Annual Report and Financial Statements

The Wrekin Housing Group Limited

For the year ended 31 March 2020

Co-operative and Community Benefit Society No. 8067
Regulator of Social Housing No. LH4220

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Report of the Board

The board presents its report and audited financial statements for the year ended 31 March 2020.

Board and committee members

The names of members who served during the year and up to the date of signing of this report are set out below, along with details of which boards and committees across the Group they served on.

	Wrekin Housing Group Ltd Board	Choices Housing Association Ltd Board	Old Park Services Ltd Board	Strata Housing Services Ltd Board	Group Audit and Assurance Committee	Finance and Investment Committee	Remuneration and Nominations Committee
Anne Ward – Chair (resigned 29 April 2019)	✓						✓
Desmond Hudson – Chair (appointed 29 April 2019)	✓					✓	✓
Shaun Davies	✓				✓		
James Dickson	✓	✓	✓		✓		
Alison Fisher	✓				✓		
Deborah Griffiths	✓	✓				✓	
Alan Hawkesworth (appointed 8 June 2020)	✓				✓	✓	
Jacqueline Esimaje Heath	✓			✓		✓	
Annette Shipley	✓						✓
Paul Weston (resigned 31 January 2020)	✓	✓			✓	✓	
Esther Wright	✓	✓	✓				✓

Report of the Board

Executive and secretary

Name	Position
Wayne Gethings (appointed 5 April 2019 – previously Managing Director)	Group Chief Executive
Francis Best	Executive Director of Finance
David Wells (appointed 10 February 2020)	Executive Director of Operational Services
Janet Lycett (appointed 10 February 2020)	Executive Director of Business Solutions
Catherine Rogerson	Company Secretary

Bankers and advisors

Bankers	Barclays PLC	Corporate Banking, One Snowhill, Snow Hill Queensway, Birmingham B4 6GN
External Auditors	Grant Thornton UK LLP	4 Hardman Square Spinningfields Manchester M3 3EB
Principal Solicitors	Devonshires LLP	30 Finsbury Circus, London, EC2M 7DT
Treasury Advisors	Chatham Financial Europe Ltd	12 St James's Square, London, SW1Y 4LB
Property Valuers	Savills (UK) Ltd	55 Colmore Row, Birmingham, B3 2AA

Registration

Wrekin Housing Group Limited is incorporated as a Co-operative and Community Benefit Society under the Co-operative and Community Benefit Society Act 2014 (registration number 8067) and is registered

Report of the Board

with the Regulator of Social Housing under the Housing and Regeneration Act 2008 (registration number LH4220). The organisation's registered office is at Colliers Way, Old Park, Telford, Shropshire, TF3 4AW.

Insurance of directors and officers

The Group has insurance policies in place, which indemnify its board members and executive directors against liability when acting for the Group.

Principal activity

The Group's principal activities remain the development and management of social housing and the provision of care services.

Business review

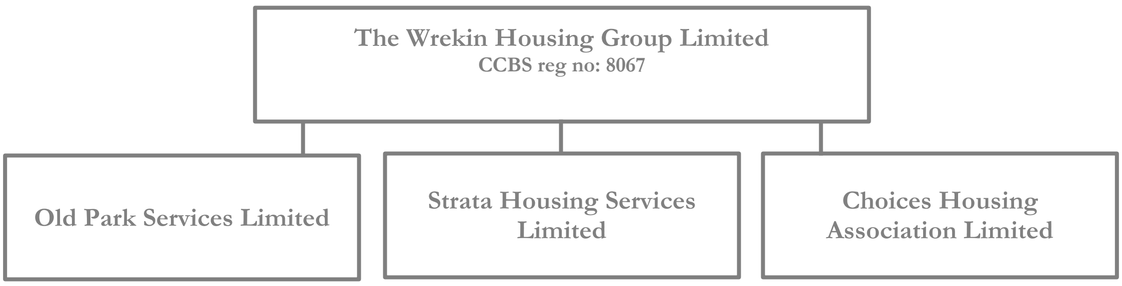
Details of the Group's performance for the year are set out in the Strategic Report that follows this report of the board.

Group structure and active companies at 31 March 2020

The process of restructuring the Group was completed in April 2019, with the result that Wrekin Housing Group Limited, formerly The Wrekin Housing Trust Limited ("the parent association"), is now the ultimate parent company of the wider Group. Under the restructure, there was a transfer of engagements from the legacy parent company to the parent association and the legacy parent company has now been deregistered and struck off the FCA register. There were further transfers of engagements to the parent association from Shropshire Housing Alliance and South Shropshire Furniture Scheme and a transfer of assets and liabilities from Fuse CIC. Those three organisations have now been deregistered and struck off the FCA register. There was also a transfer of investment in Choices Housing Association from the legacy parent company to the parent association.

On completion of the restructure, the parent association changed its name from The Wrekin Housing Trust Limited to Wrekin Housing Group Limited. It is now the parent association of the Group, with Old Park Services Limited and Strata Housing Services Limited (its own existing direct subsidiaries) and Choices Housing Association as the only remaining subsidiaries of that new parent association. The board are satisfied that the group restructure meets the criteria of a merger and so merger accounting has been applied to the 2019/20 accounts for both the Group and the parent association and the comparatives have been restated to include the results of the combining entities for 2018/19. The accounts of the Group therefore include the results of Wrekin Housing Group Limited, Choices Housing Association, Old Park Services Limited and Strata Housing Services Limited for both periods. The accounts of the parent association include the results of Wrekin Housing Group Limited and the activities previously carried on by Shropshire Housing Alliance, South Shropshire Furniture Scheme and FUSE CIC.

The diagram below outlines the structure of the Group as at 31 March 2020:



Report of the Board

The Group's subsidiaries are:

Old Park Services Limited – a private company limited by shares, whose principal activities are the provision, on a profit-making commercial basis, of housing and property related services and associated software to other social landlords, together with the operation of retail outlets for re-used and recycled household goods, actively promoting re-use as an alternative to disposal of household goods and waste.

Strata Housing Services Limited - a private company limited by shares, whose principal activity is the provision of development services to its parent company.

Choices Housing Association Limited – a registered provider of social housing registered under the Co-operative and Community Benefit Society Act 2014 (registration number 26995R) and with the Regulator of Social Housing under the Housing and Regeneration Act 2008 (registration number L4178). Its principal activities are the provision of registered care and supported housing for adults with a learning disability, the operation of a dementia care unit offering both registered care and nursing beds and a domiciliary care service which delivers care to tenants of the Group's 'ShireLiving' Extra Care schemes and to other tenants who live in both Choices and Wrekin Housing Group properties.

Governance

The Group is managed by a board of nine members consisting of eight independent members and one member nominated by the Borough of Telford and Wrekin Council. The chair is one of the independent board members. As at 31 March 2020, there was one vacancy on the board. During 2019/20, Desmond Hudson took up his position as Group Chair (on 29 April 2019) and Wayne Gethings took up his position as Group Chief Executive (on 5 April 2019), following the completion of rigorous selection procedures during 2018/19 using external recruitment consultants.

The Regulator of Social Housing published a revised regulatory judgement in December 2019, upgrading the Group's viability rating from V2 to V1 and re-confirming the existing governance rating of G1.

The Group Board exercises control and formulates strategy both directly and through delegation to its committees and the boards of its subsidiary companies. Details of matters reserved to the Group Board, together with those delegated to its committees and subsidiary boards, are set out in the Group's standing orders, which are reviewed periodically.

The Group Board currently has the following committees in operation:

- Audit and Assurance Committee
- Finance and Investment Committee (formed in September 2019)
- Remuneration and Nominations Committee

In addition, separate Task and Finish working groups, comprising board members and senior officers, have been formed from time to time, for a limited timespan, to focus on specific issues in more detail.

The Group's active subsidiaries, Choices Housing Association Limited, Old Park Services Limited and Strata Housing Services Limited all have their own boards. The boards of the subsidiaries are comprised of Group Board members, with the addition of two additional independent board members on the Choices board, and two members of the executive management team on both the Old Park Services and Strata Housing Services boards. Two further independent members serve on the Audit and Assurance Committee of the Group Board.

Report of the Board

The Board continues to ensure that it attracts the right mix of skills and experience to enable it to discharge its role effectively. As part of the annual appraisal process, an assessment has been made of members' skills and experience. The performance of the Board, its members and committees are appraised annually on both an individual and collective basis and during 2019/20 the Board also commissioned an independent external review of the Board's effectiveness.

Group Board

The Board met 5 times during 2019/20 and held 2 away days. The Board sets the Group's strategy, monitors the Group's performance against its approved plans and objectives and receives regular updates on operational and financial performance, development activity, risk management and health and safety. As mentioned above, the Board delegates some of its responsibilities to committees, chaired by board members, and reports from each committee and the boards of subsidiary companies, are presented to the Board at each meeting. During the year the Board set up a Finance and Investment Committee. Following the successful completion of the recent refinancing exercise, which included the issuance of listed capital markets debt, the Board felt that this committee would be the right vehicle to allow for additional focus to be devoted to the monitoring of financial performance, treasury management and the delivery of the development programme.

Group Board – Key Areas of Focus 2019/20	
Specific Issues: • Refinancing project • Pension strategy • HR strategy • Treasury management policy • Public interest entity obligations • COVID 19 response • Mergers and acquisitions position statement • Independent governance effectiveness review • Together With Tenants charter • Employee survey • Paternity pay provisions	Updates/Recurring Items: • Strategic plan progress to date • Annual business plan update • Annual budget approval • Annual accounts approval • Strategic risk management • Health and safety performance and compliance • Financial performance • Operational performance • Asset management activity • Development programme • Customer Voice Panel feedback

Audit and Assurance Committee

The Audit and Assurance Committee meets with the Executive, Senior Management, internal auditors and external auditors and is composed of members of the Group Board, together with two additional independent members. The committee meets 4 times a year, reviewing specific reporting, internal control and risk management matters to ensure that effective systems are in place and are operating correctly in order to be satisfied that the highest standards of governance are in place.

At each meeting the committee receives a progress report against the annual internal audit plan, together with assurance reports from internal audit on specific areas that have been the subject of audit investigation since the previous meeting and reviews progress in implementing the recommendations arising from earlier audits. It also receives reports on risk management at each meeting, which include regular reviews of current and emerging organisational, sector and global risks. During the year the committee was also charged by the Group Board with monitoring health and safety performance and

Report of the Board

compliance at a detailed level and ensuring that any recommendations arising from specialist third party health and safety audits are implemented effectively and on a timely basis.

The committee approves the plan for the annual external audit, receives updates from the external auditors as necessary during the audit process and considers the findings of the external auditors once the audit has been completed.

Audit and Assurance Committee – Key Areas of Focus 2019/20	
Specific issues: • Business continuity plan • Code of conduct • Annual agenda framework and annual accounts approval process • "Deep dive" reviews of individual strategic risks	Updates/recurring items: • Internal audit work plan • External audit plan • Internal audit updates and specific audit reports • Annual internal audit report and opinion • Group annual accounts and external audit findings • Risk management updates • Detailed health and safety performance and compliance reports • Statutory compliance calendar • Annual insurance renewal • Review of fraud, hospitality and contracts and tenders registers • Annual internal control framework review • Internal and external audit effectiveness

Finance and Investment Committee

This committee was set up in September 2019 to concentrate on finance, treasury management and development and met three times during the year. During the recent refinancing exercise and after its successful completion, it was felt that additional focus was required for matters related to financial performance and treasury management activity, given that the Group's debt portfolio now includes listed capital market debt and a number of bilateral bank finance arrangements, replacing the Group's previous single syndicated loan facility. The additional funding secured under the refinancing exercise is to finance further development activity over the next five years and so scrutiny of this area was also included in the remit of the new committee. The committee is composed of Group Board members and meets with the executive management, other senior managers and external advisors as necessary.

Finance and Investment Committee – Key Area of Focus 2019/20	
Specific issues: • Annual agenda framework for committee • Post-refinancing business plan update • Development of treasury management dashboard	Updates/recurring items: • Management accounts • Development programme update • Asset management update • Annual budget

Report of the Board

• Loan security and property charging	• Annual business plan update

Remuneration and Nominations Committee

The Remuneration and Nominations Committee met twice during 2019/20. The purpose of the committee is to have oversight of the recruitment of board members, the appointment and ongoing appraisal of the Group Chief Executive, make recommendations to the Group Board on the remuneration of the Executive Management Group and the brief within which executive management can negotiate staff salaries. The remuneration and nominations committee is composed of Group Board members.

Remuneration and Nominations Committee – Key Areas of Focus 2019/20	
Specific issues: • Flexible pension contributions policy • Executive reward review • Board member remuneration review • Board skills and competency framework	Updates/recurring items: • Executive team performance payments • Annual pay award • Board member recruitment • Committee work plan

Information relating to the Group's subsidiaries is included in their annual reports and financial statements as appropriate.

Board Member Attendance 2019/20					
Name	Appointed	Group Board	Audit and Assurance Committee	Finance and Investment Committee	Remuneration and Nominations Committee
Desmond Hudson*	18/12/17	5 of 5 (Chair)	-	1 of 1	1 of 1
Anne Ward**	08/09/10	1 of 1 (Chair)	-	-	-
Shaun Davies	17/12/18	4 of 5	1 of 3	-	-
James Dickson	18/09/17	5 of 5	-	-	-
Alison Fisher	15/04/16	5 of 5	4 of 4 (Chair)	-	-
Deborah Griffiths	18/12/17	5 of 5	-	3 of 3 (Chair)	-
Jacqueline Esimaje Heath	18/12/17	5 of 5	-	2 of 3	-
Annette Shipley	18/12/17	4 of 5	-	-	2 of 2 (Chair)
Paul Weston***	18/12/17	2 of 3	2 of 3	1 of 1	-

Report of the Board

Esther Wright	21/12/15	4 of 5	-	-	1 of 1

*Chair from 29 April 2019
**Chair until 29 April 2019
***Resigned 31 January 2020

NB - Figures above relate to attendance at boards and committees by board members only. It excludes attendance at the Audit and Assurance Committee by the additional independent member of that committee, who is not a board member

Remuneration of board members and executive directors

Policy

The board is responsible for setting the Group's remuneration policy for its executive directors on the advice of the Remuneration and Nominations Committee, which agrees the appointment of the Group Chief Executive, the remuneration of the Group Chief Executive and the other executive directors, as well as the brief within which the executive directors can negotiate staff salaries. The Remuneration and Nominations Committee pays close attention to remuneration levels in the sector in determining the remuneration packages of the executive directors. Basic salaries are set having regard to each executive director's responsibilities and pay levels for comparable positions.

Pensions

The executive directors are members of the Shropshire County Pension Fund, a defined benefit career average salary pension scheme. They participate in the scheme on the same terms as all other eligible staff and the Group contributes to the scheme on behalf of its employees.

Other benefits

The executive officers are entitled to other benefits such as the provision of a car and life assurance.

Service contracts

The executive directors are employed on the same terms as other staff. Notice periods are 3 to 6 months depending on the role.

Non-executive board member remuneration

Fees were paid as follows in respect of the year ended 31 March 2020. All fees were paid by the parent association. In accordance with the articles of association a non-executive board member entitled to remuneration who is also a member of the board of another group company is not entitled to additional remuneration. The figures stated may therefore have been paid in respect of service on the board of the parent association or in respect of services on the board of another entity within the Group.

Shaun Davies	£6,500
James Dickson	£6,500
Alison Fisher	£6,500
Deborah Griffiths	£6,500
Jacqueline Esimaje Heath	£6,500
Desmond Hudson	£13,961
Annette Shipley	£6,500
Anne Ward (resigned 29 April 2019)	£1,208
Paul Weston (resigned 31 January 2020)	£5,417
Esther Wright	£6,500

Report of the Board

NHF Code of Governance

The board is pleased to report that the Group has adopted the National Housing Federation's Code of Governance 2015 and confirm it complies with the principles, provisions and (to the extent it is relevant) best practice guidance contained therein, except for the fact that the boards of Old Park Services Limited and Strata Housing Services Limited, two of the Group's subsidiaries, have fewer members than the number recommended in the code and the majority of the directors of , Strata Housing Services Limited are members of the executive team. However, given the limited scale and nature of the activities carried out by those entities the Group board believe that these arrangements are appropriate.

The board recognises its responsibilities for ensuring that arrangements are made for keeping proper books of account with respect to the Group's transactions and its assets and liabilities and for maintaining a satisfactory system of internal controls over the Group's books of account and transactions and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is satisfied that there are appropriate arrangements in place with respect to its transactions, assets and liabilities and that there is a satisfactory system of internal control in place to prevent and detect fraud and other irregularities.

The board have implemented a Governance Plan through which they can continue to challenge their effectiveness in order to ensure that they exercise good governance by:

- Having governance policies, processes and systems in place that are fit for purpose
- Being well informed and making high quality decisions
- Having a structured approach to succession planning to attain and retain the required skill sets
- Creating tailored induction and development programmes
- Annually evaluating the Board, through individual and collective performance appraisals, which will provide feedback to achieve continual improvement.

The co-regulation framework has a strong resident element with the Customer Assurance Panel overseeing performance, the Tenant Auditors examining aspects of the Group's processes and the Tenants' Panel being the representative body involved in policy development as well as general consultation. A Customer Voice Panel has been established which ensures that customers have direct access to the board. The Panel reports regularly to the Group Board and some Group Board members serve as members of the Customer Voice Panel alongside the customer members. Choices also operates a number of active groups, comprised of staff, service users and their relatives, to ensure that people's needs are being met and the quality of services is being maintained or, where possible, improved.

The organisation remains compliant with the Regulator of Social Housing's Governance and Financial Viability Standard, other regulatory requirements as established by the Regulator of Social Housing, including compliance with relevant aspects of law. In December 2019 the Regulator issued a revised judgement which reassessed the organisation from V2 to V1 for financial viability, meaning that the Group now has an overall rating of G1/V1.

Internal controls assurance

The board has overall responsibility 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, and not absolute, assurance of compliance with all relevant legislation and against material misstatement or loss.

Report of the Board

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 2019 up to the date of approval of the annual report and financial statements. The Board is satisfied that the current internal control framework is appropriate for the size and complexity of the Group and that it is adequate and effective.

The board receives and considers reports from management on risk management and control arrangements during the year. The arrangements adopted by the board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework include:

Identifying and evaluating key risks

The board has established a risk management strategy, setting out its attitude to risk in the achievement of its objectives, which underpins the risk management, business planning and control arrangements. These arrangements clearly define management responsibility for the identification, evaluation and control of significant risks. The executive management group regularly consider reports on these risks and is responsible for reporting to the board any significant changes affecting key risks. More detailed risk assessments are carried out by managers at all levels in the business using the Group's risk management software. All matters brought to the executive management group or board for decision are supported by such risk assessments.

Control environment and internal controls

The processes to identify and manage the key risks to which the Group is exposed are an integral part of the internal control environment. These processes, which are reviewed annually and revised where necessary, include strategic planning, succession planning and recruitment of executive directors and senior staff, regular performance monitoring, control over developments and the setting of standards and targets for health and safety, data protection, fraud prevention and detection and environmental performance.

Financial and operational performance reporting

One aspect of the Group's management of risk is delivered through a system for reporting and monitoring financial and operational performance. Examples of this include:

- Reporting of operational performance against a suite of key performance indicators throughout the year. The indicators cover housing management, care services, repairs and maintenance, health and safety and customer satisfaction.
- Preparation of strategic plans, underpinned by detailed budgets for the year ahead and forecasts for subsequent years, all of which are reviewed and approved by the Board.
- Sensitivity analysis of key risks and uncertainties included in the financial forecasts and stress testing of complex, multivariate scenarios.
- Monthly budget reviews with budget holders and detailed quarterly reporting of expected outturns to ensure that agreed levels of surplus are achieved
- Reporting of treasury management activity and loan covenant compliance to ensure that the Group complies not only with its formal covenants, but also with its own internally approved golden rules (set a more challenging level than the formal covenants)
- Setting, and regular review, of group policies in compliance with legislation and regulatory requirements and in line with best practice in the sector
- Development of business continuity plans for all service areas and reporting of the outcomes of regular testing of those plans
- Scanning of the housing and care environments and reporting the impact of issues on the Group

Report of the Board

Risk management procedures

The main risks that may prevent the Group achieving its objectives are considered and reviewed on an ongoing basis throughout the year by the executive and senior management team and board as part of the corporate planning and monitoring processes. The risks are recorded and assessed in terms of their impact and probability. Major risks, presenting the greatest threats to the Group, are regularly reported to the board together with action taken to manage the risks and the outcome of the action. These risk reports include assessments of key controls used to manage the risks. The potential financial impacts of these risks are measured through the business plan by means of a comprehensive suite of stress tests.

The Board has defined its risk appetite for various aspects of its activities and is risk averse to anything which could have a detrimental impact on the health, safety and wellbeing of its customers, staff or partners, including all aspects of health and safety and regulatory property compliance. In certain other areas, the Board has a greater appetite to accept risk, for example adopting a cautious approach as long as it is confident that effective controls and mitigation measures are in place.

The Group has 22 risks on its strategic risk register, which has been compiled with reference to the Sector Risk Profile issued by the Regulator of Social Housing, recognising that the Group has many risks in common with others in the sector, but also takes account of specific local environments and risks. In the light of the pandemic, as well as including a specific COVID 19 risk, all strategic risks have been reviewed. In some cases this has resulted in increased risk "scores" where the pandemic might have an indirect impact (e.g. cyber crime, adverse economic conditions or counterparty risk) and mitigating actions and controls have also been reviewed and strengthened where appropriate. Details of the principal risks and uncertainties and their related mitigation measures are given below.

Key Risk Area	**Issue**	**Mitigation**
Pandemics including COVID 19	Covid-19 pose a number of risks to the Group including financial loss, limitation of services to essential services only, impact on critical staffing levels, health and safety risks to employees and customers and potential risk to the Group's reputation.	• COVID 19 strategic risk and business continuity plan • Incident management team in place • Analysis of staff "tipping point" numbers and essential service delivery • Enhanced reporting of performance to executive and board • Additional financial stress testing • Introduction of "COVID secure" policy
Health and safety compliance failure	A failure of health and safety processes and systems puts customers, service users, staff or the general public at risk, leading to possible prosecution, regulatory intervention, financial loss or reputational damage to the Group or the wider housing sector	• Safety management plans • Robust policies and procedures for all key areas • Quarterly health and safety reporting to Board • RIDDOR and accident reporting procedures • Safeguarding reporting • Independent third party specialist audits

Report of the Board

Key Risk Area	Issue	• Mitigation
Regulatory failure	Regulatory failure puts the organisation in a position which could lead to prosecution, regulatory intervention, financial loss or reputational damage	• Compliance calendar • Monitoring of compliance with NHF code, RSH and CQC requirements • Internal control framework • Governance action plan • Governance effectiveness review
Income collection, including the impact of welfare reform	Significant reduction in income collection could lead to a failure to deliver strategic objectives and place the Group at financial risk	• Income management framework • Regular reporting to executive and Board • Monitoring of golden rules and triggers • Stress testing • Additional income management procedures during COVID pandemic
Treasury management	Inability to draw on existing loans in support of the approved business plan either due to breach of loan terms or external factors e.g. banking sector issues. Inability to refinance on favourable terms or in a timely manner or inability to raise additional finance to support the development programme. In extreme default the risk to the business is that loans become immediately repayable.	• Treasury management "dashboard" • Assets and liabilities register • Covenant compliance and liquidity monitoring including golden rules and triggers • Monitoring of the impact of the transition from LIBOR to SONIA • Robust treasury management policy • Reports from external treasury advisors • External stock valuations • Monitoring against budgets and business plan • Stress testing • Monitoring of development programme and property sales

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Key Risk Area	Issue	Mitigation
ICT provision and cyber-crime	IT systems are not sufficiently robust to withstand cyber-attacks, or are not sufficiently up to date to fully support the business, leading to delays in delivering, or non- achievement of, objectives, loss of data or financial loss and damage to the Group's reputation	• IT business continuity plan • IT usage policies and procedures • Protective systems software • Ongoing training and awareness programmes • Cyber attack insurance • Penetration testing • Robust back up procedures • Additional safeguards re homeworking, such as 2 factor authentication
GDPR and data protection	Failure to comply with the General Data Protection Regulations could have a significant financial impact on the Group and its customers and lead to a loss of reputation for the Group and/or regulatory action	• Robust GDPR policies and procedures • Privacy notices • Ongoing training and awareness programmes including regular bulletins to all staff • Additional e-mail controls
Poor financial performance or adverse economic conditions	Failure to collect enough income or overspends on expenditure will not return the surplus required to deliver objectives and may breach covenants. Adverse economic conditions may also cause under performance against financial plans and strategic objectives	• Management accounting processes • Monitoring and reporting against budget and business plan • System of golden rules and triggers • Monitoring of economic conditions • Stress testing
Counterparty risk	Delivery of the development programme, planned maintenance programme or other key services are threatened by counterparties going out of business	• Robust procedures for tracking and monitoring financial status of main contractors and suppliers • Main contractors on new developments required to supply warranties with insolvency cover • Close monitoring of activity at development sites by clerks of works for signs of contractor financial difficulty

Report of the Board

Key Risk Area	Issue	Mitigation
Customer service delivery	Poor customer service impacts on the ability to achieve the Group's strategic objectives and could lead to regulatory intervention or reputational damage.	• Framework for new ideas • The Wrekin Learning Model • Building a Safer Future implementation plan • Decent Homes standard review • ICT strategy • Customer surveys and customer journey mapping • Service Failure policy and procedures • Business continuity plans
Pension fund	As an active member of the LGPS the Group is potentially exposed to continuing increases in pension costs above the rate of inflation. Closure of the scheme could have a negative effect on staff morale, recruitment and retention. Other adverse financial conditions could potentially trigger the cessation provisions of the membership agreement	• Pension cost monitoring • Stress testing scenarios • Deficit contribution plan • Board Task and Finish group to devote additional time to pension issue • Reports from independent external consultants • Decision taken to implement "soft closure" option with scheme membership being closed to new members of staff
Brexit	A disorderly final Brexit process impacts negatively on the organisation in either financial or operational terms, threatening the achievement of its strategic objectives or causing under-performance against financial plans. The Group could also be faced with issues relating to increases in construction and other costs, shortages of available labour and disruption to its supply chain.	• Management accounting processes • Monitoring and reporting against budget and business plan • Monitoring against golden rules and triggers • Monitoring of economic conditions • Stress testing • Monitoring of care staffing levels • Monitoring of contractor performance on development schemes and planned maintenance programme

Report of the Board

Internal Audit

The Group's internal audit function is delivered by RSM, a third party provider, who are responsible for delivering the annual internal audit plan as approved by the Audit and Assurance Committee. As a result of the specific internal audit work completed in the year the internal auditors concluded that there was an adequate and effective system of internal control in place during 2019/20.

The reviews carried out by internal audit provide independent assurance to the Board via the Audit and Assurance Committee. There is a rigorous procedure in place to ensure that recommendations arising from internal audit reviews are carefully considered and implemented or, occasionally, varied with the agreement of the Audit and Assurance Committee.

Internal Audit Reports 2019/20 - Grading	
Substantial Assurance	9
Reasonable Assurance	2
Partial Assurance	0
No Assurance	0
Advisory only	2

Internal Audit Reports 2019/20 – Recommendation Priority	
High	0%
Medium	38%
Low	62%

Health and safety

The board is very aware of its responsibilities on all matters relating to health and safety. The health and safety of residents, service users, staff and contractors is a top priority for the board and it adopts a "zero tolerance" approach to non-compliance.

The Group has prepared detailed health and safety policies and procedures, regularly reviews risk assessments and ensures that any required actions arising from those risk assessments are completed. The Group provides staff with appropriate training and education on health and safety matters and it has won a number of awards reflecting its commitment to high standards in this area.

The Board receives regular reports on health and safety matters, including any reportable incidents and all aspects of property safety, together with the results of audits carried out by independent third party specialists. Performance against key indicators is shown below. In most areas performance was satisfactory but some measures did fall below 100%. This was largely a consequence of the COVID-19 pandemic in the final weeks of the financial year when it became increasingly difficult to gain access to some customers' homes to carry out routine checks given that some of them were self-isolating or shielding or were unwilling to grant access for non-emergency visits. This was most keenly felt with regard to home lift servicing and insurance checks and was exacerbated by the fact that the contractor who carries out home lift insurance checks effectively closed down their operations temporarily in the final

Report of the Board

weeks of March 2020. Since the year end revised procedures have been put in place with other contractors and the backlog of inspections has now been cleared. At the year end there were no "high priority" actions outstanding from any of the Group's fire risk assessments. In the aftermath of the Grenfell fire the Group has continued to improve fire safety standards in its properties and spent £506,000 on its continuing programme of replacement fire doors during the year. The Group has also taken on additional staff within its health and safety team to bring in additional fire safety expertise and has made use of independent third party specialist consultants to audit its fire safety policies and procedures.

Indicator	**Performance 2019/20**
Electrical Safety - Periodic Test	99.70%
Fire Safety - Periodic Fire Risk Assessments	100.00%
Fire Safety - Equipment Servicing	99.11%
Heating Safety - Gas Servicing	100.00%
Heating Safety - Non-Gas	100.00%
Lift Safety - Communal Lifts Servicing	100.00%
Lift Safety - Communal Lift Insurance Check	98.25%
Lift Safety - Home Lifts Servicing	80.87%
Lift Safety - Home Lift Insurance Check	74.78%
Asbestos Safety - Period checks	99.78%
Asbestos Safety - Homes surveyed for asbestos	100.00%
Water Safety - Risk assessments & periodic checks	100.00%
Food Safety – Star Ratings	1 location 4 star 58 locations 5 star

Anti-fraud and corruption

The Group is committed to ensuring that all its officers, staff and contractors act at all times with honesty and integrity and adequately safeguard the assets for which the Group is responsible. Staff are required to complete mandatory fraud awareness training and processes are in place for communicating concerns to management confidentially.

The Group maintains a fraud register, which is reviewed by the Audit and Assurance Committee at each meeting. Incidents of fraud are discussed at committee meetings, together with details of action taken and consequent improvements in controls.

During the year the Group was subject to three frauds which were identified as a result of the ongoing operation of internal controls. The highest value fraud was for just over £11,000 and the other two were each for less than £10,000. In two out of three cases the funds were recovered in full. There were also three instances reported of alleged fraud against service users by members of staff. The Group takes all instances of alleged fraud very seriously and makes use of its own internal disciplinary procedures or involves the police as appropriate.

Care quality and safeguarding

The Group is committed to providing quality services in all its care activities, which are undertaken by its subsidiary, Choices Housing Association, and regulated by the Care Quality Commission. An established framework of policies and procedures is in place to ensure the quality of care delivered and for the raising and reporting of safeguarding incidents. There is a robust framework of quality and performance

Report of the Board

monitoring and reporting in place with the executive team and both the Choices and Group Boards receiving regular reports on all key service areas. Choices' commitment to quality in the delivery of its services is reflected in the fact that it is recognised as an accredited training provider by the Social Care Institute for Excellence.

At the end of 2019/20 the Group had achieved its target for all locations to be rated "Good" or above by the Care Quality Commission. Of the fifteen registered locations operated by Choices, one (Heath Street registered care home) was rated as "Outstanding" and the other fourteen were rated as "Good." The overall assessment for Choices also rated as "Good."

In terms of safeguarding issues, although there were a number of reportable incidents in 2019/20, none resulted in prosecutions, improvement notices, or wider-ranging safeguarding investigations and there were no Duty of Candour breaches during the year.

COVID-19

Clearly the COVID-19 pandemic has had a major impact across the UK and global economies, with a month on month fall in UK GDP of 20.4% in April 2020 alone (Source: Office of National Statistics). It also has the capacity to have serious operational and financial consequences for social housing providers.

In response to the operational challenges of the pandemic, the Group has made radical changes to its operations, successfully putting in place home-working arrangements for large numbers of its staff and managing its services to ensure that customers and staff are kept safe at all times. In the early stages of the pandemic, operational activity was focussed on maintaining the continuity of essential and emergency services for customers to ensure, for example, that all emergency repairs were completed, all necessary property safety checks, such as gas servicing, were still carried out and essential care services were still delivered. Management maintained a tight operational grip on activity during this period with daily management meetings and weekly dashboard reports to the Board, alongside the completion of the Coronavirus Operational Response Surveys (CORS) to the Regulator. As the government restrictions began to be lifted, other services were gradually brought back to more normal levels, in line with government guidance and the maintenance of COVID-secure workplaces, with more routine repairs being completed and the planned maintenance programme being gradually restarted.

Sadly, in common with many organisations across the care sector, the Group did experience an outbreak of COVID 19 at its Limewood dementia care facility which provides end of life care for residents with various types of dementia, which resulted in 10 deaths. In response to the outbreak all possible measures were taken to ensure that the outbreak was contained and the safety of residents and staff secured. The Group worked closely with relevant health and social care bodies, including Public Health England and was complimented on its response by families of its residents. The Group remains vigilant to ensure that, if there is a second wave of the pandemic, everything possible is in place to minimize its impact.

The financial consequences could manifest themselves in the form of reductions in income, as residents of our properties are faced with being made redundant or working on a reduced hours basis and experience difficulty in paying their rent. Even if people become unemployed and then successfully apply for Universal Credit, which can then be used to pay rent, there will be a delay of several weeks while those new claims are processed, putting pressure on the household income of customers and therefore on the cash flow of housing providers. Organisations could also be faced with additional costs, such as costs of providing personal protective equipment for front line staff or costs of additional agency staff to cover for staff who have to self-isolate due to symptoms of COVID-19.

There are also potential longer-term factors to consider, such as falls in property market values, reductions in valuations of properties for loan security purposes, possible impairment issues with new development schemes or existing stock and possible reductions in levels of demand for the provider's properties.

Report of the Board

However, none of those have yet manifested themselves in the operations of the Group. After a short hiatus at the start of the lockdown period, all the Group's development schemes are now operational again. As the Group does not engage in any development for outright sale it is shielded from the risks associated with this market. Right to Buy and Right to Acquire sales are continuing and sales under the Group's Asset Renewal Strategy are resuming shortly. As the Group always budgets conservatively in terms of sale prices, even a 30% drop in those prices from those achieved pre-COVID would only bring price back in line with budgeted targets. Demand for the Group's properties remains strong and, again after a short hiatus during lockdown, they are now being let as normal and void numbers are back to pre-COVID levels and income collection has been maintained at pre-COVID levels through the pandemic so far. Additional costs of PPE have been largely covered by additional income from commissioning authorities and there has not been a need to engage large numbers of additional agency staff. Given the above performance, the board are confident that the Group has no impairment or valuation issues.

However, recognising the potential negative impacts, the Group carried out additional stress testing of these factors on its business plan to determine various tipping points where additional mitigating action would need to be put in place to deal with the negative impacts of the pandemic. Even at extreme levels of income reduction the Group has identified mitigating actions that could be taken to deal with the issue, principally by means of rescheduling work in the planned maintenance programme over a slightly longer period than originally envisaged. To ensure that the situation is closely monitored, procedures for the reporting of financial information to the executive management team and the Board have been enhanced and the Group Board continues to keep the minimum required level of cash balance held by the organization under review in the light of the current situation and potential pressures on cash flow. The Group has also made use of the government-backed furlough measures through the Coronavirus Job Retention Scheme and is keeping the use of other government financial support measures, such as the Covid Corporate Financing Facility, under periodic review, although it has not needed to access this type of support to date.

So far, the Group has managed the financial impacts of the pandemic well, as noted above. It has no liquidity issues and latest forecasts indicate that it will meet its loan covenants, as well as its internal, tighter treasury management golden rules, for a period of at least 12 months after the date on which the report and financial statements are signed, with a significant amount of headroom. However, the Group recognises that the current second wave of infections could present further challenges and it has therefore maintained its deliberate, prudent approach to liquidity management and the holding of significant cash balances to deal with possible future stresses on its cash flow.

Brexit

The board has identified five areas of risk that may arise from a disorderly Brexit. First, there may be a short term interruption in the operation of the money markets. The Group has a policy of holding a minimum cash balance to meet immediate calls on the business. This is sufficient to meet at least 12 weeks of cash outflows as defined in the Group's treasury management policy. As at 31 March 2020 the Group had available cash balances of £38m and a further £50m of secured but undrawn loan facilities that could be drawn at short notice. After the year end further batches of properties were put into charge with funders, which enabled a further £41.5m of funds that had been used as cash collateral to be released.

Secondly, there may be a significant interruption in the availability of new debt. The completion of the refinancing exercise in October 2019 means that the Group now has sufficient funding in place for several years.

Thirdly, a decline in the UK economy may put pressure on property valuations for social housing properties. Such a decline in valuations might restrict the ability to draw on new loans, which is why the Group does not commit to new development until the necessary funding is in place. In addition, the

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Group does not engage in building properties for sale, reducing its exposure in this area to a fall in market values.

Fourthly, there may be a fall in valuations and activity levels in the wider residential property market. The property sales made by the Group under the asset management strategy generally involve low cost units. These are likely to be less affected by any decline in the market than new, built for sale, properties. Also, the Group has a policy of enacting asset renewal sales before committing to development expenditure, which means that if there is a significant downturn in property sales or valuations, it can reduce the uncommitted development programme rapidly to address this.

Finally, following the implementation of Universal Credit, the Group significantly increased its previous level for the provisions for bad debts in its business plan. This is also designed to address the impact of a disorderly Brexit.

In addition to the above the Group recognises that the Brexit process may lead upward pressure on construction and other costs, shortages of available labour and disruptions to its supply chain arrangements. These risks will be closely monitored as the process unfolds via the Group's normal financial and budgetary monitoring procedures, together with monitoring of staffing levels in key areas and regular review of supplier and contractor performance.

Going concern

After making enquiries 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 approved. For this reason, it continues to adopt the going concern basis in the financial statements. The principal factors that the board have considered in determining that the going concern basis of preparation remains appropriate are as follows:

- At 31 March 2020 the Group had loan and bond facilities totalling £606 million. At that date £50m of loan finance and £50m of retained bond finance were undrawn. The Group has a long-term business plan which shows that the remaining undrawn amount will be committed to its development programme during the period through to 2023.

- The business plan also shows that the Group is able to service these debt facilities whilst continuing to comply with lenders' covenants. A comprehensive set of stress tests have been run on the plan – both in terms of the normal suite of scenarios that are tested regularly and additional tests to model the potential impact of COVID-19 – and mitigating actions have been identified for all of these. As noted above, the Group has not suffered significant negative financial impacts as a result of COVID-19 as yet.

Annual general meeting

Shareholders resolved to dis-apply the rule which requires the company to hold an annual general meeting within six months after the close of each of its financial years, therefore the annual general meeting for the company was suspended.

Report of the Board

Auditors

The group is intending to review the provision of audit services during the current financial year

The report of the board was approved by the board on 27th October 2020 and signed on its behalf by:

Catherine Rogerson

Catherine Rogerson
Company Secretary

Strategic Report

Background Information

The Group's head office is based at Colliers Way, Old Park, Telford, Shropshire. TF3 4AW.

The vast majority of the Group's properties are owned by the parent association and are predominantly located in the borough of Telford and Wrekin. However, in line with the board's growth strategy, expansion has continued into the wider Shropshire area, Staffordshire, Wolverhampton and Herefordshire.

In total, the Group manages 12,965 properties (2019: 12,899) properties, covering a wide range of accommodation. The Group also retains the freehold interest in 643 properties (2019: 677) occupied by leaseholders as a result of previous sales under Right to Buy or Right to Acquire legislation or the Group's Asset Renewal Strategy. Therefore the total number of properties in which the Group had an interest at 31 March 2020 was 13,608 (2019: 13,576).

In terms of the parent association itself, local services operate from eight bases in Telford, located either on estates or in local shopping centres, within walking distance of 90% of tenants, together with offices in Shrewsbury, Wem and Stafford. These bases offer an integrated housing management and repairs service, under the management of a general manager. They are responsible for the 10,420 general needs properties (2019: 10,377), 269 shared ownership properties (2019: 235) and 643 leasehold properties (2019: 677).

A specialist team is responsible for supported housing, branded as Retirement Living, which provides 2,087 (2019: 2,069) units of supported housing and housing for older people, again under the management of a general manager. This group pf properties also includes the Group's nine Extra Care schemes.

The Group's portfolio of over 2,000 garages is managed by a separate team and has a turnover of £792,000 (2019: £798,000). 133 market-rented properties are managed for the Group by its commercial trading subsidiary, Old Park Services Limited.

The Group delivers a range of specialist care services via its subsidiary, Choices Housing Association. Choices provides registered care home and supported housing accommodation for people with learning disabilities and operates a 59 bed dementia care facility at Limewood in Stafford. Choices is also responsible for delivering domiciliary care to the residents of the Group's Extra Care schemes.

The local teams are supported by specialist support teams, known as consultancies, which operate from the Group's head office.

The Group has a turnover of £92.1m (2019: £95.7m) and employs a workforce of 961 people (2019: 1,018 people).

For more than a decade the Group has pursued an ambitious development programme, delivered by means of its Asset Renewal Strategy, whereby the proceeds of sale of uneconomic properties are used to fund the development of new properties. Between 2008/09 and 2018/19 the Group disposed of 1,650 of these uneconomic properties. This generated sale proceeds of £108m for reinvestment in new development. The Group also has a strong track record in securing government grant and raising private finance. This has meant that, over the same timeframe, it has been able to invest £481m in new development, delivering 4,356 new homes, an overall replacement rate of 2.64 new homes for every property sold.

Strategic Report

Delivery of the Asset Renewal Strategy continued in 2019/20, with a further 67 properties sold, raising proceeds of £5.2m, and 251 new homes completed. The number of properties actually owned by the Group increased by 90 overall in 2019/20. The number of properties it manages on behalf of other parties reduced by 24 during the year and the Group disposed of its freehold interest in 34 properties occupied by leaseholders. As a result of all of the above changes the total number of properties in which the Group had an interest increased by 32 in 2019/20.

Strategic Plan 2020-2025

During 2019/20 the Group launched its Strategic Plan for the period from 2020 to 2025 and reviewed and refreshed its vision and values, following a comprehensive consultation exercise with customers, stakeholders and staff.

The group's vision is straightforward: Making a difference to people's lives.

That vision is driven by our core values:

- Inspire positive change
  - We embrace innovation
  - We are not afraid to go the extra mile to provide even better services

- Everyone matters
  - People are at the heart of our team and every team member across the whole community counts

- Communicate clearly
  - We respect colleagues and customers while recognising the importance of open conversations

- Grow together
  - We support each other and take pride in our collective success

Our detailed strategic plan 2020-2025 sets out seven main objectives that indicate the focus of our activities over the next five years. Each pillar is underpinned by a number of deliverables that will need to be completed if we are to achieve those objectives. The seven "pillars" of the plan, together with the related deliverables, are set out below, along with an assessment of progress to date against each one.

Objective 1 – Care and Support

- **We will develop business models of care and support to create a bold and innovative service provision**
  - To only provide care services where we can ensure best quality and meet existing service user needs
  - Exit floating domiciliary care
  - Delivery of elderly personal care to be a growth area
  - Ensure a stable future for our learning disability care homes by exploring supported housing in LD, consolidating our portfolio
  - Develop a road map to 2025 on our role in care, with a strategic review to inform the Board on future care risks and opportunities.

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Deliverable	Progress to Date
Exit floating domiciliary care	Completed
Increase personal care hours by 25% in our Extra Care schemes by 2022	Growth of 3.6% achieved in 2019/20 – slightly behind plan but still possible to meet objective
Move from 14 LD care homes to 8 by 2022, whilst also carrying out a programme of re-provisioning accommodation	On track to achieve objective – 13 homes operational at end of 2019/20
Board to decide on the organisation's strategic role in care by 2021	On track to achieve objective - Care strategy to be presented to Board for approval by December 2020

Objective 2 – Social Value

- **We will create jobs and promote economic growth in our locality, maximising the social value of our services and delivering wider community benefits**
  - Maximising our social value footprint through our core activities, defined as housing and care
  - Defining our commitment through our Corporate Social Responsibility Policy, our Social Investment Strategy and Social Return on Investment reporting

Deliverable	Progress to Date
Deliver the Group Social Investment Strategy and capture and monitor its social impact through the annual Social Value Report.	Achieved – Social value created in the group in 2019/20 was £55.9m.
Provide training and apprenticeships to 80 people by 2022	On track to achieve objective – training and apprenticeships provided to 32 people during 2019/20

Objective 3 - Employer

- **We will be a fair and trusted employer, constantly supporting the development and skills of our people**
  - Creating fairness across the whole of the Group
  - Ensure equality around terms and conditions in the markets in which we operate
  - Have a highly trained and adaptable workforce

Deliverable	Progress to Date
Achieve employee satisfaction of 80% across the Group by 2022	On track to achieve objective – employee satisfaction survey during 2019/20 recorded 78.4% overall satisfaction with the Group as a place to work
Achieve Investors in People Platinum by 2022	On track to achieve objective – awarded Investors in People Gold in 2019/20 with reassessment planned for 2022

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Objective 4 – Asset Management

- **We will provide homes that are the best in terms of safety, energy efficiency and sustainability, growing the number of homes for our customers**
    - Sustained investment in our existing, performing homes
    - Ensuring all our properties have the ability to meet the needs of current and future customers
    - Homes that are 100% compliance with landlord and health and safety standards, with the Group having zero appetite for risk of non-compliance
    - Increase the availability of new homes in Shropshire and Staffordshire
    - Never putting a customer into a home that they cannot sustain financially

Deliverable	**Progress to Date**
Invest £13.1m annually in our existing homes on average until 2025	Achieved for 2019/20
Ensure that all properties have a SAP rating of C or above by 2025	At 31 March 2020 77.6% of properties had a SAP rating of C or above
Reduce turnover of properties from 10% to 8% with no property being empty for more than 16 days on average	Achieved for 2019/20
Achieve 100% compliance with landlord and health and safety responsibilities	Achieved for 2019/20 with regard to 6 out of 12 categories measured. A further 4 categories were between 98% and 100%, having been negatively impacted by lockdown in the final weeks of March, with home lift servicing more significantly affected. Performance improved in first quarter of 2020/21
Add 500 new homes per year on average from 2021/22 to 2024/25 through development and acquisition with 263 and 325 to be delivered in 2019/20 and 2020/21 respectively	Actual delivery for 2019/20 just 12 homes below target.
Increase the Group's total number of properties for rent from 12,629 in 2019 to 14,218 by 2025	On track to deliver objective by 2025

Strategic Report

Objective 5 - Customers

- **Through listening to our customers we will understand their current and future needs better than any other**
    - Introduce a more efficient and effective customer contact channel with the ability to hold the Board to account
    - Enable customers of the Group to define, monitor and scrutinise services and drive quality and service standards
    - Flexible range of feedback and engagement opportunities

Deliverable	Progress to Date
Introduce a new customer engagement model that is representative of our customers by December 2020	Slight delay in process due to impact of COVID-19 but on track to seek board approval for new arrangements in December 2020
Have an increased customer involvement base in place by 2022	Again, slight delay but objective should still be achievable
Maintain overall customer satisfaction at 92% or above	Achieved for 2019/20 – overall satisfaction at 95%

Objective 6 – Partners and Stakeholders

- **We will be considered to be trusted and collaborative by our stakeholders, ensuring we are the partner of choice**
    - Identify and understand our stakeholders' perception of us
    - Understand current and future stakeholder needs
    - Identify areas of synergy
    - Ensure we are a partner of choice in our areas of operation

Deliverable	Progress to Date
Complete stakeholder mapping and perception audit by 2020	Completed in February 2020
Have a named individual to engage with each stakeholder who is of strategic importance by 2024	On track to achieve objective – Stakeholder Engagement Strategy to be presented for approval in September 2020

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Objective 7 – Value for Money

- **We will be relentless in our search for value and efficiency**
  - Ensure we have a sound financial base to sustain quality at minimum cost
  - Have in place the right financial capacity at the right time to ensure business growth
  - Understand the tipping point where optimum efficiency is secured without negative impacts on services

Deliverable	**Progress to Date**
Refinance £200m of the debt portfolio by 2020	Refinancing successfully completed in October 2019
Reduce certain cost categories by 1% each year until 2024	Achieved in 2019/20. Budgetary pressures, such as increased costs of Health and Safety compliance, increased pension costs, and the ongoing implications of COVID 19 and preparations for Brexit, mean that this objective is unlikely to be met in 2020/21, and the objective may need to be reviewed.
Have unit costs that are comparable to others	On track to achieve objective – no outlying VFM metrics in 2019/20

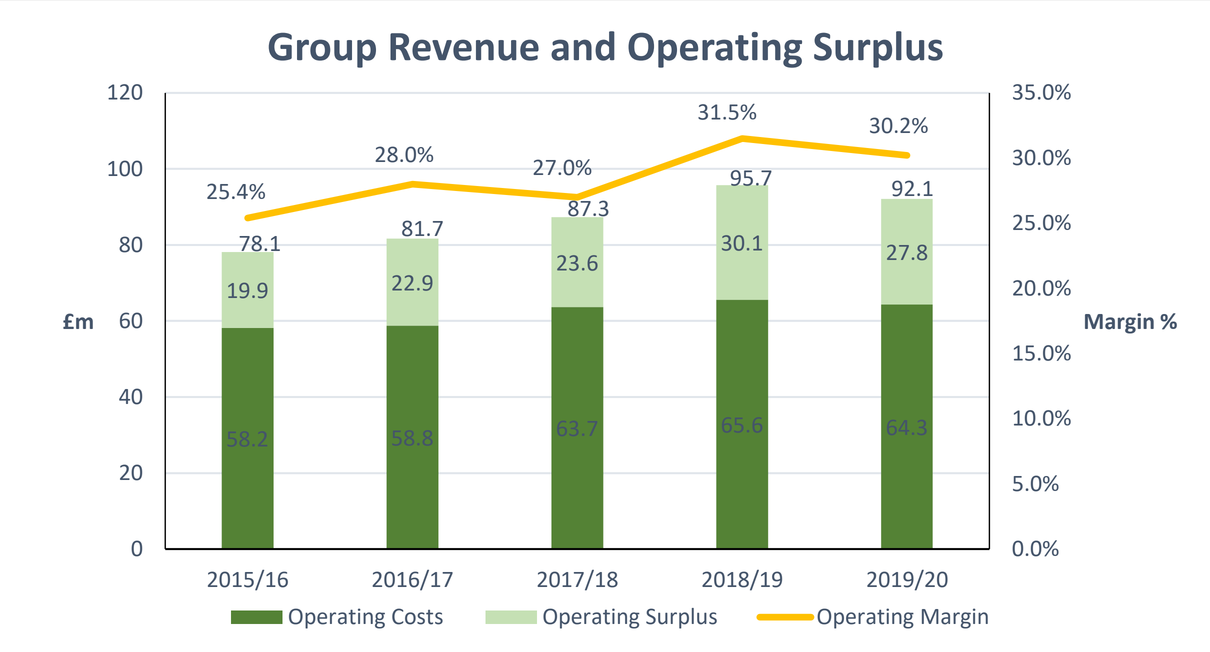
Business Performance

The following paragraphs highlight key features of the Group's financial position at 31 March 2020.

The Group recorded a strong operating surplus for the year of £27.8m (2019 combined and restated:£30.1m), which meant that it had significantly outperformed against its budget even though the level of that out-performance was not as high as in 2018/19. The reduction in operating surplus was due to a combination of factors. Additional maintenance costs of £1.2m were incurred in carrying out additional fire safety works following recommendations made in the aftermath of the Grenfell fire. All of these costs were funded by the Association. There are no indications of any provision requirements or impairment issues resulting from post-Grenfell related costs. Delivering care activities continues to be challenging, costing an additional £0.9m in the year, with the impact of increases in the National Living Wage not being completely covered by increases in income from commissioners. As a consequence of the Group's continued development programme and its extensive programme of improvements to its existing stock, depreciation of housing properties increased by £0.6m, but the growth in unit numbers was not reflected in a proportionate increase in income given that 2019/20 was the last year of the four year period of rent reductions. Overall there was a significant deficit for the year, of £41.9m, but this was expected, due to the one-off costs associated with the refinancing exercise, principally the payment of breakage costs on legacy fixed rate loans. Although a significant cost in the year, the long term benefits of the refinancing exercise meant that this was a price worth paying. This is discussed more fully in the treasury management section below. All areas of the business contributed to the strong operating result. Variable interest rates remained at low levels throughout the year. The local property market also continued to perform strongly, allowing the Group to outperform its targets for income from property disposals from a combination of Right to Buy, Voluntary Right to Buy, Right to Acquire and Asset Renewal sales.

Strategic Report

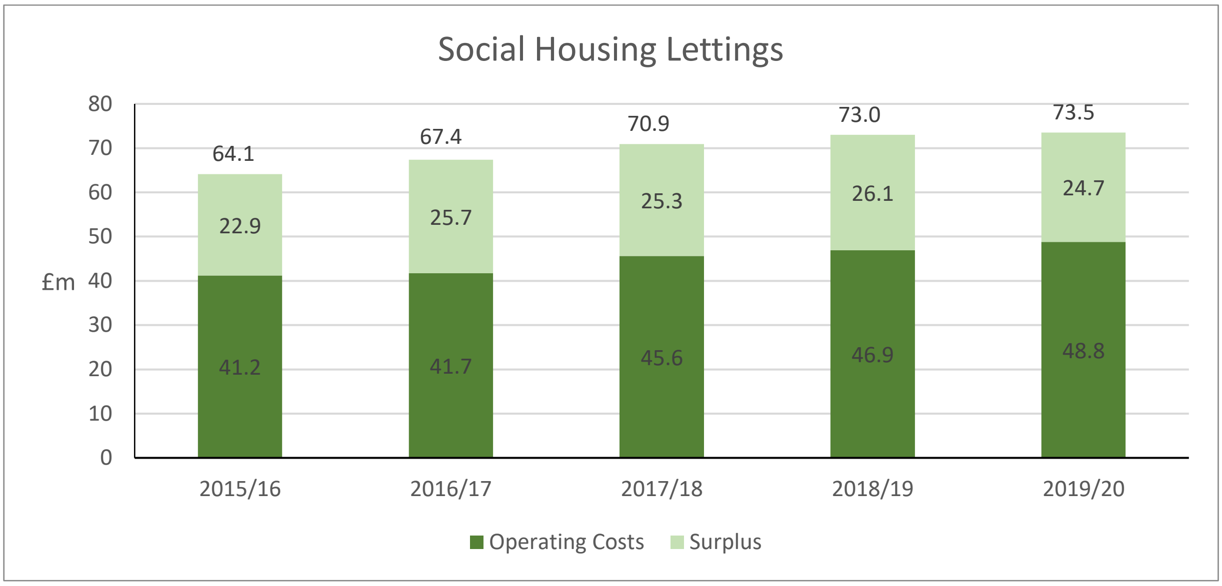
Group revenue and operating surplus



In overall terms Group revenue has continued to grow steadily over the last five years. The 2018/19 and 2019/20 figures include revenue from property sales under the asset renewal strategy, which were previously not included as part of the operating surplus, but are now included in that figure following changes in accounting disclosure requirements. The reduction in revenue in 2019/20 of £3.6m as compared with 2018/19 is mainly due to a reduced level of asset renewal property sales in the year. Asset renewal sales were paused following the completion of the refinancing while the work to charge properties to support the new debt portfolio was completed. This accounted for £2.8m of the total reduction in revenue. There was also a decrease in income from non-social housing activities of £1.2m, largely because a significant contract to deliver repairs and maintenance services to another housing association came to an end during 2019/20. These two reductions were partly offset by net increases across the Group's other activities. Over the same period strong operating surpluses have been delivered with the increase over the last two years again being mainly due to the inclusion of property disposals in these figures.

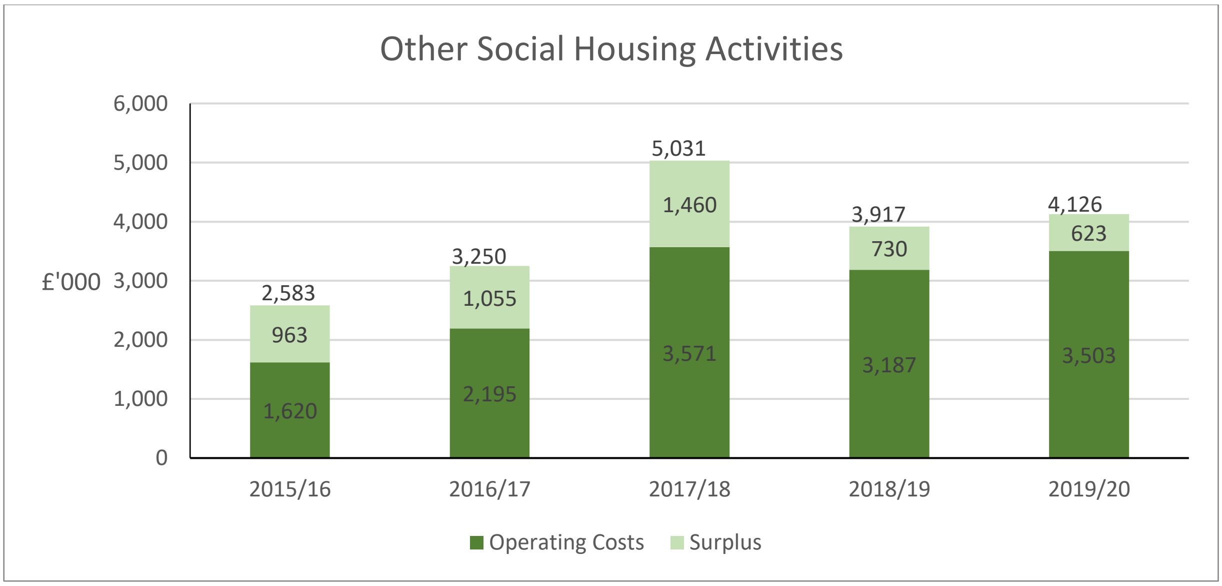
Strategic Report

Social housing lettings



Social housing lettings income includes income from the Group's general needs and retirement living properties together with the property-related income from its extra care schemes (delivered under the Shire Living brand) and from its more specialist care settings. Income from the delivery of care services is included under non-social housing activities. Income from social housing lettings has continued to increase over the last five years even after the application of the 1% rent reductions, due to the positive impact of new properties coming through from the development programme. Over the five year period strong surpluses on social housing lettings have been maintained, again despite the 1% rent reductions, reflecting the Group's successful control of relevant operating costs.

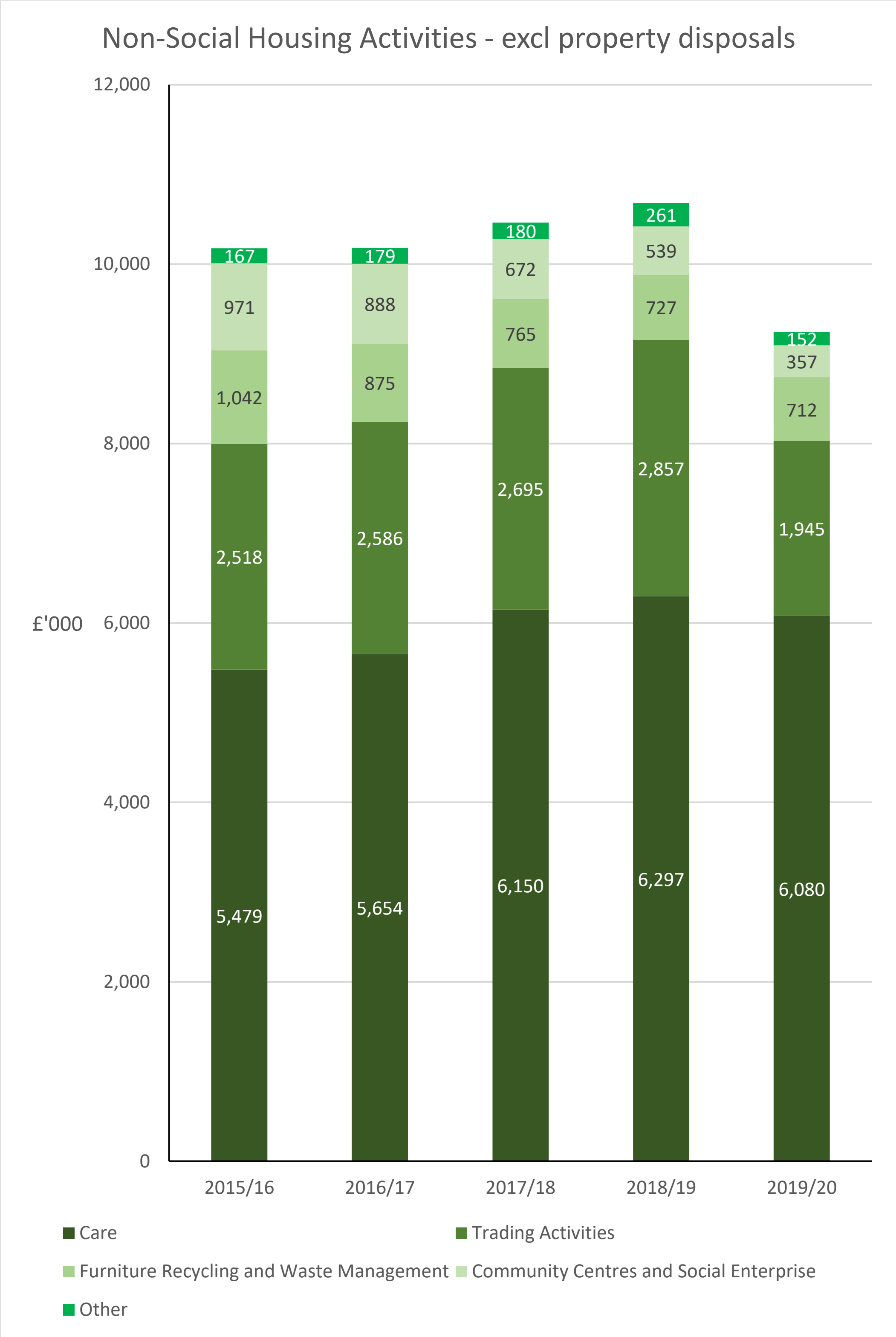
Other social housing activities



Other social housing activities include the letting of garages, the provision of services to the Group's leaseholders, shared ownership first tranche sales and, for 2018/19 and 2019/20, the delivery of specialist housing services. The fluctuations in overall levels of activity over the five year period are due to changes in the levels of first tranche shared ownership sales achieved.

Strategic Report

Non-social housing activities



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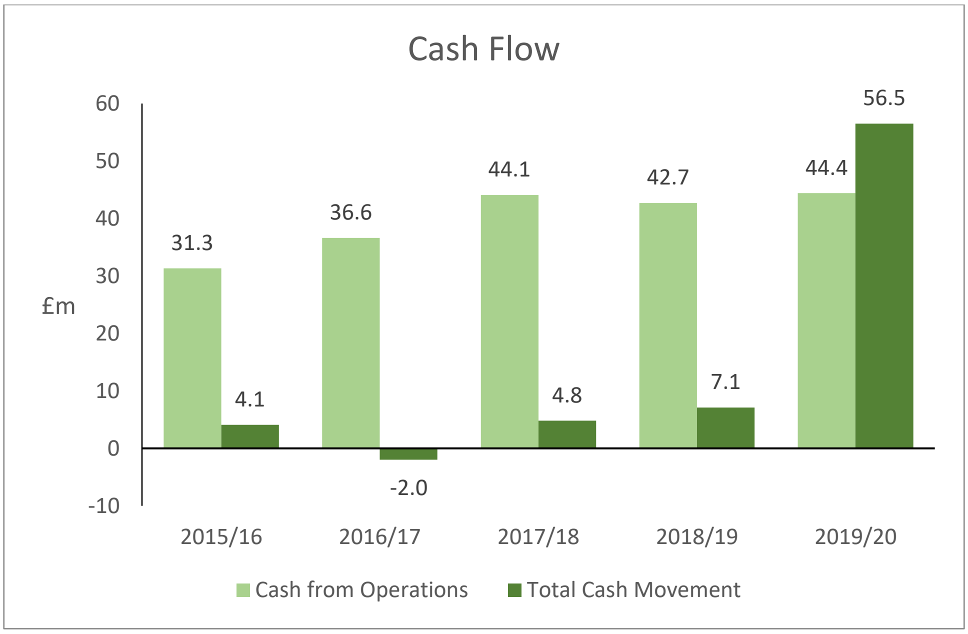
The analysis of non-social housing activities shown on page 30 includes:

- Care services provided on behalf of the Group by Choices Housing Association. This includes care delivered in Choices' own registered care homes for people with learning disabilities, at the Limewood dementia care home and services delivered to residents of the Group's extra care schemes.
- Trading activities delivered for the Group by its trading subsidiary, Old Park Services Limited. These include the sale of software and repairs services to other registered providers, alarm and property services to non-tenants and management of the Group's small portfolio of market-rented properties. The reduction in 2019/20 is largely due the fact that one of Old Park Services' contracts to deliver repairs services to another housing association came to an end in 2019/20.
- Furniture recycling and waste management contracts delivered under the Group's Reviive and South Shropshire Furniture Scheme brands.
- Community Centres and social enterprise activities delivered under the Group's FUSE and South Shropshire Furniture Scheme brands. It includes the operation of community facilities in Stafford and Ludlow. Income from these activities reduced over the second half of 2018/19 and the whole of 2019/20 as the Group terminated its contract to manage a community facility in Craven Arms.

Cash Flow



There was a cash inflow from operating activities this year of £44.4m (2019: £42.7m), reflecting the strong level of operating surplus achieved in the year. Once again the Group's operating costs were well controlled, outperforming budget in many areas and delivering the planned maintenance programme within budget whilst still maintaining the Decent Homes standard and delivering other improvements to the stock. The continuing low level of bank interest rates has meant that, once again, the Group has been able to make considerable savings against budget on its variable rate debt. The total cash movement reflects the fact that the year end cash balance includes £41.5m that was held in charged bank accounts as cash collateral against the bond and against potential mark to market costs associated with one of the loans that was carried forward from the previous debt portfolio. The Group provided cash collateral to enable the refinancing transaction to be completed in advance of property security being put in place to ensure that the Group took advantage of propitious market conditions. Since the year end that cash collateral has been replaced with property security, freeing up those cash balances for use in the business.

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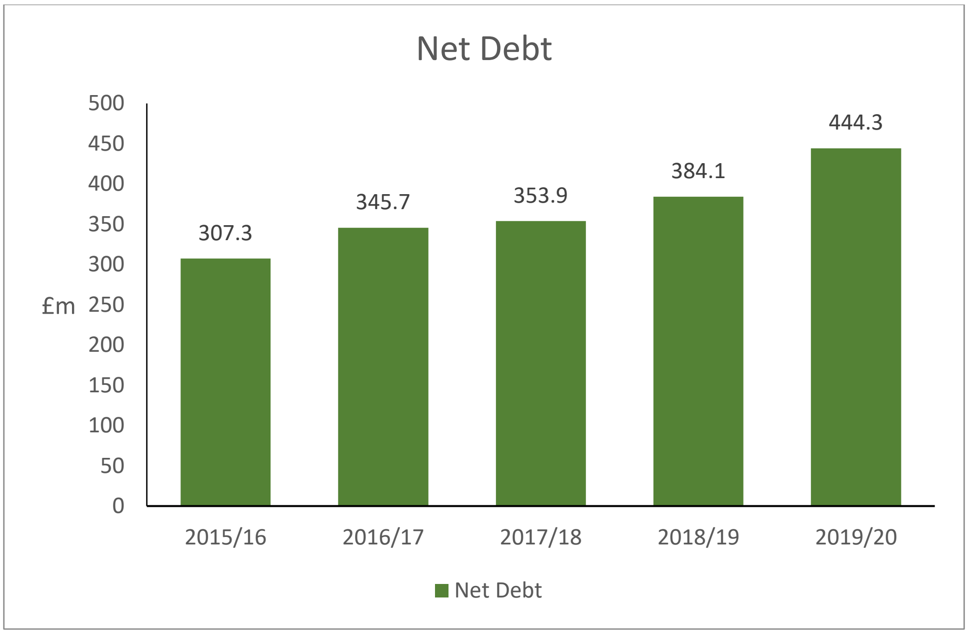
Net Debt



At the end of 2019/20, net debt stood at £444.3m, up from £384.1m at the end of 2018/19. The increase in drawn debt reflects the fact that loans were drawn down to fund the payment of fixed rate loan breakage costs incurred as part of the refinancing. The fixed rate loans were terminated, and the breakage costs incurred, in order to secure the more significant long term benefits of the new financing arrangements. Cash also had to be drawn to place as cash collateral until sufficient property security could be pledged against two elements of the new debt portfolio, as noted above.

Treasury management

During the year the Group successfully completed its major refinancing exercise, replacing its single syndicated loan facility of £440m with banking facilities totalling £356m negotiated on a bilateral basis with 5 funders, together with a £250m bond issued via the debt capital markets. The bond is listed on the London Stock Exchange. £200m was issued on day one, with £50m retained for future issue. The bond was issued at 148bps over gilts, giving an all-in cost of funds of 2.607%. The coupon rate on the bond was set at 2.5% and so the net proceeds on day one were £195.664m. As part of the refinancing the Group paid £52.1m in loan breakage costs but this short term cash flow impact was more than offset by the Group's ability under the terms of the deal to secure long term funding at lower interest rates in the current market, raise additional finance to support its future development plans, extend the average life of its debt portfolio, put in place funding with a range of maturity dates to mitigate refinancing risk and renegotiate its covenants in line with current market norms.

Since the year end the Group issued a further £25m of its retained bond finance. It was issued at 108bps over gilts, giving an all-in cost of funds of 1.92%. The coupon rate on the bond was 2.5% and so the net proceeds on day one were £28.340m.

Strategic Report

The objectives of the refinancing exercise and the outcomes achieved are outlined in the table below:

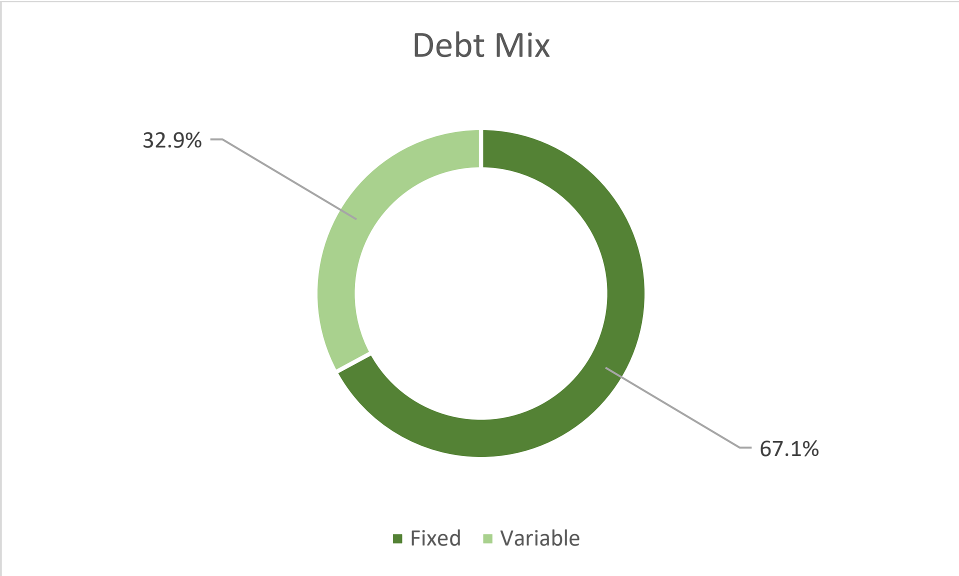
Objective	Outcome
Reduce the overall average cost of debt	Average costs reduced from 4.96% to 3.18%. Realised savings in the running cost of debt of at least £1.9m per year
Increase the average life of the debt portfolio	Average life increased from 9.2 to 16.2 years
Protect against refinancing risk by having a range of maturity dates (given that the Group previously had £215m of debt maturing in October 2020)	A range of bank loan maturities achieved with revolving credit facilities maturing in 3, 5, 7 and 10 years and a 29 year long-dated bond. Some legacy loans retained with maturities of between 10 and 21 years
Provide additional development finance	New debt portfolio totals £606m as compared with £440m before
Reduce exposure to floating rate debt	Floating rate debt percentage reduced from 41% to 33%
Update the Group's loan covenants to current market norms	Released the Group from covenants based on funder approval of business plan and moved to standard accounts-based interest cover and gearing covenants
Make more efficient use of the Group's assets in terms of loan security	Negotiated the right to value a proportion of the Group's properties valued at Market Value Subject to Tenancies where this provides an advantage over the Existing Use Value-Social Housing method. Confirmed asset cover covenants at market norms.
Secured a favourable credit rating for the Group	The Group achieved an "A/Stable" credit rating with Standard and Poor's

Debt mix

The Group's treasury management policy stipulates that the Group must have at least 65% of its debt on fixed rates at any given time to protect the organisation against interest rate risk. The chart below demonstrates that the Group met this objective at 31 March 2020.

The fixed rates of interest range from 2.607% to 7.25% (including margins) and these rates have been factored into the Group's long term business plan.

Strategic Report



Debt maturity

As noted above, one of the objectives of the refinancing exercise was to have a debt portfolio with a range of maturity dates to protect the organisation from refinancing risk as far as possible. The table below shows the current position following the refinancing and how that position has improved since 2018/19.

Maturity of debt	2020 £m Undrawn	2020 £m Drawn	2019 £m Undrawn	2019 £m Drawn
Between one and two years	-	-	61	154
Between three and five years	-	125	-	25
Between six and ten years	50	134	-	-
After ten years	50	247	-	200
	100	506	61	379

The Group borrows and lends only in sterling and so it is not exposed to currency risk.

Covenant compliance

As part of the refinancing exercise the Group negotiated a revised set of loan covenants. These comprise accounts-based interest cover and gearing covenants, together with a loan security asset cover covenant, and they are very much in line with sector norms in the current market.

The Group complied with all its loan covenants during the year and at the year end. It also complied with the internal Golden Rules, set up by the Board in its approved treasury management policy, which are tighter than the actual loan covenant requirements, to ensure that the organisation always has a significant amount of headroom over and above the required compliance levels. This should enable the organisation to deal with many negative economic impacts that might adversely affect its financial performance without triggering an actual covenant breach. Despite the COVID 19 pandemic the Group's latest forecasts indicate that it will meet both its loan covenants and its internal Golden Rules with a considerable degree of headroom in 2020/21.

Strategic Report

Housing properties

At 31 March 2020 the Group owned 12,872 housing properties (2019: 12,782), a net increase of 90. The properties were carried in the statement of financial position at cost (after depreciation) of £618.1m (2019: £581.8m). Whilst housing properties are stated at historic cost, the Association obtained valuations of various batches of properties during the year in relation to loan debt coverage. The valuations were carried out by independent professional valuers, Savills (L&P) Limited Chartered Surveyors. In total, 11,100 of the Group's properties were valued at a total of £561m on a mixture of the Existing Use Value-Social Housing (EUV-SH) and Market Value-subject to Tenancy (MV-T) valuation bases. None of these valuations highlighted any indicators of impairment.

Investment in housing properties this year was funded through a mixture of bank finance, social housing grant and proceeds from sales under the Asset Renewal Strategy.

Pension costs

The Group participates in the Shropshire County Pension Fund (SCPF), a career average salary defined benefit scheme offering good benefits for our staff. The Group has contributed to the scheme in accordance with levels, set by the actuaries, of 14.5% of pensionable pay in the year to 31 March 2020 in respect of future service benefits. For 2020/21 the employer contribution rate will increase to 17%. During the year the Association made a lump sum payment of £556,800 in respect of past service deficits. Annual lump sum payments will also continue, being £367,400 in 2020/21 and increasing each year thereafter by 3.9%.

The net actuarial loss in the year was £5.306m (2019: £871k). The movement year on year is due to the shifts in actuarial assumptions caused by general economic conditions.

Development

Under its Asset Renewal Strategy the Group sets out to add three new properties for every two older, uneconomic properties that are disposed of. 2019/20 was the fifteenth year of the strategy. During 2019/20 the Group sold 67 properties (2019: 113). A further 35 (2019: 44) properties were sold under the Right to Buy and Right to Acquire provisions and 25 (2019: 2) properties were sold under the pilot Voluntary Right to Buy scheme. Other movements in stock, including demolitions for redevelopment amounted to a net reduction of 34 units.

During the year the Group added 251 properties to its stock. This was achieved by means of a combination of traditional development and section 106 planning gains.

The Group's current business plan demonstrates that the future development programme will add a further 2,364 new build units to the Group's stock over the next 5 years, through a mixture of traditional development and section 106 and off the shelf acquisitions, based on the current approved business plan.

Performance of subsidiary companies

The Group maintained its strong reputation for innovation and quality across the sector. This has allowed it to continue to sell maintenance services and computer software solutions to other registered providers, together with maintenance and alarm services to non-tenants, to generate further funds for investment into its core activities, with Old Park Services delivering a surplus of £227,000 available to be paid back to the parent company via gift aid.

The Group continued to use its development subsidiary company, Strata Housing Services Limited, to provide development services to the Group, which has already saved the Group £3.3m in VAT that would otherwise have been an irrecoverable cost since it began operating at the beginning of 2014/15.

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Future developments

A key influence on the timing of borrowings is the rate at which planned maintenance and development activity takes place. The board has approved plans (i) to spend £11.6m during the next financial year under its planned maintenance programme, on investing in existing stock to ensure that the properties continue to meet the Decent Homes standard and making other improvements, and (ii) through its Asset Renewal Strategy to add 2,391 properties over the next 5 years while continuing to dispose of older, expensive properties. This longer term development activity will be funded from the debt structure that will be put in place as a result of the refinancing exercise referred to above.

Current commitments of £98m as disclosed in note 28 will be financed through a combination of borrowings, which are available for draw-down under existing loan arrangements, social housing grant, expected shared ownership sales proceeds, property sales under the Group's Asset Renewal Strategy and cash generated from operating activities.

Payment of creditors

The Group agrees terms and conditions for its business transactions with suppliers at the time of supply. Payment is then made on these terms, subject to the terms and conditions being met by the supplier.

Value for money report

Set out below is our value for money report for 2019/20, which also forms our annual self-assessment. The report focusses both on our internal VFM metrics and the VFM metrics mandated by the Regulator of Social Housing.

Internal VFM metrics

Our results against the VFM metrics that we monitor internally are shown below. These are regularly reported to the Group board and either link back to specific items within the strategic plan, and therefore can be used to measure progress against the achievement of our strategic objectives, or provide a "health check" on the performance of the organisation.

Delivery of new homes

2017/18 Actual	2018/19 Actual	2019/20 Target	2019/20 Actual	2020/21 Target	Link to Strategic Plan
566 homes	233 homes	263 homes	251 homes	364 homes	Objective 4 – Asset Management Objective 7 – Value for Money

The number of new homes completed reduced in 2018/19 and 2019/20 compared to 2017/18 as the Group's previous debt portfolio came to the end of its term. Activity was scaled back to a level that was deliverable under the existing facilities while the Group put in place a refinanced debt portfolio to fund its activities over the next five years. With the successful completion of that project in October 2019, development activity began to increase again, although it will take a while for that activity to translate into completed homes. Hence the target for 2020/21 has been set at 364 with the Group then aiming to deliver an average of at least 500 homes per year over the remaining years to 2025.

Strategic Report

Total income from property disposals

2017/18 Actual	2018/19 Actual	2019/20 Target	2019/20 Actual	2020/21 Target	Link to Strategic Plan
£15.3m	£10.5m	£8.8m	£10.3m	£8.8m	Objective 4 – Asset Management Objective 7 – Value for Money

Income from property disposals includes income from sales under the Asset Renewal Strategy, together with sales under the Right to Buy and Right to Acquire legislation. To a small extent in 2018/19 and to a much greater degree in 2019/20 it also included income from the Voluntary Right to Buy pilot project. Although there was a reduction in the number of properties disposed of under the Asset Renewal Strategy in 2019/20 compared to previous years, income from disposals under the Voluntary Right to Buy pilot project was more than sufficient to compensate for this. As a result the business plan target was exceeded by £1.5m, which will be reinvested in the development of new homes and mean that a lower level of drawdown will be required against the Group's current loan facilities.

Overall customer satisfaction

2017/18 Actual	2018/19 Actual	2019/20 Target	2019/20 Actual	2020/21 Target	Link to Strategic Plan
94%	92%	92%	95%	92%	Objective 5 – Customers Objective 7 – Value for Money

After a slight reduction in 2018/19 (although it still met the target level set in the strategic plan) it is pleasing to note that the overall customer satisfaction percentage improved to 95% in 2019/20. Further analysis of customer satisfaction is shown below.

Satisfaction with	2019/20	2018/19
How the Trust deals with repairs and maintenance	**89%**	**91%**
Being treated fairly and with respect	**96%**	**90%**
The services provided by the Trust	**95%**	**92%**
Value for money for rent	**91%**	**90%**
Views listened to and taken into account	**91%**	**73%**
Neighbourhood as a place to live	**91%**	**83%**

All the measures except one show an improvement in 2019/20, as compared with 2018/19, and the results in all categories remain strong when compared with others across the sector.

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Repairs service delivery – repairs completed on day reported

2017/18 Actual	2018/19 Actual	2019/20 Target	2019/20 Actual	2020/21 Target	Link to Strategic Plan
85.2%	79.2%	85.0%	79.0%	85.0%	Objective 4 – Asset Management Objective 5 – Customers Objective 7 – Value for Money

The Group continues to offer customers a same day repairs service between the hours of 8am and 8pm, seven days a week. Performance in 2018/19 dropped below the target level due to initial issues with the introduction of new scheduling software and higher than normal vacancy levels within the trades teams. These issues have now been addressed and the new IT solution enables the Group to deliver a more efficient service to its customers, optimizing the utilization of its trades staff across the service. The IT issues did persist into the first half of 2019/20, which had a negative impact on the measure. Even though performance improved significantly in the second half of the year, when it attained the target level of 85%, the cumulative position for the full year still fell short of the 85% target. Even given the issues detailed above, the Group's service, where almost 4 out of every 5 repairs reported are consistently completed on the same day, is a sector leader.

Clearly the COVID 19 pandemic will potentially have an impact on the 2019/20 figure too as the scope of the repairs service was reduced during the early part of the lockdown period and resources focused on the delivery of essential repairs only. The repairs service has since restarted delivering routine repairs and as of July was operating at full capacity.

Rent collection

2017/18 Actual	2018/19 Actual	2019/20 Target	2019/20 Actual	2020/21 Target	Link to Strategic Plan
100.6%	101.0%	100.0%	101.4%	100.0%	Objective 5 – Customers Objective 7 – Value for Money

Rent collection levels have remained exceptionally high again in 2019/20, with collection of both current rents and recovery of some former tenant arrears contributing to collection figures in excess of 100% of the current rent roll.

COVID 19 had no impact on the 2019/20 figures (as lockdown measure were only imposed about a week before the financial year end), but this is clearly an area of focus for management and the Board in 2020/21. The economic impacts of the pandemic may be felt more keenly as the year goes on and support for people via the government furlough scheme is wound down, for example. Having said that, rent collection figures have remained strong in the first few months of the new financial year and are almost unchanged from those experienced in previous years.

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Arrears levels

2017/18 Actual	2018/19 Actual	2019/20 Target	2019/20 Actual	2020/21 Target	Link to Strategic Plan
0.51%	0.39%	0.50%	0.42%	0.50%	Objective 5 – Customers Objective 7 – Value for Money

The picture with regard to arrears levels very much mirrors that given by the rent collection figures above, as would be expected. Current tenant rent arrears remain at the exceptionally low levels that have been achieved by the Group over recent years. Again, so far in 2020/21 arrears levels have not been adversely affected by the COVID 19 pandemic. The figure for mid-July 2020 was 0.59%, which compares with 0.63%, for the comparable week in July 2019.

Rent loss from voids

2017/18 Actual	2018/19 Actual	2019/20 Target	2019/20 Actual	2020/21 Target	Link to Strategic Plan
1.34%	0.65%	1.24%	0.72%	1.18%	Objective 4 – Asset Management Objective 5 – Customers Objective 7 – Value for Money

Rent loss from void properties was similar in 2019/20 to the level experienced in 2018/19 and once again it was well within the target included in the approved annual budget.

Average relet times

2017/18 Actual	2018/19 Actual	2019/20 Target	2019/20 Actual	2020/21 Target	Link to Strategic Plan
15.41 days	15.31 days	17.00 days	14.57 days	17.00 days	Objective 4 – Asset Management Objective 5 – Customers Objective 7 – Value for Money

The time taken to relet void properties reduced once again in 2019/20 and was within the internal target set. It is likely that COVID 19 will have an impact on the 2020/21 figures as relets were paused during the early part of the lockdown period, although they have since resumed and are returning to normal levels of performance.

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Gas servicing

2017/18 Actual	2018/19 Actual	2019/20 Target	2019/20 Actual	2020/21 Target	Link to Strategic Plan
100%	100%	100%	100%	100%	Objective 4 – Asset Management Objective 5 – Customers Objective 7 – Value for Money

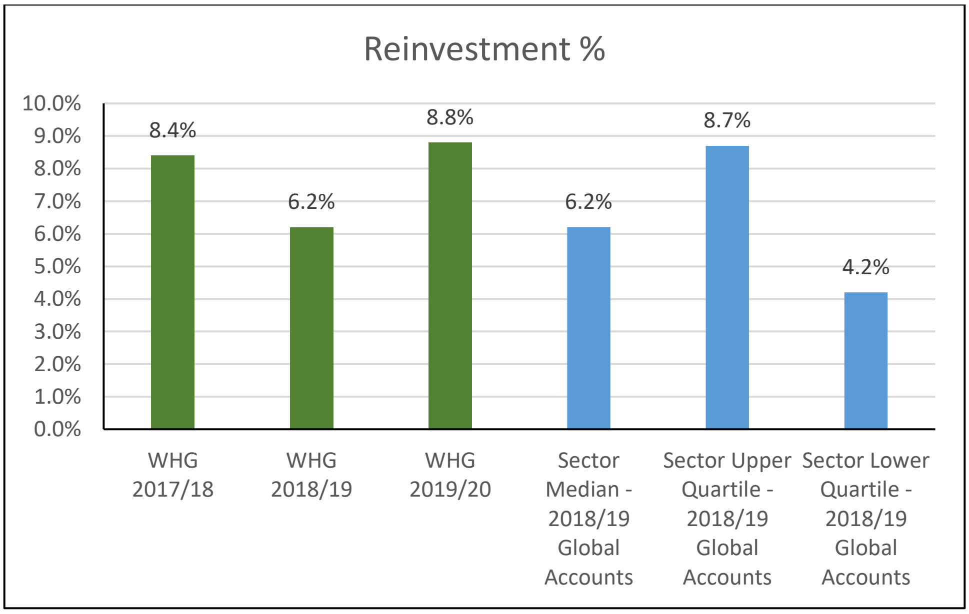
The Group maintained its excellent level of compliance performance again in 2019/20, with 100% of properties having a valid gas servicing certificate. During the COVID 19 lockdown period it proved more difficult to gain access to people's homes as many customers were shielding or self-isolating. However, the situation was closely monitored, with servicing visits rearranged for dates after the shielding/self-isolation periods were completed and customers issued with carbon monoxide detectors in the interim. As restrictions began to be lifted activity in this area resumed and is now operating at normal levels.

Regulatory VFM metrics

Our results against the Regulatory VFM metrics are set out below.

In addition to showing our own results over the period from 2017/18 to 2019/20, we have compared them to the sector median and upper and lower quartile figures, as contained in the 2019 Global Accounts published by the Regulator.

Reinvestment %



The reinvestment percentage metric, which measures the level of investment in the Group's new and existing stock, increased in 2019/20, to 8.8%, which is virtually in line with the sector upper quartile level. This reflects the continued high level of investment in existing stock as part of the capitalized major repairs programme and the Group's significant development activity.

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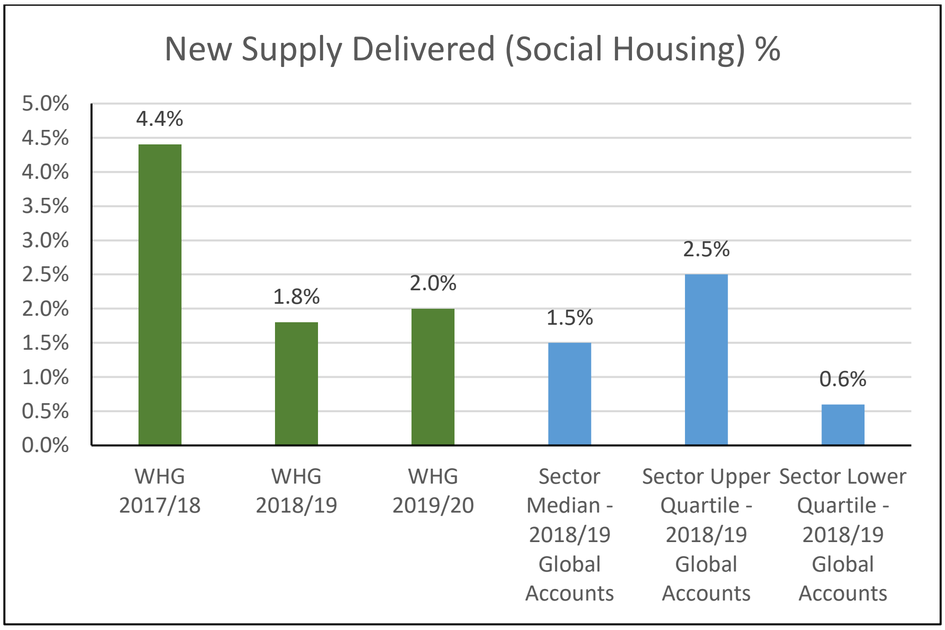
Reinvestment % (continued)

During the year the Group spent £7.7m on improvements to existing properties (2019: £6.6m). As a result of sustained investment at this level over a number of years all the Group's properties, apart from a small number that would have required remedial work had they not been earmarked for disposal under the asset renewal strategy, met the Decent Homes Standard. This has been the case for the last 11 years. The Group also invested £46.9m in new development in 2019/20 (2019: £29.5m) with development activity increasing over the latter part of the financial year, following the completion of the refinancing project.

New supply delivered (social housing %)



Although the level of development activity, and therefore the amount of new supply of social housing delivered, was lower in 2018/19 and 2019/20 than in 2017/18, it was still significant. 251 new homes were completed in 2019/20 (2019: 233), equating to a new supply percentage of 2% (2019: 1.8%), placing the Group mid-way between the sector median and upper quartile figures. This level of delivery has consistently placed the Group in the top 50 developers among social housing providers in terms of annual growth in percentage terms over the last few years. The small increase in the percentage in 2019/20 compared to 2018/19 reflects that fact that development activity increased in the latter part of the year in line with Group's ambitious future plans. The Group plans to complete a further 325 new homes in 2020/21, which would represent a new supply percentage of 2.5%, and a total of 2,391 over the period to 2024/25, with funding now in place to support this after the completion of the refinancing project.

New Supply delivered (non-social housing) %

The Group did not deliver any of this type of housing in either 2019/20 or 2018/19. The Group sees itself very much as a provider of social housing and so the Group board have not included this type of development in its strategy. Many other providers develop properties for market-rent or outright sale to cross-subsidise their social housing development programme. However, the group board has taken the decision that these types of development, which expose the organisation to a higher degree of market risk, are outside of its risk appetite.

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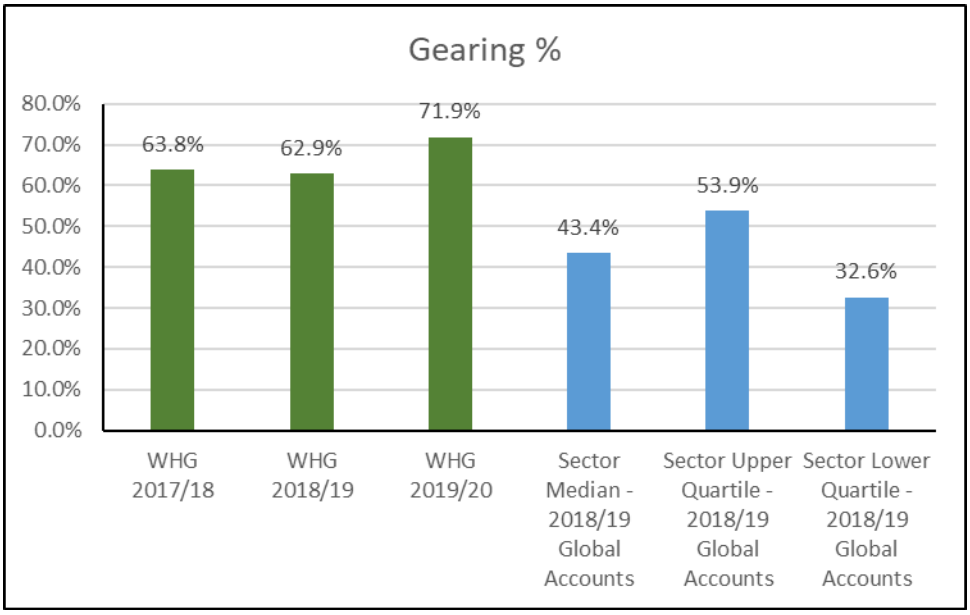
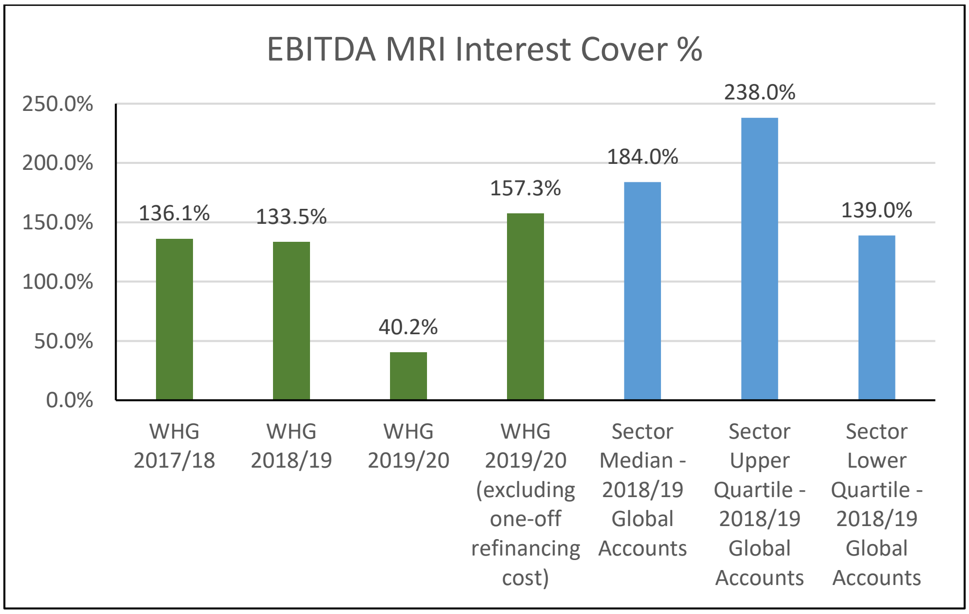
Gearing %



The Group's gearing percentage has always been higher than the sector median and upper quartile levels as a result of two things. Firstly, as an LSVT organisation, it has carried a higher level of debt than "traditional" associations since its inception, having borrowed significantly to fund that initial transfer transaction and the consequent initial major repairs programme. Secondly, over the last 10 years the Group has also engaged in significant development activity, as noted above, and has borrowed further to support this.

The increase in the gearing percentage in 2019/20 reflects the impact of the payment of breakage costs to terminate some fixed rate loans under the previous debt portfolio in order to gain more significant benefits under the new debt structure over the longer term. The Group's current business plan shows that the gearing percentage will gradually reduce over the next five years as the current development programme is completed and the additional units completed start to show a positive return.

EBITDA MRI Interest Cover %



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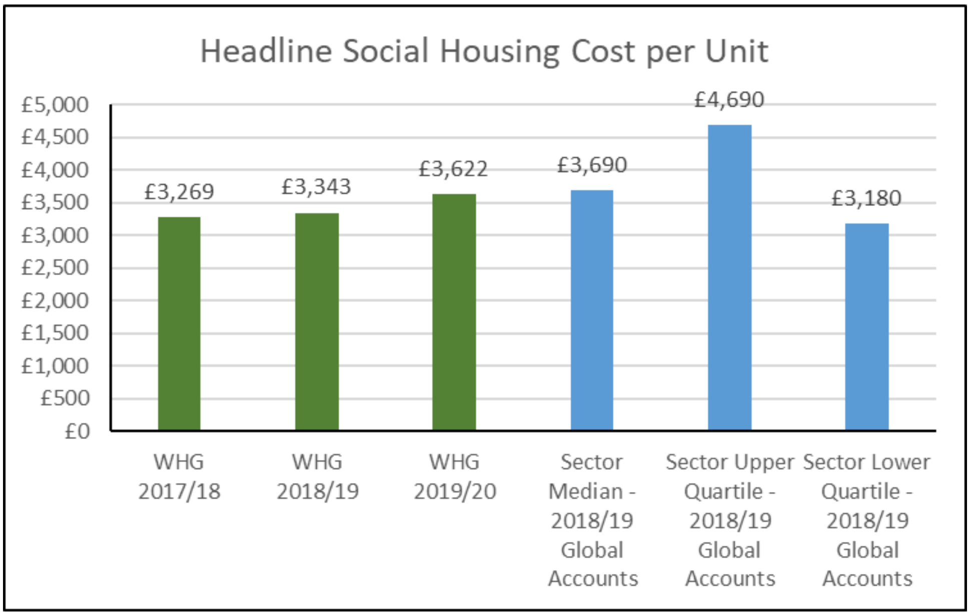
EBITDA MRI Interest Cover % (continued)

The position with regard to the EBITDA MRI interest cover percentage is similar to that shown by the gearing percentage. The Group's historical high level of borrowing as an LSVT and its high level of development activity (and consequent additional borrowing) means that this measure is below both the sector upper quartile and sector median measures. As noted elswhere in this report, during 2019/20 the Group completed a major refinancing exercise. As part of this exercise the Group paid breakage costs of £52.1m to terminate a number of existing fixed rate loans in order to secure the more significant long term benefits of the refinancing package. In the graph above the EBITDA (MRI) measure is calculated on two bases. The lower measure is using the figures as shown in the accounts (which is the method prescribed in the regulatory guidance). The higher figure shows the same calculation excluding the breakage costs to give an indication of the underlying EBITDA (MRI) position. On this second basis the measure for 2019/20 has improved significantly compared to the two previous years due to the lower cost of debt, and therefore lower interest costs, achieved under the refinancing exercise, which had a positive impact over the latter months of 2019/20 and will have a more significant postive impact in future years.

Headline social housing cost per unit



Headline social housing costs per unit have increased in 2019/20 but are still slightly below the 2018/19 sector median level. The main reason for the increase is additional expenditure incurred on existing stock to make fire safety and other improvements in the aftermath of the Grenfell fire. It also reflects the fact that, whilst the Group was able to bear down on costs in the first two years of the four year period of rent cuts (to offset the impact of the reductions in rental income), this position became harder to sustain over the longer term, leading to a small increase in costs per unit in 2018/19 and a more significant increase in 2019/20.

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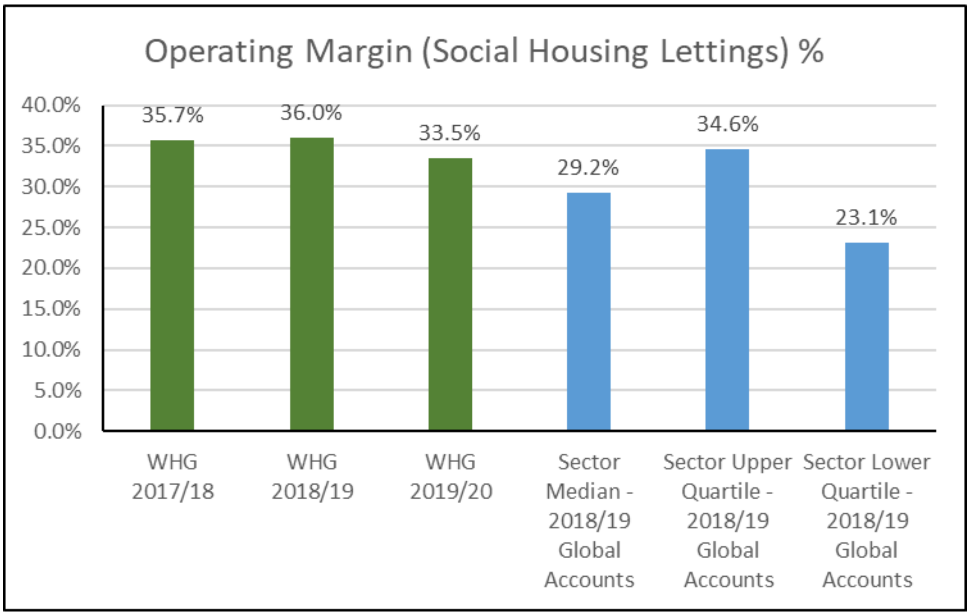
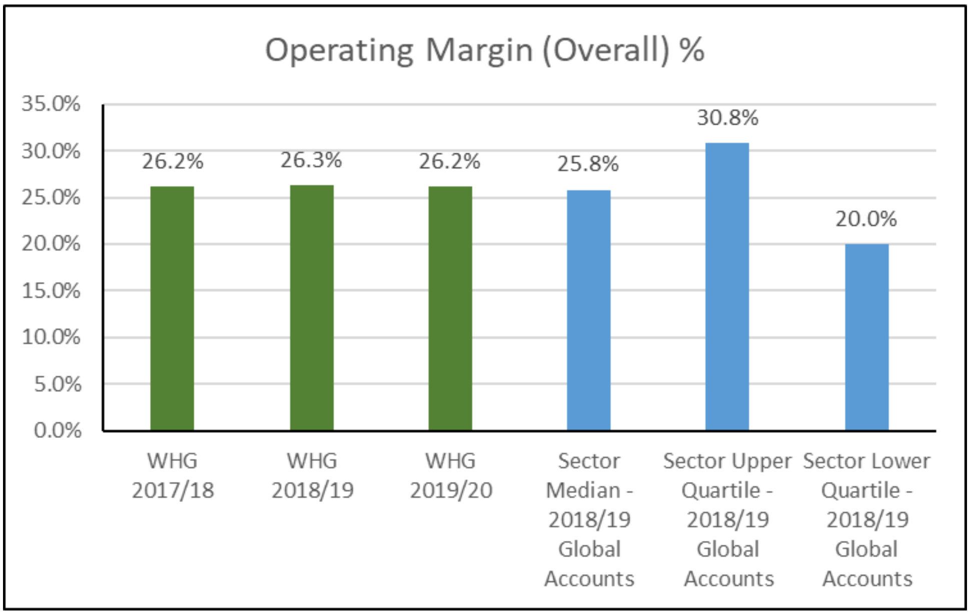
Operating margin (social housing lettings) %



The operating margin on social housing lettings has reduced slightly in 2019/20, but it is still very close to the sector upper quartile figure for 2018/19, which indicates that the Group is operating efficiently. As noted above, the Group has invested in its existing stock during the year to improve fire safety measures and has had to cope with other cost pressures in a period when its income per property has reduced each year for the last four years.

Operating margin (overall) %



Overall operating margin has stayed constant over the last three years and is just above the 2018/19 sector median level. Given that the overall operating margin figure includes the Group's care activities, which have lower margins than those achievable on its social housing activities, this again indicates that the Group is operating efficiently when compared across the whole sector.

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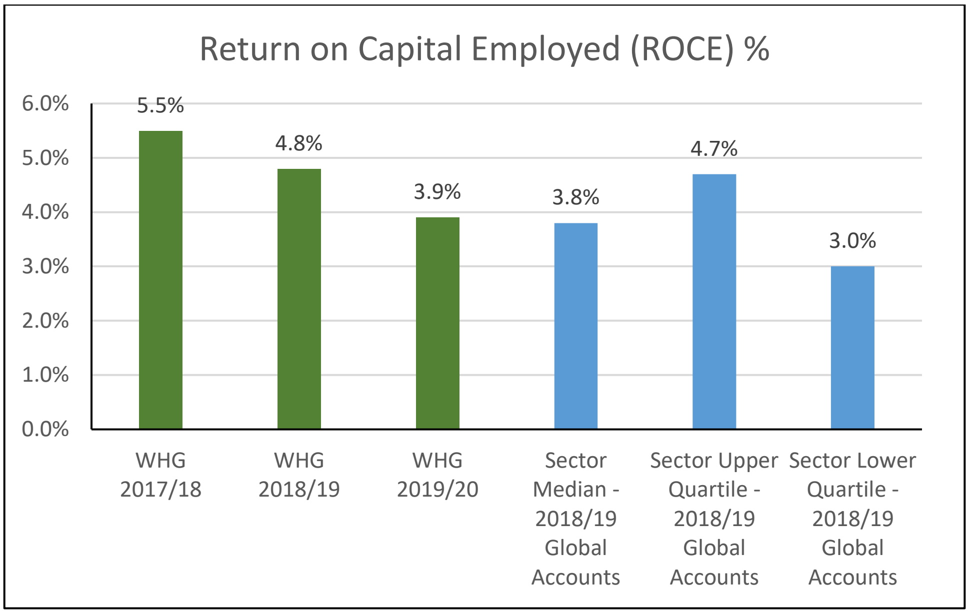
Return on capital employed (ROCE) %



Return on capital employed has reduced over the last three years but it is still on a par with the sector median level for 2018/19. This is because the overall operating margin has stayed relatively constant over those years in percentage terms, but on a reduced turnover figure, meaning that the operating margin is a lower number in absolute terms. Meanwhile, the net assets of the organisation (which represent the capital employed in the business) have increased as the organisation has made surpluses each year. The combination of these two factors has the direct consequence of reducing the ROCE ratio.

Delivering social value

The Group contributes to the well-being of its tenants, the wider community and broader neighbourhoods in many ways. Although some of the benefits are hard to measure, we can provide some estimates based on the factual information we have. The Group will continue to work to ensure that the impact of these activities is maximised. For example:

- the tenancy sustainment team work with prospective and new tenants of the Group to ensure that they are ready to take on a tenancy and better equipped to sustain that tenancy over the longer term. The team undertake pre-tenancy assessments with prospective tenants, which include a robust budget and affordability discussion, ensuring they have the means and the skills to set-up and manage a home. In 2019/20 the team carried out 341 such assessments.

- the Money Matters service works to ensure that customers of the Group access the welfare benefits to which they are entitled and are as well prepared as possible to cope with the impacts of welfare benefit reform. During 2019/20 the Money Matters team successfully brought in more than £2.582m in additional benefits for our customers, engaging with 1,708 households and carrying out 594 pre-tenancy assessments and benefit checks

- maintaining our commitment to providing a range of good quality placements and training opportunities within the local community. During 2019/20 the group directly employed 20 apprentices and 11 trainees, gave 289 volunteer opportunities and provided 68 student work placement opportunities;

- using the Reviive furniture and recycling brand, now operated via the Group's subsidiary Old Park Services Limited, to provide affordable furniture to both tenants and the wider community, as well as recycling unwanted furniture to reduce the impact on the environment with regard to

Strategic Report

landfill and CO_2 emissions. During 2019/20 the Group continued to provide discounts to its tenants on Reviive's standard prices and also continued to provide furniture packs to individuals setting up a home for the first time.

Statement of compliance

In preparing this strategic report, the board has followed the principles set out in Part 2 of the SORP 'Accounting by Registered Housing Providers' 2018. The financial statements comply with FRS 102, SORP 2018 and the Accounting Direction for Private Registered Providers of Social Housing 2019. The board further confirms that the Group has complied with the requirements of the Social Housing Regulator Governance and Financial Viability Standard and has the required register of assets and liabilities in place.

The strategic report was approved by the board on 27th October 2020 and signed on its behalf by

Desmond Hudson
Chair

Statement of responsibilities of the board

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

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

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

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

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

The statement of responsibilities of the board was approved by the board on 27th October 2020 and signed on its behalf by

Desmond Hudson
Chair

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

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of The Wrekin Housing Group Limited (the 'Association') and its subsidiaries (the 'Group') for the year ended 31 March 2020 which comprise the Consolidated statement of comprehensive income, the Association statement of comprehensive income, the Consolidated statement of changes in reserves, the Association statement of changes in reserves, the Consolidated statement of financial position, the Association statement of financial position, the Consolidated statement of cash flows and the 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 Association's affairs as at 31 March 2020 and of the Group's and Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

Emphasis of Matter

We draw attention to Note 2 of the financial statements – Valuation of investment properties, which describes management's basis for valuing investment properties. Management's valuation was informed by work undertaken by an external professional valuer. The valuer has advised that due to the current pandemic, valuations are provided on the basis of 'material valuation uncertainty, as per VPS 3 and VGPA 10 of the RICS Red Book Global'. Consequently, less certainty and a higher degree of caution should be attached to management's valuation than would normally be the case. Our opinion is not modified in respect of this matter.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the board and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on

Independent auditor's report to the members of The Wrekin Housing Group Limited (continued)

assessments of the future economic environment and the Group's and Association's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Group's and Association's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for an entity associated with these particular events.

Conclusions relating to going concern

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

- the board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board 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.

In our evaluation of the board's conclusions, we considered the risks associated with the Group's and Association's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the Group and Association's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and Association will continue in operation.

Independent auditor's report to the members of The Wrekin Housing Group Limited (continued)

Overview of our audit approach

- Overall materiality:

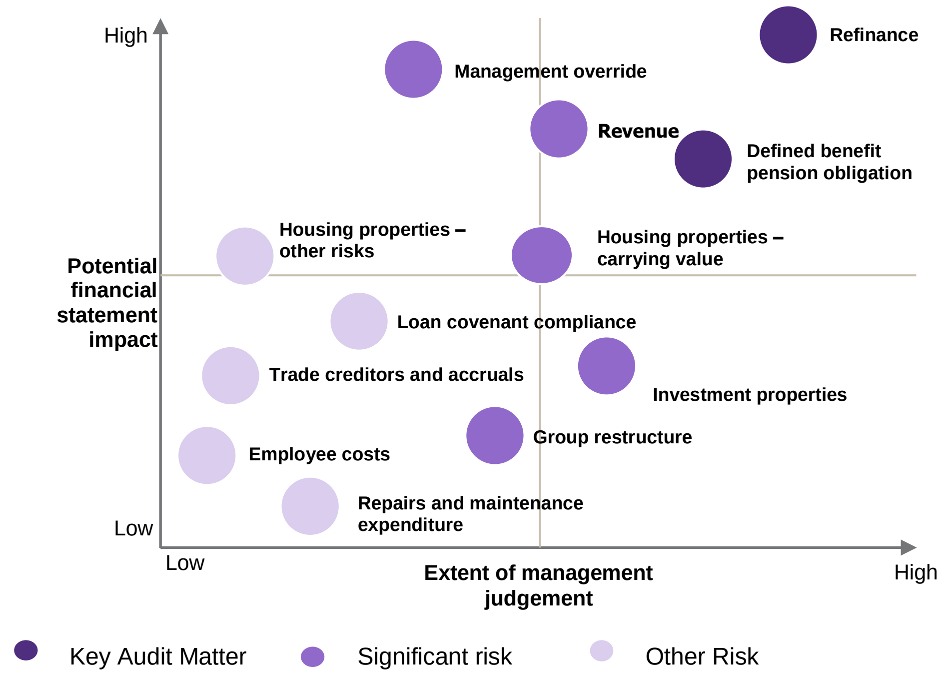
  Group: £1,199,000 which represents approximately 1.3% of the Group's revenues.

  Association: £1,019,000 which represents approximately 1.3% of the Association's revenues.
- Key audit matters were identified as
  - The accounting treatment of the refinance transaction which occurred during the year-ended 31 March 2020, including a prior period adjustment
  - Valuation of the Group's defined benefit pension obligation
- We have audited the Association and each significant component within the Group to component materiality.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



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Independent auditor's report to the members of The Wrekin Housing Group Limited (continued)

Key Audit Matter – Group and Association	How the matter was addressed in the audit – Group and Association
Risk 1 - Refinance The Group restructured its debt facilities during the year ended 31 March 2020. This transaction included: • The legal extinguishment of the Group's syndicated loan facility which resulted in: - The repayment of £145,000,000 of revolving credit facilities - The repayment of £84,000,000 of fixed rate term loans - The repayment of £70,000,000 of fixed rate term loans, which were subsequently refinanced with the same lender - The modification of £71,000,000 of fixed rate term loans • The issuance of £200,000,000 of listed bonds • The draw-down of £165,000,000 of new revolving credit facilities In undertaking the analysis relating to the refinance, errors in the accounting treatment of a previous refinance of the Group's syndicated facility, which occurred in the year-ended 31 March 2016 were identified. As a result, management processed a prior year adjustment – see note 37. Management have engaged a specialist to assist in the preparation of the required accounting adjustments. This has involved the preparation of discounted cashflow models to determine the carrying value of each debt instrument. We identified significant management judgements in the following areas: • The unit of account at which the assessment should be made • The classification of instruments as basic under the requirements of Section 11 to FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland "FRS 102" • Whether modifications of debt instruments constitute substantial or non-substantial modifications • The application of appropriate interest rates to the amortised costs calculations, including consideration of the original effective interest rate or market rate of interest The accounting requirements for this transaction are complex and require a significant degree of management judgement. We therefore identified this as a significant risk, which was one of the most significant assessed risks of material misstatement.	**How the scope addressed the matter** In response to the key audit matter, we performed the following audit procedures and made the following significant judgements: • Obtaining management's assessment as to the modification of the previously syndicated debt facilities and whether these represent legal extinguishment, substantial or non-substantial modifications, in the context of the requirements of FRS 102 including challenging the level at which this assessment was made (the unit of account) • Reperformance of underlying amortisation cost calculations to create an auditor expectation and comparing this to management's own calculation of the resulting carrying value of debt instruments and challenging the inputs (including discount rates applied) and assumptions which underpin these calculations • Assessing and challenging management's assessment of the classification of the modified and new debt instruments as basic financial instruments in accordance with the requirements of FRS 102 • Assessing whether the accounting policies adopted by management are in accordance with the requirements of FRS 102 • Assessing the completeness and accuracy of the accounting entries related to the refinance transaction impacting the current and prior periods. **Key observations** Based on our audit work, we found that the judgements taken in arriving at the accounting entries included within the financial statements are in line with the requirements of FRS 102. Our testing did not identify any unadjusted material misstatements.

Independent auditor's report to the members of The Wrekin Housing Group Limited (continued)

Key Audit Matter – Group and Association	How the matter was addressed in the audit – Group and Association
Relevant disclosures in the Financial Statements • Note 2 – Accounting policies, including significant judgements and estimates • Note 26 – Debt analysis • Note 31 – Financial assets and liabilities • Note 37 – Prior period adjustment	
Risk 2: Valuation of Defined Benefit Pension Scheme The Group participates in the Shropshire County Pension Fund, a defined benefit pension arrangement which is part of the Local Government Pension Scheme. Management have engaged an independent actuary to assist in preparing the adjustments and disclosures required for the preparation of the financial statements. The measurement of the assets and obligations in accordance with FRS 102 involves significant judgement and their valuation is subject to complex actuarial assumptions. Small variations in those assumptions can lead to a materially different value of pension assets and liabilities being recognised within the Group financial statements. We therefore identified the accuracy and valuation of the defined benefit liabilities and defined benefit assets as a significant risk, which was one of the most significant assessed risks of material misstatement. **Relevant disclosures in the Financial Statements** • Note 2 – Accounting policies, including significant judgements and estimates • Note 11 – Pensions	**How the scope addressed the matter** Our audit work included, but was not restricted to: • Assessing whether the accounting policies adopted by management are appropriate and in accordance with the requirements of FRS 102; • Assessed the competence and objectivity of management's actuary • Utilising an auditor's expert to review the appropriateness of the assumptions used in the calculation of the obligations and testing the appropriateness of the valuation methodologies and their inherent actuarial assumptions by benchmarking key assumptions such as discount rate, wage and salary growth rates and mortality rates to available market data • Engaging with the auditor of the Shropshire County Pension Fund to confirm the value of assets of the scheme and the percentage allocated to The Wrekin Housing Group • Assessing the accuracy and completeness of disclosures within the financial statements for compliance with the requirements of FRS 102 **Key observations** We draw attention to Note 2 of the financial statements, which describes significant judgements and estimates made by management in preparing the financial statements. Management acknowledge the limitations which existed within certain property valuations, including defined benefit assets, as at 31 March 2020 as a result of market conditions related to the Covid-19 pandemic. As such a higher degree of caution should be attached to the valuations provided than would normally be the case. Based on our audit work, we found the valuation methodologies, including the inherent actuarial assumptions, to be balanced and consistent with the expectation of our auditor's expert. Our testing did not identify any material misstatements.

Independent auditor's report to the members of The Wrekin Housing Group Limited (continued)

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality measure	Group	Association
Financial statements as a whole	£1,199,000 which is approximately 1.3% of Revenue. This benchmark is considered the most appropriate because we consider revenue to be more appropriate than a profit based benchmark as the Group is a not-for-profit organisation and the focus is on revenues rather than any surpluses, which are reinvested.	£1,019,000 which is 1.3% of Revenue. This benchmark is considered the most appropriate because we consider turnover to be more appropriate than a profit based benchmark as the Association is a not-for-profit organisation and the focus is on revenues rather than any surpluses, which are reinvested.
Performance materiality used to drive the extent of our testing	70% of financial statement materiality.	70% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for certain areas such as board member and executive director remuneration and transactions with related parties outside of the Group.	We determined a lower level of specific materiality for certain areas such as board member and executive director remuneration and transactions with related parties outside of the Group.
Communication of misstatements to the audit committee	£60,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£51,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group

Overall materiality – Parent

▪ Tolerance for potential uncorrected mis-statements ▪ Performance materiality

Independent auditor's report to the members of The Wrekin Housing Group Limited (continued)

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Group's activities, its environment and risk profile and in particular included:

- an evaluation by the Group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality. All significant components of the Group were audited to component materiality by Grant Thornton UK for both the purposes of reporting on the individual financial statements and for Group / consolidation purposes.
- an evaluation of the Group's internal control's environment including controls relevant to the audit.
- an assessment of material accounting policies for compliance with the financial reporting framework; and
- an evaluation of significant management estimates or judgements

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit are to identify and assess the risks of material misstatement of the financial statements due to fraud or error; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud or error; and to respond appropriately to those risks. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Group and Association and the sector in which it operates. We determined that the following laws and regulations were most significant: FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland, the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019 and the Co-operative and Community Benefit Society Act 2014
- We understood how the Group and Association is complying with those legal and regulatory frameworks by, making inquiries to management. We corroborated our inquiries through our review of board minutes and papers provided to the Audit and Assurance Committee.
- We assessed the susceptibility of the Group's and Association's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
  - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud
  - understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process
  - challenging assumptions and judgments made by management in its significant accounting estimates;
  - identifying and testing journal entries, in particular any journal entries posted with unusual account combinations;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

Independent auditor's report to the members of The Wrekin Housing Group Limited (continued)

Other information

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the board for the financial statements

As explained more fully in the Statement of Responsibilities of the Board set out on page 47, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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Independent auditor's report to the members of The Wrekin Housing Group Limited (continued)

Other matters which we are required to address

We were appointed by the Board and our first period of audit was for the period ended 31 March 1999. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 21 years. The Association became a public interest entity on 23 October 2019, as such under the FRC's Ethical Standard, the Association is required to conduct a competitive tender process to appoint an auditor before the year ended 31 March 2030.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group and the Association and we remain independent of the Group and the Association in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the Association's members, as a body, in accordance with regulations made under Section 87 of 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 Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

Manchester

27th October 2020

Consolidated statement of comprehensive income

	Note	2020 £'000	2019 Combined and restated* £'000
Turnover	3	92,093	95,677
Operating costs	3	(67,962)	(66,799)
Gain on disposal of housing properties	4	3,674	964
Movement in the fair value of assets	17	(21)	307
Operating surplus	6	27,784	30,149
Interest receivable and similar income	7	270	88
Interest payable, financing and similar costs	8	(69,965)	(19,112)
(Deficit)/surplus on ordinary activities before taxation		(41,911)	11,125
Tax on (deficit)/surplus on ordinary activities	12	1	5
(Deficit)/surplus for the year		(41,910)	11,130
Actuarial loss in respect of pension schemes	11	(5,306)	(871)
Total comprehensive income for the year		(47,216)	10,259

* The Group undertook a restructure which was completed in April 2019 and has been accounted for using the principles of merger accounting. Accordingly, the comparatives have been represented as though the current group structure had been in existence throughout the current and comparative periods. Refer to notes 2 and 35 for further details. The combined results have also been restated for a prior period adjustment, refer to note 37.

The consolidated results relate wholly to continuing activities. The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 27th October 2020 and signed on its behalf by:

Alison Fisher		Catherine Rogerson
Chair Desmond Hudson	Board Member Alison Fisher	Secretary Catherine Rogerson

Association statement of comprehensive income

	Note	2020 £'000	2019 Combined and restated* £'000
Turnover	3	78,386	80,897
Operating costs	3	(54,589)	(53,004)
Gain on disposal of housing properties	4	3,504	964
Movement in the fair value of assets	17	(21)	307
Gift aid covenanted from subsidiary	34	741	995
Operating surplus	6	28,021	30,159
Interest receivable and similar income	7	249	71
Interest payable, financing and similar costs	8	(69,954)	(19,099)
(Deficit)/surplus on ordinary activities before taxation		(41,684)	11,131
Tax on (deficit)/surplus on ordinary activities	12	(11)	(10)
(Deficit)/surplus for the year		(41,695)	11,121
Actuarial loss in respect of pension schemes	11	(5,306)	(871)
Total comprehensive income for the year		(47,001)	10,250

* The Group undertook a restructure which completed in April 2019, which included the transfer of engagements or transfer of assets and liabilities from certain group entities to the Association. As a matter of accounting policy, the principles of merger accounting have been applied to the Association's financial statements. Accordingly, the comparatives have been represented as though the combined entity had been in existence throughout the current and comparative periods. Refer to notes 2 and 35 for further details. The combined results have also been restated for a prior period adjustment, refer to note 37.

The Association's results relate wholly to continuing activities. The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 27th October 2020 and signed on its behalf by:

Alison Fisher

Catherine Rogerson

Chair
Desmond Hudson

Board Member
Alison Fisher

Secretary
Catherine Rogerson

Consolidated statement of changes in reserves

	Revenue Reserve £'000	Restricted Reserve £'000	Total £'000
Balance as at 1 April 2018 – combined *	98,560	846	99,406
Prior year adjustment	(29,696)	-	(29,696)
Balance as at 1 April 2018 – combined and restated*	68,864	846	69,710
Surplus for the year restated	11,130	-	11,130
Other comprehensive income for the year	(871)	-	(871)
Balance at 31 March 2019 – combined *	79,123	846	79,969
Deficit for the year	(41,910)	-	(41,910)
Other comprehensive income for the year	(5,306)	-	(5,306)
Balance at 31 March 2020	31,907	846	32,753

* The Group undertook a restructure which was completed in April 2019 and has been accounted for using the principles of merger accounting. Accordingly, the comparatives have been represented as though the current group structure had been in existence throughout the current and comparative periods. Refer to notes 2 and 35 for further details. The combined results have also been restated for a prior period adjustment, refer to note 37.

Association statement of changes in reserves

	Revenue Reserve £'000	Restricted Reserve £'000	Total £'000
Balance as at 1 April 2018 – combined and restated*	98,584	846	99,430
Prior year adjustment	(29,696)	-	(29,696)
Balance as at 1 April 2018 – combined and restated*	68,888	846	69,734
Surplus for the year restated	11,121	-	11,121
Other comprehensive income for the year	(871)	-	(871)
Balance at 31 March 2019 – combined and restated*	79,138	846	79,984
Deficit for the year	(41,695)	-	(41,695)
Other comprehensive income for the year	(5,306)	-	(5,306)
Balance at 31 March 2020	32,137	846	32,983

* The Group undertook a restructure which completed in April 2019, which included the transfer of engagements or transfer of assets and liabilities from certain group entities to the Association. As a matter of accounting policy, the principles of merger accounting have been applied to the Association's financial statements. Accordingly, the comparatives have been represented as though the combined entity had been in existence throughout the current and comparative periods. Refer to notes 2 and 35 for further details. The combined results have also been restated for a prior period adjustment, refer to note 37.

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

	Note	2020 £'000	2019 Combined and restated* £'000
Fixed assets			
Intangible Assets	13	339	-
Housing properties	14	618,093	581,845
Investment properties	17	14,412	14,412
Other tangible fixed assets	15	4,716	5,039
		637,560	601,296
Current assets			
Stock		248	205
Properties for sale	18	2,982	2,206
Debtors	19	6,518	6,247
Cash and cash equivalents	20	78,966	22,463
		88,714	31,121
Creditors: amounts falling due within one year	21	(21,744)	(15,275)
Net current assets		66,970	15,846
Total assets less current liabilities		704,530	617,142
Creditors: amounts falling due after more than one year	22	(621,037)	(495,013)
Pension liability	11	(50,740)	(42,160)
Total net assets		32,753	79,969
Capital and reserves			
Revenue reserve	27	31,907	79,123
Restricted reserve	27	846	846
Group's funds		32,753	79,969

* The Group undertook a restructure which was completed in April 2019 and has been accounted for using the principles of merger accounting. Accordingly, the comparatives have been represented as though the current group structure had been in existence throughout the current and comparative periods. Refer to notes 2 and 35 for further details. The combined results have also been restated for a prior period adjustment, refer to note 37.

The financial statements were approved by the Board on 27th October 2020 and signed on its behalf by:

D Hudson	Alison Fisher	Catherine Rogerson
Chair	Board Member	Secretary
Desmond Hudson	Alison Fisher	Catherine Rogerson

The accompanying notes form part of these financial statements.

Association statement of financial position

	Note	2020 £'000	2019 Combined and restated* £'000
Tangible fixed assets			
Intangible Assets	13	339	-
Housing properties	14	621,487	584,500
Investment properties	17	14,412	14,412
Other tangible fixed assets	15	3,454	3,578
		639,692	602,490
Current assets			
Stock		203	167
Properties for sale	18	2,982	2,206
Debtors	19	8,515	7,473
Cash and cash equivalents	20	72,346	16,663
		84,046	26,509
Creditors: amounts falling due within one year	21	(20,174)	(13,227)
Net current assets		63,872	13,282
Total assets less current liabilities		703,564	615,772
Creditors: amounts falling due after more than one year	22	(619,841)	(493,628)
Pension liability	11	(50,740)	(42,160)
Total net assets		32,983	79,984
Capital and reserves			
Revenue reserve	27	32,137	79,138
Restricted reserve	27	846	846
Association's funds		32,983	79,984

* The Group undertook a restructure which completed in April 2019, which included the transfer of engagements or transfer of assets and liabilities from certain group entities to the Association. As a matter of accounting policy, the principles of merger accounting have been applied to the Association's financial statements. Accordingly, the comparatives have been represented as though the combined entity had been in existence throughout the current and comparative periods. Refer to notes 2 and 35 for further details. The combined results have also been restated for a prior period adjustment, refer to note 37.

The financial statements were approved by the Board on 27th October 2020 and signed on its behalf by:

	Alison Fisher	Catherine Rogerson
Chair	Board Member	Secretary
Desmond Hudson	Alison Fisher	Catherine Rogerson

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

	Note	2020 £'000	2019 Combined and restated* £'000
Net cash generated from operating activities	29	44,395	42,656
Cash flow from investing activities			
Purchase of tangible fixed assets		(53,420)	(35,112)
Proceeds from the sale of tangible fixed assets		6,013	2,397
Grants received		8,412	7,586
Interest received		270	88
		(38,725)	(25,041)
Cash flow from financing activities			
Interest and other finance costs paid		(71,831)	(19,495)
New secured loans		421,664	9,000
Repayment of borrowings		(299,000)	-
		50,833	(10,495)
Net change in cash and cash equivalents		56,503	7,120
Cash and cash equivalents at beginning of year		22,463	15,343
Cash and cash equivalents at end of year		78,966	22,463

The Group undertook a restructure which was completed in April 2019 and has been accounted for using the principles of merger accounting. Accordingly, the comparatives have been represented as though the current group structure had been in existence throughout the current and comparative periods. Refer to notes 2 and 35 for further details. The combined results have also been restated for a prior period adjustment, refer to note 37.

The total cash movement reflects the fact that the year end cash balance includes £41.5m that was held in charged bank accounts as cash collateral against the bond and against potential mark to market costs associated with one of the loans that was carried forward from the previous debt portfolio. The Group provided cash collateral to enable the refinancing transaction to be completed in advance of property security being put in place to ensure that the Group took advantage of propitious market conditions. Since the year end that cash collateral has been replaced with property security, freeing up those cash balances for use in the business. Refer to the Strategic report for further information.

The accompanying notes form part of these financial statements.

Notes to the financial statements

1. Legal status

The Association is registered with the Financial Conduct Authority under the Co-operative and Community Benefit Society Act 2014. It is registered with the social housing regulator as a Registered Provider of social housing.

Its subsidiaries, Old Park Services Limited and Strata Housing Services Limited, are incorporated under the Companies Act 2006 (limited by share capital) and Choices Housing Association Limited is incorporated under the Co-operative and Community Benefits Societies Act 2014, under charitable rules and is also a Registered Provider of social housing. The registered address of the Association is Colliers Way, Old Park, Telford, TF3 4AW.

2. Accounting policies

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

The financial statements are presented in sterling (£).

The individual accounts of the Association have adopted the following disclosure exemptions:

- The requirement to present a statement of cash flows and related notes; and
- Financial instrument disclosures including:
  - Categories of financial instruments;
  - Items of income, expenses, gains or losses relating to financial instruments; and
  - Exposure to, and management of, financial risks.

During April 2019 the Group completed a restructure which included transfers of engagement from Shropshire Housing Alliance, South Shropshire Furniture Scheme and the legacy parent company, along with a transfer of assets and liabilities from FUSE CIC to the Association. As part of the same restructure, Choices Housing Association became a subsidiary of the Association. This combination meets the requirements of a merger as set out in Section 34 of FRS 102 (public benefit combinations). As such the Group and Association financial statements have been represented as though the combined Group and Association had been in existence throughout the current and comparative periods. Further details of the restructure are recorded in note 35.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Association and its subsidiaries. All intra-group transactions and balances and income and expenditure are eliminated on consolidation.

It was deemed that the group restructure in April 2019 met the criteria for merger accounting and the consolidated financial statements have been produced under merger accounting principles, whereby the new combined Association and Group are treated from a financial reporting perspective as if they had always been constituted in the way that they are post-restructure.

All other combinations have been accounted for using the purchase method.

Notes to the financial statements (continued)

2 Accounting policies (continued)

Going Concern
After making enquiries 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 approved. For this reason, it continues to adopt the going concern basis in the financial statements. The principal factors that the board have considered in determining that the going concern basis of preparation remains appropriate are as follows:

- At 31 March 2020 the Group had loan and bond facilities totalling £606 million. At that date £50m of loan finance and £50m of retained bond finance were undrawn. The Group has a long-term business plan which shows that the remaining undrawn amount will be committed to its development programme during the period through to 2023.

- The business plan also shows that the Group is able to service these debt facilities whilst continuing to comply with lenders' covenants. A comprehensive set of stress tests have been run on the plan – both in terms of the normal suite of scenarios that are tested regularly and additional tests to model the potential impact of COVID-19 – and mitigating actions have been identified for all of these. The Group has not suffered significant negative financial impacts as a result of COVID-19 as yet.

Brexit
The board has identified five areas of risk that may arise from a disorderly Brexit. First, there may be a short term interruption in the operation of the money markets. The Group has a policy of holding a minimum cash balance to meet immediate calls on the business. The is sufficient to meet at least 12 weeks of cash outflows as defined in the Group's treasury management policy. As at 31 March 2020 the Group had available cash balances of £38m and a further £40m of secured but undrawn loan facilities that could be drawn at short notice. After the year end further batches of properties were put into charge with funders, which enabled a further £41.5m of funds that had been used as cash collateral to be released.

Secondly, there may be a significant interruption in the availability of new debt. The completion of the refinancing exercise in October 2019 means that the Group now has sufficient funding in place for several years.

Thirdly, a decline in the UK economy may put pressure on property valuations for social housing properties. Such a decline in valuations might restrict the ability to draw on new loans, which is why the Group does not commit to new development until the necessary funding is in place. In addition, the Group does not engage in building properties for sale, reducing its exposure in this area to a fall in market values.

Fourthly, there may be a fall in valuations and activity levels in the wider residential property market. The property sales made by the Group under the asset management strategy generally involve low cost units. These are likely to be less affected by any decline in the market than new, built for sale, properties. Also, the Group has a policy of enacting asset renewal sales before committing to development expenditure, which means that if there is a significant downturn in property sales or valuations, it can reduce the uncommitted development programme rapidly to address this.

Finally, following the implementation of Universal Credit, the Group significantly increased its previous level for the provisions for bad debts in its business plan. This is also designed to address the impact of a disorderly Brexit.

Notes to the financial statements (continued)

2 Accounting policies (continued)

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 judgements have been made include:

Impairment
At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared to its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised in the statement of comprehensive income.

In the light of COVID 19 additional emphasis has been placed on consideration of factors that might indicate an impairment trigger that would require a more detailed review. Information has been reviewed with regard to:

- Current developments of new properties
- Current demand for properties across the various types held by the group
- Current state of local property markets and affordability factors with regard to Right to Buy and Right to Acquire sales, disposals under the group's Asset Renewal Strategy and sales of first tranches and subsequent staircasing sales on shared ownership properties (the group is not involved in any developments for outright market sale)
- Current levels of income collection with regard to rents
- Current levels of delivery of responsive, cyclical and planned maintenance services.

This consideration has revealed that:

- Demand for all categories of property managed by the group remains strong. After a short pause at the start of the lockdown period the lettings service is operating normally and numbers of void properties are now in line with pre-COVID levels.
- Again, after limiting our repairs services to essential responsive repairs during the early weeks of lockdown, the responsive repairs service is now operating normally and there is no backlog of repairs to complete. Having been limited to essential compliance work in the early period of lockdown, cyclical and planned maintenance programmes have now restarted and there have been no negative impacts on the condition of our properties during the short reduction in activity.
- Demand from customers to purchase properties under the Right to Buy and Right to Acquire provisions has remained at similar levels to those experienced in recent years. Although sales under the group's asset renewal strategy were paused during the early months of 2020/21, they have now restarted and so far demand and sale values achieved have remained at pre-COVID levels.
- With regard to shared ownership properties, the group does not rely on selling such properties, instead developing all its properties as either rented stock or as a "rent now, buy later" product under its In Reach brand. Similar numbers of customers have exercised their option to purchase shares in these properties so far during 2020/21 as in previous years.
- Income collection has remained strong with no deterioration in the arrears or bad debt position compared with previous years.
- All the group's current development scheme sites are now fully operational, and have been since May, with no significant cost increases or delays arising as a result of COVID 19.

Based on this assessment, management are satisfied that there are no impairment triggers that would require a more detailed review.

Notes to the financial statements (continued)

2 Accounting policies (continued)

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 changes to decent homes standards which may require more frequent replacement of key components. Accumulated depreciation on housing properties at 31 March 2020 was £99m, (please see note 14). Accumulated depreciation on other fixed assets at 31 March 2020 was £11m, (please see note 15.).

Classification of Loans as basic

Management have considered the terms of the group's lending arrangements and concluded that they meet the definition of basic financial instruments, and are therefore held at amortised cost. Please see note 26 debt analysis.

Modification of financial liabilities

Where the group modifies a financial instrument, it is required to make an assessment as to whether a derecognition event has occurred.

Where a loan contains several tranches, the Group is required to exercise judgement as to whether this assessment is undertaken for the loan as a whole (given that it is negotiated as a single package) or instead undertaken on a tranche by tranche basis. The Group has determined that the assessment should be undertaken on a tranche by tranche basis. Where tranches before and after modification lack comparability, the Group has concluded that the modification in substance has led to the legal extinguishment of the previous loan, resulting in a derecognition event.

A substantial modification of a financial liability is not defined in FRS 102 and therefore requires the Group to exercise judgement on what constitutes 'substantial'. The Group has determined that a substantial modification occurs when there is a change in the present value of cash flows discounted by the original effective interest equal to or greater than 10%, where the change in the present value of cash flows is less than 10% this is determined to be a non-substantial modification See note 37 for further details on the financial statement impact of the prior period adjustment.

Following the derecognition of certain of the group's loan facilities, the group has been required to assess the market rate of interest (as at the date of the transaction) of replacement facilities entered into with the same lender. The determination of this market rate of interest is subject to inherent estimation uncertainty. These facilities are subsequently measured at amortised cost and as such their measurement is not subject to on-going estimation uncertainty.

Valuation of investment properties

Management reviews its valuation of housing properties at each reporting date, based on formal valuation reports or an update to those reports based on market conditions. The value of investment properties at 31 March 2020 was £14.4m, (please see note 17). These properties have been valued by external valuers on the basis of open market value as they are market-rented properties, rather than social housing properties, which could be sold with vacant possession within a short time period. Although the local property market went into a hiatus for a short period at the start of the COVID 19 lockdown period, market activity has since resumed and there is no indication as yet of a drop in sale values that might indicate an impairment issue. In a joint statement to the sector in April 2020 by Savills and JLL (EUV-SH and MV-T Valuations-Impact of COVID 19 Crisis) an indication was given that MV-T properties could see negative impacts on their valuation of 5-10%. This equates to between £0.7m to £1.4m with regard to the Group's investment properties, which is not considered to be material in the context of the overall Statement of Financial Position.

Notes to the financial statements (continued)

2 Accounting policies (continued)

Valuation of investment properties (continued)

The lockdown instituted by central government largely froze both residential and commercial property markets. The lack of an active market as at 31 March 2020 makes it difficult to determine the values with the same accuracy as last year. The valuers have advised us that, due to the current pandemic, their valuations are reported on the basis of "material valuation uncertainty" as per VPS3 and VGPA 10 of the RICS Red Book Global and a higher degree of caution should be attached to the valuations provided than would normally be the case. The Group will continue to keep the values of these properties under review. In July 2020 RICS lifted the material valuation uncertainty.

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 11). The liability at 31 March 2020 was £50.7m.

The asset values are based on information provided by the Scheme's actuary to the group, which at 31 March 2020 totalled £86.3m, of which 4.3% related to property assets. The directors understand the limitations which existed within certain property valuations as at 31 March 2020 as a result of market conditions related to Covid-19 pandemic. As such a higher degree of caution should be attached to the valuations provided than would normally be the case.

Turnover and revenue recognition

Turnover comprises rental income receivable in the year net of any voids in respect of housing and garages, service charges to leaseholders in respect of services provided and communal repairs, and other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and income from government grants. Turnover also includes income from the delivery of care services to individuals. Income from property sales, the disposal of assets held for sale and other fixed assets and income from services provided to third parties through the trading subsidiary is also recognised as turnover.

Rental income is recognised from the point properties or garages become available for letting. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities. Income from leaseholder service charges is recognised from the point the lease is assigned. Income from care services is recognised at the point of delivery to the service user. Income from first tranche sales, sales of properties, sales of assets held for sale and sales of other fixed assets is recognised at the point of legal completion of the sale. Income from services provided to third parties through the trading subsidiary is recognised at the point of delivery of the service.

Income from care activities is recognised when the activities in question have been delivered under the contractual arrangements with commissioning authorities, where service users are funded by such bodies, or individuals, where they pay for their own care. Income from trading activities, which form the largest part of the Group's non-social housing activities, is recognised at the point that goods and services have been delivered under the terms of the relevant contract.

Housing property disposals

Gains or losses arising on the disposal of housing properties (including the sale of properties under the Voluntary Right to Buy, Right to Buy and Right to Acquire schemes) are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the operating surplus/deficit for the year. Any capital grant associated with properties sold is to be recycled through the Recycled Capital Grant Fund (RCGF).

Notes to the financial statements (continued)

2 Accounting policies (continued)

Value added tax
The Group's main income stream, being rent, is exempt for VAT purposes. The majority of expenditure is subject to VAT, which it is unable to reclaim – this expenditure is therefore shown inclusive of VAT. VAT can be reclaimed under the partial exemption method for certain other activities, and this is credited to the statement of comprehensive income.

Corporation tax
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.

Interest payable, financing and similar costs
Interest is allocated and is charged to the statement of comprehensive income, based on the interest rate charged by the Group's funders and the time over which the relevant loan balances were outstanding. Other interest payable is charged to the statement of comprehensive income in the year.

Investment in subsidiaries
Investments in subsidiaries are accounted for at cost less impairment.

Pensions
The Group participates in the Shropshire County Pension Fund (SCPF). This is a defined benefit career average salary pension scheme administered by Shropshire County Council in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998. The assets of the scheme are invested and managed independently of the finances of the Group.

For the SCPF, scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets in 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. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income.

Disposal proceeds fund
With effect from 7 April 2017 there is no longer a requirement for net proceeds from the disposal of property under voluntary purchase grant and statutory right to acquire legislation and regulations to be included within a disposal proceeds fund. The balance in the fund at 7 April 2017 will continue to attract interest which is calculated on a daily basis with the interest rate applied being determined by the level of total deposits. The fund can be applied for specific purposes ranging from acquisition of dwellings for letting, to the repair or improvement of vacant dwellings or buildings otherwise subject to demolition. The fund may be repayable, at the discretion of the Homes England, in certain specific circumstances. The fund is included within creditors until such time that all funds have been applied. As at 31 March 2020 all funds have been applied (see note 24).

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

Notes to the financial statements (continued)

2 Accounting policies (continued)

Gift aid donation
The Association received charitable donations from its wholly owned subsidiaries, Old Park Services Limited and Strata Housing Services Limited, during the year. This has been accounted for as income in the Association's statement of comprehensive income for the year.

Gift aid is recognised at the earlier of the point there is a legal obligation or when paid. Amounts recognised in the current and prior financial period have been recognised on payment.

Housing properties
Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, development costs 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 the net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

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

Housing properties are assessed annually for impairment indicators. Where indicators are identified, an assessment for impairment is undertaken comparing the scheme's carrying value to its recoverable amount. Where the carrying value of a scheme is deemed to exceed its recoverable amount, the scheme is written down to its recoverable amount. The resulting impairment loss is recognised as operating expenditure. Where a scheme is currently deemed not to be providing service potential to the association, its recoverable amount is its fair value less costs to sell.

Investment properties
Investment properties consist of market rented residential properties. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end, with changes in value recognised in the statement of comprehensive income.

Government grants
Government grants include grants receivable from Homes England and its predecessor bodies, local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure under the accruals model. Grant is allocated to the land and structure components of the associated asset in proportion to their cost. Grant due from the funding bodies or received in advance is included as a current asset or liability. Grant released on the sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.

Notes to the financial statements (continued)

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 the statement of comprehensive income.

2 Accounting policies (continued)

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 recognition criteria are satisfied is recognised as a liability.

Depreciation of housing properties

The Group separately identifies the major components which comprise its housing properties and charges depreciation, so as to write down the cost of each component to its estimated residual value, on a straight line basis over its estimated useful economic life. Freehold land is not depreciated. The structural components of its housing properties are depreciated at the following annual rates:

Dwelling Type	Assessed Depreciable Life (Years) – by period of construction				
	Pre-1945	1945-1964	1965-1974	1975-1984	Post 1985
General needs flats & maisonettes	80	90	100	100	120
General needs houses & bungalows & shared ownership houses	80	100	100	100	120
High rise flats	N/A	80	100	N/A	N/A
Sheltered flats & maisonettes	80	100	100	100	120
Sheltered houses & bungalows	80	100	100	100	120

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

Component	Depreciable Life (Years)
Roof	60
Boiler	15
Heating System	30
Kitchen	20
Bathroom	30
Windows	30
Doors	25
Electrics	40
Solar Panels	30
Air Source Heat Pumps	30

Notes to the financial statements (continued)

2 Accounting policies (continued)

Other 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:

Freehold land and buildings	4%
Sheltered scheme furniture, fixtures and fittings	20%
Computers and office equipment	10%-33%
Plant, machinery and vehicles	20%

Leased assets
Rentals payable under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

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.

Provision 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.

Stock
Stocks are valued at the lower of cost and estimated selling price less costs to complete and sell.

Loans
Loans, which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102, are recognised initially at the present value of the future cash flows discounted by original effective interest rate. Loans are subsequently stated at amortised cost. Any difference between the amount initially recognised (net of transaction costs) and the principal is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest rate method.

Loan modifications
In the event of a modification to loan terms, the present value of future cash flows under the existing loan is compared to the present value of future cash flows under the modified loan. Both are discounted by the original effective interest rate and if the difference is 10% or more then the modification is assessed as being a substantial modification.

Notes to the financial statements (continued)

2 Accounting policies (continued)

Loan modifications (continued)
If there is a substantial modification, then the loan is derecognised and the modified loan is subsequently recognised at the present value of the future cash flows discounted by the market rate of interest as at the modification date with the movement from the carrying value of the loan before modification recognised as an income or expense. Transaction costs associated with the modification are capitalised by deducting them from the present value to derive the carrying value of the loan. That carrying value is then subsequently amortised using the effective interest rate method.

If there is a non-substantial modification, then the carrying value of the loan is adjusted, to the present value of the future cash flows under the modified loan discounted at the original effective interest rate, with the movement from the carrying value of the loan before modification recognised as an income or expense. The carrying value of the loan is then subsequently amortised using the effective interest rate method.

Where each tranche is replaced by a similar tranche, each tranche within a syndicate loan is assessed for modification individually and deemed to be the unit of account. Where tranches are combined or lack comparability with the equivalents before modification, then the previous loan is deemed to be legally extinguished and is then accounted for as a substantial modification.

Debtors
Short term debtors are measured at transaction price, less any impairment.

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

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

Segmental reporting
For the purpose of segmental reporting, the chief operating decision maker (CODM) is considered to be the executive management group. In line with the segments reported to the CODM, the presentation of these financial statements and accompanying notes are in accordance with the Accounting Direction for Private Registered Providers of Social Housing 2019 and is considered appropriate. Management consider the Regulator's Accounting Direction Note A and B to be the same information for the purposes of IFRS8 segmental reporting, as required by the SORP 3.8.

Information about income, expenditure and assets attributable to material operating segments are presented on the basis of the nature and function of housing assets held by the Group. This is appropriate on the basis of the similarity of the services provided, the nature of the risks associated, the type and class of customer and the nature of the regulatory environment across all of the geographical locations in which the Group operates. The CODM do not review disaggregated financial information of assets and liabilities at this level of operating segment. Segmental information is disclosed in note 3.

Notes to the financial statements (continued)

3 Turnover, operating costs and operating surplus

Group - continuing activities (2019 combined)

	2020 Turnover £'000	2020 Operating costs £'000	2020 Operating surplus £'000	2019 Turnover £'000
Social housing lettings	73,533	(48,876)	24,657	73,002
Other social housing activities:				
Renting & letting of garages	792	(353)	439	798
Leaseholder service charges & communal repairs	525	(525)	-	519
Shared ownership 1st tranche sales	2,031	(1,324)	707	1,705
Other	777	(1,300)	(523)	895
	77,658	(52,378)	25,280	76,919
Activities other than social housing:				
Care Activities	6,080	(11,032)	(4,952)	6,297
Non Social Housing activities:				
Third party repairs contracts	609	(467)	142	1,662
Market rented properties	837	(107)	730	827
Community centres and social enterprise	195	(201)	(6)	335
Furniture recycling and waste management	835	(1,731)	(896)	881
Other non social housing activities	690	(715)	(25)	679
Gain on disposal of assets held for sale	5,189	(1,319)	3,870	8,077
(Loss)/gain on disposal of other fixed assets	-	(12)	(12)	-
Total	92,093	(67,962)	24,131	95,677

Notes to the financial statements (continued)

3 Turnover, operating costs and operating surplus (continued)

Association - continuing activities (2019 combined)

	2020 Turnover £'000	2020 Operating costs £'000	2020 Operating surplus £'000	2019 Turnover £'000	2019 Operatin costs £'000
Social housing lettings	67,417	(49,147)	18,270	67,101	(46,65
Other social housing activities:					
Renting & letting of garages	792	(353)	439	798	(23
Leaseholder service charges & communal repairs	525	(525)	-	519	(51
Shared ownership 1st tranche sales	2,031	(1,324)	707	1,705	(1,17
Other	777	(1,300)	(523)	895	(1,25
	71,542	(52,649)	18,893	71,018	(49,84
Activities other than social housing:					
Non-Social housing activities:					
Property lease income-group companies	1,121	-	1,121	1,115	
Community centres and social enterprise	195	(201)	(6)	335	(31
Furniture recycling and waste management	232	(396)	(164)	227	(35
Other non social housing activities	107	(18)	89	125	(7
Gain on disposal of assets held for sale	5,189	(1,319)	3,870	8,077	(2,42
(Loss)/gain on disposal of other fixed assets	-	(6)	(6)	-	
Total	78,386	(54,589)	23,797	80,897	(53,00

Notes to the financial statements (continued)

3 Turnover, operating costs and operating surplus (continued)

Particulars of income and expenditure from social housing lettings

Group	General needs housing 2020 £'000	Supported housing and housing for older people 2020 £'000	Total 2020 £'000	Total 2019 Combined £'000
Rents receivable net of identifiable service charges	48,997	15,812	64,809	64,531
Service charge income	1,267	6,563	7,830	7,614
Amortised government grants	892	2	894	857
Turnover from social housing lettings	51,156	22,377	73,533	73,002
Management	(6,388)	(2,571)	(8,959)	(8,715)
Services	(2,048)	(6,753)	(8,801)	(9,014)
Routine maintenance	(10,781)	(2,625)	(13,406)	(11,107)
Rent losses from bad debts	(215)	(3)	(218)	(68)
Major repairs expenditure	(4,392)	(1,062)	(5,454)	(6,538)
Depreciation of housing properties	(10,402)	(1,636)	(12,038)	(11,446)
Operating costs on social housing lettings	(34,226)	(14,650)	(48,876)	(46,888)
Operating surplus on social housing lettings	16,930	7,727	24,657	26,114
Void losses	295	325	620	864

Notes to the financial statements (continued)

3 Turnover, operating costs and operating surplus (continued)

Particulars of income and expenditure from social housing lettings

Association	General needs housing 2020 £'000	Supported housing and housing for older people 2020 £'000	Total 2020 £'000	Total 2019 Combined £'000
Rents receivable net of identifiable service charges	48,997	10,050	59,047	58,964
Service charge income	1,267	6,211	7,478	7,282
Amortised government grants	892	-	892	855
Turnover from social housing lettings	51,156	16,261	67,417	67,101
Management	(6,393)	(1,412)	(7,805)	(6,773)
Services	(2,078)	(7,958)	(10,036)	(10,431)
Routine maintenance	(11,348)	(2,277)	(13,625)	(11,399)
Rent losses from bad debts	(215)	(3)	(218)	(68)
Major repairs expenditure	(4,392)	(1,062)	(5,454)	(6,538)
Depreciation of housing properties	(10,402)	(1,607)	(12,009)	(11,446)
Operating costs on social housing lettings	(34,828)	(14,319)	(49,147)	(46,655)
Operating surplus on social housing lettings	16,328	1,942	18,270	20,446
Void losses	295	132	427	428

Notes to the financial statements (continued)

4 Surplus on sale of housing assets

	Group		Association	
	2020	2019 Combined	2020	2019 Combined
	£'000	£'000	£'000	£'000
Disposal proceeds	6,015	2,397	5,662	2,397
Carrying value of fixed assets	(2,341)	(1,433)	(2,158)	(1,433)
	3,674	964	3,504	964

During the year 25 (2019:2) properties were sold under the Voluntary Right to Buy-Midlands Pilot. The value of receipts identified for use to fund one for one replacement is £2.156m.

5 Accommodation in management

Accommodation in management for each class of accommodation was as follows:

	Group		Association	
	2020	2019 Combined	2020	2019 Combined
	No.	No.	No.	No.
General needs housing	10,420	10,377	10,420	10,377
Supported housing	2,087	2,069	2,068	2,050
Shared ownership	269	235	269	235
Residential Care Homes	96	101	-	-
Total owned	12,872	12,782	12,757	12,662
Accommodation managed for others	93	117	56	79
Total Managed	12,965	12,899	12,813	12,741
Properties where the Group had residual freehold interest	643	677	643	677
	13,608	13,576	13,456	13,418
Accommodation in development at year end	542	425	542	425

Of the total owned, 31 (2019: 35) were managed by third parties.

Notes to the financial statements (continued)

6 Operating surplus

The operating surplus is arrived at after charging/ (crediting):

	Group		Association	
	2020	2019 Combined	2020	2019 Combined
	£'000	£'000	£'000	£'000
Gain on disposal of housing properties	(3,674)	(964)	(3,504)	(964)
Loss/(gain) on disposal of other fixed assets	12	(6)	6	(6)
Amortisation of intangible assets	178	-	178	-
Depreciation of housing properties	12,019	11,477	11,990	11,446
Depreciation of other tangible fixed assets	696	457	465	401
Operating lease charges	2,051	1,447	1,879	1,282
Auditor's remuneration (excluding VAT):				
for audit services	215	74	178	56
for non-audit services:				
-Tax advice	11	3	11	3
-Tax compliance & iXBRL tagging	11	10	11	10
-Other assurance services	57	-	57	-

7 Interest receivable and similar income

	Group		Association	
	2020	2019 Combined	2020	2019 Combined
	£'000	£'000	£'000	£'000
Interest received from temporary investments with banks and building societies	267	87	246	70
Other interest receivable	3	1	3	1
	270	88	249	71

8 Interest payable, financing costs and similar charges

	Group		Association	
	2020	2019 Combined and restated	2020	2019 Combined and restated
	£'000	£'000	£'000	£'000
Loans and bank overdrafts	15,482	16,900	13,707	16,900
Funders security/facility fee	1,243	1,130	3,018	1,130
Valuer's fee	127	57	127	57
Breakage Costs	52,067	-	52,067	-
Defined benefit pension charge	1,025	1,001	1,025	1,001
Other interest payable	21	24	10	11
	69,965	19,112	69,954	19,099

Of the £15.5m loan and bank overdraft interest, £5.1m relates non-cash adjustments to the carrying value of debt on either derecognition or non-substantial modification.

Notes to the financial statements (continued)

9 Employees

	Group		Association	
	2020	2019 Combined	2020	2019 Combined
Average monthly number of employees expressed in full time equivalents: (calculated based on a standard working week of 36 hours)	No.	No.	No.	No.
Office staff	359	348	329	313
Trades employees	207	201	180	172
Scheme managers, estate officers and cleaners	52	58	52	58
Care	343	411	-	-
	961	1,018	561	543

	Group		Association	
	2020	2019 Combined	2020	2019 Combined
Staff costs:	£'000	£'000	£'000	£'000
Wages and salaries	26,613	26,137	16,740	15,651
Social security costs	2,323	2,235	1,618	1,495
Other pension costs	4,857	4,644	4,594	4,422
	33,793	33,016	22,952	21,568

The following full time equivalent numbers of staff, including executive directors, received emoluments, including compensation for loss of office, of:

	Group		Association	
	2020	2019 Combined	2020	2019 Combined
	No.	No.	No.	No.
£60,001-£70,000	7	10	7	10
£70,001-£80,000	3	-	2	-
£80,001-£90,000	4	4	4	3
£90,001-£100,000	1	1	1	1
£100,001-£110,000	2	2	2	2
£130,001-£140,000	-	-	-	-
£140,001-£150,000	1	1	1	1
£150,001-£160,000	-	1	-	1
£180,001-£190,000	1	-	1	-
£280,001-£290,000	-	1	-	1
Total	19	20	18	19

Notes to the financial statements (continued)

10 Key management personnel, board members and executive directors

Expenses paid during the period to board members amounted to £10,565 (2019: £Nil).

The aggregate amount of the total cost of key management personnel to the business (including benefits in kind and pension contributions) during the year was £529,785 (2019: £778,373).

Executive directors	2020 £'000	2019 Combined £'000
Basic salary	357	417
Compensation for loss of office	-	148
Benefits in kind (car provision)	24	23
Pension	35	40
Employers social security contributions	47	70
Total	463	698
Board members		
Fees	66	80
Social Security Contributions	1	-
	67	80

All Board member fees were met by The Wrekin Housing Group Limited. Disclosure of fees paid to individual board members is included within the Report of the Board.

The emoluments of the highest paid director, the Group Chief Executive were £183,127 (2019: the former Group Chief Executive, including compensation for loss of office £283,135).

The Group Chief Executive is a member of the Local Government Pension Scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply. The Association does not make any further contribution to an individual arrangement for the Group Chief Executive.

11 Pensions

Group
The Group participates in the Shropshire County Pension Fund which is a defined benefit career average salary pension scheme. Triennial actuarial valuations are performed by a qualified actuary using the "projected unit" method. The most recent formal valuation of the Fund was completed as at 31 March 2019.

Contributions
The employer's contributions to the Shropshire County Pension Fund (SCPF) by the Group for the year ended 31 March 2020 were £2,345,000 (2019: £2,424,000) and the employer's contribution rate was fixed at 14.5% of pensionable pay until 31 March 2020 with regard to future service benefits. For the 2020/21 year this rate will increase to 17%. In addition, annual lump sum payments are being made in respect of past service deficits. The lump sum payment for 2019/20 was £556,800, and will be £367,400 in 2020/21. The Group will continue to make additional lump sum payments in line with the deficit contribution schedule, as agreed with the SCPF, payable over 22 years. As a result of the 2019 valuation, deficit contributions will increase at a rate of 3.9% per annum over the recovery period.

Notes to the financial statements (continued)

11 Pensions (continued)

Principal actuarial assumptions

	31 March 2020 % per annum	31 March 2019 Combined % per annum
Rate of increase in salaries	2.6	2.7
Rate of increase in pensions in payment	2.2	2.3
Discount rate	2.4	2.5
Inflation assumption	2.1	2.2

Mortality Assumptions

The post retirement mortality assumptions used to value the benefit obligation at March 2019 and March 2020 are based on the PA92 series. The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	2020 No. of years	2019 Combined No. of years
Retiring today:		
Males	22.9	23.2
Females	25.0	26.4
Retiring in 20 years:		
Males	24.2	25.4
Females	26.6	28.7

Notes to the financial statements (continued)

11 Pensions (continued)

Amounts recognised in the statement of financial position:

	2020 £'000	2019 Combined £'000
Fair value of employer assets	86,283	90,357
Present value of funded liabilities	(137,023)	(132,517)
Net liability	(50,740)	(42,160)

Analysis of the amounts charged to the statement of comprehensive income:

	2020 £'000	2019 Combined £'000
Net interest cost	1,025	1,001
Current service cost	4,068	3,379
Administration expenses	75	69
Past service cost	451	758
Effect of curtailments	-	216
Amount charged to operating costs	4,594	4,422
Total amount recognised in the statement of comprehensive income	5,619	5,423

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

	2020 £'000	2019 Combined £'000
Opening scheme liabilities	(132,517)	(123,679)
Current service cost	(4,068)	(3,379)
Interest cost	(3,291)	(3,317)
Contribution by members	(839)	(793)
Curtailment loss	-	(216)
Past service cost	(451)	(758)
Benefits paid	2,638	2,435
Actuarial gain /(loss)	1,505	(2,810)
Closing scheme liabilities	(137,023)	(132,517)

Notes to the financial statements (continued)

11 Pensions (continued)

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

	2020 £'000	2019 Combined £'000
Opening fair value of plan assets	90,357	85,389
Interest income	2,266	2,316
Contributions by the employer	2,345	2,424
Contribution by members	839	793
Benefits paid	(2,638)	(2,435)
Administration expenses	(75)	(69)
Actuarial (loss)/gain	(6,811)	1,939
Closing fair value of plan assets	86,283	90,357

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

	2020	2019
Equities	50.0%	50.6%
Bonds	22.3%	16.1%
Property	4.3%	5.3%
Cash	1.3%	6.4%
Other	22.1%	21.6%

Sensitivity Analysis

Disclosure Item	None £'000	0.1% p.a. discount rate £'000	0.1% p.a. inflation £'000	0.1% p.a. pay growth £'000	1 Year increase in life expectancy £'000	+1% change in 2019-20 investment returns £'000	-1% change in 2019-20 investment returns £'000
Liabilities	(137,023)	(134,605)	(139,484)	(137,501)	(140,628)	(137,023)	(137,023)
Assets	86,283	86,283	86,283	86,283	86,283	87,149	85,417
Deficit	(50,740)	(48,322)	(53,201)	(51,218)	(54,345)	(49,874)	(51,606)
Projected service cost for next year	3,818	3,712	3,928	3,818	3,934	3,818	3,818
Projected net interest cost for next year	1,188	1,177	1,247	1,199	1,274	1,167	1,209

Notes to the financial statements (continued)

12 Taxation

	Group		Association	
	2020	2019 Combined	2020	2019 Combined
	£'000	£'000	£'000	£'000
Current Tax				
UK corporation tax on surplus for the year	152	161	16	13
Adjustments in respect of prior years	(153)	(166)	(5)	(3)
Total current tax	(1)	(5)	11	10
Total tax on results on ordinary activities	**(1)**	**(5)**	**11**	**10**
(Deficit)/Surplus on ordinary activities before tax	(41,911)	11,125	(41,684)	11,131
Theoretical tax at corporation tax rate of 19% (2019: 19%)	(7,963)	2,114	(7,920)	2,115
Effects of:				
Income not taxable for tax purposes	(13,636)	(15,775)	(16,127)	(16,012)
Expenses not deductible for tax purposes	21,751	13,822	24,063	13,910
Adjustments to tax in respect of prior periods	(153)	(166)	(5)	(3)
Total tax charge	**(1)**	**(5)**	**11**	**10**

Notes to the financial statements (continued)

13 Intangible fixed assets

Group	Computer Software £'000	Total £'000
Cost		
At 1 April 2019- combined	-	-
Transfer from tangible assets	1,005	1,005
Additions	488	488
At 31 March 2020	1,493	1,493
Amortisation		
At 1 April 2019-combined	-	-
Transfer from tangible assets	976	976
Charged in year	178	178
At 31 March 2020	1,154	1,154
Net book value		
At 31 March 2019-combined	-	-
At 31 March 2020	339	339

Association	Computer Software £'000	Total £'000
Cost		
At 1 April 2019-combined	-	-
Transfer from tangible assets	1,005	1,005
Additions	488	488
At 31 March 2020	1,493	1,493
Amortisation		
At 1 April 2019-combined	-	-
Transfer from tangible assets	976	976
Charged in year	178	178
At 31 March 2020	1,154	1,154
Net book value		
At 31 March 2019-combined	-	-
At 31 March 2020	339	339

Software assets previously capitalised as Tangible Fixed Assets have been reclassified as Intangibles following a review of asset classifications during the year.

Notes to the financial statements (continued)

14 Fixed assets - housing properties

Housing Properties

Group	Social housing properties completed £'000	Social housing properties under development £'000	Shared ownership properties completed £'000	Shared ownership properties under development £'000	Total £'000
Cost					
At 1 April 2019-combined	636.476	22,431	12,252	-	671,159
Improvements to existing properties	7,677	-	-	-	7,677
Additions	629	44,645	33	1,582	46,889
Change of tenure	(1,980)	(89)	1,980	89	-
Schemes completed	27,566	(27,566)	1,671	(1,671)	-
Transfer to assets held for sale	(2,418)	-	(1,834)	-	(4,252)
Transfer to investment properties	(22)	-	-	-	(22)
Disposals	(4,815)	-	-	-	(4,815)
At 31 March 2020	663,113	39,421	14,102	-	716,636
Depreciation and impairment					
At 1 April 2019-combined	88,511	-	803	-	89,314
Change of tenure	(133)	-	133	-	-
Charged in year	11,487	-	142	-	11,629
Released on disposal	(1,661)	-	(67)	-	(1,728)
Transfer to assets held for sale	(672)	-	-	-	(672)
At 31 March 2020	97,532	-	1,011	-	98,543
Net book value					
At 31 March 2019-combined	547,965	22,431	11,449	-	581,845
At 31 March 2020	565,581	39,421	13,091	-	618,093

Notes to the financial statements (continued)

14 Fixed assets – housing properties (continued)

Housing Properties

Association	Social housing properties completed £'000	Social housing properties under development £'000	Shared ownership properties completed £'000	Shared ownership properties under development £'000	Total £'000
Cost					
At 1 April 2019-combined	638,657	22,432	12,346	-	673,435
Improvements to existing properties	7,651	-	-	-	7,651
Additions	1,171	44,644	45	1,582	47,442
Change of tenure	(1,980)	(89)	1,980	89	-
Schemes completed	27,566	(27,566)	1,671	(1,671)	-
Transfer to assets held for sale	(2,418)	-	(1,834)	-	(4,252)
Transfer to investment properties	(22)	-	-	-	(22)
Disposals	(4,606)	-	-	-	(4,606)
At 31 March 2020	666,019	39,421	14,208	-	719,648
Depreciation and impairment					
At 1 April 2019-combined	88,132	-	803	-	88,935
Change of tenure	(133)	-	133	-	-
Charged in year	11,458	-	142	-	11,600
Released on disposal	(1,635)	-	(67)	-	(1,702)
Transfer to assets held for sale	(672)	-	-	-	(672
At 31 March 2020	97,150	-	1,011	-	98,161
Net book value					
At 31 March 2019-combined	550,525	22,432	11,543	-	584,500
At 31 March 2020	568,869	39,421	13,197	-	621,487

Notes to the financial statements (continued)

14 Fixed assets – housing properties (continued)

Group and Association

Expenditure on works to existing properties

	Group		Association	
	2020	**2019 Combined**	**2020**	**2019 Combined**
	£'000	**£'000**	**£'000**	**£'000**
Amounts capitalised – component replacement	7,677	6,568	7,651	6,568
Amounts charged to statement of comprehensive income	5,454	6,538	5,454	6,538
Total	13,131	13,106	13,105	13,106

Social housing grant (SHG)

	2020	**2019 Combined**
	£'000	**£'000**
Total accumulated SHG receivable at 31 March :		
Recognised in the statement of comprehensive income	5,323	4,475
Held as deferred income	89,777	80,384
	95,100	84,859

Impairment
The Group considers individual schemes to be separate Cash Generating Units (CGUs) when assessing for impairment, in accordance with the requirements of Financial Reporting Standard 102 and SORP 2018. No impairment charge has been made this year. (2019: £nil)

Notes to the financial statements (continued)

15 Tangible fixed assets - other

Group	Freehold buildings and land	Sheltered scheme furniture, fixtures and fittings	Computers and office equipment and furniture	Plant, machinery and vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2019-combined	10,040	1,649	4,689	446	16,824
Transfer to Intangibles	-	-	(1,005)	-	(1,005)
Additions	3	23	371	31	428
Disposals	(365)	(364)	(76)	(156)	(961)
At 31 March 2020	9,678	1,308	3,979	321	15,286
Depreciation and impairment					
At 1 April 2019-combined	5,696	1,580	4,153	356	11,785
Transfer to Intangibles	-	-	(976)	-	(976)
Charged in year	382	44	242	28	696
Depreciation on disposals	(358)	(360)	(73)	(144)	(935)
At 31 March 2020	5,720	1,264	3,346	240	10,570
Net book value					
At 31 March 2019-combined	4,344	69	536	90	5,039
At 31 March 2020	3,958	44	633	81	4,716

Software assets previously capitalised as Tangible Fixed Assets have been reclassified as Intangibles following a review of asset classifications during the year.

Notes to the financial statements (continued)

15 Tangible fixed assets – other (continued)

Association	Freehold buildings and land	Sheltered scheme furniture, fixtures and fittings	Computers and office equipment and furniture	Plant, machinery and vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2019-combined	5,292	21	4,209	369	9,891
Transfer to Intangibles	-	-	(1,005)	-	(1,005)
Additions	3	-	370	16	389
Disposals	(203)	-	(62)	(156)	(421)
At 31 March 2020	5,092	21	3,512	229	8,854
Depreciation and impairment					
At 1 April 2019-combined	2,295	21	3,688	309	6,313
Transfer to Intangibles	-	-	(976)	-	(976)
Charged in year	217	-	238	10	465
Depreciation on disposals	(196)	-	(62)	(144)	(402)
At 31 March 2020	2,316	21	2,888	175	5,400
Net book value					
At 31 March 2019-combined	2,997	-	521	60	3,578
At 31 March 2020	2,776	-	624	54	3,454

Software assets previously capitalised as Tangible Fixed Assets have been reclassified as Intangibles following a review of asset classifications during the year.

16 Investment in subsidiaries

At the year end the Association had three wholly owned subsidiaries, Choices Housing Association Limited, Old Park Services Limited and Strata Housing Services Limited. These financial statements consolidate the results of those entities. It holds one £1 ordinary share in each company which equates to a 100% holding. The principal activity of Choices Housing Association is the provision of registered care and supported housing for adults with a learning disability. The principal activity of Old Park Services Limited is to provide housing and property related services and associated software to other social landlords. The principal activity of Strata Housing Services Limited is the provision of development services to its parent company, The Wrekin Housing Group Limited. The Association has the right to appoint members to the boards of the subsidiaries and thereby exercises control over them. Old Park Services Limited and Strata Housing Services Limited are non-regulated companies. The registered office is the same for all group companies.

Company	%	Surplus for the year	Reserves
Choices Housing Association	100	£506,000	£3,669,000
Old Park Services Limited	100	£227,000	£316,006

Notes to the financial statements (continued)

Strata Housing Services Limited	100	£506,000	£320,000

17 Investment properties

Group and Association	2020 £'000	2019 Combined £'000
At 1 April	14,412	13,840
Additions	21	265
(Decrease) / Increase in value	(21)	307
At 31 March	14,412	14,412

Investment properties are non-social housing properties held for letting which were valued at 31 March 2020. The investment properties comprise 117 units known as the Hedgerows development, 6 flats at The Red House Priorslee, and 10 houses on a new mixed tenure development in Herefordshire known as Well Gardens. All properties are managed by the Association's wholly owned subsidiary company Old Park Services Ltd. The valuation on an open market value basis is a directors valuation which was informed by work undertaken by an external professional valuer. A full external valuation of these properties was completed at 31 March 2019 by Trevor Haggart Associates Limited. These properties have been valued on the basis of open market value as they are market-rented properties, rather than social housing properties, which could be sold with vacant possession within a short time period. Although the local property market went into a hiatus for a short period at the start of the COVID 19 lockdown period, market activity has since resumed and there is no indication as yet, of a drop in sale values that might indicate an impairment issue. In a joint statement to the sector in April 2020 by Savills and JLL (EUV-SH and MV-T Valuations-Impact of COVID 19 Crisis) an indication was given that MV-T properties could see negative impacts on their valuation of 5-10% (£0.7m to £1.4m with regard to the Group's investment properties). The lockdown instituted by central government largely froze both residential and commercial property markets. The lack of an active market as at 31 March 2020 makes it difficult to determine the values with the same accuracy as last year. The valuers have advised us that, due to the current pandemic, their valuations are reported on the basis of "material valuation uncertainty" as per VPS3 and VGPA 10 of the RICS Red Book Global and a higher degree of caution should be attached to the valuations provided than would normally be the case. In July 2020 RICS lifted the material valuation uncertainty.

18 Properties held for sale

Group and Association	2020 £'000	2019 Combined £'000
Completed shared ownership properties	410	260
Properties held for sale- asset renewal strategy	2,572	1,946
	2,982	2,206

Notes to the financial statements (continued)

19 Debtors

	Group		Association	
	2020	2019	2020	2019
		Combined		Combined
	£'000	£'000	£'000	£'000
Rent and service charges receivable	1,403	1,666	762	669
Less: provision for bad and doubtful debts	(744)	(516)	(623)	(516)
	659	1,150	139	153
Prepayments and accrued income	4,682	2,127	4,529	1,939
Other debtors	999	2,441	861	2,179
Trade debtors	110	426	54	165
Other Taxation and Social Security	68	103	-	-
Amounts owed by group undertakings	-	-	2,932	3,037
	6,518	6,247	8,515	7,473

There are no special payment terms, interest or security arrangements in place with regard to amounts owed by group undertakings.

20 Cash and cash equivalents

	Group		Association	
	2020	2019	2020	2019
		Combined		Combined
	£'000	£'000	£'000	£'000
Cash at bank and in hand	25,546	12,672	20,712	8,663
Short-term bank deposits	11,786	9,791	10,000	8,000
Cash held as collateral*	41,634	-	41,634	-
	78,966	22,463	72,346	16,663

*Cash held in charged bank accounts as collateral against the bond and against potential mark to market costs associated with one of the loans that was carried forward from the previous debt portfolio. The Group provided cash collateral to enable the refinancing transaction to be completed in advance of property security being put in place to ensure that the Group took advantage of propitious market conditions. Since the year end that cash collateral has been replaced with property security, freeing up those cash balances for use in the business.

Notes to the financial statements (continued)

21 Creditors: Amounts falling due within one year

	Group		Association	
	2020	2019	2020	2019
		Combined		Combined
	£'000	£'000	£'000	£'000
Trade creditors	6,853	4,510	2,181	1,579
Rent and service charges received in advance	2,873	1,792	2,873	1,792
Other taxation and social security	669	783	529	462
Pension contributions due	237	-	237	-
Social housing grant received in advance	1,496	781	1,496	781
Accruals and deferred income	6,628	3,827	6,335	3,581
Disposal proceeds fund (note 24)	1,734	2,214	1,734	2,214
Holiday pay accrual	156	156	156	156
Deferred grant income (note 23)	906	871	892	855
Other creditors	192	.341	181	246
Amounts owed to group undertakings	-	-	3,560	1,561
	21,744	15,275	20,174	13,227

There are no special payment terms, interest or security arrangements in place with regard to amounts owed to group undertakings.

22 Creditors: Amounts falling due after more than one year

	Group		Association	
		Combined and restated		Combined and restated
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Debt (note 26)	523,228	406,557	523,228	406,557
Recycled capital grant fund (note 25)	184	184	184	184
Deferred grant income (note 23)	97,625	88,153	96,429	86,768
Voluntary right to buy	-	119	-	119
	621,037	495,013	619,841	493,628

Notes to the financial statements (continued)

23 Deferred grant income

	Group		Association	
	2020	2019 Combined	2020	2019 Combined
	£'000	£'000	£'000	£'000
At 1 April	89,024	82,575	87,623	81,158
Grant received in the year	10,714	7,479	10,714	7,479
Transfer to recycled capital grant fund	(118)	(96)	(118)	(96)
Released to income in the year	(1,089)	(934)	(898)	(918)
At 31 March	98,531	89,024	97,321	87,623
Amounts to be released within one year	906	871	892	855
Amounts to be released in more than one year	97,625	88,153	96,429	86,768
	98,531	89,024	97,321	87,623
SHG	90,987	81,785	89,777	80,384
Other grant	7,544	7,239	7,544	7,239
	98,531	89,024	97,321	87,623

24 Disposals proceeds fund

Group and Association	2020	2019 Combined
	£'000	£'000
At 1 April	2,214	2,378
Interest accrued	9	11
Acquisition of dwellings for letting	(489)	(175)
Balance at 31 March	1,734	2,214

The above balance is disclosed as follows:

	2020	2019
	£'000	£'000
Amounts due within one year	1,734	2,214
Amounts due after more than one year	-	-
	1,734	2,214

The fund has been used to purchase social housing properties in accordance with permitted uses of the fund. Of the balance of £2.214m at March 2019, £1.734m remains committed with the approval of the Homes England at March 2020. During the year £nil was repaid (2019:£nil).

Notes to the financial statements (continued)

25 Recycled capital grant fund

Group and Association	2020 £'000	2019 Combined £'000
At 1 April	184	219
Grants recycled	118	96
Interest accrued	-	1
Acquisition of dwellings for letting	(118)	(132)
Balance at 31 March	184	184

Withdrawals from the recycled capital grant fund have been used for the purchase and development of new housing schemes for letting.

26 Debt analysis

Group and Association	2020 £'000	2019 Combined and restated £'000
Due after more than one year		
Bond Financing	200,000	-
Discount	(4,336)	-
Amortised cost	(809)	-
Carrying value of bond	194,855	-
Bank loans amortised cost	328,373	406,771
Loan refinancing fees	-	(214)
	523,228	406,557
Repayable in		
One year or more but less than two years	-	153,626
Two years or more but less than five years	123,695	26,026
After five years	399,533	226,905
	523,228	406,557

The bank loans are secured by fixed charges on individual properties and by a floating charge over the assets of the Association. At 31 March 2020 the Association had total loan facilities available of £356m (2019: £440m) of which £50m (2019:£61m) was undrawn. £191m of this facility is fixed for periods of between 7 and 21 years at fixed rates of interest ranging from 4.126% to 7.25%. The instalments fall to be repaid in the period 2026 to 2040. £165m of this facility is variable at a rate of LIBOR + margin and is repayable between 3 & 7 years.

The bond is a £250m, 29 year long-dated bond issued via the debt capital markets. The bond is listed on the London Stock Exchange. £200m was issued on day one, with £50m retained for future issue. The bond was issued at 148bps over gilts, giving an all-in cost of funds of 2.607%. The coupon rate on the bond was set at 2.5% .

Notes to the financial statements (continued)

27 Reserves

Revenue reserves include all retained surpluses and deficits in relation to current and prior periods.

At 31 March 2020, the revenue reserve included £50,740,000 in respect of the defined benefit pension liability (2019: £42,160,000).

Restricted reserves relate to the agreement with the former English Partnerships that The Wrekin Housing Group Limited (formerly The Wrekin Housing Trust Limited) retains all receipts from the sale of housing assets on the Woodside estate for reinvestment in the regeneration of the estate.

28 Financial commitments

Group and Association	2020	2019 Combined
	£'000	£'000
Capital expenditure		
Expenditure contracted for but not provided in the accounts	45,373	40,385
Expenditure authorised by the board but not contracted for	52,365	44,054
	97,738	84,439

The above commitments reflect the continuation of the Group's Asset Renewal and Development Programme. The commitments will be financed through a combination of borrowings, which are available for draw-down under existing loan arrangements, social housing grant, expected shared ownership sales proceeds, property sales under the Group's Asset Renewal Strategy and cash generated from operating activities.

Operating leases

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

	Group		Association	
The future minimum operating lease payments are as follows:	2020	2019 Combined	2020	2019 Combined
	£'000	£'000	£'000	£'000
Within one year	912	938	849	858
Two to five years	1,503	894	1,503	894
	2,415	1,832	2,352	1,752

Notes to the financial statements (continued)

28 Financial commitments (continued)

The Association had lease receivables under non-cancellable operating leases as follows:

Association	2020	2019 Combined
Amounts receivable as lessor are as follows:	£'000	£'000
Within one year	490	490
Two to five years	1,960	1,960
Later than five years	9,800	10,290
	12,250	12,740

The lease receivable relates to the lease of the Limewood Dementia Unit from the Association to Choices Housing Association Limited. The lease has 25 years to run (2019: 26 years). The lease cost per annum is £490k.

29 Cash flow from operating activities

	2020	2019 Combined and restated
	£'000	£'000
(Deficit)/Surplus for the year	(41,910)	11,130
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	12,715	11,934
Amortisation of intangible fixed assets	178	-
Increase in stock	(43)	(10)
Increase in properties held for sale	2,804	3,650
Decrease/(Increase) in debtors	1,691	(1,686)
Increase/(decrease) in creditors	1,758	(1,179)
Government grants utilised in the year	(1,089)	(934)
Pension costs less contributions payable	2,249	1,998
Adjustments for investing and financing activities:		
Net gain on the sale of tangible fixed assets	(3,674)	(964)
Movement in fair value of investment properties	21	(307)
Interest payable	69,965	19,112
Interest receivable	(270)	(88)
Net cash generated from operating activities	44,395	42,656

Notes to the financial statements (continued)

30 Analysis of changes in net debt

	At 01 April 2019 Combined and restated £'000	Cash flows £'000	Other non-cash movements £'000	At 31 March 2020 £'000
Cash at bank and in hand	12,672	12,874	-	25,546
Cash held as collateral	-	41,634	-	41,634
Money market deposits at call, seven day or monthly floating rates	9,791	1,995	-	11,786
	22,463	56,503	-	78,966
Overdraft facility repayable on demand	-	-	-	-
Bank loans due within one year	-	--	-	-
Bank loans due greater than one year	(406,557)	73,000	5,184	(328,373)
Bond finance due greater than one year	-	(195,664)	809	(194,855)
Total	(384,094)	(66,161)	5,993	(444,262)

Notes to the financial statements (continued)

31 Financial assets and liabilities

Categories of financial assets and liabilities

Group	2020 £'000	2019 Combined and restated £'000
Financial assets that are debt instruments measured at amortised cost	80,734	26,480
Financial liabilities measured at amortised cost	(537,057)	(415,391)
	(456,323)	(388,911)

Financial assets that are debt instruments measured at amortised cost comprise short term debtors, cash deposits on money markets at call and cash at bank.

Financial liabilities measured at amortised cost comprise short and long term creditors and bank loans.

During the year the Group successfully completed its major refinancing exercise, replacing its single syndicated loan facility of £440m with banking facilities totalling £356m negotiated on a bilateral basis with 5 funders, together with a £250m bond issued via the debt capital markets. The bond is listed on the London Stock Exchange. £200m was issued on day one, with £50m retained for future issue. The bond was issued at 148bps over gilts, giving an all-in cost of funds of 2.607%. The coupon rate on the bond was set at 2.5% and so the net proceeds on day one were £195.664m.

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:

Group	2020 £'000	2019 Combined and restated £'000
Fixed rate	359,995	251,934
Floating rate	163,233	154,623
Total borrowings	523,228	406,557

The floating rate financial liabilities comprise bank loans that bear interest rates based on LIBOR plus margins.

The fixed rate financial liabilities have a weighted average interest rate of 3.88% (2019: 6.50%) and the weighted average period for which it is fixed is 17 years (2019: 15 years).

The debt maturity profile together with applicable interest rates is disclosed in note 26.

Notes to the financial statements (continued)

31 Financial assets and liabilities (continued)

Borrowing facilities

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

Group	2020 £'000	2019 Combined £'000
Expiring in more than two years	100,000	61,000

32 Contingent liabilities

The Group and Association had no contingent liabilities to disclose at 31 March 2020 (2019: £nil).

33 Related parties

During the year, the Association recharged amounts to its wholly owned subsidiaries. Choices Housing Association Limited is registered with the Social Housing Regulator. Old Park Services Limited and Strata Housing Services Limited are both unregistered entities. The amounts were as follows:

Entity	Cost	2020 £'000	2019 Combined £'000
Old Park Services Limited	Recharge of staff and operating costs (Reviive and void contract service)	1,116	958
	Recharge of staff and operating costs (third party repairs services)	1,005	1,816
Strata Housing Services Limited	Recharge of Staff Costs (development services)	1,125	950
Choices Housing Association Limited	Recharge of staff and operating costs	783	596

All costs are recharged on an actual cost basis.

During the year the following services were supplied by the parent to the unregistered entities:

Entity	Service	2020 £'000	2019 Combined £'000
Old Park Services Limited	Property leases	629	614

Notes to the financial statements (continued)

33 Related parties (continued)

During the year the following services were supplied by the subsidiary entities to the parent:

Entity	Service	2020 £'000	2019 Combined £'000
Old Park Services Limited	Void contract service-Reviive brand	563	555
	Provision of energy supplies	55	60
Strata Housing Services Limited	Provision of development services	23,205	10,857
Choices Housing Association Limited	Provision of care services	2,103	2,569

There are no other related party transactions to disclose that have not been disclosed elsewhere in these financial statements. Please see note 10 for details of executive and board remuneration.

As at the 31st March the amounts owed to the association by subsidiary entities was as follows:

Old Park Services Limited	£1,756,995	(2019: £1,938,371)
Strata Housing Services Limited	£296,007	(2019: £280,689)
Choices Housing Association Limited	£879,226	(2019: £818,352)

As at the 31st March the amounts owed by the association to subsidiary entities was as follows:

Old Park Services Limited	£307,511	(2019: £295,633)
Strata Housing Services Limited	£2,825,121	(2019: £1,055,787)
Choices Housing Association Limited	£427,491	(2019: £214,666)

34 Gift aid

Association	2020 £'000	2019 Combined £'000
Gift aid received from Old Park Services Limited	461	346
Gift aid received from Strata Housing Services Limited	280	649
	741	995

Notes to the financial statements (continued)

35 Group restructure and merger accounting

During April 2019 the Group completed a restructure which included:

- On 1 April 2019 a transfer of engagement from the legacy parent company to the Association and Choices Housing Association became a subsidiary of the Association.

- On 30 April 2019 transfers of engagement from Shropshire Housing Alliance and South Shropshire Furniture Scheme along with a transfer of assets and liabilities from FUSE CIC to the Association.

The board are satisfied that the group restructure meets the criteria of a merger and so merger accounting has been applied to the 2019/20 accounts for both the Group and the parent association and the comparatives have been restated to include the results of the combining entities for 2018/19. The accounts of the Group therefore include the results of Wrekin Housing Group Limited, Choices Housing Association, Old Park Services Limited and Strata Housing Services Limited for both periods. The accounts of the parent association include the results of Wrekin Housing Group Limited and the activities previously carried on by Shropshire Housing Alliance, South Shropshire Furniture Scheme and FUSE CIC. Management consider the impact on the results for the period 1 April 2019 to 30 April 2019 to be immaterial.

Any expenses relating to the merger have been expensed.

The tables below contains summary information relating to the entities as at 31 March 2019.

Association

	Legacy parent £'000	SHA £'000	SSFS £'000	FUSE CIC £'000	Non-consolidated entities 2019 £'000	The Association £'000	Association eliminations £'000	Prior period adjustment £'000	Combined Association restated £'000
Turnover	99	1,476	412	508	2,495	79,399	(997)	-	80,897
Total comprehensive income	5	207	(175)	(73)	(36)	8,586	-	1,700	10,250
Reserves	(31)	556	(194)	(44)	287	107,963	-	(27,996)	79,984
Debt	-	-	-	-	-	379,000	-	27,771	406,771

Notes to the financial statements (continued)

35 Group restructure and merger accounting (continued)

Group

	The Group as previously presented	Non-consolidated entities	Choices Housing Association	Group eliminations	Prior period adjustment	The Group as shown in the financial statements 2019 combined
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	82,373	2,495	14,956	(4,147)	-	95,677
Total Comprehensive Income	8,116	(36)	560	(81)	1,700	10,259
Reserves	103,721	287	3,163	794	(27,996)	79,969
Debt	379,000	-	-	-	27,771	406,771

All the entities in the restructured group were members of the legacy group. Their accounting policies were aligned at the point that each entity became a member of the legacy group and so no material changes of accounting policy were made as a result of this merger.

36 Non-equity share capital

When the Association registered as a Co-operative and Community Benefit Society as part of the group restructure process its rules were drafted such that there is a single class of shareholder. Each share has the nominal value of £1 and carries no right to any interest, dividend or bonus. The independent shareholders are the board members. There are 9 shares in issue.

37 Prior period adjustment

On 4 November 2015, the Group undertook a number of modifications to its loan arrangements. Further modifications have taken place during the year ended 31 March 2020. In preparing the March 2020 financial statements, management have identified errors in the accounting treatment of the 2015 debt modifications, specifically no assessment was made at the time of the 2015 refinance as to whether the modifications represented substantial or non-substantial modifications.

As a result, management have undertaken an analysis to calculate the amounts that would have been reported at that time, and then in each year following, under the accounting policies now established and set out on page 66.

As at 31 March 2019, the syndicate loan balance was previously held at a book value of £379m (31 March 2018: £370m) which represented the nominal value. The prior period restatement reflects an adjustment for the loan balances to be held at amortised cost, after taking into account the implications of adjusting for the modifications that took place in earlier years.

Notes to the financial statements (continued)

38 Prior period adjustment (continued)

Group

The impact of the prior period adjustment on the opening statement of financial position is set out in the following table:

	31 March 2018 As previously reported £'000	Prior period adjustment £'000	Application of merger accounting (note 35) £'000	31 March 2018 Restated £'000
Creditors Loan	(370,000)	(29,330)	-	(399,330)
Debtors Capitalised Loan Costs	716	(366)	-	350
Reserves Income and expenditure reserve	98,237	(29,696)	323	68,864

The impact of the prior period adjustment and the impact of the restructure (note 35) on the prior year comparatives is set out in the following table:

	31 March 2019 As previously reported £'000	Prior period adjustment £'000	Application of merger accounting (note 35) £'000	31 March 2019 Restated £'000
Creditors Loan	(379,000)	(27,771)	-	(406,771)
Debtors Capitalised Loan Costs	438	(224)	-	214
Reserves Income and expenditure reserve	107,406	(27,996)	(287)	79,123
Operating surplus	30,160	-	(11)	30,149
Income and expenditure				
Interest payable, financing and similar costs	(20,812)	1,700	-	(19,112)
Taxation	30	-	(25)	5
Surplus for the year	9,466	1,700	(36)	11,130
Total comprehensive income for the year	8,595	1,700	(36)	10,259

Notes to the financial statements (continued)

37 Prior period adjustment (continued)

Association
The impact of the prior period adjustment on the opening statement of financial position is set out in the following table:

	31 March 2018 As previously reported £'000	Prior period adjustment £'000	Application of merger accounting (note 35) £'000	31 March 2018 Restated £'000
Creditors Loan	(370,000)	(29,330)	-	(399,330)
Debtors Capitalised Loan Costs	716	(366)	-	350
Reserves Income and expenditure reserve	98,261	(29,696)	323	68,888

The impact of the prior period adjustment and the impact of the restructure (note 35) on the prior year comparatives is set out in the following table:

	31 March 2019 As previously reported £'000	Prior period adjustment £'000	Application of merger accounting (note 35) £'000	31 March 2019 Restated £'000
Creditors Loan	(379,000)	(27,771)	-	(406,771)
Debtors Capitalised Loan Costs	438	(224)	-	214
Reserves Income and expenditure reserve	106,847	(27,996)	(287)	79,138
Operating surplus	30,170	-	(11)	30,159
Income and expenditure				
Interest payable, financing and similar costs	(20,799)	1,700	-	(19,099)
Taxation	15	-	(25)	(10)
Surplus for the year	9,457	1,700	(36)	11,121
Total comprehensive income for the year	8,586	1,700	(36)	10,250

38 Event occurring after balance sheet date

On 27 August 2020, the Group issued a further £25m of its retained bond finance. It was issued at 108bps over gilts, giving an all-in cost of funds of 1.92%. The coupon rate on the bond was 2.5% and so the net proceeds on day one were £28.340m.

Document Information

Document

Title	01-Wrekin Housing Group 2019-20-FINAL
ID	3ab8dd44-5ff1-4132-9d34-0b79523e7139
Status	Signed
Sender	Sunin Patel (sunin.patel@wrekin.com)
Dept/business	Directorate
Dept/business ID	directorate
PDF Certified	True

Signers

Name	Authentication
Des Hudson <des.hudson@wrekin.com>	Email
Alison Fisher <alison.fisher@wrekin.com>	Email
Catherine Rogerson <catherine.rogerson@wrekin.com>	Email
Grant Thornton <joanne.love@uk.gt.com>	Email

History

Event	User	IP address	Date/Time
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