development partner, Lovells, to incrementally test technology within a number of the houses on the development with Photo Voltaic (PV) units and Ground Source Heat Pumps to see how we can further improve the energy performance of our homes to provide energy savings to our customers.

As we execute our growth strategy it is important that we continue to evaluate schemes and monitor risks, and on occasion this may mean we need to change our plans. This year the Board took the difficult decision to withdraw from our Liverpool Waters development. This was a highrise Private Rented scheme (PRS) on Liverpool Waterfront. Over the last 18 months arrangements around the scheme had changed, we had seen the original contractor step away from the process and a subsequent increase in build costs and the impact of Covid-19 has reduced confidence in the potential rent levels for city centre living. The Board considered that the potential returns no longer matched the risks and so agreed to withdraw. This has resulted in an impairment of £1.7m but the Board considers this was the right decision and allows us to fully focus on our strategy.

We are beginning to see the benefits of our new focused strategy and during the year we have started on site with 836 units. We took handover of 100 new homes, just 2 behind our target, despite an 8 -10 week delay on some sites as a result of the pandemic. We have even more ambitious plans for the current year with a target of 666 starts on site and the completion of 227 new homes.

Our new schemes are proving very popular with customers both for rent and shared ownership. Our recent Amberley Drive development in Wythenshawe had significant interest prior to release with over 1,000 enquiries received. Each of the 4 phases were reserved off plan with an uplift of sales values against initial appraisal in the region of 10%.

Our performance

The following is our performance against the Key Performance Indicators for this business priority in FY21.

100 new homes delivered

1,255 plots of land secured

4.7% reduction in cost per m2

836 starts on site

OUR PEOPLE, CULTURE AND VALUES

Our people strategy is designed to deliver an organisation where employees are thriving and maintaining an excellent work life balance, using the best technology available to them and delivering the very best customer experience, every day.

This year we came to the end of a 4-year Culture Change Programme which we started in 2017, and which has been deemed to be a success, with our People KPI's in line with national benchmarks in many, if not, all areas. Our sickness absence remained at a low 2.9% average, despite the impact of Covid 19 during the year.

During the pandemic we demonstrated the benefits of our 'Clan Like' culture. We took the decision very early not to furlough anyone and instead offered the opportunity for people to work flexibly. We offered our employees a significant amount of support and understanding, to help them to continue to work whilst managing childcare and caring responsibilities. This approach also benefited our customers, we kept all essential services running and where our people were unable to undertake their normal roles many volunteered to make welfare calls, collect groceries and prescriptions or undertake extra cleaning to keep our most vulnerable residents safe. We believe the approach we took with employees was the right one and this has been reflected in our staff survey results, where we have recorded highest ever Staff Engagement with 91% of our employees saying they would recommend YHG as great place to work.

Our People strategy is not just about improving our culture it is also about ensuring that the business has the right capability to deliver its objectives. This year we have significantly improved our capability specifically across both Asset and Housing Management, by focusing on recruiting individuals with core skills and sector experience. At the beginning of the year we recruited a new Chief Operating Officer, who has since been promoted to Deputy Chief Executive, who has over 30 years- experience in housing management and the delivery of our key services.

The Covid-19 pandemic meant that we fast tracked our plans for future ways of working and we have already implemented Homeworking as a permanent capability with a new focus on the perfect WorkBlend. This was supported by the opening of Youggle House, our new headquarters , early in the new financial year, which will operate as a wellbeing and collaboration centre for all our employees.

Our performance

The following is our performance against the Key Performance Indicators for this business priority in FY21.

91% of employees recommend YHG as a place to work

6.9% employee turnover

2.9% sickness absence

Strategic Report – Summary Financial Results

Statement of Comprehensive Income (£m)	2020/21	2019/20	2018/19
Turnover	153.8	150.9	148.3
Operating surplus (excluding surplus on the sale of fixed assets)	18.6	16.8	29.0
Earnings before interest, depreciation, amortisation and sales (EBITDAS)	42.8	39.7	50.7
Earnings before tax (EBT)	4.9	4.2	21.3

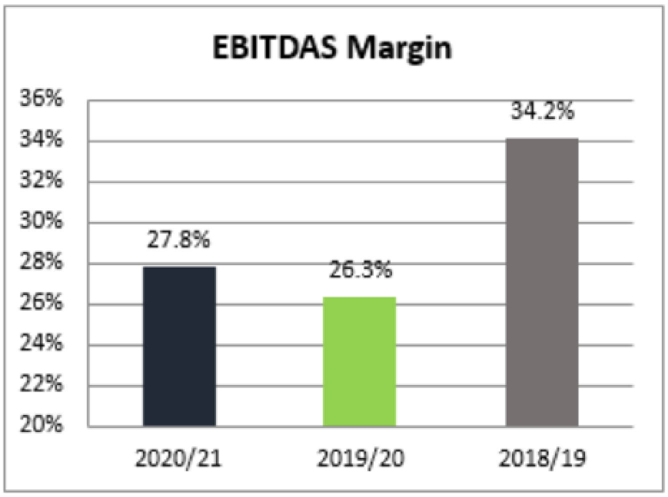
Statement of Financial Position (£m)	2020/21	2019/20	2018/19
Fixed assets	1,182.5	1,135.5	1,085.4
Net current assets/ (liabilities)	93.6	(2.8)	(12.8)
Long term creditors – debt	454.9	389.3	335.2
Long term creditors – grants	444.4	397.9	397.3
Long term creditors – other and provisions	85.3	34.0	51.7
Reserves	291.5	311.4	288.4

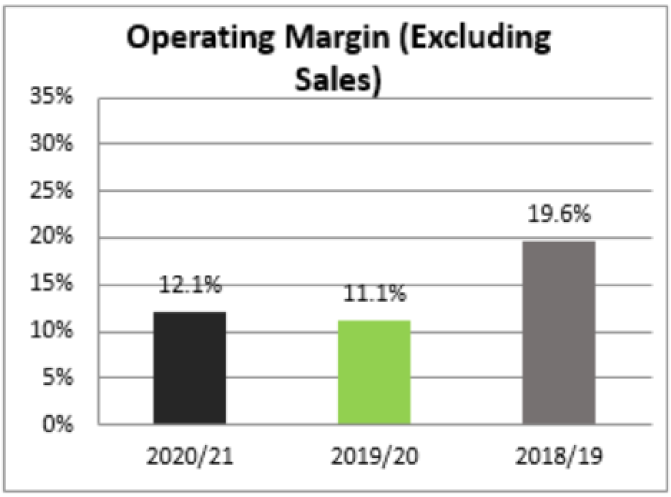
Further details of operating performance and the statement of financial position can be found on page 19.

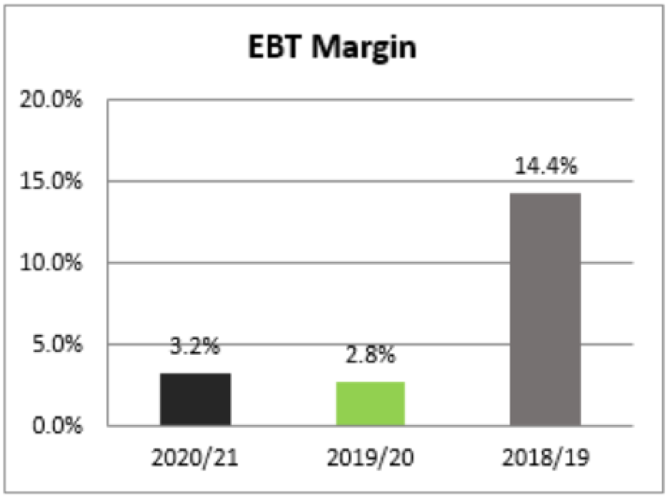
Accommodation figures	2020/21	2019/20	2018/19
Total owned and managed – during the year	26,694	26,814	27,730

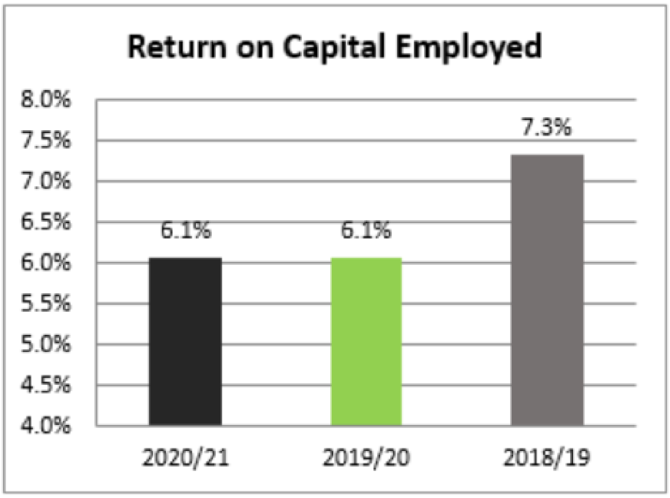
Ratios	2020/21	2019/20	2018/19
Operating margin (excluding sales)	12.1%	11.1%	19.6%
EBITDAS margin	27.8%	26.3%	34.2%
Interest cover	184%	180%	307%
EBT margin	3.2%	2.8%	14.4%
Gearing	40.4%	34.8%	30.4%
Return on Capital Employed (ROCE)	6.1%	6.1%	7.3%

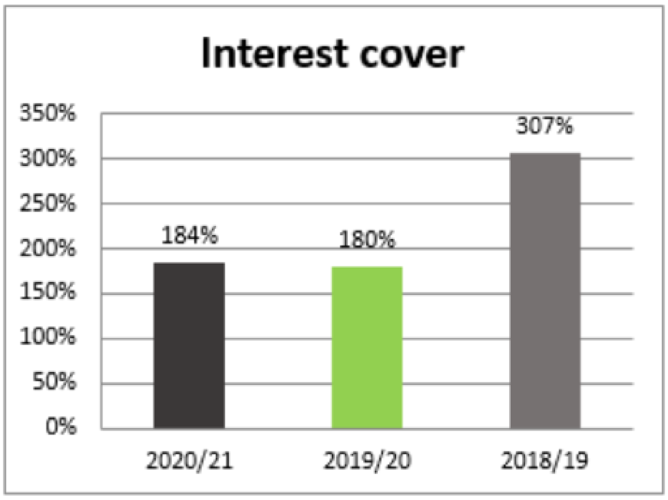
The ratios are based on our internal measures of performance for covenants and “golden rules” and therefore will not necessarily correlate with the industry standard metrics included on page 23.

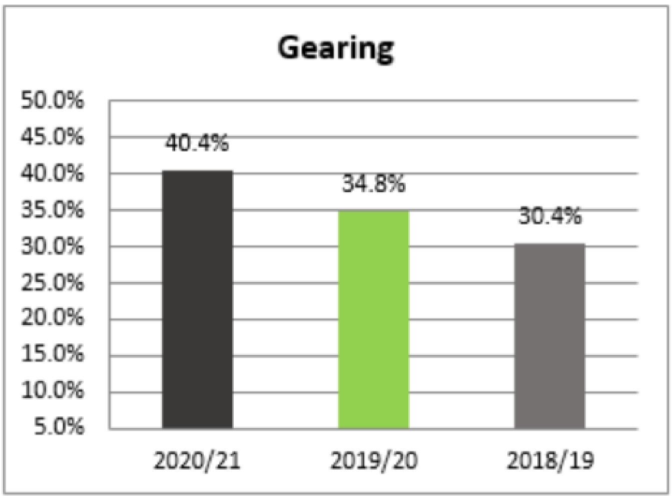

EBITDAS Margin
36%
34%
32%
30%
28%
26%
24%
22%
20%
27.8%
26.3%
34.2%
2020/21
2019/20
2018/19


Operating Margin (Excluding Sales)
35%
30%
25%
20%
15%
10%
5%
0%
12.1%
11.1%
19.6%
2020/21
2019/20
2018/19


EBT Margin
20.0%
15.0%
10.0%
5.0%
0.0%
3.2%
2.8%
14.4%
2020/21
2019/20
2018/19


Return on Capital Employed
8.0%
7.5%
7.0%
6.5%
6.0%
5.5%
5.0%
4.5%
4.0%
6.1%
6.1%
7.3%
2020/21
2019/20
2018/19


Interest cover
350%
300%
250%
200%
150%
100%
50%
0%
184%
180%
307%
2020/21
2019/20
2018/19


Gearing
50.0%
45.0%
40.0%
35.0%
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
40.4%
34.8%
30.4%
2020/21
2019/20
2018/19

Strategic Report – Summary of Financial Results

The strategy of YHG continues to be focused on maintaining our ability to generate surpluses that can be both reinvested into our existing homes and invested in the development of new homes. We achieve this through ensuring we have sufficient cash and liquidity resources.

In FY21, and early FY22, we continued to make significant progress in the execution of our Treasury Strategy by securing additional facilities of £250m against enormously challenging economic circumstances. We substantially enhanced liquidity and cash, and as a result YHG has been able to make significant inroads in the implementation of its Strategies, specifically in the areas of Capital Reinvestment in Assets and Development of New Homes. YHG has continued to focus simultaneously, and without major limitation, on the improvement of existing Assets, and the creation of new homes, despite the turbulence the Coronavirus pandemic has caused. Our ongoing success is a real testament to the long-term vision and strategy of the Group, with a key focus over the last 12 months on providing additional support to our residents and employees.

FY21 was the first year of delivery against our Capital Reinvestment programme, where we have an objective of deploying more than £219m over five years in our existing homes. Despite Covid-19 restrictions placing challenges on the types of work which could be delivered safely, our expert planning and team flexibility allowed us to deliver planned investment of £31.1m (2020: £21.0m), which amounted to upgrades within 4,976 properties, including the installation of 1,617 new kitchens and bathrooms for our customers. This is a significant contribution towards our five year target, which we remain confident in being able to deliver successfully.

Alongside this improvement for our existing residents, we invested a further £67.2m in the creation of new homes during FY21. This amounted to delivering 100 completed homes, starting on site with another 836, and ending this year with a total of 1,340 units under construction. FY21 also saw our Board approve our first land led scheme, Edge Lane, which will deliver 216 new affordable homes. Financial modelling on this scheme is already demonstrating the benefit of our land strategy which gives us greater control over delivery and costs, allowing us to drive forward savings. During FY21 we took the decision to withdraw from our Liverpool Waters scheme as the predicted costs for this scheme had increased to a level where, coupled with the likely impact that Covid-19 would have on demand for private rented accommodation in city centres, the financial return was no longer viable. Although, this has resulted in an impairment of £1.7m in the year, the Board felt this was the right long-term decision and now allows us to focus our resources on our strategic priorities.

The Board continues to focus on the achievement of key delivery targets in the long-term. Such targets are based substantially around strategic priorities of the Group including “Keep Everyone Safe” and “Be a Great Landlord”. The safety of our customers remains the number one priority, and YHG is committed to deploying the required financial resources to maintain this. Our customer satisfaction ranks equally highly, with a 15% improvement recorded during FY21, and again the Board is absolutely committed to ensuring that sufficient resources are deployed in delivering these priorities.

The Board remains committed to improving Value For Money (VFM) and ensures at a delivery level, underpinning each of the strategies, actions to improve VFM, either from greater efficiency, better effectiveness, or optimising economy, are clearly laid out. During FY21 we moved a significant portion of our office staff onto permanent home working contracts, allowing us to realise longer term cost savings through home working. This is part of our longer-term efficiency target to reduce corporate overhead through innovation and technology, therefore allowing more resources to be directed to the front line.

From a financial metric performance perspective, FY21 has been a year of improvement. We increased our turnover by £2.9m, with £1.7m of this being directly attributable to the acquisition of Avantage (Cheshire) Holdings Limited in December 2020. Operating surplus increased by £2.2m (10%), £0.5m of this was attributable to the acquired entity with a £0.7m contribution from an increase in the fair value of investments.

Strategic Report - Operating Performance and Statement of Financial Position

OPERATING PEFORMANCE

Key performance measures for the year were:

- Income increased to £153.8m (2020: £150.9m); largely as a result of the 1% rent reduction regime ending and YHG increasing rents in line with the new rent standard (2.7% increase). We disposed of 146 homes in East Riding, however this was offset by the additional revenues delivered by development schemes which completed in both FY20 and FY21.
- Operating Costs increased in the year to £135.2m (2020: £134.1m); this overall increase is made up of both increases and decreases when compared to last year. Management costs increased by £5.1m due to Covid-19 expenses, Avantage additional costs and salary increases. Routine and Planned maintenance reduced by £958k. The most significant reduction in costs is due to a lower impairment charge of £0.3m in FY21 (2020: £3.7m).
- Earnings before interest, tax, depreciation, amortisation and property sales (EBITDAS) was £42.8m (2020: £39.7m) with a margin of 27.8% (2020: 26.3%). The increase is largely a result of higher revenues following the change in the Rent Standard and the overall reduction in Management costs.
- Interest Cost increased in the year by £1.1m, in-line with expectations and driven by the increase in loan drawdown in the period. Interest Cover remains healthy at 184% (180%: 2020) and well above Funding Covenant requirements.
- Earnings before tax margin increased to 3.2% (2020: 2.8%), primarily reflecting the matters referred to the EBITDAS commentary above.

STATEMENT OF FINANCIAL POSITION

At 31 March 2021, the Group's Statement of Financial Position demonstrated considerable strength, and the Group remained financially robust, with access to substantial liquidity and cash through our RCFs, which can more than cover the current liabilities at year end and future commitments. Key performance measures were:

- The Net Book Value (NBV) of fixed assets was £1,181.5m (2020: £1,135.5m). There was an overall increased in the value of fixed assets due to investments in new homes and land purchases.
- At the year end the Group had invested £98m (2020: £49.2m) in relation to properties under construction.
- The Group owned and managed 26,694 homes.

  The fair value investment properties were £84.0m (2020: £70.1m). The increase is due to additions in the year of £14.1m together with an increase in fair value movement of £0.2m. The Board appointed JLL and Savills as independent experts to impartially value investment property of the Group as at 31 March 2021. All valuations were conducted in line with RICS methodology.
- The Group had £64.2m (2020: £36.6m) of cash and cash equivalents with £98.6m (2020: £106.0m) additional undrawn facilities, based on existing debt facilities.
- OFR Gearing increased slightly to 40.4% (2020: 34.8%), reflecting the increase in loan drawdown to fund Development and Asset Investment activity.
- The Group had reserves of £291.5m (2020: £311.4m). The Groups long term Creditors have increased significantly in the period, reflecting the increase spend in both Development and Asset Investment, in-line with the Corporate Objectives.

- During the year the Group executed new Treasury facilities of £120m, via Private Placements with over a 30 year Term and highly competitive interest rates. A further £130m facility was agreed in April 2021.

- The Group participates in two multi employee defined benefit schemes the Social Housing Pension Scheme (SHPS) and the Staffordshire County Council Pension Fund, and a defined benefit pension scheme: The Arena Group Pension Scheme. The scheme assets are measured at fair value. The results are reported separately from other net assets on the statement of financial position. This has been recognised within the defined benefit pension liability on the face of the statement of financial position £38.3m (2020: £17.4m). The Group specifically recognises future pension scheme cash commitments in its financial planning and forecasting processes and applies sensitivity and stress testing to all potential key variables. As a result, the Group is very confident it has more than sufficient cash resources to fund its current and future level of obligations.

Strategic Report – Debt Structure and Monitoring

Our Treasury Strategy is designed to ensure that there is sufficient funding in place for all developments for the next 24 months, and that refinancing risk is managed to avoid projected borrowing maturities in the next two years exceeding 10% of total debt outstanding.

A detailed five-year rolling cash flow forecast is prepared and reviewed each month as part of the management information provided to the Group Board, Investment Committee and the Executive Leadership Team. These forecasts include short-term operational cash flows and the agreed and expected development and reinvestment programmes.
As at 31 March 2021, the Group had total borrowings of £490.6m (2020: £416.4m) with a further £98.6m available to be drawn from existing agreed facilities principally in the form of revolving credit facilities. This ensures we are well placed to respond to future opportunities that meet our desired returns.

The weighted average cost of funds for the Group at 31 March 2021 was 3.32% (2020: 3.34%), this cost of funds is particularly low and compares favourably to peers in the sector.

In April 2021, the Group contracted for a £100 million and a further £30 million of Private Placements. The proceeds were received in May 2021 at a weighted average interest rate of 2.66% and weighted average maturity of 27 years.

Surplus funds are invested with counterparties meeting the terms of our Group investment policy and these are regularly monitored to ensure compliance. Our investment policy is risk averse for counterparty risk and aims to minimise the risk of financial loss or liquidity exposure. We do not hold any financial instruments for speculative purposes.

The Group's loan covenants primarily consist of interest cover and gearing. All covenants within the year to 31 March 2021 had been met. Covenants are monitored monthly and through the 30-year forward-looking business planning process. Our business plan shows that we are able to operate within our committed facilities under a number of stress tested scenarios. Stress testing is performed on a single and multi-variate basis to demonstrate break points in the plan in order that they can be managed.

Strategic Report – Value for Money

Overarching VFM Ambition and approach

The overall aim for YHG is to utilise our available resources effectively and efficiently to deliver our key strategic objectives. It is our ambition to manage an estate of safe desirable homes in which residents want to live and feel supported by our services and to build new fit for purpose homes to meet rising demand where our resources permit. We will do this by

13 Prioritising resources in alignment with our strategic objectives

14 Stopping doing things which don't deliver our strategic objectives

15 Maximising what we have available through cost and waste reduction and added value

16 Being more efficient through the use of better processes and technology

The Group has been developing a clearly articulated strategy with appropriate prioritisation which means that we are clear where we are focusing resources in the future and how we are delivering value for money. It is inevitable that whilst some of the VFM metrics are favourable, such as the reinvestment metric, there is an inevitable converse consequence of this in terms of the reduction in financial metrics such as ROCE, operating margins, and EBITDA (MRI). Whilst the VFM financial metrics may have a mixture of changes, because of the link between increased spending commitments and profitability, this is done in the context of ensuring that the business planning process reflects the consequences of the investment required in the stock, both in terms of a sound asset base and meeting all of the legal and regulatory requirements and aspirations going forward.

Although some of these strategic decisions will reduce the financial performance reflected in the financial metrics, they are made on the basis of complying with all of the covenants set by the funders to a significant degree as well as the "golden rules" set by the board as an early warning indicator against these covenants.

Board has reviewed activities that do not deliver against our objectives and where possible, has taken decisions to either limit or remove those activities so that resources can be focussed on core activities.

In addition, Board reconfirmed their commitment to optimising the approach in which YHG applies spend to maximise the outcomes we can deliver by focusing on non-productive and back office cost savings as well as the elimination of waste. We have underlined our belief for investment in technology to improve and reduce the cost of our services. Our overarching ambition is to rebalance our spend, move resource away from back office to frontline services by 8% over the cycle of the plan.

Our delivery of VFM in FY21

Prioritising resources in alignment with our strategic objectives

During the year, via our Business Plan away days, the Board have reviewed and agreed six strategic objectives with clear prioritisation against those objectives.

Our main priority is to invest in our homes to make them safe and desirable. This aligns with our Objectives of "Keeping Everyone Safe" and "Being a Great Landlord". In 2019, in line with the Savills and ARK stock investment reports, the Board agreed an overall investment of £219m in existing homes. In this year we have funded the following additional priorities: -

- Board agreed an additional sum of £200m to increase overall annual spend post the 5-year investment to £35m per annum from £22m per annum. This increases the total investment over the 30-year plan to £1.2bn
- Additional investment in safety and fireworks was agreed across the 30-year Business Plan, from £4m p.a. to £7m p.a.
- Further investment of £78m over the next 5 years to fund additional investment in estates to make them more desirable, to ensure 100% of our stock meets energy level "C" by 2030, and additional resources to meet our estimated requirements for Decent Homes 2 and the Fire Safety Bill.

- In 2020/21 investment in systems and staffing enabled the achievement of 100% compliance across the suite of compliance measures. Asset investment, despite COVID19 restrictions, increased by 100% on 2019/20 from £16m to £32m.
- Board agreed a new operational strategy and the resources to support an increase in overall customer satisfaction. The rise of 15% in overall Customer satisfaction on a full year basis was achieved. Month on month reporting in April has seen this increase to 85%+ ahead of the business plan target and whilst still early, indicators, that need to be delivered over time re-enforces Boards approach.
- FIX360 received investment in technology and systems in the year which resulted in a reduction in operating costs but also an increase in customer satisfaction to 90%+ in April and May 2021.
- Reduced disrepair cases by 25%

Following on from "safe" and "Landlord", viability is the Board's next highest priority. In our business plan we have achieved high levels of liquidity through the maintenance of our £100m cash buffer and adhered to the "Golden Rules" across the plan with minimal management adjustment required. To achieve the additional investment requirements in our top three objectives Board has agreed to curtail our growth programme post 2028 whilst we fully review our investment in net carbon zero targets leading up to 2050.

There is currently financial uncertainty about what these requirements will be and to the extent we will need to fund them, we have therefore taken the position this year to provide for all investment requirements that are better understood. In 2021/22 we will evaluate our projected investment in Zero net carbon with the aim of including a planning total in the Business Plan by 2022/23.

YHG will complete our commitment made to Homes England via our partnering agreement up to 2028 but have omitted growth past that date. We expect to revisit the Business Plan in 2023 and the Board will review the position on growth at that time. If we agree to further develop past 2028 this timescale will have no interruption on the current or future programme.

Our Growth ambition is to deliver the Homes England programme of 2,457 units and in the year, we were able to purchase 1,255 land plots for future development, procured a new development partnership with Lovell and Anwyl homes reducing cost by up to 8.5% and committing a further 860 units on to site to that programme.

All our services to residents are delivered through our staff, our investment in them is to ensure that they have the correct capability and motivation to deliver to the standards we require. Our People investment in 2020/21 was more than £40m and after Asset Investment represents the largest YHG resource allocation. Over the last period in which we were forced to send all staff home, overall performance indicators rose year on year and staff satisfaction remained at 88%. However, we are further committed within the Business Plan to reduce these costs over time as we shift resource to frontline services.

Activity Ceased in Year

Board reviewed various activities in 2020/21 that did not meet our business plan objectives and decided to cease the following activities.

In September 2021 the Board reached a decision to withdraw from the development, Liverpool Waters, a 274-unit PRS development on Liverpool waterfront. Board had originally agreed to the project as part of its balanced portfolio development approach, in which PRS activity was included where it offered a substantial financial return to help support the creation of affordable housing. Over the development period the cost of the scheme increased from an original budget of £46m to £55m, due to increased construction costs and fire safety requirements. As the return was no longer sufficient to cross subsidise the affordable programme the decision was made, taking into account the existing investment, not to proceed. The site is currently in the process of being sold to the freeholder Peel Holdings.

Following our APE modelling of the East Riding Stock of 122 properties (Goole) it was determined that, given the remote location, YHG could not provide an effective management service for the units. We entered into negotiations with East Riding Council and the units were disposed of to the council for £6m. This was a better solution for the customers who now receive services directly from their local Authority

Maximising resources through cost savings, efficiency and added value

The board monitors all investment across the group and seeks to maximise outcomes for residents by delivering VFM across its entire spend, in 2020/21 the main highlights were: -

i) The 2020/21 budget contained a Staff FTE of 1,313 at 31st March 2021 the actual headcount (including all entities) stood at 1,087 a net saving against of 226 equivalent FTE. This produced a positive variance against budget of £4.5m and was achieved through the further adoption of agile working and increased productivity during the pandemic and a more rigorous review of staffing requirements.

ii) In the 2021/22 Budget approved by Board in March 2021 we achieved year on year cost savings of £5.54 saving as detailed within the Business Plan savings requirements.

iii) Through our procurement activity, we generated £1.55m of cashable savings (£1.02m) and cost avoidance (£522k)

iv) Across our large supported housing portfolio and other projects, we achieved 4026 outcomes for 2,050 customers, using the HACT model this generated £16m in social value.

v) Invested £28k in a tenancy support pilot in St Helens that generated £105k in Social Value (HACT) and also helped to prevent 32 failed tenancies saving the organisation £144k in relet and void costs.

Being More efficient through use of Technology

To deliver ever greater value to our customers we have aligned ourselves to the greater use of technology in how we operate YHG. This is a long-term strategy and underpins the savings plan outlined in our Business Plan running up until 2028. Key highlights for us this year have been:-

i) In 2018/19 we began the journey to an agile workforce, basing our housing operations teams from home and moving them to agile contracts. When office restrictions were introduced for the current pandemic, we were able to seamlessly move all staff into an agile operation, we have since taken the decision to make this a permanent operating model. We were able to do this through the original work which commenced and has been ongoing from 2019. This has allowed us to reduce the operational offices to a single site that we have adapted to agile working, with only two full time desk stations. Since 2012 the Group has been able to reduce its operating office bases from 28 to 1.

ii) We have delivered the “Repairs 2020” project for Fix360, updating the call centre process and internal management of repairs to improve the customer experience. Over the year month on month customer satisfaction has increased from 70% to 90%+ by April 2021.

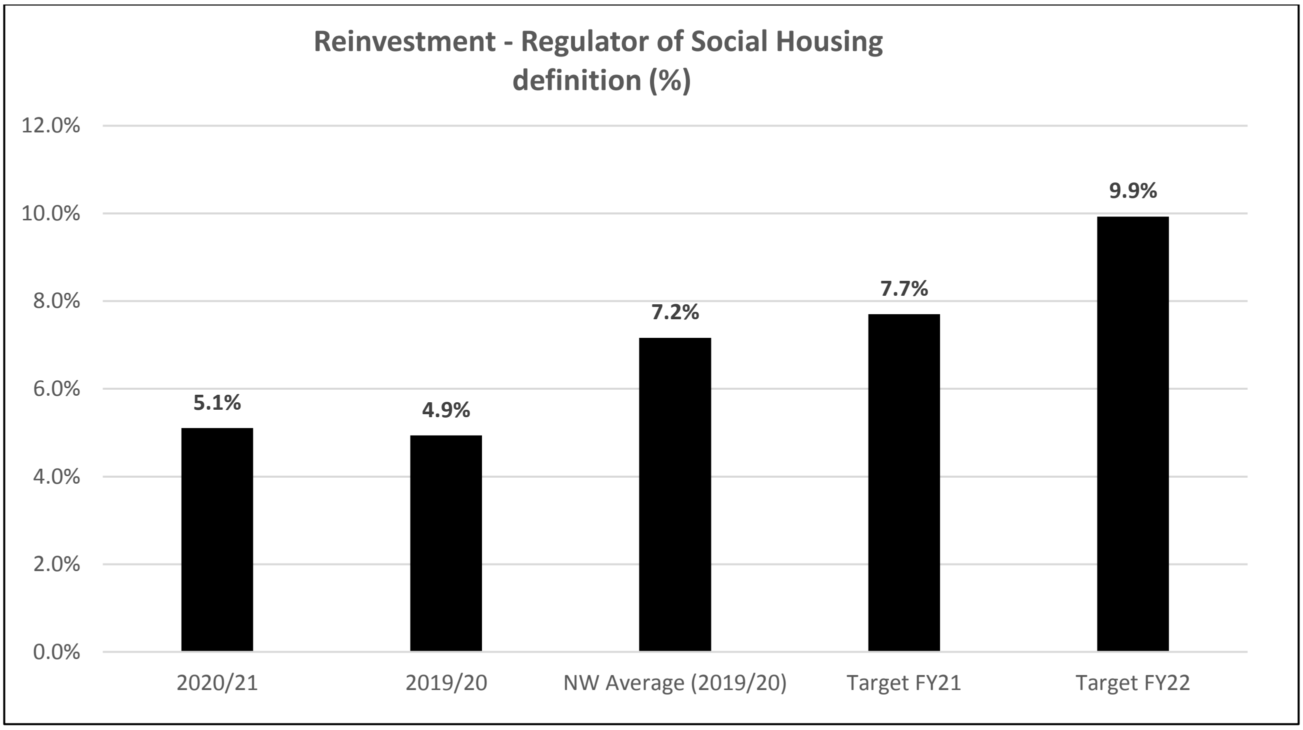
iii) Through internal development of our IMAS (Income Management Analytics System) we were able to increase reporting and visibility of rental income performance to the Income team, that had the effect of rent collection performance achieving 99.5% through the pandemic. In addition, we were able to reduce the annual recurring licence fee to Mobbysoft by £250k per annum, a net saving to YHG.

VFM Scorecard

As well as monitoring our performance against our strategic objectives and targets, in accordance with the Regulator's requirements we also measure our value for money against the Regulator's technical metrics and in comparison, with our peers. The charts below reflect the set of metrics specified by the Regulator of Social Housing to measure and compare VFM across the sector. The House Mark global accounts comparison tool has been used to obtain benchmark data for the North West regional group.

Reinvestment

FY21 Outturn	FY21 Target	FY20 Median	YHG FY20 Outturn
5.1%	7.7%	7.2%	4.9%



*I*n year we had an ambitious target to increase our asset investment from £16m in 2019/20 to £42m in 2020/21. This would have put reinvestment ahead of our peers. This programme, however, was impacted by Covid-19 restrictions and lockdowns particularly affecting us in works to our Extracare portfolio. In its Coronavirus Operational Response Survey Report, the Regulator states that its intelligence suggests that capital investment programmes across the sector were curtailed during FY21. Even in this difficult environment we achieved a doubling in spend year on year, work not carried out in year has been reprogrammed for completion in 2021/22

Despite the pandemic there is still a commitment to meet all the corporate plan objectives in future years, with major efforts to catch up on the programme already underway. The table below shows the Organisations ambitions for the next 5 years. In year the Board has committed additional funds to our investment plan to which now includes £33.4m on estate works and £45.1m on environmental works.

Five Year Targets

Five Year Plan	FY22	FY23	FY24	FY25	FY26
Reinvestment %	9.93%	9.93%	6.60%	5.37%	3.15%

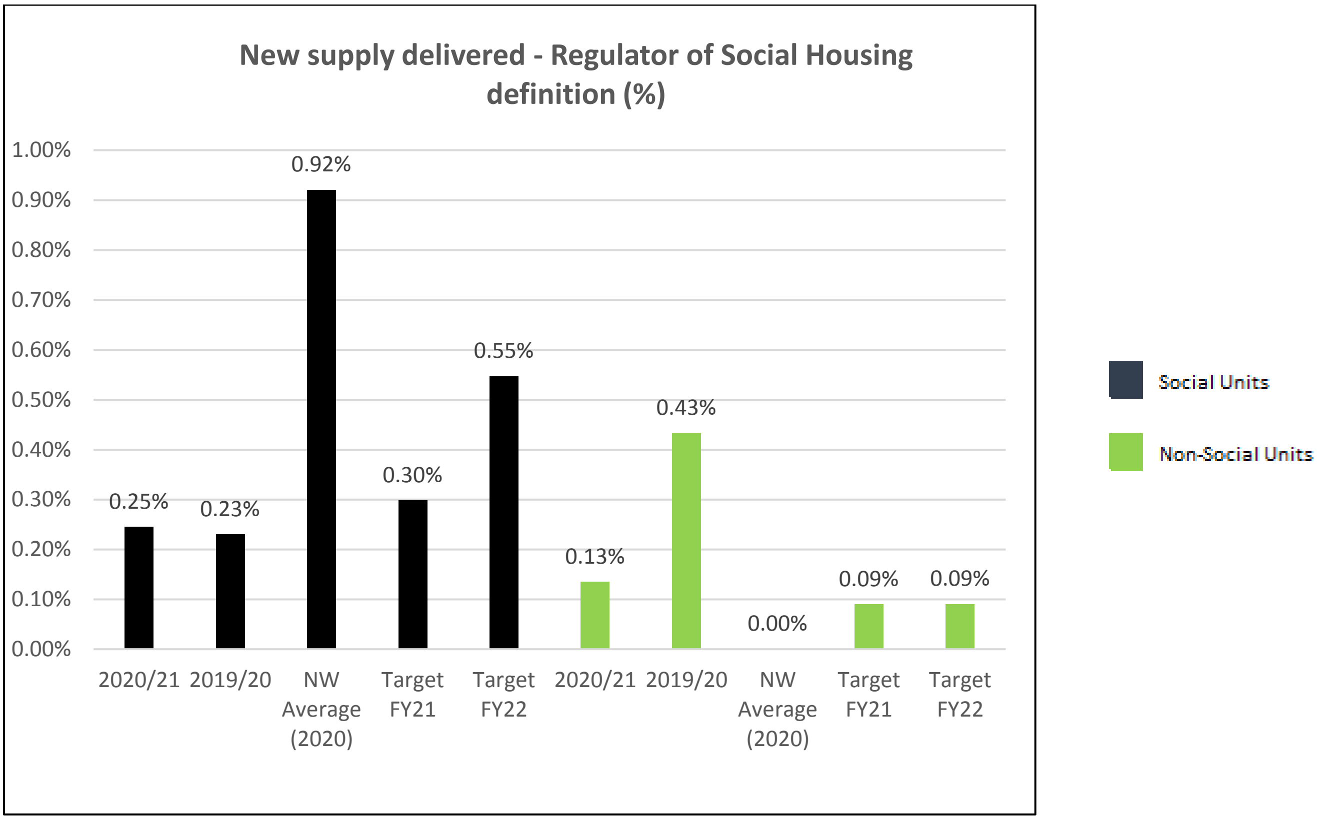
New Supply Delivered

<u>Social</u>

FY21 Outturn	FY21 Target	FY20 Median	YHG FY20 Outturn
0.25%	0.30%	0.92%	0.23%

<u>Non-Social</u>

FY21 Outturn	FY21 Target	FY20 Median	YHG FY20 Outturn
0.13%	0.09%	0.0%	0.43%



Overall, our ***new supply delivered*** was only slightly behind budget, 100 new homes against a target of 102. This was due to Covid-19 which impacted the programme of new build developments adding delays to scheme starts and completions as we experienced site closures of approximately 8 weeks during the first lockdown.
Whilst this has delayed the programme and spend, we still manged to move 836 units to start on site and acquired 1250 building plots. Overall, we were £20m behind our target cash spend but this is planned to be recovered within 2021/22.

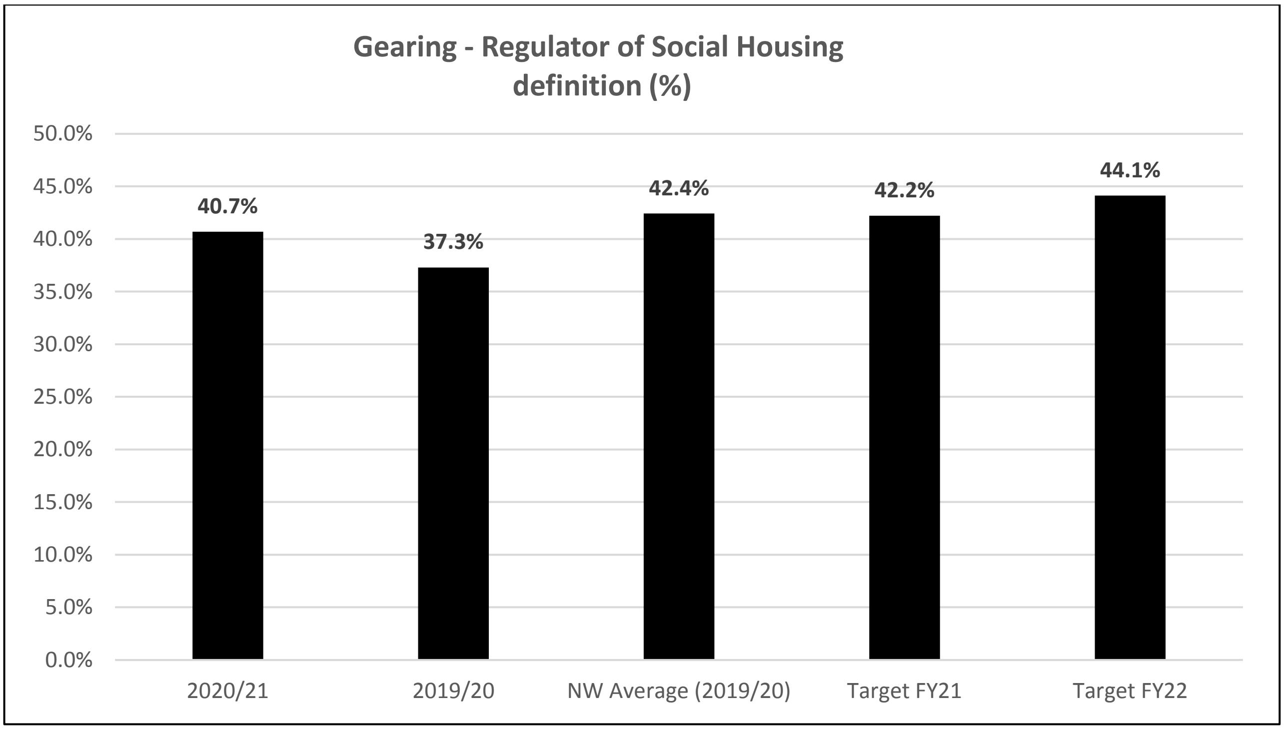
We reviewed our development strategy in 2019 to ensure that our growth was aligned to our overall strategy and met the requirements of our business plan, and decided to change our approach to incorporate a land strategy ensuring lower development costs and better continuity of supply. Although we are currently below the sector average in respect of new supply of social housing delivered, we are on site with the development of over 800 new homes and have 1,250 plots in our ownership. We therefore expect that we will exceed the sector average for new supply from FY23 as can been seen from the 5 year targets below.

<u>Five Year Targets</u>

Five Year Plan	FY22	FY23	FY24	FY25	FY26
New supply delivered - Social	0.55%	1.14%	3.35%	3.14%	1.23%
New supply delivered - Non Social	0.09%	0.13%	0.54%	0.64%	0.45%

Gearing

FY21 Outturn	FY21 Target	FY20 Median	YHG FY20 Outturn
40.7%	42.2%	42.4%	37.3%



This metric assesses how much of the adjusted assets are made up of debt and the degree of dependence on debt finance.
Gearing for the year was ahead of budget throughout the year, completing FY21 on 40.7% against an original target of 42.2%. This was due to a slower level of capital expenditure from development and reinvestment in FY21 caused by Covid-19. This is reflected in our performance with the competing peer group, putting YHG in the upper quartile for performance in FY21. This is in line with our previous performances dating back to 2018.

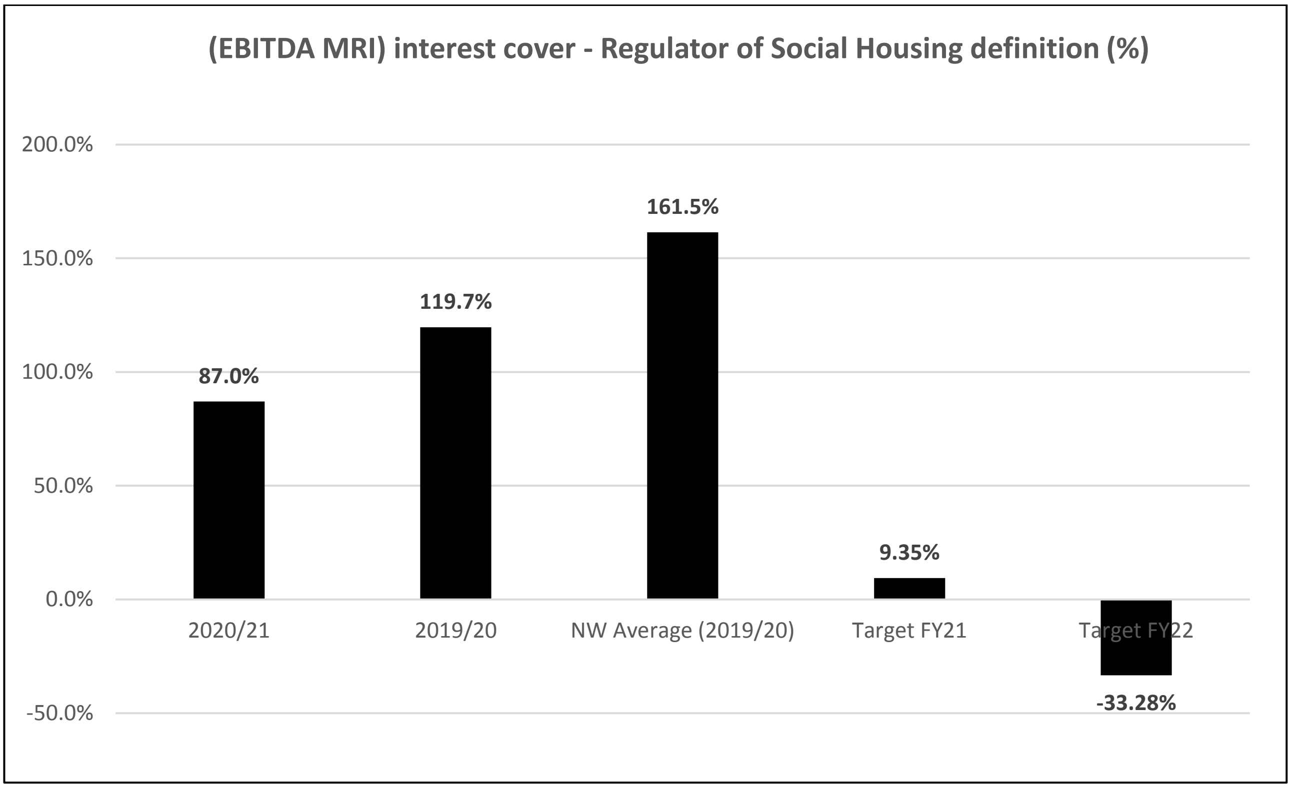
Five-year Targets

Five Year Plan	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**
Gearing %	44.1%	53.04%	56.55%	55.8%	55.54%

As we realise our ambition to increase our investment in stock and create more new homes the gearing metric will increase gradually over the next few years as we draw down funds to complete the BP programme. For the next period of the plan gearing is significantly within the covenant compliance requirements.

(EBITDA MRI) interest cover

FY21 Outturn	FY21 Target	FY20 Median	YHG FY20 Outturn
87.0%	9.35%	161.5%	119.7%



Our target for ***EBITDA (MRI)*** was significantly lower than sector average due to the high level of capitalised investment in our business plan. We ended the year, however ahead of target mostly due to the reduction on major works against budget due to the impact of Covid-19. This places YHG below the lower quartile of the competing peer group, albeit closing the gap as performance was better than budget.

Five-Year Plan

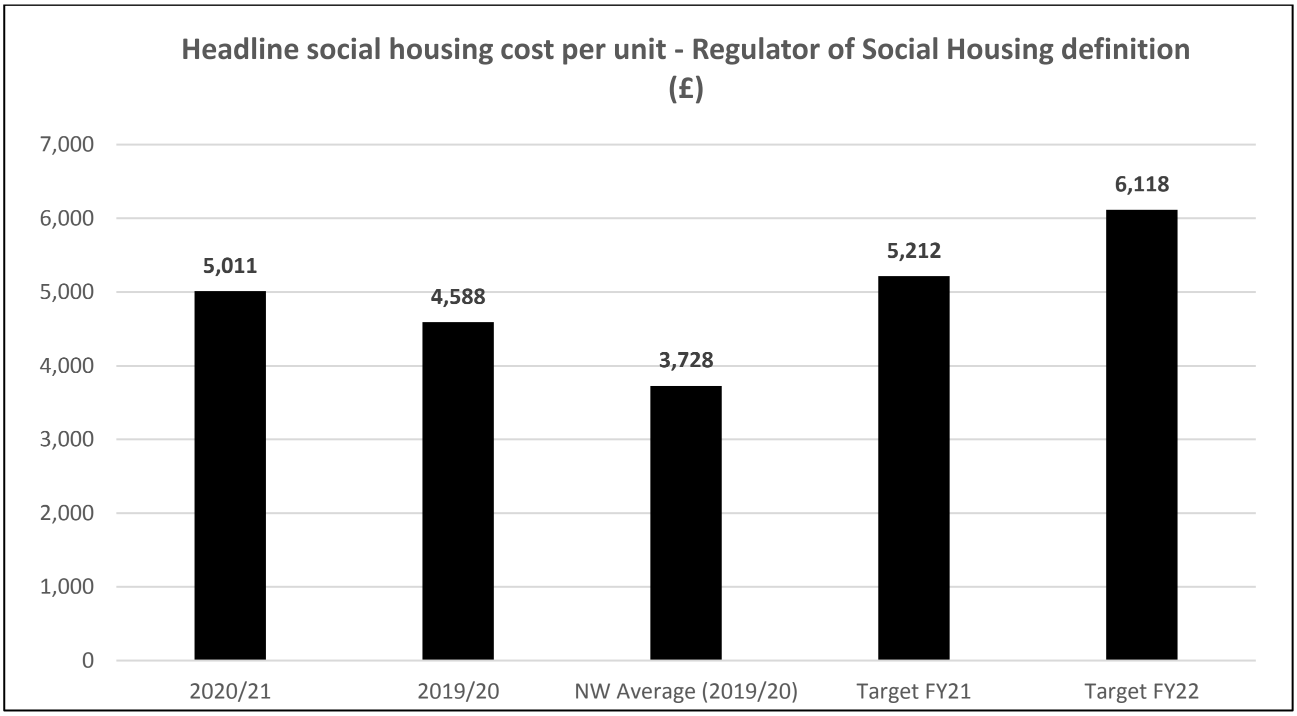
Five Year plan	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**
Interest Cover	-33.28%	-5.46%	78.85%	85.81%	170.30%

The execution of new Groupwide Treasury Facilities in FY20 was completed with the explicit removal of an EBITDA MRI covenant until FY28. This has allowed the Group to enter a period of stock investment which will last up until 2028, during this period from 2021 to 2028 in excess of £300m will be invested in our stock.
Incremental Private Placement facilities were executed in FY21 without the EBITDAS (MRI) covenant, and our plan was to raise further incremental new funding on the same basis. This was again successfully achieved in May 2021 with a further £130m being raised.

As we invest heavily in our stock over the next few years, we expect we will remain behind our comparators, but will return to closer to the sector average towards the end of our five year plan.

Headline social housing cost per unit

FY21 Outturn	FY21 Target	FY20 Median	YHG FY20 Outturn
£5,011	£5,212	£3,728	£4,588



The unit cost metric assesses the headline social housing cost per unit as defined by the Regulator.

Although comparison of our Headline Social Costs per unit shows that the Group's costs are higher than the peer group, the Group has a significantly higher proportion of supported housing and housing for older people within its stock (23% of total stock). The Regulator has recognised that this type of stock has an overall higher cost per unit and therefore this is reflected in this metric. Overall, for the year we met our cost savings targets.

Headline Social Housing Cost per Unit increased year on year by £423. An increase was expected due to the planned increase in major repairs and investment, although (due to the pandemic) it was better than the FY21 target by £201 (£5,011 against target of £5,212).

We experienced some adverse variance in year due to additional costs during the Covid-19 pandemic, the write off of aged balances from the financial ledgers and we acquired 100% of the shareholding of Avantage PFI in the year.

5-Year Plan

Five Year plan	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**
Social Housing Cost PU	£6,118	£5,934	£5,417	£5,567	£4,940

Within this metric there are items of spend which are currently increasing such as additional fire works and repair costs, these are vital areas of spend that the Board has priorities. However, there are three areas where we have targeted real cost reductions over the plan:

The three areas highlighted for action in the Business Plan are: -

Staffing Costs Plan

Over the life of this plan, FY22 to FY28, our target is to reduce FTE staffing from 1,087 (FY21 March Out-turn including fix360) to 920, an overall reduction of 134 FTE by FY26, at an approximate staff costs saving of £9m per annum by plan end (compared to pre efficiency staffing costs). This equates to around a 12% saving in both staffing cost and head count when compared to FY22. The largest element of FTE saving was that which was planned for FY21, 226 FTE which was delivered saving c.£5m in FY21. Currently YHG is running at a headcount of 1,087 and we take confidence in our efficiency performance in FY21 that we are on course to meet these future targets.

Non-Staff Cost Reduction Plan

Over the course of the next five years YHG plans to reduce its cost in real terms by £17.6m. The planned cost reduction contained within the Business Plan is set out in the table below. The main element of the saving will be the consolidation of YHG into a single office organisation supporting a fully agile workforce.

Five Year Plan	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**
Cumulative Cost Reduction (non-Staff) real vs FY21	0	£2.5m	£6.4m	£11.6m	£17.6m

FIX360 Vantage Report

The Vantage report received by Board in September 2020 set out a three-year plan of improvement within Fix360 which if delivered will save £1.2m per annum by FY24 based on current costs. All these actions are embedded within the VFM action plan.

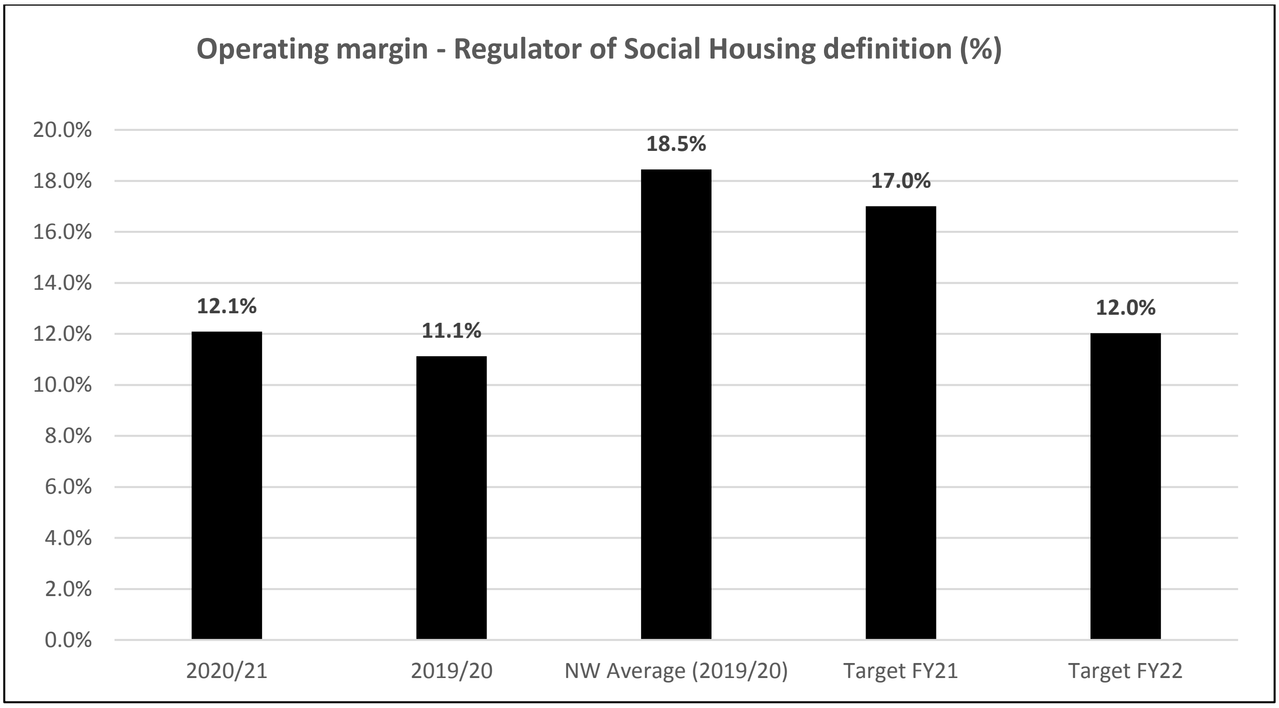
Operating Margin

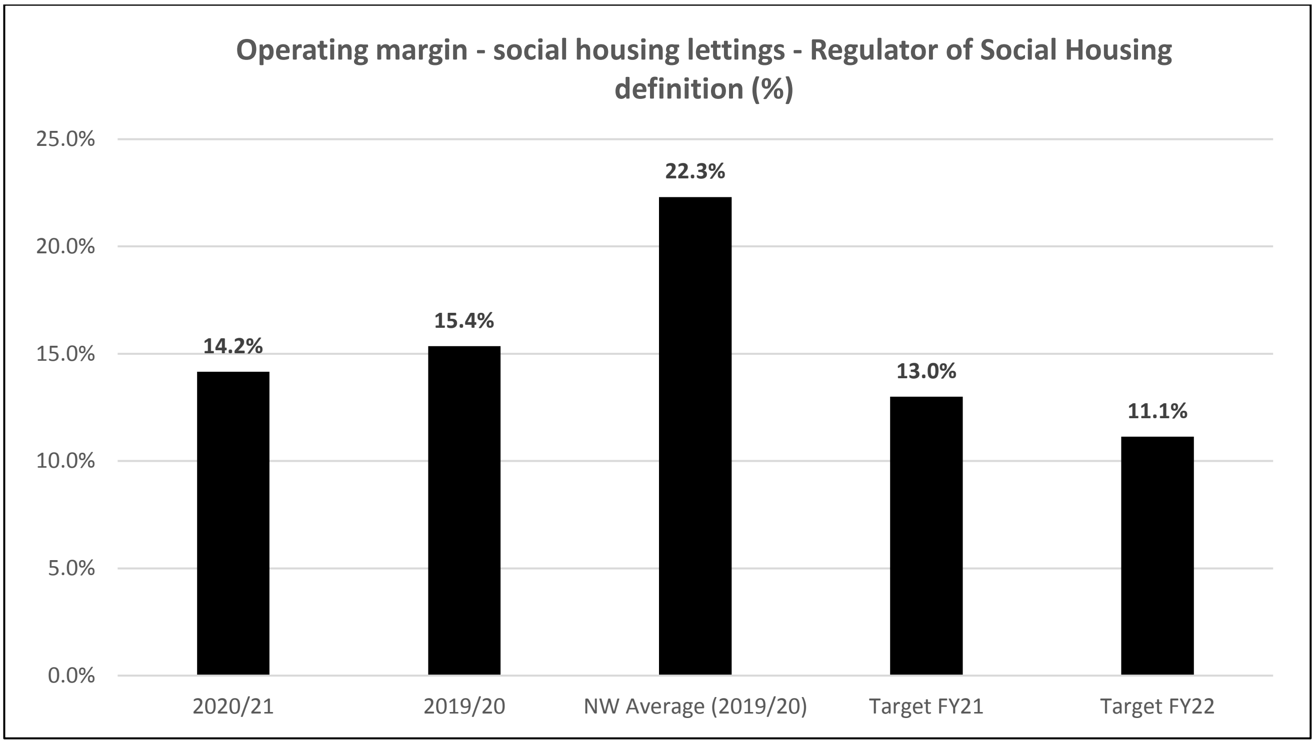
Total

FY21 Outturn	**FY21 Target**	**FY20 Median**	**YHG FY20 Outturn**
12.1%	17.0%	18.5%	11.1%

Social Lettings

FY21 Outturn	**FY21 Target**	**FY20 Median**	**YHG FY20 Outturn**
14.2%	13.0%	22.3%	15.4%





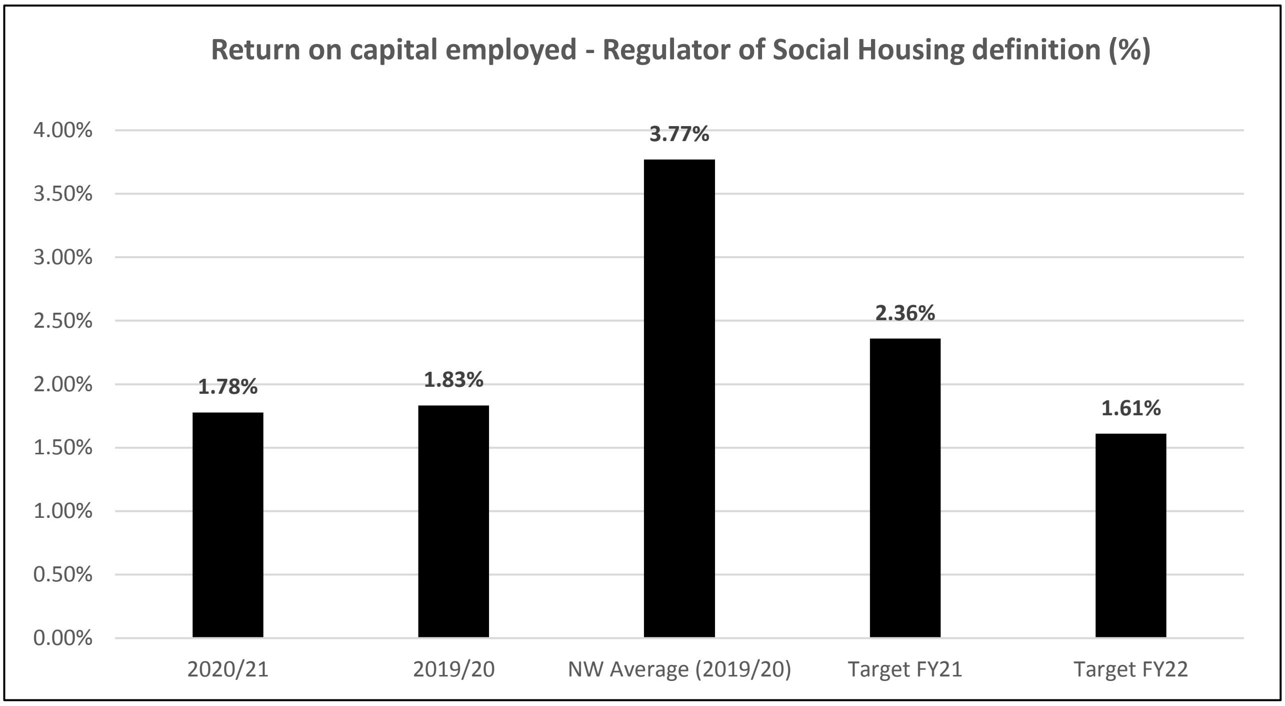
Operating margin – social housing lettings remained in-line with target, albeit by a slim margin. This performance places YHG below the lower quartile with our competing peer group but was in line with the YHG Business Plan and reflects the level of spend we have in our plan to undertake works related to fire and building safety.

5 Year plan

5 Year Plan	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**
Operating Margin %	12.03%	10.35%	12.17%	10.40%	15.07%

Return on Capital Employed

FY21 Outturn	FY21 Target	FY20 Median	YHG FY20 Outturn
1.78%	2.36%	3.77%	1.83%



Return on Capital Employed (ROCE) was below target for the year. Whilst this places YHG below the lower quartile of the competing peer group, it is a reflection of our increased investment in works to address fire and building safety in line with our Business Plan.

5 Year Plan

5-year Plan	FY22	FY23	FY24	FY25	FY26
ROCE %	1.61%	1.36%	1.64%	1.68%	2.06%

The reduction in ROCE compared to the previous plan is largely affected by the reclassification to Operating expenditure from Capital expenditure of certain reinvestment included in the 30-year Asset investment plan. These items relate to fire compartmentation works in our larger Extra care schemes that were included in a wider works plan for those schemes which is being capitalised, following advice and consideration the fire work element have been separated and charged to revenue.

Value for Money Summary

This report sets out how we have performed in FY21 in respect of the Regulator's VFM metrics and against our peers. It also provides an analysis of how these metrics will change as we move forward and make significant investments in our stock

The Group has been developing a clearly articulated strategy with appropriate prioritisation which means that we are clear where we are focusing resources in the future and how we are delivering value for money. It is inevitable that whilst some of the VFM metrics are favourable, such as the reinvestment metric, there is an inevitable converse consequence of this in terms of the reduction in financial metrics such as ROCE, operating margins and EBITDA (MRI).

Whilst the VFM financial metrics may have a mixture of changes, because of the inevitable link between increased spending commitments and profitability, this is done in the context of ensuring that the business planning process reflects the consequences of the investment required in the stock, both in terms of a sound asset base and meeting all of the legal and regulatory requirements and aspirations going forward.

Although some of these strategic decisions will reduce the financial performance reflected in the financial metrics, they are still done on the basis of complying with all of the covenants set by the funders to a significant degree as well as the "Golden Rules" set by the board as an early warning indicator against these covenants.

In delivering each of the strategies underpinning the Business Plan we are clear how we will deliver VFM, either from greater efficiency, better effectiveness, or optimising economy.

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Strategic Report – Risks and Uncertainties

Risk
The Board considers the key risks that may impact the delivery of its strategic objectives and ensures that they are identified via the strategic risk register. These risks are cascaded to the executive team to appropriately manage via the risk management framework and their management is reported quarterly to the Board. Operational risks are also managed via the risk management framework and can be escalated as appropriate. The Board reviews the strategic risk register at least annually, as part of their strategic planning discussions and considers emerging risks, including horizon scanning, to ensure the risks remain relevant.

The risk appetite is set by and reviewed by the Board and this is based on the level of risk the Group will be willing to accept in the delivery of its strategic objectives, which is then reflected in the Board's and management's decision making. The Audit and Risk Committee regularly review the risk management process, both operational and strategic and will, as appropriate, make the necessary recommendations to Board.

The Group has an embedded risk and assurance framework within the business and during the year, regular identification, management and assurance of risk at an operational and strategic level was undertaken.

This financial year has brought a number of emerging risks from macroeconomic factors and external events (such as Covid-19 and Brexit) which has resulted in heightened market and economic uncertainty which we have reflected in our risk mitigation strategies.

The Board and the Audit and Risk Committee received regular updates on risk and assurance activity via regular reporting and the Board Assurance Framework. The Audit and Risk Committee has ensured that both strategic and operation level risks are appropriately mitigated and there is an appropriate assurance framework to assess the effectiveness of identified controls.

Internal Audit
Internal audit activity is an integral part of our risk and assurance framework and ensures that a holistic view can be taken to the management of risk and assurance provided that appropriate levels of mitigation are in place. During the year, we have worked with our internal audit partner, KPMG, to conduct a comprehensive programme of internal audits to help provide assurance on the systems and processes of internal control and ensure that robust arrangements are in place, either pre-existing or as a result of the reviews.

Key Risks
We have identified key risks that threaten the achievement of our strategic objectives which have been considered in line with the Sector Risk Profile produced by the Regulator of Social Housing and the Social Housing White Paper. A summary of the key strategic risks are as follows:

Financial viability	Mitigations
We have identified a key strategic risk concerning maintaining sufficient liquidity and funding to deliver all the aspirations in the business plan.	Mitigation controls in place include a comprehensive strategic 30-year business plan approved by Group Board to assess capacity and requirements for growth. In the year, the external markets were accessed to secure funding, despite uncertain market conditions. The Group's Financial Golden Rules provide minimum return rates for all activities to ensure the appropriate level of return is achieved. This includes multi-variate stress testing for the potential variables (including welfare reform and changes to the political environment), showing and testing the breaking points in the plan. Assessment and monitoring of VFM is done within the business plan objectives. Reporting is made to Group Board and the Group's Executive via financial reporting, KPIs and project updates on a monthly basis.

Customer **We have a strategic risk that we are unable to deliver the required level of customer service which leads to a decline in customer base, higher turnover, management costs and poor reputation**	In the year we have made changes to key process that has led to improve customer satisfaction rates. These include a revised complaints process, improved repairs service and a refreshed customer offer. We have also in this risk reflected the requirements of the Social Housing White Paper and are cognisant of its requirements.
People **Our key people risk is that the Group will not have the people with the right skills, experience and behaviours to successfully deliver the business plan.**	Mitigation controls in place include an assessment of capability required and a development plan to address capability gaps. The Group has a development and talent management programme to support staff development. During the year we have kept the organisation capacity under constant review and redeployed if necessary, to ensure we have the appropriate staffing levels to support the response to the Pandemic.
Operational **There is a risk arising from internal processes and systems, such as the Complex change programme, ICT capability the need for robust testing of the Groups Business Continuity arrangements.**	Business Continuity framework and responses remain robust as have been demonstrated in the year. The Group have also strengthened ICT security controls to protect against attacks. The Group has also developed its ICT capability and infrastructure to enable growth aligned to the objectives of the business plan. Mitigating controls in respect of a robust project governance process ensures that there is appropriate degree of control and oversight is in place to support the level of change within the business.
Compliance and legal **The Group have identified two key strategic health and safety risks concerning keeping staff and customers safe.** **There is a risk from the external regulatory and legal environment.**	Mitigating controls include a robust health and safety management system, including a group wide health and safety audit plan, which acts as a second line of defence. The Group monitors its compliance with statutory obligations through a series of system driven analytical data. This not only ensures that compliance activities are well controlled, but also provide assurance to the Group that any gaps in the servicing process are highlighted and addressed. Horizon scanning including proposed changes to the legal and regulatory environment is carried out monthly and reported to the Executive and the Board. The Group has responded to the Social Housing White Paper by establishing an implementation group to oversee its delivery.
Growth **There is a risk of not achieving our targets for growth and not delivery the designed number of new homes in our growth strategy.** **Counterparty risks, in particular within the supply chain, which may impact the Groups Development ambitions are also considered.**	Mitigation controls in place include increasing internal resource and capacity and maintaining proactive relationships with local authorities, professional advisors, developers and contractors. The Group proactively seeks land and planning opportunities to manage its counterparty risk. The Group recognises that changes in the external construction environment may impact our growth targets and therefore mitigations also include monitoring of the external environment developing the supply chain.
Data **The Group has a data related risk, in relation to the need for accurate, intelligent customer data and a robust and data strategy to underpin business decision making and direction.**	We recognise that Data accuracy is an important enabling factor in ensuring the delivery of effective services and complying with regulations. A key area of focus this year has been our customer base, which will enable improved management information and decision making in relation to the way we manage our tenancies and deliver service to our customers.

IMPACT OF COVID-19

Keeping our staff and customers safe is our number one priority, no more so than we are operating in unprecedented times such as the last 12 months in the Covid-19 Pandemic. The impact to the business overall as a result of the pandemic has been immaterial and we continue to monitor risks and to update the Board and Committees accordingly. The Groups response was swift and pragmatic which was facilitated by invoking the pre-existing business continuity pandemic plan and responding in line with government guidelines. We continued to monitor developing events and introduced further control measures, particularly to ensure that we protected the most vulnerable.

At the start of the pandemic we reviewed our risk registers to ensure that they appropriately reflected the risks to the Group. We also identified additional key risks and mitigating control measures including financial modelling, stress testing and a regular review of contractor availability. We continued to meet our health and safety obligations as a landlord (Gas Safety checks and other statutory requirements). These risks have been monitored throughout the year and reported to the Audit & Risk Committee.

POTENTIAL IMPACT	MITIGATIONS
There is a risk that YHG's income is impacted as a result of Covid-19. For example, as a result of rent loss, unable to let void properties or unable to sell new properties due to market conditions.	vi) Daily monitoring of transactions and cash collected to enable trends to be identified. Proactively contacting those most at risk of non-payment. vii) Rent Collection has not reduced in the year and we continue to proactively engage with customers. viii) We continue to monitor void levels, particularly voids within Older Person Schemes.
There is a risk that due to staff illness or government-imposed restrictions YHG will be unable to deliver essential services to customers.	• At the start of the pandemic we moved to emergency repairs & essential services in schemes only • We redeployed staff where possible to front line services • The workforce switched to homeworking very easily which resulted in no loss of continuity to the business.
There is a risk that suppliers are unable to meet contractual commitments and in particular that supplies to deliver essential services are unavailable	• We asked all our suppliers to provide information on the likely impact on supplies and undertook stress testing of potential price increases. • We continue to monitor any potential backlogs, such as availability of buildings materials and have proactively taken steps to minimise the likelihood.
There is a risk that the Group may not be able to recover quickly following the pandemic.	We developed restart plans for services which were disrupted as a result of the lockdown.

IMPACT OF BREXIT

During the year we have continued to evaluate the impact Brexit, may have on our business and ensured any risk is reflected in the Groups risks registers. Where relevant we have reflected the results of this exercise in the evaluation of our current strategic risks. To date we have not seen any particular impacts which can be attributed to Brexit but it is possible that these have been masked by the impacts of the worldwide pandemic and we will continue to monitor closely.

POTENTIAL IMPACT	EVALUATION/MITIGATIONS
Interest, inflation and currency risk	The stress testing, we undertake on a regular basis includes the range of Brexit scenarios developed by the Bank of England, as part of the stress testing the Board have developed a range of mitigations. On an ongoing basis our treasury team monitor the market and consult with treasury advisors.
Deteriorating housing market conditions	We do not rely on open market sales to cross-subsidise social development but will monitor the impact of any deterioration in the housing market on PRS, shared ownership sales and the divestment programme. Maintaining a mixed portfolio helps us to be more resilient to changes in the housing market. We have also considered that a fall in land prices may benefit our strategic land acquisitions to help to deliver the annual development programme.
Access to finance	We currently have good financial reserves and liquidity and we have stress tested around this issue.
Availability of labour	We are not currently heavily reliant on EEA nationals in our labour pool; however, we recognise that this could be an issue for some of our suppliers, which may impact on our repairs, maintenance, development and services contracts. We are managing this through our procurement strategy, involving large scale procurements to deliver economies of scale and strong relationship and contract management.
Access to materials and components	We have identified a potential risk of availability of some key building materials. Whilst this may be due to Brexit, the pandemic has also impacted this. We mitigated this through review of stock levels and engagement suppliers. The repairs service has not experienced Brexit or Covid-19 related shortages of materials in any noticeable way from our key suppliers in our core, regularly used items. Our stress testing also includes scenarios around an increase in costs.
Access to Data	As part of the work undertaken in preparation for GDPR, we have established where all key data is held and do not believe that this will be an issue post-Brexit.

The Strategic Report was approved and authorised by the Board on 23 September 2021 and signed on its behalf by:

K Doran — Kathy Doran, Chair

B Cronin — Brian Cronin, Group Chief Executive

C Oakley — Clare Oakley, Group Company Secretary

Report of the Board – Governance

GOVERNANCE

Our Group Board is responsible for the long-term strategy and viability of the Group. During FY21 the number of non-executive directors on the Board increased from nine to ten, together with two executive directors (the Group Chief Executive and the Chief Financial Officer) until the resignation of Jeremy Earnshaw from the Board in December 2020.

Our Board is responsible for providing leadership for the Group within a framework of prudent and effective controls. It sets out our strategic direction, objectives, values and standards, reviews management performance and ensures that the necessary financial, material and human resources are in place for the us to meet our objectives.

The Board has reserved the following matters for its consideration in accordance with the provisions of the National Housing Federation (NHF) Code of Governance 2015:

iv) Setting and ensuring compliance with the values, vision, mission and strategic objectives of the organisation, ensuring its long-term success;
v) Setting a positive culture, with a strong customer focus;
vi) Ensuring that the organisation operates effectively, efficiently and economically;
vii) Providing oversight, direction and constructive challenge to the organisation's chief executive and executives;
viii) The appointment and, if necessary, the dismissal of the chief executive;
ix) Satisfying itself as to the integrity of financial information, approving each year's budget, business plan and annual accounts prior to publication;
x) Establishing, overseeing and reviewing a framework of delegation and systems of internal control; and
xi) Establishing and overseeing a risk management framework to safeguard the assets and reputation of the organisation.

Delivery of the business strategy is delegated to our Executive Leadership Team (ELT). The ELT is made up of the Group Chief Executive who is responsible for leading the development and execution of our business plan and strategies, organisational capability and governance, a Deputy Chief Executive, responsible for our landlord services, asset management and safety and the our Growth programme, a Chief Financial Officer, responsible for overseeing the Group's viability including all financial matters, funding and Treasury and the Chief Strategy & Transformation Officer, who oversees the long-term delivery of business plan aspirations, strategy development and transformation projects.

We also have a group of Operational Directors who work to deliver our business plan and objectives at an operational and functional level.

GROUP STRUCTURE

We operate a Common Board structure for our parent and two of our stock-owning entities, Your Housing Limited (YHL) and Frontis Homes Limited (FHL). Our Governance Framework determines how we are governed and sets out the relationships and delegated authorities and responsibilities between the parent and subsidiaries. The Group Board Committees also exercise oversight of the Group subsidiaries where practicable.

We regularly review our Group structure and Governance Framework to ensure it is appropriate to and reflects our operations.

THE GROUP BOARD

During the year, our Group Board continued to focus on providing effective leadership and oversight of our strategic objectives.

Kathy Doran continued in her appointment as Chair throughout the year.

Val Aherne stepped down on 31 December 2020 having served as a Non-Executive Director on the Board for five years. It was decided at this point that the Board would undertake an analysis of its skills and experience to identify its recruitment needs, in accordance with the Board's Development Framework. Following a rigorous recruitment process we appointed David Done and Darrell Mercer as Non-Executive Directors on 1 January 2021. Both David and Darrell possess senior executive and board experience within the housing sector and their combined skills give greater insight over the sector and strengthen the board's effectiveness.

Jeremy Earnshaw resigned from the Board in December 2020, and subsequently resigned from the Group as Chief Financial Officer (CFO) in April 2021, having joined the Group in 2014. An interim Chief Financial Officer was appointed whilst we undertook a thorough recruitment process following which Nikki Buckley joined the Group as the new permanent CFO in August 2021.

The Board has recently reviewed our Board Committee membership to ensure that directors continue to be placed in Committees that best suit their skills and experience.

In addition to the annual Board skills analysis, every Board member undergoes an annual appraisal which supports their personal development. Information from the skills analysis and Board member appraisals has been used to develop individual and collective Board training and development activities.

During the year an external Board collective effectiveness review was undertaken, the recommendations of which were developed into an action plan by the Board which has been overseen by the Remuneration Committee. These actions have served to further improve and strengthen our Board and Committee governance.

Due to both internal and external influences caused by the Covid-19 pandemic, the Board held 17 formal meetings and five strategy sessions in FY21, beyond the scheduled six formal and five strategy meetings for the year.

Attendance

Brian Cronin	96%
Jeremy Earnshaw[1]	90%
Kathy Doran	100%
Brenda Smith	92%
Derek Cash	83%
Chris MacKenzie-Grieve	100%
Roy Grant	96%
Richard Groome	96%
Val Aherne[2]	75%
Alison Cambage	83%
Paula Steer	92%
David Done[3]	100%
Darrell Mercer[3]	100%

[1] resigned 22 December 2020
[2] resigned 31 December 2020
[3] appointed 1 January 2021

BOARD REMUNERATION

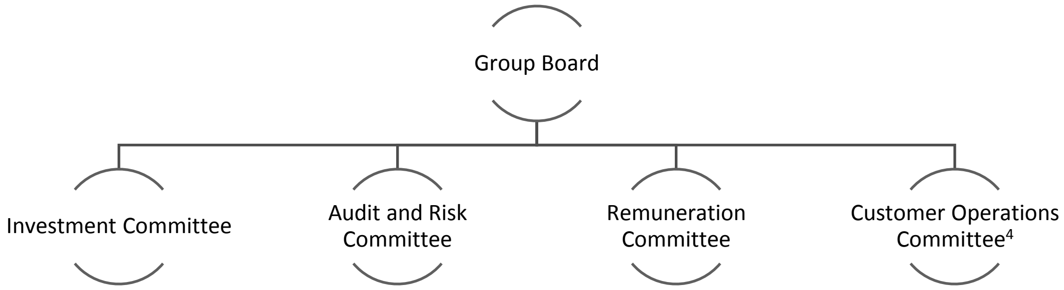
Group Board members are paid for their services, which increases the Group's ability to attract and retain high-calibre members. Current Non-Executive Director remuneration is detailed in note 11 to the financial statements on page 77.

Non-Executive Director remuneration is reviewed every three years. The latest external review of Non-Executive Director remuneration was considered in April 2020 and the Board noted recommendations to ensure that the Group's position remains competitive.

BOARD COMMITTEES

We have four Board Committees which oversee our Group operations as delegated to them by the Board in their specific Terms of Reference. The performance of our Group operations is further delegated to the ELT and Senior Managers as necessary. The Committees also oversee some of the activities of our Group subsidiaries as delegated to them by the Board.

Minutes of the meeting of the Committees are made available to all the members of the Board for their information.



[4] The Customer Operations Committee ceased with effect from 31 March 2021.

COMMITTEE COMPOSITION (as at 31 March 2021)

Committee	Members
Investment Committee	Kathy Doran (Chair)
	Richard Groome
	Chris MacKenzie-Grieve
	Brenda Smith
	Paula Steer
	Alison Cambage
Audit and Risk Committee	Brenda Smith (Chair)
	Alison Cambage
	Roy Grant
	Richard Groome
	Chris MacKenzie-Grieve
Remuneration Committee	Roy Grant (Chair)
	Kathy Doran
	Val Aherne[1]
	Paula Steer
	Brenda Smith
Customer Operations Committee	Derek Cash (Chair)
	Mark Fallon
	Andrea Hampton
	Fred Leatherbarrow
	Dorothy McKeith
	Alan Young
	Pamela Moores
	Val Aherne[1]
	Paul Covell
	Philip Webb
	Richard Groome[2]
	Paula Steer[2]

The Board has reviewed and updated its Committee membership from 1 April 2021.
[1] resigned 31 December 2020
[2] Richard Groome and Paula Steer were appointed as alternate directors to attend meetings in the absence of Derek Cash or Val Aherne

COMMITTEE ACTIVITY

Investment Committee

Our Investment Committee is responsible for overseeing, and providing the Group Board with assurance on the implementation of the Treasury, Asset Investment, Development and Growth strategies. This includes reviewing and recommending proposals for investments, stock acquisition and divestment and large capital project approvals up to the delegated limits. The Committee functions as the Investment Committee of the registered providers in the Group: Your Housing Group Limited, Your Housing Limited and Frontis Homes Limited.

During the year the Committee had six Non-Executive members and met seven times. The Executives also attend the Committee meetings to deliver reports and updates on relevant issues. The Committee is chaired by a Non-Executive Director.

Some of the matters considered by the Committee during the year were the:

- Approval of schemes for development in line with the Growth Strategy and recommending schemes to the Board for approval where they were in excess of the Committee's delegated authority;
- Review of liquidity levels to ensure the achievement of Asset and Development programmes;
- Review and approval of the Asset Investment Programme FY21;
- Review and approval of developments, schemes and investments;
- Regular updates on the Group's Diverse Investments and Project Schemes to understand financial or operational risks;
- Implementation of the Group's Treasury Strategy; and
- Approval of disposals in accordance with the Group's Divestment Strategy.

The Committee has reviewed its activities for the year in line with its Terms of Reference and is satisfied that it has fulfilled all its functions.

Audit and Risk Committee

Our Audit and Risk Committee ensures that there is an effective system of internal control in the Group and oversees the implementation of the group risk management strategy. The Committee also oversees the appointment and activities of the internal and external auditors.

During the year the Committee consisted of five Non-Executive Directors. The Committee Terms of Reference provide that the Group Board Chair and employees of the Group are not eligible to be members of the Committee. However, the Committee meetings were attended by employees and the auditors for reports and updates on various issues. The Committee met four times during the year.

Some of the key activities of the Committee during this period include:

1. Reviewing internal audit reports and management responses throughout the year presented by the Internal Auditors, KPMG;
2. Reviewing Covid-19 Risk updates;
3. Updates on the implementation of the audit recommendations of the external auditors;
4. Approving the internal and external audit plans for the year;
5. Reviewing Statutory Annual Reports and Accounts for the Group and all subsidiaries;
6. Reviewing the scope and findings of the Annual Audit of the Financial Statements;
7. Reviewing all whistleblowing allegations;
8. Reviewing all regulatory and compliance matters;
9. Reviewing Group accounting policies;
10. Risk referrals in specific areas of the business to gain assurance on matters of concern to the Board and / or the Committee; and
11. Review of Annual declarations of interest and the Group's gifts and hospitality register.

The Committee has reviewed its activities during the year in line with its Terms of Reference and is satisfied that it has fulfilled its functions.

Remuneration Committee

Our Remuneration Committee reviews and make recommendations on the remuneration of the Group Chief Executive, Non-Executive directors and the Executive Leadership Team. The Committee also reviews the culture of the organisation and approves the remuneration principles for all employees across the Group. The Committee is responsible for the Group and all its subsidiaries. The Committee had five Non-Executive directors as members for the majority of the year[11] and met six times during the period under review.

During the year, the Committee:

xii) Approved amendments to the senior management structure in alignment with business strategies and key risks;
xiii) Approved bonus payments to the senior and executive leadership team based on performance over the financial year;
xiv) Approved a process for the recruitment of members to the Customer Services Committee;
xv) Reviewed remuneration principles for all staff across the Group;
xvi) Led the recruitment of a new Non-Executive Directors;
xvii) Reviewed progress of the Collective Effectiveness Review Action Plan;
xviii) Approved the review of the composition of the Board Committees; and
xix) Received updates on the Group's response to the Covid-19 pandemic.

The Committee has reviewed its activities for the year in line with its Terms of Reference and is satisfied that it has fulfilled its functions.

Customer Operations Committee

During FY21 the Customer Operations Committee continued to provide assurance to the Group Board on the appropriate discharge of the Group's legal and regulatory duties in respect of its core landlord and specialist support services, including the Group's compliance with the Consumer Standards set by the Regulator. The Committee was responsible for the registered providers in the Group: Your Housing Group Limited, Your Housing Limited and Frontis Homes Limited.

The Committee consisted of ten members, eight customer members and two non-executive directors, with two additional non-executives nominated as alternates. The members of the Committee also served as champions for various customer related areas of the Group's business and report to the Committee on their activities at each meeting. The Committee met 12 times during the year, one of which was a joint strategy meeting with the Board. The Committee meetings were also attended by employees of the Group and the members of the Customer Assurance Panel when necessary.

During the year the Committee:

Reviewed customer related service standards;
Engaged with customer service development projects and procurement activity of the Group;
Ensured compliance with the consumer standards by reviewing and approving the Group's compliance statements and customer Annual Report;
Commissioned scrutiny reports by the Customer Assurance Panel, monitoring actions arising from scrutiny activity;
Reviewed regular updates on the performance of Fix 360 Ltd; and
Reviewed and approved new and existing operational policies.

The Committee reviewed its activities for the year in line with its Terms of Reference and is satisfied that it has fulfilled its functions.

Having identified areas of improvement in respect of governance around Customer activities and to ensure a similar level of scrutiny over the Landlord strategy that other Board committees have in place, the Board made the decision

[1] Following the resignation of Val Aherne the Committee consisted of 4 members until 1 April 2021

during the year to change the current customer governance structure, replacing the Customer Operations Committee with a new Customer Services Committee with effect from 1 April 2021. This Board Committee will form an important part in overseeing the Customer Connect Framework, and providing assurance to the Board on the delivery of the Landlord Strategy.

A further adhoc committee, the Repairs Integration & Improvement Committee, has also been established by the Board from 1 April 2021 with delegated authority to oversee the delivery of the repairs improvement programme and successful integration of Fix 360 into the YHL Asset management team during FY22.

GOVERNANCE COMPLIANCE STATEMENT

The Group's governance structures comply with best standards and practices in corporate governance and are predicated on compliance with the National Housing Federation's (NHF) Code of Governance 2015 (the Code), the Group's Rules, Governance Framework and Corporate Governance best practices.

The Board has considered the Group's compliance with the NHF Code. The Board confirms that, throughout the year, Your Housing Group has applied the main principles and complied with the relevant provisions set out in the NHF Code of Corporate Governance 2015 and international best practice in corporate governance.

The Board has undertaken a gap analysis in relation to its compliance with the NHF Code of Governance 2020. The analysis highlighted no significant barriers to compliance and the Board has adopted the new Code from 1 April 2021.

The Regulator of Social Housing issued a regulatory judgement for the Group in March 2020 revising the Group's governance rating to G2. The G2 rating indicates that the Group meets the Regulator's governance requirements however throughout the year we have worked on improving aspects of our governance arrangements to support continued compliance through implementation of the Board-approved action plan. This is intended to ensure that we are able to return as soon as possible to a G1 rating.

In December 2020 the Regulator issued a revised regulatory judgement and regraded our financial viability from V1 to V2. This is a compliant rating and indicates that the Regulator considers we have the financial capacity to deal with a reasonable range of adverse scenarios but need to manage material risks to ensure continued compliance. We understand that this is due to the level of ambition within our business plan to both invest in our existing assets whilst also developing many new homes.

The Board has considered the Group's compliance with the Governance and Financial Viability Standard. The Board confirms that the Group has fully complied with the standard.

REGULATORY COMPLIANCE STATEMENT

We recognise the impact that any legislative or regulatory breaches can have on the Group and its customers, and so we monitor and co-ordinate compliance activities through our Risk & Assurance team and each year assesses ourselves against the Regulator of Social Housing's Regulatory Standards.

In relation to the Home Standard, survey analysis has concluded that 324 homes currently do not meet the Decent Home Standard. This is due to latent defects in the roof and failed pipework across four schemes. A programme of remediation work has been underway during FY21 to address the issues discovered and although these have been delayed due to Covid-19, they are due for completion in FY22. For this reason, for the year ended 31 March 2021, the Board have agreed, on this issue only, that we do not comply with the Home Standard.

Following assessment, the Board has determined that we are fully compliant with all other Regulatory Standards.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

We have maintained Directors' and Officers' liability insurance throughout the year and up to the date of approval of the financial statements.

Report of the Board – Statement of Internal Control

The Group recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance regarding the preparation and reliability of financial and operational information and the safeguarding of the Group's assets and interests.

The Group has adopted a risk-based approach to internal controls, which are embedded within the day to day management and governance process and the wider control environment. This approach includes the regular evaluation of the risks that the Group may be exposed to and meets the principle of the National Housing Federation's Code of Governance, Section C (Provisions regarding the board) which includes a requirement that the boards functions must include:

- Satisfying itself as to the integrity of financial information.
- Establishing, overseeing and reviewing a framework of delegation and systems of internal control.
- Establishing and overseeing a risk management framework to safeguard the assets and reputation of the organisation.

The Board has a number of mechanisms in place to support the Group's systems of internal control delegated to the Chief Executive and Executive Leadership Team.

These include activities such as: delegated authority and governance arrangements through boards and committees, segregation of duties, policy framework, health and safety information, risk management framework and fraud detection and prevention. Financial control is exercised through the setting of detailed budgets each year which feed into the financial planning process, coupled with a reporting and monitoring system that is driven by key performance indicators.

The Group's internal audit partner reports directly to each meeting of the Audit and Risk Committee and all recommendations for improvement are followed up. Based on the work undertaken by KPMG during the year we can confirm that there are no signs of material weaknesses in the framework of control. The Audit & Risk Committee also receive a quarterly reports of risk management activity both operationally and strategically.

The Board receive a quarterly Board Assurance Framework which highlights key areas of interest in relation to the management of risk and assurance activity, including updates of the Groups key strategic risks.

The Group has a zero-tolerance policy to fraud, and in addition to the normal checks and balances to prevent fraud the employee code of conduct clearly sets out employee's responsibilities and standards of conduct. A whistleblowing policy is also in place and employees are encouraged to report any wrongdoing they become aware of. All suspected frauds are investigated, recorded in the fraud register, and are presented to the Audit and Risk Committee. No significant frauds have occurred during the year.

Conclusion

It should be noted that assurance can never be absolute, the statement of assurance is not a guarantee that all aspects of the internal control system are adequate and effective. It does confirm that, based on the evidence from internal audit, risk and assurance arrangements and internal control mechanisms, there are no signs of material weaknesses in the framework of control in 2020-21.

During the year Your Housing Group has received a regulatory regrade issued by the Regulator of Social Housing of G2 V2 and this remains a compliant position.

In response to the regrade an action plan was developed and agreed with the Regulator, which was concluded, and the Group continue to engage with the Regulator. Management are in the process of implementing changes to further improve financial control which enhance and strengthen the existing control environment.

The Board is confident that the Group will ensure that appropriate assurance is provided on compliance with all regulatory standards within the coming financial year.

Report of the Board - Going Concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Operating and Financial Review. The Group continues to be affected by uncertainty from the regulatory environment, government policy and economic factors. These include Covid-19, a direct and indirect impact from Brexit, potential inflationary pressures, and reductions in demand for some of the Group's stock. The period of going concern review is 18 months.

The Group has long-term 30-year business plans addressing the factors affecting its activities. The business plans consider several different variables to support the headroom within the debt facilities. They have also been subject to multi-variate stress testing. The business plans and long-term debt facilities demonstrate that the Group has adequate resources to provide the finance required to support committed reinvestment, committed development programmes, loan repayments, along with the Group's day-to-day operations. Bank covenants have been met in all plans and forecasts.

The group secured private placement funding of £120m in 2020 and a further amount of £130m in February 2021 as well as having access to a £250m revolving credit facility. Included within the business plan is the assumption that the Group will secure additional funding to meet property development ambitions. Should this funding not be forthcoming we will be able to scale back our development ambition and use our existing funding arrangements to continue operating the core business activities without any detrimental impact.

Considering the Covid-19 pandemic, the Group has adjusted the stresses applied to the business plan and adopted a higher number of multi-variate stresses~~.~~ Management have identified and approved mitigating actions for each of the stresses applied to the business plan, which in each case, can relieve all the stresses applied.

Management have also chosen to extend the going concern assessment period to a period of 18 months after the date on which the report and financial statements are signed. During this period the stress testing has not identified any going concern issues or potential covenant breaches.

On this basis, the Board has reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of 18 months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Report of the Board - Statement of the Responsibilities of the Board for the Report and Financial Statements

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

Co-operative and Community Benefit Society legislation requires the board to prepare financial statements for each financial year. Under that law the board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under the Co-operative and Community Benefit Society legislation the board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the association and group for that period. In preparing these financial statements, the board are required to:

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

The board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing (April 2019). It is also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board are responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Grant Thornton UK LLP has indicated its willingness to continue in office. A resolution concerning the re-appointment of external auditors will be proposed to the Board in accordance with Group's Rules.

The Report of the Board was approved and authorised by the Board on 23 September 2021 and signed on its behalf by:

K Doran
Kathy Doran
Chair

B Cronin
Brian Cronin
Group Chief Executive

C Oakley
Clare Oakley
Group Company Secretary

Independent auditor's report to the members of Your Housing Group Limited

Opinion

We have audited the financial statements of Your Housing Group Limited (the 'parent society') and its subsidiaries (the 'group') for the year ended 31 March 2021, which comprise the Group Statement of Comprehensive Income, Association Statement of Comprehensive Income, Statement of Financial Position – Group and Association, Group Statement of Changes in Reserves, Association Statement of Changes in Reserves, Group Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).
In our opinion, the financial statements:

- give a true and fair view of the state of the group's and parent society's affairs as at 31 March 2021 and of the group's and parent society's income and expenditure for the year then ended;
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with regulations made under that Act. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

In our evaluation of the board's conclusions, we considered the inherent risks associated with the group's and parent society's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the board and the related disclosures and analysed how those risks might affect the board's financial resources or ability to continue operations over the going concern period.

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 the group's and parent society'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.
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.
The responsibilities of the board with respect to going concern are described in the 'Responsibilities of board for the financial statements' section of this report.

Other information

The board is responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the parent society has not kept proper accounting records;
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Responsibilities of the board for the financial statements

As explained more fully in the Statement of Board's Responsibilities set out on page 23, 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 determines 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's and parent society'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 parent society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Explanation as to what extent the audit was considered 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. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and parent society, and the sector in which it operates. We determined that the following laws and regulations were most significant; financial reporting legislation (Housing SORP 2018, United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102, the Accounting Direction for Private Registered Providers of Social Housing 2019), the Co-Operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, Social Housing Regulatory Standards, and the NHF Code of Governance 2015. The engagement team remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit;
- We understood how the group and parent society is complying with those legal and regulatory frameworks by, making inquiries of management and those responsible for legal and compliance procedures. We enquired of management and those charged with governance whether there were any instances of non-compliance with laws and regulations, or whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries through our review of board minutes and papers provided to the Audit and Risk Committee, and through our legal and professional expenses review;
- To assess the potential risks of material misstatement, we obtained an understanding of:
- The group and parent society's operations, including the nature of its revenue sources, expected financial statements disclosures and business risks that may result in a risk of material misstatement; and
- The group and parent society's control environment including the adequacy of procedures for authorisation of transactions.
- We assessed the susceptibility of the group and parent society's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
- Evaluating the processes and controls established to address the risks related to irregularities and fraud;
- Testing manual journal entries, in particular journal entries relating to management estimates, revenue and journals entries deemed to relate to unusual transactions;
- Challenging assumptions and judgement made by management in its significant accounting estimates;
- Identifying and testing related party transactions; and
- Completion of audit procedures to conclude on the compliance of disclosures in the financial statements with applicable financial reporting requirements.
- The audit engagement teams' communication in respect of potential non-compliance with laws and regulations and fraud including the potential for management override of controls.
- We assessed the appropriateness of the collective competence and capabilities of the engagement team, including consideration of the engagement team's knowledge and understanding of the industry in which the client operates in, and its practical experience through training and participation with audit engagements of a similar nature.

From the procedures performed we did not identify any material matters relating to non- compliance with laws and regulation or matters in relation to fraud.

Use of our report

This report is made solely to the society's members, as a body, in accordance with regulations made under Sections 87 and 98(7) of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the society'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 society and the society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
27/9/2021

Group Statement of Comprehensive Income

	Notes	2021 £'000	2020 £'000
TURNOVER	3.1	153,763	150,853
OPERATING EXPENDITURE	3.1	(135,177)	(134,078)
GAIN ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT	5	4,727	3,805
MOVEMENT IN FAIR VALUE OF INVESTMENTS	15.3	181	731
TOTAL OPERATING SURPLUS	7	23,494	21,311
Share of associates operating surplus		(635)	186
Interest receivable and other income	8	1,486	503
Interest payable and similar costs	9	(19,436)	(17,813)
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		4,909	4,187
Tax on surplus on ordinary activities	12	(180)	(839)
SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION		4,729	3,348
Attributable to non-controlling interests		949	200
SURPLUS FOR THE FINANCIAL YEAR		5,678	3,548
OTHER COMPREHENSIVE INCOME			
Actuarial (loss)/ gain in respect of pension schemes	30	(26,331)	20,369
Restriction of non-recoverable pension surplus	30	1,679	(1,679)
TOTAL COMPREHENSIVE INCOME		(18,974)	22,238

All amounts relate to continuing activities. The notes form an integral part of the financial statements.

Approved and authorised for issue by the Board on 23 September 2021 and signed on its behalf by:

K Doran — Chair

B Cronin — Group Chief Executive

C Oakley — Group Company Secretary

Notes for the financial statements including accounting policies can be found on pages 56 to 115.

Association Statement of Comprehensive Income

	Note	2021 £'000	2020 £'000
TURNOVER	3.2	35,861	33,594
OPERATING EXPENDITURE	3.2	(35,861)	(37,787)
LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT	5	-	(16)
DONATION FROM SUBSIDIARY		312	36,937
OPERATING SURPLUS	7	312	32,728
Interest receivable and other income	8	-	8
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		312	32,736
Tax on surplus on ordinary activities	12	-	-
PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME		312	32,736

All amounts relate to continuing activities. The notes form an integral part of the financial statements.

Approved and authorised for issue by the Board on 23 September 2021 and signed on its behalf by:

K Doran	B Cronin	C Oakley
Kathy Doran Chair	Brian Cronin Group Chief Executive	Clare Oakley Group Company Secretary

Notes for the financial statements including accounting policies can be found on pages 56 to 115.

Statement of Financial Position – Group and Association

		Group		Association	
		2021	**2020**	**2021**	**2020**
	Note	**£'000**	**£'000**	**£'000**	**£'000**
FIXED ASSETS					
Tangible fixed assets	13	1,085,093	1,053,690	-	-
Intangible fixed assets	14	4,688	2,628	-	-
Goodwill	14	1,643	-	-	-
Investments	15.1	4,503	5,809	50,051	50,051
Share of associates	15.2	2,621	3,238	-	
Investment properties	15.3	83,972	70,113	-	-
		1,182,520	1,135,478	50,051	50,051
CURRENT ASSETS					
Debtors falling due after more than one year	17	47,637	-	-	-
Debtors falling due in less than one year	17	38,722	15,541	3,854	4,187
Inventories	16	33,215	15,092	84	
Cash and cash equivalents		64,187	36,551	3,929	4,325
		183,761	67,184	7,867	8,512
CREDITORS: amounts falling due within one year	18	(89,410)	(70,019)	(10,713)	(11,670)
NET CURRENT ASSETS/ (LIABILITIES)		94,351	(2,835)	(2,846)	(3,158)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,276,871	1,132,643	47,205	46,893
CREDITORS: amounts falling due after more than one year	19	(913,241)	(801,419)	-	-
PROVISIONS FOR LIABILITIES	25	(33,829)	(2,384)	-	-
PENSION LIABILITY	30	(38,284)	(17,402)	-	-
TOTAL NET ASSETS		291,517	311,438	47,205	46,893
CAPITAL AND RESERVES					
Share capital	26	-	-	-	-
Revaluation reserve		12,552	12,434	-	-
Revenue reserve		280,566	299,656	47,205	46,893
Attributable to non-controlling interests		(1,601)	(652)	-	-
GROUP'S/ASSOCIATION'S FUNDS		291,517	311,438	47,205	46,893

The notes form an integral part of the financial statements.

These financial statements were approved and authorised for issue by the Board on 23 September 2021 and signed on its behalf by:

K Doran B Cronin C Oakley

Kathy Doran
Chair

Brian Cronin
Group Chief Executive

Clare Oakley
Group Company Secretary

Notes for the financial statements including accounting policies can be found on pages 56 to 115.

Group Statement of Changes in Reserves

	Revaluation Reserve £'000	Hedging Reserve £'000	Revenue Reserves £'000	Equity Attributable to the owners of the parent £'000	Attributable to non controlling interest £'000	Total £'000
Balance as at 1 April 2019	**12,281**	**(952)**	**277,572**	**288,901**	**(452)**	**288,449**
Surplus for the year	-	-	3,548	3,548	(200)	3,348
Other comprehensive income	-	-	18,689	18,689	-	18,689
Total Comprehensive Income for the year	-	-	22,237	22,237	(200)	22,037
Reserves transfer	153	-	(153)	-	-	-
Write off to the Statement of Comprehensive Income	-	952	-	952	-	952
Balance as at 31 March 2020	**12,434**	**-**	**299,656**	**312,090**	**(652)**	**311,438**
Surplus for the year	-	-	5,678	5,678	(949)	4,729
Other comprehensive income	-	-	(24,652)	(24,652)	-	(24,652)
Total Comprehensive Income for the year	-	-	(18,974)	(18,974)	(949)	(19,923)
Reserves transfer	118	-	(118)	-	-	-
Rounding Adjustment	-	-	2	2	-	2
Balance as at 31 March 2021	**12,552**	**-**	**280,566**	**293,118**	**(1,601)**	**291,517**

Association Statement of Changes in Reserves
For the year ended 31 March 2021

	Revenue reserves £'000
Balance as at 31 March 2019	14,157
Surplus for the year	32,736
Balance as at 31 March 2020	46,893
Surplus for the year	312
Balance as at 31 March 2021	47,205

The notes form an integral part of the financial statements.

Group Statement of Cash Flows

	Notes	2021 £'000	2020 £'000
Net cash generated from operating activities	28	32,622	30,961
Cash flow from investing activities			
Purchase of housing properties		(49,864)	(51,026)
Purchase of other fixed assets		(8,666)	(16,038)
Purchase of intangible assets		(3,535)	-
Grants received		53,764	5,812
Purchase of investment properties		(14,107)	(9,440)
Purchase of subsidiary (net of cash acquired)		(5,074)	-
Investment in associate		(542)	-
Proceeds from the sale of investments		-	354
Proceeds from the sale of tangible fixed assets		10,938	6,871
Dividends received from associates		75	121
Interest received		1,487	503
		(15,524)	(62,843)
Cash flow from financing activities			
Interest paid		(19,433)	(16,522)
Loan drawdowns		134,000	85,200
Loan repayments		(104,000)	(31,518)
Tax paid		(29)	-
		10,538	37,160
Net change in cash and cash equivalents		27,636	5,278
Cash and cash equivalents at the beginning of the year		36,551	31,273
Cash and cash equivalents at the end of the year		64,187	36,551

The notes form an integral part of the financial statements.

Notes to the Financial Statements

1. LEGAL STATUS

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is a registered housing provider. The registered office address is 602 Aston Avenue, Birchwood Park, Birchwood, Warrington, WA3 6ZN.

The principal activity includes the provision of affordable homes to rent, homes for sale, sheltered and supported accommodation for older people, and hostels and foyer accredited schemes which support vulnerable people.

The Group includes several smaller entities which help to support principal activities. These include a repairs and maintenance company and development companies which are registered companies. The Group also includes a limited liability partnership which provide non-social housing for rental and a limited company which provides management and maintenance services of extra care housing facilities under a PFI contract. Further details can be found in note 29.

2. ACCOUNTING POLICIES

Basis of accounting

The financial statements of the Group and Association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including Financial Reporting Standard 102 (FRS102) and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

The functional and presentational currency is Sterling (£). The Association is a Public Benefit Entity.

The parent Association has applied the following disclosure exemptions:

- the requirement to present a statement of cash flows and related notes
- financial instrument disclosures, including:
    - categories of financial instruments,
    - items of income, expenses, gains or losses relating to financial instruments, and
    - exposure to and management of financial risks.

Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Operating and Financial Review. The Group continues to be affected by uncertainty from the regulatory environment, government policy and economic factors. These include Covid-19, a direct and indirect impact from Brexit, potential inflationary pressures, and reductions in demand for some of the Group's stock. The period of going concern review is 18 months.

The Group has long-term 30-year business plans addressing the factors affecting its activities. The business plans consider several different variables to support the headroom within the debt facilities. They have also been subject to multi-variate stress testing. The business plans and long-term debt facilities demonstrate that the Group has adequate resources to provide the finance required to support committed reinvestment, committed development programmes, loan repayments, along with the Group's day-to-day operations. Bank covenants have been met in all plans and forecasts.

The group secured private placement funding of £120m in 2020 and a further amount of £130m in February 2021 as well as having access to a £250m revolving credit facility. Included within the business plan is the assumption that the Group will secure additional funding to meet property development ambitions. Should this funding not be forthcoming we will be able to scale back our development ambition and use our existing funding arrangements to continue operating the core business activities without any detrimental impact.

2. ACCOUNTING POLICIES (CONTINUED)

Going Concern (continued)

Considering the Covid-19 pandemic, the Group has adjusted the stresses applied to the business plan and adopted a higher number of multi-variate stresses. Management have identified and approved mitigating actions for each of the stresses applied to the business plan, which in each case, can relieve all the stresses applied.

Management have also chosen to extend the going concern assessment period to a period of 18 months after the date on which the report and financial statements are signed. During this period the stress testing has not identified any going concern issues or potential covenant breaches.

On this basis, the Board has reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of 18 months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Significant judgements and estimates

The following are the significant management judgements and estimates made in applying the accounting policies of the Group that have the most significant effect on the financial statements:

Judgements

- **Categorisation of housing properties** – In determining the intended use, the Group has considered if the asset is held for social benefit or to earn commercial rentals. There may be tenure types where it will be a matter of judgement whether they should be categorised as investment property or housing property. In such circumstances, the association will consider whether the property is operating at below market rent for the wider benefit of the community and whether the association is subsidising the properties and operating them at a loss in order to continue providing a service.
- **Useful economic lives** – Useful economic lives are based on management's expectation of the lives of assets. The rates are such to depreciate the cost of assets to their residual value over their expected lives. Management review the Association's estimate of the useful lives of depreciable assets at each reporting date, based on the expected useful life of the assets. Uncertainties in these estimates relate to technological advances, changes in the expected use and changes to decent homes standards. The total depreciation/amortisation charge for the year is disclosed in note 7, 13 and 14.
- **Impairment** – Impairment assessments are performed annually considering impairment triggers. If an impairment trigger is identified a full impairment review is conducted, considering whether the recoverable value is higher than carrying value. Impairment reviews are based on cash generating units, these are not set, but depend on the area of the business under review. The impairment charge for the year is disclosed in note 13.
    - **Finance debtor and services concession -** Accounting for the service concession contract and finance debtors requires an estimate of service margins and associated amortisation profile which is based on forecasted results of the PFI contract. The Group makes judgements on the recoverability of the Finance Debtor, based on the receipt of unitary fee in accordance with the contractual payment mechanism contained in the project agreement.
    - **Loan refinancing** - In 2020, a revolving credit facility with one lender was refinanced resulting in an increase in facility size, an extension of maturity and an improved covenant package. As a result of these changes, this refinancing was accounted for as a substantial modification. No fair value adjustments was recognised in the prior year as a result of the refinance but a fair value increase in the debt of £320,000 has been recorded in the current year.

2. ACCOUNTING POLICIES (CONTINUED)

Significant judgements and estimates (continued)

- **Bad debts** – The bad debt policy has been updated during the year to align with the debt collection policy. The debt collection policy considers the length of time the invoice has been overdue or whether it is being disputed, the financial viability of the debtor, if there has been a default on a payment plan or if there are ongoing settlement discussions as management judge this as indication of recoverability. This has caused bad debts to increase in the year.

  Tenant Arrears are provided for in accordance with the stage in the collection process:

Age of Arrear	Collection Stage	Provision Value
2–3 months	Early Intervention	10%
4–6 months	Notice Seeking Possession	25%
7–9 months	Litigation	50%
>9 months	Enforcement	100%

  Non-Tenant debt is provided for on an individual basis, with debts being assessed monthly to determine if there any known factors which would call into question the recoverability of the debt.

- **Supporting people** – Management judgement is applied in determining the extent to which the risks and benefits are transferred to the Group when considering the income to be recognised. The total income recognised Is disclosed in note 3.
- **Provisions** – Management judgement is applied in determining the likelihood of the Group being required to settle present obligations and in estimating the consideration required.

Estimates

- **Allocation of Costs** – Group overhead costs are recharged to subsidiary entities and tenure types based on unit numbers. Where the association has a mixed tenure, during construction, costs of assets under construction are allocated between the different tenure types based on unit numbers, and on completion, on the basis of square footage of each property.
- **Capitalisation of property development costs** – Qualifying costs, including construction contract, component and staff costs, which directly relate to the assets are capitalised from the start of the construction of an asset and are disclosed in notes 13 and 15. Property development costs are measured using the Allocation of Costs estimate detailed in the Accounting Policies. Costs are agreed at the start of a project and monitored throughout development. Capitalisation of costs ceases when the asset comes into use. If an asset changes fundamentally during construction or the project is terminated the costs and recoverability are revaluated and provisions are made if required.
  - **Fair value of investment properties** –Properties held by the Group which do not meet the criteria for social benefit are classed as investment properties and are valued at fair value. Investment properties held by the Group include properties held for market rent, commercial properties and self-constructed investment properties under development. Valuations for properties held for market rent are completed on an annual basis and are based on third-party valuation reports. Valuation reports are prepared on the assumptions and estimates applied by the independent valuer in accordance with the RICS red book valuation standards. Valuations for commercial properties are based on third-party valuation reports on a 5-year basis with an annual update to those reports, based on market conditions, in the intervening reporting periods. Valuations of self-constructed investment properties under development are based on the cost at initial recognition. Disclosure of the most recent valuations is provided in note 15 of the financial statements.
  - **Fair value of financial derivatives** – Financial derivatives are included at the year end at their fair value, provided by external sources and are disclosed in note 19 and 21.
  - **Defined Benefit Obligations (DBO)** – Management's estimate of the DBO is based on a number of critical underlying assumptions such as rates of inflation, mortality, discount rate and future salary increases.

Variations in these assumptions may significantly impact the DBO amount and the annual defined benefit expense. The assumptions used to calculate the total liability are disclosed in note 30.

2. ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation
The Group financial statements consolidate the financial statements of the Association and all of its subsidiaries at 31 March 2021 using the purchase method.

The consolidated financial statements incorporate the financial statements of the Association and entities controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where the Group has control but does not own 100% of a subsidiary, the entire results for the year are included in the Group financial statements and the non-controlling interests are shown in the Statement of Financial Position.

All intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Business combinations and goodwill
Business combinations are accounted for by applying the purchase method.
The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.
On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Intangible assets are only recognised separately from goodwill where they are separable and arise from contractual or other legal rights. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Where the cost of the business combination exceeds the fair value of the group’s interest in the assets, liabilities and contingent liabilities acquired, negative goodwill arises. The group, after consideration of the assets, liabilities and contingent liabilities acquired and the cost of the combination, recognises negative goodwill on the balance sheet and releases this to profit and loss, up to the fair value of non-monetary assets acquired, over the periods in which the non-monetary assets are recovered and any excess over the fair value of non-monetary assets in the income statement over the period expected to benefit.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the group’s interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Goodwill is amortised over its expected useful life which is estimated to be the life of the PFI. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement.

Associates
Undertakings that are not subsidiaries but where the Group has significant influence are classified as associates (i.e. the power to participate in the financial and operating policy decisions) and are accounted using the equity method of accounting, accounting for the Group’s share of assets and liabilities.

2. ACCOUNTING POLICIES (CONTINUED)

Turnover and revenue recognition

Turnover comprises rental income receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale, management services revenue, service charges receivable, PFI Income and government grants. Turnover is accounted for at the invoiced value (excluding VAT, where recoverable) of goods and services supplied in the year and revenue grants receivable in the year.

Management services revenue is recognised on a monthly basis in accordance with the management agreements

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Rental income is recognised on a straight-line basis in accordance with the tenancy agreement. Service charge income is recognised in the period to which it relates net of losses from voids.

Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

PFI income is recognised in respect of the services provided as contractual obligations are fulfilled in respect of those services and in line with the fair value of the consideration receivable in respect of those services. Major maintenance costs are recognised on an incurred basis and the revenue receivable in respect of these services is recognised when the services are performed.

Employee Benefits

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

Termination benefits are incurred in the period that detailed formal restructuring plans are communicated to those affected by it.

Donations from subsidiaries

The Association received gift aid of £312,000 (2020: £138,000) from Nuvu Development Ltd and £nil for Your Housing Limited (2020: £36,800,000).

Gift Aid donations from YHL to YHG during the year ended 31 March 2020 allowed YHG to invest in Nuvu Development Ltd by purchasing share capital, enabling Nuvu Development Ltd to develop new schemes. A Gift Aid payment was not required during the year ended 31 March 2021 as an agreement has been put in place which allows Your Housing Limited to pay for development costs directly to the contractors.

All donations from subsidiaries are cash transfers and recognised on receipt.

Interest receivable

Other interest receivable and similar income include interest receivable on funds invested and interest recognised on the finance debtor based upon the finance debtor accounting policy below.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

2. ACCOUNTING POLICIES (CONTINUED)

Interest payable
Interest is capitalised on borrowings to finance the development of qualifying assets to the extent that it accrues in respect of the period of development if it represents:

a) Interest on borrowing specifically financing the development programme after deduction of related grants in advance; or
b) A fair amount of interest on borrowings of the Association as a whole after deduction of Government Grant received in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to the Statement of Comprehensive Income in the year using the effective interest method.

Taxation
Current tax is recognised for the amount of income tax payable in respect of the taxable surplus for the current or past reporting period using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred taxation
Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income and expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- The Group is able to control the reversal of the timing difference, and
- It is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax relating to investment property that is measured at fair value is measured using the tax rates and allowances that apply to the sale of the asset, except for investment property that has a limited useful life and is held in a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time.

Deferred tax is calculated using the tax rates and law that have been enacted or substantively by the reporting date that are expected to apply to the reversal of the timing difference.

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and liabilities are only off set where there is a legal right to do so.

Movements in actuarial assumptions can lead to the recognition of gains and losses in respect to the impact of these assumptions on pension liabilities and assets. These movements are non-cash movements and as such can create timing differences in respect of tax which would be reflected through deferred tax assets and liabilities.

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

2. ACCOUNTING POLICIES (CONTINUED)

Housing properties
Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements. When an existing component is replaced the component is disposed of and the new component added.

Expenditure on shared ownership properties are split proportionally between current and fixed assets based on the elements relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover, and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

Capitalisation of interest
Interest is capitalised while properties are under construction. This is based on the weighted average cost of capital and the total capital employed.

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 land at the time of the donation. Where the land is not related to a specific development and is donated by a public body an amount equivalent to the increase in value between fair value and consideration is paid as a non-monetary government grant and recognised on the statement of financial position as deferred income within liabilities. Where the donation is from a non-public source, the value of the donation is included as income.

Investment properties
Investment properties consist of commercial properties and other properties not held for social benefit or for use in the business. Investment properties are initially measured at cost and subsequently at fair value as at the year end, with changes in fair value recognised in the Statement of Comprehensive Income. Investment properties are revalued annually in line with the Investment Property Revaluation Policy. Valuations are performed by both external and internal valuers depending on the type of investment property. In years when a physical inspection is not undertaken by the valuer, a desktop valuation is performed to confirm the valuations for properties remain appropriate. Valuations will be in line with current methods and assumptions as given in the RICS Valuation Global Standards.

It is not considered possible to accurately measure the value of properties that are under construction. Where this is the case the properties are measured at cost and revalued on completion.

Investment in subsidiaries and associates
Investments in subsidiaries and associates are accounted for at cost less impairment in the individual financial statements.

Impairment of Investment in subsidiaries
The Association has an investment in subsidiaries specialising in investment properties and properties under construction. The investment properties owned by the subsidies are revalued annually by an expert in line with the Investment Property Revaluation Policy. Valuations are in line with current methods and assumptions as given in the RICS Valuation Global Standards.

If the investment properties or properties under construction are devalued, management will consider the requirement of an impairment to the investment.

2. ACCOUNTING POLICIES (CONTINUED)

Shared Equity Investment
The Group operates a scheme by lending a percentage of the cost to home purchasers, secured on the property. All loans have an interest free period and repayable on the sale of the property or on early settlement by the home owner. On settlement a fixed percentage of the market value of the property is repaid.

Inventories - repairs stock
Repairs stock consists of materials for the repair and maintenance of properties and PPE. Stock is valued at the lower of cost or net realisable value.

Government grants
Government grants include grants receivable from the Homes England, local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure under the accruals model, being 100 years.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received.

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

Government grants received for housing properties are subordinated to the repayment of loans by agreement with Homes England. Government grants released on the sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial positions in creditors.

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

The value of government grants and amortisation during the year are disclosed in note 22.

Other grants
Grants received from non-government sources are recognised using the performance model. A grant which does not impose specific future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the Association is recognised when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

2. ACCOUNTING POLICIES (CONTINUED)

Depreciation of housing properties

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

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

Structure	100 Years
Roofs	60 Years
Kitchens	20 Years
Bathrooms	25 Years
Electrical Systems	30 Years
Doors	30 Years
Windows	30 Years
Boilers	15-20 Years
Central Heating	40 Years
Loft Insulation	30 Years
Renewable technology	20 Years

Freehold land is not depreciated.

Leasehold properties are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Impairment

Housing properties are annually assessed for impairment indicators. Where indicators are identified any assessment for impairment is undertaken comparing the carrying amount to its recoverable amount. Where carrying amount is deemed to exceed its recoverable amount, the assets are written down to recoverable amount. The resulting impairment loss is recognised as operating expenditure. Where assets are currently deemed not to be providing service potential to the Group, recoverable amount is its fair value less costs to sell. For all other asset balances, the approach to impairment is to focus on the future economic value of capitalised project spend. The impairment charge for the year and accumulated impairment is disclosed in notes 13.

Other tangible fixed assets

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

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on the freehold land.

The principal annual rates used for other assets are:

Freehold office buildings	40 years
Leasehold property	Lower of life of lease or 40 years
Communal assets	15, 20, 30 years
Garages	25 years
Furniture, fixtures, fittings & office equipment	5 years
Mobile technology	2 years
Computer hardware and telephony equipment	4 years
Motor vehicles	4 years

2. ACCOUNTING POLICIES (CONTINUED)

Intangible Fixed Assets
Intangible fixed assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is provided evenly on the cost of intangible fixed assets to write them down to their estimated residual values over their expected useful lives.

The principal annual rates used for intangible assets are:

Computer software	5 years
Goodwill	Life of the PFI

Leased Assets
Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership of the leased assets to the Group. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at the fair value of the leased asset (or, if lower, the present value of minimal lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring the surplus or deficit. Assets held under finance leases are included in tangible fixed assets and deprecation and assessed for impairment in the same ways as owned assets.

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

The aggregate benefit of lease incentives is recognised as a reduction to the expense recognised over the lease term on a straight-line basis.

Properties for sale
Shared ownership first tranche sales and completed properties for outright sale (including for sale properties under construction) are valued at the lower of cost or net realisable value. Cost comprises materials, direct labour, direct development overheads and capitalised borrowing costs. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Shared ownership properties, including those under construction, are split between housing properties and properties held for sale. The split is determined by the percentage of the property to be sold under a first tranche disposal which is shown on initial recognition as a property held for sale, with the remainder classified as a fixed asset within the housing properties note 13.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. The Group is obligated to keep a separate cash reserve for Avantage (Cheshire) Limited, in respect of future major maintenance costs. This restricted cash balance, which is shown in the Subsidiary balance sheet within the “cash at bank and in hand” balance, amounts to £1,616,000 (2020: £1,607,000).

Debtors and creditors
Short term debtors and creditors are measured at transaction price. Debtors are shown less any impairment. Where deferral of payment terms has been agreed below market rate, and where material, the balance is shown at the present value, discounted at a market rate.

Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently amortised at cost using the effective interest method, less any impairment.

2. ACCOUNTING POLICIES (CONTINUED)

Finance debtor and services income
A subsidiary within the Group is an operator of a Private Finance Initiative (PFI) contract, which was entered into prior to transition to FRS 102. Therefore, the accounting has been continued using the accounting policies applied prior to the date of transition to FRS 102 as follows. The underlying asset was not deemed to be an asset of the Company under FRS 5, Application Note G, because the risks and rewards of ownership as set out in that Standard are deemed to lie principally with the Authority.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase unitary charge receipts are included within turnover and the finance debtor.

Finance debtor and contractual receivables are classified as loans and receivables as defined in FRS 102, which are initially recognised at the fair value of the consideration received or receivable and are then stated at amortised cost.

The subsidiary recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services. Major maintenance costs are recognised on an incurred basis and the revenue receivable in respect of these services is recognised when the services are performed.

Insurance income
Insurance recoveries are recognised only when virtually certain. The Group has recognised a debtor in relation to insurance proceeds due following a fire at an extra care scheme. The recovery is based on the estimated cost to rebuild the scheme and is in line with the rebuild provision recognised in the accounts.

Financial instruments – debt
Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS102 are accounted for under an amortised cost model.

Non-basic financial instruments are recognised at fair value using a valuation technique. For non-basic financial instruments FRS102 section 12 has been applied.

All non-basic financial instruments relate to interest rate swaps.

Loan issue costs
Costs incurred on the issue of loan finance are initially recorded as a deduction from the gross proceeds of the loan and included in creditors greater than one year. The costs are then subsequently amortised to the Statement of Comprehensive Income over the term of the loans.

2. ACCOUNTING POLICIES (CONTINUED)

Provisions for liabilities
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the presentation obligation at the end of the reporting period, taking into account the risk and uncertainties surrounding it.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at its present value, using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the Statement of Comprehensive income, in the period it arises.

The Group recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

Pension costs
The Group participates in two multi employee defined benefit schemes the Social Housing Pension Scheme (SHPS) and the Staffordshire County Council Pension Fund, and a defined benefit pension scheme: The Arena Group Pension Scheme.

For the SHPS, the association is able to identify its share of the scheme assets and scheme liabilities from 1 April 2018 and therefore has applied defined benefit accounting from this date onwards. FRS 102 Section 28 requires the difference on transition from defined contribution to defined benefit accounting to be presented separately in other comprehensive income.

The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the statement of financial position. This has been recognised within the defined benefit pension liability on the face of the statement of financial position.

The current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income. Refer to note 30 for more details.

For the Staffordshire County Council Pension Fund, it is also possible to identify the share of underlying assets and liabilities. The Group's share of pension scheme assets is measured at fair value. The Group's share of pension scheme liabilities is measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is

recognised only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the Statement of Financial Position date.

As at the year ended 31 March 2021, the net defined benefit pension deficit liability was £4,979,000 (2020: £3,246,000)

A pension scheme liability is recognised to the extent that the company has a legal or constructive obligation to settle the liability. Current service cost 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 is calculated on the net defined benefit liability. Re-measurements are reported in other comprehensive income. The Group is no longer an active member of the scheme.

2. ACCOUNTING POLICIES (CONTINUED)

Pension costs (continued)

For the Arena Group Pension Scheme, the scheme is closed to future accrual. The pension scheme assets and liabilities are valued using the same methodology as the Staffordshire County Council Pension Fund, recognising the fair value of the pension scheme assets and the liabilities using a projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. The pension scheme surplus is only recognised to the extent that the Group can recover the surplus through ownership of the asset returns.

The current service costs and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period. Net interest costs are calculated by applying the discount rate to the net defined benefit liability and are recognised in the Statement of Comprehensive Income as a finance cost. Re-measurements are reported in other comprehensive income.

As at the year ended 31 March 2021, the net defined benefit pension deficit liability was £408,000 (2020: £nil)

For the defined contribution arrangements, the amount charged to the Statement of Comprehensive Income in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Guaranteed Minimum Pension is a portion of pension that was accrued by individuals who were contracted out of the Stated Second Pension prior to 6 April 1999. The rate at which GMP was accrued, and the date it is payable, is different for men and women, meaning there is inequality for male and female members who have GMP. The liability was first included in the accounts for the year ended 31 March 2019, any change in the allowance to 31 March 2021 has been taken to other comprehensive income.

In October 2020 a second ruling in the Lloyds bank case clarified that compensation would be required to members who transferred benefits out since May 1990. The Government has not yet acknowledged a liability in public service schemes nor indicated in the liability. For all three of the Group's pensions schemes, the actuaries have confirmed that at present there is no methodology to calculate what the potential liability will be. Therefore, this has not been factored into the year end liability.

Reserves

The revenue reserves are unrestricted and available for use within the Group's activities. The revaluation reserve is the difference between fair value and historic costs for the affected assets.

3.1 TURNOVER, OPERATING EXPENDITURE AND OPERATING RESULT – GROUP

	2021			2020		
	Turnover £'000	Operating Expenditure £'000	Operating surplus/ (deficit) £'000	Turnover £'000	Operating expenditure £'000	Operating surplus/ (deficit) £'000
Social housing lettings (note 4.1)	141,715	(121,634)	20,081	137,523	(121,002)	16,521
Other social housing activities						
Shared ownership first tranche sales	3,305	(2,499)	806	365	(355)	10
Shared equity property sales	-	-	-	440	(410)	30
Outright property sales	431	(381)	50	2,835	(2,254)	581
Supporting People contract income	1,487	(1,657)	(170)	1,599	(1,623)	(24)
Neighbourhood regeneration	37	(1,301)	(1,264)	1,118	(2,181)	(1,063)
Development costs not capitalised	-	(267)	(267)	-	(157)	(157)
Management services	1,427	(1,088)	339	1,407	(1,170)	237
Other	83	(1,423)	(1,340)	785	(831)	(46)
	6,770	(8,616)	(1,846)	8,549	(8,981)	(432)
Non-social housing activities						
Lettings (note 4.2)	5,278	6,363	(1,085)	4,781	(2,705)	2,076
Surrender of amounts due on acquisition from Avantage PFI	-	1,436	1,436	-	-	-
Development costs not capitalised	-	-	-	-	(1,390)	(1,390)
	5,278	(4,927)	351	4,781	(4,095)	686
	153,763	(135,177)	18,586	150,853	(134,078)	16,775

3.1 TURNOVER, OPERATING EXPENDITURE AND OPERATING RESULT – GROUP (continued)

Operating surplus analysed:	**2021**	**2020**
	£'000	**£'000**
Lettings	20,432	17,207
Shared ownership first tranche sales	806	10
Management services	339	237
Sale of properties	50	611
Other	(3,041)	(1,290)
	18,586	16,775

3.2 TURNOVER, OPERATING EXPENDITURE AND OPERATING RESULT – ASSOCIATION

			2021			**2020**
	Turnover	**Operating expenditure**	**Operating deficit**	**Turnover**	**Operating expenditure**	**Operating deficit**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Other income and expenditure						
Management services to group undertakings	35,861	(35,861)	-	33,594	(37,787)	(4,193)

4.1 INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS – GROUP

	General Housing £'000	Supported housing & housing for older people £'000	Low cost home Ownership £'000	Care Homes £'000	Key Worker £'000	Other £'000	Total 2021 £'000	Total 2020 £'000
Income from social housing lettings								
Rent receivable net of identifiable service charges	83,840	18,867	4,487	25	3,241	186	110,646	108,747
Service charges receivable	3,721	11,436	2,937	-	325	306	18,725	18,523
Charges for support services	31	186	24	-	-	-	241	263
Facility fee	-	-	-	-	385	-	385	371
Government grant taken to income	3,215	1,107	290	-	-	1	4,613	4,604
Cheshire PFI	-	1,697	-	-	-	-	1,697	-
Other income	89	4,932	61	-	1	325	5.408	5,015
	90,896	38,225	7,799	25	3,952	818	141,715	137,523

4.1 INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS – GROUP (CONTINUED)

	General Housing £'000	Supported housing & housing for older people £'000	Low cost home ownership £'000	Care Homes £'000	Key Worker £'000	Other £'000	Total 2021 £'000	Total 2020 £'000
Expenditure on social housing letting activities								
Management	(26,027)	(11,366)	(2,495)	(161)	(1,094)	(6,305)	(47,448)	(42,420)
Routine maintenance	(15,098)	(4,610)	(327)	(9)	(214)	(54)	(20,312)	(22,369)
Planned maintenance	(5,930)	(3,576)	(474)	(2)	(714)	(4)	(10,700)	(9,601)
Major repairs expenditure	(339)	(1,457)	(2)	-	-	-	(1,798)	(1,160)
Decommissioning costs	-	-	-	-	-	-	-	(150)
Service charge costs	(4,913)	(10,468)	(817)	(12)	(999)	(36)	(17,245)	(17,742)
Cost of support services	(10)	(226)	(22)	-	(1)	-	(259)	(512)
Rent losses from bad debts	(745)	(223)	(374)	(15)	(290)	(71)	(1,718)	(958)
Housing property depreciation	(12,102)	(3,041)	(630)	(1)	(595)	(5)	(16,374)	(16,201)
Ground rent	(528)	(3)	(12)	-	-	-	(543)	(542)
Impairment	-	(229)	-	-	-	(68)	(297)	(3,720)
Cheshire PFI – payment to SPV	-	(3,988)	(952)	-	-	-	(4,940)	(5,627)
Total expenditure on social housing lettings	(65,692)	(39,187)	(6,105)	(200)	(3,907)	(6,543)	(121,634)	(121,002)
Operating surplus/(deficit) on social housing lettings	25,204	(962)	1,694	(175)	45	(5,725)	20,081	16,521
Void losses	(807)	(1,142)	(35)	(38)	(419)	(111)	(2,552)	(1,803)

4.2 PARTICULARS OF TURNOVER FROM NON-SOCIAL HOUSING LETTINGS – GROUP

	2021	2020
	£'000	£'000
Full market rent	4,033	3,465
Intermediate market rent	709	737
Other	536	579
	5,278	4,781

5. GAIN ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

	2021	2020
Group	£'000	£'000
Proceeds of sales	10,938	7,194
Cost of sales	(6,211)	(3,389)
Surplus for year	4,727	3,805

The above surplus can be analysed as follows:

	2021	2020
	£'000	£'000
Right to buy/ Right to acquire	464	1,547
Staircasing	1,279	1,902
Other disposals	2,984	356
	4,727	3,805

6. ACCOMMODATION IN MANAGEMENT – GROUP

The number of units in management at 31 March for each class of accommodation is as follows:

	2021 No.	2020 No.
General needs	19,100	18,818
Housing for older people	3,187	3,453
Low cost home ownership	1,777	1,802
Supported housing	803	799
Care homes	121	121
Key worker	635	635
Market rented	427	546
Intermediate market rented	74	61
Other	65	65
Accommodation managed on behalf of other associations	505	514
	26,694	26,814
Managed by others	-	-
Total owned and managed	26,694	26,814
Accommodation in development at year end	1,340	480

Property numbers for the year ended 31 March 2021 meet the Statistical Data Return definition of accommodation in management as far as is possible to be consistent with the accounting required under FRS 102.

The Association does not own any properties.

7. OPERATING SURPLUS

Operating surplus is stated after charging:

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Depreciation of housing properties	17,198	16,920	-	-
Depreciation of other tangible fixed assets	6,055	5,670	-	-
Fixed asset write off	183	-	-	-
Amortisation of intangible fixed assets	886	374	-	-
Amortisation of finance debtor	661	-	-	-
Impairment of housing properties	283	1,867	-	-
Impairment of investment properties	-	2,000	-	-
Impairment of inventories	1,703	-	68	-
Bad and doubtful debts	1,718	981	-	-
Operating lease rentals:				
- vehicles and equipment	972	792	-	-
- land and buildings	5,859	5,658	-	-

Auditor's remuneration (excluding VAT) was paid by Your Housing Group Limited on behalf of its subsidiaries and is included in the consolidated financial statements. The estimated charge is detailed below:

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Fees payable to the company's auditor for the audit of the financial statements	227	277	31	24
Fees payable to the company's auditors in respect of:				
Tax compliance	36	29	3	4
Taxation advisory services	-	10	-	-
Other advisory services	31	22	5	3
	294	338	39	31

8. INTEREST RECEIVABLE AND OTHER INCOME

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Finance debtor interest	714	-	-	-
Other interest receivable	772	503	-	8
	1,486	503	-	8

9. INTEREST PAYABLE AND SIMILAR COSTS - GROUP

	2021 £'000	2020 £'000
Loans and bank overdrafts	15,353	15,170
Interest payable capitalised on assets	(697)	(297)
Unwinding of discount factor – SHPS (note 25 and 30)	-	(4)
Pension Interest	334	896
Fair value movement of non-basic instruments	46	1,086
Refinancing Costs	4,300	875
Finance Leases	100	87
	19,436	17,813

Interest is capitalised using an average monthly interest rate of 3.10% (2020: 3.31%).

Included in loan and bank overdrafts interest payable is £320,000 (2020: £nil) in relation to a fair value adjustment on a loan of the Group (note 20).

10. EMPLOYEES

	Group		Association	
Average monthly number of employees expressed as full time equivalents	**2021 No.**	**2020 No.**	**2021 No.**	**2020 No.**
Administration	368	211	325	210
Housing, support and care	659	785	168	272
Development	18	18	18	18
	1,045	1,014	511	500

Staff costs:	**2021 £'000**	**2020 £'000**	**2021 £'000**	**2020 £'000**
Wages and salaries	33,393	30,954	18,888	17,594
Social Security costs	3,003	2,859	1,769	1,724
Other pension costs	1,465	1,471	981	992
	37,861	35,284	21,638	20,310

The Association participates in the SHPS, Arena Housing Group Pension Scheme and Staffordshire County Council Pension. Further details are provided in note 30.

10. EMPLOYEES (continued)

The full time equivalent number of Directors and senior staff who received emoluments greater than £60k.

	2021 £'000	2020 £'000
£60,001 - £70,000	32	11
£70,001 - £80,000	10	6
£80,001 - £90,000	11	6
£90,001 - £100,000	6	4
£100,001 - £110,000	6	3
£110,001 - £120,000	2	1
£120,001 - £130,000	2	5
£130,001 - £140,000	5	1
£140,001 - £150,000	1	1
£150,001 - £160,000	2	2
£180,001 - £190,000	2	1
£190,001 - £200,000	1	-
£240,001 - £250,000	1	1
	81	42

11. KEY MANAGEMENT PERSONNEL

The emoluments of the highest paid executive, the Group's Chief Executive, are; basic salary £190,260 (2020: £190,000), car allowance £19,000 (2020: £19,000), target based remuneration £nil (2020: £18,550), payment in lieu of annual leave £3,654 (2020: £7,308) and Benefits in Kind £500 (2020: £3,819). The Group's Chief Executive is an ordinary member of the Social Housing Pension Scheme, he receives no enhanced or special terms.

The Executive directors include members of the Group board. They are all ordinary members of the Social Housing Pension Scheme and do not receive any enhancements or special terms.

The emoluments of the Executive and Non-Executive directors' members were:

	Salary £'000	Employer's NI £'000	Benefits in kind £'000	Pension contributions £'000	2021 Total £'000	2020 Total £'000
Executive directors	466	47	1	21	535	516
Non-executive directors	114	5	-	-	119	116
	580	52	1	21	654	632

11. KEY MANAGEMENT PERSONNEL (CONTINUED)

Board Members and Executive Management Team

Your Housing Group operates a Common Board structure, the Common Board operates on behalf of the following entities – Your Housing Group Limited, Your Housing Limited and Frontis Homes Limited.

All the Common Board members have a role in addition to their Board role; they either chair a Committee, Subsidiary or are a Committee member. Their level of remuneration reflects these additional responsibilities. The disclosure below relates to salaries for Non-Executive members of the Board.

	2021 **£'000**	**2020** **£'000**
Kathy Doran	27	26
Val Aherne	7	9
Alison Cambage	9	11
Derek Cash	13	13
Roy Grant	13	13
Richard Groome	14	15
Alistair How	-	2
Brenda Smith	13	13
Paula Steer	9	9
Chris Mackenzie-Grieve	9	5
David Done	2	-
Darrell Mercer	2	1
	118	116

12. TAX ON SURPLUS ON ORDINARY ACTIVITIES

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Taxation charge for the year	432	643	-	-
Adjustment for prior periods	-	(33)	-	-
Total current tax	432	610	-	-
Share of associates tax charge	-	39	-	-
	432	649	-	-
Deferred taxation – Origination and reversal of timing differences	(253)	190	-	-
Adjustments in respect of prior periods	1			
Total tax on results on ordinary activities	180	839	-	-

The standard rate of tax for the year based on the UK standard rate of corporation tax is 19% (2020: 19%). The actual tax charge for the current and previous year differs from the standard rate for the reasons set out in the reconciliation below.

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Surplus on ordinary activities before tax	4,909	4,187	312	32,737
Theoretical tax at 19% (2020: 19%)	933	795	59	6,220
Effects of:				
Expenses not deductible for tax purposes	3,763	498	293	284
Difference between capital gain for accounts and tax purposes	(219)	38	-	-
Adjustment for prior periods	1	(33)	-	-
Income not taxable	-	(3,365)	(422)	(6,566)
Deferred tax not recognised	(4,675)	2,857	70	72
Net adjustment to deferred tax	377	19	-	(9)
Adjustments to brought forward values	-	(2)	-	-
Additional deduction for land remediation expenditure	-	(7)	-	-
Share of associates tax charge	-	39	-	1
Total tax charge	180	839	-	-

13. TANGIBLE FIXED ASSETS

13.1 NET BOOK VALUE (NBV)

	Group		Association	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Housing Properties (Note 13.2)	1,040,526	1,011,733	-	-
Other Fixed Assets (Note 13.6)	44,567	41,957	-	-
	1,085,093	1,053,690	-	-

The value of assets held as security on loan financing arrangements at 31 March 2021 was £628m on EUV-SH basis.

13.2 HOUSING PROPERTIES – GROUP

	Housing properties held for letting	Housing properties under construction	Low cost home ownership held for letting	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2020	1,159,602	14,109	68,836	1,242,547
Additions – works to existing properties	20,883	1,030	7	21,922
Additions – new properties developed	1,429	30,045	1,087	32,561
Schemes completed in year	2,644	(4,304)	633	(1,027)
Transfer from/(to) current assets	83	(5,361)	(91)	(5,369)
Tenure reallocation	(30,525)	30,567	(43)	(1)
Reclassification	(2,275)	-	-	(2,275)
Disposals	(4,431)	-	(1,688)	(6,119)
At 31 March 2021	1,147,410	66,088	68,741	1,282,239
Depreciation				
At 1 April 2020	218,684	-	7,541	226,225
Charge for year	16,631	-	567	17,198
Transfer from/to current assets	10	-	(8)	2
Reclassification	(2,278)	-	(1)	(2,279)
Disposals	(3,463)	-	(207)	(3,670)
At 31 March 2021	229,584	-	7,892	237,476
Impairment				
At 1 April 2020	4,384	33	172	4,589
Charge for year	228	-	-	228
Schemes Completed in the Year	33	(33)	-	-
Disposals	(578)	-	(2)	(580)
At 31 March 2021	4,067	-	170	4,237
Net Book Value				
At 31 March 2021	913,759	66,088	60,679	1,040,526
At 31 March 2020	936,534	14,076	61,123	1,011,733

13.2 HOUSING PROPERTIES – GROUP (CONTINUED)

	Housing properties held for letting £'000	Housing properties held for letting under construction £'000	Low cost home ownership held for letting £000	Total 2021 £'000	Total 2020 £'000
Freehold properties	685,657	66,088	39,990	791,735	759,077
Long-leasehold properties	210,236	-	20,689	230,925	225,697
Short-leasehold properties	17,866	-	-	17,866	26,959
	913,759	66,088	60,679	1,040,526	1,011,733

13.3 MAJOR REPAIRS EXPENDITURE ON EXISTING PROPERTIES – GROUP

	2021 £'000	2020 £'000
Capitalised major repairs works	21,922	13,895
Revenue major repairs works charge to income and expenditure	1,798	1,160
	23,720	15,055

13.4 SOCIAL HOUSING ASSISTANCE – GROUP

	2021 £'000	2020 £'000
Total accumulated social housing grant received or receivable at 31 March:		
Recognised in the Statement of Comprehensive Income (note 4.1)	4,613	4,604
Held as deferred income (note 22)	449,012	402,514
	453,625	407,118

13.5 FINANCE COSTS – GROUP

	2021 £'000	2020 £'000
Aggregate amount of finance costs included in the cost of housing properties	697	297

13.6 OTHER TANGIBLE FIXED ASSETS – GROUP

	Freehold office property	Short leasehold property	Leasehold property improvements	Furniture, fixtures, fittings, office equipment	Computer and telephone equipment	Scheme assets	Assets under construction	Total
	£'000	£'000	£000's	£'000	£'000	£'000	£'000	£'000
Cost								
At 1 April 2020	13,618	2,750	726	1,210	18,730	20,659	1,213	58,906
Additions	-	-	-	-	1,070	6,022	1,574	8,666
Disposals	-	-	-	-	-	(602)	-	(602)
At 31 March 2021	13,618	2,750	726	1,210	19,800	26,079	2,787	66,970
Depreciation								
At 1 April 2020	2,105	1,297	436	581	8,116	3,416	-	15,951
Charge for year	314	595	73	86	3,867	1,120	-	6,055
Disposals	-	-	-	-	-	(602)	-	(602)
At 31 March 2021	2,419	1,965	436	667	11,983	3,934	-	21,404
Impairment								
At 1 April 2020	954	-	-	-	45	-	-	999
Charge for the year	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
At 31 March 2021	954	-	-	-	45	-	-	999
Net book value								
At 31 March 2021	10,245	858	217	543	7,772	22,145	2,787	44,567
At 31 March 2020	10,560	1,453	290	632	10,570	17,240	1,213	41,957

13.7 IMPAIRMENT

During the year an impairment review has been undertaken to consider whether there are any impairment triggers, which would require a wider impairment review. The Group considers individual schemes to be separate cash generating units (CGU's) when assessing for impairment, in accordance with the requirements of FRS102 and SORP 2018. Impairment triggers in relation to housing properties consider known issues, long term void performance and other economic factors.

During the year a charge of £217,000 was incurred in relation to component defects at Reeve Court, a scheme comprising 153 units and £12,000 relating to a long term void flat at 66 Daisy Haye.

Impairments were released in the year totalling £578,000 relating to the disposal of a portfolio of properties in the East Riding of Yorkshire.

For all other tangible and intangible asset balances, the approach to impairment is to focus on the future economic value of capitalised project spend. During the year an impairment review has been undertaken to consider whether there are any impairment triggers, which would require a wider impairment review. This review concluded that there are no such impairment charges.

Inventory impairments were made for £1,703,384 in relation to an investment in Liverpool Waters and £68,013 relating to inventories of personal protective equipment purchased during the Covid-19 pandemic.

No further impairments have been provided for arising from the onset of Covid-19 as this has had negligible impact on development sales.

14. INTANGIBLE FIXED ASSETS

	Software £'000	Goodwill £'000	Total £'000
Cost			
At 1 April 2020	3,486	-	3,486
Additions	2,904	-	2,904
Acquisitions	-	1,685	1,685
At 31 March 2021	6,390	1,685	8,075
Amortisation			
At 1 April 2020	858	-	858
Charge for year	844	42	886
31 March 2021	1,702	42	1,724
Net book value			
At 31 March 2021	4,688	1,643	6,331
At 31 March 2020	2,628	-	2,628

Goodwill of £490,541 arises from the purchase of an additional 8.33% of the shares in Sapphire Extra Care (Holding) Ltd during the year, increasing the group share from to 33.33%. Goodwill of £1,194,438 arises from the purchase of an additional 66.66% of the shares in Avantage (Cheshire) Holdings Ltd during the year, increasing the group share to 100%.

Goodwill is to be amortised on a straight line basis over the remaining life of each PFI, with amortisation being charged to operating costs.

15.1 FIXED ASSET INVESTMENTS – GROUP

	Associates investment fund £'000	Shared equity investment £'000	2021 Total £'000	2020 Total £'000
Valuation				
At 1 April	3,263	2,546	5,809	6,322
Additions	542	-	542	6
Disposals	(1,238)	-	(1,238)	-
Repayments	(48)	(585)	(633)	(354)
Reclassification	25	(2)	23	(14)
At 31 March	2,544	1,959	4,503	5,809

Associates Investment Fund

Loan balances between Associate entities:	2021 £'000	2020 £'000
Sapphire Extra Care (Holding) Limited	2,133	1,625
Grove Village Holdings Limited	411	425
Avantage (Cheshire) Holdings Limited	-	1,213
	2,544	3,263

Shared Equity Investments

The Group operates a scheme by lending a percentage of the cost to home purchasers, secured on the property. An equity loan is provided by YHL to the value of between 20% and 25% of the property value. YHL charge interest on this loan to the Client. The mortgage period is variable up to 25 years. The portion loaned by YHL is settled on the termination date of the mortgage. Should the customer sell the property before the end of the mortgage period in this case the mortgage would be settled. Should the purchaser run into financial hardship and not be able to settle the loan to YHL the property will be sold. These properties are held for provision for social housing or to otherwise provide social benefit. Shared Equity Investments are valued at cost. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period.

FIXED ASSET INVESTMENTS – ASSOCIATION

The association had the following invested capital in investments:	2021 £'000	2020 £'000
Nuvu Development Limited	43,620	43,620
Nuvu Living LLP	6,431	6,431
	50,051	50,051

All entities are 100% owned subsidiaries of the Group with investments held at cost.

15.2 SHARE OF ASSOCIATES – GROUP

The Group had the following aggregate interest in the net assets of the associates:

	Grove Village Holdings Limited	Sapphire Extra Care (Holding) Limited	Avantage (Cheshire) Holdings Limited	Total £'000
At 1 April	2,514	(1)	725	3,238
Increase/ (decrease) in net assets	82	26	(670)	(562)
Disposals	-	-	(55)	(55)
At 31 March	2,596	25	-	2,621

Investment in Associates
The Group had an interest in the following associates as at 31 March 2021, all of which are shareholdings held by Your Housing Limited:

Name of undertaking	Country of registration	Description of shares held	Proportion of nominal value of issued shares held 2021	Proportion of nominal value of issued shares held 2020	Nominal value of issued shares held 2021 £
Grove Village Holdings Limited	England	Ordinary £1 B shares	25.5%	25.5%	12,750
Sapphire Extra Care (Holding) Limited	England	Ordinary £1	33.3%	25.0%	16,667

The 33.3% investment in Avantage (Cheshire) Holdings Limited was increased to 100% ownership on 8 December 2020, details are disclosed in note 31.

Grove Village Holdings Limited
The Group holds a 25.5% interest in the ordinary share capital of Grove Village Holdings Limited, a company registered in England and Wales. The principal activity of the company is that of designing, refurbishing, financing, maintaining property and providing housing management services on the A6 Plymouth Grove social housing estate in Manchester, under a contract under the Government's Private Finance Initiative (PFI). During 2007 the Association provided funding in the form of unsecured loan notes to Grove Village Limited of £952,000, the balance on the notes at 31 March 2021 was £411,000 (2020: £425,000). The loan notes are due for final redemption in 2031 and accrue interest at 9.07% p.a. Dividends of £75,194 were received during the year (2020: £96,116). Transaction are disclosed in note 29.

Sapphire Extra Care (Holding) Limited
During 2014 the Association provided long term funding in the form of unsecured loan notes to Sapphire Extra Care (Holding) Limited of £1,718,000, additional loan notes of £542,000 were provided in June 2020. The balance of outstanding notes at 31 March 2021 was £2,133,000 (2020: £1,625,000). The loan notes are due for final redemption in 2039 and accrue interest at 11.5% p.a. The Association held a 25.0% interest in the ordinary share capital of Sapphire Extra Care (Holding) Limited, a company registered in England and Wales, which was increased to 33.33% on 18th June 2020. The principal activity of the company is that of design, finance, build and provision of management and maintenance services of extra care housing facilities under a Private Finance Initiative ('PFI') contract with Stoke-On-Trent City Council. No dividends were received during the year (2020: £25,000). Transaction are disclosed in note 29.

15.3 INVESTMENT PROPERTIES

	2021 £'000	2020 £'000
Valuation		
At 1 April	70,113	62,407
Additions	14,107	9,407
Disposals	(681)	(171)
Fair value movement	181	732
Reclassification	(24)	(14)
Impairment	276	(2,276)
At 31 March	83,972	70,113

The Board appointed JLL as the independent expert in the impartial valuation of properties held for market rent of the Group as at 31 March 2021. The Board have used the independent experts' report to determine the fair value of properties held for market rent of the Group as at the year end. The key valuation for market rent properties has been completed on a market value subject to the existing tenancies (MV-T) basis.

15.3 INVESTMENT PROPERTIES (CONTINUED)

In valuing market rent investment properties, a discounted cash flow methodology was adopted with key assumptions:

Discount rate	7.25% - 8.00%
Annual rental growth (nominal)	0.00% (Year 1); 3.00% (Years 2-4); 2.00% (Years 5+)
Exit yield	5.10% - 5.75%

Valuations for commercial properties are based on third-party valuation reports on a 5-year basis with an annual update to those reports, based on market conditions, in the intervening reporting periods. Valuations of self-constructed investment properties under development are based on the cost at initial recognition.

16. INVENTORIES

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Outright sales - completed	-	9,936	-	-
Shared ownership – completed	817	240	-	-
Outright sales – under construction	20,421	2,102	-	-
Shared ownership – under construction	11,481	2,450	-	-
Repairs stock	496	364	84	189
	33,215	15,092	84	189

Inventory impairments were made for £1,703,384 in relation to an investment in Liverpool Waters and £68,013 relating to inventories of personal protective equipment purchased by Your Housing Group Limited during the Covid-19 pandemic recorded within repairs stock.

17. TRADE AND OTHER DEBTORS

	Group		Association	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Due within one year				
Arrears of rent and service charges	9,585	12,739	-	-
Less: provisions for bad and doubtful debts	(5,266)	(4,413)	-	-
	4,319	8,326	-	-
Amounts due from group undertakings (note 29)	-	-	567	1,542
Trade receivables	1,769	2,166	-	-
Prepayments	3,329	2,575	2,917	2,412
Accrued income	1,047	952	28	43
Insurance debtor	25,790	-	-	-
Finance debtor	716	-	-	-
Other debtors	1,752	1,522	342	190
	38,722	15,541	3,854	4,187

	Group		Association	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Due after more than one year				
PFI finance debtor	46,401	-	-	-
Deferred Taxation	1,236	-	-	-
	47,637	-	-	-

Business Combination note 31 contains details of the long term debtors acquired in 2021.

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Bank loans	12,102	4,603	-	-
Other loans	19,000	19,000	-	-
Trade Creditors	8,361	5,805	965	845
Amounts due to group undertakings (note 29)	-	-	5,225	6,196
Rent and service charges received in advance	5,651	7,484	-	-
Recycled Capital Grant Fund (note 23)	1,580	855	-	-
Deferred grant income (Note 22)	4,641	4,638	-	-
Disposal Proceeds Fund (note 24)	-	742	-	-
Corporation tax	292	501	-	-
Finance lease obligations	15	11	-	-
Accruals	19,630	13,524	2,972	2,733
Other creditors	4,759	2,013	535	864
Other taxation and social security	1,048	1,005	1,014	1,003
Cheshire PFI – deferred income	-	533	-	-
Deferred income – services	1,346	1,788	2	29
Sinking fund creditor	4,578	4,049	-	-
Accrued contractor capital works	6,407	3,468	-	-
	89,410	70,019	10,713	11,670

Other loans relate to a loan from Staffordshire Moorlands District Council (SMDC) and has security by way of a floating charge on all the properties within Ascent. SMDC own 49% of the voting rights of Ascent Housing LLP. The loans include terms which allow either party to request repayment with 3 months' notice. The loans have been disclosed within short term liabilities.

19. CREDITORS: AMOUNTS DUE AFTER MORE THAN ONE YEAR

	Group		Association	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Bank loans and Private Placements (note 20)	470,929	396,327	-	-
Debt issue costs	(3,163)	(2,409)	-	-
Bank loans and Private Placements – due within one year	(12,102)	(4,603)	-	-
Bank loans and Private Placements – due after more than one year (note 20)	455,664	389,315	-	-
Financial derivatives	812	1,086	-	-
Recycled Capital Grant Fund (note 23)	11,373	12,118	-	-
Deferred Grant Income (note 22)	444,371	397,876	-	-
Finance Lease obligations (note 20)	1,020	1,024	-	-
Other	1	-	-	-
	913,241	801,419	-	-

20. DEBT ANALYSIS

Bank debt and Private Placements are repayable as follows:

	Group		Association	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Due within one year	12,102	4,603	-	-
Between one and two years	6,568	10,948	-	-
Between two and five years	26,384	23,260	-	-
After five years	422,392	355,120	-	-
	467,446	393,931	-	-
Plus debt issue costs	3,163	2,396	-	-
Fair value adjustment	320	-	-	-
	470,929	396,327	-	-

The loans are secured by fixed charges on individual properties. As at 31 March 2021, the weighted average interest rate was 3.32% (2020: 3.34%).

Debt refinancing:
During the year the Group executed its first two Private Placements totalling £120 million. The first transaction completed in July 2020 and the proceeds of £45 million were used to repay revolving credit facilities. The second transaction will complete in May 2021 and November 2021 and its proceeds will be used to repay revolving credit facilities.

A loan amounting to £18,000,000 was also cancelled which resulted in break costs of £4,300,000 being incurred. As a result of this repayment, the EBITDA MRI based interest cover covenant has now been removed.

Subsequent to 31 March 2021, the Group has executed three further Private Placements in the amount of £130 million. These completed in May 2021 and the proceeds were used to repay revolving credit facilities. These new facilities are on consistent terms with the Private Placements executed during the year ended 31 March 2021.

The majority of debt is currently secured by way of first legal charges on certain housing properties of the Company. These properties are valued periodically by professional valuers and are stated either on an Existing Use Value or Market Value subject to tenancies basis. At 31 March 2021, the amount of undrawn committed facilities was £98,591,000 (2020 - £106,000,000).

The lender for Avantage (as security trustee for the senior finance parties) holds a fixed and floating charge over the Avantage company and its assets.

Avantage Debt

The PFI's largest loan obligations relate to a senior loan facility, the security for which is principally the cashflow generated by the project company. In the event that Avantage was unable to make its scheduled repayments and was therefore in default, the lender would have no recourse to Your Housing Limited as the parent entity of Avantage, either in terms of asset security or as any guarantor of Avantage's loans. This is the same for Your Housing Group.

20. DEBT ANALYSIS (CONTINUED)

Bank and other loans comprise the following:

	£'000	Fixed/variable	Interest rates	Repayment profile
Bank and building society loans	391,801	Fixed and variable	0.33% to 8.05%	Bullet and instalments by January 2041
Private placements and other non bank funding.	79,128	Fixed	2.44% to 11.35%	Bullet and instalments by July 2055
	470,929			

Within the bank and building society loans, the range includes certain tranches which are drawn on a LIBOR plus margin basis as well as fixed rate plus margin basis. The other loans were predominantly executed pre 2008 and the associated fixed rates are somewhat higher than the rates currently available on similar fixed rate loans.

Finance leases are repayable as follows:	**Group**		**Association**	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Due within one year	15	11	-	-
Between one and two years	19	15	-	-
Between two and five years	84	70	-	-
After five years	917	939	-	-
	1,035	1,035	-	-

The finance leases are secured over individual assets to which they relate.

21. FINANCIAL ASSETS AND LIABILITIES

The Treasury Strategy is designed to ensure that the Group has sufficient funding in place for all developments for the next 12 to 24 months, and that refinancing risk is managed to ensure that the Group does not need to refinance material amounts of debt in any one year. The Group does not hold any financial instruments for speculative purposes.

The Treasury Strategy manages short term cash flows by depositing facilities until they are required. Returns are maximised using money market deposits for free cash balances.

The Group holds £15,000,000 of financial derivative swaps to protect against interest rate risk, the movement in the fair value of the swap of £274,270 has been included within the interest expense for the year.

Financial assets and liabilities are categorised as follows:	**2021 £'000**	**2020 £'000**
Cash and cash equivalents	64,187	36,586
Trade and other debtors	81,794	12,966
Financial instruments measured at amortised cost – debt	(467,767)	(396,327)
Financial instruments measured at amortised cost – other loans	(19,000)	(19,000)
Financial derivatives – fair value	(812)	(1,086)
Finance leases	(1,035)	(1,035)
Creditors	(44,783)	(27,603)
	(387,416)	(380,862)

22. DEFERRED GRANT INCOME – GROUP

	2021 £'000	**2020 £'000**
At 1 April	402,514	401,951
Grants received	53,764	7,713
Government grants taken to income	(4,656)	(4,663)
Grants recycled	(2,610)	(2,487)
At 31 March	449,012	402,514
Due in less than one year (note 18)	4,641	4,638
Due in greater than one year (note 19)	444,371	397,876
	449,012	402,514

The grant value above is shown net of amortisation, the gross value is £529,187,000 (2020: £469,179,000).

23. RECYCLED CAPITAL GRANT FUND – GROUP

	2021 £'000	2020 £'000
At 1 April	12,972	11,451
Grants recycled and disposed	(32)	1,435
Interest accrued	13	87
At 31 March	12,953	12,973
Due in less than one year (note 18)	1,580	855
Due in greater than one year (note 19)	11,373	12,118
	12,953	12,973

24. DISPOSAL PROCEEDS FUND – GROUP

	2021 £'000	2020 £'000
At 1 April	742	1,354
Interest accrued	-	4
Grants recycled and disposed	(742)	(616)
At 31 March	-	742
Due in less than one year (note 18)	-	742
	-	742

25. PROVISIONS FOR LIABILITIES

Total provision		Group		Association	
		2021 £'000	2020 £'000	2021 £'000	2020 £'000
Deferred taxation	25.1	1,159	1,411	-	-
Dilapidations	25.2	1,022	973	-	-
Asset reinstatement	25.3	26,148	-	-	-
Fire safety works	25.4	5,500			
At 31 March 2021		33,829	2,384	-	-

25.1 DEFERRED TAXATION

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
At 1 April	1,411	1,221	-	-
Charge to the Statement of Comprehensive Income	(252)	190	-	-
Business combination		-	-	-
At 31 March	1,159	1,411	-	-

Analysis of deferred tax balances	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Accelerated capital allowances	597	584	-	-
Provision for rollover relief	562	827	-	-
Discounted provision for deferred tax	1,159	1,411	-	-

25. PROVISIONS FOR LIABILITIES (CONTINUED)

25.2 DILAPIDATIONS

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
At 1 April	973	1,115	-	-
Charge to income and expenditure account	-	(142)	-	-
Unwind of discount	49	-	-	-
At 31 March	1,022	973	-	-

As part of the group's property leasing arrangements there is an obligation to repair damages which incur during the life of the lease, such as wear and tear. The cost is charged to profit and loss as the obligation arises. The above dilapidations provision includes the cost of reinstating the head office building at 602 Aston Avenue on termination of the lease, which expires in 2029. The cost of the reinstatement works was valued by Stephen D Buxton & Associates in March 2020.

There has been limited wear and tear on the building during the period to 31 March 2021 as it was used mainly for storage and occasional meetings because most staff were working from home. There have been no structural changes to the building and therefore management have determined that there is no material change in the dilapidation valuation provided in March 2020.

25.3 ASSET REINSTATEMENT

Asset reinstatement provision	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
At 1 April	-	-	-	-
Rebuild of Beechmere	26,148	-	-	-
At 31 March	26,148	-	-	-

The provision has been generated due to the acquisition of Avantage (Cheshire) Holdings Limited on 8 December 2020, please refer to note 31.

Rebuild
The rebuild of Beechmere is required under Clause 63.3 Reinstatement of the Project Agreement between Avantage and the Councils. The construction is expected to commence in March 2022 and conclude in June 2024. The payments for the construction will largely be met by the insurance property damage claim with any shortfall, currently estimated to be up to £0.4m of the £26.1m rebuild cost, funded by additional sub-debt lent to Avantage by YHL. Funds will be drawn to meet the build contract payments and will only commence once the Deed of Variation to the Project Agreement is completed with the Councils.

25.4 FIRE SAFETY WORKS

The provision has been generated due to the acquisition of Avantage (Cheshire) Holdings Limited on 8 December 2020, please refer to note 31.

Fire safety work provision	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
At 1 April	-	-	-	-
Fire Safety Works	5,500	-	-	-
At 31 March	5,500	-	-	-

Fire safety works

The fire safety works to the remaining four Meres is required to:

- Meet the deadline in the Cheshire Fire and Rescue's report on resolving the requested modifications to those remaining Mere schemes to address the findings resulting from the fire at Beechmere. Avantage must comply in accordance with meeting the requirements of the Output Specification on Health and Safety; and
- Install sprinkler systems to meet the conditions of the requirement of the solution to respond to the Cheshire Fire and Rescue report to ensure meeting the requirement of the Output Specification on Health and Safety.

The funding for this work is a combination of early works by use of existing undrawn facilities within the Avantage Funder.

26. NON-EQUITY SHARE CAPITAL

	2021	2020
Shares of £1 each issued and fully paid	£	£
At 31 March	9	9

The shares provide members with the right to vote at general meetings but do not provide any rights to dividends or distributions. The members' liability is limited to £1 on a winding up of the Association.

27. FINANCIAL COMMITMENTS

	Group		Association	
Capital commitments	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Expenditure contracted for but not provided in the accounts	123,983	47,354	-	-
Expenditure authorised by the board, but not contracted	24,829	168,731	-	-
	148,812	216,085	-	-
Financed by				
Social housing grant	10,972	12,659	-	-
Loans / cash funds	137,840	203,426	-	-
	148,812	216,085	-	-

27. FINANCIAL COMMITMENTS (CONTINUED)

Operating lease commitments

The future minimum payments of leases are set out below.

	Group		Association	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Land and buildings - Office				
Within one year	867	912	-	-
Between two and five years	3,467	3,647	-	-
More than five years	2,605	3,648	-	-
	6,939	8,207	-	-
Land and buildings - PFI Contracts				
Within one year	5,092	4,953	-	-
Between two and five years	22,085	20,616	-	-
More than five years	148,376	137,140	-	-
	175,553	162,709	-	-
Vehicles and Equipment				
Within one year	1,151	792	1,151	792
Between two and five years	2,081	1,179	2,081	1,179
More than five years	-	-	-	-
	3,232	2,571	3,232	2,571
	185,724	173,487	3,232	2,571

28. RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES – GROUP

	2021 £'000	2020 £'000
Surplus for the year	5,678	3,548
Adjustments for non-cash items:		
Non-controlling interest share	(949)	(200)
Depreciation of housing properties	17,198	17,090
Depreciation of other fixed assets	6,055	6,044
Amortisation of intangible assets	866	-
Grant amortisation	(4,656)	(4,663)
Impairment of housing properties	284	3,820
Impairment of inventories	1,771	-
Movement in fair value of investments	(181)	(731)
Decrease/ (increase) in trade and other debtors	4,771	(4,720)
Increase in trade and other creditors	13,052	10,112
Increase in inventories	(19,894)	(8,361)
Increase/ (decrease) in other provisions	-	(142)
Pension costs less contributions payable	(4,725)	(4,201)
Adjustments for investing or financing activities:		
Net gain on sale of fixed assets	(4,727)	(3,805)
Interest payable	19,386	17,813
Interest received	(1,487)	(503)
Taxation	180	(140)
Net cash flow from operating activities	32,622	30,961

Analysis of changes in net debt

	At 1 April 2020 £'000	Cash flows £'000	Cashflows loan drawdown £'000	Loan repayment £'000	Acquired £'000	Non-cash movement £'000	At 31 March 2021 £'000
Cash at bank and in Hand	36,551	22,062	-	-	5,574	-	64,187
Cash and cash equivalents	36,551	22,062	-	-	5,574	-	64,187
Borrowings							
Bank loans due within one year	(4,603)	-	-	5,320	(788)	(12,031)	(12,102)
Bank loans due after one year	(391,725)	(70)	(134,000)	98,680	(43,423)	12,031	(458,827)
Other loans due within one year	(19,000)	-	-			-	(19,000)
Finance Leases	(1,035)	15	-	-	-	-	(1,020)
Total	(379,812)	22,007	(134,000)	104,000	(38,637)	-	(426,762)

29. GROUP UNDERTAKINGS AND RELATED PARTIES

The group undertakings consolidated within the Your Housing Group financial statements, all of which were owned by the Your Housing Group Limited, unless otherwise stated, were as follows:

Name of Undertaking	Nature of Undertaking	Principal Activity
100% Owned		
Your Housing Limited	Registered Industrial and Provident Society	Registered provider of social housing
Frontis Homes Limited	Registered Industrial and Provident Society	Registered provider of social housing
Fix 360 Ltd	Company incorporated and limited by shares under the Companies Act 2006	Repairs and maintenance company
Nuvu Development Limited	Company incorporated and limited by guarantee under the Companies Act 2006	Property development company
Your Housing (Development) Limited[2]	Company incorporated and limited by shares under the Companies Act 2006	Property development company
Outlook Homes Limited[4]	Company incorporated and limited by guarantee under the Companies Act 2006	Management of residential properties
Avantage (Cheshire) Holdings Limited[3]	Company incorporated and limited by shares under the Companies Act 2006	The provision of management and maintenance services
Avantage (Cheshire) Limited[10]	Company incorporated and limited by shares under the Companies Act 2006	Provider of extra care housing under PFI contract
Nuvu Living LLP[5]	Limited Liability Partnership	Property partnership
Nuvu Living (Wavertree) LLP[6]	Limited Liability Partnership	Property partnership
Amberley Drive Development Limited[7]	Company incorporated and limited by shares under the Companies Act 2006	Dissolved on 15 June 2021
Madison Gardens Garage Company Limited[4]	Company incorporated and limited by guarantee under the Companies Act 2006	Dormant company
Arena Housing Group Pension Trustees Limited[2]	Company incorporated and limited by shares under the Companies Act 2006	Dormant company
Your Hive (No. 2) Limited[1]	Company incorporated and limited by shares under the Companies Act 2006	Dormant company
YHG & EWG Developments Limited[1]	Company incorporated and limited by shares under the Companies Act 2006	Dormant company
Nuvu Living (Liverpool Waters) LLP[6]	Limited Liability Partnership	Dormant company
Nuvu Living (No.2) LLP[6]	Limited Liability Partnership	Dormant company
Nuvu Living (No.3) LLP[6]	Limited Liability Partnership	Dormant company
Controlling Interests:		
Ascent Housing LLP[9]	Limited Liability Partnership	Registered provider of social housing
Live Verde LLP[8]	Limited Liability Partnership	Dormant company
Minority Interests:		
Grove Village Holdings Limited[11]	Company incorporated and limited by shares under the Companies Act 2006	Holding company

Grove Village Limited[13]	Company incorporated and limited by shares under the Companies Act 2006	Provider of social housing under PFI contract
Sapphire Extra Care (Holding) Limited[12]	Company incorporated and limited by shares under the Companies Act 2006	Holding company
Sapphire Extra Care Limited[14]	Company incorporated and limited by shares under the Companies Act 2006	Provider of extra care housing under PFI contract

29. GROUP UNDERTAKINGS AND RELATED PARTIES (CONTINUED)

Key to numbering:

1 Entity is a wholly-owned subsidiary undertaking of Your Housing Group Limited.
2 Entity is a wholly-owned subsidiary undertaking of Your Housing Limited.
3 Entity is a wholly-owned subsidiary of Your Housing Limited. Your Housing Limited increased its shareholding from 33.3% to 100% on 8th December 2020.
4 Entity is a wholly-owned subsidiary undertaking of Frontis Homes Limited.
5 Entity is 99.9% owned by Your Housing Group and 0.01% by Nuvu Development Limited.
6 Entity is 99.9% owned by Nuvu Living LLP and 0.01% by Nuvu Development Limited.
7 Entity is a wholly-owned subsidiary undertaking of Live Verde LLP.
8 Entity is 50% owned by Your Hive (No.2) Limited.
9 Entity is 51% owned by Your Housing Group Limited.
10 Entity is 100% owned by Avantage (Cheshire) Holdings Limited.
11 Entity is 25.5% owned by Your Housing Limited.
12 Entity is 33.3% owned by Your Housing Limited. Your Housing Limited purchased additional shares on 18th June 2020 to increase it's shareholding from 25%.
13 Entity is 100% owned by Grove Village Holdings Limited, treated as an Associate in the consolidation.
14 Entity is 100% owned by Sapphire Extra Care (Holding) Limited, treated as an Associate in the consolidation.

All entities are incorporated in England and Wales. The shares provide members with the right to vote at general meetings but do not provide any rights to dividends or distributions, with the exception of Arena Development & Construction Limited, Arena Future Limited, Arena Homes Limited, Ascent Housing LLP, Avantage (Cheshire) Holdings Limited, Avantage (Cheshire) Limited, Fix 360 Ltd, Grove Village Holdings Limited, Grove Village Limited, Nuvu Development Limited, Nuvu Living LLP, Nuvu Living (Liverpool Waters) LLP, Nuvu Living (Wavertree) LLP, Outlook Homes Limited, Your Housing (Development) Limited and Your Hive (No. 2) Limited, where the Group is entitled to dividends or distributions.

29. GROUP UNDERTAKINGS AND RELATED PARTIES (CONTINUED)

The Group has taken advantage of the exemption not to disclose transactions with other wholly owned members of Your Housing Group Limited, which are registered providers. Transactions with non-registered providers are shown below, along with associate entities.

Management charges between entities are calculated based on the number of units managed, increasing on an annual basis by RPI.

2021	**Sales/ interest £'000**	**Purchases £'000**	**Debtor £'000**	**Creditor £'000**	**Loan £'000**
Subsidiaries:					
Fix 360 Limited	69	(22,220)	-	(982)	3,620
Your Housing Development Limited	4	-	-	(39)	-
NUVU Development Limited	-	-	295	-	54,198
NUVU Living (Wavertree) LLP	56	-	-	(80)	-
Avantage (Cheshire) Holdings Limited	1,131	-	-	-	2,407
Avantage (Cheshire) Limited	2,009	(3,057)	434		-
Associates:					
Grove Village Holdings Limited	905	-	309	-	411
Sapphire Extra Care (Holdings) Limited	759	(2,722)	-	-	2,133

2020	**Sales/ interest £'000**	**Purchases £'000**	**Debtor £'000**	**Creditor £'000**	**Loan £'000**
Subsidiaries:					
Ascent LLP	301	-	-	(32)	5,000
Fix 360 Limited	212	(22,128)	998	-	2,950
Your Housing Development Limited	1	(2,717)	-	(622)	-
NUVU Development Limited	-	(5,371)	-	(4,946)	5,613
NUVU Living (Wavertree) LLP	2	-	-	(141)	-
Associates:					
Avantage (Cheshire) Holdings Limited	1,973	(2,967)	-	-	1,238
Grove Village Holdings Limited	898	-	12	-	425
Sapphire Extra Care (Holdings) Limited	722	(2,657)	-	-	1,625

30. PENSIONS

The Social Housing Pension Scheme (SHPS)

The Association participates in SHPS, a multi-employer pension scheme which provides benefits to non-associated participating employers. The scheme is classed as a defined benefit scheme in the UK. The scheme is classified as a 'last man standing' arrangement. Therefore, the Association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

The most recent formal actuarial valuation was completed as at 30 September 2017 and rolled forward, allowing for the different financial assumptions required under FRS102, to 31 March 2021 by a qualified independent actuary.

The net defined benefit liability at the year ended 31 March 2021 is £33,778,000 (2020: £14,156,000).

	2021	2020
	£'000	£'000
Fair value of plan assets	106,040	94,733
Present value of defined benefit obligation	(139,818)	(108,889)
Defined benefit liability to be recognised	(33,778)	(14,156)

Reconciliation of Opening and Closing Balances of the Defined Benefit Obligation

	2021	2020
	£'000	£'000
Defined benefit obligation at start of period	108,889	125,202
Expenses	96	96
Interest expense	2,526	2,925
Actuarial gains due to scheme experience	(1,733)	(809)
Actuarial gains due to changes in demographic assumptions	486	(1,053)
Actuarial gains due to changes in financial assumptions	32,314	(15,357)
Benefits paid and expenses	(2,760)	(2,115)
Defined benefit obligation at end of period	139,818	108,889

30. PENSIONS (CONTINUED)

The Social Housing Pension Scheme (SHPS) (continued)

Reconciliation of Opening and Closing Balances of the Fair Value of Plan Assets

	2021 £'000	2020 £'000
Fair value of plan assets at start of period	94,733	92,276
Interest income	2,229	2,184
Experience on plan assets (excluding amounts included in interest income) - gain/ (loss)	8,667	(677)
Contributions by the employer	3,171	3,065
Benefits paid and expenses	(2,760)	(2,115)
Fair value of plan assets at end of period	106,040	94,733

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2021 was £10,896,000 (2020: £1,507,000)

Defined Benefit Costs Recognised in Statement of Comprehensive Income (SOCI)

	2021 £'000	2020 £'000
Expenses	96	96
Net interest expense	297	741
Defined benefit costs recognised in statement of comprehensive income (SoCI)	393	837

Defined Benefit Costs Recognised in Other Comprehensive Income

	2021 £'000	2020 £'000
Experience on plan assets (excluding amounts included in net interest cost) – gain/(loss)	8,667	(677)
Experience gains and losses arising on the plan liabilities – gain/(loss)	1,733	809
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/(loss)	(486)	1,053
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	(32,314)	15,357
Total gain/(loss) recognised in other comprehensive income	(22,400)	16,542

30. PENSIONS (CONTINUED)

The Social Housing Pension Scheme (SHPS) (continued)

Assets

	2021 £'000	2020 £'000
Global Equity	16,900	13,855
Absolute Return	5,853	4,939
Distressed Opportunities	3,062	1,825
Credit Relative Value	3,337	2,598
Alternative Risk Premia	3,994	6,624
Fund of Hedge Funds	12	55
Emerging Markets Debt	4,281	2,869
Risk Sharing	3,860	3,199
Insurance-Linked Securities	2,547	2,910
Property	2,202	2,087
Infrastructure	7,070	7,050
Private Debt	2,529	1,909
Opportunistic Illiquid Credit	2,696	2,293
Cash	1	1
High Yield	3,176	-
Opportunities Credit	2,907	-
Corporate Bond Fund	6,265	5,402
Liquid Credit	1,266	39
Long Lease Property	2,078	1,639
Secured Income	4,410	3,594
Liability Driven Investment	26,949	31,441
Net Current Assets	645	405
Total assets	106,040	94,733

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

30. PENSIONS (CONTINUED)

The Social Housing Pension Scheme (SHPS) (continued)

Key Assumptions

	2021	2020
	% per annum	**% per annum**
Discount Rate	2.10	2.35
Inflation (RPI)	3.30	2.56
Inflation (CPI)	2.85	1.56
Salary Growth	3.30	2.56
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

	2021 No. of Years	2020 No. of Years
Retiring today (member age 65) - Male	21.6	21.5
Retiring today (member age 65) - Female	23.5	23.3
Retiring in 20 years (member age 45 today) - Male	22.9	22.9
Retiring in 20 years (member age 45 today) - Female	25.1	24.5

Arena Housing Group Pension Scheme

The Association has a pension liability in relation to a defined benefit scheme with the Arena Group Pension Scheme.

Assumptions as at 31 March

	2021 % p.a.	2020 % p.a.
Inflation assumption	3.30	2.60
Salary increases – year one	2.00	2.60
Salary increases – year two onwards	3.30	2.60
Discount rate	2.10	2.40

Weighted average life expectancy for mortality tables used to determine benefit obligations:

	2021 No. of Years	2020 No. of Years
Retiring today (member age 65) - Male	21.8	21.8
Retiring today (member age 65) - Female	23.7	23.7
Retiring in 20 years (member age 45 today) - Male	23.2	23.2
Retiring in 20 years (member age 45 today) - Female	25.3	25.2

30. PENSIONS (CONTINUED)

Arena Housing Group Pension Scheme (continued)

Analysis of amounts recognised in the Statement of Financial Position:

	2021 £'000	2020 £'000
Estimated employer assets	31,993	29,716
Present value of scheme liabilities	(32,401)	(28,087)
Defined benefit pension scheme surplus/(deficit) per valuation	(408)	1,679
Non-recoverable surplus	-	(1,679)
Net pension asset/(liability) included in financial statements	(408)	-

The scheme has been valued showing a deficit of £408,000 as at 31 March 2021 and a surplus of £1,679,000 as at 31 March 2020. The surplus was not recognised under FRS102 as The Group does not have control over the application of surplus funds following the Scheme's winding up and therefore the surplus cannot be recognised in the accounts.

Analysis of amount charged to operating profit:

	2021 £'000	2020 £'000
Administration charges	130	170
Total operating charge	130	170

Analysis of amount charged to finance costs:

	2021 £'000	2020 £'000
Expected return on scheme assets	(503)	(663)
Interest on pension scheme liabilities	665	702
Total finance costs	162	39

30. PENSIONS (CONTINUED)

Arena Housing Group Pension Scheme (continued)

Amounts recognised in the Statement of Comprehensive Income:

	2021 £'000	2020 £'000
Experience on plan assets (excluding amounts included in net interest cost) – gain/(loss)	1,236	(684)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	(4,361)	1,707
Actuarial (losses)/ gains	(3,125)	1,023

Reconciliation of defined benefit obligation:

	2021 £'000	2020 £'000
Opening defined benefit obligation	28,037	30,466
Interest cost	665	722
Actuarial losses/ (gains)	4,361	(2,378)
Benefits paid	(732)	(773)
Loss on curtailment/ changes/ introductions	70	-
Closing defined benefit obligation	32,401	28,037

Reconciliation of fair value of employer assets:

	2021 £'000	2020 £'000
Opening fair value of employer assets	29,716	29,443
Interest Income	703	695
Contribution by the employer	1,200	1,200
Administration expenses	(130)	(165)
Actuarial gains/ (losses)	1,236	(684)
Benefits paid	(732)	(773)
Closing fair value of employer assets	31,933	29,716

Contributions

The Association expects to contribute £nil (2020: £1,200,000) to the Arena Group Pension Scheme during the 2021/22 financial year in respect of the shortfall in funding as the shortfall has now been paid in full. The last triennial valuation was carried out at 31 March 2018, with the 31 March 2021 triennial valuation currently in progress. A new schedule of contributions will be agreed as part of this valuation.

30. PENSIONS (CONTINUED)

Staffordshire County Council Pension Fund (SCCPF)

The SCCPF is a multi-employer scheme, administered by Staffordshire County Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2020 and rolled forward, allowing for the different financial assumptions required under FRS102, to 31 March 2021 by a qualified independent actuary.

The net defined benefit liability at the year ended 31 March 2021 is £26,083,000 (2020: £20,533,000).

The employer's contributions to the SCCPF by the association for the year ended 31 March 2021 were £24,000 (2020: £153,000). No employees are contributing to the scheme. Estimated employer's contributions to the SCCPF during the accounting period commencing 1 April 2021 are £24,000 (2020: £136,000).

Assumptions as at 31 March

	2021 % p.a.	**2020 % p.a.**
Inflation assumption	2.9	1.9
Salary increases	3.3	2.3
Discount rate	2.1	2.3
Commutations	50.0	50.0

Weighted average life expectancy for mortality tables used to determine benefit obligations:

	2021 No. of Years	**2020 No. of Years**
Retiring today (member age 65) - Male	21.4	21.2
Retiring today (member age 65) - Female	24.0	23.6
Retiring in 20 years (member age 45 today) - Male	22.5	22.1
Retiring in 20 years (member age 45 today) - Female	25.7	25.0

Analysis of amounts recognised in the balance sheet:
Net pension liability at

	2021 £'000	**2020 £'000**
Estimated employer assets	21,482	17,287
Present value of scheme liabilities	(25,580)	(20,451)
Present value of unfunded liabilities	-	(82)
Total value of liabilities	(25,580)	(20,533)
Net pension liability	(4,098)	(3,246)

30. PENSIONS (CONTINUED)

Staffordshire County Council Pension Fund (continued)

Analysis of amount charged to operating profit:

	2021 £'000	2020 £'000
Current service cost	-	-
Past service cost	-	-
Total operating charge	-	-

Analysis of defined benefit cost recognised in Statement of Comprehensive Income:

	2021 £'000	2020 £'000
Expected return on employer asset	(392)	(453)
Interest on pension scheme liabilities	467	582
Total finance costs	75	129

Analysis of amounts recognised in Other Comprehensive Income:

	2021 £'000	2020 £'000
Experience on plan assets (excluding amounts included in net interest cost) – gain/(loss)	4,249	(1,814)
Experience gains and losses arising on the plan liabilities – gain/(loss)	277	1,043
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/(loss)	(286)	865
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	(5,046)	2,079
Actuarial (losses)/ gains	(806)	2,173

30. PENSIONS (CONTINUED)

Staffordshire County Council Pension Fund (continued)

Reconciliation of defined benefit obligation:

	2021 £'000	2020 £'000
Opening defined benefit obligation	20,533	24,436
Current service cost	-	-
Past service cost	-	-
Interest cost	467	582
Contribution by members	-	-
Actuarial (gains)/losses	5,055	(3,987)
Estimated unfunded benefits paid	-	(5)
Estimated benefits paid	(475)	(493)
Closing defined benefit obligation	25,580	20,533

Reconciliation of fair value of employer assets:

	2021 £'000	2020 £'000
Opening fair value of employer assets	17,287	18,988
Interest Income	392	453
Actuarial gains/ (losses)	4,249	(1,814)
Contribution by the employer	24	153
Benefits paid	(470)	(493)
Closing fair value of employer assets	21,482	17,287

30. PENSIONS (CONTIUNED)

Aggregate Position of Pension Funds

	2021 £'000	2020 £'000
Assets		
Fair value of plan assets	159,515	141,736
Liabilities		
Present value of defined benefit obligation	(197,708)	(157,377)
Present value of unfunded liabilities	(91)	(82)
Total value of liabilities	(197,799)	(157,459)
Non-recoverable surplus	-	(1,679)
Defined benefit liability to be recognised	(38,284)	(17,402)

Reconciliation of Opening and Closing Balances of the Defined Benefit Obligation

	2021 £'000	2020 £'000
Defined benefit obligation at start of period	157,459	180,104
Expenses	96	96
Interest expense	3,658	4,229
Actuarial gains/(losses)	40,553	(23,584)
Benefits paid and expenses	(3,967)	(3,386)
Defined benefit obligation at end of period	197,799	157,459

Reconciliation of fair value of employer assets:

	2021 £'000	2020 £'000
Opening fair value of employer assets	141,736	140,707
Interest Income	3,324	3,332
Contribution by the employer	4,395	4,418
Actuarial (losses)/gains	14,152	(3,175)
Benefits paid	(4,092)	(3,546)
Closing fair value of employer assets	159,515	141,736

30. PENSIONS (CONTINUED)

Aggregate Position of Pension Funds (continued)

Defined Benefit Costs Recognised in Statement of Comprehensive Income (SOCI)

	2021 £'000	2020 £'000
Expenses	296	96
Net interest expense	334	929
Defined benefit costs recognised in statement of comprehensive income (SoCI)	630	1,025

Defined Benefit Costs Recognised in Other Comprehensive Income

	2021 £'000	2020 £'000
Experience on plan assets (excluding amounts included in net interest cost) – gain/(loss)	14,152	(3,175)
Experience gains and losses arising on the plan liabilities – gain/(loss)	2,010	1,852
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/(loss)	(772)	1,918
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	(41,721)	19,143
Total gain/(loss) recognised in other comprehensive income	(26,331)	19,738

31. BUSINESS COMBINATIONS

Your Housing Limited, is a housing association registered in England and Wales, which is 100% owned by Your Housing Group Limited. The principal activity includes the provision of affordable homes to rent, homes for sale, sheltered and supported accommodation for older people, and hostels and foyer accredited schemes which support vulnerable people.

Avantage (Cheshire) Holdings Limited, is a parent company registered in England and Wales with a single 100% owned subsidiary Avantage (Cheshire) Limited, with principal activity of design, finance, build and provision of management and maintenance services of extra care housing facilities under a Private Finance Initiative ('PFI') contract with Cheshire West and Cheshire Council. The principal activity of Avantage (Cheshire) Holdings Limited is to act as a Holding Company.

Avantage (Cheshire) Holdings Limited was an associate in which the Group held a 33.33% interest in the ordinary B shareholding until 8 December 2020 when Your Housing Limited acquire all the remaining Ordinary A (333) and Ordinary C (333) shares plus the shareholder loan notes for consideration of £250,000. Following the increase in share capital, the Group holds a 100% shareholding and is deemed to have control over the PFI, it is thereafter consolidated into the group accounts as a wholly owned subsidiary.

Goodwill of £1,194,438 was generated by the acquisition which will be amortised over the remaining life of the PFI which concludes on 31 January 2039.

On 8 August 2019, one of 5 sites which was built and operated by Avantage (Chesire) Limited was destroyed by a fire. Insurance cover was in place and policy indemnity has been confirmed with regards to the fire event. The re-instatement of the lost site is expected to start post year end with insurance proceeds forecast to be £357,616 less than the amount necessary to replace the site.

The Company undertook surveys for the remaining four sites to assess whether any remedial works are required and it has been determined that the Company has a legal obligation to install sprinkler systems and other fire safety works which will cost approximately £5,500,000, there is no recourse to the builder due to its liquidation.

The disruption arising from the fire has resulted in Avantage breaching some of its covenants with its senior lender in the period after 31 March 2021. Nationwide have provided a Lender Consent letter where it consents not to require Avantage to repay some of the senior debt early.

The following table summarises the consideration paid by the group, the fair value of assets acquired and liabilities assumed.

The provisional amounts in relation to the fair value of the assets and liabilities acquired are set out below.

Consideration at 8 December 2020	**£'000**
Cash	250
Fair value of existing loan notes surrendered	749
Directly attributable costs	249
Total consideration	1,248

31. BUSINESS COMBINATIONS (CONTINUED)

For cash flow disclosure purposes the amounts are disclosed as follows:	£'000
Cash consideration	250
Directly attributable costs	249
Less:	
Cash and cash equivalents acquired	(5,574)
Net cash inflow	(5,075)

Recognised amounts of identifiable assets acquired and liabilities assumed

	Notes	Book Values £'000	Adjustments £'000	Fair Value £'000
DEBTORS				
PFI finance lease debtor	1	48,562	(2,106)	46,456
Insurance debtor		25,790	-	25,790
Deferred Tax Asset	2	-	1,236	1,236
Trade and other debtors		358	-	358
Cash and cash equivalents		5,574	-	5,574
		80,284	(870)	79,414
CREDITORS: amounts falling due within one year				
Bank loans		(788)	-	(788)
Trade and other creditors		(3,500)	-	(3,500)
		(4,288)	-	(4,288)
CREDITORS: amounts falling due after more than one year				
Senior Debt		(43,424)	-	(43,424)
Loan Notes	3	(1,277)	1,277	-
		(44,701)	1,277	(43,424)
PROVISIONS FOR LIABILITIES				
Beechmere rebuild provision		(26,148)	-	(26,148)
Fire safety works		(5,500)	-	(5,500)
		(31,648)	-	(31,648)
TOTAL IDENTIFIABLE NET ASSETS		(353)	407	54

Share of net assets held by group prior to acquisition	-
Goodwill	1,194
	1,248

31. BUSINESS COMBINATIONS (CONTINUED)

The adjustments arising on acquisition were in respect of the following:

1. The design, finance, build and provision of management and maintenance services is included under a Private Finance Initiative (PFI) contract with Cheshire County Council. This is valued and held as a long term finance debtor on the balance sheet. As part of the acquisition this debtor has been adjusted to its fair value based on a discounted cashflow model.
2. The tax impact of cash flows corresponding to professional fees & material damage costs for the Beechmere rebuild.
3. Fair value adjustment to the loan notes acquired.

Revenue recognised and profit contribution included in the consolidated I&E since acquisition to year end

The revenue from Avantage (Cheshire) Holdings Limited included in the consolidated income statement for 2021 was £1,696,451, with a profit contribution of £266,545 for the period.

Loan Notes

Your Housing Limited purchased all of the remaining subordinated debt which comprised of a loan note whose principal fair value amount was £2,247,904. This triggered a requirement to apply a fair valuation to both the new debt acquired and the 33% already held by the group.

	£'000
Subordinated Debt at 1 April 2020	1,238
Accrued Interest	324
Value of loan notes held at 7 December 2020	1,562
Loan notes acquired at fair value	852
Accrued interest acquired	647
Loss on Fair Value of loan notes	(813)
Value of loan notes held at 8 December 2020	2,248
Payment for additional subordinated debt	249

The Loan notes are inter-company debt and therefore fully eliminate upon group consolidation.

Your HOUSING GROUP

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