



**Annual Report and Accounts**  
For the year ended 31 March 2019

2019

# Housing Solutions Group

**Housing Solutions is a registered housing provider with charitable status dedicated to providing affordable and supported homes.**

We have a housing stock of over 5,700 properties in the South East of England. We offer affordable homes to rent, shared ownership schemes, key worker housing and specialist accommodation for older people and people who need support and care to live within the community. All our homes are supported by a range of housing services, including our own professional team of maintenance staff who provide a comprehensive repairs and maintenance service.

**There are three subsidiaries and one joint venture within the Group. They are:**

**Housing Solutions Capital PLC** set up to facilitate capital market funding for the Group.

**HSG Property Services Limited** provides photo voltaic panels on residents' roofs and other energy saving solutions in order to save utility costs for those residents and at the same time produce revenue for the Group through the Feed In Tariff programme.

**Housing Solutions Development Limited** set up to facilitate the tax efficient design and building of properties for the Group.

**Glassford LLP** is a joint venture with The Royal County of Berkshire Pension Fund which owns and manages 40 market rent properties.



# What we do at Housing Solutions

## Core Purpose

Our core purpose is to meet local affordable housing needs by creating and maintaining quality homes and delivering valued services

## Our Values



Great customer satisfaction



More homes locally



Strong financial performance



Excellent employee engagement

“

We are more than just a landlord. We are active members of the community, aiming to make a real difference to the lives of our customers

”





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# Members, Executives and Advisors

## BOARD OF MANAGEMENT

### CHAIRMAN

Elizabeth Padmore (Independent)

### Vice Chairman

Hayley Peters (Independent)

### Chair of Audit & Risk Committee

Val Bagnall (Independent)

### Chair of Funding Committee

Valerie Kendall (Independent)

### Chair of Remuneration Committee

Hayley Peters (Independent)

### Chair of Nominations Committee

Elizabeth Padmore (Independent)

## BOARD MEMBERS

Ross McWilliams (RBWM nominee)

James Measures (Independent)

Angus McCallum (Independent)

Nigel Cook (Independent) –  
resigned 30 June 2019

Nick Whitaker (Independent) –  
appointed 20 March 2019

Orla Gallagher (Chief Executive)

Alice McDonagh (Resident  
nominee) – resigned 30 June 2019

## COMPANY SECRETARY

Carol Lovell – appointed  
24 July 2019

Andrew Robertson – resigned  
31 August 2019

## EXECUTIVE TEAM

### Chief Executive

Orla Gallagher

### Director of Finance and Resources

Andrew Robertson –  
resigned 31 August 2019

### Business Development Director

Jill Caress

### Director of Operations

Steve Woodcock –  
resigned 1 March 2019

### Interim Director of Operations

Scott Black –  
appointed 21 March 2019

### Director of Corporate Services

Carol Lovell

The Executive Team hold no interest in  
the Association's shares and act within  
the authority delegated by the Board.

## AUDITORS

**BDO LLP:** 2 City Place, Beehive Ring  
Road Gatwick RH6 0PA

## SOLICITORS

**Trowers & Hamblins LLP:** 3 Bunhill Row,  
London EC1Y 8YZ

**Penningtons Manches LLP:** Da Vinci  
House, Basing View, Basingstoke,  
Hampshire RG21 4EQ

## FUNDERS

### Barclays Bank PLC:

1 Churchill Place, Canary Wharf,  
London E14 5HP

### Lloyds TSB PLC:

25 Gresham Street,  
London EC2V 7HN

### M & G Limited:

Laurence Pountney Hill, London  
EC4R 0HH

### Legal & General Investment:

Management Ltd, One Coleman  
Street, London EC2R 5AA

**Santander UK Plc:** 17 Ulster Terrace  
Regents Park, London NW1 4PJ

## TREASURY ADVISORS

### JC Rathbone Associates Limited

12 St James's Square, London  
SW1Y 4LB

## VALUERS

### Jones Lang LaSalle Limited

22 Hanover Square, London  
W1S 1JA

Registered with Homes England  
Reg No. L4073 and Registered as  
a Mutual Benefit Society under the  
Co-Operative and Community  
Benefit Act 2014 Reg No. 27876R

Registered Office, Crown House,  
Crown Square, Waldeck Road,  
Maidenhead, Berkshire SL6 8BY

# Chairman's Statement

Elizabeth J Padmore

I am pleased to present the Annual Report and Financial Statements for the year ending March 2019 which is our 24th anniversary since we separated from RBWM and the start of my second year as Chairman of Housing Solutions. We have much to celebrate over the past year and also work to do as we build on our successes and achieve more.

Our size, our connections to local communities, easy access to local services, and particularly our valued resident facing maintenance teams are all central to maintaining a high level of service to our residents. This last year our results reflect a higher cost in terms of capital works and resources to achieve this. Despite that, we were able to maintain our net surplus, which continues to represent elevated sales of shared ownership which is an area where we have achieved excellent performance this year.

Our welfare and support team has increased in size in order to deal with the roll out of Universal Credit. This transition has proved extremely challenging for those of our residents affected by increased affordability pressures. Our team are helping residents manage their money by providing support with budgeting and maximising their income/benefits. As part of our corporate social responsibility we continue to support local charities and we are actively supporting Family Action – Young Carers.

We know from our residents that the way in which they wish to interact with us is changing, recognising this in our new digital strategy we are driving our digital transformation programme, with the aim to significantly increase the range of services available online and the number of our residents who can access our customer portal. This online service allows residents to make routine requests such as balance updates, updating details, pay their rent and logging repairs as well as checking a repair history. We are proud to be at the forefront within our sector in using innovative technologies to enhance the services available to our residents.

We remain committed to the development of new homes and have completed 119 new homes this year – to bring our owned stock number up to 5,705. During the year we broke ground on a scheme of 88 affordable homes at York Road, Maidenhead, an exciting project together with Countryside in Partnership which is the first of four major regeneration sites in the town centre. We have also completed a new scheme for supported living, social rented and shared ownership homes at Brill House, Cox Green, Maidenhead. The scheme was selected by Inside Housing magazine as Development of the week in May of this year.

We have maintained a strong financial base with comparatively high margins, which together with a relatively conservative development strategy, has ensured that we have been able to maintain our A+ rating with Standard and Poors for a third year running. One of the actions we have taken to reduce risk going forward has been to enter into an agreement with the Berkshire Pension Fund to close our defined benefit pension scheme to existing members with effect from April 2020, without crystallising any liability. This will enable us to manage the timing of the deficit realisation.

We have strengthened our governance framework, following our G1 V1 rating confirmed through an in-depth assessment in March 2018. Building upon this, we were pleased to appoint new auditors, BDO in 2018 and welcome them and their robust approach.

**Completed 119  
new homes this  
year – to bring  
our owned  
stock number  
up to 5,705.**





We have also enhanced the financial skills of the Board with the appointment of Nick Whitaker, a Chartered Accountant, as a non-executive Director. We are delighted to welcome Nick to the Board and Audit & Risk Committee. In June 2019 we have also said goodbye to two long-standing Board members, Nigel Cook and Alice McDonagh, who we would like to thank for their dedication and commitment to Housing Solutions.

The current economic uncertainty has presented challenges to housing associations and we have worked hard to ensure that our development program is fully funded, we are confident we can withstand unsettled economic conditions.

Our new Corporate Plan 2019 – 2024, set by the Board, outlines five corporate objectives that reflect our ambitions for the coming years:

- A housing organisation that exceeds the expectations of both the community and industry.
- Financially strong – delivering value for money services and more homes, without needing to build for sale.
- An organisation that is quietly and capably delivering for the local community. We will produce more housing for local people.
- Passionate, caring workforce nurtured and developed in-house. We will attract, retain and reward our people at all levels.
- To be a beacon for the sector in how we do things and as an aspirational place to live and work. We will build on our strong corporate foundation, enabling residents and staff to shape and transform our services.

In conclusion I want to thank our Board, all my colleagues at every level, our residents and partner organisations for their commitment, passion and support. We are better able to deliver the services we do with the partnerships that exist between all of us and these relationships are important to our success and are hugely appreciated.

**Elizabeth J Padmore – Chairman**



# Strategic Report

For the year ended 31 March 2019

## Report of the Board

The Board of Housing Solutions presents its report together with the audited financial statements of Housing Solutions (the Association) and Housing Solutions Group (the Group) for the year ended 31 March 2019.

The Group comprises of the Association and its subsidiary undertakings Housing Solutions Capital plc, HSG Property Services Limited, Housing Solutions Development Limited and joint venture Glassford LLP.

Housing Solutions is a Public Benefit Entity. It changed its name with the Financial Conduct Authority from Housing Solutions Limited to Housing Solutions in October 2017.

## Principal Activities

The Group's principal activities are the development and management of affordable and supported housing and providing repairs services to its own stock as well as external clients.

The Association has charitable status and operates three key business streams:

- housing for rent, primarily for households who are unable to rent or buy at open market rates;
- supported housing for people who need additional housing-related support;
- low-cost home ownership, primarily shared ownership whereby residents purchase a share in the equity of their home;

As well as owning 5,705 properties, the Group develops new affordable housing and is a member of the Sovereign Development Consortium (SDC) which enables the Group to access Homes England grant funding.

The Group also provides a small amount of non-social housing, in particular market rent accommodation. However, the Group's focus remains its social housing activities and these constitute over 94% of the Group's activities by turnover.

## Board Members and Executive Directors

The present Board members, committee structure and executive directors of the Group are set out on page 5.

All executives work within the authority delegated by the Board. Group insurance policies indemnify Board members and officers against liability when acting for the Group.

## Employment Contracts

Excluding the Chief Executive, Board members are paid based on a scale reflecting their relative responsibilities to the Group. The total amount paid to Board members during 2018/19 was £60,425.

The executive directors including the Chief Executive were employed on the same terms as other staff, their notice periods are six months.

The Chief Executive's salary is set at the market rate.

## Pensions

Prior to its closure to new members, the executive directors were entitled to join the Royal County of Berkshire Pension Fund, a defined benefit (Career Average) pension scheme. They participate in the scheme on the same terms as all other eligible staff and the Association contributes to the scheme on behalf of its employees. With effect from 1st April 2014 the Royal County of Berkshire Pension Fund scheme was closed to all new employees and a new contributory

Personal Pension Plan was set up for new employees. The Executive Directors may participate in this scheme on the same terms as all other eligible staff and Housing Solutions makes contributions into the Individual Personal Pensions.

The Royal County of Berkshire Pension Fund is an average salary scheme, offering good benefits for our staff. The Association has contributed to the scheme in accordance with levels, set by the actuaries, at 18.2 per cent. The latest actuarial valuation of the scheme as at 31 March 2016 has been rolled forward allowing for the different financial assumptions required under FRS102 to calculate the accounting valuation at 31 March 2019.

## Accounting Policies

The Group's principal accounting policies are set out on pages 31 to 35 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and include: capitalisation of costs; deduction of capital grant from the cost of assets; housing property depreciation; and treatment of shared ownership properties.

The Group has prepared the accounts in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and complies with the Accounting Direction for Private Registered Providers of Social Housing 2015.

## Housing Properties

At 31 March 2019 the Group owned 5,705 housing properties (2018: 5,603) and managed an additional 8. There were 119 completions in the year.

The Board appointed external professional valuers to undertake the annual valuation of the Group's housing properties as at 31 March 2019. The value of the properties, on an existing use for social housing basis, was £482 million and this has been reflected in the valuation of properties in the financial statements.

Our investment in new housing properties and maintenance of existing properties this year was funded through a mixture of debt finance and operating surpluses.

## Cash Flows

Cash inflows and outflows during the year are shown in the consolidated statement of cash flows (page 36).

## Group Debt

The Group did not borrow any further funds during the year.

At the year end Group borrowings amounted to a nominal amount of £289.1 million. Gross gearing, calculated as total loans as a percentage of the balance sheet value of completed housing property, was 60% at 31 March 2019 (2018: 67%). Cash held at 31 March 2019 was £22.6 million compared to £57.8 million at 31 March 2018. Net Debt per Unit at 31 March 2019 was £49.6k against the covenant of £65.0k.

The Group is borrowing principally from banks and through private placements, at both fixed and floating rates of interest. Embedded interest rate swaps are in place to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations. The Group's policy is to keep between 65% and 85% of its borrowings at fixed rates of

interest and to maintain an average tenor no less than 10 years.

At the year-end, 81 per cent of the Group's borrowings were at fixed and index linked rates after taking account of interest rate swaps (2018: 80 per cent). The fixed rates of interest range from 3.28 per cent to 6.16%. Our all-in average cost of funds was 4.53%.

The Group's lending agreements require compliance with a number of covenants. The Group's position is monitored against those covenants on an on-going basis and reported to the Board at each meeting. The Group funding committee regularly reviews the Group's treasury position including requirements for new loan facilities. Recent reports confirmed that the Group was in compliance with its loan covenants both at the balance sheet date and also the Board expects to remain compliant in the foreseeable future. The Group borrows and trades only in sterling and so is not exposed to currency risk.

### MATURITY

	2019 £m	2018 £m
Within one year	7.5	6.8
Between one and two years	7.5	7.5
Between two and five years	20.3	25.5
After five years	253.8	256.0
	289.1	295.8

## Overview of the Business

The Group's main activities are the development and management of social and affordable housing and residential care homes and providing repairs services to its own stock as well as external clients.

The Group's head office is in Maidenhead and its properties are primarily in Maidenhead and surrounding areas, although increasingly new social housing properties are being developed in Wokingham, Slough and around the county of Buckinghamshire which we fund and manage. The Group's focus remains its social housing activities and these constitute over 94% of the Group's activities by turnover.

## Financial Position and Performance

The Group's five year income and expenditure accounts and balance sheets are summarised on page 12 and the following paragraphs highlight key features of the Group's financial position up to and including 31 March 2019 as well as the position at the year end.

The Group's forward business plan including the development programme have been robustly stress tested and since the year-end an RCF facility of £50m with Santander has been put in place to support these.

## Statement of Compliance

In preparing this strategic report, the Board has followed the principles set out in the Statement of Recommended Practice (SORP): Accounting for registered social housing providers 2014.

# Strategic Report

For the year ended 31 March 2019

## Risk Management

Housing Solutions has an embedded risk management strategy through which our appointed internal auditors, RSM, conduct an annual programme of review of systems and risk mitigation. Risks that may prevent the group achieving its objectives are considered and reviewed on a regular basis by the executive team, Audit & Risk committee and Board.

The risks are recorded, assessed and tracked in terms of their impact and importance. Major risks presenting the greatest threats to the group are reported to the Board and Audit & Risk committee at all meetings together with the actions taken to manage the risks, including assessments of key controls and the outcome of the actions. The major risks to successful achievement of the group's objectives going forward are detailed below as well as their mitigation.

### Key Risk

Failure to resource adequate funding to meet development commitments and potential breach of funding covenants

Impact of political, legislative, rental and welfare reforms

Duty of care to staff, customers and the public in the operation of our business

Development timing and shared ownership sales

IT Systems failure

### Risk Management

- V1 G1 Regulatory rating
- A+ credit status as allocated by S&P Global ratings
- £50million Revolving Credit Facility with Santander UK Plc

- Quarterly business plan updates review, reviewing economic assumptions
- Regular stress testing of business plan under different scenarios to develop contingency plans
- Control of operating costs & dedicated Welfare & Support Team

- Qualified external specialist advisors on all health and safety and fire safety matters & HSE best practice followed. OHSAS/ISO 18001 accredited. CHAS accredited. ROSPA health and safety best practice followed
- Comprehensive safety management system covering safety procedures/ risk assessments in place to ensure all staff have suitable knowledge and compliance. Tailored annual health and safety training for all staff
- Major incident plan in place, with cross functional teams to ensure proactivity in the event of a major incident

- Board reviews the development programme, completions and cash forecasts as a standing item, including assessment of effect on internal covenant buffers and net debt per unit position
- Stress testing includes the impact of shared ownership values falling and development slowdown
- Risk assessments prepared and monitored for each scheme with regular review of the housing market for signs of market slowdown

- 3rd line support in place, including active back-up to protect data and ensure system recovery and processes in place to protect systems in case of virus or cyber attack
- IT Acceptable Use Policy in place
- Processes in place for data protection management

## Key Risk

Lack of effective governance

Major changes in economic conditions, potential impact of Brexit

Care Home portfolio

Material fall in operating performance

## Risk Management

- Board assurance framework in place and reviewed in line with changes to Corporate Risk Register
- Detailed review of risk registers and any updates by Audit & Risk Committee at each meeting
- Annual review of compliance with NHF Code of Governance
- Annual Board member appraisals carried out and Board Succession Planning Policy in place

- Operating costs kept low and margins maintained at high level
- Review development assumptions regularly
- Regular review of business model assumptions, stress and scenario testing

- Strategic review of ownership
- Regular meetings with providers and local authorities
- Regular review of cash forecasts, contingency planning, including stress testing failure to receive rental payments

- Arrears performance dashboard, arrears tracking and collection activity, core training programme for housing staff members
- Voids improvement plan including weekly voids meetings and performance reporting and regular liaison with local authority partners
- Monthly management account reporting



## Strategic Report

For the year ended 31 March 2019

### Group Highlights, Five Year Summary

	FRS102 2019 £000	Restated FRS102 2018 £000	FRS102 2017 £000	FRS102 2016 £000	FRS102 2015 £000
Group Statement of Comprehensive Income					
Total turnover – SOCI	45,804	43,883	45,965	43,339	36,736
Turnover excluding Sales – Note 3	39,463	38,925	34,628	33,607	31,475
EBITDA (excluding Sales)	21,307	22,571	26,827	23,884	20,836
Operating surplus (before exceptional items) – SOCI	19,578	21,731	21,686	19,317	16,052
Group Statement of Financial Position					
Housing and investment properties (at valuation)	529,530	475,413	441,026	428,736	461,985
Other FA and intangible fixed assets	10,651	10,665	9,642	9,817	9,806
Tangible and intangible fixed assets	540,181	486,078	450,668	438,553	471,791
Long term investments – BS	2,427	2,427	2,427	2,427	-
Net current assets – BS	15,883	48,296	63,854	68,649	43,079
Total assets less current liabilities – BS	558,491	536,801	516,949	509,629	514,870
Loans (due over one year) – BS	(283,239)	(290,599)	(303,696)	(306,117)	(272,257)
Less: Debt Service Reserve	-	-	-	-	-
Net Loans	(283,239)	(290,599)	(303,696)	(306,117)	(272,257)
Pensions liability – BS	(20,093)	(20,667)	(20,624)	(14,656)	(13,507)
Net assets – BS	<b>255,159</b>	<b>225,535</b>	<b>192,629</b>	<b>188,856</b>	<b>229,106</b>
Reserves:					
Revenue – BS	133,239	111,736	51,584	44,493	36,836
Revaluation – BS	121,920	113,799	141,045	144,363	192,270
Total	<b>255,159</b>	<b>225,535</b>	<b>192,629</b>	<b>188,856</b>	<b>229,106</b>
Housing properties owned at year end:	No.	No.	No.	No.	No.
Social Housing - Note 4	5,625	5,525	5,337	5,236	5,028
Non-social Housing	80	78	78	78	120
	5,705	5,603	5,415	5,314	5,148
Statistics:					
EBITDA as % of turnover – excluding property sales	53.99%	57.99%	60.19%	57.51%	58.07%
Operating surplus as % of turnover	42.7%	49.5%	47.2%	44.6%	43.7%
Rent arrears (gross arrears as % of rent and service charges receivable)	2.39%	2.27%	1.84%	1.99%	2.6%
Liquidity (current assets divided by current liabilities)	1.8	3.9	9.3	9.1	5.5
Gearing (total loans as % of value of completed housing properties)	60.0%	67.0 %	64.4%	66.9%	54.4%

## Key Achievements from the year

Secured

**£318,000**

of unclaimed benefits  
for residents in need



new  
homes  
built

**£900,184**



of payments made  
on website

**91.4%**

Customer  
Satisfaction



**94%**

Repairs  
satisfaction



Maintained  
A+ credit  
rating



with  
Standard  
and Poor's

**53p**

of every



spent on building new homes

## Corporate Objectives

Housing Solutions is committed to improving people's lives and our corporate aim is to be successful by creating a responsive, locally based housing association that works for local people and still delivers more homes.

We want to be at the forefront of how housing is delivered, ensuring our customer service offer is sector leading, providing a customer experience that embraces technology together with the experience, skills and empathy of our people. We will continue to maximise our financial strength to deliver new homes for local people, playing our part in addressing the national and local shortage of affordable housing.

Our Corporate Plan is designed to guide all aspects of Housing Solutions, to enable us to deliver on our core purpose, driving constant improvements across our business. In the next five years we will be;

1. A housing organisation that exceeds the expectations of both the community and industry.

2. Financially strong - delivering value for money services and more homes, without needing to build for sale.
3. A beacon for the sector in how we do things and as an aspirational place to live and work. We will develop a strong corporate foundation, where customers and staff shape and transform our services.
4. Passionate, caring workforce nurtured and developed in-house. We will attract, retain and reward best staff and leaders.
5. An organisation that is quietly and capably delivering for the local community. We will produce more housing for local people.

### Exceeding local expectations

- Our corporate strategy is to 'Stay Local', so that we remain rooted in the community and we can provide the services and homes needed.

- Our key partnerships are with local authorities and we're constantly working on joint initiatives to achieve our aims and reduce the pressure on local waiting lists. We're good at offering solutions by working on schemes and initiatives that require more thought and innovative thinking.
- We love working with local enterprise support groups and have jointly supported hundreds of talented and ambitious residents to start their own business. We sponsor a weekly job club helping residents to write their CV, search for jobs as well as supporting people through the interview process. Our customers have access to free IT and Social media training, allowing customers to develop their skills and confidence.

**Our corporate strategy is to 'Stay Local', so that we remain rooted in the community and we can provide the services and homes needed.**



## Remain Financially Strong

- Tight control over cost per unit projections in our budgets and forward plan.
- Maintenance of strong margins and healthy shared ownership receipts to produce surpluses for reinvestment.
- New procurement strategy to deliver savings of £500k.
- Our financial performance has remained consistently strong and delivered year on year growth despite the 1% rent reduction. Our resilience has enabled us to retain our A+ credit status from Standards and Pools.

## Strong Corporate Foundation

- Maintain our G1 V1 status with the Regulator and our A+ rating with S & P.
- A governance structure that is clear and accessible and understands the experience of our customers.

- Compliance with NHF Code of Governance.

## Staff Retention and Attraction

- Reduction of employee turnover to include structured and comprehensive induction and training plans.
- Improvement in employee satisfaction and internal communication to improve cross departmental understanding.
- Regular market salary reviews.

## Development Growth

- Increase in units by at least 15% over 5 years – equates to 120-130 new units of business per annum.
- Leverage external funding to deliver services to vulnerable groups.

Maintain our  
G1 V1 status  
with the  
Regulator and  
our A+ rating  
with S & P



## Working for our Communities



### Supporting Residents

Housing Solutions believes in ensuring our residents are supported, we have a dedicated Welfare & Support Team who are trained to provide valuable advice and assistance on welfare benefits, sustaining their tenancy and opportunities for work. During the last year they have:

- Generated an additional £318,000 of income for 1,300 residents.
- Carried out 327 financial assessments and supported over 130 residents to make claims for DHP and Universal Credit.
- Run a weekly job club, helping residents with CV's and job referrals.
- Worked successfully with Enterprise Cube, jointly supporting 100's of ambitious and talented residents to start their own business.

### Digital Future

We are continuing to invest in modernising our services to provide residents with the access to our services at a time and place convenient to them. Housing Solutions is pushing the boundaries of innovation within the housing sector with our online portal which enables residents to not only pay

their rent or check their balance but also to report a repair, book appointments and view all of their documents online. Our new Digital IT Strategy sets out how we are committed to further increasing access to services, including:

- Pioneering use of AI technology to enhance customer interaction and access to our services.
- Ensuring everyone has access to the internet from day one of their tenancy.
- Providing training and support on using our online services.
- Enhancing and increasing the range of services offered online.

### Customer Satisfaction

Our residents views are very important to us and we ask them regularly what they think of our services. We will continue to strive to meet their expectations and are proud of our performance to date:

Generated an additional **£318,000** of income for **1,300** customers



**Customer satisfaction**

**91.4%**



**Repairs satisfaction**

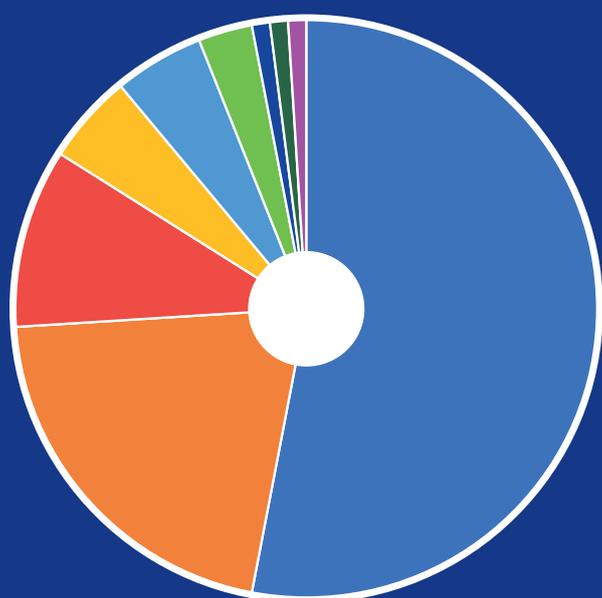
**94%**



**Complaints handling**

**84%**

## Value for Money statement 2018/19



### For every £1 we spend

	2018/19 (pence)	2017/18 (pence)
New homes	53	35
Interest	21	31
Management and other expenses	10	12
Planned maintenance	5	7
Routine maintenance	5	5
Estates	3	4
IT	1	1
Purchase of other assets	1	4
Other expenses	1	1

## VFM Metrics

### A. OVERVIEW

In March 2018 the Regulator of Social Housing issued the new Value for Money Standard against which Registered Providers are expected to report in their Financial

Statements. The standard includes seven standard metrics but does allow and expect Boards to choose other metrics in order to demonstrate how we are performing

against our prioritised performance indicators and objectives. For benchmarking purposes, we have used the peer data supplied by Housemark.

Below we have set out our performance against each of the metrics

The Regulator for Social Housing Value for Money Metrics		2017/2018	2018/2019
1	Reinvestment %	5.71%	4.15%
2a	New Supply Delivered (Social Housing Units)	3.93%	2.12%
2b	New Supply Delivered (Non Social Housing Units)	0.00%	0.00%
3	Gearing % (net)	51.59%	50.65%
4	EBITDA MRI %	166.47%	145.73%
5a	Headline Social Housing Cost per unit (excl. planned maintenance)	£1,914	£2,262
5b	Headline Social Housing Cost per unit	£2,784	£3,421
6a	Operating Margin % (Social Housing Letting only)	46.30%	39.34%
6b	Operating Margin % (overall)	42.50%	40.21%

## B. THE REGULATOR’S METRICS

The regulatory framework published by the Regulator of Social Housing includes a specific requirement for registered providers to publish evidence in the statutory accounts to enable stakeholders to understand the provider’s:

1. Performance against its own value for money targets and any metrics set out by the regulator, and how that performance compares to peers.
2. Measurable plans to address any areas of underperformance, including clearly stating any areas where improvements would not be appropriate and the rationale for this.

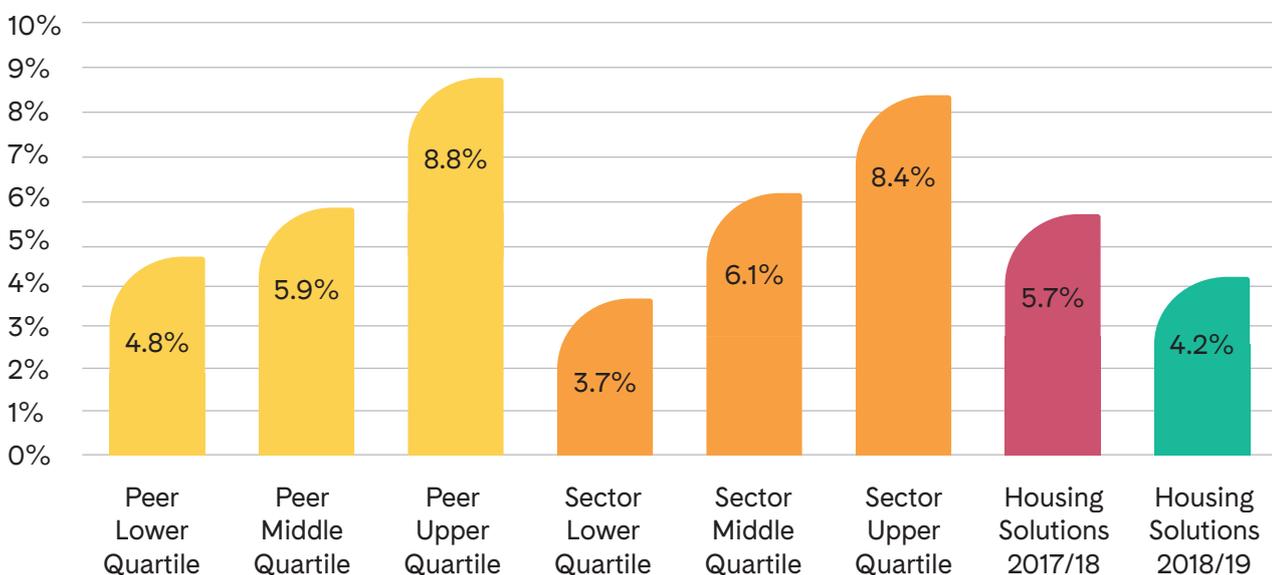
Our performance against each of the metrics and our peers are set out below.

### METRIC 1: Reinvestment

Our reinvestment in 2018/19 is reflective of the continued investment we have made in new homes and building our development pipeline, with a number of large sites currently under construction. It also illustrates our commitment to our Asset Management Strategy and investment in the maintenance and long-term up-keep of our properties.

Our comprehensive stock condition data enabled us to focus and forecast our investment, and during 2018/19 we have invested £3.5m of planned works.

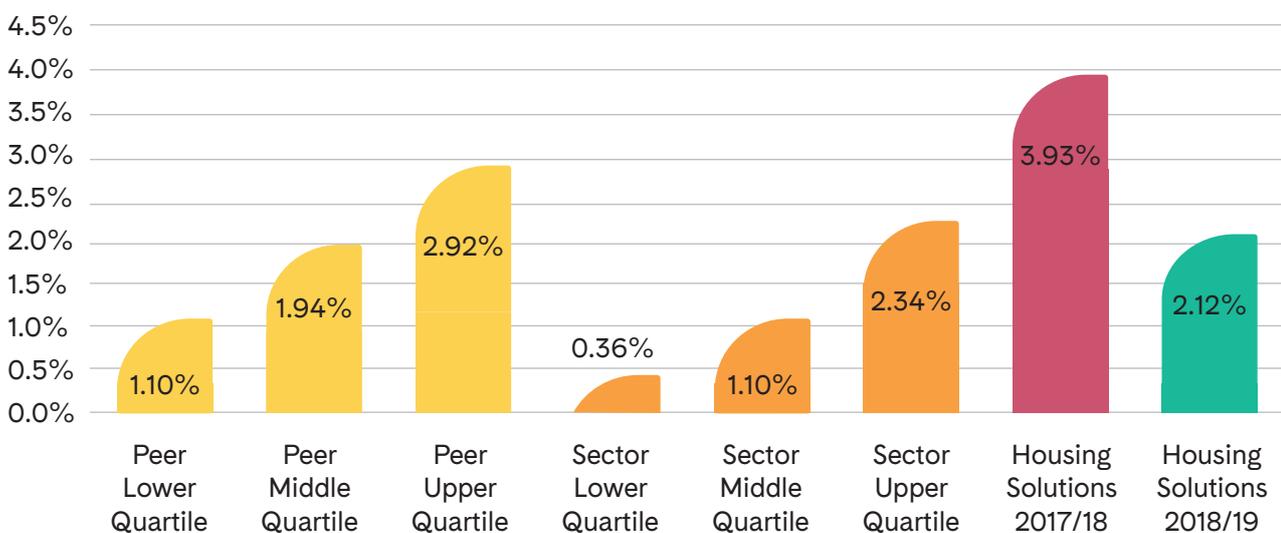
### Reinvestment %



## METRIC 2: New Units Delivered

In 2018/19 we completed 119 new homes, over 50% of which were for social and affordable rent and 38% for shared ownership. We also completed, in partnership with the Royal Borough of Windsor Maidenhead a specialist supported housing scheme, providing much needed housing for vulnerable local residents. Although completions are lower this year, we currently have 407 homes under construction with 146 new homes due for completion in 2019/20.

### New social housing units delivered %



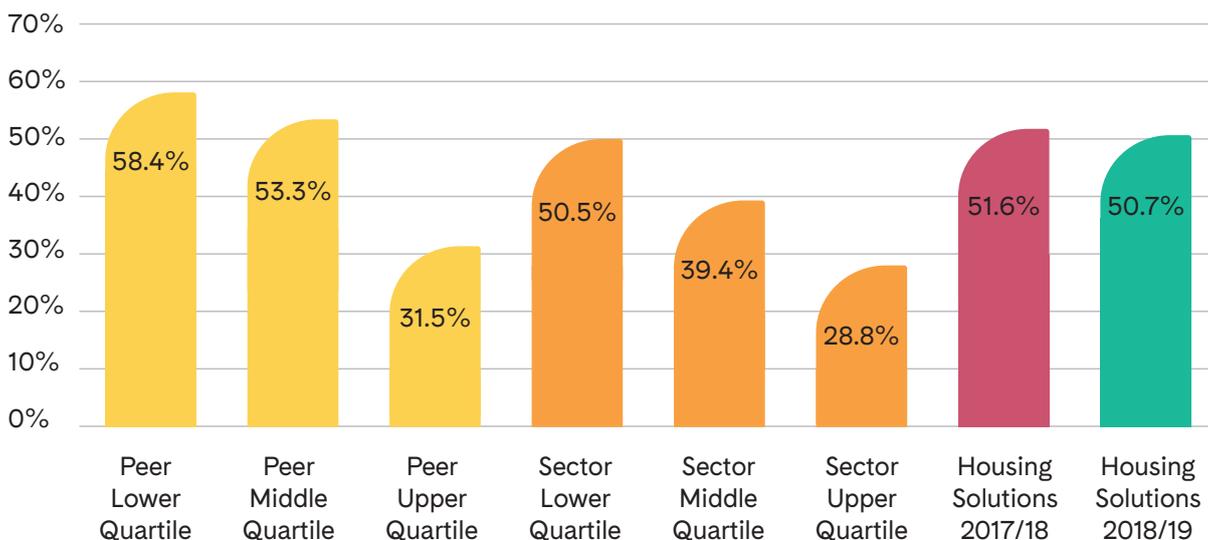
## Strategic Report

For the year ended 31 March 2019

### METRIC 3: Gearing %

Our covenants are based on an indexed net debt per unit basis in line with our future required development headroom to support our strategy to maximise opportunities for the development of new homes.

#### Gearing %

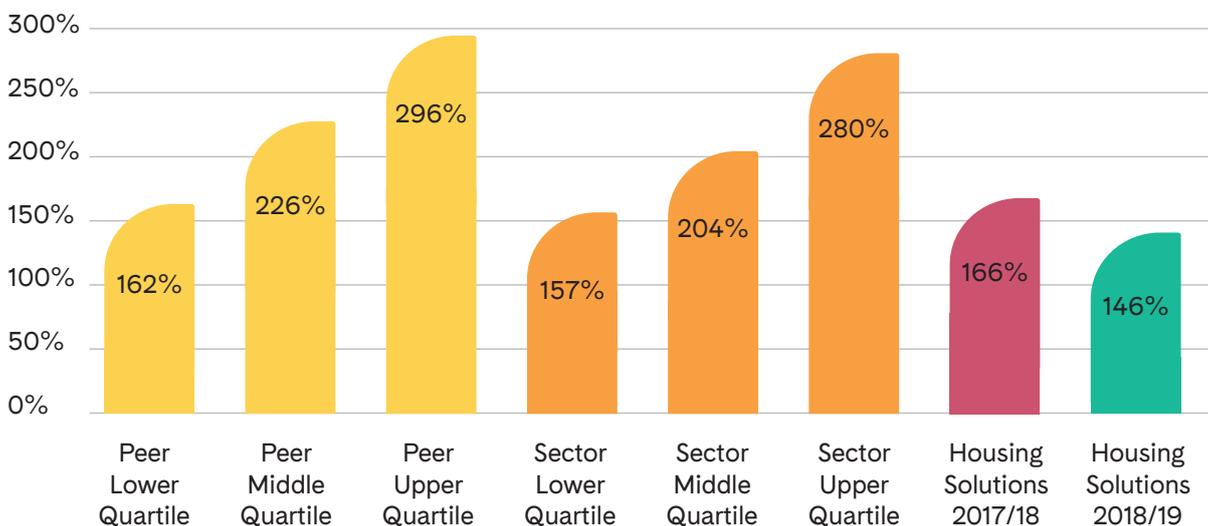


### METRIC 4: EBITDA (MRI) %

Although our average cost of debt at c. 4.5 % is in line with the sector generally, our EBITDA margins on turnover excluding asset sales are much higher, reflecting a combination of tight cost controls and higher rental per unit in our geographic footprint. Our interest cover whilst in the lower quartile is still well above our covenant levels.

During 2018/19 key factors affecting EBITDA included the strategic decision of the Board to withdraw from a large market rental project, current economic uncertainty and changes in the demand for this property type in the site location were key factors in the Board's decision making, this resulted in abortive costs of circa £500,000 during this financial year.

#### EBIDA MRI interest cover %



## METRIC 5: Headline Social Housing Cost per Unit

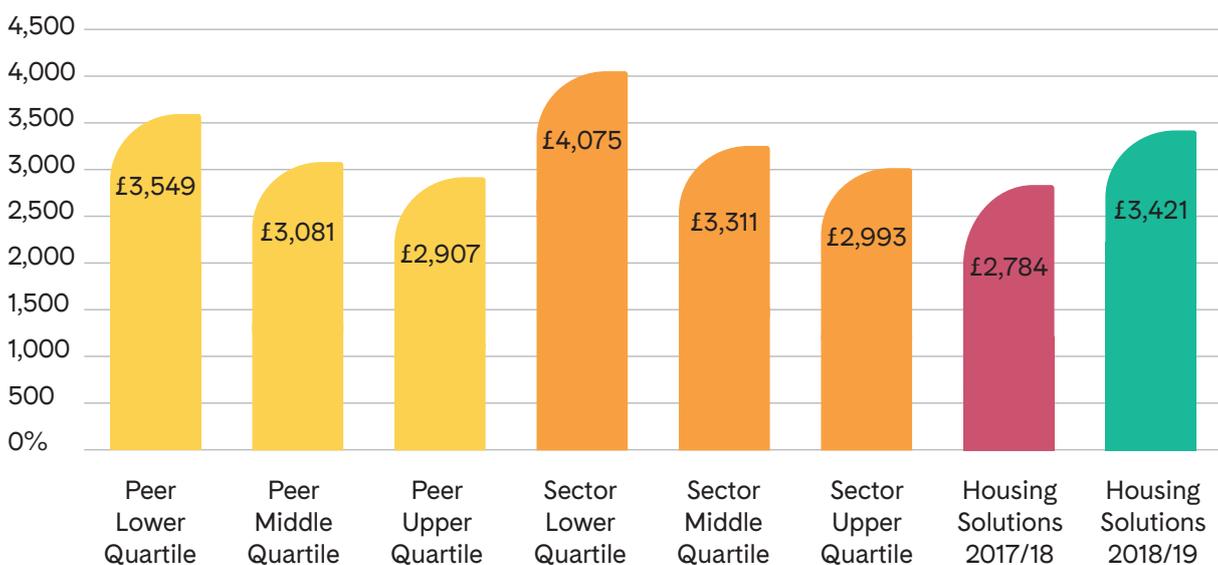
Our dedicated Welfare and Support Team have been further enhanced during the financial year, building upon the work we do with our customers, supporting them in maximising their benefit income and providing guidance and assistance in employment opportunities and training, thus reducing the impact of welfare reform on our customers and the business. The strengthening of this team also enables us to provide focused support to new customers in their first year of tenancy.

During 2018/19 we continued our focus on health and safety, including our fire safety programme, investing £130,000 in providing fire suppressant systems into our specialist housing schemes.

We also continue to invest in our staff, increasing opportunities for training and development during 2018/19 including a management development programme to support new managers.

We believe there are opportunities to reduce our social housing costs and we have strengthened our approach to procurement, identifying key areas for delivery of savings and during 2019/20 will be further embedding the procurement team across the organisation.

### Social housing cost per unit £

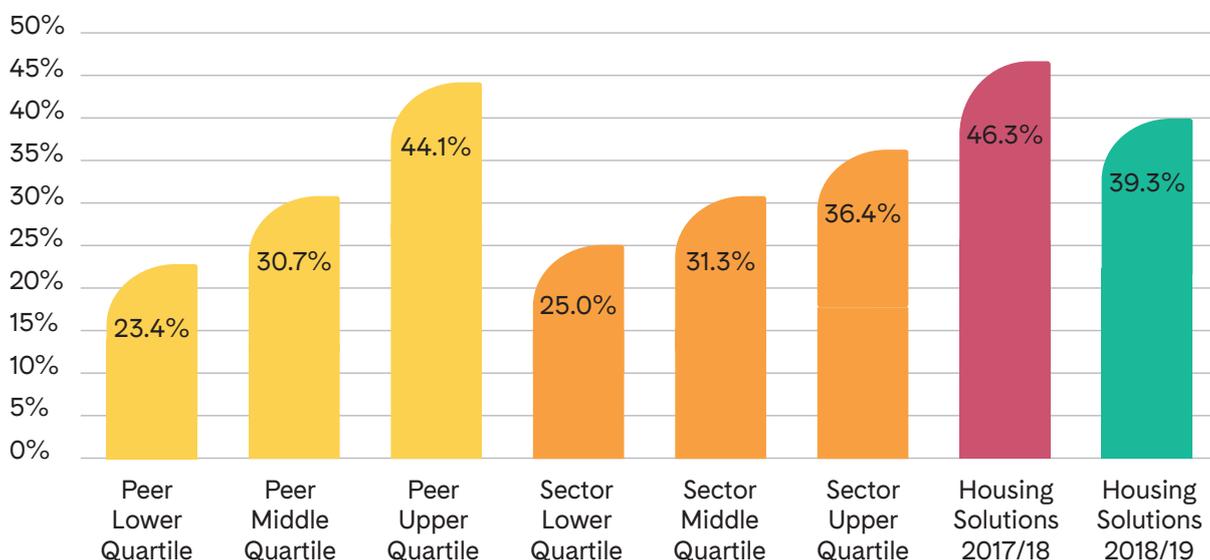


**METRIC 6: Operating Margins**

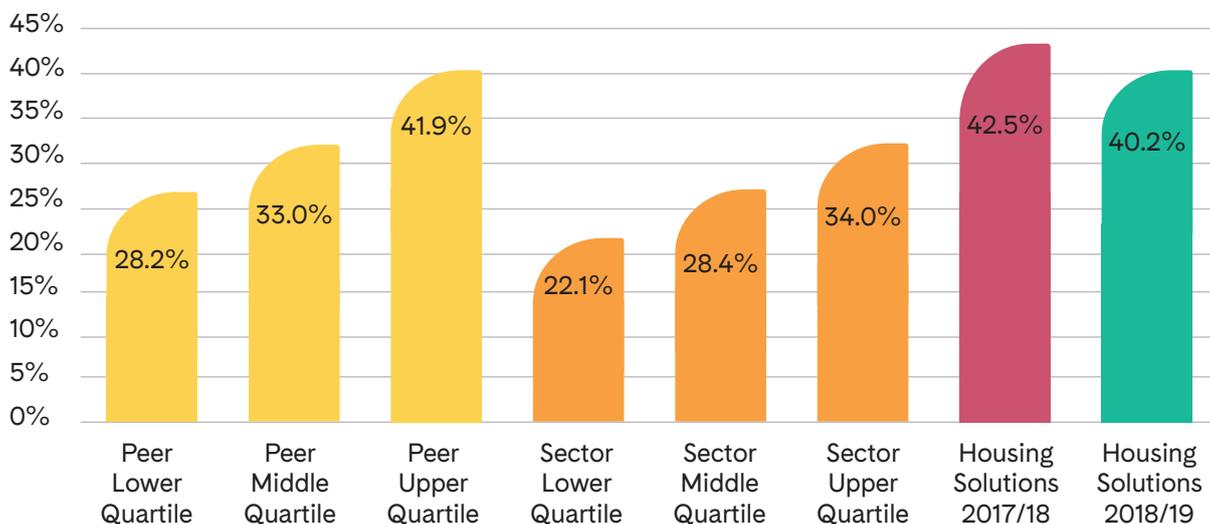
Our operating margin remains in the sector upper quartile. The Board took a conscious decision in 2018/19 to increase the resource allocated to support and investing in our customers, supporting those facing financial difficulty in improving their life chances and helping them to sustain their tenancy.

Our planned works programme included investments in extensive roofing and refurbishment works to a number of our estates. We also enhanced our procurement capacity in order to identify and drive organisational savings during 2019/20, particularly in materials tenders for our asset team.

**Operating margin (social housing lettings only) %**



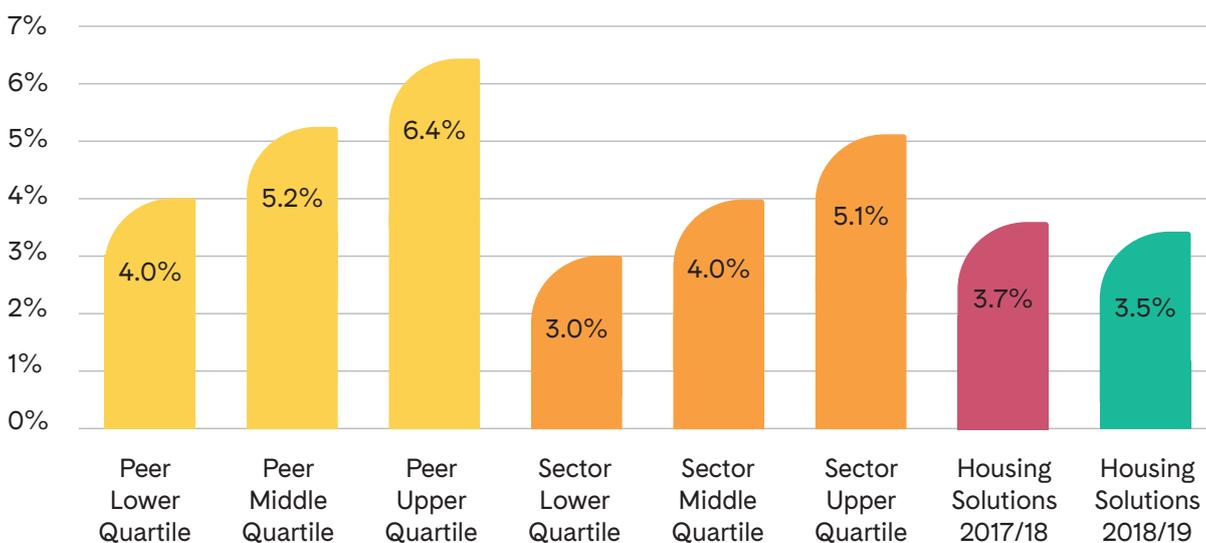
**Operating margin (overall) %**



## METRIC 7: Return on Capital Employed

We have a relatively strong level of ROCE due to the higher margins that we achieve on our investments in new housing as well as our investment in our existing housing stock. Maintaining a higher return enables us to have the internally generated financial resource to fund our investment programme rather than totally relying on external borrowing.

### Return on Capital Employed %

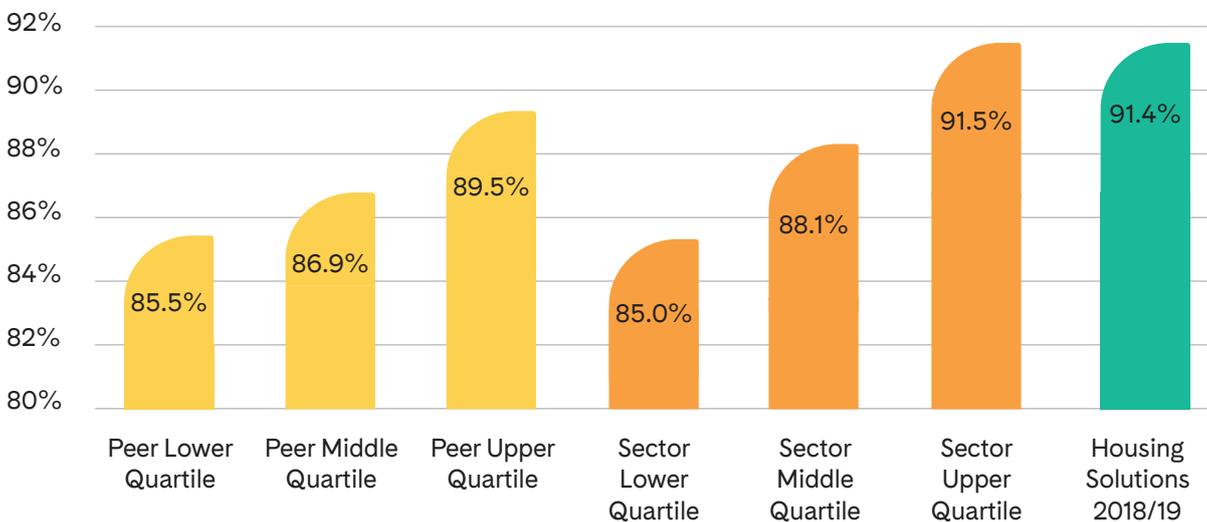


## C. OUR OWN ADDITIONAL PERFORMANCE MEASURES

### a) Customer Satisfaction

We are really pleased to see we are at the upper quartile against the sector and our peers. Our customers remain at the heart of all we do, whilst satisfaction remains at a good level, we continue to seek ways to improve and enhance services. We regularly engage with our customers, including through our annual Getting To Know You initiative where all staff go out into the community to meet our customers face to face and ask for their feedback on the services we offer, enabling us to shape our services to meet our customer’s needs. We are also members of GUAC Give Us A Chance, a consortium of social landlords who help their residents to find employment.

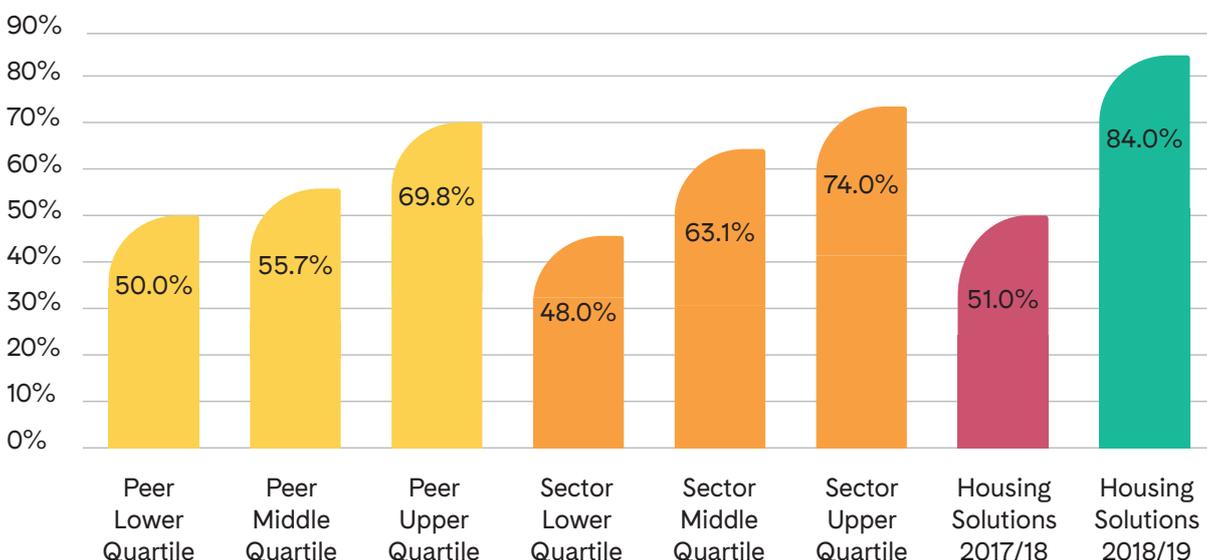
### Customer Satisfaction %



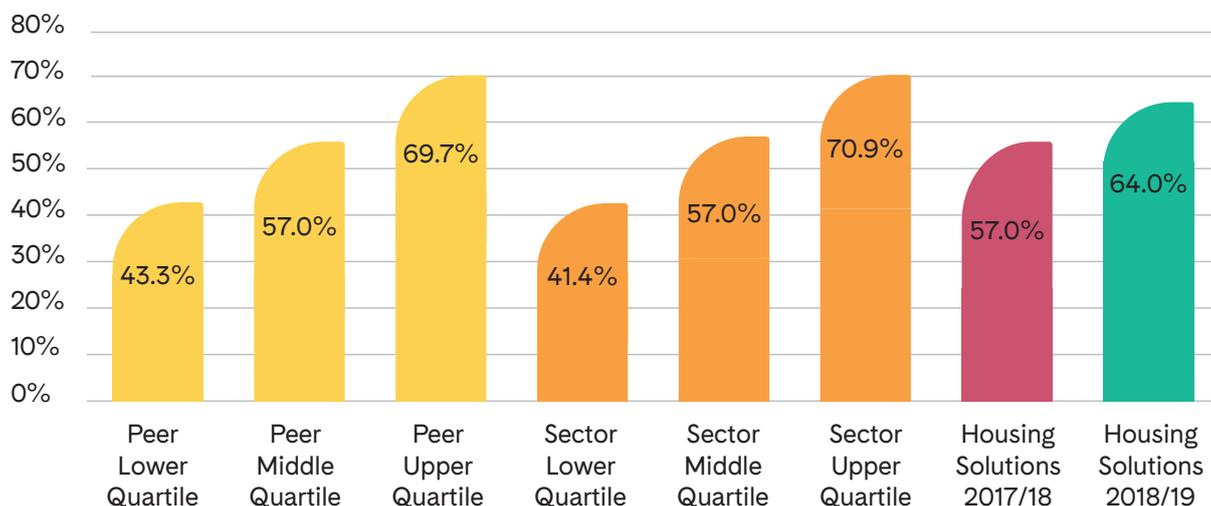
### b) Complaints

We understand the importance of ensuring any complaints received are dealt with efficiently and effectively and this is reflected in our performance which is of course upper quartile. We proactively monitor all social channels to ensure that complaints are handled promptly and report regularly on performance against complaints KPI’s. We continue to perform well in complaint handling and outcomes.

### Complaint Handling %



## Complaint Outcome %



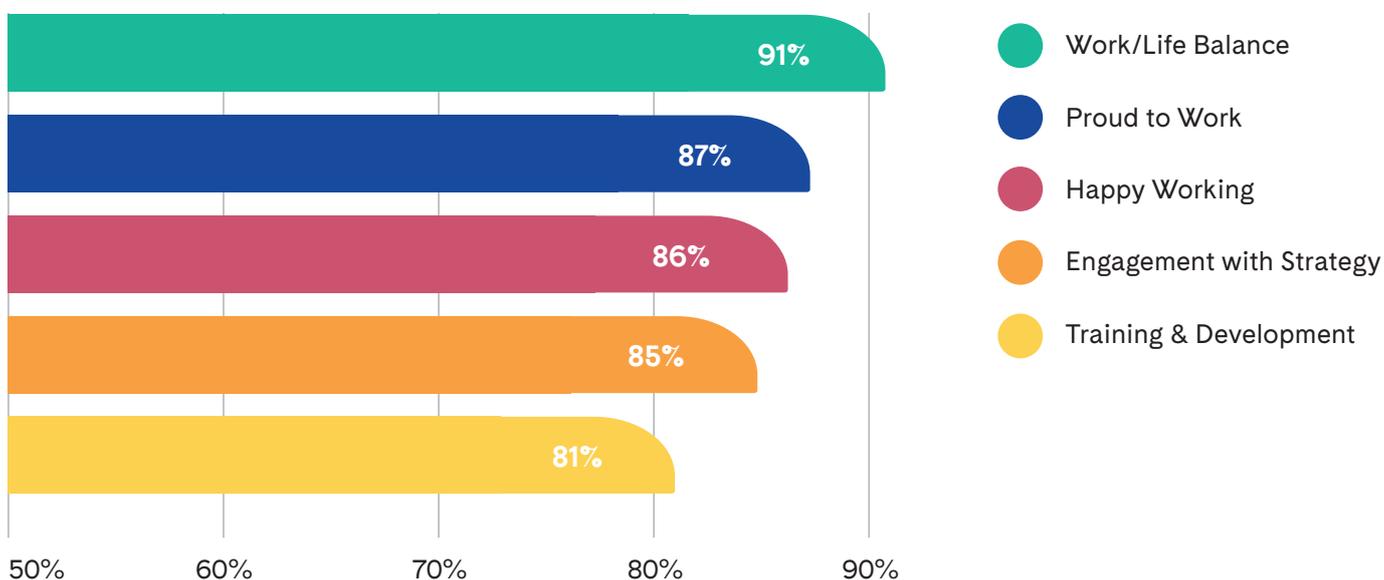
## c) Employee Engagement

We recognise that a key element in delivering value for money is ensuring that we have a dedicated and effective workforce. During the year we have focussed on providing learning and development plans and staff have attended over 90 training events. In 2019 we are investing in our managers by putting 19 Managers through a Management Leadership Programme.

We have introduced a formal corporate induction programme, ensuring our new members of staff are fully integrated into Housing Solutions, welcoming 52 new members of staff in 2018/19. Every year we undertake an organisational approach to getting to know our customers, in effect this requires all colleagues to go out on a single day of the year to meet our customers, addressing their concerns, this is a great team-working event that also embraces customer engagement.

Our most recent staff survey in February 2019 shows that 87% of our staff are proud to work at Housing Solutions.

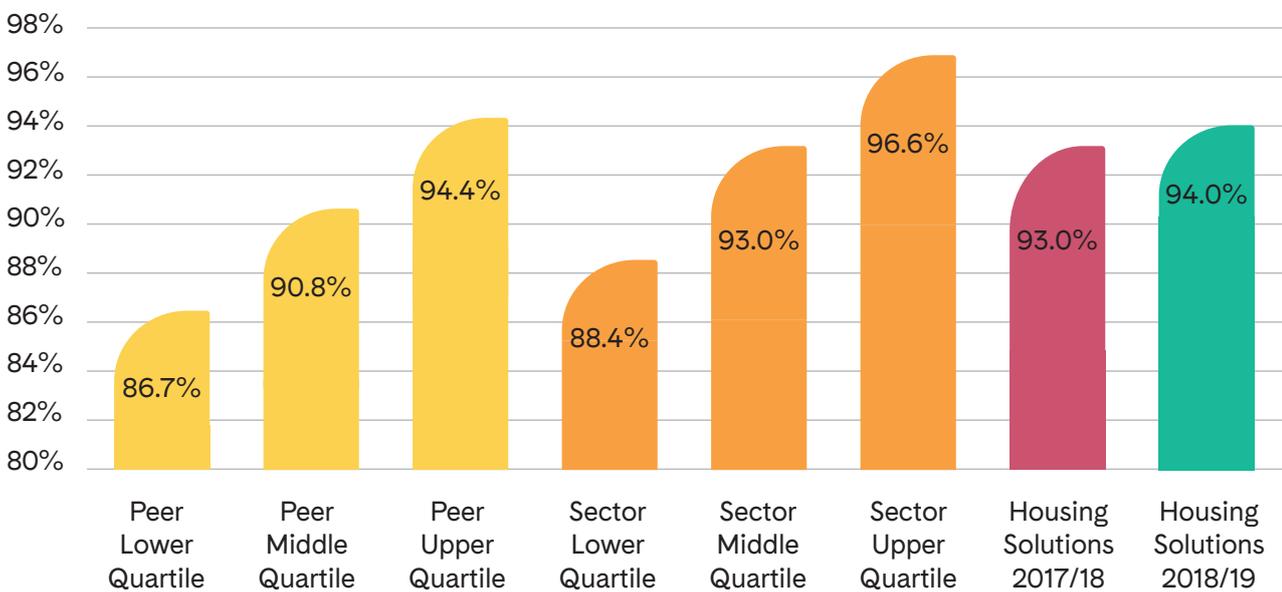
## Employee Survey Scores %



**d) Maintenance Team Performance**

Our talented and motivated in-house maintenance team enable us to achieve our social and commercial objectives and deliver an outstanding service to our residents. We continue to be very proud of the high levels of productivity we achieve with our in-house maintenance team and operate a 'right first time' policy to meet the high standards expected of us by our customers. We also review key performance indicators (KPI's) across Asset Management on a regular basis to ensure that the repairs and maintenance service is delivered to a high standard. Our approach to the delivery of an in-house maintenance team allows us to deliver a flexible repairs service.

**Repairs Satisfaction %**



## Future aims/ achievements 2019/20



Roll out of Amazon Alexa skill – first of its kind in the industry

Make over  
**£500,000**

of procurement savings



Retain G1 V1 rating with the regulator and A+ credit rating with Standard and Poor's



Over



of customer signed up for customer portal by 2020

Bring rent arrears down



## D. TARGETED AREAS OF IMPROVEMENT 2019/20

We are committed to continual improvements and have identified a number of key areas of focus for the coming year, these are targeted to increase customer satisfaction and financial efficiency.

### a) Customer digitalisation

We know from our customers that the way they wish to interact with us is changing. Making our transactions and interactions with customers more digital continues to be a key priority. We now have more than 30% of our customers signed up to our customer portal and our target is to continue to increase the number of customers with a portal account, to at least 50% during 2019/20. Our customers can pay rent, check their account or log a repair 24 hours a day, seven days a week; but we are always looking at other ways our customers can connect with us. As widely publicised in the housing sector media, this year we will be piloting, with 250 of our customers, Amazon Alexa which enables customers to access our online services using voice command.

**Savings target  
of £500,000**



### b) Strengthening customer engagement

We have a customer led Service Improvement Team as well as three action groups, Your Home, Your Community and Your IT, in 2019/20 our aim is to improve both customer engagement and scrutiny of our services.

### c) Rent Arrears

Our rent arrears performance has been identified as an area of focus in 2019/20. Current tenant arrears have increased from 2.27% in March 2018 to 2.39% in March 2019.

### d) Voids

We have been and will continue to focus on minimising rent loss through voids and reduce the number of days to re-let to an average of 23 days and have established a dedicated voids improvement project with an additional target of keeping void rent loss below 0.58%.

### e) Sub-contractor use

Whilst we recognise the need to use sub-contractors for specific skilled works, we will be looking to reduce our dependence on these so as to contain our labour costs, including value for money for the organisation and utilising the skills of our in-house workforce, our 2019/20 target is 70/30 split of in-house and sub-contractor usage and cost. We will also be widening our repair appointment offers to customers, including offering Saturday appointments.

### f) Procurement

Following an external procurement health check, we have identified a

**More than 30%  
of our customers  
signed up to our  
customer portal**



key programme of high value projects with a clear savings target of £500,000 in the next financial year, to be delivered through our planned procurement activity. We will continue to embed value for money through the procurement cycle throughout our business activities.

### g) Staff retention/turnover

We know providing learning and development opportunities for our people is an investment in our future, so we have significantly increased our training resource providing opportunities for professional development and management training. We are well on the way to being an even better place to work, where capable and talented people come to realise their true potential and deliver outstanding results. A diverse and inclusive culture is central to our success and our values provide a touchstone for how we work and make decisions.

## Internal Controls Assurance

The Board acknowledges its overall responsibility, applicable to all organisations within the Group, for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and to provide reasonable assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing and has been in place throughout the period commencing 1 April 2018 up to the date of approval of the report and financial statements.

### Key elements of the control framework include:

- Board approved terms of reference and delegated authorities for Audit & Risk, Funding, Nominations and Remuneration Committees;
- clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- regular system reviews by appointed internal auditors, RSM and a detailed audit tracking system which is reviewed and monitored by the Audit & Risk Committee;
- robust strategic and business planning processes, with detailed financial budgets and forecasts;
- formal recruitment, retention, training and development policies for all staff;
- established authorisation and appraisal procedures for significant new initiatives and commitments;
- approved Financial Regulations and Treasury Management Policies and a sophisticated approach to treasury management, which is subject to external review each year;
- regular reporting to the appropriate committee on key business objectives, targets and outcomes;
- Board approved whistle-blowing and anti-theft and corruption policies;
- Board approved anti-fraud, theft and bribery policies, addressing prevention, detection and reporting, of financial malpractice;
- regular monitoring of loan covenants and requirements for new loan facilities;
- annual review of compliance with NHF Code of Governance and at least 3 yearly review of policies and procedures.

**The Board acknowledges its overall responsibility, applicable to all organisations within the Group, for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.**



## Strategic Report

For the year ended 31 March 2019

A fraud and bribery register is maintained and is reviewed annually by the Audit & Risk Committee. During the year there were no reports of actual or suspected frauds.

The Board cannot delegate ultimate responsibility for the system of internal control but has delegated authority to the Audit & Risk Committee to regularly review the effectiveness of the system of internal control.

The Board receives regular reports and meeting minutes from the Audit Committee. The Audit & Risk Committee has received the Chief Executive's annual review of the effectiveness of the system of internal control for the Group, and the annual report of the internal auditor, and has reported its findings to the Board.

### NHF CODE OF GOVERNANCE AND HOMES ENGLAND GOVERNANCE AND FINANCIAL VIABILITY STANDARD

The Group monitors its on-going compliance with both the economic and consumer Regulatory standards and compliance is reported to the Board on an annual basis with any changes or implications arising within the year being reported on an ad hoc basis.

Having considered the requirements of the Regulator for Social Housing regulatory framework, following review by the Board we are pleased to report that the Group complies with the principal recommendations of the NHF Code of Governance (revised 2015) and with the Governance and Financial Viability Standard.

The Group's business activities, its current financial position and factors likely to affect its future development are set out within this Operating and Financial Review. The Group has in place long-term

debt facilities which provide adequate resources to finance committed investment and development programmes. The Group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

The Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve 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.

The Board has considered the effects of Brexit and is confident the Group can withstand significant economic volatility.

The strategic report was approved by the Board on 25 September 2019 and signed on its behalf by:

**Elizabeth J Padmore – Chairman**



## STATEMENT OF THE RESPONSIBILITIES OF THE BOARD OF MANAGEMENT FOR THE REPORT AND FINANCIAL STATEMENTS.

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

Co-operative and Community Benefit Societies legislation requires the Board to prepare financial statements for each financial year. Under that law the Board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under the Co-operative and Community Benefit Societies 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 of the Group and Association at the end of the year and of the surplus or deficit of the Association and Group for that period.

In preparing those financial statements the Board is 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 including Financial Reporting Standard 102 (FRS102) and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers Update 2014, 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 company 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. It is also responsible for safeguarding the assets of the Group and Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by Registered Housing Providers Update 2014.

The Board is responsible for the maintenance and integrity of the corporate and financial information on the Group's website.

## ANNUAL GENERAL MEETING

The annual general meeting was held on 25 September 2019 at Crown House, Crown Square, Waldeck Road, Maidenhead, Berkshire, SL6 8BY.

## DISCLOSURE OF INFORMATION TO AUDITORS

At the date of this report each of the Association's Board members, as set out on page 5, confirm the following:

- so far as each Board member is aware, there is no relevant information of which the Group's and Association's auditors are unaware and;
- the Board members have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

## EXTERNAL AUDITORS

BDO LLP were appointed during the year. They have expressed their willingness to continue in office.

The report of the Board was approved by the Board on 25 September 2019 and signed on its behalf by:

**Elizabeth J Padmore – Chairman**



# Independent Auditor's Report to the Members of Housing Solutions

For the year ended 31 March 2019

## OPINION

We have audited the financial statements of Housing Solutions ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2019, which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statements of changes in reserves, the consolidated and Association statement of financial position, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

### In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2019 and of the Group's and the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group

Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

## BASIS FOR OPINION

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

## CONCLUSIONS RELATING TO GOING CONCERN

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

- the board of management's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board of management has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Association's

ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## OTHER INFORMATION

The board of management is responsible for the other information. Other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information including the Chairman's Statement and Strategic Report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

## **MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

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

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

## **RESPONSIBILITIES OF BOARD OF MANAGEMENT**

As explained more fully in the board of management responsibilities statement set out on page 23, the board of management is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

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

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

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

## **USE OF OUR REPORT**

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

BDO LLP

Statutory Auditor

Gatwick

25 September 2019

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

# Statements of Comprehensive Income

For the year ended 31 March 2019

	Notes	Group 2019 £000	Group 2018 £000 As restated	Association 2019 £000	Association 2018 £000 As restated
Turnover	3	45,804	43,883	45,688	43,663
Cost of sales	3	(3,076)	(2,412)	(3,039)	(2,379)
Gain on disposal of assets	3	1,160	1,924	1,160	1,924
Operating costs	3	(24,360)	(21,664)	(24,284)	(21,572)
<b>Operating surplus</b>	7	19,528	21,731	19,525	21,636
Loss on disposal of tangible fixed assets others	8	(486)	(421)	(486)	(421)
Interest receivable and other income	9	242	245	293	296
Interest payable and financing costs	10	(13,347)	(14,019)	(13,347)	(14,019)
Movement in fair value of investment properties	14	(310)	967	(310)	967
Decrease in valuation of housing properties	12	(9,360)	(8,897)	(9,360)	(8,897)
Reversal of decrease in valuation of housing properties	12	6,994	8,710	6,994	8,710
<b>Surplus on ordinary activities before taxation</b>		3,216	8,316	3,309	8,272
Tax on surplus on ordinary activities	11	-	-	-	-
<b>Surplus for the year</b>		<b>3,261</b>	<b>8,316</b>	<b>3,309</b>	<b>8,272</b>
Unrealised surplus on revaluation of housing properties	12	25,028	6,273	25,028	6,273
Actuarial gain on defined benefit pension scheme	27	1,285	1,000	1,285	1,000
<b>Total comprehensive income for the year</b>		<b>29,574</b>	<b>15,589</b>	<b>29,622</b>	<b>15,545</b>

All of the Group and Association's turnover and surplus disclosed above are derived from continuing activities.

The accompanying accounting policies and notes on pages 30 – 57 form an integral part of the financial statements.

The financial statements were approved and signed and authorised for issue by the Board of Management on 25 September 2019 and are signed on its behalf by:

Chairman  
Elizabeth Padmore



Board Member  
Hayley Peters



Company Secretary  
Carol Lovell



# Statements of Changes in Reserves

For the year ended 31 March 2019

## GROUP

	£000	£000	£000	£000
	Share Capital	Revenue Reserve	Revaluation Reserve	Total
Balance as at 1 April 2017 (restated)	-	104,531	105,415	209,946
Total comprehensive income for the year	-	9,316	6,273	15,589
Transfer from revaluation reserve to revenue reserve	-	(780)	780	-
Depreciation charged on revalued properties	-	732	(732)	-
<b>Balance at 31 March 2018 (restated)</b>	<b>-</b>	<b>113,799</b>	<b>111,736</b>	<b>225,535</b>
Total comprehensive income for the year	-	4,546	25,028	29,574
Transfer from revaluation reserve to revenue reserve	-	2,676	(2,676)	-
Depreciation charged on revalued properties	-	849	(849)	-
<b>Balance at 31 March 2019</b>	<b>-</b>	<b>121,870</b>	<b>133,239</b>	<b>255,109</b>

## ASSOCIATION

	£000	£000	£000	£000
	Share Capital	Revenue Reserve	Revaluation Reserve	Total
Balance as at 1 April 2017 (restated)	-	104,379	105,415	209,794
Total comprehensive income for the year	-	9,272	6,273	15,545
Transfer from revaluation reserve to revenue reserve	-	(780)	780	-
Depreciation charged on revalued properties	-	732	(732)	-
<b>Balance at 31 March 2018 (restated)</b>	<b>-</b>	<b>113,603</b>	<b>111,736</b>	<b>225,339</b>
Total comprehensive income for the year - SOCI	-	4,594	25,028	29,622
Transfer from revaluation reserve to revenue reserve	-	2,676	(2,676)	-
Depreciation charged on revalued properties	-	849	(849)	-
<b>Balance at 31 March 2019</b>	<b>-</b>	<b>121,722</b>	<b>133,239</b>	<b>254,961</b>

The accompanying accounting policies and notes on pages 30 – 57 form an integral part of the financial statements.

# Consolidated Statement of Financial Position

For the year ended 31 March 2019

	Notes	2019 £000	2018 £000
<b>Fixed Assets</b>			<b>As restated</b>
Tangible Fixed Assets (housing properties)	12	509,650	455,223
Tangible Fixed Assets (other)	12	10,109	10,123
Investment properties	14	19,880	20,190
		<hr/>	<hr/>
		539,639	485,536
<b>Intangible Fixed Assets</b>	13	542	542
<b>Long Term Investment</b>	16	2,427	2,427
<b>Current Assets</b>			
Properties for sale	17	9,716	3,414
Debtors	18	3,353	3,650
Cash and cash equivalents		22,588	57,834
		<hr/>	<hr/>
		35,657	64,898
<b>Creditors: amounts falling due within one year</b>	19	(19,824)	(16,602)
Net current assets		15,833	48,296
<b>Total assets less current liabilities</b>		<b>558,441</b>	<b>536,801</b>
<b>Creditors: amounts falling due after more than one year</b>	21	(283,239)	(290,599)
<b>Pension Liability</b>	27	(20,093)	(20,667)
		<hr/>	<hr/>
<b>Total net assets</b>		<b>255,109</b>	<b>225,535</b>
<b>Capital and reserves</b>			
Called-up non-equity share capital	23	-	-
Revaluation reserve		133,239	111,736
Revenue reserve		121,870	113,799
		<hr/>	<hr/>
<b>Total reserves</b>		<b>255,109</b>	<b>225,535</b>

The accompanying accounting policies and notes on pages 30 – 57 form an integral part of the financial statements.

The financial statements were approved and authorised for issue by the Board of Management on 25 September 2019 and are signed on its behalf by:

Chairman  
Elizabeth Padmore



Board Member  
Hayley Peters



Company Secretary  
Carol Lovell



# Association Statement of Financial Position

For the year ended 31 March 2019

	Notes	2019 £000	2018 £000 As restated
<b>Tangible Fixed Assets</b>			
Tangible Fixed Assets (housing properties)	12	509,779	455,223
Tangible Fixed Assets (other)	12	8,716	8,644
Investment properties	14	19,880	20,190
		<hr/>	<hr/>
		538,375	484,057
<b>Intangible Fixed Assets</b>			
	13	542	542
<b>Long term investments</b>			
	16	2,477	2,477
<b>Current Assets</b>			
Properties for sale	17	7,558	3,414
Debtors	18	4,591	4,461
Cash and cash equivalents		22,084	57,338
		<hr/>	<hr/>
		34,233	65,213
<b>Creditors: amounts falling due within one year</b>			
	19	(17,334)	(15,684)
Net current assets		<hr/>	<hr/>
		16,899	49,529
<b>Total assets less current liabilities</b>		<b>558,293</b>	<b>536,605</b>
<b>Creditors: amounts falling due after more than one year</b>			
	21	(283,239)	(290,599)
<b>Pension Liability</b>			
	27	(20,093)	(20,667)
		<hr/>	<hr/>
<b>Total net assets</b>		<b>254,961</b>	<b>225,339</b>
<b>Capital and reserves</b>			
Called-up non-equity share capital	23	-	-
Revaluation reserve		133,239	111,736
Revenue reserve		121,722	113,603
		<hr/>	<hr/>
<b>Total reserves</b>		<b>254,961</b>	<b>225,339</b>

The accompanying accounting policies and notes on pages 30 – 57 form an integral part of the financial statements.

The financial statements were approved and authorised for issue by the Board of Management on 25 September 2019 and are signed on its behalf by:

Chairman  
Elizabeth Padmore



Board Member  
Hayley Peters



Company Secretary  
Carol Lovell



# Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	Notes	2019 £000	2018 £000 As restated
<b>Net cash generated from operating activities</b>	26	21,338	32,009
<b>Cash flow from investing activities</b>			
Purchase of tangible fixed assets		(36,241)	(19,076)
Grants received		310	735
Interest received		242	245
		<u>(35,689)</u>	<u>(18,096)</u>
<b>Cash flow from financing activities</b>			
Interest paid		(14,048)	(14,001)
New secured loans		-	-
Repayment of borrowings		(6,847)	(9,132)
Withdrawal from deposits		-	-
		<u>(20,895)</u>	<u>(23,133)</u>
<b>Net change in cash and cash equivalents</b>		<b>(35,246)</b>	<b>(9,220)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>57,834</b>	<b>67,054</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>22,588</b>	<b>57,834</b>

The accompanying accounting policies and notes on pages 30 – 57 form an integral part of the financial statements.

# Notes to the Financial Statements

For the year ended 31 March 2019

## 1.0 Legal Status

The Association is registered in England under the Co-Operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing as a housing provider.

## 2.0 Accounting policies

### 2.1 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 (FRS 102) and the Housing SORP 2014: Statement of recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

A number of prior period inaccuracies in the application of FRS 102 have been corrected in these financial statements, these are set out in note 33.

The financial statements are compliant with FRS 102.

The financial statements are presented in Sterling (£).

### 2.2 Going concern

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

### 2.3 Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the

financial statements where these judgments and estimates have been made include:

#### Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

#### Valuation of housing properties

Management reviews its valuation of housing properties at each reporting date, based on either formal valuation reports or an update to those reports based on market conditions and other changes to assumptions. Uncertainties in these estimates relate to the discount rate, the cost of property maintenance and future cash flows. Valued properties totalled £501,817,000 at the year end.

#### Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components.

#### Defined benefit obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in Note 27). The liability at 31 March 2019 was £20,093,000.

## 2.4 Basis of consolidation

The Group accounts consolidate the accounts of the Association and all its subsidiaries at 31 March 2019 using the purchase method.

## 2.5 Investment in subsidiaries and joint ventures

The consolidated financial statements incorporate the financial statements of the Association and entities (including special purpose entities) controlled by the Group (and its subsidiaries). 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

All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation.

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

Investments in joint ventures are accounted for at cost less impairment in the individual Association's financial statements.

## 2.6 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 and other services included at the invoiced value (excluding VAT where recoverable) of goods and services supplied in the year and 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. 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.

## 2.7 Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable surplus for the current or past reporting periods 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 the cost of a fixed asset have been met, the deferred tax is reversed. Deferred tax is recognised when income or 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 is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

### Value Added Tax

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 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.

## 2.8 Financial instruments

All financial instruments meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 and are accounted for under the amortised cost model.

The Group and Association does have the appropriate rules to enable it to enter into third party hedging arrangements. However, none are in place at this time.

## 2.9 Debtors

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

Where deferral of payment terms have been agreed at below market rate, and where material, the balance is shown at the present value, discounted at a market rate.

## 2.10 Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank, local authority and other loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

## 2.11 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.

## 2.12 Pensions

The Group participates in a funded multi-employer defined benefit

scheme - Royal County of Berkshire Pension Scheme (RCBPS) and a defined contribution scheme operated by Scottish Widows.

The RCBPS 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 as a separate provision on the statement of financial position. A net surplus is recognised only to the extent that it is recoverable by the Group through reduced contributions or through refunds from the plan.

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. Net interest costs are calculated by applying the discount rate to the net defined benefit liability and are recognised in the income and expenditure account as a finance cost. Remeasurements are reported in other comprehensive income.

The Scottish Widows scheme is accounted for as a defined contribution plan. The charge to income and expenditure represents the employer contribution payable to the scheme for the accounting period.

## 2.13 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 valuation.

Completed housing and shared ownership properties are stated at fair value at the date of valuation, and accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not materially differ from the fair value of the properties as at the year end.

Housing properties under construction are stated at cost less related social housing and other capital grants. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

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.

### 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 at the following annual rates:

	%pa	Number of years
Structure	1.0	100
Roofs	1.3	75
Bathrooms	3.3	30
Kitchens	4.0	25
Windows and doors	3.3	30
Heating systems	5.0	20

### Impairment

Annually, housing properties are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount. This is likely to be the value in use of the asset based on its service potential. The resulting impairment loss is recognised as expenditure in income and expenditure. Where an asset is currently deemed not to be providing service potential to the Association, its recoverable amount is its fair value less costs to sell.

Completed properties are valued annually by an independent valuer.

### Government grants

Government grants include grants receivable from Homes England, local authorities, and other government organisations. A grant which does not impose specified 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 only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability. For Social Housing Grant this means that the grant is recognised as revenue on completion of the property.

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 the HCA. Government grants released on 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 position in creditors.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in income and expenditure. Upon disposal of the associated property, the Group is required to recycle grant proceeds and recognise them as a liability.

### Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified 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 only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

### Properties for sale

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

### Capitalisation of Interest

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

- interest on borrowings specifically financing the development programme after deduction of social housing grant received in advance; or
- a fair amount of interest on borrowings of the Association as a whole after deduction of social housing 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 income and expenditure account in the year.

### 2.14 Investment properties

Investment properties consist of commercial properties and other properties not held for the social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end, with changes in fair value recognised in income and expenditure.

### 2.15 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 freehold land. The principal annual rates used for other assets are:

Other freehold property	100 years
Free/Leasehold premises' improvements	21 years

Office furniture and equipment	5 years
Computer equipment	5 years
Motor vehicles	5 years
Plant & machinery	25 years

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus/deficit for the year.

### 2.16 Intangible assets

Intangible assets are measured at cost less accumulated amortisation.

Amortisation is provided evenly on the cost of intangible assets to write them down to their estimated residual values over their expected useful lives. The principal annual rate used for intangible assets is:

Computer software	5 year
-------------------	--------

### 2.17 Leases

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

Rentals payable under operating leases are charged to income and expenditure on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Group recognises annual rent expense equal to amounts owed to the lessor. The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

### 2.18 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 the obligation.

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

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss 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.

### 2.19 Reserves

The Group establishes restricted reserves for specific purposes where their use is subject to external restrictions.

### 2.20 Revaluation Reserve

When housing properties are revalued, the difference between the carry value of the land and structure elements of housing properties is credited to the housing property revaluation reserve. Where a downward movement is taken to the surplus or deficit a transfer from income and expenditure reserve is made for the net of the downward movement and the value of any associated grant released to income.

## Particulars of Turnover, Cost of Sales, Operating Costs and Operating Surplus

### GROUP

	2019 Turnover £000	2019 Cost of sales £000	2019 Operating expenditure £000	2019 Gain on disposal £000	2019 Operating surplus £000
<b>Social housing lettings</b>	36,551	-	(22,173)	-	14,378
<b>Other social housing activities</b>					
Lifeline alarm system	133	-	(87)	-	46
Shared Ownership	6,341	(3,039)	-	-	3,302
Supporting people	43	-	-	-	43
Gain on disposal of housing properties	-	-	-	1,160	1,160
	<b>43,068</b>	<b>(3,039)</b>	<b>(22,260)</b>	<b>1,160</b>	<b>18,929</b>
<b>Activities other than social housing</b>	2,736	(37)	(1,545)	-	1,154
Abortive development costs	-	-	(555)	-	(555)
<b>Total</b>	<b>45,804</b>	<b>(3,076)</b>	<b>(24,360)</b>	<b>1,160</b>	<b>19,528</b>

	2018 Turnover £000	2018 Cost of sales £000	2018 Operating expenditure £000	2018 Gain on disposal £000	2018 Operating expenditure £000
As restated	As restated	As restated	As restated	As restated	As restated
<b>Social housing lettings</b>	36,038	-	(19,973)	-	16,065
<b>Other social housing activities</b>					
Lifeline alarm system	131	-	(128)	-	3
Shared Ownership	4,958	(2,379)	-	-	2,579
Supporting people	46	-	-	-	46
Gain on disposal of housing properties	-	-	-	1,924	1,924
	<b>41,173</b>	<b>(2,379)</b>	<b>(20,101)</b>	<b>1,924</b>	<b>20,617</b>
<b>Activities other than Social Housing</b>	2,710	(33)	(1,563)	-	1,114
<b>Total</b>	<b>43,883</b>	<b>(2,412)</b>	<b>(21,664)</b>	<b>1,924</b>	<b>21,731</b>

## Notes of the Financial Statements

For the year ended 31 March 2019

### Particulars of Turnover, Cost of Sales, Operating Costs and Operating Surplus

#### ASSOCIATION

	2019 Turnover £000	2019 Cost of sales £000	2019 Operating expenditure £000	2019 Gain on disposal £000	2019 Operating surplus £000
<b>Social housing lettings</b>	36,551	-	(22,173)	-	14,378
<b>Other social housing activities</b>					
Lifeline alarm system	133	-	(87)	-	46
Shared Ownership	6,341	(3,039)	-	-	3,302
Supporting people	43	-	-	-	43
Gain on disposal of housing properties	-	-	-	1,160	1,160
	<b>43,068</b>	<b>(3,039)</b>	<b>(22,260)</b>	<b>1,160</b>	<b>18,929</b>
<b>Activities other than Social Housing</b>	2,620	-	(1,469)	-	1,151
			-		
Abortive development costs	-	-	(555)	-	(555)
<b>Total</b>	<b>45,688</b>	<b>(3,039)</b>	<b>(24,284)</b>	<b>1,160</b>	<b>19,525</b>

	2018 Turnover £000 As restated	2018 Cost of sales £000 As restated	2018 Operating expenditure £000 As restated	2018 Gain on disposal £000 As restated	2018 Operating expenditure £000 As restated
<b>Social housing lettings</b>	36,038	-	(19,973)	-	16,065
<b>Other social housing activities</b>					
Lifeline alarm system	131	-	(128)	-	3
Shared Ownership	4,958	(2,379)	-	-	2,579
Supporting people	46	-	-	-	46
Gain on disposal of housing properties	-	-	-	1,924	1,924
	<b>41,173</b>	<b>(2,379)</b>	<b>(20,101)</b>	<b>1,924</b>	<b>20,617</b>
<b>Activities other than Social Housing</b>	2,490	-	(1,471)	-	1,019
<b>Total</b>	<b>43,663</b>	<b>(2,379)</b>	<b>(21,572)</b>	<b>1,924</b>	<b>21,636</b>

## Particulars of Income and Expenditure from Social Housing Lettings

### GROUP (CONTINUED)

	2019					2018	
	General needs housing	Supported housing and housing for older people	Key worker housing	Care homes	Low cost home ownership	Total	Total
	£000	£000	£000	£000	£000	£000	£000
Rent receivable net of identifiable service charges	24,465	3,245	264	5,067	1,483	34,524	34,343
Service charge income	624	740	-	36	317	1,717	1,695
Government grants taken to income	310	-	-	-	-	310	-
<b>Turnover from social housing lettings</b>	<b>25,399</b>	<b>3,985</b>	<b>264</b>	<b>5,103</b>	<b>1,800</b>	<b>36,551</b>	<b>36,038</b>
<b>Expenditure</b>							
Management and other operating expenses	5,254	697	57	1,088	319	7,415	6,731
Service charge costs	1,202	793	23	78	108	2,204	1,841
Routine maintenance	2,091	545	27	329	40	3,032	2,736
Planned maintenance	1,915	811	33	602	21	3,382	3,059
Bad debts	170	23	2	35	10	240	184
Property lease charges	9	-	-	-	-	9	8
Depreciation of housing properties	3,785	502	41	784	229	5,341	4,924
Other costs	391	51	4	80	24	550	490
Operating expenditure on social housing lettings	<b>14,817</b>	<b>3,422</b>	<b>187</b>	<b>2,996</b>	<b>751</b>	<b>22,173</b>	<b>19,973</b>
<b>Operating surplus on social housing lettings</b>	<b>10,582</b>	<b>563</b>	<b>77</b>	<b>2,107</b>	<b>1,049</b>	<b>14,378</b>	<b>16,065</b>
<b>Void losses</b>	<b>329</b>	<b>109</b>	<b>16</b>	<b>-</b>	<b>8</b>	<b>462</b>	<b>449</b>

## Notes of the Financial Statements

For the year ended 31 March 2019

### Particulars of Income and Expenditure from Social Housing Lettings

#### ASSOCIATION (CONTINUED)

	2019					2018	
	General needs housing	Supported housing and housing for older people	Key worker housing	Care homes	Low cost home ownership	Total	Total
	£000	£000	£000	£000	£000	£000	£000
Rent receivable net of identifiable service charges	24,465	3,245	264	5,067	1,483	34,524	34,343
Service charge income	624	740	-	36	317	1,717	1,695
Government grants taken to income	310	-	-	-	-	310	-
<b>Turnover from social housing lettings</b>	<b>25,399</b>	<b>3,985</b>	<b>264</b>	<b>5,103</b>	<b>1,800</b>	<b>36,551</b>	<b>36,038</b>
<b>Expenditure</b>							
Management and other operating expenses	5,254	697	57	1,088	319	7,415	6,731
Service charge costs	1,202	793	23	78	108	2,204	1,841
Routine maintenance	2,091	545	27	329	40	3,032	2,736
Planned maintenance	1,915	811	33	602	21	3,382	3,059
Bad debts	170	23	2	35	10	240	184
Property lease charges	9	-	-	-	-	9	8
Depreciation of housing properties	3,785	502	41	784	229	5,341	4,924
Other costs	391	51	4	80	24	550	490
Operating expenditure on social housing lettings	<b>14,817</b>	<b>3,422</b>	<b>187</b>	<b>2,996</b>	<b>751</b>	<b>22,173</b>	<b>19,973</b>
<b>Operating surplus on social housing lettings</b>	<b>10,582</b>	<b>563</b>	<b>77</b>	<b>2,107</b>	<b>1,049</b>	<b>14,378</b>	<b>16,065</b>
<b>Void losses</b>	<b>329</b>	<b>109</b>	<b>16</b>	<b>-</b>	<b>8</b>	<b>462</b>	<b>449</b>

## Particulars of Turnover from Non-social Housing Lettings

	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Market rent accommodation	589	617	589	617
	<b>589</b>	<b>617</b>	<b>589</b>	<b>617</b>

## Accommodation in Management and Development

### GROUP AND ASSOCIATION

At the end of the year accommodation in management for each class of accommodation was as follows:

	Group 2019 Number	Group 2018 Number	Association 2019 Number	Association 2018 Number
<b>Social housing</b>				
General needs	3,664	3,654	3,664	3,649
Affordable	223	179	223	179
Supported housing and housing for older people	570	568	570	568
Low cost home ownership	428	389	428	389
Key worker housing	28	28	28	28
Residential care homes	712	712	712	712
<b>Total owned</b>	<b>5,625</b>	<b>5,530</b>	<b>5,625</b>	<b>5,525</b>
Accommodation managed for others	8	106	8	106
<b>Total owned and managed</b>	<b>5,633</b>	<b>5,636</b>	<b>5,633</b>	<b>5,631</b>
<b>Non-social housing</b>				
Market rent	80	78	80	78
<b>Total owned and managed</b>	<b>80</b>	<b>78</b>	<b>80</b>	<b>78</b>
<b>Accommodation in development at the year end</b>	<b>407</b>	<b>280</b>	<b>407</b>	<b>280</b>

## Notes of the Financial Statements

For the year ended 31 March 2019

### 5. Key management personnel

The members of the Board received remuneration for services provided as Directors of £60,425 (2018 - £53,913). The remuneration paid to the Executive Directors of Housing Solutions Group (defined as the Chief Executive, the Development Director, the Finance Director, the Operations Director (mid year appointment) and the Corporate Services Director (mid year appointment) was:

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Emoluments	661	413
Benefits in kind	-	-
Pension contributions	42	31
	<b>703</b>	<b>444</b>

Emoluments (excluding pension contributions) paid to:

The highest paid Director (the Chief Executive – current) including all benefits such as car allowance and private health subscriptions.

	186	154
Pension contributions (current)	7	6
	<b>193</b>	<b>160</b>

### 6. Employee information

The average weekly number of full-time equivalent persons (including directors)

	<b>2019</b>	<b>2018</b>
	<b>Number</b>	<b>Number</b>
Office staff	102	92
Sheltered housing managers, caretakers and cleaners	5	5
Building maintenance staff	38	42
	<b>145</b>	<b>139</b>

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Staff costs (for the above persons):		
Wages and salaries	5,885	5,036
Social security costs	610	514
Pension costs – Contributions	534	521
Actuarial Adjustments	403	472
	<b>7,432</b>	<b>6,543</b>

The full time equivalent number of staff, including directors, who received emoluments:

	<b>2019 Number</b>	<b>2018 Number</b>
£80,001 to £90,000	-	1
£90,001 to £100,000	2	-
£100,001 to £110,000	-	2
£130,001 to £140,000	1	-
£140,001 to £150,000	1	-
£150,001 to £160,000	-	1
£180,001 to £190,000	1	-

## **7. Operating Surplus**

	<b>2019 £000</b>	<b>2018 £000</b>
Operating surplus is stated after charging/(crediting):		
Depreciation		
- housing stock	5,341	4,924
- other assets	422	346
- surplus on disposal of other tangible fixed assets	-	-
Amortisation of intangible assets	227	218
Operating lease rentals:		
- hire of motor vehicles	32	29
- office equipment	21	21
Auditor's remuneration		
- for audit purposes		
- parent	31	28
- subsidiaries	9	7
<b>- Total</b>	<b>40</b>	<b>35</b>
- for non-audit purposes		
- tax compliance	7	4
Internal Auditor's remuneration	41	41

## GROUP AND ASSOCIATION

### 8. Gain/(Loss) on Sale of Fixed Assets

	Housing properties 2019 £000	Other Assets 2019 £000	Housing properties 2018 £000	Other Assets 2018 £000
Disposal proceeds	3,201	-	5,356	-
Cost of sales (administration)	(25)	-	(75)	-
Carrying value of fixed assets	(2,016)	(486)	(3,357)	(421)
<b>Gain/(Loss) on sale of fixed assets</b>	<b>1,160</b>	<b>(486)</b>	<b>1,924</b>	<b>(421)</b>

### 9. Interest receivable and other income

	Group 2019 £000	Group 2018 £000	Association 2019 £000	Association 2018 £000
Intercompany interest receivable	-	-	51	51
Interest receivable	242	245	242	245
	<b>242</b>	<b>245</b>	<b>293</b>	<b>296</b>

### 10. Interest and financing costs

	Group 2019 £000	Group 2018 £000	Association 2019 £000	Association 2018 £000
Loans and bank overdrafts	14,079	6,630	5,692	6,630
Interest payable to Group companies	-	8,299	8,387	8,299
Interest payable capitalised on housing properties under construction	(1,252)	(1,482)	(1,252)	(1,482)
Defined benefit pension charge	520	572	520	572
	<b>13,347</b>	<b>14,019</b>	<b>13,347</b>	<b>14,019</b>
Capitalisation rate used to determine the finance costs capitalised during the period	<b>4.29%</b>	<b>4.40%</b>	<b>4.29%</b>	<b>4.40%</b>

## 11. Tax on surplus on ordinary activities

	Group	Group	Association	Association
	2019	2018	2019	2018
	£000	£000	£000	£000
<b>Current Tax</b>				
UK corporation tax on surplus for the year	-	-	-	-
Adjustments in respect of prior years	-	-	-	-
<b>Total current tax</b>	-	-	-	-
<b>Deferred Tax</b>				
Net origination and reversal of timing differences	-	7	-	-
<b>Total deferred tax</b>	-	7	-	-
<b>Total tax on results on ordinary activities</b>	-	7	-	-

## Analysis of Charge in Period

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 19% (2018: 19%) The differences are explained as follows:

	Group	Group	Association	Association
	2019	2018	2019	2018
	£000	£000	£000	£000
<b>Total tax reconciliation</b>				
Surplus on ordinary activities before tax - SOCI	3,311	8,316	3,309	8,272
Expected tax at 19% (2018: 19%)	629	1,580	629	1,572
Effects of:				
Income not taxable for tax purposes	(618)	(1,572)	(629)	(1,572)
Use of losses where no deferred tax	(11)	-	-	-
Adjust closing deferred tax to average rate	-	(5)	-	-
Adjust opening deferred tax to average rate	-	4	-	-
<b>Total tax charge for the period</b>	-	7	-	-

## Tangible Fixed Assets – Properties

### GROUP

	Housing Properties and Mobile Homes	Housing Properties under Construction	Shared Ownership Properties	Shared Ownership Properties under Construction	Total
	£000	£000	£000	£000	£000
Cost or Valuation at 1 April 2018 (as previously stated)	460,251	1,936	37,691	976	500,854
Depreciation brought forward	(50,221)	(702)	(2,630)	-	(53,553)
WIP restated	-	6,495	-	1,427	7,922
<b>Cost or Valuation at 1 April 2018 – restated</b>	<b>410,030</b>	<b>7,729</b>	<b>35,061</b>	<b>2,403</b>	<b>455,223</b>
Completed	7,056	(7,056)	5,567	(5,567)	-
Additions	-	17,905	-	12,299	30,204
Disposals	(1,538)	-	(928)	-	(2,466)
Works to existing properties	4,027	-	-	-	4,027
Decrease in valuation	(4,541)	-	(4,819)	-	(9,360)
Reversal of previous decrease	6,347	-	647	-	6,994
Increase in valuation	18,619	-	6,409	-	25,028
<b>At 31 March 2019</b>	<b>440,000</b>	<b>18,578</b>	<b>41,937</b>	<b>9,135</b>	<b>509,650</b>
Depreciation charged in year	(4,010)	-	(481)	-	(4,491)
Revaluation depreciation	(886)	-	37	-	(849)
Eliminated on revaluation	4,896	-	444	-	5,340
<b>At 31 March 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book value as at 31 March 2019</b>	<b>440,000</b>	<b>18,578</b>	<b>41,937</b>	<b>9,135</b>	<b>509,650</b>
<b>Net book value as at 31 March 2018 (as restated)</b>	<b>410,030</b>	<b>7,729</b>	<b>35,061</b>	<b>2,403</b>	<b>455,223</b>

Completed housing properties are stated at Existing Use Value for Social Housing (EUV-SH) as at 31 March 2019. The Group's housing properties have been valued by Jones Lang LaSalle, professional external valuers. The full valuation of all properties was undertaken, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors (RICS) as follows:

	£'000
<b>Completed properties at valuation</b> (including investment properties)	
Housing Solutions	501,817
	<b>501,817</b>

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

Discount rate	5.5%
Annual inflation rate, after first two years	-1% to 2020
Level of long-term annual rent increase	CPI + 1%

#### In valuing social properties, a discounted cash flow methodology was adopted with key assumptions:

Discount rate (income)	5.4% - 6.5%
Rental income growth	1%
Management cost per unit	£675 - £700
Repair cost per unit	£1,150 - £1,700
Annual inflation rate, after first two years	-1% to 2020
Level of long-term annual rent increase	CPI + 1%

## Tangible Fixed Assets – Properties

### ASSOCIATION

	Housing Properties and Mobile Homes	Housing Properties under Construction	Shared Ownership Properties	Shared Ownership Properties under Construction	Total
	£000	£000	£000	£000	£000
Cost or Valuation at 1 April 2018 (as previously stated)	460,251	1,936	37,691	976	500,854
Depreciation brought forward	(50,221)	(702)	(2,630)	-	(53,553)
WIP restated	-	6,495	-	1,427	7,922
<b>Cost or Valuation at 1 April 2018 - restated</b>	<b>410,030</b>	<b>7,729</b>	<b>35,061</b>	<b>2,403</b>	<b>455,223</b>
Completed	7,056	(7,056)	5,567	(5,567)	-
Additions	-	18,034	-	12,299	30,333
Disposals	(1,538)	-	(928)	-	(2,466)
Works to existing properties	4,027	-	-	-	4,027
Decrease in valuation	(4,541)	-	(4,819)	-	(9,360)
Reversal of previous decrease	6,347	-	647	-	6,994
Increase in valuation	18,619	-	6,409	-	25,028
<b>At 31 March 2019</b>	<b>440,000</b>	<b>18,707</b>	<b>41,937</b>	<b>9,135</b>	<b>509,779</b>
Depreciation charged in year	(4,010)	-	(481)	-	(4,491)
Revaluation depreciation	(886)	-	37	-	(849)
Eliminated on revaluation	4,896	-	444	-	5,340
<b>At 31 March 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book value as at 31 March 2019</b>	<b>440,000</b>	<b>18,707</b>	<b>41,937</b>	<b>9,135</b>	<b>509,779</b>
<b>Net book value as at 31 March 2018 (as restated)</b>	<b>410,030</b>	<b>7,729</b>	<b>35,061</b>	<b>2,403</b>	<b>455,223</b>

Completed housing properties are stated at Existing Use Value for Social Housing (EUV-SH) as at 31 March 2019. The Group's housing properties have been valued by Jones Lang LaSalle, professional external valuers. The full valuation of all properties was undertaken, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors (RICS) as follows:

	£'000
<b>Completed properties at valuation</b> (including investment properties)	
Housing Solutions	501,817
	<b>501,817</b>

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

Discount rate	5.5%
Annual inflation rate, after first two years	-1% to 2020
Level of long-term annual rent increase	CPI + 1%

#### In valuing social properties, a discounted cash flow methodology was adopted with key assumptions:

Discount rate (income)	5.4% - 6.5%
Rental income growth	1%
Management cost per unit	£675 - £700
Repair cost per unit	£1,150 - £1,700
Annual inflation rate, after first two years	-1% to 2020
Level of long-term annual rent increase	CPI + 1%

## Notes of the Financial Statements

For the year ended 31 March 2019

### Tangible Fixed Assets – Properties (continued)

The carrying value of housing properties that would have been included in the financial statements had the assets been carried at historical cost less capital grants and depreciation is as follows:

	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Housing Properties at historical Cost	450,124	409,717	448,000	409,717
Depreciation and Impairment	(58,897)	(53,556)	(58,897)	(53,556)
Social Housing Grant	(59,997)	(60,247)	(59,997)	(60,247)
	<b>331,230</b>	<b>295,914</b>	<b>329,106</b>	<b>295,914</b>

#### Expenditure on works to existing properties

	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Improvement works capitalised	-	37	-	37
Components capitalised	3,148	1,880	3,148	1,880
Amounts charged to income and expenditure	6,415	5,795	6,415	5,795
	<b>9,563</b>	<b>7,712</b>	<b>9,563</b>	<b>7,712</b>

#### Finance costs

	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Aggregate amount of finance costs included in the cost of housing properties	1,252	843	1,252	843
	<b>1,252</b>	<b>843</b>	<b>1,252</b>	<b>843</b>

## Tangible Fixed Assets – Other

### GROUP

	Plant & Machinery	Other Freehold Property	Furniture and Equipment	Free/Leasehold Improvements	Computer Equipment	Total
	£000	£000	£000	£000	£000	£000
<b>Cost at 1 April 2018</b>	1,963	7,145	537	1,675	785	12,105
Additions	-	-	313	26	98	437
Disposals	-	-	-	(27)	(488)	(515)
<b>At 31 March 2019</b>	1,963	7,145	850	1,674	395	12,027
<b>Depreciation at 1 April 2018</b>	(484)	(590)	(222)	(66)	(620)	(1,982)
Charge for Year	(84)	(46)	(146)	(82)	(65)	(423)
Disposals	-	-	-	16	471	487
<b>At 31 March 2019</b>	<b>(568)</b>	<b>(636)</b>	<b>(368)</b>	<b>(132)</b>	<b>(214)</b>	<b>(1,918)</b>
<b>Net book value as at 31 March 2019</b>	<b>1,395</b>	<b>6,509</b>	<b>482</b>	<b>1,542</b>	<b>181</b>	<b>10,109</b>
<b>Net book value as at 31 March 2018</b>	<b>1,479</b>	<b>6,555</b>	<b>315</b>	<b>1,609</b>	<b>165</b>	<b>10,123</b>

### ASSOCIATION

	Other Freehold Property	Furniture and Equipment	Free/Leasehold Improvements	Computer Equipment	Total
	£000	£000	£000	£000	£000
<b>Cost at 1 April 2018</b>	7,145	537	1,675	785	10,143
Additions	-	313	26	98	437
Disposals	-	-	(27)	(488)	(515)
<b>At 31 March 2019</b>	7,145	850	1,674	395	10,064
<b>Depreciation at 1 April 2018</b>	(590)	(222)	(66)	(620)	(1,498)
Charge for Year	(46)	(146)	(82)	(65)	(339)
Disposals	-	-	18	471	489
<b>At 31 March 2019</b>	<b>(636)</b>	<b>(368)</b>	<b>(130)</b>	<b>(214)</b>	<b>(1,348)</b>
<b>Net book value as at 31 March 2019</b>	<b>6,509</b>	<b>482</b>	<b>1,542</b>	<b>181</b>	<b>8,716</b>
<b>Net book value as at 31 March 2018</b>	<b>6,555</b>	<b>315</b>	<b>1,609</b>	<b>165</b>	<b>8,644</b>

## GROUP AND ASSOCIATION

### 13. Intangible fixed assets

	<b>Computer Software £'000</b>
<b>Cost at 1 April 2018</b>	2,244
Additions	236
Disposals	(329)
<b>At 31 March 2019</b>	<b>2,151</b>
<b>Amortisation at 1 April 2018</b>	(1,702)
Charge for Year	(227)
Disposals	320
<b>At 31 March 2019</b>	<b>(1,609)</b>
<b>Net book value as at 31 March 2019</b>	<b>542</b>
<b>Net book value as at 31 March 2018</b>	<b>542</b>

## GROUP AND ASSOCIATION

### 14. Investment properties non-social housing properties held for letting

	<b>Group 2019 £'000</b>	<b>Group 20188 £'000</b>
At 1 April	20,190	19,223
(Decrease)/Increase in value	(310)	967
<b>At 31 March</b>	<b>19,880</b>	<b>20,190</b>

Investment properties were valued as at 31 March 2019. The Group's investment properties have been valued by Jones Lang LaSalle, professional external valuers. The full valuation of all properties was undertaken, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors (RICS).

### 15. Investment in subsidiaries

As required by statute, the financial statements consolidate the results of HSG Property Services Limited, Housing Solutions Capital PLC and Housing Solutions Development Limited which are all subsidiaries of the Association. The Association has the right to appoint members to the Boards of the subsidiaries and thereby exercises control over them.

	<b>% Shareholding</b>	<b>Country of incorporation</b>	<b>Principal Activity</b>
HSG Property Services Limited	100	England	Provides photo voltaic panels and other energy saving solutions to save costs and creates revenue for the Group
Housing Solutions Capital PLC	100	England	Facilitates capital market funding for the Group
Housing Solutions Development Limited	100	England	Facilitates the design and build of properties for the Group

## 16. Long term investment

	<b>Group 2019 £'000</b>	<b>Group 2018 £'000</b>	<b>Association 2019 £'000</b>	<b>Association 2018 £'000</b>
Investment in Housing Solutions Development Limited	-	-	-	-
Investment in Housing Solutions Capital PLC	-	-	50	50
Investment in Glassford LLP	2,427	2,427	2,427	2,427
	<b>2,427</b>	<b>2,427</b>	<b>2,477</b>	<b>2,477</b>

## 17. Properties for Sale/Stock

	<b>Group 2019 £'000</b>	<b>Group 2018 £'000</b>	<b>Association 2019 £'000</b>	<b>Association 2018 £'000</b>
Shared Ownership - Completed properties	2,640	3,414	2,640	3,414
Work in progress	7,076	-	4,918	-
	<b>9,716</b>	<b>3,414</b>	<b>7,558</b>	<b>3,414</b>

## 18. Debtors

	<b>Group 2019 £'000</b>	<b>Group 2018 £'000</b>	<b>Association 2019 £'000</b>	<b>Association 2018 £'000</b>
<b>Due within one year</b>				
Rent and service charge receivable	1,773	1,662	1,773	1,662
Less provision for bad and doubtful debts	(725)	(796)	(725)	(796)
	1,048	866	1,048	866
Prepayments and accrued income	411	926	411	926
Amounts owed by Group undertakings	-	-	1,358	1,080
Other debtors	1,894	1,858	1,774	1,589
	<b>3,353</b>	<b>3,650</b>	<b>4,591</b>	<b>4,461</b>

## Notes of the Financial Statements

For the year ended 31 March 2019

### 19. Creditors: amounts falling due within one year

	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Debt (Note 22)	7,533	6,797	7,533	6,797
Trade creditors	2,009	2,116	2,009	2,113
Rent received in advance	1,235	1,111	1,235	1,111
Other tax and social security	64	167	188	167
Fixed asset creditors	3,457	1,688	1,232	1,688
Accrued interest	1,842	1,806	1,041	1,012
Other creditors	963	443	907	370
Amounts owed to Group undertakings	-	-	470	-
Recycled capital grant fund (Note 20)	538	538	538	538
Holiday pay accrual	136	129	136	129
Accruals	2,047	1,807	2,045	1,759
	<b>19,824</b>	<b>16,602</b>	<b>17,334</b>	<b>15,684</b>

## GROUP AND ASSOCIATION

### 20. Recycled capital grant fund

	2019 £'000	2018 £'000
As at 1 April	538	663
Grants recycled	-	55
Withdrawals	-	(180)
Additions	-	-
<b>At 31 March</b>	<b>538</b>	<b>538</b>

## GROUP AND ASSOCIATION

### 21. Creditors: Amounts falling due after more than one year

	2019 £'000	2018 £'000
Debt (Note 22)	283,239	290,599
	<b>283,239</b>	<b>290,599</b>

## GROUP AND ASSOCIATION

### 22. Debt

	2019 £'000	2018 £'000
Debt	290,772	297,396
	<b>290,772</b>	<b>297,396</b>

#### Debt Analysis

Borrowings	2018 £'000	2018 £'000
<b>Due within one year</b>		
Bank loans	7,533	6,797
Other loans	-	-
	<b>7,533</b>	<b>6,797</b>

#### Due after more than one year

Bank loans	111,538	119,072
Other loans	171,701	171,527
	<b>283,239</b>	<b>290,599</b>
<b>Total loans</b>	<b>290,772</b>	<b>297,396</b>

#### Security

Housing loans are secured by specific charges on the housing properties and by a first fixed charge on Housing Solution's bank accounts.

#### Terms of repayment and interest rates

Bank loans are being repaid over different periods, one with quarterly payments and the other with annual payments. Final instalments ranging from April 2022 to June 2037 depending on the Tranches. Interest is both variable and fixed, with rates ranging from 1.30% to 6.16% during the year. Other loans include long term loans with both M & G and LGIM which have bullet repayments in 2034 and 2054. The M & G loan has an index linked tranche of £50m linked to RPI where repayments commence in 2023. Fixed interest rates range from 4.75% to 6.16%.

At 31 March 2019 the Group had undrawn facilities of £86.7m (2018: £36.7m). £6.7m was drawn down immediately after the year end having been temporarily repaid during the year out of surplus cash in order to reduce interest costs.

## Notes of the Financial Statements

For the year ended 31 March 2019

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	2019 £'000	2018 £'000
Within one year or on demand	7,533	6,797
One year or more but less than two years	7,533	7,532
Two years or more but less than five years	23,505	25,458
Five years or more	252,201	257,609
	<b>290,772</b>	<b>297,396</b>

### 23. Non-equity share capital

	Association 2019 Number	Association 2018 Number
<b>Shares of £1 each issued and fully paid</b>		
At 1 April 2018 and as at 31 March 2019	10	10
	<b>10</b>	<b>10</b>

## GROUP AND ASSOCIATION

### 24. Leasing commitments

The future minimum lease payments of leases are as set out below. Leases relate to motor vehicles and office equipment.

The Association and Group's future minimum operating lease payments are as follows:

	2019 £'000	2018 £'000
Within one year	53	46
Between one and five years	74	4
	<b>127</b>	<b>50</b>

## GROUP AND ASSOCIATION

### 25. Capital commitments

	Group 2019 £'000	Group 2018 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	67,818	42,328
Capital expenditure that has been authorised by the Board but has not been contracted for Capital commitments will be funded through a combination of retained reserves, loans and grant.	2,470	26,430

## 26. Cash flow from operating activities

	2019 £000	2018 £000
Surplus/(deficit) for the year - SOCI	3,261	8,316
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	5,704	5,270
Amortisation of intangible fixed assets	227	218
Proceeds from sale of tangible fixed assets	3,201	5,356
Decrease / (increase) in valuation of housing properties	(2,366)	(1,443)
Decrease / (increase) in stock	(6,302)	1,724
Decrease / (increase) in trade and other debtors	297	(1,127)
Decrease / (increase) in trade and other creditors	2,648	1,383
Pension costs less contributions payable	403	462
Surplus / (Deficit) on sale of tangible fixed assets	1,160	(1,924)
Adjustments for investing or financing activities:		
Interest payable	13,347	14,019
Interest receivable	(242)	(245)
Net cash generated from operating activities	<b>21,338</b>	<b>32,009</b>

## 27. Pensions

### Royal County of Berkshire Pension Scheme (Group and Association)

The RCBPS is a multi-employer scheme, administered by The Royal Borough of Windsor and Maidenhead 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 2016 by a qualified independent actuary.

The employer's contributions to the RCBPS by the Association for the year ended 31 March 2019 were £631,000 (2018: £437,000) at a contribution rate of 18.2% of pensionable salaries. The employer's contribution rate for the year ending 31 March 2020 has been set at 18.2%. Estimated employer's contributions to the RCBPS during the accounting period commencing 1 April 2020 are £846,000.

## Notes of the Financial Statements

For the year ended 31 March 2019

### 27. Pensions (continued)

#### Principal actuarial assumptions

##### Financial assumptions

	<b>31 March 2019 % per Annum</b>	31 March 2018 % per Annum	31 March 2017 % per Annum
Discount rate	<b>2.40%</b>	2.55%	2.80%
Future salary increases	<b>3.40%</b>	3.30%	3.60%
Future pension increases	<b>2.40%</b>	2.30%	2.70%
Inflation assumption	<b>3.40%</b>	3.30%	3.60%

##### Mortality assumptions

The post-retirement mortality assumptions adopted to value the benefit obligation are based on the S2PA tables with a multiplier of 95%. These base tables are then projected using the CMI 2018 Model, allowing for a long-term rate of improvement of 1.5% p.a..

The assumed life expectations on retirement at age 65 are:

	<b>2019 No. of years</b>	2018 No. of Years	2017 No. of Years
Retiring today:			
<b>Males</b>	<b>22.0</b>	23.1	23.0
<b>Females</b>	<b>24.0</b>	25.2	25.0
Retiring in 20 years:			
<b>Males</b>	<b>23.7</b>	25.3	25.1
<b>Females</b>	<b>25.8</b>	27.5	27.4

##### Amounts recognised in surplus or deficit

	<b>2019 £'000</b>	2018 £'000	2017 £'000
Current service cost	<b>(811)</b>	(899)	(711)
Administrative expenses	<b>(10)</b>	(10)	(10)
<b>Amounts charged to operating costs</b>	<b>(821)</b>	(909)	(721)
	<b>2019 £'000</b>	2018 £'000	2017 £'000
Net interest	<b>(520)</b>	(572)	(530)
<b>Amounts charged to other finance costs</b>	<b>(520)</b>	(572)	(530)

## 27. Pensions (continued)

### Reconciliation of opening and closing balances of the present value of scheme liabilities

	2019 £'000	2018 £'000	2017 £'000
Opening scheme liabilities	36,432	36,148	28,107
Current service cost	811	899	624
Interest cost	920	1,003	1,029
Remeasurements	1,842	(921)	7,591
Benefits paid	(937)	(870)	(835)
Contributions by scheme participants	166	177	235
Experience loss on defined benefit obligation	-	-	(605)
Change in demographic assumptions	(2,126)	-	(81)
Past service costs	-	-	87
Unfunded pension payments	(4)	(4)	(4)
<b>Closing scheme liabilities</b>	<b>37,104</b>	<b>36,432</b>	<b>36,148</b>

### Reconciliation of opening and closing balances of the fair value of plan assets

	2019 £'000	2018 £'000	2017 £'000
Opening fair value of plan assets	15,765	15,525	13,451
Interest income	400	431	499
Return on plan assets (in excess of interest)	1,001	79	1,586
Other actuarial losses	-	-	(74)
Administration expenses	(10)	(10)	(10)
Contributions by employer	631	437	677
Contributions by scheme participants	166	177	234
Benefits paid	(942)	(874)	(839)
<b>Closing fair value of plan assets</b>	<b>17,011</b>	<b>15,765</b>	<b>15,524</b>

	2019 £'000	2018 £'000	2017 £'000
<b>Pension Liability</b>	<b>20,093</b>	<b>20,667</b>	<b>20,623</b>

## Notes of the Financial Statements

For the year ended 31 March 2019

### 27. Pensions (continued)

#### Major categories of plan assets as a percentage of total plan assets

	2019 %	2018 %	2017 %
Equities	51.0%	48.0%	49.0%
Gilts	N/A	N/A	N/A
Bonds	15.0%	15.0%	15.0%
Properties	14.0%	13.0%	14.0%
Cash	8.0%	15.0%	10.0%
Other	12.0%	9.0%	12.0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

#### Sensitivity analysis

##### *Adjustment to mortality age rating assumption*

	+1 year £'000	None £'000	-1 year £'000
Present value of total obligation	38,429	37,104	35,825
Projected service cost	837	809	782

##### *Adjustment to discount rate*

	Increase by 0.1%	None	Decrease by 0.1%
Present value of total obligation	36,360	37,104	37,865
Projected service cost	789	809	829

## 28. Related Parties

Tenant members of the Association are charged normal policy rents and receive no favourable treatment in any respect as a result of their membership of the Association.

Ross McWilliams is a member of the Housing Solutions Board and is a councillor of the Royal Borough of Windsor and Maidenhead Council. All transactions with the Royal Borough of Windsor and Maidenhead Council are made at arm's length on normal commercial terms.

The design and build contracts for £8,447,180 were novated to Housing Solutions Development Limited during the year and the associated costs were transferred from Housing Solutions. On consolidation, these costs are included in the current assets balance in the Consolidated Statement of Financial Position.

Transactions between the company and its 100% owned subsidiaries, which are related parties, have been eliminated on consolidation for the Group.

HSG Property Services Limited charged the parent Housing Solutions £12,156 (2018: £11,085) for electricity generated by the photo voltaic panels on residents' roofs and Housing Solutions charged HSG Property Services Limited £10,948 (2018: £10,537) for the rental of residents' roofs. Housing Solutions charged HSG Property Services Limited interest £50,767 (2018: £50,767).

Housing Solutions Capital PLC was charged £8,387,207 (2018: £8,299,300) for interest on the Note Purchase Agreement loan and received £8,387,207 (2018: £8,299,300) in interest from the parent Housing Solutions, for its loan to the parent company.

## 29. Legislative Provisions

The Association is incorporated under the Co-Operative and Community Benefit Societies Act 2014, Registration No. 27876R and is a Registered Social Landlord under the Housing Act 1974, Registration No. L4073

## 30. Principal activities of subsidiaries and joint venture

HSG Property Services Limited provides photo voltaic panels on residents' roofs providing residents with an efficient source of energy and creates revenue for the Group through the Feed In Tariff programme.

Housing Solutions Capital PLC is set up to facilitate capital market funding for the Group.

Housing Solutions Development is set up to facilitate the design and build of properties for the Group.

Glassford LLP is a joint venture with The Royal County of Berkshire Pension Fund which owns and manages 40 market rent properties.

## 31. Contingent Liability

At 31 March 2019 there were no contingent liabilities.

## Notes of the Financial Statements

For the year ended 31 March 2019

### 32. Financial assets and liabilities

The Board policy on financial instruments is explained in the Board Report as are references to financial risks.

Categories of financial assets and financial liabilities

	2019 £'000	2018 £'000
Loan Commitments measured at cost less impairment	289,071	295,868
<b>Total</b>	<b>289,071</b>	<b>295,868</b>

	2019 £'000	2018 £'000
The difference between the financial liability's carrying amount and the amount the entity would be contractually obliged to pay at maturity		

Financial assets	1,701	1,527
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Other than short-term debtors, financial assets held are equity instruments in other entities and cash at bank

	2019 £'000	2018 £'000
Financial assets on which no interest is earned		
	2,427	2,427
	<b>2,427</b>	<b>2,427</b>

The remaining financial asset is a government gilt attracting interest at a fixed rate.

Financial liabilities excluding trade creditors – interest rate risk profile

The Group's financial liabilities are sterling denominated. The interest rate profile of the Group's financial liabilities at 31 March was:

	2019 £'000	2018 £'000
Fixed rate		
	236,800	236,800
	<b>236,800</b>	<b>236,800</b>

The fixed rate financial liabilities have a weighted average interest rate of 4.71% (2018: 4.71%) and the weighted average period for which it is fixed is 18.8 years (2018: 18.8 years)

The debt maturity profile is shown in note 21.

Borrowing facilities

The Group has undrawn committed borrowing facilities. The facilities available at 31 March in respect of which all conditions precedent have been met were as follows:

	2019 £'000	2018 £'000
Expiring in more than two years		
	56,667	36,667
	<b>56,667</b>	<b>36,667</b>

### 33. Prior period restatements

## GROUP – COMPREHENSIVE INCOME

	Group 2018 £000	Merger costs £000	SHG £000	Gain on disposal £000	Revaluation £000	Group 2018 £000 As restated
Turnover	43,220	-	663	-	-	43,883
Cost of sales	(2,412)	-	-	-	-	(2,412)
Gain on disposal of assets	-	-	-	1,924	-	1,924
Operating costs	(19,013)	(727)	-	(1,924)	-	(21,664)
<b>Operating surplus</b>	<b>21,795</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,731</b>
Pension adjustment and aborted merger costs	(727)	727	-	-	-	-
Loss on disposal of tangible fixed assets others	(421)	-	-	-	-	(421)
Interest receivable and other income	245	-	-	-	-	245
Interest payable and financing costs	(14,019)	-	-	-	-	(14,019)
Movement in fair value of investment properties	-	-	-	-	-	967
Decrease in valuation of housing properties	(187)	-	-	-	-	(8,897)
Reversal of decrease in valuation of housing properties	-	-	-	-	-	8,710
<b>Surplus on ordinary activities before taxation</b>	<b>6,686</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,316</b>
Tax on surplus on ordinary activities	-	-	-	-	-	-
<b>Surplus for the year</b>	<b>6,686</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,316</b>
Unrealised surplus on revaluation of housing properties	17,298	-	(663)	-	(10,362)	6,273
Actuarial gain on defined benefit pension scheme	1,000	-	-	-	-	1,000
<b>Total comprehensive income for the year</b>	<b>24,984</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,589</b>

## Notes of the Financial Statements

For the year ended 31 March 2019

### 33. Prior period restatements (continued)

#### ASSOCIATION – COMPREHENSIVE INCOME

	Assoc	Merger costs	SHG	Gain on disposal	Revaluation	Assoc
	2018					2018
	£000	£000	£000	£000	£000	£000
						As restated
Turnover	43,000	-	663	-	-	43,663
Cost of sales	(2,379)	-	-	-	-	(2,379)
Gain on disposal of assets	-	-	-	1,924	-	1,924
Operating costs	(18,921)	(727)	-	(1,924)	-	(21,572)
Operating surplus	21,700	-	-	-	-	21,636
Pension adjustment and aborted merger costs	(727)	727	-	-	-	-
Loss on disposal of tangible fixed assets others	(421)	-	-	-	-	(421)
Interest receivable and other income	296	-	-	-	-	296
Interest payable and financing costs	(14,019)	-	-	-	-	(14,019)
Movement in fair value of investment properties	-	-	-	-	-	967
Decrease in valuation of housing properties	(187)	-	-	-	-	(8,897)
Reversal of decrease in valuation of housing properties	-	-	-	-	-	8,710
<b>Surplus on ordinary activities before taxation</b>	6,642	-	-	-	-	8,272
Tax on surplus on ordinary activities	-	-	-	-	-	-
<b>Surplus for the year</b>	<b>6,642</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,272</b>
Unrealised surplus on revaluation of housing properties	17,298	-	(663)	-	(10,362)	6,273
Actuarial gain on defined benefit pension scheme	1,000	-	-	-	-	1,000
<b>Total comprehensive income for the year</b>	<b>24,940</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,545</b>

### 33. Prior period restatements (continued)

#### GROUP – RESERVES

	£000 Share Capital	£000 Revenue Reserve	£000 Revaluation Reserve	£000 Total
Balance as at 1 April 2016	-	44,493	144,363	188,856
Prior year adjustment - WIP	-	-	9,605	9,605
Prior year adjustment – Additions	-	-	2,788	2,788
Prior year adjustment – Depreciation	-	-	4,924	4,924
Prior year adjustment – SHG	-	59,564	(59,564)	-
Total comprehensive income for the year	-	(242)	4,015	3,773
Depreciation charged on revalued properties	-	716	(716)	-
<b>Balance at 31 March 2017 – As restated</b>	<b>-</b>	<b>104,531</b>	<b>105,415</b>	<b>209,946</b>
<b>Balance at 1 April 2017 – As restated</b>	<b>-</b>	<b>104,531</b>	<b>105,415</b>	<b>209,946</b>

#### ASSOCIATION – RESERVES

	£000 Share Capital	£000 Revenue Reserve	£000 Revaluation Reserve	£000 Total
Balance as at 1 April 2016	-	44,368	144,363	188,731
Prior year adjustment – WIP	-	-	9,605	9,605
Prior year adjustment – Additions	-	-	2,788	2,788
Prior year adjustment – Depreciation	-	-	4,924	4,924
Prior year adjustment – SHG	-	59,564	(59,564)	-
Total comprehensive income for the year	-	(269)	4,015	3,746
Depreciation charged on revalued properties	-	716	(716)	-
<b>Balance at 31 March 2017 – As restated</b>	<b>-</b>	<b>104,379</b>	<b>105,415</b>	<b>209,794</b>
<b>Balance at 1 April 2017 – As restated</b>	<b>-</b>	<b>104,379</b>	<b>105,415</b>	<b>209,794</b>

**Notes:**

**Notes:**



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