FINANCIAL ANNUAL REPORT

Year ended 31 March 2020

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

Co-operative and Community Benefit Society Registration Number: 30666R
Homes England Registration Number: L4203
Company Registration Number: IP030666

YOUR HOUSING GROUP LIMITED
CONTENTS

YOUR HOUSING GROUP LIMITED

BOARD AND SENIOR OFFICERS

Non – Executive Directors

Kathy Doran	Chair	
Val Aherne		
Alison Cambage		
Derek Cash		
Roy Grant		
Richard Groome		
Alistair How		(Resigned 30 June 2019)
Chris MacKenzie-Grieve		(Appointed 22 August 2019)
Brenda Smith		
Paula Steer		

Executive Directors

Brian Cronin	
Jeremy Earnshaw	
Stephen Fensom	(Resigned 31 May 2019)

Company Secretary

Clare Oakley

Registered Office

602 Aston Ave
Birchwood
Warrington
WA3 6ZN

External auditor

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

Internal auditor

KPMG LLP
One St. Peter's Square
Manchester
M2 3AE

This year has been, at times, a challenging year for Your Housing Group (YHG), but also one where we have continued to move ahead and successfully deliver our corporate strategy.

The housing crisis continues to be an issue for the country, and we remain committed to playing our part. Last year we announced our strategic partnership with Homes England, and in the last year we have drawn down £7.7m of grant to develop many more social and affordable homes. This year the Board has approved a total of £78m to fund new developments, bringing our total commitment to £216m. This year we have started on site with 234 homes, at Daubhill, Bolton and next year we intend to increase the programme even further with a target of 836 starts on sites. We are constantly seeking ways to deliver more homes as efficiently and cost effectively as possible in line with our Value for Money objectives, so this year we have made several strategic land purchases, acquiring enough land to build an additional 1,456 units. Buying our own land will give us greater control over supply and reduce costs. We will also take this a step further through agreeing a procurement framework with a number of development partners who can work with us at scale to deliver our programme.

It is not just new homes that are important to us however, we also understand our obligation to our existing customers. This is why this year we have invested over £15m in improving our stock. This has resulted in 1,995 new bathrooms, kitchens and boilers being installed in customers' homes, along with improvements to the fabric of the building and communal upgrades in some of our schemes. We have now mobilised several large projects in Retirement Living Schemes to address roofs which needed replacement, but in addition, to minimise future disruption to residents, we are also taking this opportunity to replace other components such as balconies, kitchen and bathroom upgrades, and extensive fire stoppage works. This is an approach we will take in planning our future investment in schemes and means that, coupled with extra investment in building safety, we have reprofiled the 30- year investment in our estate with significantly higher spend over the next five years.

We are also pleased with the progress of our in-house contractor, Fix 360, which was launched at the end of 2017. During the year Fix 360 completed over 72,000 repairs in our customers' homes, a 16% increase over the previous years' figures. Over the course of the FY20 financial year, Your Housing Group's repairs & maintenance service made a number of changes thanks to the feedback that customers provided on the services they received. Satisfaction scores also increased by 8% during this period. We have made progress, but we realise we have more work to do to and plan to develop Fix 360 further next year, as we believe by doing so we can provide our customers with a better service at a better overall value for the Group.

We have made progress in other customer service areas as well, notably our void process. Due to process improvements we have managed to cut our re-let time by 9.9 days over the course of the year and we believe we can improve this further as changes are embedded. This not only has a welcome financial effect on our void loss but also means that we can get customers into homes they need more quickly.

Keeping everyone safe is our number one business priority and this year we have maintained our 100% record on gas safety and other compliance checks. We have also spent over £5.7m in total on fire safety improvement works. The Board have also considered the findings of the Hackitt Review, *Building a Safer Future*, in relation to building safety and have already initiated a project to implement the government proposals. We are already piloting a building safety case on one of the schemes we have under development, have developed our data requirements and are working with our customers to develop customer friendly safety information.

The importance of fire safety was brought home in August 2019 when one of our PFI schemes, the Beechmere Extra Care Scheme in Crewe, suffered a devastating fire. The building was almost completely destroyed, but thankfully all 139 residents were safely evacuated. Since the fire, our staff have worked tirelessly and, with the support of Cheshire East County Council, have successfully rehoused all but one of the affected residents. We have also been able to support the residents with furniture and other practical items as they moved into their new homes, as well as running social events to help them maintain links with others in their community. We are now working with our partner Avantage to plan the rebuild of the scheme which will commence in the next year.

Providing excellence in customer service remains one of our key strategic priorities and we do this by listening and connecting with our customers so that we have in place services that are valued alongside support packages tailored to those who need them. Our support has remained strong for our most vulnerable customers through our extensive supported housing offer located directly within our extra care homes, foyers and homelessness/DV schemes. We continue to put in place support for new tenancies and by utilising our customer profiling, we provide a range of outreach neighbourhood services, often alongside key strategic and voluntary sector partners. In a recent customer survey 97% of our supported customers said the welfare support we have in place was valued.

The early part of 2020 with the on-going Covid-19 pandemic has for our customers been a very worrying time and through our well thought out customer communications we have remained committed to the provision of excellent customer service and we were able to quickly mobilise to digital platforms by maximising our existing agile working arrangements. We were very clear with our customers that it was only the office that was closing down and not our service to them and provided clarity where services had to flex to keep them and our colleagues safe. We have continued to provide a 7-day a week service for those who were most vulnerable or at risk and have remained in regular contact with over 8,000 customers a week.

Through the pandemic we have continued to listen to our customers by carrying out satisfaction surveys, in particular for our Repairs & Maintenance Services which is a service our customers have previously told us they want to see improved. During the pandemic we have provided both an emergency and essential repairs services. It is therefore really pleasing that overall customer repair satisfaction has recently risen by 12% with 90% of customers saying we have kept them informed alongside a 10% increase in right first-time repairs.

Your Housing Group is equally committed to ensuring that equality and diversity principles are embedded in the organisation and that they are considered in both our business planning and the way we shape our culture. In November 2018 we established the Balance for Better group to explore how we could make changes to address the gender pay gap and identify any issues or gender disparities. In mid-2019 we surveyed all colleagues to gain a better understanding of working life for women at YHG. Then in November last year, we hosted our first ever Balance for Better conference to celebrate diversity and inclusion, and to empower women across the organisation. During the last year we have made great progress - female representation in each of the 3 higher grades has increased and the average salary for women at YHG has increased by 10% over the past 12 months. Last year we didn’t have any executives on our leadership team and today we have a 50/50 split. We continue to be bold and honest as we strive for diversity and inclusion.

With all we want to achieve in our corporate strategy maintaining financial viability is extremely important and this year the Board has reviewed its Treasury Strategy to ensure we have sufficient capacity to deliver our ambitions. We have renewed our revolving credit facilities (RCFs) securing £250m of facilities for the next 10 years. In addition to extending the terms of our RCFs, this has also enhanced our Liquidity and eliminated the EBITDA-MRI covenant from the Group, allowing us the necessary flexibility to deploy substantial capital in our Asset programme. Early in 2020 we also approached investors to explore a Private Placement and during the first few months of FY21 we have now committed contractually to two Private Placements loans amounting to £120 million, the proceeds of which will be received over a period up to November 2021. This was achieved against the huge uncertainty of Covid-19, and the fact that we were able to implement this funding is extremely positive and ensures that we remain financially resilient.

Alongside our funding and the improvement work we are undertaking across the business, we are also constantly striving to strengthen the control environment. This means we keep all our processes and procedures under review, fix things where they have gone wrong and work with our internal auditors to drive improvement.

In February 2020, the Regulator issued a new Regulatory Judgement in respect of Your Housing Group where it determined the Group's governance rating at G2. Although this is disappointing the G2 rating does still indicate that the Regulator considers that the Group is compliant with the Regulatory standards, although it would like to see some improvements. We have agreed an improvement plan with the Regulator and will be working hard to ensure we return to G1 as soon as possible. The Regulator's Judgement in respect of Viability is still V1, the highest rating and indicates that the Regulator considers we have met their Viability requirements and have the financial capacity to deal with a wide range of adverse scenarios. We feel this is a real demonstration of the Group's strong financial position and allows the Board to plan on delivering its core objectives on a long-term basis.

At the very end of the year, we were faced with the unprecedented challenges of Covid-19. We have found that the strategic decisions we had made previously, such as moving to more agile ways of working, and having a very robust liquidity policy, meant that we were very well placed to deal with this crisis. Our IT was able to support, where possible, our employees working from home, even including our call centres, enabling us to continue to run our business. To protect our customers and employees, we have had to reduce some of the frontline services we provide, particularly where it involved entering customers' homes, but we have maintained our essential repairs service and all our compliance activity. We chose early on in the crisis not to furlough any of our employees and many volunteered to be redeployed to ensure that we protected our most vulnerable customers, making welfare calls from home or providing porterage and wipe down services in some of our older persons schemes. The board is extremely grateful for the efforts of all our employees who have again demonstrated how, as an organisation, we put our residents at the heart of what we do.

As we move into the coming year our focus remains on delivering the Corporate Strategy we have agreed as a Board and which we believe will create the places for people to thrive and make us a sector leading landlord.

Kathy Doran	Brian Cronin
Kathy Doran	Brian Cronin
Chair	**Chief Executive**

WHO ARE WE?

Your Housing Group (the 'Group' or YHG) is one of the largest providers of affordable housing in the UK, managing nearly 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

Our strategy is overseen and directed by the Group Board. During the year we further evolved 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, making further cost efficiencies whilst retaining and improving our relationship with customers.

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

Our employees 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 through surveys, conferences and employee feedback channels. Working together, we will provide clarity, consistency and a commitment to improving and modernising the way we work. We will push the boundaries of both the employee and employer experience

OUR BUSINESS PRIORITIES

To deliver our strategy and allocate our resources we must make choices. During year ending 31st March 2020 we prioritised, and reported against, five 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 - Deliver new affordable homes

Priority 4 - Use innovation and technology to transform our business

Priority 5 - Maintain business viability and balance sheet strength

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.

"Building a Safer Future": Independent Review of Building Regulations and Fire Safety (Hackitt Report) introduces a new regulatory framework to increase the focus on creating and maintaining safe buildings, whilst also providing greater reassurance and recourse for customers. We will implement a new framework and capability for managing complex buildings as complete systems, which will improve transparency of building safety and effectiveness and efficiency of service delivery.

Our future customer engagement strategy will set out how we will share information with residents on building safety. We believe that our residents have an important role to play in identifying and reporting issues that may impact on the safety of the building and co-operating with crucial safety related works, to ensure their own safety and that of their neighbours.

Additionally, we are investing to build stronger face to face relationships with our customers, to improve our knowledge of their needs and better managing delivery of service at the point of need, with the specific objective of customer safety as a component of overall customer experience.

We place the utmost importance on the safety of our staff. It is our duty to protect the health, safety and welfare of our employees and other people who might be affected by our business. This means ensuring that workers and others are protected from anything that may cause harm, effectively managing any risks to injury or health that could arise in the workplace.

Our business outcomes:

- We comply with all current safety regulations
- People working for us are / feel safe doing their job

Performance in FY20

In keeping with our number one priority to keep everyone safe, at the end of the financial year we were 100% compliant on our safety checks relating to gas, fire safety, legionella, asbestos, electrics, passenger lifts and bathing equipment. We also recorded fewer year-on year numbers of accidents involving our staff and customers, as well as less incidents of violence and abuse toward our staff.

PRIORITY 2 – BE A GREAT LANDLORD

We will build stronger, long-term relationships with our customers, based upon knowledge and respect – seeking to provide a service offer that reflects their needs. We will also provide options of flexible and long-term tenancies to better reflect modern lifestyles.

Our customer base is complex and varied and – like all customers – their needs evolve over time as their circumstances change. We will deliver a data led approach to understanding needs and shaping our service delivery to support customers throughout their relationship with us.

We continue to develop the flexibility for customers to choose how and when they obtain services from us through deployment of technologies. Simultaneously, we are focused upon ensuring our vulnerable customers do not become more isolated, through doubling our capacity to visit our customers' homes and neighbourhoods to ensure our services are being delivered effectively.

We have significantly increased our focus upon customer involvement and connection to help us continuously understand and improve our performance.

Our research demonstrates that customers view their safety and security as top priority. Whilst a number of our customers already have long-term tenancies, many do not, which impacts their ability to make decisions over the medium term. We have already provided a longer-term option for these tenants and over the life of this business plan we aim to introduce portable, long-term tenancies to allow tenants more control and flexibility over where they live and the choices that they make regarding their personal and employment opportunities.

We are already known as a leading provider of Young People Services through our Foyers and Older Peoples Services through our ExtraCare schemes. We recognise the UK Government's increasing focus on securing better futures for Homeless people across the UK. We are using our experience in our current areas of Supported customers to develop and offer solutions in this area. This will both support the Government agenda and strengthen our position as a leader in Supported Housing.

In short, we are in it for the long term for all our customers. We will continue to provide safe and decent homes.

We are proactively investing in our customers' homes to ensure that they continue to meet our standards.

This means our homes will be free of hazards that pose a risk to residents, be in a reasonable state of repair, have reasonably modern facilities and services such as kitchens and bathrooms and efficient heating and effective insulation. Our asset maintenance plan includes investment of £395 million in the next 10 years.

Over the plan period we intend to increasingly use our in-house contractor, Fix360, to deliver our repairs service, both for reactive and planned work, and move from being a single service to a bundled service provider.

In addition to maintaining our homes we also provide essential services outside the home, in our neighbourhoods – grounds maintenance and window cleaning for example. We believe that our responsibility goes beyond the home and we also deliver ongoing community projects that are locally driven and delivered according to the neighborhood and business circumstances that arise for that location.

When things do go wrong, we provide access to our online complaints process. We understand that customers expect a timely response and for issues to resolved quickly.

Our business outcomes:

Every home and environment meet the YHG standard

Our customer satisfaction rates are top quartile for the sector, as are complaint rates

Our repair quality and response rates are top quartile for the sector

Our customers would recommend us as a landlord

Performance in FY20

As part of our commitment to investing in our customers' homes, we replaced almost 2,000 kitchens, bathrooms and boilers and fully painted 2,400 properties.

We invested over £2 million in our communities by providing clean up services, money advice teams and running community centres. This was over 75% higher than the sector benchmark for spend in communities.

PRIORITY 3 – 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 being offered for open market sale.

Over the next 5 years, we plan to invest over £452 million building more than 3,000 new homes. We will build the right homes and rent them at prices local people can afford.

We know that we operate in areas of high housing stress - where the cost of housing (either a mortgage or rental) is high relative to household income. As a rule of thumb, a household spending 30 per cent or more of its income can be considered under housing stress, and under "extreme" housing stress if spending exceeds 50 per cent. In our areas, an average three-bedroom home now costs around 8 times the average earnings.

When we are deciding *where* to invest and build new homes we look at the overall affordability of an area. We have created a new metric - "liveability index" - which starts to create a more real-world and accurate picture of what affordability actually is. This informs us where more affordable housing new build is most urgently needed.

We also look for sites near good schools, good transport links, employment and community infrastructure. The sites that satisfy this search criteria tend to be in brownfield locations and we are working with industry leading specialist to explore options.

A lack of land available for housing, especially in the least affordable areas, has been one of the key reasons for England's undersupply of housing. We are actively looking at larger sites to give us certainty of supply and a lower cost per acre and there is a long-term plan to control, either through ownership, option agreement or partnership a pipeline of land.

We are adopting a commercial approach to our development supply chain and are looking to acquire land, delivering a mix of affordable home ownership, social and private for rent homes in our developments. We have secured our first land site in Manchester and we are continuing to search for appropriate sites in the areas that align with our growth strategy.

We are working to reduce the cost of building new homes. Traditional methods of house building have barely changed in the last 100 years and the rate of modernisation has not kept pace with technological innovation in other sectors of society. At present, there are relatively few established off-site manufacturers and only a modest (though not insignificant) number of buildings that have been constructed using "modern methods" in England.

We are at the early stages of understanding the business impact of using modern methods of construction. At present, initial explorations are proving to be cost prohibitive on a project by project basis, but we will continue to pursue an approach with a few selective partners with the aim of delivering units to site faster and cheaper than we do now.

In February 2019 we were awarded Strategic Partnership status with Homes England. This means that we will receive grant funding of £87.5m new grant to fund 2,315 new-build affordable homes in our plan. In addition to the funding aspect, our partnership with Homes England will assist in unlocking and procuring land. The Wave 2 Programme includes funding to deliver 168 new social rented homes and 60 new supported homes.

We are exploring new funding opportunities, whilst preserving the resilience of the YHG balance sheet going forward. We believe there is merit in developing an Affordable Housebuilding Equity and Innovation Fund. This would provide a vehicle for pension funds to invest in affordable housing in return for a reliable long-term yield.

Our business outcomes:

- New affordable homes delivered
- Land pipeline / bank – via strategic land company
- Reduced time and cost to build
- Innovative funding sources secured

Performance in FY20

To continue to deliver new affordable homes and in FY20 we secured enough land to enable us to build almost 2,000 properties in the future. We built 195 new homes in the last year, with the cost to build these properties being better than the budget that was set at the start of the year. We also performed better than target on our Gearing, which measures the ratio of loans we have against the cost of our assets.

PRIORITY 4 – USE INNOVATION AND TECHNOLOGY TO TRANSFORM OUR BUSINESS

Innovation and the use of technology are helping us transform our business, increasing efficiency and improving productivity. We are re-imagining the business to create a 21st century organisation that is innovative, flexible, customer focused digital and sector leading.

In re-imagining our business, we must be innovative and challenge the status quo to deliver our vision of being a sector leading landlord. Central to this is a step change improvement in digital services and technology.

We will continue to ingrain innovation and creativity throughout our organisation, including finding more ways to encourage our employees and customers to co-design change with us. We want to ensure that customers have access to a faster, more convenient service so that we maintain a high level of customer satisfaction, whilst our employees are bought into the rationale for change.

A successful, digital business is driven by great people, not just great technology, so we will continue to create a climate for our people to thrive and build our strong employer brand in and out of the sector.

Our core principles are:

- To create an effortless customer experience allowing customers to reach us and use our services in a way and at a time that suits their needs
- To design and deliver services and operate digitally
- To deliver services empathetically at the point of delivery

To deliver these principles we are making fundamental changes to the organisation to make us more efficient and customer-focused. A multi-year programme of change will cover our capabilities, processes, systems, data and organisational design.

Delivering the new model will mean significant cultural change. There will be a strong focus on establishing a culture where people can thrive with different skills and capabilities. In summary, we will design and deliver the right organisational capabilities to set us up for success.

Our business outcomes:

A digital, efficient and scalable business that contributes to further reductions in our cost base, releasing capacity to fund building more homes and delivering value for money for our customers.

Performance in FY20

We continued to invest in our processes and begun large scale projects to improve our repairs and asset management functions. This is to give our customers the best possible service and mean that queries are handled right first time and to a high standard.

PRIORITY 5 – 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 a minimum of 24 months at all times, with covenants that are less restrictive than previously. This has been achieved following the refinancing of £250 million of revolving credit facilities with certain bank lenders during the year and the commitment obtained for £120 million of long dated, fixed rate Private Placements subsequent to the year end, which will be completed over the period to November 2021.

We currently have around £113 million unused facilities (March 2020). The recently refinanced revolving credit facilities mature in February 2030.

Our business outcomes:

- Long-term solid financial strength and capacity

Performance in FY20

Over 99% of our available properties were tenanted at year-end ensuring our ability to collect full rent remains high. The time it took us to re-let properties after a tenant had left reduced by over 10 days in this financial year. We also ensured that we had enough liquidity available to deliver all our services.

REFINEMENT OF BUSINESS PRIORITIES

Since 31st March 2020, we have further refined our statement of headline business priorities. Innovation and Technology transformation have already become an integral element of how we work at all times, and we will continue that emphasis and commitment as a core facilitator throughout the organisation. For the year ending 31st March 2021 we will focus on the following headline priorities:

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 our priorities are our staff, and our aim is to provide a working environment where people can thrive.

OUR CULTURE AND VALUES

Our values make us different

Values are the ethos, character and spirit of an organisation.

Our company values are **passion**, **pride**, **creativity** and **accountability** and these values will guide all aspects of business decisions, from choosing talent to the way we interact with our customers, staff and stakeholders.

Living our values through our cultural transformation

Our cultural shift will see an organisation where staff 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.

Our 2022 culture will deliver on both sides of the employee deal; our staff will be engaged and living our values without thought, and we will see high levels of discretionary outputs

We will reach this by:

- Maintaining excellent levels of staff engagement
- Maintaining YHG as the great place it is to work
- Being consistent in our ever-moving wheel of continuous improvement
- Continuing to listen to our people and fix what is broken or not effective
- Taking the business to the next level

Performance in FY20

- Sustained Employee Net Promoter Score of 82% (Staff would recommend as great place to work)
- Excellent performance in relation to low staff absence in line with leading high performing sectors
- Internal promotion rate of 85%
- 50/50 Gender Split within Executive team
- Direct Hiring (90%) Demonstrates appetite for external candidates wishing to join YHG
- Number of c500 Volunteered Hours

OPERATING AND FINANCIAL REVIEW – SUMMARY RESULTS

Statement of Comprehensive Income (£m)	2019/20	Restated 2018/19	2017/18
Turnover	150.9	148.3	161.9
Operating surplus (excluding surplus on the sale of fixed assets)	16.8	29.0	52.1
Earnings before interest, depreciation, amortisation and sales (EBITDAS)	39.7	50.7	68.8
Earnings before tax (EBT)	4.2	21.3	(15.8)

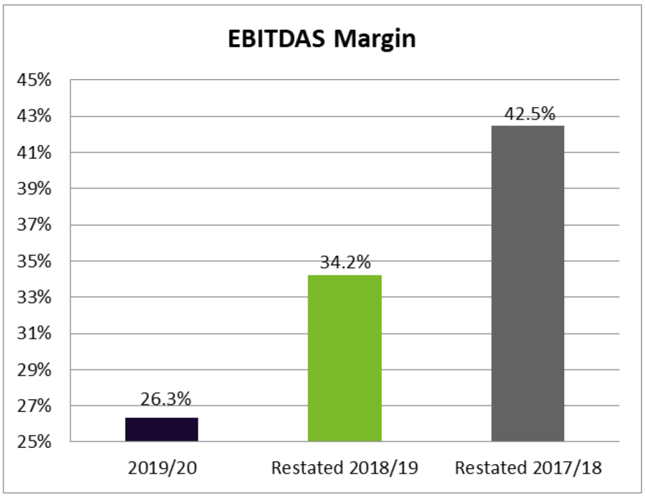
Statement of Financial Position (£m)	2019/20	Restated 2018/19	2017/18
Fixed assets	1,135.5	1,085.4	1,079.0
Net current (liabilities)/assets	(2.8)	(12.8)	(27.0)
Long term creditors – debt	389.3	335.2	327.0
Long term creditors – grants	397.9	397.3	411.1
Long term creditors – other and provisions	34.0	51.7	21.2
Reserves	311.4	288.4	292.5

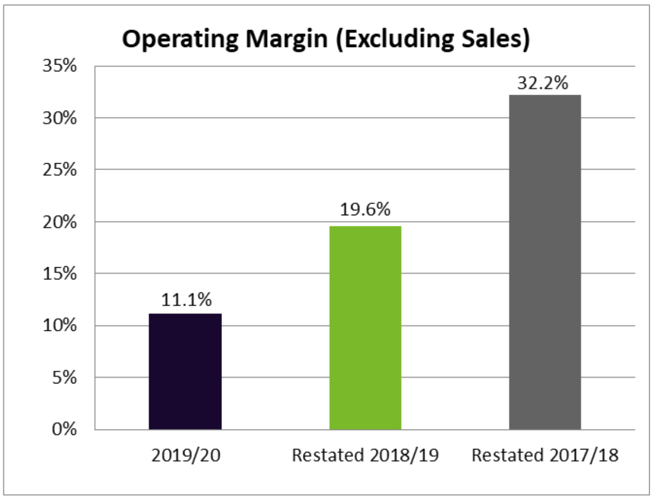
Further details of operating performance and the statement of financial position can be found on page 13.

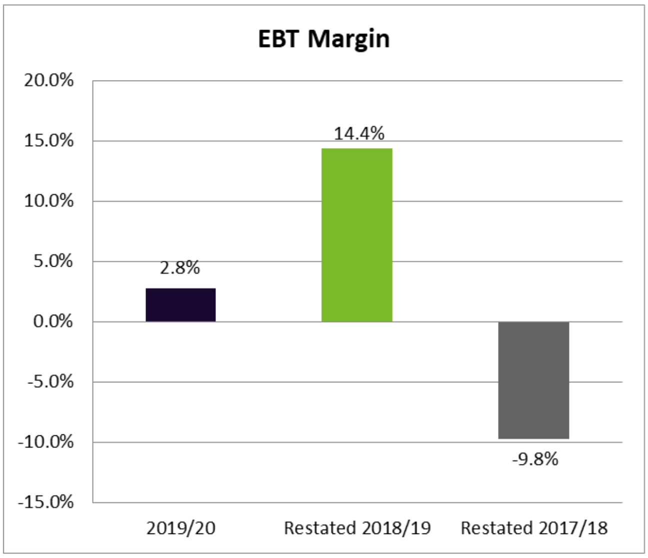
Accommodation figures	2019/20	2018/19	2017/18
Total owned and managed – during the year	26,814	27,730	27,818

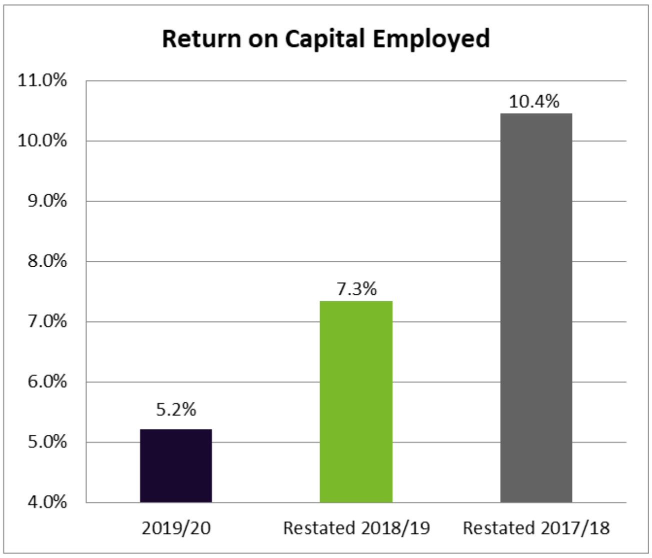
Ratios	2019/20	Restated 2018/19	Restated 2017/18
Operating margin (excluding sales)	11%	20%	32%
EBITDAS margin	26.3%	34.2%	42.5%
Interest cover	180%	307%	359%
EBT margin	2.8%	14.4%	-9.8%
Gearing	34%	30%	30%
Return on Capital Employed (ROCE)	5.2%	7.3%	10.4%

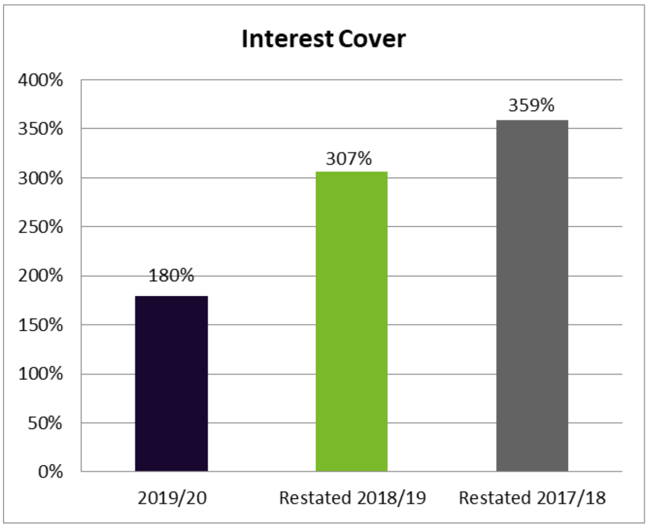
All ratios are based on our internal measures of performance and therefore will not necessarily correlate with the industry standard metrics included on pages 18 and 19. Both have been included in this report for completeness.

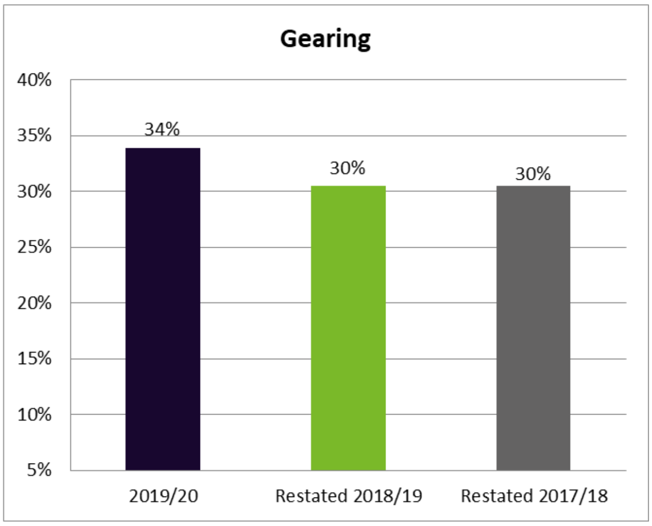

EBITDAS Margin
45%
43%
41%
39%
37%
35%
33%
31%
29%
27%
25%
26.3%
34.2%
42.5%
2019/20
Restated 2018/19
Restated 2017/18


Operating Margin (Excluding Sales)
35%
30%
25%
20%
15%
10%
5%
0%
11.1%
19.6%
32.2%
2019/20
Restated 2018/19
Restated 2017/18


EBT Margin
20.0%
15.0%
10.0%
5.0%
0.0%
-5.0%
-10.0%
-15.0%
2.8%
14.4%
-9.8%
2019/20
Restated 2018/19
Restated 2017/18


Return on Capital Employed
11.0%
10.0%
9.0%
8.0%
7.0%
6.0%
5.0%
4.0%
5.2%
7.3%
10.4%
2019/20
Restated 2018/19
Restated 2017/18


Interest Cover
400%
350%
300%
250%
200%
150%
100%
50%
0%
180%
307%
359%
2019/20
Restated 2018/19
Restated 2017/18


Gearing
40%
35%
30%
25%
20%
15%
10%
5%
34%
30%
30%
2019/20
Restated 2018/19
Restated 2017/18

- **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.

- **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 is a great place to work that staff would recommend.

- **MORE NEW HOME STARTS ON SITE**

  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 177 homes, acquired land to build an additional 1,456 units and started on site with 234 new homes.

- **OVER £78M FURTHER INVESTMENT IN NEW HOMES APPROVED**

  We have continued to implement our Growth Strategy, reaffirming our commitment to contribute to helping to solve the housing crisis. At the end of the financial year, our Board had approved nearly £78m further investment in new homes across a mix of property types and tenures.

- **HOMES ENGLAND PARTNERSHIP**

  In FY19, YHG was selected by Homes England to be a strategic partner, working together to deliver over 2,300 new homes. During FY20, YHG made substantial progress in delivering on this commitment, and as a consequence was able to secure from Homes England over £39 million of grant funding.

- **REPAIRS UNDERTAKEN**

  Using our in-house contractor, Fix 360, we undertook over 72,000 day to day repairs in customers' homes. This represented a 16% increase over the previous year and demonstrates our commitment to investing in our housing stock and providing our customers with a sector leading service.

SUBSTANTIAL ENHANCEMENT OF CASH AND LIQUIDITY THROUGH EXECUTION OF £250M NEW CREDIT FACILITIES AND SUBSEQUENT PRIVATE PLACEMENTS OF £120M In FY20, the Group restructured its Revolving Credit Facilities, delivering enhanced Liquidity and far greater flexibility in its deployment of capital for the improvement of existing Assets. Facilities of £250m were executed with three major Lenders over an extended 10-year term, complete with the elimination of a potentially restrictive EBITDA-MRI covenant.

Subsequent to the year end, YHG also completed a major element of its Treasury Strategy which commenced in FY20. Funding of £120 million was secured via Private Placements, which was a massive achievement given the background and economic uncertainty caused by Covid-19. The funding was executed with a weighted average term of over 30 years, and with an all-in coupon rate of 2.65%.

As a result of both these events, YHG has delivered substantially improved Liquidity and Cash, with far less restrictions for the next 10 years.

The strategy of YHG continues to be focused on delivering via Cash and Liquidity resources, the ability to generate surpluses that can be reinvested back in to our existing homes and invested in the development of new homes as part of our Growth Strategy.

In FY20 and the early part of FY21, we made huge progress in executing new Treasury facilities against enormously challenging economic circumstances, in total delivering new agreed funding of £370 million. We substantially enhanced Liquidity and Cash, and as a result YHG is able to continue to implement its Strategies, specifically in the areas of Capital Reinvestment in Assets and Development of New Homes, despite the uncertainty of Covid-19. This is a real testament to the long-term vision and strategy of the Group. YHG can continue to focus simultaneously, and without major limitation, on the improvement of existing Assets, and the creation of new homes.

At the end of the financial year, our Board committed to a Capital Reinvestment programme in existing Assets which has an objective of deploying over £219m in the next 5 years alone in our existing homes. Alongside this improvement for our existing residents, our Board has also approved a current total of over £452m in the development of new sites for new homes. This is a major commitment by YHG and would not be possible without the implementation and execution of long-term strategies in respect of surpluses and cash availability. YHG continues to focus on maintaining a very healthy balance sheet whilst maximising the opportunity to deploy capital in our primary operating activities.

The Board continues to focus on the achievement of key delivery targets in the long-term. Such targets are based substantially around core objectives of the Group including “Keeping Everybody Safe” and “Being 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, and again the Board is absolutely committed to ensuring that sufficient resources are deployed in delivering these objectives.

From a financial metric performance perspective, FY20 has been somewhat of a transitional year. We have deployed increased resources in Compliance and Responsive Repairs in particular, responding rapidly and appropriately to the Hackitt Report in particular. The Board is committed to improving Value For Money (VFM) metrics, and alongside the significant investment in Safety, Compliance and Repairs, we commenced a number of VFM transformation projects which initially require an investment in annual expenditure in the short-term. These projects are aimed at streamlining processes and procedures, and ultimately benefitting all our customers with improved service and repairs. During the year, we also significantly increased our annual expenditure investment in our in-house contractor, Fix 360. Whilst this has depressed short-term YHG financial surplus, we have seen the benefits already as our Responsive Repairs teams delivered 16% more repairs to customers than we thought achievable at the beginning of the year.

We continue therefore to adopt a very balanced approach to annual financial performance. In fact, we place higher importance on customer metrics than we do on pure financial metrics. Hence, in FY20, the annual surplus has decreased, whilst our expenditure on Compliance, Safety, and Repairs has substantially increased. Service levels and Compliance have improved even further, and we have been able to commit to even higher capital deployment in our Asset programme and Development Schemes. We will continue to take this measured approach, whilst ensuring the organisation maintains really healthy Cash and Liquidity. Our Board will carry on prioritising the needs of our customers above everything else and focusing upon the mid-long term achievement of strategic objectives.

OPERATING PEFORMANCE

Key performance measures for the year were:

- Income increased to £150.9m (2019: £148.3m); The increase was after the impact of the 1% rent reduction in respect of affordable homes, offset by the additional revenues delivered by development schemes which completed in both FY19 and FY20;
- Earnings before interest, tax, depreciation, amortisation and property sales (EBITDAS) was £39.7m with this margin reduced to 26.3% (2019: 34.2%). During the year, YHG incurred an increased level of expenditure in maintaining an exceptional level of Safety and Compliance. In addition to this, the organisation invested further incremental annual expenditure in its In-House Contractor (Fix 360), which delivered a significantly higher number of Responsive Repairs to customers than in prior years. The Group also undertook a review of the Beechmere properties owned by the Group and certain scheme assets in relation to certain legacy component defects, as well as long-term valuations at year end, the result of which was a non-cash impairment charge of £3,867k included in expenditure in the year;
- Earnings before tax margin reduced to 2.8% (2019: 14.4%), primarily reflecting the matters referred to the EBITDAS commentary above.

STATEMENT OF FINANCIAL POSITION

At 31 March 2020, 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 liability position at year end. Key performance measures were:

- The Net Book Value (NBV) of fixed assets was £1,135m (2019: £1,085m). There was an overall increased in the value of fixed assets due to investments in new homes;
- At the year end the Group had invested £14.1m in relation to properties under construction.
- The Group owned and managed 26,814 homes;
- The fair value investment properties was £57m (2019: £50m), however it should be noted that due to COVID-19 having an unknown our valuation expert this year included a 'material valuation uncertainty' caveat as per VPS 3 and VPGA 10 of the RICS Red Book Global.
- The Group had £36.6m of cash and cash equivalents with £113m additional undrawn facilities, based on existing debt facilities;
- Gearing increased slightly to 34% (2019: 30%);
- The Group had reserves of £311.4m;
- During the year and in the early part of FY21, the Group executed new Treasury facilities of, in total, £370 million, via new long-term Revolving Credit Facilities with a more favourable covenant suite, and the securing of Private Placements with over a 30 year Term.
- During the year, the Group has been provided with sufficient information to value the pension schemes offered the group, which include some on a on a defined benefit basis. As a result of this information we have recognised a balance sheet liability of £17.4m with respect to our pension obligations. This resulted in a credit of £18.7m to other comprehensive income.

  The Group specifically recognises future pension scheme cash commitments in its financial planning and forecasting processes, and also 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.

OPERATING AND FINANCIAL REVIEW – DEBT STRUCTURE AND MONITORING

The objective of the Board is to ensure that the organisation always has very substantial Liquidity, and this strategy has been validated by the advent of the Covid-19 crisis. Even before the unprecedented events that have unfolded in the early part of 2020, YHG maintained extremely healthy Liquidity and Cash. The internal 'golden rule' on Liquidity is to maintain at least 24 months of Liquidity at all times, and this has been achieved throughout FY20.

The commitment to this policy has been further demonstrated by the two major Treasury events in FY20 and the early part of FY21. By restructuring the Revolving Credit Facilities (RCFs) of the Group, YHG has been able to simultaneously:

- Further enhance stress-tested Liquidity;
- Extend the terms of the committed RCFs, and;
- Eliminate the EBITDA-MRI covenant from the Group, which could have prevented YHG from having the necessary flexibility to deploy substantial capital in the Asset programme.

In the early part of FY21, YHG also executed Private Placement funding of £120m. This was achieved against the huge uncertainty of Covid-19, and the fact that YHG was able to implement this funding is a major positive.

The combination of the RCFs and the Private Placements have further enhanced the Liquidity of the Group well in excess of the internal 'golden rule', such that YHG remains extremely resilient to potential impacts of events.

The Treasury Strategy is designed to ensure that there is sufficient funding in place for at least all planned developments for the next 12 to 24 months, and that refinancing risk is managed to ensure that there is no need to refinance significant amounts of debt in any one year.

A detailed three-year rolling cash flow forecast is prepared and reviewed periodically as part of the management information provided to the Group Board and the Executive Leadership Team. These forecasts include short-term operational cash flows and the agreed and expected investment and reinvestment programmes.

As at 31 March 2020, the Group had total borrowings of £416.4m (2019: £360.8m) with a further £113.1m (2019: £162.8m) available to be drawn from existing agreed and committed 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 2020 was 3.42% (2019: 3.86%), this cost of funds is particularly low and compares favourably to peers in the sector.

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 2020 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.

During the year, certain of the principal banking facilities have been refinanced and now include £250 million of 10 year committed revolving credit facilities with no EBITDA MRI covenant until the year ending 31 March 2028.

Subsequent to 31 March 2020, the Group has committed contractually to two Private Placement loans amounting to £120 million. The proceeds will be received over a period up to November 2021 and initially used to repay drawn revolving credit facilities. The weighted average lives are in excess of 30 years and the weighted average interest rate c. 2.65%.

OPERATING AND FINANCIAL REVIEW – RISKS AND UNCERTAINTIES

The Group's risk and assurance framework is fully embedded across our business and during the year, regular identification, management and review of risks at an operational and strategic level was undertaken.

The Board and the Audit and Risk Committee receive regular updates on risk and assurance activity via regular reporting and the Board Assurance Framework.

During the year, we have worked with our internal audit partner, KPMG, to conduct a comprehensive programme of internal audits to help identify areas that are robust from an internal control perspective or where risk needs to be mitigated. 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 that appropriate levels of mitigation are in place.

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. 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 the identified controls. A summary of the key strategic risks are as follows:

Financial viability **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. This includes multi-variate stress testing for the potential variables (including welfare reform, changes to the political environment, increases in pension obligations, changes in credit, market and interest rates, and financial risks related to our group structure), showing and testing the breaking points in the plan. The Group's Financial Golden Rules provide minimum return rates for all activities to ensure the appropriate level of return is achieved. Monthly treasury reporting include liquidity and working capital requirements both short and long term. 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.
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. Bi-annual staff culture surveys are conducted, with agreed actions to support the creation of the Group's desired culture.

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.**	Mitigating controls include a robust project governance process, which ensures that there is an appropriate degree of control and oversight is in place to support the level of change within the business. The Group has also developed its ICT capability and infrastructure to enable growth and to protect against failures and attacks which effect the operation of the group and can ensure continuity of the business in the event of a major incident.
Compliance and legal **The Group have identified two key strategic health and safety risks concerning keeping staff and customers safe.**	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.
There is a risk from the external regulatory and legal environment.	There remains a risk in relation to properties (such as PFIs) where we carry housing management responsibilities but do not have direct control. We mitigate this risk by working closely with our partners to ensure health and safety of residents and staff**.** Horizon scanning including proposed changes to the legal and regulatory environment is carried out monthly and reported to the Executive and the Board.
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 in relation to Data this year has been our asset base, which will enable improved management information and decision making in relation to the way we manage our assets and deliver service improvements.

IMPACT OF BREXIT

During the year we have continued to evaluate the potential impact Brexit, may have on our business. Where relevant we have reflected the results of this exercise in the evaluation of our current strategic risks.

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	Our procurement strategy is designed to deliver VFM through competitive processes and economies of scale where possible. 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.

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 dealing with the Covid-19 pandemic.

Our initial response was to invoke the Group's business continuity pandemic plan and to, via a cohort of senior leaders, established a process to understand the developing events and how as a business we could respond and implement measures in line with government guidelines.

The Group Board identified risks to the Group and mitigating actions, which were developed in line with government advice and closely monitored. Where appropriate, we introduced further control measures to ensure the safety of our staff, customers and protect the most vulnerable.

The existing Group risks were also assessed for the impact of Covid-19 and their existing risk ratings adjusted accordingly with appropriate mitigating actions put in place. In particular, we identified a risk in relation to the potential wider economic and political environment including the housing market. We have reflected this future uncertainty in our strategic "Financial Viability" risk and are undertaking stress testing to ensure our future ambitions can be met if the wider environment becomes volatile, for example changes to the housing market and rents.

The following specific risks and mitigations were identified:

Potential Impact	Mitigations
Financial – Income Collection	To ensure we understood the risk that a potential drop in income presented, we undertook daily reviews of transactions and cash to enable trends to be identified and proactively contacted those most at risk of non-payment. We haven't seen a significant fall in income collection overall. We are however closely monitoring the impact that the end of the Furlough scheme might have to unemployment and the ability for customers to pay their rent.
Service Delivery	Whilst we initially moved to emergency repairs and services, we implemented a number of measures very early in the process to ensure we can minimise backlog. For example, we monitored repair levels to estimate backlog and maintained communication with key suppliers. In our Older Person Scheme's we continued to provide a service to customers and redeployed staff to undertake additional cleaning and a porterage services. This was undertaken with the safety of our staff as a paramount and we undertook risk assessment and provided PPE throughout. We also deployed our staff working from home to undertake welfare calls to all customers, and staff working on the frontline.
Supply Chain	The impact on the supply chain presented a risk across a number of our business areas, from repairs, service delivery, reinvestment and development works. To manage this risk we needed to understand the impact and mitigations required across a number of areas and this is what we did. For example, we undertake regular D&B checks for our Development contractors, undertook weekly welfare calls with our suppliers for compliance related activity, and asked all our suppliers to assess and provide information on the likely impact on supplies. We also stress tested potential price increases. To date no there has been no significant impacts on supply, but we will continue to monitor.
Recovery	The Group identified the risk of recovering from Covid-19 within the early stages and requested that we establish recovery plans for services to be "switched on". This has required identifying risks and potential mitigations prior to a "go, no go" approval for each service being approved. To date, we have reinstated our repairs services with the priority being the repairs backlog, restarted development and asset investment and major work projects.

Impact

Although the business has been disrupted by Covid-19 we believe that the measures we put in place through our business continuity plan and risk management has mitigated some of the effects. We have not seen a significant reduction in rent collection, although we continue to monitor this as we expect individuals' ability to pay their rent may be impacted by the withdrawal of the Government's Furlough scheme later in the year. Through the mitigations we put in place we managed to maintain our excellent performance in our statutory compliance work which remained in excess of 99.9% during the crisis.

Our new developments have been delayed by between 8 and 12 weeks, which will impact on the number of new units handed over this year and therefore a slight impact on income collection next year, we have however factored this in to our forecasts and the effects are not significant.

Our reinvestment programme which involves major works on schemes and work in customers' homes has now recommenced but was been delayed by approximately 12 weeks. We have worked closely with our partners and are confident that we will be able to make up a significant amount of this work in FY21 or roll into the programme for FY22 without any detrimental effects on our customers.

Throughout the Covid-19 crisis we have maintained high levels of employee engagement and they have been positive about the communications and support they have received from us. Staff absence as a result of sickness has been low, and our agile working policies and procedures have meant that a large number of employees have been able to continue to work from home even if they were self-isolating.

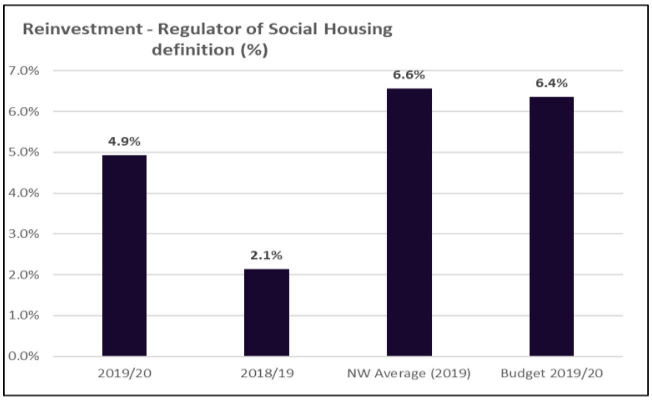
We have monitored customer satisfaction and it has increased over the period from March to June 2020. 97% of customers who received welfare calls from us said they found them useful and where we undertook urgent repairs in customers' homes 98% said they were satisfied with the social distancing measures we put in place and they were comfortable to have the operative in their home.

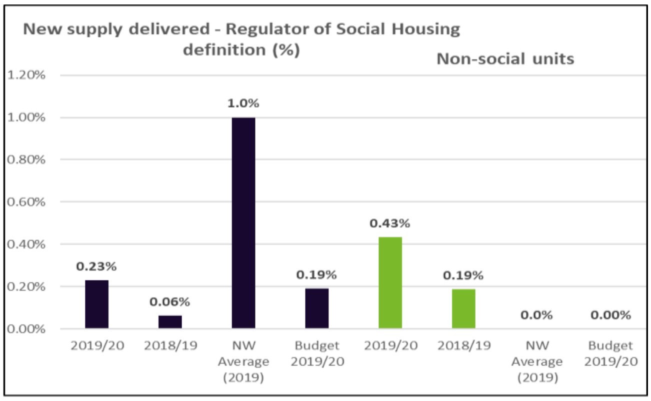
Whilst we now move into recovery and are starting to understand the impact Covid-19 has had on the Group, we must and are thinking of the future. For example, reviewing our sales forecasts, ensuring an established supply of PPE is in place to ensure staff can be deployed safely in those their roles and reviewing the availability of our supply chain. We are also building on our new ways of working and what we have learnt, to develop and shape our business moving forward. For example, the success of our agile working policy will influence how we design and utilise our office space in the future.

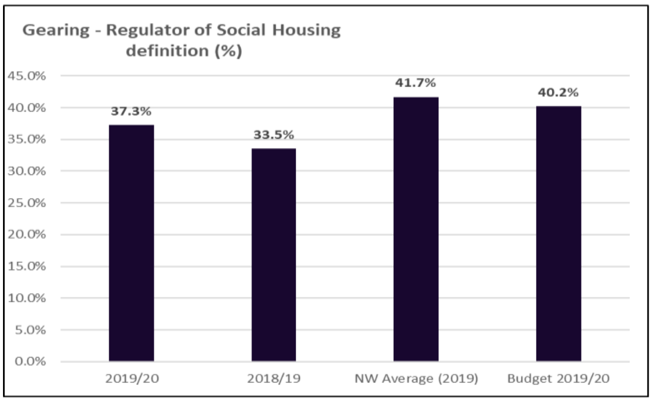
As the pandemic continues to impact global daily living, we must of course be vigilant as to the ongoing potential impact. It is clear that we will be facing the consequences of restrictions for a significant time to come, and these will continue to have a bearing on how we operate at YHG. We aim to respond to these impacts as quickly and effectively as we can to ensure our customers and staff remain safe.

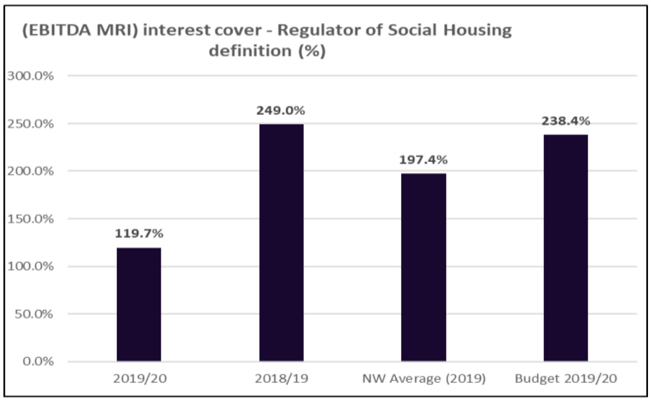
OPERATING AND FINANCIAL REVIEW – VALUE FOR MONEY SCORECARD

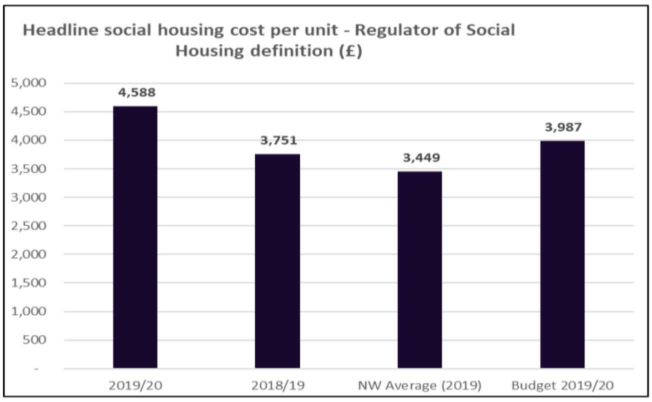
The charts below reflect the set of metrics specified by the Regulator of Social Housing to measure and compare VFM across the sector. The HouseMark global accounts comparison tool has been used to obtain benchmark data for the North West regional group.

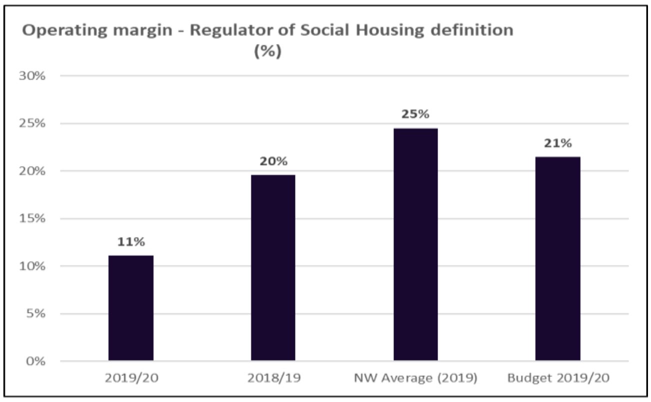


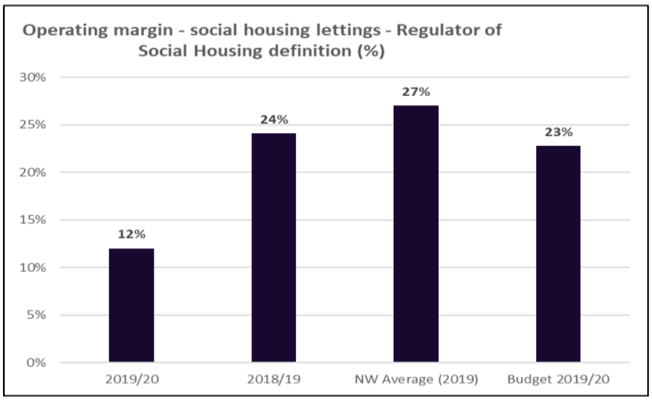


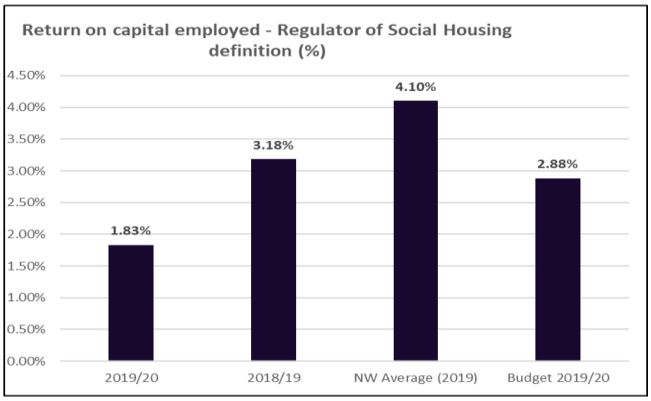












Reinvestment

This metric looks at the investment in properties (existing stock as well as new supply) as a percentage of the value of total properties held.
We made good progress in this metric in the year, more than doubling our previous year's performance. However, in comparison to both the sector average and our own targets, performance remains below where we would want it to be.
We have significantly increased our levels of investment in our existing stock, both in terms of investment in schemes in response to the Hackitt recommendations and also in providing new kitchens, bathrooms and windows to improve the quality of homes we provide to our customers. The performance in this metric has been negatively impacted however by a lower than expected spend on new development, with several large schemes we expected to begin in this year being delayed by planning and other pre-construction issues. These schemes have now progressed and nearly 1,197 units will start on site in FY21. Reinvestment is monitored, on behalf of the Board by the Investment Committee, and action plans are in place to address underperformance. In particular, development plans now include more prudent assumptions around time required for planning etc and pipeline opportunities have been increased to ensure there are sufficient schemes on site to meet the target outputs. Investment in existing and new stock is a priority in our business plan and our target for re-investment in FY 21 is 7.69%, which will represent a significant increase over this year's performance and bring us into line with our peers.

New Supply Delivered

The new supply we delivered in FY20 was just slightly below our own targets, 48 social and 129 non-social units against targets of 52 and 143 respectively, mostly due to the delayed handover of some units at year end as a result of Covid-19. This was a significant increase on last year's performance, but we still remain below the sector average for new supply delivery.

This metric has been impacted by the pause we took in our development programme in 2016 and 2017 as we restructured the Group and re-evaluated our strategy. It was clear it would take longer than anticipated to re-enter the market place, identify sites and build relationships with developers. This coupled with the length of time it has taken to obtain planning on some schemes and development time in general, means we are only now beginning to see increases in new supply. The Board has reviewed our development strategy this year and we are confident that we now have the right strategy in place. We have bought several large strategic sites this year ensuring continuity of supply and as these sites are remediated and developed we expect to see a significant step change in our delivery. In FY20 we started on site with 234 new units and in FY21 have a target to deliver 51 units of new social and 37 units of non-social, which will give us targets for new supply of 0.19% (social) and 0.14% (non-social) .

Gearing

This metric assesses how much of the adjusted assets are made up of debt and the degree of dependence on debt finance.

Gearing in FY20 has increased over the previous year as the Group draws down on facilities to invest in new homes, although we are slightly behind our own target as the delays in respect of some large schemes has meant that we have needed to draw less during the year. As we increase our development of new homes over the next few years, gearing is expected to increase to higher, but still managed, levels as we access Debt Capital Markets to provide the long-term funding for major new developments. An example of this was the execution of two Private Placements totalling £120m just after year end. Our target for gearing in FY21 is 42.21%.

EBITDA MRI interest cover

The EBITDA MRI interest cover measure is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus that a registered provider generates compared to interest payable.

Performance on EBITDA MRI during FY20 was lower than our peers and lower than previous years due to reduced operating surplus and increased levels of investment. As our plans are to continue to invest in our existing assets over the next five years we expect this metric to remain low, but then to slowly increase over the long term. Given the magnitude of our Reinvestment Plans, we specifically sought in FY20 to manage our Treasury Facilities to recognise this trend, and we are pleased that we executed our new facilities in FY20 without an EBITDA MRI covenant, thus giving us the flexibility to deploy additional capital in to our existing homes. The target for EBITDA MRI interest cover in FY21 is 9.35%.

Headline social housing cost per unit

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. The Regulator has recognised that this type of stock has an overall higher cost per unit and therefore this is reflected in this metric. However, our cost per unit is also higher than our own target for the year and this is a result of additional spend agreed by the Board for fire and other compliance works and as a result of the high number of day to day repairs undertaken in the year. It is confirmed though that our customer safety remains our number one priority, and hence we will not limit our spend in this area where it is necessary. In the shorter term we expect our social housing cost per unit to increase as we invest even more in our homes through our asset investment programme, but over the long-term we expect that as we innovate and use technology to transform our business, we will increase efficiency and improve productivity, reducing this cost. Reflecting this increase in FY21 the target is £5,212 per unit.

Operating Margin

The Operating Margin demonstrates the profitability of operating assets are taken into account. Any gains/(losses) on disposal of fixed assets are excluded in the above.

The metric in FY20 was behind target due to increased spend on fire and other compliance activity and an increased number of day to day repairs undertaken for our customers. We do expect that these costs will begin to stabilise in the near future and that as we drive efficiency in our business the overall operating margin will improve. We did also review a number of areas at the year end and prudently addressed some valuation areas, incurring some non-cash provisions which would be non-recurring going forward. The target for Operating Margin in FY 21 is 17.07%.

The Group has designed a corporate structure which includes charitable and non-charitable entities, development subsidiaries (Nuvu Development Limited and Your Housing (Development) Limited) and an in-house contractor (Fix 360 Limited). The design of the Group allows us to effectively manage our activities, ensure we are tax efficient, and protect our social assets from commercial risks whilst maintaining control over performance. In this way we believe our Group structure delivers VFM.

Return on Capital Employed

This metric compares the operating surplus to total assets less current liabilities and is a common measure to assess the efficient investment of capital resources.

The levels of performance in respect of ROCE for FY20 was a little behind target due to the reduced operating margin but was broadly as expected as it reflects the Group's increased use of funding to deliver our strategic aims in investing in our assets and the delivery of new housing. As the Group employs more of its capital on new developments this metric is expected to reduce further, however in the longer-term this will reverse as new homes are completed and improved returns realised. In FY21 the target for ROCE is 2.36%.

GOVERNANCE

Our Group Board is responsible for the long-term strategy and viability of the Group and during FY20 comprised of nine non-executive directors and two executive directors (the Group Chief Executive and the Chief Financial Officer). The number of executive directors was increased to three for a period from 21 March 2019 to 31 May 2019 with the appointment of the Chief Operating Officer.

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:

- Setting and ensuring compliance with the values, vision, mission and strategic objectives of the organisation, ensuring its long-term success;
- Setting a positive culture, with a strong customer focus;
- Ensuring that the organisation operates effectively, efficiently and economically;
- Providing oversight, direction and constructive challenge to the organisation's chief executive and executives;
- The appointment and, if necessary, the dismissal of the chief executive;
- Satisfying itself as to the integrity of financial information, approving each year's budget, business plan and annual accounts prior to publication;
- Establishing, overseeing and reviewing a framework of delegation and systems of internal control; and
- 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 growth strategy, the Chief Operating Officer, responsible for the asset management and service delivery to our customers, and the Chief Financial Officer, responsible for all financial matters, funding, risk and governance of the Group. From 1 April 2020 the team was strengthened with the inclusion of the newly appointed Chief Strategy & Transformation Officer.

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

Following our Group restructure in 2017, we have continued to improve our governance procedures. The Group Governance Framework and Group Policy Framework were updated to reflect our current group structure and clarify the relationships between the Group entities.

We operate a Common Board structure for our parent and our two 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.

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.

Alastair How stepped down on 30 June 2019 having served as a non-executive Director on the Board for 5 years. Following a rigorous recruitment process in accordance with the Board's recruitment policy, and analysis of the skills and experience of the current Board, Chris MacKenzie-Grieve was appointed as a non-executive Director in August 2019. The Board has recently reviewed its Board Committee membership to ensure that directors continue to be placed in Committees that best suit their skills and experience.

Stephen Fensom as Chief Operating Officer, was appointed to the Board as a third executive Director between March 2018 and May 2019 to increase executive inclusiveness. Subsequent to Stephen's departure from the Group an interim Chief Operating Officer appointment was made, and our Board has chosen to retain two Executive Directors.

In addition to the annual Board skills analysis, every Board member undergoes an annual appraisal which supports their personal development. We also undertook an internal Board collective effectiveness review in the year and during 2020 this review will be undertaken any an external organisation. Information from the skills analysis, Board member appraisals and collective effectiveness review has been used to develop individual and collective Board training and development activities.

During the year, the Board held six formal meetings and five strategy days.

Attendance

Brian Cronin	91%
Jeremy Earnshaw	100%
Kathy Doran	100%
Alistair How[1]	67%
Brenda Smith	91%
Derek Cash[3]	64%
Chris MacKenzie-Grieve[2]	100%
Roy Grant	100%
Richard Groome[3]	64%
Val Aherne	82%
Alison Cambage	82%
Paula Steer	91%

[1] resigned 30 June 2019

[2] appointed 20 August 2019

[3] During the period Derek Cash was granted an excused period of absence due to illness. Richard Groome's absence was due to a number of unrelated factors and the Chair is satisfied with Richard's commitment and effectiveness, which will be considered as part of his annual performance appraisal.

Board members also met on 4 other occasions to discuss or approve ad-hoc items.

BOARD REMUNERATION

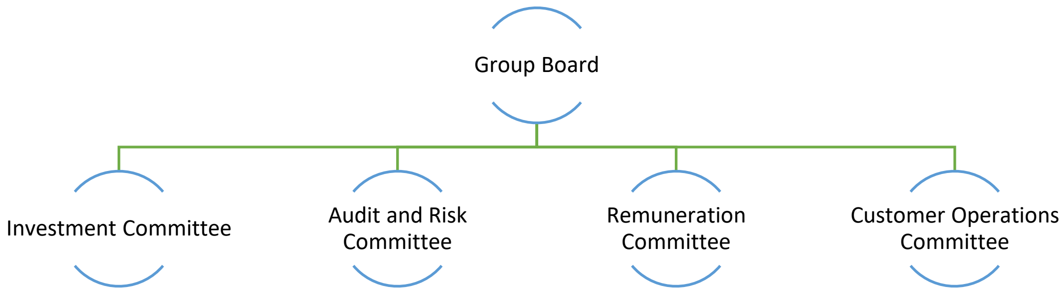
Group Board members are paid for their services, which increases the Group's ability to attract and retain high-calibre members. Current Non-Executive Director remuneration is detailed in note 11 to the financial statements on page 67.

The Board received an external review of Non-Executive Director remuneration in April 2020 and noted the 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.



COMMITTEE COMPOSITION (as at 31 March 2020)

Committee	Members
Investment Committee	Kathy Doran (Chair)
	Richard Groome
	Derek Cash
	Brenda Smith
	Paula Steer
	Alison Cambage
Audit and Risk Committee	Brenda Smith (Chair)
	Alison Cambage
	Roy Grant
	Alistair How[1]
	Richard Groome
	Chris MacKenzie-Grieve[2]
Remuneration Committee	Roy Grant (Chair)
	Alistair How[1]
	Kathy Doran
	Val Aherne
	Chris MacKenzie-Grieve[2]
	Brenda Smith
Customer Operations Committee (formerly Services Committee)	Derek Cash (Chair)
	Mark Fallon[3]
	Andrea Hampton
	Fred Leatherbarrow
	Dorothy McKeith
	Alan Young
	Pamela Moores
	Val Aherne
	Paul Covell
	Philip Webb

[1] resigned 30 June 2019

[2] Appointed to committee on 26 September 2019

[3] Appointed to committee on 27 September 2019

COMMITTEE ACTIVITY

Investment Committee

Our Investment Committee is responsible for growth, investment, stock acquisition and divestment, large capital project approvals up to the delegated limits and overseeing Treasury strategy. 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 and recommending schemes to the Board for approval where they were in excess of the Committee's delegated authority;
- Review and approval of the Group supported housing investment parameters;
- Review and recommending to the Board the land acquisition strategy;
- Review and approval of developments, schemes and investments;
- Periodic updates on the Group's investments;
- 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:

- Reviewing internal audit reports and management responses throughout the year presented by the Internal Auditors, KPMG;
- Updates on the implementation of the audit recommendation of the external auditors;
- Approving the internal and external audit plans for the year;
- Reviewing Statutory Annual Reports and Accounts for the Group and all subsidiaries;
- Reviewing the scope and findings of the Annual Audit of the Financial Statements;
- Reviewing all whistleblowing allegations;
- Reviewing all regulatory and compliance matters;
- Reviewing Group accounting policies;
- Risk referrals in specific areas of the business to gain assurance on matters of concern to the Board and / or the Committee; and
- 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 makes 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 and met four times during the period under review.

During the year, the Committee:

- Received an external review and made recommendations on the remuneration of the Non-Executive Directors;
- Approved bonus payments to the senior and executive leadership team based on performance over the financial year;
- Approved a process for the recruitment and succession planning for Non-Executive Directors;
- Reviewed remuneration principles for all staff across the Group;
- Approved an external board appraisal for 2020;
- Led the recruitment of a new Non-Executive Directors;
- Approved the review of the composition of the Board Committees; and
- Received periodic updates on the implementation on the Culture Change Strategic Plan.

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 (formerly Services Committee)

The Customer Operations Committee provides 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 is 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 during the period under review. The members of the Committee also serve 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 six times during the year, one of which was a joint strategy meeting with the Board. The Committee meetings are 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 Reports;
- Commissioned scrutiny reports by the Customer Assurance Panel, monitoring actions arising from scrutiny activity; and
- Reviewed and approved new and existing operational policies.

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.

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, the 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 Regulator of Social Housing issued a regulatory judgement for the Group in March 2020 and revised the Group's ratings to G2 and V1. The G2 rating indicates that the Group meets the Regulator's governance requirements but that we need to improve some aspects of our governance arrangements to support continued compliance. The Board has developed and implemented an action plan to ensure we quickly strengthen any areas where improvement is needed so we can return to a G1 rating. The V1 rating indicates that the Regulator considers we have the financial capacity to deal with a wide range of adverse scenarios.

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 FY19 we identified that two of our extra care schemes had latent defects which caused early failure of some components and therefore a small number of our overall units failed the decent home standard. During FY20 we have begun a programme of work at these two sites to address the issues discovered. We have, however, also surveyed other similar buildings and have identified two further schemes were similar latent defects exist and so units in these schemes fail decent home standard. For this reason, for the year ending 31 March 2020, the Board have agreed, on this issue only, we do not comply with the Home Standard. Following assessment, the Board have determined that we comply 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.

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 2019-20.

During the year Your Housing Group has received a regulatory regrade issued by the Regulator of Social Housing of G2 V1, this remains a compliant position.

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.

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 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 has recently secured private placement funding of £120m and has 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, including assessing the impact of a second pandemic. We have also chosen to extend our going concern assessment period to at least 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.

For those companies within the Group which have negative assets, Outlook Ltd and Fix360 Ltd, the parent entity has provided letters of support.

On this basis, the Board has reasonable expectation that the Group and parent association has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 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.

STATEMENT OF THE RESPONSIBILITIES OF THE BOARD FOR THE REPORT AND FINANCIAL STATEMENTS

The board is responsible for preparing the annual 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:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers 2018 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 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 at the forthcoming Annual General Meeting.

The strategic report, operating and financial review, report of the Board and statement of responsibilities of the board for the report and financial statements was approved on 22 October 2020 and signed on its behalf by:

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

INDEPENDENT AUDITOR'S REPORT

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 2020, which comprise 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 2020 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.

Emphasis of matter – property valuation

We draw attention to Note 2 to the financial statements, which describes the basis for valuing investment property. Management engaged an expert to value investment property portfolio. The experts valuation included a 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to management's valuation than would normally be the case. Our opinion is not modified in respect of this matter.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.
Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

Conclusions relating to going concern

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

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

In our evaluation of the directors' conclusions, we considered the risks associated with the group and parent society's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the group and parent society's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.
However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the parent society and group will continue in operation.

Other information

The board is responsible for the other information. The other information comprises the information included in the Annual Report, set out on pages 2 to 37 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 37, 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.

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
23 October 2020

GROUP STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2020

	Notes	2020 £'000	Restated 2019 £'000
TURNOVER	3.1	150,853	148,265
OPERATING EXPENDITURE	3.1	(134,078)	(119,266)
GAIN ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT	5	3,805	4,809
MOVEMENT IN FAIR VALUE OF INVESTMENTS	15	731	2,134
TOTAL OPERATING SURPLUS	7	21,311	35,942
Share of associates operating surplus		186	309
Interest receivable and other income	8	503	407
Interest payable and similar costs	9	(17,813)	(15,373)
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		4,187	21,285
Tax on surplus on ordinary activities	12	(839)	(666)
SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION		3,348	20,619
Attributable to non-controlling interests		200	171
SURPLUS FOR THE FINANCIAL YEAR		3,548	20,790
Movement in hedging reserve		-	(9)
Actuarial gain/(loss) in respect of pension schemes	30	20,369	(7,465)
Restriction of non-recoverable pension surplus	30	(1,679)	-
Remeasurement of the Social Housing Pension Scheme		-	(14,206)
TOTAL COMPREHENSIVE INCOME		22,238	(890)

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 22 October 2020 and signed on its behalf by:

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

Notes for the financial statements including accounting policies can be found on pages 46 to 100.

ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
TURNOVER	3.2	33,594	33,189
OPERATING EXPENDITURE	3.2	(37,787)	(33,511)
LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT	5	(16)	-
DONATION FROM SUBSIDIARY		36,937	13,253
OPERATING SURPLUS	7	32,728	12,931
Interest receivable and other income	8	8	15
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		32,736	12,946
Tax on surplus on ordinary activities	12	-	-
PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME		32,736	12,946

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 22 October 2020 and signed on its behalf by:

Kathy Doran

Kathy Doran
Chair

Brian Cronin

Brian Cronin
Group Chief Executive

Clare Oakley

Clare Oakley
Group Company Secretary

Notes for the financial statements including accounting policies can be found on pages 46 to 100.

STATEMENT OF FINANCIAL POSITION – GROUP AND ASSOCIATION

For the year ended 31 March 2020 **Company Number: IPO30666**

	Notes	Group 2020 £'000	Group Restated 2019 £'000	Association 2020 £'000	Association 2019 £'000
FIXED ASSETS					
Tangible fixed assets	13	1,053,690	1,012,245	-	-
Intangible fixed assets	14	2,628	1,188	-	-
Investments	15	75,922	68,729	50,051	13,252
Share of associates	15.3	3,238	3,231	-	-
		1,135,478	1,085,393	50,051	13,252
CURRENT ASSETS					
Inventories	16	15,092	11,951	-	-
Trade and other debtors	17	15,541	10,176	4,187	4,288
Cash and cash equivalents		36,551	31,273	4,325	2,020
		67,184	53,400	8,512	6,308
CREDITORS: amounts falling due within one year	18	(70,019)	(66,150)	(11,670)	(5,294)
NET CURRENT (LIABILITIES)/ASSETS		(2,835)	(12,750)	(3,158)	1,014
TOTAL ASSETS LESS CURRENT LIABILITIES		1,132,643	1,072,643	46,893	14,266
CREDITORS: amounts falling due after more than one year	19	(801,419)	(742,276)	-	-
PROVISIONS FOR LIABILITIES	25	(2,384)	(2,521)	-	(109)
PENSION LIABILITY	30	(17,402)	(39,397)	-	-
TOTAL NET ASSETS		311,438	288,449	46,893	14,157
CAPITAL AND RESERVES					
Share capital	26	-	-	-	-
Revaluation reserve		12,434	12,281	-	-
Hedging reserve		-	(952)	-	-
Revenue reserve		299,656	277,572	46,893	14,157
Attributable to non-controlling interests		(652)	(452)	-	-
GROUP'S/ASSOCIATION'S FUNDS		311,438	288,449	46,893	14,157

The notes form an integral part of the financial statements. The Group Statement of Financial Position has been restated for 2019, further details can be found in note 2.

These financial statements were approved and authorised for issue by the Board on 22 October 2020 and signed on its behalf by:

Kathy Doran — Brian Cronin — Clare 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 46 to 100.

GROUP STATEMENT OF CHANGES IN RESERVES
For the year ended 31 March 2020

	Revaluation reserve £'000	Hedging reserve £'000	Restated Revenue reserves £'000	Attributable to non controlling interest £'000	Restated Total £'000
Balance as at 1 April 2018	10,147	(943)	283,624	(281)	292,547
Prior year adjustment (note 2)	-	-	(3,037)	-	(3,037)
Balance as at 1 April 2018 as restated (note 2)	10,147	(943)	280,587	(281)	289,510
Surplus for the year restated (note 2)	-	-	20,790	(171)	20,619
Other comprehensive income	-	-	(21,680)	-	(21,680)
Reserves transfer	2,134	(9)	(2,125)	-	-
Balance as at 31 March 2019 as restated (note 2)	12,281	(952)	277,572	(452)	288,449
Surplus for the year	-	-	3,548	(200)	3,348
Other comprehensive income	-	-	18,689	-	18,689
Reserves transfer	153	-	(153)	-	-
Write off to the Statement of Comprehensive Income	-	952	-	-	952
Balance as at 31 March 2020	12,434	-	299,656	(652)	311,438

ASSOCIATION STATEMENT OF CHANGES IN RESERVES
For the year ended 31 March 2020

	Revenue reserves £'000
Balance as at 31 March 2018	1,211
Surplus for the year	12,946
Balance as at 31 March 2019	14,157
Surplus for the year	32,736
Balance as at 31 March 2020	46,893

The notes form an integral part of the financial statements. The Statement of Changes in Reserves has been restated for 2019, further details can be found in note 2.

Notes for the financial statements including accounting policies can be found on pages 46 to 100.

GROUP STATEMENT OF CASH FLOWS
For the year ended 31 March 2020

	Notes	2020 £'000	Restated 2019 £'000
Net cash generated from operating activities	28	30,961	46,395
Cash flow from investing activities			
Purchase of housing properties		(51,026)	(21,310)
Purchase of other fixed assets		(16,038)	(13,351)
Grants received		5,812	5,162
Grants repaid		-	(152)
Purchase of investments		(9,440)	(10,291)
Proceeds from the sale of investments		354	281
Proceeds from the sale of tangible fixed assets		6,871	8,073
Dividends received from associates		121	29
Interest received		503	407
		(62,843)	(31,152)
Cash flow from financing activities			
Interest paid		(16,522)	(14,710)
Loan Advances		85,200	-
Loan repayments		(31,518)	(645)
		37,160	(15,355)
Net change in cash and cash equivalents		5,278	(112)
Cash and cash equivalents at the beginning of the year		31,273	31,385
Cash and cash equivalents at the end of the year		36,551	31,273

The notes form an integral part of the financial statements.

The Group Statement of Cash Flows has been restated for the prior year to align the presentation with the requirements of FRS102, further details can be found in note 2.

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 limited liability partnership which provide non-social housing for rental. 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.

Restatements

Key worker depreciation

The Group hold certain properties within housing properties for the purpose of providing key worker accommodation. These assets are held by way of a lease. Under FRS 102, the assets are required to be depreciated over the shorter of the lease term and the economic life of the asset. A review of the leases as part of the business planning process revealed an error on transition to FRS 102 had incorrectly depreciated the leased assets at the longer of the lease term and useful economic life. The change in depreciation results in an increased charge of £1,552k of which £400k relates to the year ended 31 March 2019 and £1,152k relates to earlier periods.

Sinking fund

Sinking fund provisions have been restated for the prior year following a review and reconciliation of the sinking fund balances across leaseholder properties. This review identified that the sinking fund contributions that have been collected as part of the service charges for leaseholders of Right to Buy properties and Homeownership properties have been incorrectly recognised as service charge revenue for a number of years resulting in an understatement of the sinking fund creditor. Only leaseholders are required to contribute into a sinking fund and only where the lease, or other legally binding document, allows this. As a result of the review, the 2019 figures have been restated to recognise a sinking fund creditor of £2,339k of which £454k is a charge to the Statement of Comprehensive Income in that financial year.

Fair value of investments

The movement in fair value of investments have been re-classified to be presented within operating surplus, in line with the requirements of the Housing SORP 2018.

STATEMENT OF COMPREHENSIVE INCOME – 2019 RESTATEMENT	Original 2019 £'000	Depreciation of key worker properties £'000	Reclassification £'000	Sinking Fund £'000£'000	Restated 2019 £'000
TURNOVER	148,719	-	-	(454)	148,265
OPERATING EXPENDITURE	(118,866)	(400)	-	-	(119,266)
GAIN ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT	4,809	-	-	-	4,809
MOVEMENT IN FAIR VALUE OF INVESTMENTS	-	-	2,134	-	2,134
TOTAL OPERATING SURPLUS	36,796	(400)	2,134	(454)	35,942
Share of associates operating surplus	309	-	-	-	309
Interest receivable and other income	407	-	-	-	407
Interest payable and similar costs	(15,373)	-	-	-	(15,373)
Movement in fair value of investments			(2,134)		
SURPLUS/(DEFICIT) ON ORDINARY ACTIVITIES BEFORE TAXATION	22,139	(400)	-	(454)	21,285
Tax on surplus on ordinary activities	(666)	-	-	-	(666)
SURPLUS/(DEFICIT) ON ORDINARY ACTIVITIES AFTER TAXATION	21,473	(400)	-	(454)	20,619
Attributable to non-controlling interests	171	-	-	-	171
SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR	21,644	(400)	-	(454)	20,790
Movement in hedging reserve	(9)	-		-	(9)
Actuarial loss in respect of pension schemes	(7,465)	-		-	(7,465)
Remeasurement of the Social Housing Pension Scheme	(14,206)	-		-	(14,206)
TOTAL COMPREHENSIVE INCOME	(36)	(400)		(454)	(890)

STATEMENT OF FINANCIAL POSITION – 2019 RESTATEMENT	**Original 2019 £'000**	**Depreciation of key worker properties £'000**	**Sinking Fund £'000**	**Restated 2019 £'000**
FIXED ASSETS				
Tangible fixed assets	1,013,797	(1,552)	-	1,012,245
Intangible fixed assets	1,188	-	-	1,188
Investments	68,729	-	-	68,729
Share of associates	3,231	-	-	3,231
	1,086,945	(1,552)	-	1,085,393
CURRENT ASSETS				
Inventories	11,951	-	-	11,951
Trade and other debtors	10,176	-	-	10,176
Cash and cash equivalents	31,273	-	-	31,273
	53,400	-	-	53,400
CREDITORS: amounts falling due within one year	(63,811)	-	(2,339)	(66,150)
NET CURRENT LIABILITIES	(10,411)	-	(2,339)	(12,750)
TOTAL ASSETS LESS CURRENT LIABILITIES	1,076,534	(1,552)	(2,339)	1,072,643
CREDITORS: amounts falling due after more than one year	(742,276)	-	-	(742,276)
PROVISIONS FOR LIABILITIES	(2,521)	-	-	(2,521)
PENSION LIABILITY	(39,397)	-	-	(39,397)
TOTAL NET ASSETS	292,340	(1,552)	(2,339)	288,449
CAPITAL AND RESERVES				
Share capital	-	-	-	-
Revaluation reserve	12,281	-	-	12,281
Hedging reserve	(952)	-	-	(952)
Revenue reserves brought forward	281,499	(1,152)	(1,885)	278,462
Loss for the year	(36)	(400)	(454)	(890)
Attributable to non-controlling interests	(452)	-	-	(452)
	292,340	(1,552)	(2,339)	288,449

2. ACCOUNTING POLICIES (CONTINUED)

Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report and 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 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 has recently secured private placement funding of £120m and has 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, including assessing the impact of a second pandemic. We have also chosen to extend our going concern assessment period to at least 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.

For those companies within the Group which have negative assets, Outlook Ltd and Fix360 Ltd, the parent entity has provided letters of support.

On this basis, the Board has reasonable expectation that the Group and parent association has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 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:

- **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.
- **Allocation of Costs** – Where the association has a mixed tenure scheme, costs are allocated between the different tenure types based on unit numbers.
- **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.

2. ACCOUNTING POLICIES (CONTINUED)

- **Capitalisation of property development costs** – Qualifying 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. 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** – Investment properties are held at fair value, based on external valuer's assessments. The valuations are updated annually to ensure the properties remain at fair value. 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. Physical inspection was not possible this year due to the Covid-19 pandemic. The valuer instead completed a desktop valuation and highlighted a material valuation uncertainty due to unprecedented circumstances on which to base a judgement. The Board have accepted the valuation on this basis. Disclosure of the most recent valuation is provided in note 15 of the financial statements.
- **Government grants** – Government grants are held against structure and amortised over the expected life of structure, 100 years, using the accruals method. The value of government grants and amortisation during the year are disclosed in note 22.
- **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 and 14.
- **Bad debts** – Arrears and other debtors are provided for based on the age of debt, as this is considered to indicate recoverability. The provision is disclosed in note 17 and the charge during the year in note 7. No further provision has been made for potential bad debts arising from the onset of Covid-19. Rent arrears and recoverability of other debtors has been monitored post year end and has not been significantly affected. Further developments of Covid-19 post year end and the implications of this on the Group is provided in note 31.
- **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.
- **Loan refinancing -** During the year, four fixed rate loans with the same lender were consolidated into one loan in order to simplify the administration and management of security. The consolidation was a non-substantial modification as it led to no material difference to the forecast cash flows over the period to maturity.
  Furthermore, 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 have been recognised as a result of the restatement.
- **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.
- **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.

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 2020 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 does not control 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.

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.

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 and other services included at the invoiced value (excluding VAT, where recoverable) of goods and services supplied in the year and revenue grants receivable in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. 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.

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
In 2020, the Association received charitable donations of £36,800,000 from its wholly owned subsidiary, Your Housing Limited and gift aid of £137,000 from Nuvu Development Ltd.

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

Interest receivable
Interest receivable from financial instruments is recognised 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

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 by an independent surveyor, who shall be a member of the Royal Institute of Chartered Surveyors. The valuation will include a physical inspection at least every three years, with desktop valuations in intervening years. 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.

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

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.

2. ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

2. ACCOUNTING POLICIES (CONTINUED)

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 and 14.

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

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

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.

2. ACCOUNTING POLICIES (CONTINUED)

Properties for sale

Shared ownership first tranche sales and completed properties for outright sale and property 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.

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.

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.

Hedging arrangements

The Group applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings. Interest rate swaps are held to manage the interest rate exposures and are designated as cash flow hedges of floating rate borrowings.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the Statement of Comprehensive Income.

The gain or loss recognised in other comprehensive income is reclassified to the Statement of Comprehensive Income when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised, or the hedging instrument is terminated.

Where a hedge relationship is terminated, the movement in the fair value of the swap is included within the interest expense for the year.

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 has been 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 group early adopted the amendment made to Section 28 of FRS 102, as issued in May 2019 by the Financial Reporting Council, and therefore recognised the difference on transition to defined benefit accounting in the year ended 31 March 2019.

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 2020, the net defined benefit pension deficit liability was £3,246,000 (2019: £5,448,000)

2. ACCOUNTING POLICIES (CONTINUED)

Pension costs (continued)
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.

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 2020, the net defined benefit pension deficit liability was £nil (2019: £1,023,000)

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.

Reserves
The revenue reserves are unrestricted and available for use within the Group's activities. The Hedging reserve is the hedging transaction asset or liability at the year end. 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

	2020			Restated 2019		
	Turnover £'000	**Operating Expenditure £'000**	**Operating surplus/ (deficit) £'000**	**Turnover £'000**	**Operating expenditure £'000**	**Operating surplus/ (deficit) £'000**
Social housing lettings (note 4.1)	137,523	(121,002)	16,521	136,796	(103,879)	32,917
Other social housing activities						
Shared ownership first tranche sales	365	(355)	10	1,488	(1,209)	279
Shared equity property sales	440	(410)	30	-	(8)	(8)
Outright property sales	2,835	(2,254)	581	-	(2)	(2)
Supporting People contract income	1,599	(1,623)	(24)	1,778	(1,593)	185
Neighbourhood regeneration	1,118	(2,181)	(1,063)	922	(1,196)	(274)
Development costs not capitalised	-	(157)	(157)	-	(164)	(164)
Management services	1,407	(1,170)	237	1,378	(1,166)	212
Other	785	(831)	(46)	463	(7,175)	(6,712)
	8,549	(8,981)	(432)	6,029	(12,513)	(6,484)
Non-social housing activities						
Lettings (note 4.2)	4,781	(2,705)	2,076	5,440	(2,874)	2,566
Development costs not capitalised	-	(1,390)	(1,390)	-	-	-
	4,781	(4,095)	686	5,440	(2,874)	2,566
	150,853	(134,078)	16,775	148,265	(119,266)	28,999

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

Operating surplus analysed:	**2020 £'000**	**2019 £'000**
Lettings	17,207	35,483
Shared ownership first tranche sales	10	279
Management services	237	212
Sale of properties	611	(10)
Other	(1,290)	(6,965)
	16,775	28,999

3.2 TURNOVER, OPERATING EXPENDITURE AND OPERATING RESULT – ASSOCIATION

			2020			**2019**
	Turnover £'000	**Operating expenditure £'000**	**Operating deficit £'000**	**Turnover £'000**	**Operating expenditure £'000**	**Operating deficit £'000**
Other income and expenditure						
Management services to group undertakings	33,594	(37,787)	(4,193)	33,189	(33,511)	(322)

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 2020 £'000	Restated Total 2019 £'000
Income from social housing lettings								
Rent receivable net of identifiable service charges	83,162	17,853	4,342	58	3,143	189	108,747	108,220
Service charges receivable	3,984	10,879	3,047	-	311	302	18,523	18,996
Charges for support services	32	206	25	-	-	-	263	265
Facility fee	-	-	-	-	371	-	371	300
Government grant taken to income	3,226	1,088	289	-	-	1	4,604	4,602
Other income	209	4,741	59	-	6	-	5,015	4,413
	90,613	34,767	7,762	58	3,831	492	137,523	136,796

Included within other income is income due from the SPV of £2,165k (2019: £2,613k) and other revenue grants of £1,197k (2019: £1,091k).

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 2020 £'000	Restated Total 2019 £'000
Expenditure on social housing letting activities								
Management	(28,195)	(10,457)	(2,837)	(150)	(747)	(34)	(42,420)	(39,269)
Routine maintenance	(18,363)	(3,539)	(272)	(8)	(131)	(56)	(22,369)	(16,697)
Planned maintenance	(5,699)	(3,620)	(138)	(6)	(95)	(43)	(9,601)	(7,594)
Major repairs expenditure	(473)	(516)	(145)	-	(22)	(4)	(1,160)	(836)
Decommissioning costs	(150)	-	-	-	-	-	(150)	(300)
Services	(5,300)	(10,444)	(900)	27	(1,075)	(50)	(17,742)	(15,341)
Cost of support services	(25)	(439)	(48)	-	-	-	(512)	(365)
Rent losses from bad debts	(793)	(169)	10	(1)	-	(5)	(958)	(572)
Housing property depreciation	(11,993)	(2,921)	(641)	(1)	(639)	(6)	(16,201)	(16,207)
Ground rent	(524)	(3)	(15)	-	-	-	(542)	(548)
Impairment	138	(1,826)	(2,032)	-	-	-	(3,720)	(680)
Cheshire PFI – payment to SPV	-	(4,703)	(924)	-	-	-	(5,627)	(5,470)
Total expenditure on social housing lettings	(71,377)	(38,637)	(7,942)	(139)	(2,709)	(198)	(121,002)	(103,879)
Operating surplus/(deficit) on social housing lettings	19,236	(3,870)	(180)	(81)	1,122	294	16,521	32,917
Void losses	(669)	(610)	(28)	-	(399)	(97)	(1,803)	(2,103)

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

	2020 £'000	2019 £'000
Full market rent	3,465	2,794
Intermediate market rent	737	797
Key worker	-	1,288
Other	579	561
	4,781	5,440

5. GAIN ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Group	2020 £'000	2019 £'000
Proceeds of sales	7,194	8,233
Cost of sales	(3,389)	(3,424)
Surplus for year	3,805	4,809

The above surplus can be analysed as follows:

	2020 £'000	2019 £'000
Right to buy/ Right to acquire	1,547	1,041
Staircasing	1,902	1,635
Other disposals	356	2,133
	3,805	4,809

6. ACCOMMODATION IN MANAGEMENT – GROUP

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

	2020 No.	Restated 2019 No.
General needs	18,818	17,219
Housing for older people	3,453	5,203
Low cost home ownership	1,802	1,869
Supported housing	799	871
Market rented	546	449
Intermediate market rented	61	70
Other	65	65
Care homes	121	15
Key worker	635	635
Accommodation managed on behalf of other associations	514	1,334
	26,814	27,730
Managed by others	-	-
Total owned and managed	26,814	27,730
Accommodation in development at year end	480	365

Property numbers for the year ended 31 March 2020 fully meet the Statistical Data Return definition of accommodation in management. The 2019 figures shown above have been restated for leaseholder properties not owned by the association.

The Association does not own any properties.

7. OPERATING SURPLUS

Operating surplus is stated after charging:	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Depreciation of housing properties	16,920	17,004	-	-
Depreciation of other tangible fixed assets	5,670	4,423	-	-
Amortisation of intangible fixed assets	374	274	-	-
Impairment of housing properties	1,867	3,258	-	-
Impairment of intangible fixed assets	-	2,578	-	-
Impairment of investment properties	2,000	-	-	-
Bad and doubtful debts	981	3,998	-	-
Audit services – Parent	24	18	24	18
Audit services - subsidiaries	158	106	-	-
Non-audit services – tax compliance	39	23	4	23
Non-audit services - advisory	32	29	3	29
Operating lease rentals				
- land and buildings	5,658	5,431	-	-

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	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Fees payable to the company's auditor for the audit of the financial statements	277	124	24	18
Fees payable to the company's auditors in respect of:				
Tax compliance	29	23	4	23
Taxation advisory services	10	-	-	-
Other advisory services	22	29	4	29
	338	176	32	70

8. INTEREST RECEIVABLE AND OTHER INCOME

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Interest receivable	503	407	8	15
	503	407	8	15

9. INTEREST PAYABLE AND SIMILAR COSTS - GROUP

	2020 £'000	2019 £'000
Loans and bank overdrafts	16,045	14,782
Interest payable capitalised on assets	(297)	(376)
Unwinding of discount factor – SHPS (note 25 and 30)	(4)	-
Pension Interest	896	867
Movement in hedging reserve	1,086	-
Finance Leases	87	100
	17,813	15,373

Interest is capitalised using an average monthly interest rate of 3.31% (2019: 3.50%).

Included within the loan and bank overdrafts interest payable figure is £875,000 (2019: £nil) in relation to the one off costs in refinancing of the Group.

10. EMPLOYEES

	Group		Association	
Average monthly number of employees expressed as full time equivalents	**2020 No.**	**2019 No.**	**2020 No.**	**2019 No.**
Administration	211	178	210	161
Housing, support and care	785	681	272	264
Development	18	19	18	17
	1,014	878	500	442

Staff costs:	**2020 £'000**	**2019 £'000**	**2020 £'000**	**2019 £'000**
Wages and salaries	30,954	25,619	17,594	14,673
Social Security costs	2,859	2,266	1,724	1,460
Other pension costs	1,471	1,006	992	715
	35,284	28,891	20,310	16,848

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.

	2020 £'000	2019 £'000
£60,001 - £70,000	11	14
£70,001 - £80,000	6	6
£80,001 - £90,000	6	10
£90,001 - £100,000	4	-
£100,001 - £110,000	3	1
£110,001 - £120,000	1	4
£120,001 - £130,000	5	4
£130,001 - £140,000	1	-
£140,001 - £150,000	1	-
£150,001 - £160,000	2	1
£160,001 - £170,000	-	-
£170,001 - £180,000	-	-
£180,001 - £190,000	1	1
£190,001 - £200,000	-	1
£200,001 - £210,000	-	1
£210,001 - £220,000	-	-
£220,001 - £230,000	-	-
£230,001 - £240,000	-	-
£240,001 - £250,000	1	-
	42	43

11. KEY MANAGEMENT PERSONNEL

The emoluments of the highest paid executive, the Group's Chief Executive, are; basic salary £190,000 (2019: £168,480), car allowance £19,000 (2019: £16,864), target based remuneration £18,550 (2019: £18,550), payment in lieu of annual leave £7,308 (2019: £3,243) and Benefits in Kind £3,819 (2019: £2,662). 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 all the senior executive team of the Group. 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	2020 Total £'000	2019 Total £'000
Executive directors	429	56	8	23	516	643
Non-executive directors	116	-	-	-	116	114
	545	56	8	23	632	757

11. BOARD MEMBERS AND EXECUTIVE MANAGEMENT TEAM (CONTINUED)

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 Non-Executive member of the Board.

	2020 £'000	2019 £'000
Kathy Doran	26	23
Mark Tattersall	-	3
Val Aherne	9	9
Alison Cambage	11	7
Paul Carhart	-	4
Derek Cash	13	13
Roy Grant	13	13
Richard Groome	15	13
Alistair How	2	9
Brenda Smith	13	13
Paula Steer	9	7
Chris Mackenzie-Grieve	5	-
	116	114

12. TAX ON SURPLUS ON ORDINARY ACTIVITIES

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Taxation charge for the year	643	415	-	-
Adjustment for prior periods	(33)	83	-	-
Total current tax	610	498	-	-
Share of associates tax charge	39	58	-	-
	649	556	-	-
Deferred taxation – Origination and reversal of timing differences	190	110	-	-
Total tax on results on ordinary activities	839	666	-	-

The standard rate of tax for the year based on the UK standard rate of corporation tax is 19% (2019: 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	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Surplus on ordinary activities before tax	4,187	21,285	32,737	12,946
Theoretical tax at 19% (2019: 19%)	795	4,044	6,220	2,460
Effects of:				
Expenses not deductible for tax purposes	498	(114)	284	113
Difference between capital gain for accounts and tax purposes	38	78	-	-
Adjustment for prior periods	(33)	83	-	-
Income not taxable	(3,365)	(3,593)	(6,566)	(2,631)
Deferred tax not recognised	2,857	110	72	52
Net adjustment to deferred tax	19	-	(9)	6
Adjustments to brought forward values	(2)	-	-	-
Additional deduction for land remediation expenditure	(7)	-	-	-
Share of associates tax charge	39	58	1	-
Total tax charge	839	666	-	-

13. TANGIBLE FIXED ASSETS

13.1 NET BOOK VALUE (NBV)

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Housing Properties (Note 13.2)	1,011,733	978,839	-	-
Other Fixed Assets (Note 13.6)	41,957	33,406	-	-
	1,053,690	1,012,245	-	-

The value of assets held as security on loan financing arrangements at 31 March 2020 was £523m on EUV-SH basis.

13.2 HOUSING PROPERTIES – GROUP

	Housing properties held for letting £'000	Housing properties under construction £'000	Low cost home ownership held for letting £'000	Total £'000
Cost				
At 1 April 2019	1,114,997	10,222	69,989	1,195,208
Additions – works to existing properties	13,842	2	51	13,895
Additions – new properties developed	29,971	5,505	258	35,734
Schemes completed in year	658	(658)	-	-
Transfer from/(to) current assets	6,087	(962)	265	5,390
Disposals	(5,953)	-	(1,727)	(7,680)
At 31 March 2020	1,159,602	14,109	68,836	1,242,547
Depreciation				
At 1 April 2019	206,007	-	7,107	213,114
Charge for year	16,321	19	580	16,920
Transfer from/to current assets	122	-	48	170
Schemes Completed in Year	19	(19)	-	-
Disposals	(3,785)	-	(194)	(3,979)
At 31 March 2020	218,684	-	7,541	226,225
Impairment				
At 1 April 2019	3,082	33	140	3,255
Charge for year	1,835	-	32	1,867
Schemes Completed in the Year	-	-	-	-
Disposals	(533)	-	-	(533)
At 31 March 2020	4,384	33	172	4,589
Net Book Value				
At 31 March 2020	936,534	14,076	61,123	1,011,733
At 31 March 2019	905,098	10,189	62,742	978,839

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
Freehold properties	705,823	14,076	39,178
Long-leasehold properties	203,752	-	21,945
Short-leasehold properties	26,959	-	-
	936,534	14,076	61,123

13.3 MAJOR REPAIRS EXPENDITURE ON EXISTING PROPERTIES – GROUP

	2020 £'000	2019 £'000
Capitalised major repairs works	13,895	7,247
Revenue major repairs works charge to income and expenditure	1,160	839
	15,055	8,086

13.4 SOCIAL HOUSING ASSISTANCE – GROUP

	2020 £'000	2019 £'000
Total accumulated social housing grant received or receivable at 31 March:		
Recognised in the Statement of Comprehensive Income (note 4.1)	4,604	4,602
Held as deferred income (note 22)	402,514	401,951
	407,118	406,553

13.5 FINANCE COSTS – GROUP

	2020 £'000	Restated 2019 £'000
Aggregate amount of finance costs included in the cost of housing properties	297	376

13.6 OTHER TANGIBLE FIXED ASSETS – GROUP

	Freehold office property	Short leasehold property	Leasehold property improvements	Furniture, fixtures, fittings, office equipment	Restated Computer and telephone equipment	Scheme assets	Assets under construction	Total
	£'000	£'000	£000's	£'000	£'000	£'000	£'000	£'000
Cost								
At 1 April 2019	7,593	2,750	-	997	17,602	15,285	465	44,692
Additions	6,026	-	726	215	1,128	5,388	748	14,231
Disposals	-	-	-	-	-	(15)	-	(15)
At 31 March 2020	13,619	2,750	726	1,212	18,730	20,658	1,213	58,908
Depreciation								
At 1 April 2019	1,861	1,137	-	474	4,473	2,341	-	10,287
Charge for year	244	160	436	106	3,642	1,082	-	5,670
Disposals	-	-	-	-	-	(5)	-	(5)
At 31 March 2020	2,105	1,297	436	580	8,115	3,418	-	15,952
Impairment								
At 1 April 2019	954	-	-	-	45	-	-	999
Charge for the year	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
At 31 March 2020	954	-	-	-	45	-	-	999
Net book value								
At 31 March 2020	10,560	1,453	290	632	10,570	17,240	1,213	41,957
At 31 March 2019	4,778	1,613	-	522	13,084	12,944	465	33,406

Additions of £6,026k relates to the purchase of the freehold of a new head office in Birchwood, Warrington.

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 £1,857,000 was incurred in relation to component defects at three separate schemes comprising 608 units. The carrying amount of the units prior to the impairment was £26,978,000. In addition to this, one property marked for divestment in FY21 was impaired by £10,000 following an independent market valuation by Allied Surveyors & Valuers Ltd. This valuation was conducted on a market value basis, including a physical inspection but not a structural survey and is subject to the usual assumptions regarding the repair and condition of the property. Properties carrying impairments totalling £533,000 were disposed of during the year. The carrying amount of these properties was nil.

Two properties, which had been void for over 12 months, were valued by Jones Lang LaSalle Ltd alongside the market rent portfolio revaluation. Due to the outbreak of the Novel Coronavirus (Covid-19), it was not possible for JLL to undertake a physical inspection of the properties. Management agreed to permit a desktop valuation to provide the best evidence of their current value under the circumstances. The market value with vacant possession (MV-VP) figure for these properties provided is £90,000 and £85,000 with respective carrying amounts of £8,000 and £5,000. It is not considered necessary to impair the carrying amounts under the circumstances.

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.

No further impairments have been provided for arising from the onset of Covid-19 as this has had negligible impact on development sales. Further developments of Covid-19 post year end and the implications of this on the association is provided in note 31.

14. INTANGIBLE FIXED ASSETS

	Software
	£'000
Cost	
At 1 April 2019	1,672
Additions	1,814
At 31 March 2020	3,486
Amortisation	
At 1 April 2019	484
Charge for year	374
31 March 2020	858
Net book value	
At 31 March 2020	2,628
At 31 March 2019	1,188

15.1 FIXED ASSET INVESTMENTS – GROUP

	Investments £'000	Associates investment fund £'000	Investment properties £'000	Shared equity investment £'000	Total £'000
Cost/Valuation					
At 1 April 2019	12,724	3,383	49,683	2,939	68,729
Additions	-	6	9,407	-	9,398
Disposals	(1)	-	(170)	(151)	(307)
Reclassifications	14	(14)		-	-
Repayments	-	(112)	-	(242)	(354)
Impairment	(276)		(2,000)		(2,276)
Fair value movement	327	-	405	-	732
At 31 March 2020	12,788	3,263	57,325	2,546	75,922

The impairment in investments relates to shares held in Your Housing Development Ltd by Your Housing Limited and is caused by aborted developments. The impairment in investment properties relates to the Beechmere properties destroyed by fire. The fair value movements relate to revaluations of market rented properties.

Investments

The Group had an interest in the following associates as at 31 March 2020, 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	Nominal value of issued shares held £
Avantage (Cheshire) Holdings Limited	England	Ordinary £1 shares	33.3%	333
Grove Village Holdings Limited	England	Ordinary £1 B shares	25.5%	12,750
Sapphire Extra Care (Holding) Limited	England	Ordinary £1	25%	12,500

15.1 FIXED ASSET INVESTMENTS – GROUP (CONTINUED)

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 2020 was £425,000 (2019: £476,000). The loan notes are due for final redemption in 2031 and accrue interest at 9.07% p.a.

During the year. The association recharged amounts to Grove Village Holdings Limited, an unregulated entity:

	2020 £'000	2019 £'000
Management Services charged to Grove Village Holdings Limited	843	823
	843	823

Avantage (Cheshire) Holdings Limited

The Group holds a 33.3% interest in the ordinary share capital of Avantage (Cheshire) Holdings Limited, a company registered in England and Wales. 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 Cheshire West and Cheshire Council. During 2010 the Association provided a long-term funding in the form of unsecured loan notes to Avantage (Cheshire) Holdings Limited of £1,711,000, the outstanding loan note balance at 31 March 2020 was £1,238,000 (2019: £1,238,000). The loan notes are due for final redemption in 2039 and accrue interest at 10.45% p.a.

During the year. The association recharged amounts to Avantage (Cheshire) Holdings Limited, an unregulated entity:

	2020 £'000	2019 £'000
Management Services charged to Avantage (Cheshire) Holdings Limited	1,973	2,196
Operating lease rentals paid by Your Housing Limited	(2,967)	(3,113)
	(994)	(917)

A fire occurred at the Beechmere retirement complex on 8 August 2019 which destroyed 16 investment properties owned by the group with a carrying value of £2m and 20 shared ownership properties owned in part by the group with a nil carrying value. The insurance claim for the rebuild value of these properties is being progressed through the Special Purpose Vehicle (SPV), Avantage (Cheshire) Holdings Limited.

The group holds an equity investment of £718k and subordinated loan notes of £1,238k at 31 March 2020. On 1 April 2020, the SPV, Avantage (Cheshire) Holdings Limited, entered into technical default under both the Facility Agreement with the Senior Lender, and the Project Agreement with the Authority. These defaults could trigger further actions under the contracts that could lead to the project terminating. However, to date there has been no indication of any party pursuing the defaults. The overall aim of the Group's Board remains to be the recovery of the project which would include the repayment of the principal of the subordinated debt to Your Housing Limited (YHL) and recovery of the equity investment. Should the project be terminated early, this could result in an impairment of the equity investment and recovery of the subordinated debt.

15.1 FIXED ASSET INVESTMENTS – GROUP (CONTINUED)

Sapphire Extra Care (Holding) Limited

During 2014 the Group provided long term funding in the form of unsecured loan notes to Sapphire Extra Care (Holding) Limited of £1,718,000, the balance of outstanding notes at 31 March 2020 was £1,625,000 (2019: £1,706,000). The loan notes are due for final redemption in 2039 and accrue interest at 11.5% p.a. The association holds a 25.0% interest in the ordinary share capital of Sapphire Extra Care (Holding) Limited, a company registered in England and Wales. 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.

During the year. The association recharged amounts to Sapphire Extra Care (Holding) Limited, an unregulated entity:

	2020 **£'000**	**2019** **£'000**
Management services charged to Sapphire Extra Care (Holding) Limited	712	712
Operating lease rentals paid by Your Housing Limited	(2,657)	(2,558)
	(1,945)	(1,846)

Investment properties

The Board appointed JLL and Savills as independent experts to impartially value investment property of the Group as at 31 March 2020. The directors have used the independent experts' reports to determine the fair value of investment property as at the year end.

The independent experts' valuations include a 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty and a higher degree of caution should be attached to the valuation of investment property than would normally be the case. The directors have considered the material valuation uncertainty included in the independent experts' reports, and while less certainty and a higher degree of caution needs to be attached to the valuation, the valuation can still be relied upon. The directors therefore consider the valuation included in the independent experts' reports to be an accurate reflection of the investment property fair value.

As detailed above, in August 2019 one of our PFI schemes, the Beechmere Extra Care Scheme in Crewe, suffered a fire. The building was completely destroyed and 16 investment properties with a carrying fair value of £2m have been destroyed. An impairment of £2m has been recognised in the Statement of Comprehensive Income, pending the receipt by the Special Purpose Vehicle (Avantage (Cheshire) Holdings Limited) of the insurance claim.

These units have not yet been rebuilt so as of the 31st March 2020 these assets do not exist. The insurance claim to reinstate the assets is led by the Special Purpose Vehicle, Avantage (Cheshire) Holdings Limited, who will receive the insurance funds to aid the rebuild.

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.

15.2 FIXED ASSET INVESTMENTS – ASSOCIATION

The association had the following invested capital in investments:	2020 £'000	2019 £'000
Nuvu Development Limited	43,620	9,420
Nuvu Living LLP	6,431	3,832
	50,051	13,252

All entities are 100% owned subsidiaries of the Group with investments held at cost. The significant additions in the year relate to ongoing existing developments in line with our business strategy.

15.3 ASSOCIATES – GROUP

The Group had the following aggregate interests in associates:	2020 £'000	2019 £'000
Share of net assets	3,238	3,231

16. INVENTORIES – GROUP

	2020 £'000	2019 £'000
Outright sales – completed	9,936	6,941
Shared ownership – completed	240	994
Outright sales – under construction	2,102	2,252
Shared ownership – under construction	2,450	1,609
Repairs stock	364	155
	15,092	11,951

17. TRADE AND OTHER DEBTORS

	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Due within one year				
Arrears of rent and service charges	12,739	9,314	-	-
Less: provisions for bad and doubtful debts	(4,413)	(3,893)	-	-
	8,326	5,421	-	-
Amounts due from group undertakings (note 29)	-	-	1,542	2,346
Corporation tax debtor	326	-	-	-
Other debtors and prepayments	6,889	4,755	2,645	1,942
	15,541	10,176	4,187	4,288

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Association	
		Restated		
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Bank loans	4,603	4,088	-	-
Other loans	19,000	19,000	-	-
Finance lease obligations	11	10	-	-
Amounts due to group undertakings (note 29)	-	-	6,196	14
Rent and service charges received in advance	7,484	6,835	-	-
Trade Creditors	5,805	2,854	845	689
Social Housing Grant received in advance	-	233	-	-
Recycled Capital Grant Fund (note 23)	855	3,710	-	-
Disposal Proceeds Fund (note 24)	742	1,347	-	-
Corporation tax	501	171	-	-
Deferred grant income (Note 22)	4,638	4,651	-	-
Other taxation and social security	1,005	871	1,003	871
Other creditors and accruals	19,548	17,890	3,597	3,595
Cheshire PFI – deferred income	533	781	-	-
Deferred income – services	47	157	29	125
Sinking fund creditor	4,049	3,552	-	-
Contractors capital works	1,198	-	-	-
	70,019	66,150	11,670	5,294

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	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Bank loans (note 20)	396,327	340,762	-	-
Debt issue costs	(2,409)	(1,433)	-	-
Bank loans – due within one year	(4,603)	(4,088)	-	-
Bank loans – due after more than one year (note 20)	389,315	335,241	-	-
Financial derivatives	1,086	952	-	-
Disposals Proceeds Fund (note 24)	-	7	-	-
Recycled Capital Grant Fund (note 23)	12,118	7,741	-	-
Deferred Grant Income (note 22)	397,876	397,300	-	-
Finance Lease obligations (note 20)	1,024	1,035	-	-
	801,419	742,276	-	-

20. DEBT ANALYSIS

Bank debt is repayable as follows:

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Due within one year	4,603	4,088	-	-
Between one and two years	10,948	4,393	-	-
Between two and five years	23,260	57,443	-	-
After five years	355,120	273,405	-	-
	393,931	339,329	-	-
Plus debt issue costs	2,396	1,433	-	-
	396,327	340,762	-	-

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

Debt refinancing:

During the year, certain of the Company's bank lenders were refinanced.

- One existing secured revolving credit facility was increased from £125,000,000 to £150,000,000 and extended to a 10 year maturity. The changes made to this facility resulted in it being a substantial modification and this has been accounted for as such with an EIR of 1.34% applied. No fair value adjustments have been recognised as a result of the restatement.
- Two new secured revolving credit facilities amounting to £100,000,000 were completed which had a maturity of 10 years each and have been accounted for as basic financial instruments.
- Two existing secured revolving credit facilities amounting to £120,000,000 were cancelled. This resulted in unamortised debt issue costs of £875,000 being charged as an interest expense. Subsequent to the year end, a further term loan amounting to £18,000,000 was cancelled which resulted in break costs of £4,300,000 being incurred. As a result of these changes, the EBITDA MRI based interest cover covenant has now been removed.

All 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 2020, the amount of undrawn committed facilities was £106,000,000 (2019 - £155,000,000).

20. DEBT ANALYSIS (continued)

Bank and other loans comprise the following:

	£'000	Fixed/variable	Interest rates	Repayment profile
Bank and building society loans	367,076	Fixed and variable	0.77% to 5.98%	Bullet and instalments by January 2041
Other loans	29,251	Fixed	4.59% to 11.35%	Bullet and instalments by March 2039
	396,327			

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	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Due within one year	11	10	-	-
Between one and two years	15	15	-	-
Between two and five years	70	42	-	-
After five years	939	978	-	-
	1,035	1,045	-	-

The finance leases are secured over individual assets.

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. During the year, the hedge relationship has terminated and consequently the movement in the fair value of the swap of £1,086,163 has been included within the interest expense for the year.

21. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Financial assets and liabilities are categorised as follows:	**2020** **£'000**	**2019** **£'000**
Cash and cash equivalents	36,586	31,273
Financial instruments– interest rate swap	(15,000)	(15,000)
Financial instruments measured at amortised cost – debt	(396,327)	(340,762)
Financial instruments measured at amortised cost – other loans	(19,000)	(19,000)
Financial derivatives	(1,086)	(952)
Finance leases	(1,035)	(1,045)
	(395,862)	(345,486)

22. DEFERRED GRANT INCOME – GROUP

	2020 **£'000**	**2019** **£'000**
At 1 April	401,951	408,105
Additions	7,713	1,442
Government grants taken to income	(4,663)	(4,648)
Grants recycled	(2,487)	(2,796)
Grants repaid	-	(152)
Disposals	-	-
Transferred on disposal of subsidiaries	-	-
At 31 March	402,514	401,951
Due in less than one year (note 18)	4,638	4,651
Due in greater than one year (note 19)	397,876	397,300
	402,514	401,951

The grant value above is shown net of amortisation, the gross value is £469,179,000 (2019: £470,593,000).

23. RECYCLED CAPITAL GRANT FUND – GROUP

	2020 £'000	2019 £'000
At 1 April	11,451	9,898
Grants recycled	1,435	1,481
Interest accrued	87	72
At 31 March	12,973	11,451
Due in less than one year (note 18)	855	3,710
Due in greater than one year (note 19)	12,118	7,741
	12,973	11,451

24. DISPOSAL PROCEEDS FUND – GROUP

	2020 £'000	2019 £'000
At 1 April	1,354	1,350
Interest accrued	4	4
Grants recycled	(616)	-
At 31 March	742	1,354
Due in less than one year (note 18)	742	1,347
Due in greater than one year (note 19)	-	7
	742	1,354

25. PROVISIONS FOR LIABILITIES

Deferred taxation	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
At 1 April	1,221	1,111	-	-
Charge to the Statement of Comprehensive Income	190	110	-	-
At 31 March	1,411	1,221	-	-

Analysis of deferred tax balances	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Accelerated capital allowances	584	511	-	-
Provision for rollover relief	827	710	-	-
Discounted provision for deferred tax	1,411	1,221	-	-

SHPS obligations	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
At 1 April	-	14,293	-	-
Release of the provision	-	(14,293)	-	-
At 31 March	-	-	-	-

Sufficient information was available from March 2019 to account for the SHPS pension liability on a defined benefit basis. The provision was released in the 2019 financial statements and is now accounted for as a pension liability.

Holiday pay	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
At 1 April	185	165	109	98
Charge to income and expenditure account	(185)	20	(109)	11
At 31 March	-	185	-	109

The Holiday pay provision represents holiday balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the salary cost payable for the period of absence. In the 2020 financial statements, Holiday pay was accounted for as an accrual reported as a creditor due within one year and not a provision.

25. PROVISIONS FOR LIABILITIES (CONTINUED)

Other provisions	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
At 1 April	1,115	-	-	-
Charge to income and expenditure account	(142)	1,115	-	-
At 31 March	973	1,115	-	-

Other provisions 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 were valued by Stephen D Buxton & Associates in March 2020 and will be reviewed at least annually. The provision represents the present value of the total cost to complete the works required.

Total provision	Group		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Deferred taxation	1,411	1,221	-	-
SHPS obligations	-	-	-	-
Holiday pay	-	185	-	109
Other provisions	973	1,115	-	-
At 31 March 2020	2,384	2,521	-	109

26. NON-EQUITY SHARE CAPITAL

	2020	2019
Shares of £1 each issued and fully paid	£	£
At 1 April	9	9
Issued During the year – at par	-	-
Redeemed	-	-
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	
	2020	2019	2020	2019
Capital commitments	£'000	£'000	£'000	£'000
Expenditure contracted for but not provided in the accounts	47,354	17,816	-	-
Expenditure authorised by the board, but not contracted	168,731	81,013		
	216,085	98,829	-	-
Financed by				
Social housing grant	12,659	6,624	-	-
Loans / cash funds	203,426	92,205	-	-
	216,085	98,829	-	-

Operating lease commitments

The future minimum payments of leases are set out below.

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Land and buildings				
Within one year	912	773	-	-
Between two and five years	3,647	3,092	-	-
More than five years	3,648	3,869	-	-
	8,207	7,734	-	-
Land and buildings (PFI contracts)				
Within one year	4,953	4,793	-	-
Between two and five years	20,616	20,026	-	-
More than five years	137,140	142,273	-	-
	162,709	167,092	-	-

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

	2020 £'000	restated 2019 £'000
Surplus for the year	3,548	20,790
Adjustments for non-cash items:		
Associates profit	-	(251)
Non-controlling interest share	(200)	(171)
Depreciation of housing properties	17,090	17,004
Depreciation of other fixed assets	6,044	4,697
Grant amortisation	(4,663)	(4,648)
Impairment charge	3,820	3,192
Movement in fair value of investments	(731)	(2,134)
(Increase)/decrease in trade and other debtors	(4,720)	1,601
Increase in trade and other creditors	10,112	818
Increase/(decrease) in inventories	(8,361)	(1,814)
Decrease in other provisions	(142)	-
Pension costs less contributions payable	(4,201)	(3,178)
Adjustments for investing or financing activities:		
Net gain on sale of fixed assets	(3,805)	(4,809)
Interest payable	17,813	15,373
Interest received	(503)	(407)
Taxation	(140)	332
Net cash flow from operating activities	30,961	46,395

Analysis of changes in net debt

	At 1 April 2019 £'000	Cash flows £'000	Fair value and exchange movements £'000	Non-cash changes £'000	At 31 March 2020 £'000
Cash at bank and in Hand	31,273	5,278	-	-	36,551
Cash and cash equivalents	31,273	5,278	-	-	36,551
Borrowings					
Debt due within one year	(23,098)	(516)	-	-	(23,614)
Debt due after one year	(337,626)	(56,274)	(134)	1,224	(392,810)
Finance Leases	(1,045)	10	-	-	(1,035)
Total	(330,496)	(51,052)	(134)	1,224	(380,908)

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
Arena Development & Construction Limited[1]	Company incorporated and limited by shares under the Companies Act 2006	Dissolved on 16 April 2019
Arena Future Limited[1]	Company incorporated and limited by shares under the Companies Act 2006	Dissolved on 16 April 2019
Arena Homes Limited[1]	Registered Industrial and Provident Society	Deregistered on 18 June 2019
Arena Options Limited[1]	Registered Industrial and Provident Society	Deregistered on 18 June 2019
Ascent Housing LLP[3]	Limited Liability Partnership	Registered provider of social housing
Avantage (Cheshire) Holdings Limited[4]	Company incorporated and limited by shares under the Companies Act 2006	The provision of management and maintenance services
Avantage (Cheshire) Limited[7]	Company incorporated and limited by shares under the Companies Act 2006	Provider of extra care housing under PFI contract
Fix 360 Ltd	Company incorporated and limited by shares under the Companies Act 2006	Repairs and maintenance company
Frontis Homes Limited	Registered Industrial and Provident Society	Registered provider of social housing
Grove Village Holdings Limited[5]	Company incorporated and limited by shares under the Companies Act 2006	Holding company
Grove Village Limited[9]	Company incorporated and limited by shares under the Companies Act 2006	Provider of social housing under PFI contract
Madison Gardens Garage Company Limited[2]	Company incorporated and limited by guarantee under the Companies Act 2006	Dormant company
Nuvu Development Limited	Company incorporated and limited by guarantee under the Companies Act 2006	Property development company
Nuvu Living LLP[10]	Limited Liability Partnership	Property partnership
Nuvu Living (Liverpool Waters) LLP[11]	Limited Liability Partnership	Property partnership
Nuvu Living (Wavertree) LLP[11]	Limited Liability Partnership	Property partnership
Outlook Homes Limited[2]	Company incorporated and limited by guarantee under the Companies Act 2006	Management of residential properties
Sapphire Extra Care (Holding) Limited[6]	Company incorporated and limited by shares under the Companies Act 2006	Holding company
Sapphire Extra Care Limited[8]	Company incorporated and limited by shares under the Companies Act 2006	Provider of extra care housing under PFI contract
Your Housing (Development) Limited[1]	Company incorporated and limited by shares under the Companies Act 2006	Property development company
Your Hive (No. 2) Limited	Company incorporated and limited by shares under the Companies Act 2006	Dormant company
Your Housing Limited	Registered Industrial and Provident Society	Registered provider of social housing

29. GROUP UNDERTAKINGS AND RELATED PARTIES (CONTINUED)

Key to numbering:

1 Entity is a wholly-owned subsidiary undertaking of Your Housing Limited.
2 Entity is a wholly-owned subsidiary undertaking of Frontis Homes Limited.
3 Entity is 51% owned by Your Housing Group Limited.
4 Entity is 33.3% owned by Your Housing Limited.
5 Entity is 25.5% owned by Your Housing Limited.
6 Entity is 25% owned by Your Housing Limited.
7 Entity is 100% owned by Avantage (Cheshire) Holdings Limited, treated as an Associate in the consolidation.
8 Entity is 100% owned by Sapphire Extra Care (Holding) Limited, treated as an Associate in the consolidation.
9 Entity is 100% owned by Grove Village Holdings Limited, treated as an Associate in the consolidation.
10 Entity is 99.9% owed by Your Housing Group and 0.01% by Nuvu Development Limited.
11 Entity is 99.9% owed by Nuvu Living LLP and 0.01% by Nuvu Development Limited

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.

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 and where the Group does not control 100% of the entity:

Fix 360 Ltd
During the year ended 31 March 2020, Fix 360 Ltd charged the group £22,153,000 (2019: £12,574,000) in respect of repairs and maintenance undertaken for group subsidiaries.

At the year end, Your Housing Group Limited was owed £1,559,000 (2019: £691,000) from Fix360 Ltd and owed Fix360 Ltd £563,000 (2019: £nil) for services provided. Furthermore, Fix 360 Ltd have a loan payable to the Group of £2,950,000 (2019: £2,950,000) and was charged interest in the year of £212,000 (2019: £128,000).

Your Housing (Development) Ltd
During the year ended 31 March 2020, Your (Housing) Development Ltd generated sales to the group of £2,717,000 (2019: £nil) in respect of properties developed.

At the year end, Your Housing Group Limited was owed £29,000 (2019: £15,000) from Your Housing (Development) Ltd and owed Your Housing (Development) Ltd £651,000 (2019: £14,000) for services provided.

During the year, Your Housing (Development) Ltd issued 1,500,000 (2019: 2,000,000) of ordinary shares at par of £1 per share to the Group for a total consideration of £1,500,000 (2019: £2,000,000).

Nuvu Development Ltd
During the year ended 31 March 2020, Nuvu Development Ltd generated sales to the Group of £5,371,000 (2019: £3,088,000) in respect of properties developed.

At the year end, the Group was owed £719,000 (2019: £113,000) from Nuvu Development Ltd in relation to funding provided for the development of properties and owed Nuvu Development Ltd £52,000 (2019: £nil) for services provided.

29. GROUP UNDERTAKINGS AND RELATED PARTIES (CONTINUED)

During the year, Nuvu Development Ltd issued 34,200,000 (2019: 9,420,000) of ordinary shares at par of £1 per share to the Group for a total consideration of £34,200,000 (2019: £9,420,000).

Nuvu Living (Wavertree) LLP
During the year ended 31 March 2020, Nuvu Living (Wavertree) LLP generated sales to the Group of £120,000 (2019: £nil) in respect of properties developed.

At the year end, the Group was owed £115,000 (2019: £nil) from Nuvu Living (Wavertree) LLP in relation to funding provided for the development of properties and owed Nuvu Living (Wavertree) LLP £163,000 (2019: £nil) for services provided.

Ascent Housing LLP
Ascent is 51% controlled by Your Housing Group Limited. During the year there was £nil (2019: £82,000) for management charges paid to Your Housing Limited based on a set cost per unit. At the year end amounts due from other Group companies were £nil (2019: £848,000).

Ascent Housing LLP had a loan of £5,000,000 (2019: £5,000,000) with Your Housing Limited, a subsidiary of Your Housing Group Limited. Interest payable to Your Housing Group Limited amounted to £103,000 (2019: £102,000).

At 31 March 2020, in additional to the intercompany loan, Ascent Housing LLP had an intercompany creditor balance of £147k with other companies within the Group.

Grove Village Holdings Limited
At 31 March 2020, the Group owed £nil (2019: £nil) for services provided and was owed £425,000 (2019: £476,000) in respect of unsecured loan notes invested by the Group.

During the year ended 31 March 2020, Your Housing Limited charged Grove Village Limited (a wholly owned subsidiary of Grove Village Holdings Limited) £843,000 (2019: £823,000) of management fees in respect of the Plymouth Grove estate.

Avantage (Cheshire) Holdings Limited
At 31 March 2019 the Group owed £19,000 (2019: £19,000) for services provided and was owed £1,238,000 (2019: £1,238,000) in respect of unsecured loan notes invested by the Group.

During the year ended 31 March 2020, the Your Housing Limited charged £1,973,000 (2019: £2,196,000) of marketing and management fees in respect of Cheshire PFI to Avantage (Cheshire) Limited (a wholly owned subsidiary of Avantage (Cheshire) Holdings Limited). In the year ended 31 March 2020 Your Housing Limited paid Avantage (Cheshire) Limited £2,967,000 (2019: £3,113,000) in respect of the operating lease rentals for five sites in Cheshire.

Sapphire Extra Care (Holding) Limited
At 31 March 2020, the Group owed £nil (2019: £nil) for services provided and was owed £1,625,000 (2019: £1,706,000) in respect of unsecured loan notes invested by the Group.

During the year ended 31 March 2020, Your Housing Limited charged £712,000 (2019: £712,000) of marketing and management fees in respect of Sapphire Extra Care Limited (a wholly owned subsidiary of Sapphire Extra Care (Holding) Limited). In the year ended 31 March 2020 Your Housing Limited paid Sapphire Extra Care Limited £2,657,000 (2018: £2,588,000) in respect of the operating lease rentals for three sites.

None of the Board Members were tenants of the Group during the year.

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.

On 1 April 2018, sufficient information became available for the association in respect of SHPS to account for its obligation on a defined benefit basis. This change on transition resulted in a re-measurement difference of £14,206,000 which was recognised at the relevant date of application, on 1 April 2018, in other comprehensive income, and was therefore reflected in the year ended 31 March 2019.

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 2020 by a qualified independent actuary.

The net defined benefit liability at the year ended 31 March 2020 is £14,156,000 (2019: £32,926,000).

	2020	**2019**
	£'000	**£'000**
Fair value of plan assets	94,733	92,276
Present value of defined benefit obligation	108,889	125,202
Defined benefit liability to be recognised	(14,156)	(32,926)

Reconciliation of Opening and Closing Balances of the Defined Benefit Obligation

	2020	**2019**
	£'000	**£'000**
Defined benefit obligation at start of period	125,202	116,544
Current service cost	-	-
Expenses	96	99
Interest expense	2,925	2,999
Actuarial gains due to scheme experience	(809)	(1,262)
Actuarial gains due to changes in demographic assumptions	(1,053)	339
Actuarial gains due to changes in financial assumptions	(15,357)	8,853
Benefits paid and expenses	(2,115)	(2,370)
Defined benefit obligation at end of period	108,889	125,202

30. PENSIONS (CONTINUED)

The Social Housing Pension Scheme (SHPS) (continued)

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

	2020 £'000	2019 £'000
Fair value of plan assets at start of period	92,276	88,126
Interest income	2,184	2,291
Experience on plan assets (excluding amounts included in interest income) - loss	(677)	1,782
Contributions by the employer	3,065	2,447
Benefits paid and expenses	(2,115)	(2,370)
Fair value of plan assets at end of period	94,733	92,276

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

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

	2020 £'000	2019 £'000
Expenses	96	99
Net interest expense	741	708
Defined benefit costs recognised in statement of comprehensive income (SoCI)	837	807

Defined Benefit Costs Recognised in Other Comprehensive Income

	2020 £'000	2019 £'000
Experience on plan assets (excluding amounts included in net interest cost) – loss	(677)	1,782
Experience gains and losses arising on the plan liabilities – gain	809	1,262
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain	1,053	(339)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain	15,357	(8,853)
Total amount recognised in other comprehensive income – gain	16,542	(6,148)

30. PENSIONS (CONTINUED)

The Social Housing Pension Scheme (SHPS) (continued)

Assets

	2020 £'000	2019 £'000
Global Equity	13,855	15,527
Absolute Return	4,939	7,984
Distressed Opportunities	1,825	1,677
Credit Relative Value	2,598	1,689
Alternative Risk Premia	6,624	5,322
Fund of Hedge Funds	55	415
Emerging Markets Debt	2,869	3,184
Risk Sharing	3,199	2,787
Insurance-Linked Securities	2,910	2,647
Property	2,087	2,077
Infrastructure	7,050	4,839
Private Debt	1,909	1,238
Opportunistic Illiquid Credit	2,293	-
Corporate Bond Fund	5,402	4,305
Liquid Credit	39	-
Long Lease Property	1,639	1,357
Secured Income	3,594	3,304
Liability Driven Investment	31,441	33,747
Net Current Assets	405	177
Total assets	94,733	92,276

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.

Key Assumptions

	2020 % per annum	2019 % per annum
Discount Rate	2.35	2.35
Inflation (RPI)	2.56	3.25
Inflation (CPI)	1.56	2.25
Salary Growth	2.56	3.25
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

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

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

30. PENSIONS (CONTINUED)

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

	2020 % p.a.	2019 % p.a.
Inflation assumption	2.60	3.20
Salary increases	2.60	3.20
Discount rate	2.40	2.40

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

	2020 No. of Years	2019 No. of Years
Retiring today	21.8	21.8
Retiring in 20 years	23.2	23.2

Analysis of amounts recognised in the Statement of Financial Position:

Net pension liability as at	2020 £'000	2019 £'000
Estimated employer assets	29,716	29,443
Present value of scheme liabilities	(28,087)	(30,466)
Defined benefit pension scheme surplus per valuation	1,679	-
Non-recoverable surplus	(1,679)	-
Net pension liability included in financial statements	-	(1,023)

As at 31 March 2020, the scheme has been valued showing a surplus of £1,679,000 which cannot be recognised under FRS102. 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:

	2020 £'000	2019 £'000
Administration charges	170	171
Loss on changes in relation to guaranteed minimum pensions (GMP) equalisation	-	302
Total operating charge	170	473

30. PENSIONS (CONTINUED)

Arena Housing Group Pension Scheme (continued)

Analysis of amount charged to finance costs:

	2020 £'000	2019 £'000
Expected return on scheme assets	(663)	(731)
Interest on pension scheme liabilities	702	773
Total finance costs	39	42

Amounts recognised in Reserves:

	2020 £'000	2019 £'000
Actuarial gains/(losses)	1,023	(251)
Cumulative actuarial losses	(3,944)	(4,967)

Reconciliation of defined benefit obligation:

	2020 £'000	2019 £'000
Opening defined benefit obligation	30,466	29,178
Interest cost	722	773
Actuarial (losses)/gains	(2,378)	1,302
Benefits paid	(773)	(1,089)
Loss on changes in relation to guaranteed minimum pensions (GMP) equalisation	-	302
Closing defined benefit obligation	28,037	30,466

Reconciliation of fair value of employer assets:

	2020 £'000	2019 £'000
Opening fair value of employer assets	29,443	27,721
Expected return on assets	695	731
Contribution by the employer	1,200	1,200
Administration expenses	(165)	(171)
Actuarial (losses)/gains	(684)	1,051
Benefits paid	(773)	(1,089)
Closing fair value of employer assets	29,716	29,443

Contributions

The Association expects to contribute £1,200,000 to the Arena Group Pension Scheme during the 2020/21 financial year in respect of the shortfall in funding. The last triennial valuation was carried out at 31 March 2018.

30. PENSIONS (CONTINUED)

Staffordshire County Council Pension Fund

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 2019 and rolled forward, allowing for the different financial assumptions required under FRS102, to 31 March 2020 by a qualified independent actuary.

The net defined benefit liability at the year ended 31 March 2020 is £20,533,000 (2019: £24,436,000).

The employer's contributions to the MCCPF by the association for the year ended 31 March 2020 were £153,000 (2019: £17,000). No employees are contributing to the scheme. Estimated employer's contributions to the SCCPF during the accounting period commencing 1 April 2020 are £136,000.

Assumptions as at 31 March

	2020 % p.a.	2019 % p.a.
Inflation assumption	1.9	2.5
Salary increases	2.3	2.5
Discount rate	2.3	2.4
Commutations	50.0	50.0

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

	2020 No. of Years	2019 No. of Years
Retiring today – male	21.2	22.1
Retiring today – female	23.6	24.4
Retiring in 20 years – male	22.1	24.1
Retiring in 20 years – female	25.0	26.4

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

	2020 £'000	2019 £'000
Estimated employer assets	17,287	18,988
Present value of scheme liabilities	(20,451)	(24,342)
Present value of unfunded liabilities	(82)	(94)
Total value of liabilities	(20,533)	(24,436)
Net pension liability	(3,246)	(5,448)

30. PENSIONS (CONTINUED)

Staffordshire County Council Pension Fund (continued)

Analysis of amount charged to operating profit:

	2020 £'000	2019 £'000
Current service cost	-	-
Past service cost	-	-
Total operating charge	-	-

Analysis of amount charged to finance costs:

	2020 £'000	2019 £'000
Expected return on employer assets	(453)	(478)
Interest on pension scheme liabilities	582	595
Total finance costs	129	117

Amounts recognised in Reserves:

	2020 £'000	2019 £'000
Actuarial gains/(losses)	2,173	(1,066)
Cumulative actuarial gains/(losses)	1,271	(902)

Reconciliation of defined benefit obligation:

	2020 £'000	2019 £'000
Opening defined benefit obligation	24,436	22,284
Current service cost	-	-
Past service cost	-	-
Interest cost	582	595
Contribution by members	-	-
Actuarial (gains)/losses	(3,987)	2,016
Estimated unfunded benefits paid	(5)	(5)
Estimated benefits paid	(493)	(454)
Closing defined benefit obligation	20,533	24,436

30. PENSIONS (CONTIUNED)

	2020 £'000	2019 £'000
Assets		
Fair value of plan assets	141,736	140,707
Liabilities		
Present value of defined benefit obligation	(157,377)	(180,010)
Present value of unfunded liabilities	(82)	(94)
Total value of liabilities	(157,459)	(180,104)
Non-recoverable surplus	(1,679)	-
Defined benefit liability to be recognised	(17,402)	(39,397)

Reconciliation in the surplus deficit:

	2020 £'000	2019 £'000
Current service cost	(165)	(171)
Past service cost	(96)	(99)
Interest income on plan assets	2,637	2,769
Interest cost	(4,229)	(4,367)
Total charged to the statement of comprehensive income	(1,853)	(1,868)

Staffordshire County Council Pension Fund (continued)

Reconciliation of fair value of employer assets:

	2020 £'000	2019 £'000
Opening fair value of employer assets	18,988	17,997
Expected return on assets	453	478
Contribution by members	-	-
Contribution by the employer	153	17
Contributions in respect of unfunded benefits	5	5
Actuarial (losses)/gains	(1,814)	950
Benefits paid	(493)	(454)
Unfunded benefits paid	(5)	(5)
Closing fair value of employer assets	17,287	18,988

Contributions

The Association expects to contribute £nil to the Staffordshire County Council Pension Fund during the 2021 financial year.

31. NON-ADJUSTING EVENTS AFTER THE END OF THE REPORTING PERIOD

Sapphire Investment

On 18th June 2020 Your Housing Limited acquired an additional 8% share capital in Sapphire Extra Care (Holding) Limited, taking the percentage ownership from 25% to 33%. Sapphire Extra Care (Holding) Limited is treated as an Associate in the consolidation. The increase in share capital does not give Your Housing Limited control, and as such Sapphire Extra Care (Holding) Limited will continue to be accounted for as an Associate in the consolidation.

Refinancing

Funding has been approved with two private placement investors for £120 million between July 2020 and November 2021. £45m was received in July 2020, with a further £20m to be received in May 2021 and £55m in November 2021. The agreement of these private placements enabled the group to repay a separate facility of £18m in July 2020 which incurred breakage costs of £4.3m

East Riding Divestment

The board approved the disposal of 145 properties to East Riding Council. The housing properties had a carrying amount included in the accounts of £5,059,151, and as part of the sale East Riding Council will assume the liability for the Social Housing Grant attached to these properties of £2,480,161. The net proceeds of the sale were £6,038,104 resulting in a profit on sale of £3,459,114.

Covid-19

The Covid-19 pandemic has had a negligible impact on the ability of the Group to provide accommodation to tenants. It was not possible to let vacant properties to new tenants and perform routine maintenance during initial Government lockdown restrictions. Since restrictions have been lifted the business continues to operate at the same level as before the pandemic, but with additional resource directed towards ensuring that all repairs and maintenance obligations are brought back on schedule. The Group did not furlough any staff during the lockdown period, instead re-assigning staff unable to perform their regular duties to roles supporting vulnerable tenants. There has been no significant impact on bad and doubtful debts.

Your HOUSING GROUP

We'd love to hear from you:

yourhousing

@Your_Housing

Yourvoice@yourhousinggroup.co.uk

yourhousinggroup.co.uk

Your Response 0345 345 0272