ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2020

The Housing Plus Group Limited
Acton Court, Acton Gate, Stafford, ST18 9AP

Registration No. 30224R

CONTENTS

BOARD MEMBERS, EXECUTIVE OFFICERS, AUDITORS AND ADVISORS

Registered Office	Acton Court, Acton Gate, Stafford, ST18 9AP
The Housing Plus Group Limited	Registered Co-operative & Community Benefit Society No: 30224R Registered by the Regulator of Social Housing No: L4491
Internal Auditors	**Mazars LLP** (to 31 March 2020) 45 Church Street, Birmingham, B3 2RT
	Beever and Struthers (appointed 1 April 2020) 20 Colmore Circus Queensway, Birmingham, B4 6AT
External Auditors	**BDO LLP** Chartered Accountants and Statutory Auditors, Two Snowhill, Birmingham, B4 6GA
Legal Advisers	**Anthony Collins LLP** 134 Edmund Street Birmingham, B3 2ES
Funders	**Nationwide Building Society** Kings Park Road, Moulton Park, Northampton, NN3 6NW
	BAE Systems Pension Funds Investment Management Ltd Burwood House, 14/16 Caxton Street London, SW1H 0QT
	Canada Life Investments 1-6 Lombard Street, London, EC3V 9JU
	Clydesdale Bank plc 30 St Vincent Place Glasgow, GH1 2HL
	Shropshire Council The Shirehall, Abbey Foregate, Shrewsbury, SY2 6ND
	Barclays Bank PLC 1 Churchill Place, London, E14 5HP
	M&G, Laurence Pountney Hill, London, EC4R 0HH

BOARD MEMBERS, EXECUTIVE OFFICERS, AUDITORS AND ADVISORS (CONTINUED)

Bankers	**Barclays Bank PLC** One Snowhill, Birmingham, B3 2WN
	National Westminster Bank PLC 8 Mardol Head, Shrewsbury, SY1 1HE
Board of Management	S Jennings (Chair - from 23 July 2020) – appointed 1 October 2019 G Evans (Vice Chair) R Bowden R Barber – appointed 1 October 2019, resigned 1 June 2020 A Dhillon – appointed 1 November 2019 R Lawrence – appointed 1 October 2019, resigned 30 April 2020 J Burt – appointed 1 May 2020 C Dass – appointed 13 July 2020 P Price – appointed 1 April 2020 S Boden (Executive Director) R Levesley (Chair – 1 April 2019 to 30 September 2019) - resigned 1 October 2019 A Mason - resigned 1 October 2019 W McCarthy - resigned 1 October 2019 P Phillips - resigned 1 October 2019 A Hadden (Chair – 1 October 2019 to 26 March 2020) – appointed 1 October 2019, resigned 26 March 2020 T Swani – appointed 1 October 2019, resigned 24 March 2020
Chief Executive	S Boden
Executive Directors	
Finance Director and Deputy Chief Executive	P Ingle
Property Services Director	S Collins
Neighbourhoods Director	J Goode
Care and Support Director	L Clarke
Commercial Director	S Duffill (appointed October 2019, resigned February 2020)
People and Transformation Director	L Wagstaff (resigned October 2019)
Company Secretary	I Molyneux

REPORT OF THE BOARD

Principal activities

The Housing Plus Group ("the Group") is a leading provider of housing and related services within Shropshire and Staffordshire. The Group was enlarged on 1 October 2019, when Stafford and Rural Homes Group joined the existing Housing Plus Group, now providing more than 18,000 homes and employing more than 800 people.

The parent company, The Housing Plus Group Limited ("the parent" and "the Association"), is a non-housing asset holding company which provides 'back office' services to its Group companies. The parent was originally incorporated by the Financial Conduct Authority on 10 May 2007 (30224R) and was registered with the Regulator of Social Housing (L4491) on 22 May 2007.

The Parent has six direct subsidiaries:

- **South Staffordshire Housing Association** (Landlord – property owning registered provider)
- **Severnside Housing** (Landlord – property owning registered provider)
- **Stafford and Rural Homes** (Landlord – property owning registered provider)
- **Care Plus Staffordshire** (Non - property owning care provider registered with the Care Quality Commission (CQC))
- **Property Plus (Midlands) Limited** (Property maintenance company)
- **Housing Plus Group Finance Limited** (Funding vehicle)

As can be seen from the group structure chart above, all three landlords also have a subsidiary/subsidiaries. Details of all entities in the group are listed below:

REPORT OF THE BOARD (continued)

Principal activities (continued)

South Staffordshire Housing Association Limited (“SSHA”) – Became a subsidiary on 10 August 2007 and is registered with the Regulator of Social Housing. It owns 6,181 social housing units. At 31 March 2020, 87 homes were in development. Since 22 September 2019, all of SSHA’s funding is provided through a new group funding vehicle, Housing Plus Group Finance Limited (‘’HPG Finance’’). Loans to HPG Finance from Nationwide Building Society, BAE Pension Funds Investment, and Clydesdale Bank plc are secured by charges on properties owned by SSHA.

SSHA has a wholly owned subsidiary, SSHA Developments Limited. This subsidiary previously derived its income from photo-voltaic (PV) panels installed on an office building. The PV panels were sold to SSHA in March 2018. In the 2019/20 financial year, the ongoing operations of the subsidiary were under review.

Severnside Housing (“Severnside”) became a subsidiary on 1 October 2016 and is registered with the Regulator of Social Housing. It owns 6,091 social housing units. At 31 March 2020, 251 homes were in development. Since 22 September 2019, most of Severnside’s funding is provided through a new group funding vehicle, Housing Plus Group Finance Limited (‘’HPG Finance’’). Loans to HPG Finance from Nationwide Building Society and Canada Life are secured by charges on properties owned by Severnside. Severnside also has a loan agreement in its own right with Shropshire Council. This loan is also secured by charges on properties owned by Severnside.

Severnside has one wholly owned subsidiary, Severn Homes Limited, which has been established to be a development vehicle for market rent and market sale properties and has the purpose of developing and selling properties for outright sale for the Group. At the start of the year Severnside also had a second subsidiary, Severnside Community Association Limited (SCA), a charity. SCA was dissolved during the year after several years without trading.

Stafford and Rural Homes (“SARH”) became a subsidiary on 1 October 2019 and is registered with the Regulator of Social Housing. It owns 6,640 social housing units. At 31 March 2020, 148 homes were in development. SARH has loan agreements with Barclays and M&G. SARH has three wholly owned subsidiaries; Housing Worx Limited (HW), Development Worx Limited (DW) and County Town Homes Limited.

HW was set up to provide a wide range of home improvement and maintenance services for commercial clients, including SARH. In addition, HW provides telecare services to other registered providers, local authorities and individual customers under the ‘You First Telecare’ brand. The group has reviewed HW’s operations.

REPORT OF THE BOARD (continued)

Principal activities (continued)

From 1 April 2020, Care Plus has taken over the Telecare activities of HW, as these are more strongly aligned with care than property maintenance. It has been decided that early in 2020/21 financial year, HW will cease trading, with Property Plus starting to provide maintenance services to SARH.

DW provides 'design and build' services to SARH. CTH delivers new build developments for outright sale.

Care Plus (Staffordshire) Limited ("Care Plus") became a subsidiary in April 2010 and delivers care and support services; primarily to the residents of SSHA properties. Care Plus does not own any property assets and is an exempt charity from the date of its incorporation. Care Plus is registered with the CQC.

Property Plus (Midlands) Limited ("Property Plus"), formerly known as A Walters Electrical Contractors Limited ("AWEC"), became a subsidiary in October 2016. It has historically provided electrical works to Severnside and from April 2017 it provided general maintenance services to both SSHA and Severnside. From 2020/21 financial year, this service provision will be extended to SARH also.

Housing Plus Group Finance Limited

This is intended to be a funding vehicle for the whole group. The company was set up during the year and commenced operations on 22 September 2019, when all existing loans originally made to SSHA and Severnside were novated to Housing Plus Finance Limited. The only exception to this is an historic loan from Shropshire Council to Severnside.

The results of SSHA, Severnside, Property Plus, Care Plus, Severn Homes, SCA, Housing Plus Group Finance Limited and SSHA Developments have been consolidated into the financial statements of The Housing Plus Group. The results of SARH, HW, DW and CTH have been consolidated into the financial statements of The Housing Plus Group from 1 October 2019, the date that SARH and its subsidiaries joined the group.

Board members and Executive Officers

The Group is governed by a Board composed of six (2019: six) non-executive members plus the Group's Chief Executive. Three (2019: two) of the non-executive members are also members of subsidiary Boards. Membership of all Boards across the Group has undergone significant change, as a consequence of the combining of the Group with Stafford and Rural Homes Group on 1 October 2019, the composition of all Boards was re-configured to meet the new business need.

REPORT OF THE BOARD (continued)

There are two (2019: two) Group committees: Audit and Risk, and Nominations and Remuneration. Membership of these committees is drawn from all Boards within the Group and is detailed in Note 10 to the financial statements.

The Group is managed by an Executive Management Team headed by the Group Chief Executive and supported by a Finance Director, Care and Support Director, Neighbourhoods Director and a Property Director. The Executive Management Team attend board meetings.

Each non-executive member of the Board holds one share of £1 in The Housing Plus Group Limited. The Executive Officers of the Group hold no interest in the Group's share capital and, although they do not have the legal status of Directors, they act as Executive Officers within the authority delegated to them by the Board and are termed Directors.

The Group has purchased Directors' and Officers' Liability Insurance for the Board Members, Executive Officers and staff of the Group.

Members of the Board receive remuneration. The remuneration of the Group Chief Executive and, through the Group Chief Executive, the other Executive Officers, is determined by the Nominations and Remuneration Committee. External professional advice is sought as necessary to ensure that regard is taken of remuneration levels in similar organisations within the housing sector and the wider marketplace. Full details of the remuneration of each Board Member and Executive Management Team Member are provided in note 10 of the financial statements.

Local authority and funders’ support

The Group Board wishes to place on record its gratitude for the support of South Staffordshire Council, Shropshire Council and Stafford Borough Council - the Members and Officers have been invaluable in their continued contribution to the success of our business. Our thanks are also extended to our Funders; BAE Systems Pension Funds Investment, Clydesdale Bank, Canada Life, Shropshire Council, Barclays Bank, M &G and Nationwide Building Society. Our funders continue to respond positively to proposals put to them and give us the benefit of their vast experience in the field of social housing.

REPORT OF THE BOARD (continued)

Accounting policies

The policies can be found on pages 49 to 59 of the financial statements. Accounting policies are consistent across all Housing Plus entities. These include the effects of material estimates on judgements on the financial statements.

Governance

The Group complies with the Regulator of Social Housing's Governance and Financial Viability Standard. The Group Board makes this statement having reviewed the results of various self-assessments that have been undertaken including those of subsidiary boards. However, it should be noted that following completion of the merger with Stafford and Rural Homes in October 2019, the Group had cause to self-refer Stafford and Rural Homes (SARH) to the Regulator for Social Housing (RSH) as a result of the discovery of a breach of the Homes Standard in that organisation pre-merger.

Following the self-referral and subsequent communications with the RSH, confirmation was provided that given the timely and expedient action that was being taken to remediate the breach, no regulatory action was to be taken by the RSH.

The action plan to address the identified breach failings was shared with the RSH at the outset and updates on completion of the different elements of the action plan have been provided to the Stafford and Rural Homes Board, the Housing Plus Group Board and to the RSH.

In addition, the Group Board commissioned an independent 'Root Cause Analysis and Lessons Learned Review of SARH Regulatory Compliance'. The report recommendations were accepted in their entirety and the Group Board continues to oversee their implementation with a view to ensuring improvement of internal controls and overall governance arrangements at SARH and across the Group as a whole.

The Group maintains an accurate and up to date record of its assets and liabilities. The Audit and Risk Committee undertake an annual review of the register to ensure that this is reflective of the Group's position.

In October 2019 the newly merged Group confirmed its adoption of the National Housing Federation's "Code of governance: Promoting board excellence for housing associations (2015 edition)", as its approved Code of Governance, and confirms that the Group complies fully with the Code in all respects

REPORT OF THE BOARD (continued)

Statement of internal controls

The Housing Plus Group Limited Board is the ultimate governing body for the Group and has overall responsibility for establishing and maintaining the whole system of internal control and reviewing its effectiveness. This has included annual reviews at away days and production of improvement programmes.

The system of internal control is designed to manage rather than eliminate risk, to prevent and/or detect fraud and to provide reasonable, but not absolute, assurance against material misstatement, loss or failure to achieve business objectives. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Group’s assets and interests.

In meeting its responsibilities, the Group Board has adopted a risk-based approach to internal controls which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed.

The process adopted by the Group Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework, includes:

Identification and evaluation of key risks

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the Group’s activities.

The executive team regularly considers and receives reports on significant risks facing the Group and the Group Chief Executive is responsible for reporting to the Board any significant changes affecting key risks. The Group Audit and Risk Committee has delegation to oversee this arrangement.

The Nominations and Remuneration Committee has the responsibility for overseeing the recruitment and appointment of all Group Board Members and the executive team. It also makes recommendations with regard to their remuneration levels to the Group Board and has general oversight in respect of Board effectiveness reviews.

Environmental and control procedures

The Group Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury strategy and new investment projects. Business plans are stress tested using scenarios agreed with boards and any necessary mitigation plans are formulated. Policies and procedures cover issues such as delegated authority, segregation of duties,

REPORT OF THE BOARD (continued)

Statement of internal controls (continued)

accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection.

Information and financial reporting systems

Financial reporting procedures include preparing for each entity within the Group detailed budgets for the financial year ahead. Detailed management financial statements are produced monthly and presented at least quarterly to the Boards together with forecasts for the remainder of the financial year.

All of the above are reviewed in detail by the executive team and are considered and approved by the relevant board. All boards also regularly review key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

All Board Members receive regular information on a range of topics plus Board and Committee papers and minutes.

Fraud reporting systems

The Group as a whole aims to prevent fraud and corruption by the following measures:

- Code of Conduct for Employees and Board Members
- Policies in respect of: Anti-fraud, Bribery and Corruption, Money Laundering and Whistleblowing
- Standing Orders and Financial Regulations
- Data Protection and Confidentiality Policies
- Internal Audit programmes

These arrangements are intended to minimise the opportunity for fraud and highlight any areas of potential fraud and corruption before they occur. Quarterly fraud update reports are provided to the Audit and Risk Committee.

During the financial year covered by this report there has been one recorded case of fraud which resulted in a financial loss of c £120,000. This matter was reported to the police and is currently under investigation. The Audit and Risk Committee has been kept fully informed with regard to progress on this matter.

In the 2018/19 financial year, a fraud was uncovered within Stafford and Rural Homes which resulted in a financial loss of c £180,000. This matter was investigated, reported to the police and criminal action is being taken against the alleged perpetrator. However, this fraud was not reported in the Stafford and Rural Homes financial statements for 2018/19, consequently, post-merger, it is reported now.

REPORT OF THE BOARD (continued)

Statement of internal controls (continued)

In accordance with regulatory requirements, the above two frauds were reported to the Regulator of Social Housing (RSH). After investigation of both matters the regulator has confirmed that their respective files have been closed with no regulatory action being taken on either matter.

The Audit and Risk Committee has overseen the implementation of the recommended changes to the internal control environment arising from the internal fraud investigation findings. The committee will continue to receive reports on both matters until conclusion of police action and any related court proceedings.

Monitoring and corrective action

A process of regular management reporting on control issues provides assurance to senior management and to the Boards across the group. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the financial statements and the delivery of our services.

The internal control framework and the risk management process are subject to regular review by Internal Audit who advise the executive team and report to the Group Audit and Risk Committee. The Committee considers internal control and risk at each of its meetings during the year.

The internal audit providers for 2019/2020, Mazars, concluded that there is an adequate, effective and reliable framework for HPG of internal control which provides reasonable assurance regarding the effective and efficient achievement of the Company's objectives.

While Mazars concluded positively from most of its work for Stafford and Rural Homes during 2019/20, they did conclude in their annual opinion that for Stafford and Rural Homes there were weaknesses related to compliance and landlord health and safety. These matters are being robustly managed with ongoing monitoring at Board and Committee meetings.

The Group Audit and Risk Committee conducts an annual review of the effectiveness of the system of internal control. A report is prepared which has taken account of any changes needed to maintain the effectiveness of risk management and control processes and this report is shared with Board members.

The Board confirms that there is an ongoing process for identifying, and managing significant risks faced by the Group. This process has been in place throughout the year under review, up to the date of the annual report and financial statements and is regularly reviewed by the Board.

REPORT OF THE BOARD (continued)

Statement of internal controls (continued)

No weaknesses were found in internal controls which resulted in material losses, contingencies or uncertainties that require disclosure in the financial statements for the year ended 31 March 2020 and up to the date of approval of the financial statements.

Statement of the Board's Responsibilities

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

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

In preparing these financial statements, the Board is required to:

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

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

The Board is responsible for ensuring that the Report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2018.

REPORT OF THE BOARD (continued)

Statement of the Board's Responsibilities (continued)

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

Provision of information to auditors

The Group Board Members who held office at the date of approval of this Board report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Independent auditors

A resolution to appoint External Auditors will be proposed at the next Annual General Meeting.

By Order of the Board:

S Jennings
Chair

I Molyneux
Company Secretary

S Boden
Director

23 July 2020

GROUP STRATEGIC REPORT

Objectives and Strategy

The Housing Plus Group is a public benefit entity. The Group has a clear vision and priorities which are shared across the Group. Its members are committed to delivering good quality, affordable homes and services in Shropshire and Staffordshire.

Our vision, priorities and values are heartfelt statements of intent. The Group has the skills and expertise needed to deliver these in a difficult and ever-changing operating environment.

Our ***vision*** is to be:

Making a positive difference: homes, lives, and communities

Our strategic priorities to achieve this vision are:

A leading provider of quality, affordable homes	• Begin building 2,000 more homes to meet a range of needs • Continue to invest in our existing assets, ensuring homes are well maintained and benefit from ongoing improvement programmes • Maintain sector leader status in property compliance and health and safety activites
A dependable supplier of services that customers can trust	• Implement a Care and Wellbeing Strategy for the integration and growth of services • Develop harmonised services to customers • Work with customers across all landlords to create a 'customer voice' model that ensures views are heard
An investor in communities across Shropshire and Staffordshire	• Create 20 apprenticeships in our business and with our partners • Invest in our communities and provide advice to support financial wellbeing and improve employability • Offer befriending and support services for our most vulnerable customers

GROUP STRATEGIC REPORT (continued)

Our values

The Group is guided by a set of core values which are:

- Communication
- Learning
- Accountable
- Respectful
- Inclusive
- Trust
- You

You – Employees
We share a responsibility to live our values every day

You – Customers
YOU are at the heart of all our work

You – Stakeholders
We can do more, with YOU

Our values have been developed by our staff and board to express how we work with each other, our customers, and our stakeholders. They are an expression of our culture and underpin everything we do. They provide guidance for the excellent staff across our Group and form the fabric of our relationships and partnerships.

GROUP STRATEGIC REPORT (continued)

Business & financial review

The Housing Plus Group Limited

The parent organisation has continued to provide corporate services to the rest of the Group.

Housing Plus has also invested in ICT services and infrastructure, with both being outsourced to external partners in the second half of the financial year.

SSHA

SSHA achieved an operating surplus of £11.2m, £3.0m above the operating surplus reported in 2018/19. The Group made the decision during the 2018/19 year following a cost benefit analysis, to no longer proceed with a new Head Office development in Telford. The site remains vacant with outline planning permission for mixed commercial / residential use. As a result of this decision, the site has been re-valued based on its current status and this resulted in an impairment of £1.8m in 2018/19. It was judged that no further impairment charge was necessary in the current year. The association achieved an overall surplus on the sale of properties of £3.8m. SSHA continued to re-invest its surpluses into new housing stock, however due to Right to Buy stock losses, ended the year with 5,929 social housing units, a net decrease of 4 on the previous year.

Severnside

Severnside achieved an operating surplus of £11.7m, £1.1m of which was from market and other non- social housing lets. In addition, £2.2m was generated from housing property sales. Severnside continued to re-invest its surpluses into new housing stock and, despite Right to Buy stock losses, ended the year with 5,756 social housing units, a net increase of 70 on the previous year.

Stafford and Rural Homes (SARH)

SARH achieved an operating surplus of £12.2m, an increase of £1.3m on the previous year. £2.0m was generated from housing property sales. SARH continued to re-invest its surpluses into new housing stock and, despite Right to Buy stock losses, ended the year with 6,640 housing units, a net increase of 275 on the previous year. This was boosted by the acquisition of 154 units from another Registered Provider.

GROUP STRATEGIC REPORT (continued)

Business & financial review (continued)

Property Plus

Property Plus had a very satisfactory year. Turnover increased by £317k to £17.9m and gross profit increasing by £403k. Net profit for the year was £261k, representing a £626k turnaround when compared with a loss of £365k for the financial year ended 31 March 2019. This was due to one-off expenditure during the previous year in respect of the SHPS pension scheme bulk transfer (£150k) and an amount of £300k relating to previously underpaid contributions for the LGPS Staffordshire pension scheme.

Care Plus

Care Plus has continued to grow throughout the financial year, increasing the number of care contracts across both Staffordshire and Shropshire. The Domiciliary Care service in Shropshire is still in its infancy. Turnover increased by £778k compared with the previous year. Care Plus has achieved a surplus of £237k, up from a surplus of £180k in 2018/19.

The business was inspected by the Care Quality Commission in December 2017, and they rated Care Plus as "good" in all five key lines of enquiry. Care Plus continues to work on integrating the supported housing and telecare activities of SARH into its business.

Severn Homes

Severn Homes did not trade during 2019/20.

In March 2019, Severn Homes purchased land at Wrottesley Park Road, Perton, Staffordshire for £11 million plus VAT. This site will be utilised to develop a mixed tenure scheme of outright sale and social housing units. Start on site is anticipated in early 2021. The land purchase has been funded by intragroup loans from SSHA (£10 million) and Severnside (£3.85 million).

Due to interest payments of £454k and administrative expenses of £43k, Severn Homes made a loss of £497k.

SSHA Developments Limited

Following the sale of the photovoltaic (PV) panels to SSHA in March 2018, the company has not generated any income. The future of the business is currently under review and it is proposed that the company will be dissolved in the 2020/21 financial year.

GROUP STRATEGIC REPORT (continued)

AWEL

From 1 April 2017, the business completed the delivery of existing contracts but no longer provided services to new external customers. Following a review, the company was dissolved in the 2019/20 financial year.

Housing Plus Group Finance Limited

All costs of borrowing from the ultimate lenders are recharged to the respective landlords. Operating expenditure of £8,414k was recharged in full leaving a profit for the year of £nil.

County Town Homes Limited (CTH)

CTH did not trade during the period, however it incurred expenses of £56k giving rise to a loss of that amount. The company holds land for development of £870k as at 31 March 2020. A review is taking place at Board to simplify the group structure.

Development Worx Limited (DW)

DW generated an operating profit of £345k on a turnover of £7,419k during the whole of 2019/20. This compares favourably with the previous year, when DW generated an operating profit of £245k on a turnover of £5,340k.

Housing Worx Limited (HW)

HW generated an operating profit of £819k on a turnover of £6,210k during the whole of 2019/20. This compares with the previous year, when HW generated an operating profit of £991k on a turnover of £6,557k. In the current year, margins have reduced slightly to 13.2% from 15.1% on turnover which was £347k lower.

Severnside Community Association

As proposed, the entity was dissolved in the 2019/20 financial year.

GROUP STRATEGIC REPORT (continued)

Developing more homes to meet a range of needs

The Group is committed to developing and providing good quality affordable homes and facilities and creating attractive neighbourhoods where people aspire to live. One of the major motivations behind the decision to merge Severnside Housing and Housing Plus in 2016 was the ability to re-invest the forecast efficiencies that would be gained as a result, to increase the portfolio of properties delivered across all tenures.

For the period 2017-2020 the number of new units delivered by both landlords was (SARH joined the Group in 2019/2020):

	2016/17	2017/18	2018/19	2019/20
Severnside	176	112	122	100
SSHA	24	106	40	47
SARH	-	-	-	299
	200	**218**	**162**	**446**

For 2019/20 the tenure split of these units was:

	Severnside			SSHA			SARH		
	Units	Cost £'000	Grant £'000	Units	Cost £'000	Grant £'000	Units	Cost £'000	Grant £'000
Developed:									
Affordable Rent	-	-	-	-	-	-	23	3,276	674
Shared ownership	-	-	-	-	-	-	10	1,040	284
Off the Shelf Purchases:									
Social Rent	61	6,818	-	36	3,435	-	42	4,482	-
Affordable Rent	-	-	-	-	-	-	50	5,756	-
Shared ownership	39	11,161	-	11	1,538	-	20	1,517	-
Acquisitions:									
Social Rent	-	-	-	-	-	-	154	10,872	-
Total	**100**	**17,979**	**-**	**47**	**4,973**	**-**	**299**	**26,943**	**958**

GROUP STRATEGIC REPORT (continued)

Developing more homes to meet a range of needs (continued)

The Board approved a business plan in March 2020 that demonstrates capacity to build a further 1,548 units by 2024 under the following tenures:

	Severnside	SSHA	SARH	Total
Committed units				
General needs	204	33	226	463
Shared ownership	57	24	38	119
Non committed units				
General needs	96	122	410	628
Shared ownership	47	107	85	239
Outright sale	-	99	-	99
Total units				
General needs	300	155	636	1,091
Shared ownership	104	131	123	358
Outright sale	-	99	-	99
	404	**385**	**759**	**1,548**

Cashflow

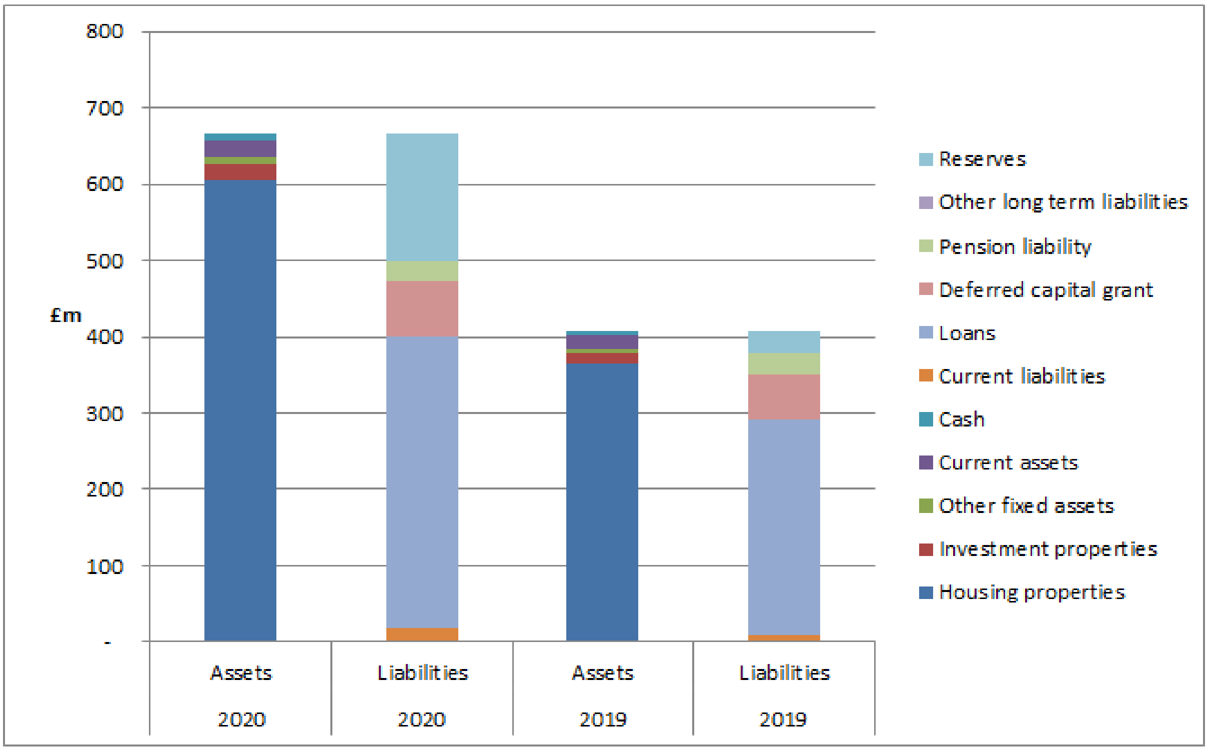
Cash inflows and outflows for the year under review are set out in the Consolidated Statement of Cash Flows. At 31 March 2020 The Housing Plus Group had total cash reserves of almost £10 million, an increase in the year of £6.4 million. Cash flow generated from operations was £33.6 million, which was an increase on the prior year (£28.5 million). SARH's joining the group is the main driver behind the increase in cash generated and resulting balances.

Statement of Financial Position

Group net assets have increased by £139.6m this year to £166.6m, driven by the business combination resulting from SARH and its subsidiaries joining the group from 1 October 2019. The result of the acquisition was that the Group received a 'gift' of £119.9m, being the fair value of SARH Group's net assets. The 'gift' is recognised in the statement of comprehensive income for the year, with details of the transaction being disclosed under note 25 to the financial statements.

The remainder of the increase in net assets is accounted for by the group surplus for the year of £8.6m and actuarial gains of £12.1m.

GROUP STRATEGIC REPORT (continued)



Treasury management

Treasury management responsibility is delegated by the Group Board to the Finance Director. The strategy is set annually, approved by the Board with quarterly review and monitoring reports.

Housing Plus Group Finance Limited was incorporated on 12 July 2019 with the aim of sourcing funding on behalf of The Housing Plus Group Limited directly from banks, building societies and capital markets and on-lend the proceeds to asset-owning subsidiaries of The Housing Plus Group. The Company entered into a secured loan facility agreement with Nationwide Building Society on 22 August 2019 using property owned by fellow subsidiaries of The Housing Plus Group Limited as security. On 31 October 2019, the Company entered into three further secured loan facility agreements with Clydesdale Bank Plc, BAE Systems Pensions Funds Investment Management Ltd and Canada Life Investments respectively, using property owned by fellow subsidiaries of The Housing Plus Group Limited as security.

All of the drawn funding was on-lent to two of the Group's asset owning Registered Provider subsidiaries, SSHA and Severnside. The Company has undrawn revolving credit facilities which have been secured for the benefit of any asset owning Registered Provider within the Group. Non-utilisation fees in relation to undrawn facilities are re-charged to the Group's asset owning Registered Provider subsidiaries

GROUP STRATEGIC REPORT (continued)

Treasury management (continued)

SARH currently operates outside of Housing Plus Group Finance Limited and has a direct relationship with its two funders – M&G and Barclays. The funds are secured against SARH properties.

Total Group borrowing at the financial year end comprised:

	HP Finance	Severnside	SSHA	SARH	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Nationwide	195,500	-	-	-	195,900
Canada Life	35,000	-	-	-	35,000
BAE	45,000	-	-	-	45,000
Barclays	-	-	-	25,000	25,000
M&G	-	-	-	50,000	50,000
Clydesdale Bank plc	8,000	-	-	-	8,000
Shropshire Council	-	8,850	-	-	8,850
Total drawn at 31 March 2020	**283,900**	**8,850**	**-**	**75,000**	**367,750**
Total facility at 31 March 2020	315,400	8,850	-	90,000	414,250
Total drawn at 31 March 2019	***-***	***142,658***	***140,700***	***-***	***283,858***
Total facility at 31 March 2019	*-*	*148,158*	*148,700*	*-*	*296,858*

The undrawn facilities of £46.5 million are fully securitised and available to draw down.

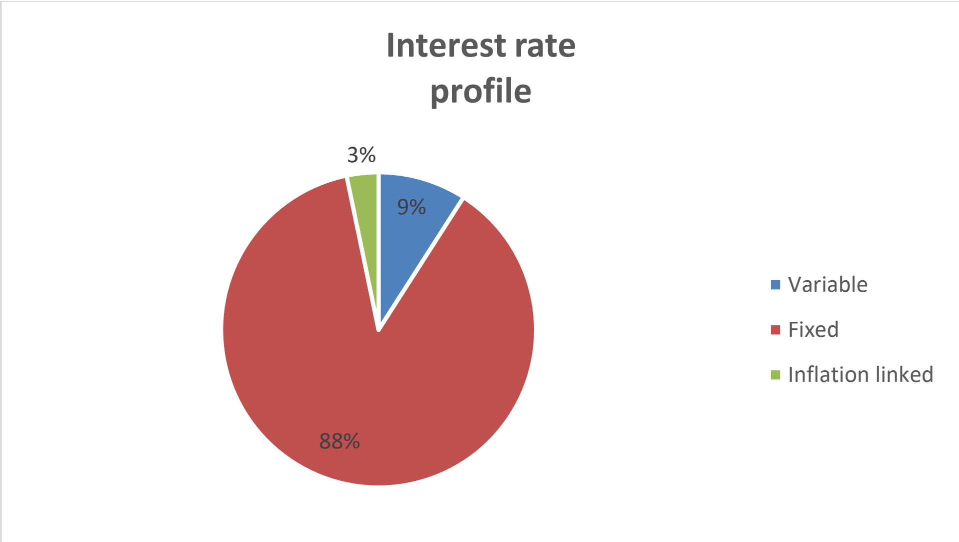
The Group is currently negotiating to extend the current RCF with Barclays in SARH by £30 million to support future development and strategic priorities.

The Group's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Group's Treasury Strategy approved by the Board, which provides written principles on the use of financial derivatives to manage these risks. The Group does not use derivative financial instruments for speculative purposes.

The Group has pursued a strategy of fixing interest rates on loans to provide certainty of future interest payments. At the year end, 88% of loans were at fixed rates of varying length, with revolving loan facilities attracting interest at variable rates linked to LIBOR.

GROUP STRATEGIC REPORT (continued)

Treasury management (continued)



Cash flow risk: a number of the Group's borrowings are held at fixed rates to ensure certainty of cash flows.

Credit risk: The Group's principal financial assets are bank balances and cash, rent arrears and other receivables and investments. The Group's credit risk is primarily attributable to its rent arrears. The amounts presented in the Statement of Financial Position are net of allowances for bad debts. The credit risk on liquid funds is limited because the counterparties are approved UK institutions with high credit ratings as stipulated by the Group's Treasury Management practices.

Liquidity risk: In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses a mixture of long-term and short-term debt finance.

GROUP STRATEGIC REPORT (continued)

Going concern

The board reviewed the 30 - year financial plans in March 2020, as part of their normal annual review and budget approval process. The financial plans were stress tested and mitigation plans noted. The Group's principal financial risks were also considered at this time. At that time, the Group Board were satisfied that The Housing Plus Group and all of its subsidiaries had sufficient resources to continue operating for the foreseeable future and accounts have been prepared in the reasonable expectation that The Housing Plus Group is a financially viable organisation.

Since then, the effect of COVID-19 has also been assessed by the board, in May 2020, reviewing the organisation's ongoing forecasts and projections to ensure that the organisation remains financially viable. The financial business plans will be reviewed a third time, in July 2020, to ensure that data to be submitted to the Regulator of Social Housing in the annual Financial Forecast Return is based on the most up to date expectations of cash flow and financial activity.

In July 2020, an extended Revolving Credit Facility with Barclays Bank Plc will be put in place. The new facility also includes a further £30m of available funds compared to the previous facility with the Bank.

The Group has significant surplus security with most lenders as well as uncharged security. All secured properties are already held in trust and could be allocated quickly to secure any new funding requirements.

With the onset of COVID-19 cash management has been given additional prominence. Contrary to expectations, income has remained strong and with a reduction in spending, cash balances have shown a steady increase and now stand at £18.5m as at the end of June 2020 (£10m at 31 March 2020). Understandably voids performance has dipped due to lockdown but as at the end of June, properties are being let and performance is getting back to normal. There is a good chance that annual void loss will not exceed the levels assumed in the budget and business plan. Across all landlords the average rate of arrears is 2.65%, still below the corporate target of 3%.

In terms of the non - landlord subsidiaries, only Care Plus and Property Plus carry out any significant trading. Demand for Care Plus' services has increased during lockdown. In terms of Property Plus, the impact on income through a reduction in activity during the COVID-19 crisis has been partially offset by furloughing team members. The anticipated impact on profits is a mere £200k. However, this may reduce if a catch - up programme of works is possible.

Short term cash flow is monitored daily for all group entities and on a consolidated basis. Cash flow variances are investigated and the information is used to update and improve cash flow forecasts.

GROUP STRATEGIC REPORT (continued)

Going concern (continued)

Longer-term liquidity is reviewed at least monthly over a two-year planning horizon. Again, this process encompasses all group entities. Latest forecasts demonstrate clearly that The Housing Plus Group and all subsidiaries have sufficient liquidity over at least the next two years i.e. until at least July 2022.

As such, the board conclude that The Housing Plus Group and all subsidiaries remain going concerns. The Board remains satisfied that The Housing Plus Group can continue operating for the foreseeable future and accounts have been prepared in the reasonable expectation that The Housing Plus Group and all subsidiaries is a financially viable organisation

Risks and uncertainties

The Group understands the importance of a strong risk and assurance framework in growing and creating a perpetuity business that is able to continue to support our communities.

We recognise our assets, customers and staff are vital to the success of the Group, and we operate within a cautious risk range, set out in our risk tolerance matrix, which we consider to be appropriate for our business.

There are specific risks that we will not accept which include any course of action that will contribute or could reasonably be anticipated to contribute to the following occurrences:

- Risks that might threaten financial viability;
- Death, permanent personal injury to staff, contractors, agents and customers;
- Risks that impact on maintaining a resilient business (putting social assets at risk, landlord compliance);
- Failure to implement or comply with H&S obligations;
- Any breach of law; and
- Risks that bring intervention or sanction from regulators.

The Group believes that effective risk management is a tool which enables the successful and effective delivery of services, objectives and the promotion of innovation. Also, that identified risks can be reduced to an acceptable level by approaching the control of risks in a strategic and organised manner. In doing so, we are able to grasp and maximise opportunities, improve service delivery, provide a safer environment for staff and the general public and achieve a reduction in unnecessary expenditure.

GROUP STRATEGIC REPORT (continued)

Risks and uncertainties

All Boards within the Group recognise that risk and assurance is not an area for which Boards alone are responsible. The Group is mindful that risk should be understood, assessed and managed across all levels of the organisation. Regular meetings take place with staff to discuss risk management in their specialist areas which includes identifying emerging risks and how these will be either eliminated or controlled and enables the updating of group risk and assurance maps, that include key controls to manage the risk, set out who is responsible for the control and how assurance is gained over the control effectiveness.

All reports presented for discussion at all Board meetings include an assessment of risk and provide assurance on how this is or will be controlled. Specific risks that may prevent the Group achieving its objectives are considered and reviewed quarterly by the Audit and Risk Committee, the Board and Executive Officers. All risks are analysed according to their impact and likelihood as set out in our risk tolerance matrix.

The seven strategic key risk areas that the risk and assurance map covers are:

1. Not maintaining a resilient business
2. Not maintaining financial viability
3. Death or Personal injury to staff, contractors or customers
4. Failure to implement or comply with Health & Safety obligations
5. Government or Local Authority decisions adversely affecting business
6. Interventions by Regulators
7. Merger

The highest scoring risks for the Group as at 31 March 2020 are:

- An incident or a breach of ICT security leads to system unavailability and adversely affects the Group;
- The Group fails to communicate its brand and culture effectively with employees &/or stakeholders;
- High quality employees are not attracted, selected or retained;
- Death or injury is caused due to the condition of the property;
- An incident occurs to either the health or safety of an employee whilst working alone;
- Effective Health and Safety policies and procedures are not in place resulting in prosecution from the H&S Executive;
- The Group fails in its duty of care to employees both in relation to HR and Health & Safety (leading to enforcement action);
- The Group fails to manage the cumulative effect of Welfare Reform;
- The Group fails to manage the implications of Voluntary Right To Buy;

GROUP STRATEGIC REPORT (continued)

Risks and uncertainties (continued)

- Proposed merger weakens the Group's operational delivery and/or has a negative impact on financial resilience, clarity of purpose and capacity and morale.

The Group recognises the importance of not only identifying risks that are high scoring but also those that are inherently high risk but are mitigated by controls.

Controls in place to mitigate identified risks include Board review of Business Plans, stress testing, monitoring of delivery plans, key performance indicators, comprehensive health and safety policies and procedures and internal audit reviews.

The Group Audit & Risk Committee, in accordance with its delegated responsibilities, acts on behalf of all members of the Group, liaising with them and ensuring that each Board in the Group receives assurance that the controls that mitigate the risks can be relied upon through regular checks by the Internal Auditors or specialist independent companies.

Regular risk management assurance reports are provided to each Group Board and on an annual basis, by way of additional assurance, an overarching risk management/internal control report is provided to each Board from the Executive Team and the Group Audit and Risk Committee.

Value for Money ("VFM")

On 1st October 2019, the Housing Plus Group (HPG) merged with Stafford and Rural Homes (SARH). The Housing Plus Group now own and manage over 18,000 properties across Shropshire and Staffordshire. A great deal of activity has taken place over the past 6 months to integrate the businesses.

Changes include:

- A new board governance structure with Group board retaining responsibility for VFM.
- A new corporate plan and objectives have been approved. Considering this, the VFM dashboard has been reviewed to ensure the Group's VFM metrics are aligned with the new corporate objectives.
- Approving a new peer group to reflect our increased size, so that we are comparing our performance against the most suitable peers.
- An integration plan covering the period 1st October 2019 – 31st March 2022, to ensure that the merger delivers the outcomes stated in the merger business case.

GROUP STRATEGIC REPORT (continued)

Value for Money ("VFM") (continued)

The report below demonstrates a year of much change and improvement for the Group. Most targets have been exceeded; the Group's performance against our peers has improved from the previous year.

Where the Group has missed targets has been due to increased expenditure to ensure adherence to the Group's "Compliance First" policy. The development of new funding arrangements with a new Group treasury vehicle have cost increased expenditure which had not been included in last year's forecast however, the Group's long term strategy was to improve liquidity and provide further opportunity to deliver more homes, which this will enable.

The merger with SARH has also strengthened the Group's position and the combined resources of the two organisations will furthermore provide the Group with the opportunity to make even more of a difference and to deliver even better homes and services for customers across Staffordshire and Shropshire.

GROUP STRATEGIC REPORT (continued)

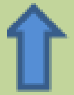
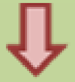
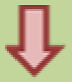
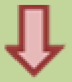
Value for Money (continued)

VFM Dashboard

Key	
	Positive/Negative trend
	Static trend
	Regulator of Social Housing VFM Metric
	Housing Plus Group VFM indicator

Metric	Target 2019/20	2019/20	2018/19	2017/18	Trend	Analysis
Operating efficiencies						
Headline social housing cost per unit	£3,336	£2,833*/ £3,370**	£3,589	£3,204		Performance has exceeded target, merger has had an influence on these figures. Two figures have been included for transparency. Following the regulators advice and in line with the Financial Viability Assessment (FVA) the lower number is based on acquisition accounting methodology. This only includes SARH accounts from 1st October. The higher figure of £3,370, is a combined figure for SARH & HPG for 12 months. *regulators method of calculating mergers for FVA (annual electronic accounts) **based on combined figures for SARH & HPG

% current tenant arrears	3.13%	1.2%	1.37%	1.27%		The Group continues to perform in the top quartile for collecting arrears. HPG acknowledged that Universal Credit (UC) is a major risk to the business so have a specific UC procedure to triage a customer who is identified as being in receipt of UC. Early intervention, well trained specialist officers and robust systems and processes have led to this excellent result without an increase in headcount.
Outcomes delivered						
Reinvestment %	7%	6%* / 10%**	7%	6.7%		Increased expenditure on repairs & maintenance with a heavy focus on compliance to ensure delivery of the Groups “Compliance First” policy. * regulators method of calculating mergers for FVA (annual electronic accounts) ** based on combined figures for SARH & HPG
Customer satisfaction	80%	82.9%	80%	80%		Customer satisfaction with landlord services is now conducted on a quarterly basis, rather than previously being measured every two years. Over the past 12 months 2,027 customers have taken part in this STAR tracker survey.
Number of customers supported into education, training & employment	60	81	59	n/a		Our staff have supported 45 customers into new jobs, and 36 have started training or education. Exceeding the target by 26%.
Development (capacity & supply)						
New supply delivered % (social housing)	1.2%	1.55%	1.35%	1.73%		291 new homes have been delivered during the year. This is due to the merger delivering more units than the Group had planned for pre-merger.

New supply delivered % (non-social housing)	0%	0%	0%	0%		No non-social housing delivered in 2019/20
Gearing %	80%	63%	77%	74%		Gearing has performed better than target due to SARH joining the Group and refinancing during the year.
Business Health						
Operating margin % (social housing lettings)	31%	24%	29%	35%		Overall margin lower than forecast due to merger and increased compliance, pension and funding costs. Although not forecast at the start of the year, these changes have been approved by Board during the year as they developed. The investments are being made to deliver our corporate plan objectives to enable a growing, resilient business which has the funding capacity to grow.
Operating margin % (overall)	34%	25%	27%	35%		Overall margin lower than forecast due to merger and increased compliance, pension and funding costs. Although not forecast at the start of the year, these changes have been approved by Board during the year as they were developed. The investments are being made to deliver our corporate plan objectives to enable a growing, resilient business which has the funding capacity to grow.
EBITDA MRI interest cover %	137%	134%	126%	159%		EBITDA MRI is slightly below target, operating surplus has been reduced due to adjustments in respect of defined benefit pension schemes reflecting contributions per actuary report, higher interest costs due to interest on defined benefit liability and

						reduction in loan amortisation adjustment for SARH due to merger accounting The Group have a target for EBITDA-MRI to average 229% over the first 10 years of the business plan.
Effective asset management						
Return on capital employed %	5.0%	4.1%	4.6%	6.5%		Below target due to costs of arranging new loans to improve liquidity position, providing more opportunities to deliver more homes. Merger and harmonisation costs, and increased expenditure on compliance have had an impact on performance. Global accounts average ROCE has fallen to 3.6% due to investment in compliance activities.
Voids loss (including rent loss, void repair costs and utilities)	£1.69m	£1.71m	£1.59m	£1.6m		Void loss is slightly below target due to some expensive voids which have taken additional time and cost to bring up to lettable standard. New controls have been introduced by the neighbourhoods directorate working closely with the asset investment team to minimise loss/costs where possible. Action has been taken during the year to mitigate these rising costs, for example by in-sourcing a dedicated clearance team.
% sickness absence	4%	3.9%	3.7%	2.6%		Just below target for the year.
% voluntary staff turnover	20.3%	20.2%	20.5%	21.5%		Trending slightly below target. Restructure of central service teams and merger with SARH has had an impact. If data for our Care business is excluded the turnover falls to 10.4%

GROUP STRATEGIC REPORT (continued)

Value for Money (continued)

VFM performance against our objectives

In last year's VFM statements both HPG and SARH gave commitments for 2019/20 on how VFM would be improved:

Housing Plus Group

- Merger – HPG merged with SARH on 1st October 2019, expanding the number of homes owned from 12,000 to over 18,000. The Group is set to deliver the new corporate plan objectives which have been approved by Board to complete integration by April 2022. The integration plan forecasts savings of £3.5m by September 2022.

- IT service delivery – new service started July 2019, moving towards a flexible and dynamic cloud-based service model. This will allow the internal IT team to focus on developing the systems and services provided rather than infrastructure and help desk operations. Agile applications for customers and staff will deliver efficiencies by streamlining processes and increasing customer satisfaction.

- Funding - replaced existing rolling credit facility of £15m and increased facilities by £30m to take total facilities from £296m to £326m meeting the demand for additional property developments.

Stafford & Rural Homes

- Repairs – patch-based approach – SARH teams will be integrating into the Group approach post-merger, changing some service delivery to ensure consistency across the Group.

- Security valuation – the valuation was completed giving SARH more headroom for future developments.

- Cashflow management – new software has been introduced increasing forecast accuracy, which will reduce the carry cost of the revolving credit facility.

- Customer portal – this project has been put on hold due to merger priorities, including compliance, and housing management system consolidation.

- Housing Worx gift aid – Housing Worx continue to reinvest back into SARH via gift aid of any profit generated.

The Group has a VFM strategy which was reviewed and approved by the Board in November 2019. The strategy has a golden thread ensuring that VFM will be achieved when the Group delivers the corporate plan objectives.

GROUP STRATEGIC REPORT (continued)

Value for Money (continued)

In addition to the above commitments the Group has also achieved the following corporate objectives:

A resilient & growing business

- **New governance structure –** merger has led to a review and restructure of the Groups boards, making savings and delivering a strong governance structure for the new larger Group.
- **Good governance –** CQC rating of Good for our care operation and the highest G1 V1 rating with the regulator of social housing reconfirmed following the merger.
- **Protecting rental income –** Continued top quartile performance for collecting current tenant arrears.
- **Compliance – Fire:** Increased investment in compliance and associated repairs and maintenance activity. Expenditure has increased above forecast in the year to bring SARH into the Group's "Compliance First" policy, and to roll out increased fire safety investment. This includes investing in fire risk assessments of fire doors on a six-monthly basis. Staff are being upskilled to risk assess, and our property teams to undertake remedial works which reduces reliance on high demand external resources, saving cost in the long term.
- **Compliance – Gas:** Property Plus gas installation teams are regularly audited by independent external consultants. Out of 414 central heating system installs, the team score an average of 98.7% compliant ranking within the top 10 of over 250 companies audited.
- **In house delivery –** HPG continue to bring services in-house where it makes commercial sense to do so. Following a successful delivery of Grounds Maintenance services in Staffordshire in 2019, the Shropshire Grounds Maintenance contract has started to be delivered from February 2020. Savings in 2019/20 are £15,000, which is forecast to rise to £62,000 in 2020/21.

Focused on Customers, Communities & Homes

- **Developing more homes –** 446 homes have been added to the Group's stock this year. Completed homes of all tenures have been in high demand. We continue to develop our relationships, working closely with our partners in our strategically focussed region of Shropshire and Staffordshire to meet local needs.
- **Triage repairs service** – 39% of responsive repairs are now completed by the Property Plus triage team in the same day. Average completion time for all responsive repairs is 4 days. Customer satisfaction has improved correspondingly from 91% satisfied or very satisfied in 2018/19 to 95% in 2019/20.

GROUP STRATEGIC REPORT (continued)

Value for Money (continued)

- **Customer satisfaction –** the dedicated Customer Voice team are undertaking more customer satisfaction surveys to get more timely and relevant customer satisfaction information. Triangulating this with complaints data, operational performance as well as social value measures such as place shaping helps give the Board a holistic view of performance and service impact.
- **Working with our partners and investing in our communities –** our building better opportunities team, and learning programme and digital inclusion teams have helped 36 customers into education or training, and 45 customers have been supported into employment. This has exceeded our target by 26%, helping to create sustainable tenancies.
- **Care Plus customer satisfaction -** Customers in retirement living and extra care schemes have been consulted on the level of service and support they require from the Care Plus team, rather than every property getting the same level of service. This has ensured that every customer has a choice, which has improved customer satisfaction.

Developing and supporting our people

- **Self-service portal –** 2,225 customers have registered to enable them to pay their rent online leading to efficiencies in our call centre, enabling the team to add value and serve our customers better.
- **Agile working –** the new IT service delivery and cloud-based infrastructure is leading the way to enable staff to work more efficiently.
- **New IT service –** the new service is enabling the internal IT team to deliver strategic IT projects faster whilst the service to end users is improved by having an external help desk service providing cover for longer hours to suit flexible working. The risk to the Group is significantly mitigated by having the infrastructure managed externally and moving all systems to be cloud based.
- **Care Plus staff retention** – carers pay rates have been enhanced, particularly for bank holiday and weekend work. Although this has increased cost, it has improved staff satisfaction and retention rates.

Benchmarking

Please see table below which demonstrates the Group's performance against all LSVT and Traditional registered providers with between 10,000 – 15,000 units. London based providers and providers with a high proportion of supported housing have been excluded to ensure a relevant comparison.

Due to the merger the Board have approved a new peer group which will be monitored and reported on for 2020/21. The new peer group is: all LSVT and Traditional registered providers with between 15,000 – 25,000 units, and excluding London and high proportion of supported housing as above.

GROUP STRATEGIC REPORT (continued)

Value for Money (continued)

Metric	Peer Group Average (10,000-15,000 units) 2018/19	Housing Plus Group 2018/19	Housing Plus Group 2017/18	Quartile indicator	Comments
Headline social housing cost	£3,553	£3,588	£3,200		Just below average performance for our peer group
Reinvestment %	7.1%	7.7%	6.7%		Above the median, whilst continuing to invest in our assets & develop new homes
New supply delivered %					
Social housing	1.34%	1.3%	1.7%		Developing just below the average for the peer group
Non-social housing	0%	0%	0%		We have focussed on providing more affordable homes this year, and have been successful in winning grant funding to enable this
Operating margin %					
Social housing lettings	26%	28.6%	35.1%		Above average performance against our peers for the social housing business
Overall	23.8%	26.5%	34.5%		Above average performance against our peers
Gearing %	46%	77%	74%		The Board note the level of gearing, they understand this is due to the Group being made up mainly of LSVT's and thus they carry a higher historic cost following the purchase and improvement works completed. The average EUV-SH values are 30% higher than historic costs, which gives sufficient capacity for the Group to deliver its growth ambitions. This level of gearing is not impacting on the Group's ability to raise additional funds.
EBITDA MRI interest cover %	184%	117%	159%		Although the level is below the average of the benchmark group, the Board recognise that to deliver its growth ambitions it needs to use the capacity within the Group and have a lower EBITDAMRI. It should be noted that the minimum required by covenant is 105%. The Group have a target for EBITDA-MRI to average 229% over the first 10 years of the business plan.
Return on capital employed (ROCE)	4.4%	4.6%	6.5%		Above average performance against our peers
Current tenant arrears %*	2.95%	1.48%	1.37%		Top quartile performance despite Universal Credit being rolled out. * Housemark peer group (sample size: 21)

Key	Quartile
	Upper quartile
	Middle upper quartile
	Middle lower quartile
	Lower quartile

Source: 2019 Global accounts of registered providers – Regulator of Social Housing, December 2019 (except *, Housemark data)

Future Plans

Our focus is delivering on the new corporate plan objectives which have been recently approved by Board:

HOMES - A leading provider of quality, affordable homes

- Begin building 2,000 more homes to meet a range of needs
- Continue to invest in our existing estates and homes, ensuring they are well maintained and benefit from ongoing improvement programmes
- Maintain sector leader status in property compliance and health and safety activities

LIVES - A dependable supplier of services that customers can trust

- Implement a Care and Wellbeing Strategy for the integration and growth of services
- Develop harmonised services to customers
- Work with customers across all landlords to create a "customer voice" model that ensures views are heard

COMMUNITIES - An investor in communities across Shropshire and Staffordshire

- Create 100 apprenticeships in our business and with our partners by December 2023
- Invest in our communities and provide advice to support financial wellbeing and improve employability
- Offer befriending and support services for our most vulnerable customers

The merger integration plan also identifies efficiencies to be delivered during 2020/21, including savings in duplication and improved costs by re-procuring services. These include, internal and external audit, insurance services, corporate legal services, communication and marketing costs, and stores and material procurement.

GROUP STRATEGIC REPORT (continued)

Value for Money (continued)

Self-assessment

After taking into account the information outlined above, we the Housing Plus Group board believe the Group complies with the VFM standard set by the Regulator of Social Housing.

In compiling this summary we feel that we have demonstrated our current and future plans and approaches to VFM which have produced some excellent results, and are well placed to continue to deliver our new corporate plan.

Statement of compliance

The Board confirms that this Strategic Report has been prepared in accordance with the principles set out in the Statement of Recommended Practice for registered social housing providers 2018 update.

The Board confirms that the Group has complied with all relevant regulatory and legal requirements. The Board confirms this for the Group and its subsidiaries through appropriate policies and procedures and a strong control framework (described in the Statement of Internal Controls). The Board also reviews the effectiveness of the control framework and the assurance received from it, including receiving external reviews from the Internal Auditor.

This Group Strategic Report was approved by order of the Board:

Irene Molyneux

S Jennings
Chair

I Molyneux
Company Secretary

S Boden
Director

23 July 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HOUSING PLUS GROUP LIMITED

Opinion

We have audited the financial statements of Housing Plus Group Limited ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2020 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position, the consolidated and Association statement of changes in reserves, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2020 and of the Group's and the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HOUSING PLUS GROUP LIMITED (continued)

Other information

The board are responsible for the other information. 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 we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the board

As explained more fully in the board members' responsibilities statement set out on page 10, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HOUSING PLUS GROUP LIMITED (continued)

Auditor's responsibilities for the audit of the financial statements

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

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.

BDO LLP

BDO LLP
Statutory Auditor
Two Snowhill
Birmingham
B4 6GA
Date: 9 September 2020

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

CONSOLIDATED AND PARENT STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2020

	Note	Year Ended 31 March 2020				Year Ended 31 March 2019	
		Group			Parent	Group	Parent
		Underlying Business activities	Effect of Business Combinations	Total			
		£'000			£'000	£'000	£'000
Turnover	3	79,858	-	79,858	10,552	62,553	9,682
Cost of sales	3	(3,301)	-	(3,301)	-	(2,386)	-
Operating costs	3	(56,863)	-	(56,863)	(11,452)	(43,566)	(9,911)
Surplus on disposal of housing properties	4a	6,880	-	6,880	-	1,410	-
Operating surplus/(deficit)		**26,574**	**-**	**26,574**	**(900)**	**18,011**	**(229)**
Surplus on disposal of tangible fixed assets	4b	-	-	-	-	2	2
Interest receivable and similar income	5	32	-	32	14	32	-
Interest and financing costs	6	(17,916)	-	(17,916)	(103)	(15,511)	(46)
Movement in fair value of investment properties	12c	(62)	-	(62)	-	(516)	-
Fair value on business acquisition	25	-	119,959	119,959	119,959	-	-
Distribution received from subsidiary	26	-	-	-	35	-	-
Gift aid received from subsidiary		-			-	-	800
Surplus/(deficit) before taxation	7	**8,628**	**119,959**	**128,587**	**119,005**	**2,018**	**527**
Taxation on surplus/(deficit)	8	-	-	-	-	(2)	(1)
Surplus/(deficit) for the financial year		**8,628**	**119,959**	**128,587**	**119,005**	**2,016**	**526**
Actuarial gain/(loss) in respect of pension schemes	21	12,159	-	12,159	1,064	(3,406)	(1,161)
Loss on transfer of SHPS	20	-	-	-	-	(1,333)	(95)
Total comprehensive income for the year		**20,787**	**119,959**	**140,746**	**120,069**	**(2,723)**	**(730)**

All the Group and Parent turnover and surplus disclosed above are derived from continuing activities.

The accompanying notes on pages 46 to 104 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES
for the year ended 31 March 2020

Group	Income and Expenditure Reserve	Restricted Reserve	Total
	£'000	£'000	£'000
Balance at 1 April 2019	**24,006**	**3,043**	**27,049**
Total surplus from Statement of Comprehensive Income	**128,587**	**-**	**128,587**
Actuarial gains on defined benefit pension schemes	12,159	-	12,159
Other Comprehensive Income for the year	**12,159**	**-**	**12,159**
Capital spend in the year	-	(568)	(568)
Reclassification	(58)	58	-
Balance at 31 March 2020	**164,694**	**2,533**	**167,227**

Group	Income and Expenditure Reserve	Restricted Reserve	Total
	£'000	£'000	£'000
Balance at 1 April 2018	**26,729**	**3,418**	**30,147**
Total surplus from Statement of Comprehensive Income	**2,016**	**-**	**2,016**
Actuarial gains on defined benefit pension schemes	(3,406)	-	(3,406)
Loss on transfer of SHPS	(1,333)	-	(1,333)
Other Comprehensive Income for the year	**(4,739)**	**-**	**(4,739)**
Capital spend in the year	-	(375)	(375)
Balance at 31 March 2019	**24,006**	**3,043**	**27,049**

The accompanying notes on pages 46 to 104 form part of these financial statements.

PARENT STATEMENT OF CHANGES IN RESERVES
for the year ended 31 March 2020

Parent	Income and Expenditure Reserve	Restricted Reserve	Total
	£'000	£'000	£'000
Balance at 1 April 2019	**(2,870)**	**-**	**(2,870)**
Total surplus / (deficit) from Statement of Comprehensive Income	**119,005**	**-**	**119,005**
Actuarial gains / (losses) on defined benefit pension scheme	1,064	-	1,064
Other Comprehensive Income for the year	**1,064**	**-**	**1,064**
Balance at 31 March 2020	**117,199**	**-**	**117,199**

Parent	Income and Expenditure Reserve	Restricted Reserve	Total
	£'000	£'000	£'000
Balance at 1 April 2018	**(2,140)**	**-**	**(2,140)**
Total surplus / (deficit) from Statement of Comprehensive Income	**526**	**-**	**526**
Actuarial gains / (losses) on defined benefit pension scheme	(1,161)	-	(1,161)
Loss on transfer of SHPS	(95)	-	(95)
Other Comprehensive Income for the year	**(1,256)**	**-**	**(1,256)**
Balance at 31 March 2019	**(2,870)**	**-**	**(2,870)**

The accompanying notes on pages 46 to 104 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 March 2020

	Note	As at 31 March 2020		As at 31 March 2019	
		Group	Parent	Group	Parent
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets and goodwill	10	237	237	73	73
Tangible fixed assets					
Housing properties	11	606,173	-	364,668	-
Other tangible fixed assets	12b	9,793	202	5,842	329
Investment properties	12c	19,770	-	14,162	-
Investments	25	-	119,958	-	-
		635,973	**120,397**	**384,745**	**402**
Current assets					
Stocks	12e	15,391	-	13,114	-
Debtors	13	5,453	1,724	4,907	2,687
Investments		7	-	7	-
Cash and cash equivalents		9,950	48	3,553	130
Less: Creditors: Amounts falling due within one year	14	(23,299)	(1,753)	(11,553)	(2,467)
Net current assets/(liabilities)		**7,502**	**19**	**10,028**	**350**
Total assets less current liabilities		**643,475**	**120,416**	**394,773**	**752**
Creditors: Amounts falling due after more than one year	15	(451,531)	-	(340,499)	-
Pension liability	21	(24,717)	(3,217)	(27,225)	(3,622)
Total net assets		**167,227**	**117,199**	**27,049**	**(2,870)**
Reserves					
Income and expenditure reserve		164,694	117,199	24,006	(2,870)
Restricted reserve		2,533	-	3,043	-
Total reserves		**167,227**	**117,199**	**27,049**	**(2,870)**

The financial statements were approved by the Board and authorised for issue and are signed on its behalf by:

S Jennings
Chair

S Boden
Director

I Molyneux
Company Secretary

23 July 2020

The accompanying notes on pages 46 to 104 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 March 2020

	Note	Year Ended 31 March 2020		Year Ended 31 March 2019	
		£'000	£'000	£'000	£'000
Cash from operations	23		**32,086**		**28,547**
Taxation receivable / (payable)			2,046		(2,313)
Net cash generated from operating activities			34,132		26,234
Cash flows from investing activities					
Cash from business acquisition		10,113			
Purchase of tangible fixed assets		(39,277)		(40,224)	
Purchase of intangible assets		(202)		-	
Proceeds from sale of tangible fixed assets		13,350		6,240	
Grants received		941		634	
Interest received		32		32	
Net cash from investing activities			**(15,043)**		**(33,318)**
Cash flows from financing activities					
Interest paid		(17,084)		(14,740)	
Loan drawdown/new loans		12,000		22,000	
Repayments of borrowings		(7,608)		(8,100)	
Net cash used in financing activities			**(12,692)**		**(840)**
Net increase/(decrease) in cash and cash equivalents		6,397		(7,924)	
Cash and cash equivalents at beginning of the year		3,553		11,477	
Cash and cash equivalents at the end of the year	24		**9,950**		**3,553**

The accompanying notes on pages 46 to 104 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Legal status

The Parent, the Housing Plus Group Limited, is registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 and is a non-housing asset holding company registered with the Regulator of Social Housing. Housing Plus is a public benefit entity as described by Financial Reporting Standard 102.

2. Accounting policies

A summary of the key accounting policies, which have been applied consistently across all group entities, is set out below.

a) Basis of accounting

The financial statements have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014 (and related group accounts regulations), UK Generally Accepted Accounting Practice (UK GAAP) including FRS102 (*the Financial Reporting Standard* applicable in the UK and Republic of Ireland), and the Statement of Recommended Practice for registered social housing providers 2018 update (SORP). The financial statements comply with the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2019.

The financial statements have been prepared under the historic cost convention, except for investment properties, which are stated at their fair value.

The financial statements are presented in pounds sterling (£).

The accounts have been prepared in accordance with applicable accounting standards under the historical cost accounting rules and on a going concern basis.

The Directors have reviewed the 30 year business plan for the Group as part of their normal annual review and budget approval process. The financial plans were stress tested against 3 different scenarios including economic, welfare and compliance changes and a 'perfect storm' scenario was performed combining all of the other 3 scenarios. Mitigations were only needed in this 'perfect storm' scenario. Under this scenario the Group needed mitigations of £8m which could be found from within the £98.9m of uncommitted developments included in the Group plan or the planned annual spend of £6.8m on kitchen and bathroom improvements.

The impact of the Covid 19 outbreak has been considered by the Directors. The Group continues to operate effectively with the majority of support staff working from home and other staff abiding by social distancing. Contrary to expectations the landlords have performed well to date. Rental income collection has remained strong during the period with little change in the arrears figure to date with performance at 2.65% which is below the corporate target of 3%. Voids performance suffered during the 'lockdown' period, but performance has since improved, and it is anticipated that void loss will be controlled around the budget level. Development work was also suspended during the start of the 2020/21 financial year but has since resumed.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Income within Property Plus is performing below budget due to the temporary suspension of planned maintenance programmes however the overall impact has been partially offset by furloughing and redeploying some team members. It is anticipated that Property Plus will break-even in 2020/21 despite the pandemic as activity has since resumed. All other subsidiaries are performing as per budget with minimal impact to date from the pandemic. Most of their transactions are intra group and the Group Board has confirmed that it will continue to support its subsidiaries in line with the 30 year business plan.

As at 31st March 2020 the Group had £9.95m of cash and a further £46.4m of available facilities ready to draw down. The Group was also in discussions with Barclays for £45m within SARH which would repay an existing £15m RCF and increase SARH's total facilities by an additional £30m in the summer of 2020.

Given the strength of the balance sheet and availability and liquidity of undrawn loan facilities the Board believe that while uncertainty exists, this does not pose a material uncertainty that would cast doubt on the Group's ability to continue as a going concern for the foreseeable future, which is a period of at least 12 months from signing of the accounts and audit report. The Board therefore consider it appropriate for the accounts to be prepared on a going concern basis.

b) Basis of consolidation

The Group financial statements consolidate the financial statements of The Housing Plus Group Limited parent entity and its wholly owned subsidiaries.

At 31 March 2020, the wholly owned subsidiaries were: South Staffordshire Housing Association Limited (SSHA), Severnside Housing, Stafford and Rural Homes (SARH), Severn Homes Limited, Care Plus Staffordshire Limited, SSHA Developments Limited (formerly Acton Gate Limited), Property Plus (Midlands) Limited and Housing Plus Group Finance Limited. During the year, A Walters Electrical Limited and Severnside Community Association Limited were dissolved, having become dormant. Also, during the year, a new wholly owned subsidiary was set up; Housing Plus Group Finance Limited.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As of 1 October 2019, the existing Housing Plus Group joined together with Stafford and Rural Homes Group. Stafford and Rural Homes Limited became a wholly owned subsidiary of Housing Plus Group Limited. The following entities remain wholly owned subsidiaries of Stafford and Rural Homes: Housing Worx Limited, Development Worx Limited and County Town Homes (Stafford) Limited.

The consolidated statement of financial position at 31 March 2020 incorporates the assets and liabilities of all entities within the group at that time. The consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows incorporate the results for the period that they were members of the group.

Intercompany transactions and balances within group companies have been eliminated in full on consolidation.

The Housing Plus Group Limited meets the definition of a qualifying entity under FRS102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside these consolidated financial statements. Exemptions have been taken in relation to the following:

- A Statement of Cash Flows has not been presented for the parent company.
- Certain disclosures in the parent company's financial statements have not been presented where equivalent disclosures have been provided for the Group as a whole.
- No disclosure has been made for the aggregate remuneration of the key management personnel of the parent as their remuneration is included in the totals for the group as a whole.

c) Turnover and income recognition

Turnover represents rental and service charge income receivable net of voids, sales of first tranche shared ownership properties, grant amortisation and care services income for the year. Turnover (representing those items listed above) in the notes to the financial statements are analysed to identify General Needs, Supported Housing, Care Housing and Shared Ownership properties.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Income from Low Cost Home Ownership sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met. Service charges, Supporting People Income and care services are recognised when the service has been performed and expenditure incurred.

NOTES TO THE FINANCIAL STATEMENTS (continued)

d) Value Added Tax (VAT)
The Group's main income stream, being rent, is exempt for value added tax (VAT) purposes. The majority of expenditure is subject to VAT, which the Group and subsidiaries are unable to reclaim – this expenditure is therefore shown inclusive of VAT.

VAT can be reclaimed under the partial exemption method for certain other activities. The balance of VAT payable to or recoverable at the year end is included in the financial statements as a current liability or asset.

e) Interest payable and other finance costs
Interest and finance costs represent the cost of financing the purchase of those properties transferred and property acquisitions as well as new development. Loans are secured on the majority of housing properties owned by SSHA, Severnside Housing and Stafford and Rural Housing.

Interest and finance costs are charged to the Statement of Comprehensive Income in the year in which they are incurred.

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

i) Interest on borrowings specifically financing the development programme after deduction of related grants received in advance; or

ii) A fair amount of interest on borrowings, as a whole, after deduction of SHG received in advance, to the extent that they can be deemed to be financing the development programme

f) Taxation
The Parent, SSHA, Care Plus, Severnside and Stafford and Rural Homes are all exempt charities. SSHA Developments, Severn Homes and Property Plus are liable for Corporation Tax and an annual provision is made to meet any assessed tax liability.

g) Pensions
The Group participates in a number of defined benefit pension schemes. The assets of these schemes are held separately to those of the Group.

For defined benefit schemes accounted for as defined benefit schemes, the net liability (or asset, to the extent it is recoverable) is calculated by estimating the amount of future benefit that employees have earned to date, discounted to present value,
and deducting the fair value of the scheme's assets. Changes in this net defined benefit liability arising from employee service, introductions, benefit changes, curtailments and settlements during the period are recognised in operating costs. The net interest expense (or income) on the net liability (or asset) for the period is recognised as other finance cost (or income).

NOTES TO THE FINANCIAL STATEMENTS (continued)

Re-measurement of the net liability (or asset) is recognised as actuarial gains/losses in Other Comprehensive Income.

SARH also participates in the Social Housing (defined contribution) Pension Scheme (SHPS). Contributions to defined contribution pension schemes are charged to the Statement of Comprehensive Income in the year in which they become payable.

h) Holiday pay accrual
A current liability is recognised for any unused holiday pay entitlement which has accrued at the Statement of Financial Position date. This is measured at the undiscounted salary cost of the future holiday entitlement at the Statement of Financial position date.

i) Housing properties
Housing properties are held for the provision of social housing or to otherwise provide social benefit.

Housing properties are principally properties available for rent. Completed housing properties for lettings are stated at cost less accumulated depreciation and accumulated impairment losses. The cost includes costs of acquiring land and buildings, development costs incurred during the development period and other directly attributable costs (including capitalised interest, see (e) above).

Housing properties under construction are stated at cost less accumulated impairment losses.

Completed housing properties are split between their land and other components. Freehold land is not depreciated. Housing properties are depreciated on a straight-line basis over the useful economic life of the assets. The depreciable amount is arrived at on the basis of original cost.

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

The Group’s housing assets are depreciated as follows:

- Depreciation is charged from the date of acquisition or practical completion of works.
- Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.
- The estimated useful lives of components and classes of components are kept under review.
- Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the structure to which they relate, if shorter.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Component estimated useful life

• Structure	75 - 100 years
• Roof	60 years
• Kitchens	20 years
• Bathrooms	30 years
• Heating System/Boilers	15 years
• Wiring System	30 years
• Lifts	30 years
• UPVC external doors	30 years
• UPVC windows, fascia's and guttering	30 years
• Porches	30 years
• Solar Panels	30 years
• Housing Act Sewerage Works	25 years

j) Capitalisation

Works to existing properties which replace a component that has been treated separately for depreciation purposes are capitalised as improvements.
Major improvements and renovation of housing properties which extend the life of the asset, increase the rent or considerably reduce future routine maintenance are capitalised and depreciated over the useful economic life of the asset.
Staff and other costs that are directly attributable to bringing housing properties to practical completion are capitalised. Development costs not capitalised are shown as other activities in the Statement of Comprehensive Income.
Interest costs relating to new development are capitalised. The interest charged reflects the net interest paid over the period of the developments. (See (e) above, interest payable and other finance costs)

k) Accounting for grants

The Group receives Social Housing Grant and grants from Local Authorities. Any grants provided to reduce the capital cost of housing properties held at cost or specific components of housing properties, are recognised by the Group using the accrual model. It means that grants are released to the Statement of Comprehensive Income, on a systematic basis over the expected useful life of the housing property structure or if a Disabled Facilities Grant over the expected useful life of the bathroom.

If an asset (housing property or any of its components) is disposed of, for which grant was received, and there is no obligation to repay the grant, any grant remaining within liabilities on the Statement of Financial Position is released to the Statement of Comprehensive Income. If the grant is available to be recycled it is credited to a Recycled Capital Grant Fund and included as a liability in the Statement of Financial Position.

Any grants received in respect of revenue expenditure are recognised in the Statement of Comprehensive Income as they become receivable.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Donations of land or other tangible assets acquired below market value from a government source are treated as a non-monetary grant. The difference between the fair value of the tangible asset donated or acquired and the consideration paid is recognised as a liability in the Statement of Financial Position. Once the terms of the donation have been met it is released as income to the Statement of Comprehensive Income.

l) Sale of housing property

Under shared ownership arrangements, the Group sells a long term leasehold interest of Shared Ownership housing units to persons who occupy them at a lease premium equal to between 25% and 100% of open Market Value.

The proceeds of first tranches sales are accounted for as turnover in the Statement of Comprehensive Income. The total property cost is apportioned between the shared ownership element and the element remaining in the Group's ownership based on the percentage sold or estimated to be sold.

Properties developed for sale that are either unsold or work in progress at the year-end are included in current assets. Any subsequent tranches sold ('Stair-casing') are accounted for as disposals. The remaining unsold element remains on the Statement of Financial Position as a fixed asset and is subject to an annual impairment review.

Under Right to Buy and Right to Acquire arrangements SSHA, Severnside and Stafford and Rural Homes may sell properties to qualifying tenants. For SSHA (due to the nature of the transfer with South Staffordshire Council) is not possible to separately identify the cost of each property sold. An average cost is eliminated from the property assets following each sale and charged to the Statement of Comprehensive Income. Receipts from Right to Acquire sales are required to be retained in a ring-fenced fund that can only be used for providing replacement housing. The sales receipt less eligible expenses are held in a disposal proceeds fund, which is held in creditors (either current or long-term dependent on when it is anticipated to be used).

m) Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance. The Group's intangible assets include licences, warranties and software. These are stated at cost less accumulated amortisation and any accumulated impairment losses. The cost includes cost of asset purchase and other directly attributable costs.

Intangible assets are amortised on a straight-line basis over the useful economic life of the assets as follows:

Software warranties & licences	4 years

NOTES TO THE FINANCIAL STATEMENTS (continued)

n) Other tangible fixed assets
Other tangible assets are depreciated on a straight-line basis over the useful economic life of the asset as follows:

• Office structure	60 years
• Vehicles	4 years
• IT software	4 years
• Furniture & equipment	5 years
• Photocopiers	3 years
• IT hardware	2 years

For assets categorised as other tangible fixed assets the threshold for capitalisation is £500 for a single asset or group of assets.

o) Impairment
The Group carries out an annual impairment review of individual tangible fixed assets and cash generating units. The Group considers cash generating units to be schemes or geographical areas depending on size.

The review takes into account internal and external indicators of impairment; including obsolescence, physical damage, expected cash flows, replacement values market factors and government policy.

Where an indicator of impairment exists, an impairment assessment is performed. The assessment compares the carrying amount to the recoverable amount. If the carrying amount of an asset or cash generating unit exceeds the recoverable amount then the loss is charged to the Statement of Comprehensive Income as expenditure. If the loss is considered to be material, then it is disclosed as a separate line within operating expenditure.

p) Leased assets and leasing obligations
At inception, the Group assesses all agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date. The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Payments received when the Group is acting as a lessor (Commercial Offices) are treated as rental revenue in the Statement of Comprehensive Income and the leased asset is a fixed asset in the Statement of Financial Position.

q) Goodwill
Goodwill arising from the purchase of A Walters Electrical represents the difference between the consideration paid and the fair value of the net assets acquired. The goodwill was amortised over 3 years with no charge in the year ended 31 March 2020 or 2019.

r) Stocks
Stocks are stated at the lower of cost and net realisable value.

s) Debtors and creditors
Debtors and creditors receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Comprehensive Income in other operating expenditure.

t) Financial instruments
A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability of another entity. The Group accounts for its financial instruments using sections 11 ‘Basic Financial Instruments’ and 12 ‘Other Financial Instruments Issues’ of FRS102.

The Group’s financial instruments are all currently classified as basic and include rent receivable, trade creditors, cash and loans.

Basic financial instruments are initially recognised at transaction price and in subsequent years at amortised cost. Financial assets are derecognised when the rights to the cash flows from the asset expire or are settled. Financial liabilities are derecognised when the obligation is discharged, cancelled or expired. Any difference between the consideration paid or received and the amounts derecognised are recorded in the Statement of Comprehensive Income.

u) Cash and cash equivalent
‘Cash and cash equivalents’ consists of cash at bank, cash in hand, deposits and short term investments with an original maturity of three months or less.

v) Provisions for liabilities and charges
The Group only makes a provision when:

- there is a present legal or constructive obligation, resulting from a past event, at the Statement of Financial Position date;
- it is probable that a transfer of economic benefits 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 expenditure required to settle the present obligation at the Statement of Financial Position date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The Group sets a provision against rent arrears of current and former tenants based upon historic trends relating to write offs. All other receivables including trade receivables are provided for on a case by case basis.

w) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably.

The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent liability exists on grant repayment which is dependent on the disposal of the related property.

x) Reserves

Income received, and expenditure incurred, for restricted purposes is separately accounted for within restricted funds.

The difference on transition between the fair value of investment properties and the historical cost carrying value is credited to the revaluation reserve.

y) Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires the use of certain accounting estimates and judgements concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

i). Impairment of assets

The Group assesses whether there is any indicator of impairment. Where an indication of impairment exists then an estimate must be made of the recoverable amount of the cash generating unit (CGU). This can require estimation of future cash flows from the CGU or costs of constructing/replacing the CGU if it is not held solely for its cash flows but for its service potential. Estimations are also made in relation to the selection of appropriate discount rates in order to calculate the net present value of those cash flows or costs.

At the reporting date, the Group holds £14.2m of investment properties, of which £13.1m relates to market rent properties valued by Jones Lang LaSalle IP, Inc. (JLL).

NOTES TO THE FINANCIAL STATEMENTS (continued)

The most significant assumptions made for the properties valued by JLL are:

- Vacant possession values: a 10% fall in these would reduce the value of these properties by £1.1m.
- Market rents: a 10% fall in these would reduce the value of these properties by £0.2m.
- Discount rates: the rate applied to rental income is 6.75% whilst the rate applied to capital receipts is 8.00%. An increase of 0.5% in these rates would reduce the value of these properties by £0.2m.

At the reporting date, the Group holds £4.6m of commercial land and buildings. These were valued by JLL during the financial year.

The most significant assumptions made for the properties valued by JLL are:

- Capital value per sq. ft.: a 10% fall in this value would reduce the value of these properties by £0.7m.

ii). Defined benefit pension scheme

The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, asset valuations and the discount rate on corporate bonds. Management relies on the estimates made by actuaries and the pension fund in these areas.

During the year ended 31 March 2020, the range of assumptions used by the individual schemes of which the Group is a member is shown in Note 20 of the financial statements.

iii). Classification of Financial Instruments

The Group must make judgements over the classification of Financial Instruments as either basic or other. The implication of this is that if treated as ‘other’, the loan would have to be shown at fair value with any movements in fair value reflected in the Statement of Comprehensive Income. All of these adjustments are non-cash and would have no impact on the Group’s loan covenants.

The Group’s financial instruments are all currently classified as basic and measured at amortised cost.

iv) Leases

Whether leases entered into by the Group either as a lessor or a lessee are operating leases or finance leases. These decisions depend on an assessment of whether risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

v) Development expenditure

The anticipated costs to complete on a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, they then determine the recoverability of the cost of properties developed for outright sale. This judgement is also based on the best estimate of sales value based on economic conditions within the area of development.

vi) Assets

The appropriate allocation of costs for mixed tenure developments, and furthermore the allocation of costs relating to shared ownership between current and fixed assets. The categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset.

z) Other key sources of estimation uncertainty

i)Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, if appropriate. The actual lives of the assets are assessed annually and may vary depending on a number of factors.

For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

ii) Debtors

The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Particulars of turnover, cost of sales, operating costs and operating surplus

Group	Note	Year Ended 31 March 2020				Year Ended 31 March 2019			
		Turnover	Cost of Sales	Operating Expenditure	Operating Surplus/ (Deficit)	Turnover	Cost of Sales	Operating Expenditure	Operating Surplus/ (Deficit)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Social housing lettings									
Income and expenditure from social housing lettings	3a	70,288	-	(53,551)	16,737	55,407	-	(39,567)	15,840
Other social housing activities									
1st Tranche LCHO sales		4,036	(2,981)	(108)	947	3,429	(2,254)	(79)	1,097
Leaseholders		121	-	(100)	21	117	-	(128)	(11)
Tenant garages		196	-	-	196	211	-	-	211
Charges for support services		102	-	(96)	6	-	-	-	--6880
External activities		2,257	-	(2,422)	(165)	1,661	-	(1,706)	(45)
Office depreciation and impairment		-	-	(53)	(53)	-	-	(1,859)	(1,859)
Other activities		484	-	(193)	291	172	-	(5)	167
		7,196	(2,981)	(2,972)	1,243	5,590	(2,254)	(3,777)	(441)
Activities other than social housing activities									
Shops		71	-	(4)	67	56	-	(1)	55
Private garages		972	-	(144)	828	379	-	(3)	376
Market and commercial rent		967	-	(149)	818	959	-	(128)	831
Other		364	(320)	-	44	-	-	-	-
Market sales		-	-	(43)	(43)	162	(132)	(73)	(43)
Commercial sales		-	-	-	-	-	-	(13)	(13)
Charitable activity		-	-	-	-	-	-	(4)	(4)
		2,374	(320)	(340)	1,714	1,556	(132)	(222)	1,202
Total		**79,858**	**(3,301)**	**(56,863)**	**19,696**	**62,553**	**(2,386)**	**(43,566)**	**16,601**

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Particulars of turnover, operating costs and operating surplus (continued)

Parent	Note	Year Ended 31 March 2020 Turnover	Cost of Sales	Operating Expenditure	Operating Surplus/ (Deficit)	Year Ended 31 March 2019 Turnover	Cost of Sales	Operating Expenditure	Operating Surplus/ (Deficit)
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Social housing lettings									
Income and expenditure from social housing lettings	3a	**-**	-	-	-	**-**	-	-	-
Other social housing activities									
Charges for support services		10,552	-	(11,452)	(900)	9,682	-	(9,911)	(229)
External activities		-	-	-	-	-	-	-	-
Intra group		-	-	-	-	-	-	-	-
		10,552	-	(11,452)	(900)	9,682	-	(9,911)	(229)
Total		**10,552**	**-**	**(11,452)**	**(900)**	**9,682**	**-**	**(9,911)**	**(229)**

All social housing activities are undertaken by SSHA, Severnside and Stafford and Rural Homes (from 1 October 2019) as the owners of the housing assets within the Group. Other housing activities are undertaken by the Parent and all subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3a. Income and expenditure from social housing activities

	Year Ended 31 March 2020						Year Ended 31 March 2019	
	General Housing	Supported Housing	Low Cost Home Ownership	Care Housing	Group Total	Parent Total	Group Total	Parent Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	52,610	7,200	1,308	3,924	65,042	-	51,262	-
Service charges income	606	2,061	368	1,395	4,430	-	3,368	
Amortised government grants	558	57	65	116	796	-	685	
Other income	14	6	-	-	20	-	92	
Turnover from social housing lettings	**53,788**	**9,324**	**1,741**	**5,435**	**70,288**	**-**	**55,407**	**-**
Management	(14,546)	(3,200)	(418)	(1,138)	(19,302)	-	(13,991)	-
Service charge costs	(505)	(1,629)	(32)	(1,427)	(3,593)	-	(2,535)	-
Routine maintenance	(5,620)	(587)	(6)	(101)	(6,314)	-	(3,772)	-
Planned maintenance	(9,703)	(1,028)	(22)	(530)	(11,283)	-	(10,373)	-
Bad debts	(224)	13	(1)	(5)	(218)	-	(209)	-
Depreciation of housing properties	(10,353)	(1,605)	(364)	(520)	(12,842)	-	(8,687)	-
Operating costs on social housing lettings	**(40,951)**	**(8,036)**	**(843)**	**(3,721)**	**(53,551)**	**-**	**(39,567)**	**-**
Operating surplus on social housing lettings	**12,837**	**1,288**	**898**	**1,714**	**16,737**	-	**15,840**	**-**
Void losses	(262)	(109)	(16)	(24)	(411)	-	(364)	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

3b. Classes of accommodation in management and development

	Year Ended 31 March 2020		Year Ended 31 March 2019	
	Group	Parent	Group	Parent
	Units	Units	Units	Units
General housing				
- Social rent	13,878	-	9,238	-
- Affordable rent	986	-	566	-
Supported housing and housing for older people				
- Social rent	2,509	-	1,129	-
- Affordable rent	28	-	28	-
Low cost home ownership	643	-	408	-
Care housing				
- Social rent	201	-	200	-
- Affordable rent	50	-	50	-
Total social housing units	18,295		11,619	
Market rent	122	-	122	-
Other	2	-	2	-
Leasehold	453	-	415	-
Total social housing owned	**18,872**	**-**	**12,158**	**-**
Non social leasehold	40	-	36	-
Total owned and managed	**18,912**	**-**	**12,194**	**-**
Accommodation in development at the year end	486	-	212	-

4a. Surplus on disposal of housing properties

Group	Year Ended 31 March 2020				Year Ended 31 March 2019
	LCHO	RTB	Other Properties	Total	Total
	£'000	£'000	£'000	£'000	£'000
Disposal proceeds	-	7,597	1,166	8,763	2,163
Cost of sales	-	(1,381)	(493)	(1,874)	(727)
Selling costs	-	(2)	(7)	(9)	(26)
Net surplus on disposal of housing properties	**-**	**6,214**	**666**	**6,880**	**1,410**

Housing Plus as a parent disposed of no housing properties (2019: nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

4b. Surplus on disposal of other tangible fixed assets

	Year Ended 31 March 2020		Year Ended 31 March 2019	
	Group	Parent	Group	Parent
	£'000	£'000	£'000	£'000
Net receipts on sale				
Other tangible fixed assets	-	-	20	20
	-	**-**	**20**	**20**
Less: Cost of sales	-	-	(17)	(17)
Administration and fees	-	-	(1)	(1)
Surplus on sale of tangible fixed assets	**-**	**-**	**2**	**2**

4. Interest receivable and similar income

	Year Ended 31 March 2020		Year Ended 31 March 2019	
	Group	Parent	Group	Parent
	£'000	£'000	£'000	£'000
Interest received from current asset investments	32	-	32	-
Other loans to group undertakings	-	14		
Interest receivable and other income	**32**	**14**	**32**	**-**

5. Interest payable and financing costs

	Year Ended 31 March 2020		Year Ended 31 March 2019	
	Group	Parent	Group	Parent
	£'000	£'000	£'000	£'000
Bank loans and overdraft	(16,774)	-	(14,651)	-
Loan commission and commitment fees	(50)	-	(72)	-
Loan amortisation	562	-	-	-
Renegotiation fees	(901)	-	(167)	-
Capitalised interest	196	-	-	-
Non utilisation fee	(55)	-	(76)	-
Net interest on pension liability	(894)	(103)	(545)	(46)
Interest payable and similar charges	**(17,916)**	**(103)**	**(15,511)**	**(46)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Surplus on ordinary activities before taxation

	Note	Year Ended 31 March 2020		Year Ended 31 March 2019	
		Group	Parent	Group	Parent
		£'000	£'000	£'000	£'000
Depreciation:					
Housing assets		12,842	-	8,687	-
Other fixed assets		927	253	825	284
Impairment:					
Housing assets		(26)	-	-	-
Other fixed assets		-	-	1,809	-
Amortisation:					
Intangible fixed assets	11	38	38	28	28
Grants		(796)	-	(338)	-
Surplus on disposal of housing properties	4a	(6,880)	-	(1,410)	-
Surplus on disposal of other fixed assets	4b	-	-	(2)	(2)
Revaluation loss		62	-	516	-
Operating lease rentals	19	458	36	365	32
External auditors' remuneration (incl. expenses):					
Fees for the audit of the financial statements		108	24	56	13
Fees for other services		7	-	5	-

7. Taxation

The difference between the total tax charge and the amount calculated by applying the standard rate of UK corporation tax to surplus before tax is as follows:

	Year Ended 31 March 2020		Year Ended 31 March 2019	
	Group	Parent	Group	Parent
	£'000	£'000	£'000	£'000
Surplus / (deficit) on ordinary activities before tax	128,587	119,959	2,018	527
Tax on surplus on ordinary activities at standard UK corporation tax rate of 19% (2019: 19%)	24,432	22,792	383	100
Effects of:				
Income not taxable in determining taxable surplus	(24,476)	(22,792)	(383)	(100)
Deferred tax not recognised	45	-	-	-
Adjustments to tax charge in respect of previous periods	-	-	2	1
Total	**-**	**-**	**2**	**1**

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Employees

The average number of persons employed during the financial year expressed as full-time equivalents was:

	Year Ended 31 March 2020		Year Ended 31 March 2019	
	Group	Parent	Group	Parent
	Number	Number	Number	Number
Administration and management	343	119	303	112
Property services	165	111	138	93
Housing support and care	242	30	114	30
Other	76	16	18	18
Total	**826**	**276**	**573**	**253**

Employees' costs:

	Note	Year Ended 31 March 2020		Year Ended 31 March 2019	
		Group	Parent	Group	Parent
		£'000	£'000	£'000	£'000
Wages and salaries		23,477	9,734	17,149	8,819
Social security costs		2,007	918	1,526	855
Other pension costs	20	2,256	1,104	1,556	872
Total		**27,740**	**11,666**	**20,231**	**10,546**

9. Directors' emoluments

The Directors of the Group are its Board Members. Board Members are not members of any Housing Plus pension scheme. Below are the emoluments paid to the Board Members.

Summary of Board Members Pay	Year Ended 31 March 2020		Year Ended 31 March 2019	
	Group	Parent	Group	Parent
	£'000	£'000	£'000	£'000
Pay	147	147	130	130
National insurance	7	7	2	2
Total	**154**	**154**	**132**	**132**

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Directors' emoluments (continued)

Detail of Board Members' Pay	31 March 2020 £'000	Group Board	Homes Board	Property Board	Care Plus Board	Audit Committee	Nominations Committee
A Hadden (appointed 1 Oct 2019, resigned 26 Mar 2020)	9						
A Dhillon (appointed 1 Nov 2019)	3	♦			♦		
A Mason (resigned 1 Oct 2019)	4						
A Pate (resigned 1 Oct 2019)	3						
C Dass	7		♦				♦
C Royall (appointed 1 Oct 2019)	4		♦				
E Harrison (appointed 1 Nov 2019)	3		♦				♦
G Evans	12	♦					♦
H Punchihewa (appointed 1 Nov 2019, resigned 1 Jul 2020)	-						
I Farrell (appointed 1 Nov 2019)	3			♦			
J Burt (appointed 1 Nov 2019)	-	♦		♦		♦	
J Pert (appointed 1 Oct 2019)	4		♦				
J Fillary	7				♦	♦	
K Shaw (appointed 1 Nov 2019)	-			♦			
L Haynes (resigned 1 Oct 2019)	3						
M Price (resigned 1 Oct 2019)	3						
M Roughan (resigned 1 Oct 2019)	3						
P Smith (resigned 3 Jan 2020)	6						
P Phillips (resigned 1 Oct 2019)	6						
P Price	7	♦			♦		
R Barber (appointed 1 Nov 2019)	3	♦	♦				
R Bowden	11	♦				♦	♦
R Lawrence (appointed 1 Oct 2019, resigned 30 Apr 2020)	5						
R Levesley (resigned 1 Oct 2019)	8						
R O'Byrne (resigned 1 Oct 2019)	3						
S Jennings	9	♦	♦				
T Harris (appointed 1 Oct 2019, resigned 30 Mar 2020)	4						
T Swani (appointed 1 Oct 2019, resigned 24 Mar 2020)	5						
V Cross (appointed 1 Oct 2019)	4			♦		♦	
W McCarthy (resigned 1 Oct 2019)	6						
Total	**145**						

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Directors' emoluments (continued)

The aggregate amount of emoluments (including benefits in kind and pension contributions) paid to or receivable by the seven (2019: seven) Executive Officers of the Group and of the seven (2019: seven) of the Parent during the year was made up as follows:

	Year Ended 31 March 2020		Year Ended 31 March 2019	
	Group	Parent	Group	Parent
	£'000	£'000	£'000	£'000
Emoluments (including Benefits in Kind)	1,299	1,299	1,043	1,043
Compensation for loss of office	147	147	60	60
Pension contribution	180	180	159	159
Total	**1,626**	**1,626**	**1,262**	**1,262**

The emoluments (including benefits in kind and pension contributions) paid to the Chief Executive, and Executive Officers and other higher earners were in the following range:

	Year Ended 31 March 2020		Year Ended 31 March 2019	
	Group	Parent	Group	Parent
More than £60,000 but not more than £70,000	9	3	10	9
More than £70,000 but not more than £80,000	6	4	4	3
More than £80,000 but not more than £90,000	4	3	3	3
More than £90,000 but not more than £100,000	4	4	3	2
More than £100,000 but not more than £110,000	1	1	1	1
More than £110,000 but not more than £120,000	2	-	-	-
More than £120,000 but not more than £130,000	2	2	-	-
More than £130,000 but not more than £140,000	-	-	-	-
More than £140,000 but not more than £150,000	-	-	1	1
More than £150,000 but not more than £160,000	1	1	1	1
More than £160,000 but not more than £170,000	1	1	2	2
More than £170,000 but not more than £180,000	2	2	-	-
More than £180,000 but not more than £190,000	-	-	-	-
More than £190,000 but not more than £200,000	-	-	1	1
More than £200,000 but not more than £210,000	1	1	1	1
More than £210,000 but not more than £220,000	-	-	-	-
More than £220,000 but not more than £230,000	1	1	1	1
More than £230,000 but not more than £240,000	-	-	-	-
More than £240,000 but not more than £250,000	1	1	-	-

The emoluments paid to the current Chief Executive, Mrs Sarah Boden, who was also the highest paid director, (excluding benefits in kind and pension contributions) were £211k (2019: £196k). The Chief Executive is a member of the LGPS pension scheme on an ordinary 50:50 basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Intangible assets and goodwill

	As at 31 March 2020		As at 31 March 2019	
	Group Total	Parent Total	Group Total	Parent Total
	£'000	£'000	£000	£000
Cost				
At 1 April	626	276	586	236
Additions	202	202	40	40
At 31 March	**828**	**478**	**626**	**276**
Accumulated amortisation				
At 1 April	(553)	(203)	(525)	(175)
Charge for the year	(28)	(38)	(28)	(28)
At 31 March	**(591)**	**(241)**	**(553)**	**(203)**
Net book value				
At 31 March	237	237	73	73
At 1 April	73	73	61	61

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Housing properties at cost

Group	As at 31 March 2020						As at 31 March 2019
	Houses for Letting		Low Cost Home Ownership				
	Complete for Letting	Under Construction	Complete for Letting	Under Construction	Other	Group Total	Group Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
COST							
At 1 April	413,870	4,540	27,998	1,637	-	448,045	424,459
Housing properties acquired from SARH	200,460	8,636	9,610	795	7	219,508	-
Additions	9,230	21,087	9	7,983	-	38,309	27,982
Disposals	(3,755)	-	(678)	-	-	(4,433)	(2,458)
Transfers (note 12a)	15,155	(15,146)	5,784	(7,315)	-	(1,522)	(1,938)
At 31 March	**634,960**	**19,117**	**42,723**	**3,100**	**7**	**699,907**	**448,045**
LESS ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 April	(81,230)	-	(2,147)	-	-	(83,377)	(76,439)
Depreciation charge for year	(12,011)	-	(344)	-	-	(12,355)	(8,322)
Eliminated in respect of disposals	1,995	-	3	-	-	1,998	1,384
At 31 March	**(91,246)**	**-**	**(2,488)**	**-**	**-**	**(93,734)**	**(83,377)**
Net book value							
At 31 March	543,714	19,117	40,235	3,100	7	606,173	364,668
At 1 April	332,640	4,540	25,851	1,637	-	364,668	348,020

Note: Included within 'Eliminated in respect of disposals' is accelerated depreciation of £427k (2019: £362k). Of the total additions, £8,467k relate to component replacements (2019: £7,330k).

NOTES TO THE FINANCIAL STATEMENTS (continued)

12a Housing properties at cost

Transfers	As at 31 March 2020					As at 31 March 2019
	Houses for Letting		Low Cost Home Ownership			
	Complete for Letting	Under Construction	Complete for Letting	Under Construction	Group Total	Group Total
	£'000	£'000	£'000	£'000	£'000	£'000
Complete properties	15,155	(15,146)	5,784	(5,793)	-	-
Transfer to investment properties	-	-	-	-	-	-
Transfer to current assets	-	-	-	(1,522)	(1,522)	(1,938)
Transfers	**15,155**	**(15,146)**	**5,784**	**(7,315)**	**(1,522)**	**(1,938)**

SSHA, Severnside and SARH hold all housing assets within the Group. The ultimate controlling party, the group parent, The Housing Plus Group Limited is a non-housing asset holding company.

Capitalised interest

	As at 31 March 2020	As at 31 March 2019
Amount of interest capitalised during the year	-	-
Cumulative interest capitalised to date	1,380	1,380
Total interest capitalised	**1,380**	**1,380**
Rate used for capitalisation	**5%**	**5%**

NOTES TO THE FINANCIAL STATEMENTS (continued)

12a Housing properties at cost (continued)

Charges against properties

	As at 31 March 2020	As at 31 March 2019
Number of properties on which there is a fixed charge	15,651	10,322
Number of properties not charged	2,644	1,298
Total number of properties	**18,295**	**11,620**

SSHA, Severnside and SARH have received government grants in order to acquire and develop housing properties. Grants are amortised through the Statement of Comprehensive Income over the useful economic life of the structure of the property. Any unamortised grant is held as deferred income. A breakdown of this grant is shown below:

	As at 31 March 2020	As at 31 March 2019
	£'000	£'000
Deferred capital grant at 1 April	60,205	59,841
Transferred on acquisition of Stafford and Rural Homes	12,373	-
Grants received during the year	941	634
Grants recycled from/(to) the disposal proceeds fund	(245)	40
Transfers from reserves	544	375
Releases to income during the year	(642)	(685)
Deferred capital grant at 31 March	**73,176**	**60,205**

Housing properties book value, net of depreciation and impairments

	As at 31 March 2020	As at 31 March 2019
	£'000	£'000
Freehold land and buildings	602,250	364,074
Long leasehold land and buildings	3,923	594
Total	**606,173**	**364,668**

NOTES TO THE FINANCIAL STATEMENTS (continued)

12b. Other tangible fixed assets

Group	As at 31 March 2020 Fixtures, Fittings, Tools & Equipment					As at 31 March 2019
	Vehicles	Furniture & Equipment	Computer Equipment & Software	Land & Buildings	Group Total	Group Total
	£000	£000	£000	£000	£000	£000
COST						
At 1 April	583	3,423	6,011	7,697	17,714	17,260
Additions	64	857	458	3,473	4,852	593
Disposals	-	-	-	-	-	(139)
At 31 March	**647**	**4,280**	**6,469**	**11,170**	**22,566**	**17,714**
Accumulated depreciation & impairment						
Depreciation at 1 April	(517)	(2,674)	(5,594)	(3,087)	(11,872)	(9,360)
Depreciation charge for year	(47)	(346)	(411)	(123)	(927)	(825)
Eliminated in respect of disposals	-	-	-	-	-	122
Impairment	-	-	-	26	26	(1,809)
At 31 March	**(564)**	**(3,020)**	**(6,005)**	**(3,184)**	**(12,773)**	**(11,872)**
Net book value						
At 31 March	83	1,260	464	7,986	9,793	5,842
At 1 April	66	749	417	4,610	5,842	7,900

NOTES TO THE FINANCIAL STATEMENTS

Parent	As at 31 March 2020 Fixtures, Fittings, Tools & Equipment Vehicles	Furniture & Equipment	Computer Equipment & Software	Land & Buildings	Group Total	As at 31 March 2019 Group Total
	£000	£000	£000	£000	£000	£000
COST						
At 1 April	243	9	1,742	-	1,994	1,885
Additions	-	-	127	-	127	248
Disposals	-	-	-	-	-	(139)
At 31 March	**243**	**9**	**1,869**	**-**	**2,121**	**1,994**
Accumulated depreciation & impairment						
Depreciation at 1 April	(207)	(8)	(1,450)	-	(1,665)	(1,503)
Depreciation charge for year	(23)	(1)	(230)	-	(254)	(284)
Eliminated in respect of disposals	-	-	-	-	-	122
At 31 March	**(230)**	**(9)**	**(1,680)**	**-**	**(1,919)**	**(1,665)**
Net book value						
At 31 March	13	-	189	-	202	329
At 1 April	36	1	292	-	329	382

There is no charge on any of these assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12c. Investment properties

Group	As at 31 March 2020	As at 31 March 2019
	£'000	£'000
Balance at 1 April	14,162	14,821
Additions	5,670	-
Disposals	-	-
Transfers to other tenures		(143)
Net (loss) from fair value adjustments	(62)	(516)
Balance at 31 March	**19,770**	**14,162**
Historical Net Book Value	**15,495**	**15,495**

All investment properties were valued as at 31st March 2020 using the valuation methodology – market value subject to tenancies (MV-STT). The valuations were performed by independent valuers with recognised and relevant qualifications (Jones Lang LaSalle). There are no restrictions on the investment property and there are no contractual obligations to purchase, construct or develop investment property.

Jones Lang LaSalle's valuation report as at 31st March 2020 includes the following statement regarding the material valuation uncertainty due to Novel Coronavirus (COVID–19).

'The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuation is therefore reported on the basis of "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this portfolio under frequent review.

For the avoidance of doubt, the inclusion of the "material valuation uncertainty" declaration above does not mean that the valuation cannot be relied upon. Rather, the phrase is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case.'

NOTES TO THE FINANCIAL STATEMENTS (continued)

12d. Investments in group undertakings

The Parent and Group have investments in the following subsidiary undertakings, which principally affected the surpluses or net assets of the Group.

	Principal activity	Holding	%
Severnside Housing Ltd	Registered Provider of social housing	Non-equity shares	100%
South Staffordshire Housing Association Ltd	Registered Provider of social housing	Non-equity shares	100%
Stafford and Rural Homes Ltd	Registered Provider of social housing	Non-equity shares	100%
Housing Plus Finance Ltd	Group funding vehicle	Equity shares	100%
Property Plus (Midlands) Ltd	Property repairs and maintenance	Equity shares	100%
Housing Worx Ltd	Property repairs and maintenance	Equity shares	100%
Care Plus Staffordshire Ltd	Care and support services	Non-equity shares	100%
Severn Homes Ltd	Developing and selling properties for outright sale	Equity shares	100%
County Town Homes Ltd	Developing and selling properties for outright sale	Equity shares	100%
SSHA Developments Ltd	Under review	Equity shares	100%
Development Worx	Developing of properties	Equity shares	100%

12e. Stocks

Group	As at 31 March 2020		As at 31 March 2019
	£'000		£'000
LCHO completed properties	1,272		1,019
LCHO properties under construction	1,203		387
Total low cost home ownership	**2,475**		**1,406**
Other stocks	201		58
Land held for development	11,845		11,650
Open market sale properties under construction	870		-
Total stocks	**15,391**		**13,114**

Stock is held at the lower of actual cost and estimated selling price less costs to complete and sell. There have been no impairments in the year (2019: none).

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Trade and other debtors

	As at 31 March 2020		As at 31 March 2019	
	Group	Parent	Group	Parent
	£'000	£'000	£'000	£'000
Due within one year				
Rent and service charges receivable	2,628	-	1,431	-
Leaseholders	-	-	(24)	-
Less: Provision for bad and doubtful debts	(469)	-	(217)	-
	2,159	-	1,190	-
Care service receivable	112	-	63	-
Less: Provision for bad and doubtful debts	(7)	-	-	-
	105	-	63	-
Amounts due from group undertakings	-	1,083	-	2,187
Other debtors	1,856	137	728	121
Less: Provision for bad and doubtful debts	(153)	-	(55)	(30)
	1,703	1,220	673	2,278
Prepayments & accrued Income	1,486	473	768	409
Taxation & social security	-	31	2,213	-
Total due within one year	**5,453**	**1,724**	**4,907**	**2,687**
Total Debtors	**5,453**	**1,724**	**4,907**	**2,687**

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Creditors: Amounts falling due within one year

	Year Ended 31 March 2020		Year Ended 31 March 2019	
	Group	Parent	Group	Parent
	£'000	£'000	£'000	£'000
Loans payable within one year	(3,617)	-	(2,608)	-
Trade creditors	(2,290)	(196)	(492)	(327)
Rents and service charges received in advance	(2,630)	-	(1,666)	-
Amounts owed to group undertakings	-	(197)	-	(1,228)
Taxation and social security	(243)	-	(126)	(28)
Obligations under hire purchase contracts	-	-	-	-
Other creditors	(68)	-	(90)	-
Social housing grant received in advance	(3,643)	-	-	-
Deferred grant income	(1,443)	-	(1,275)	-
Recycled capital grant and disposals proceeds fund	(10)	-	-	-
Accruals and deferred income	(6,747)	(953)	(2,695)	(550)
Accrued interest	(2,034)	-	(2,096)	-
Employees	(574)	(408)	(505)	(334)
Total Creditors: Amounts falling due within one year	**(23,299)**	**(1,754)**	**(11,553)**	**(2,467)**

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

	Year Ended 31 March 2020		Year Ended 31 March 2019	
	Group	Parent	Group	Parent
	£'000	£'000	£'000	£'000
Amounts falling due between one and five years				
Loans and borrowings	(379,290)	-	(280,750)	-
Loan arrangement fees	988	-	274	-
Deferred grant income	(71,733)	-	(58,945)	-
Recycled capital grant and disposal proceeds fund	(667)	-	(430)	-
Other designated funds	(829)	-	(648)	-
Total Creditors: Amounts falling due after more than one year	**(451,531)**	**-**	**(340,499)**	**-**

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Creditors: Amounts falling due after more than one year (continued)

Movements in Recycled Capital Grant Fund

	As at Year Ended 31 March 2020		As at Year Ended 31 March 2019	
	Group	Parent	Group	Parent
	£'000	£'000	£'000	£'000
Balance as at 1 April	155	-	154	-
Recycled grant input	256	-	1	-
Withdrawal	(10)	-	-	-
Balance as at 31 March	**401**	**-**	**155**	**-**

Movements in Disposal Proceeds Fund

	As at Year Ended 31 March 2020		As at Year Ended 31 March 2019	
	Group	Parent	Group	Parent
	£'000	£'000	£'000	£'000
Balance as at 1 April	275	-	148	-
Inputs arising from disposals	1	-	167	-
Withdrawals	-	-	(40)	-
Balance as at 31 March	**276**	**-**	**275**	**-**

Repayment of debt

Group	Bank Loans 2020	Other Loans 2020	Total 2020
	£'000	£'000	£'000
In one year or less	3,300	317	3,617
In more than one year but not more than two years	3,300	325	3,625
In more than one year but not more than five years	51,357	1,031	52,388
In more than five years	316,100	7,177	323,277
	374,057	**8,850**	**382,907**

Group	Bank Loans 2019	Other Loans 2019	Total 2019
	£'000	£'000	£'000
In one year or less	2,300	308	2,608
In more than one year but not more than two years	3,300	317	3,617
In more than one year but not more than five years	21,050	8,003	29,053
In more than five years	240,550	7,530	248,080
	267,200	**16,158**	**283,358**

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Creditors: Amounts falling due after more than one year (continued)

Security, terms of repayment and interest rates

On 22 August 2019, The Group redeemed an outstanding loan facility of £190.2 million with Nationwide Building Society. On the same day, Housing Plus Group Finance Limited entered into a new loan facility of £222.7 million with Nationwide Building Society. The loan facility is secured by properties owned by South Staffordshire Housing Association and Severnside Housing. On completion, £89.7 million of the newly arranged loan facility was on lent to SSHA by Housing Plus Group Finance Limited. On 22 August 2019, £101.5 million of the newly arranged loan facility was on lent to Severnside Housing by Housing Plus Group Finance Limited. A further £9 million was on lent to Severnside during the financial year.

The loan repayments against the Nationwide Building Society loan facility commenced in March 2020, with a total repayment of £2.3 million in the financial period ended 31 March 2020. The final scheduled loan repayment is due in March 2045, £155 million of the loan facility is repayable after 5 years. As at 31 March 2020, Housing Plus Group Finance Limited had £158.5 million of loans on a fixed rate. The fixed rates of interest range between 4.76% and 6.97%. As at 31 March 2020, Housing Plus Group Finance Limited had £37.4 million of loans on an index linked or variable interest rate.

On 31 October 2019, the Group redeemed a purchase agreement with BAE Systems Pension Funds Investment Management Ltd (BAE) for £35 million 5% Senior Secured Guaranteed Series A Amortising Notes due 22 August 2042 and £10 million 3.75% Senior Secured Guaranteed Series B Notes due 22 August 2042. On the same day, Housing Plus Group Finance Limited entered in to a purchase agreement with BAE for the same Amortising Notes. On completion, £45 million was on-lent to SSHA by Housing Plus Group Finance Limited. The BAE loan is secured against properties that SSHA owns. The loan is to be repaid in full on 22 August 2042. The interest rates are fixed at 5% and 3.75%.

On 31 October 2019, the Group redeemed an outstanding revolving loan facility of £15m with Clydesdale Bank plc (trading as Yorkshire Bank), of which £8m was drawn at the redemption date. On the same day, Housing Plus Group Finance Limited entered in to a loan facility of £15m with Clydesdale Bank plc (trading as Yorkshire Bank). On completion, £8 million was on-lent to SSHA by Housing Plus Group Finance Limited. The facility is secured by properties owned by SSHA. The interest rate applicable to the drawn amount as at 31 March 2020 is 2.01%. The facility is repayable in full on 26 January 2023.

On 31 October 2019, the Group redeemed a purchase agreement with Canada Life Investments Ltd for £35 million 4.54% Senior Secured Guaranteed Notes due 9 September 2048. On the same day, Housing Plus Group Finance Limited entered in to a purchase agreement with Canada Life Investments Ltd for £35 million 4.54% Senior Secured Guaranteed Notes due 9 September 2048. On completion, £35 million was on-lent to Severnside Housing by Housing Plus Group Finance Limited. The Canada Life loan is secured against properties that Severnside owns. It has a fixed interest rate of 4.54%.

The Shropshire Council loans are secured against properties that Severnside owns. The interest rates are fixed at 4.32% and 2.3%.

The Barclays and M&G loans are secured against properties that SARH own. The interest rates are fixed and have a weighted average interest of 4.6%.

Severnside and SSHA have access to £31.5 million of undrawn borrowing facilities within Housing Plus Group Finance Limited. SARH has access to £15m of undrawn borrowing facilities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Financial instruments

	Note	Year Ended 31 March 2020		Year Ended 31 March 2019	
		Group	Parent	Group	Parent
		£'000	£'000	£'000	£'000
Financial assets measured at historical cost					
Rent & service charge receivable	13	2,159	-	1,190	-
Care service receivable	13	105	-	63	-
Amounts owed from group undertakings	13	-	1,083	-	2,187
Other debtors	13	1,703	137	673	91
Investments in short term deposits		7	-	7	-
Cash and cash equivalents		9,950	48	3,553	130
TOTAL FINANCIAL ASSETS		**13,924**	**1,268**	**5,486**	**2,408**
Financial liabilities measured at amortised cost					
Loans	14/15	(382,907)	-	(283,358)	-
		(382,907)	**-**	**(283,358)**	**-**
Financial liabilities measured at historical cost					
Trade creditors	14	(2,290)	(196)	(492)	(327)
Accruals	14	(8,781)	(953)	(4,791)	(550)
Amounts owed to group undertakings	14	-	(197)	-	(1,228)
Other creditors	14	(68)	-	(90)	-
		(11,139)	**(1,346)**	**(5,373)**	**(2,105)**
TOTAL FINANCIAL LIABILITIES		**(394,046)**	**(1,346)**	**(288,731)**	**(4,713)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Called up non equity share capital

Each member of the Board of Management holds one non-equity share of £1 each. These shares carry the right to vote at General Meetings on the basis of one share one vote. The shares are not transferable, non-redeemable and carry no right to receive income or capital payments.

Parent:	Year Ended 31 March 2020	Year Ended 31 March 2019
Number of Shareholders as at 1 April	6	6
Returned shares	-	-
Shares issued during the year	-	-
Number of Shareholders as at 31 March	**6**	**6**

18. Capital commitments

The following describes the way the Group funds development:

	As at 31 March 2020		As at 31 March 2019	
	Group	Parent	Group	Parent
	£'000	£'000	£'000	£'000
Expenditure contracted but not provided in the financial statements	63,555	-	26,763	-
Expenditure authorised by the Board but not contracted	92,859	-	59,391	-
Total capital commitments	**156,414**	**-**	**86,064**	**-**

The expenditure will be funded as follows:

	As at 31 March 2020	As at 31 March 2019
Group	£'000	£'000
Net expenditure	74,409	53,155
Social housing grant	8,096	8,024
Other grant funding	138	138
Forecast sales	73,771	24,747
Total gross expenditure	**156,414**	**86,064**

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Leases

Operating leases

The Group holds vehicles, offices, coin operated washing machines, printers and lone working safety devices on non-cancellable operating leases. At 31 March 2020 the total of future minimum lease payments under non-cancellable operating leases for each of the following periods was:

	As at 31 March 2020		As at 31 March 2019	
	Group	Parent	Group	Parent
	£'000	£'000	£'000	£'000
Leases for vehicles:				
Not later than one year	344	19	314	32
Later than one year and not later than five years	103	16	109	34
Later than five years	-	-	-	-
Leases for buildings:				
Not later than one year	29	-	19	-
Later than one year and not later than five years	7	-	17	-
Leases for equipment:				
Not later than one year	93	32	56	1
Later than one year and not later than five years	29	13	111	82
Later than five years	-	-	-	-
	605	**80**	**626**	**149**

The expenditure charged in the Statement of Comprehensive Income during the year in relation to minimum lease payments was £458k for the Group (2019: £365k) and £36k for the Parent (2018: £32k).

Finance leases and hire purchase

The group had no obligations under finance leases or hire purchase agreements as at 31 March 2020 (2019: None)

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pensions

The Housing Plus Group, as a group, participates in two multi-employer pension schemes, the Staffordshire County Council Scheme, and the Shropshire Council Scheme. In addition, the group participates in the Housing Plus Pensions Scheme. This is a separate trustee administered fund set up on 31 October 2018 following the transfer of obligations from the Social Housing Pension Scheme (SHPS). The Housing Plus Group Limited, the parent organisation, participates in the Housing Plus Pension Scheme and the Staffordshire County Council Scheme.

a) Staffordshire County Council Scheme

The parent, SSHA and SARH participate in the Staffordshire County Council Pension Scheme which is a multi-employer defined benefit Scheme, is funded and is contracted out of the state scheme. The organisations' net liabilities can be summarised as:

	At 31 March 2020				At 31 March 2019		
	Group	SSHA	SARH	Parent	Group	SSHA	Parent
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair value of employer assets	65,085	7,378	33,997	23,710	31,772	8,477	23,295
Present value of defined benefit obligations	(78,298)	(13,708)	(38,063)	(26,527)	(41,786)	(15,942)	(25,844)
Provision at end of period	**(13,213)**	**(6,330)**	**(4,066)**	**(2,817)**	**(10,014)**	**(7,465)**	**(2,549)**

The disclosures necessary in respect of FRS102 are shown in various tables below.

Assumptions as at	31 Mar 2020 %p.a.	31 Mar 2019 %p.a.
Salary increases	2.25%	2.9%
Pension increases	1.75%	2.5%
Discount Rate	2.3%	2.4%

The life expectancy is based on the Fund's VitaCurves and based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.2 years	23.6 years
Future Pensioners*	22.1 years	25.0 years

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pensions (continued)

a) Staffordshire County Council Scheme (continued)

Categories of plan assets as a % of total plan assets	Assets at 31 Mar 2020	Assets at 31 Mar 2019
	%	%
Equities	65	67
Bonds	23	21
Property	10	9
Cash	2	3

Group

Net pension liability as at	31 Mar 2020	31 Mar 2019
	£'000	£'000
Fair value of employer assets	65,085	31,772
Present value of funded obligations	(78,238)	(41,717)
Net (under)funding in funded plans	(13,153)	(9,945)
Present value of unfunded liabilities	(60)	(69)
Net pension liability	**(13,213)**	**(10,014)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pensions (continued)

Parent

Net pension liability as at	31 Mar 2020	31 Mar 2019
	£'000	£'000
Fair value of employer assets	23,710	23,295
Present value of funded obligations	(26,527)	(25,844)
Net (under)funding in funded plans	(2,817)	(2,549)
Net pension liability	**(2,817)**	**(2,549)**

Information about the defined benefit obligation - Parent	31 Mar 2020	31 Mar 2019
	£'000	£'000
Active members	16,176	19,171
Deferred members	5,138	3,773
Pensioner members	5,213	2,900
Net pension liability	**26,527**	**25,844**

The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable for certain types of employer. However, the Actuary is satisfied that the approach used leads to reasonable estimates for the aggregate liability figure.

	Year to 31 Mar 2020 Group	Year to 31 Mar 2020 Parent	Year to 31 Mar 2019 Group	Year to 31 Mar 2019 Parent
Amount charged to operating surplus	£'000	£'000	£'000	£'000
Current service cost*	(2,968)	(1,660)	(1,597)	(1,397)
Past service cost	(487)	(130)	(28)	(28)
Total operating charge	**(3,325)**	**(1,790)**	**(1,625)**	**(1,425)**
Amount charged to financing costs				
Expected return on employer assets	1,660	567	768	562
Interest on pension scheme liabilities	(2,155)	(646)	(985)	(598)
Total net interest	**(495)**	**(79)**	**(217)**	**(36)**
Total defined benefit cost recognised in surplus for the year	**(3,820)**	**(1,869)**	**(1,842)**	**(1,461)**

* The Service Cost figures include an allowance for administration expenses of 0.5% of payroll.

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pensions (continued)

a) Staffordshire County Council Scheme (continued)

Reconciliation of defined benefit obligation	Year to 31 Mar 2020 Group	Year to 31 Mar 2020 Parent	Year to 31 Mar 2019 Group	Year to 31 Mar 2019 Parent
	£'000	£'000	£'000	£'000
Opening defined benefit obligation	**88,036**	**25,844**	**36,436**	**21,407**
Current service cost	2,968	1,660	1,597	1,397
Past service cost	487	130	28	28
Interest cost	2,155	646	985	598
Contributions from members	495	289	321	286
Actuarial (gains)/losses	(14,296)	(1,697)	3,109	2,322
Estimated unfunded benefits paid	(3)	-	(3)	-
Estimated benefits paid	(1,544)	(345)	(687)	(194)
Closing defined benefit obligations	**78,298**	**26,527**	**41,786**	**25,844**

	Year to 31 Mar 2020 Group	Year to 31 Mar 2020 Parent	Year to 31 Mar 2019 Group	Year to 31 Mar 2019 Parent
	£'000	£'000	£'000	£'000
Opening fair value of employer assets	**69,236**	**23,295**	**28,371**	**20,264**
Interest income on plan assets	1,660	567	768	562
Contributions from members	495	289	321	286
Contributions from employer	2,062	1,083	1,135	1,033
Contributions in respect of unfunded benefits	3	-	3	-
Actuarial gains/(losses)	(6,824)	(1,179)	1,864	1,344
Unfunded benefits paid	(3)	-	(3)	-
Benefits paid	(1,544)	(345)	(687)	(194)
Closing fair value of employer assets	**65,085**	**23,710**	**31,772**	**23,295**

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pensions (continued)

b) Shropshire County Council Scheme

Severnside participates in the Local Government Pension Scheme which is a multi-employer defined benefit Scheme, is funded and is contracted out of the state scheme.

The disclosures necessary in respect of FRS102 are shown in various tables below. The actuary has estimated that the net pension asset/liability as at 31 March 2020 is a liability of £10,187,000 (2019: £13,675,000).

Assumptions as at	31 Mar 2020 %p.a.	31 Mar 2019 %p.a.
Salary increases	2.25%	3.7%
Pension increases	1.75%	2.3%
Discount rate	2.3%	2.4%

The life expectancy is based on the Fund's VitaCurves and based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.5 years	24.6 years
Future Pensioners*	23.4 years	26.0 years

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

Categories of plan assets as a % of total plan assets	Assets at 31 Mar 2020	Assets at 31 Mar 2019
	%	%
Equities	50	51
Bonds	23	16
Property	4	5
Alternatives	22	22
Cash	1	6

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pensions (continued)

b) Shropshire County Council Scheme (continued)

Net pension liability as at	31 Mar 2020	31 Mar 2098
	£'000	£'000
Fair value of employer assets	36,477	38,288
Present value of funded obligations	(46,402)	(51,676)
Net (under)funding in funded plans	(9,925)	(13,388)
Present value of unfunded liabilities	(262)	(287)
Net pension (liability)	**(10,187)**	**(13,675)**

	Year to 31 Mar 2020	Year to 31 Mar 2019
Amount charged to operating surplus	£'000	£'000
Current service cost	(701)	(710)
Past service cost	(121)	(214)
Administration expense	(13)	(14)
Effect of curtailments	(7)	-
Total operating charge	**(842)**	**(938)**
Amount charged to financing costs		
Interest income on plan assets	916	949
Interest cost on defined benefit obligation	(1,235)	(1,243)
Losses on curtailments and settlements	-	-
Total net interest	**(319)**	**(294)**
Total defined benefit cost recognised in surplus for the year	**(1,161)**	**(1,232)**

Re-measurements recognised in other comprehensive income	Year to 31 Mar 2020	Year to 31 Mar 2019
	£'000	£'000
Change in financial assumptions	6,405	(2,669)
Change in demographic assumptions	-	-
Other experience	-	-
Return on assets (excluding amounts included in net interest)	(2,449)	1,112
Total re-measurements recognised in other comprehensive income	**3,956**	**(1,557)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pensions (continued)

b) Shropshire County Council Scheme (continued)

Reconciliation of defined benefit obligation	Year to 31 Mar 2020	Year to 31 Mar 2019
	£'000	£'000
Opening defined benefit obligation	**51,963**	**48,542**
Current service cost	701	710
Interest cost	1,235	1,243
Contributions from members	139	149
Past service cost	121	214
Actuarial (gains)/losses	(6,405)	2,669
Result on curtailments	7	-
Estimated benefits paid	(1,097)	(1,564)
Closing defined benefit obligation	**46,664**	**51,963**

Reconciliation of fair value of employer assets	Year to 31 Mar 2020	Year to 31 Mar 2019
	£'000	£'000
Opening fair value of employer assets	**38,288**	**36,791**
Expected return on assets	(2,449)	1,112
Interest income on plan assets	916	949
Contributions from members	139	149
Contributions from employer	693	865
Administration expenses	(13)	(14)
Benefits paid	(1,097)	(1,564)
Closing fair value of employer assets	**36,477**	**38,288**

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pensions (continued)

b) Shropshire County Council Scheme (continued)

History of gains and losses	Year to 31 Mar 2020	Year to 31 Mar 2019
	£'000	£'000
Fair value of employer assets	36,477	38,288
Present value of defined benefit obligations	(46,664)	(51,963)
Deficit	**(10,187)**	**(13,675)**

c) Housing Plus Pension Scheme

The Association participates in the Housing Plus Pension Scheme which is a defined benefit Scheme in the UK. This is a separate trustee administered fund set up on 31 October 2018 following the transfer of obligations from the Social Housing Pension Scheme (SHPS). The Scheme holds the pension scheme assets to meet long term pension liabilities. Scheme liabilities at 31 March 2019 were based on data used to calculate the amount of assets to be transferred on 31 October 2018, updated by a qualified actuary, independent of the Association. The major assumptions used by the actuary are shown below.

The Association has agreed an interim schedule of contribution with the Trustee and a full schedule of contributions will come into force following the completion of the first actuarial valuation which is expected to be with an effective date of 30 September 2019.

History of gains and losses	31 Mar 2020	31 Mar 2019
	%p.a.	%p.a.
Discount rate	2.30%	2.45%
Inflation (RPI)	2.50%	3.20%
Inflation (CPI)	1.75%	2.20%
Deferred revaluation	2.50%	3.20%
Pension increases in payment:		
• CPI max 5% p.a	1.85%	2.25%
• CPI max 3% p.a	1.65%	1.90%

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pensions (continued)

c) Housing Plus Pension Scheme (continued)

Demographic assumptions as at	31 Mar 2020	31 Mar 2019
Mortality		
Base Tables	Pre retirement: nil Post retirement: 111% of S3PXA	Pre retirement: nil Post retirement: 103% of S2PXA
Improvement allowance	CMI_2019 (1.25%) for males CMI_2019 (1.25%) for females	CMI_2018 (1.25%) for males CMI_2018 (1.0%) for females
Smoothing parameter	7.0	7.5
Life expectancy from age 65		
Pensioners (currently aged 65)	Male: 21.1 Female : 23.4	Male: 21.5 Female: 23.3
Non-pensioners (currently aged 65)	Male: 22.4 Female: 24.9	Male: 22.9 Female: 24.5
Commutation	90% of maximum allowance	75% of maximum allowance
Other demographic assumptions	As per most recent Technical Provisions assumptions	As per most recent Technical Provisions assumptions

Categories of plan assets	Assets at 31 Mar 2020 Group	Assets at 31 Mar 2019 Group
	£'000	£'000
Equities	1,145	4,360
Bonds	4,446	3,686
Property	331	43
Other	2,999	-
Total market value of assets	**8,921**	**8,089**

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pensions (continued)

c) Housing Plus Pension Scheme (continued)

Net pension liability as at	31 Mar 2020 Group	31 Mar 2019 Group
	£'000	£'000
Fair value of employer assets	8,921	8,089
Present value of scheme liabilities	(10,238)	(11,625)
Surplus / (deficit)	(1,317)	(3,536)
Effect of asset ceiling	-	-
Net pension (liability)	**(1,317)**	**(3,536)**

	Year to 31 Mar 2020 Group	5 months to 31 Mar 2019 Group
Amount charged to operating surplus	£'000	£'000
Current service cost	-	-
Expenses	(61)	(25)
Past service cost / (credit) – plan amendments / curtailments	-	-
Settlement losses / (gains)	-	-
Total operating charge	**(61)**	(25)
Amount charged to financing costs		
Interest income on assets	203	89
Interest cost on defined benefit obligation	(283)	(123)
Total net interest	**(80)**	**(34)**
Total defined benefit cost recognised in surplus for the year	**(141)**	**(59)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pensions (continued)

c) Housing Plus Pension Scheme (continued)

Re-measurements recognised in Other Comprehensive Income	Year to 31 Mar 2020 Group	5 months to 31 Mar 2019 Group
	£'000	£'000
Return on assets excluding interest income	254	198
Experience gains / (losses) on liabilities	245	-
Gain / (loss) from change of demographic assumptions	171	93
Gain / (loss) from change of financial assumptions	1,130	(895)
Total re-measurements recognised in Other Comprehensive Income	**1,800**	**(604)**

Reconciliation of defined benefit obligation	Year to 31 Mar 2020 Group	5 months to 31 Mar 2019 Group
	£'000	£'000
Opening defined benefit obligation	**(3,536)**	**(3,148)**
Current service cost	-	-
Past service (costs) / credits – plan amendments	-	-
Net interest (cost) / credit	(80)	(34)
Expenses	(61)	(25)
Re-measurements included in other comprehensive income	1,800	(604)
Employer contributions	560	275
Closing defined benefit obligation	**(1,317)**	**(3,536)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pensions (continued)

c) Housing Plus Pension Scheme (continued)

Change in liabilities during the period	Year to 31 Mar 2020 Group	5 months to 31 Mar 2019 Group
	£'000	£'000
Opening liabilities	**11,625**	**10,761**
Current service cost	-	-
Interest cost on defined benefit obligation	283	123
Past service cost/(credit) – plan amendments	-	-
Past service cost/(credit) - curtailments	-	-
Settlements	-	-
Member contributions	-	-
Benefits paid	(124)	(61)
Actuarial (gain)/loss on changes in assumptions	(1,301)	802
Experience (gain)/loss on liabilities	(245)	-
Closing liabilities	**10,238**	**11,625**

Change in fair value of assets during the period	Year to 31 Mar 2020 Group	5 months to 31 Mar 2019 Group
	£'000	£'000
Opening fair value of employer assets	**8,089**	**7,613**
Interest income on assets	203	89
Expenses	(61)	(25)
Return on assets excluding interest income	254	198
Employer contributions	560	275
Member contributions	-	-
Benefits paid	(124)	(61)
Closing fair value of employer assets	**8,921**	**8,089**

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pensions (continued)

c) Housing Plus Pension Scheme (continued)

Categories of plan assets	Assets at 31 Mar 2020 Parent	Assets at 31 Mar 2019 Parent
	£'000	£'000
Equities	347	1,323
Bonds	1,349	1,118
Property	101	13
Other	910	-
Total market value of assets	**2,707**	**2,454**

Net pension liability as at	31 Mar 2020 Parent	31 Mar 2019 Parent
	£'000	£'000
Fair value of employer assets	2,707	2,454
Present value of scheme liabilities	(3,106)	(3,527)
Surplus / (deficit)	(399)	(1,073)
Effect of asset ceiling	-	-
Net pension (liability)	(399)	(1,073)

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pensions (continued)

c) Housing Plus Pension Scheme (continued)

	Year to 31 Mar 2020 Parent	5 months to 31 Mar 2019 Parent
Amount charged to operating surplus	**£'000**	**£'000**
Current service cost	-	-
Expenses	19	8
Past service cost / (credit) – plan amendments / curtailments	-	-
Settlement losses / (gains)	-	-
Total operating charge	**19**	**8**
Amount charged to financing costs		
Interest income on assets	(62)	(27)
Interest cost on defined benefit obligation	86	37
Total net interest	**24**	**10**
Total defined benefit cost recognised in surplus for the year	**43**	**18**

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pensions (continued)

d) Housing Plus Pension Scheme (continued)

Re-measurements recognised in Other Comprehensive Income	Year to 31 Mar 2020 Parent	5 months to 31 Mar 2019 Parent
	£'000	£'000
Return on assets excluding interest income	77	60
Experience gains / (losses) on liabilities	74	-
Gain / (loss) from change of demographic assumptions	52	28
Gain / (loss) from change of financial assumptions	343	(271)
Total re-measurements recognised in Other Comprehensive Income	**546**	**(183)**

Reconciliation of defined benefit obligation	Year to 31 Mar 2020 Parent	5 months to 31 Mar 2019 Parent
	£'000	£'000
Opening defined benefit obligation	**(1,073)**	**(955)**
Current service cost	-	-
Past service (costs) / credits – plan amendments	-	-
Net interest (cost) / credit	(24)	(10)
Expenses	(19)	(8)
Re-measurements included in other comprehensive income	546	(183)
Employer contributions	170	83
Closing defined benefit obligation	**(400)**	**(1,073)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pensions (continued)

c) Housing Plus Pension Scheme (continued)

Change in liabilities during the period	Year to 31 Mar 2020 Parent	5 months to 31 Mar 2019 Parent
	£'000	£'000
Opening liabilities	**3,527**	**3,265**
Current service cost	-	-
Interest cost on defined benefit obligation	86	37
Past service cost/(credit) – plan amendments	-	-
Past service cost/(credit) - curtailments	-	-
Settlements	-	-
Member contributions	-	-
Benefits paid	(38)	(19)
Actuarial (gain)/loss on changes in assumptions	(395)	243
Experience (gain)/loss on liabilities	(74)	-
Closing liabilities	**3,106**	**3,527**

Change in fair value of assets during the period	Year to 31 Mar 2020 Parent	5 months to 31 Mar 2019 Parent
	£'000	£'000
Opening fair value of employer assets	**2,454**	**2,310**
Interest income on assets	62	27
Expenses	(19)	(9)
Return on assets excluding interest income	77	60
Employer contributions	170	83
Member contributions	-	-
Benefits paid	(38)	(18)
Closing fair value of employer assets	**2,707**	**2,454**

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Pension liability

As detailed in note 20, the Group had the following provisions during the year:

	Shropshire LGPS	Staffordshire LGPS	HPPS	Total
	£000	£000	£000	£000
At 1 April 2019	13,675	10,014	3,536	27,225
Transfer in of SHPS assets / (liabilities)	-	7,717	-	7,717
Additions/(Reductions) dealt within surplus/deficit	149	1,390	(499)	1,040
Additions/(Reductions) dealt within other comprehensive income	(3,956)	(6,403)	(1,800)	(12,159)
Interest costs	319	495	80	894
At 31 March 2020	**10,187**	**13,213**	**1,317**	**24,717**

The Parent had the following liabilities during the year:

	Staffordshire LGPS	HPPS	Total
	£000	£000	£000
At 1 April 2019	2,549	1,073	3,622
Additions/(Reductions) dealt within surplus/deficit	707	(151)	556
Additions/(Reductions) dealt within other comprehensive income	(518)	(546)	(1,064)
Interest costs	79	24	103
At 31 March 2020	**2,817**	**400**	**3,217**

Pension liability – LGPS

The Staffordshire and Shropshire LGPS pension schemes are multi-employer defined benefit schemes. Each year the scheme actuary values the assets and liabilities of the scheme using a set of assumptions. Changes in assumptions and performance of the assets/liabilities in the year means that the present value of the defined benefit obligation is subject to uncertainty.

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Pension liability (continued)

Pension liability – LGPS (continued)

The association acknowledges that a ruling has been made regarding age discrimination arising from public sector pension scheme transition arrangements. Court of Appeal judgements were made in cases affecting judges pensions (e.g. McCloud) and firefighter pensions (e.g. Sergeant) which had previously been considered by employment tribunals. The rulings have implications for the LGPS, Police and Fire schemes since similar reforms were implemented.

The final situation in terms of employer pension liabilities and financial impact is not clear, since the government may appeal and any remediation process, including cost cap considerations, may affect the resolution and financial impact for entities. Timescales for the resolution of this matter may be lengthy.

The association has sought advice from the scheme actuary to assess the potential impact the judgement could have upon the scheme should the ruling apply to the scheme. As this figure is not deemed to be material to the financial statements, no adjustment has been made.

Pension liability - HPPS

The HPPS pension scheme is a defined benefit Scheme in the UK. This is a separate trustee administered fund set up on 31 October 2018 following the transfer of obligations from the Social Housing Pension Scheme (SHPS). An independent actuary values the assets and liabilities of the scheme using a set of assumptions. Changes in assumptions and performance of the assets/liabilities in the year means that the present value of the defined benefit obligation is subject to uncertainty.

22. Restricted reserves

Restricted reserves constitute surpluses accruing from sales of LSVT units under the Right to Buy scheme. The receipts are to be used solely for the provision of new housing or disabled facility grants, subject to approval by the relevant local authority.

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. Reconciliation of surplus to net cash flow from operating activities

Group	Year Ended 31 March 2020	Year Ended 31 March 2019
	£'000	£'000
Surplus for the year	**128,587**	**2,018**
Adjustments for non cash items:		
Amortisation	(1,166)	(697)
Depreciation & Impairment	13,257	10,956
Decrease/(increase) in stock	(2,602)	(1,051)
Decrease/(increase) in trade and other debtors	(95)	4,156
Increase/(Decrease) in trade and other creditors	1,777	(1,807)
Pension costs less contributions payables	1,934	855
Valuation movements	62	516
Movement in sinking fund	181	79
Fair value on business acquisition	(119,959)	-
	(106,611)	**13,007**
Adjustments for investing or financing activities		
Surplus from the sale of tangible fixed assets	(6,880)	(1,412)
Interest payable	17,022	14,966
Interest receivable	(32)	(32)
	10,110	**13,522**
Cash from operations	**32,086**	**28,547**

24. Analysis of changes in net debt during year

Group	31 March 2020	Cash Flow	Other Non Cash Changes	31 March 2019
	£'000	£'000	£'000	£'000
Cash at bank and in hand	9,950	6,397	-	3,553
Short Term Deposits	7	-	-	7
	9,957	6,397	-	3,560
Housing loans due within one year	(3,617)	7,608	(8,617)	(2,608)
Housing loans due after one year	(379,290)	(12,000)	(86,540)	(280,750)
Loan arrangement fees	988	-	714	274
Total changes in net debt	**(371,962)**	**2,005**	**(94,443)**	**(279,524)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

25. Acquisition of business

On 1 October 2019, The Housing Plus Group Limited entered into a business combination recognising the value of Stafford and Rural Homes Limited in the statement of comprehensive income as a gift to the group as per FRS 102 (PBE 34.77).

All post acquisition results of Stafford and Rural Homes Limited have been consolidated in the group statement of comprehensive income.

The acquisition had the following effect on the group's assets and liabilities:

	Book values	Fair value adjustments	Recognised Value on acquisition
	£'000	£'000	£'000
Tangible fixed assets – housing properties	184,079	35,428	219,507
Tangible fixed assets – other	3,884	-	3,884
Investment properties	5,670	-	5,670
Stocks	2,031	158	2,189
Trade and other debtors: receivable within one year	2,277	386	2,663
Cash and cash equivalents	10,113	-	10,113
Creditors: amounts falling due within one year	(11,324)	-	(11,324)
Creditors: amounts falling due after one year	(89,308)	(15,718)	(105,026)
Pension provision	(8,786)	1,069	(7,717)
Net funds as at 31 March 2020	**98,636**	**21,323**	**119,959**

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. Related party transactions

The Board of the parent does not have any resident members. On the SARH merger with HPG, a SARH tenant, Craig Royall, became a member of the SSHA, Severnside and SARH board of management (2019: none)

During the financial year Housing Plus purchased services in the ordinary course of business from SSHA at a total cost of £84,904 (2019: £56,489).

Housing Plus provided services to SSHA at a total cost of £1,262,197 (2019: £8,578,880).

At 31st March 2020 the company was owed £205,852 (2019: £3,663,624) by SSHA.

At 31st March 2020 the company owed £235,712 (2019: £3,632) to SSHA.

During the financial year Housing Plus purchased services in the ordinary course of business from Severnside at a total cost of £914,347 (2019: £1,150,436).

Housing Plus provided services to Severnside at a total cost of £1,115,923 (2019: £8,476,415).

At 31st March 2020 the company was owed £180,508 (2019: £3,666,065) by Severnside.

At 31st March 2020 the company owed £326,582 (2019: £10,913) to Severnside.

On 28 March 2019 The Housing Plus Group granted a loan of £500,000 to Property Plus.

Interest was paid on the loan at LIBOR plus a margin of 3%, totalling £13,795 (2019: £210).

The loan was repaid in full on 10 January 2020.

During the financial year Housing Plus purchased services in the ordinary course of business from Property Plus at a total cost of £79,266 (2019: £14,786).

Housing Plus provided services to Property Plus at a total cost of £6,755,475 (2019: £8,228,932).

At 31st March 2020 the company was owed £688,477 (2019: £3,107,292) by Property Plus.

At 31st March 2020 the company owed £61,677 (2019: £957) to Property Plus.

During the financial year Housing Plus purchased services in the ordinary course of business from Care Plus at a total cost of £112,045 (2019: £12,788).

Housing Plus provided services to Care Plus at a total cost of £87,253 (2019: £1,112,211).

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. Related party transactions (continued)

At 31st March 2020 the company was owed £2,180 by (2019: £567,733) Care Plus

At 31st March 2020 the company owed £99,929 (2019: nil) to Care Plus.

During the financial year Housing Plus purchased services in the ordinary course of business from Severn Homes at a total cost of nil (2019: nil).

Housing Plus provided services to Severn Homes at a total cost of £63,937 (2019: £150,055).

At 31st March 2020 the company was owed £65,738 (2019: £82,688) by Severn Homes.

At 31st March 2020 the company owed nil (2019: nil) to Severn Homes.

During the financial year Housing Plus purchased services in the ordinary course of business from SSHA Dev Ltd at a total cost of nil (2019: nil).

Housing Plus provided services to SSHA Dev Ltd at a total cost of £5,898 (2019: £4,686).

At 31st March 2020 the company was owed £752 (2019: £1,828) by SSHA Dev Ltd.

At 31st March 2020 the company owed nil (2019: nil) to SSHA Dev Ltd.

During the financial year Housing Plus provided services in the ordinary course of business to SARH at a total cost of £463,002 (2019:nil).

At 31st March 2020 the company was owed £463,002 (2019: nil) by SARH.

During the financial year Housing Plus provided services in the ordinary course of business to Housing Worx at a total cost of £1,578 (2019:nil).

At 31st March 2020 the company was owed £1,578 (2019: nil) by Housing Worx.

During the financial year Housing Plus provided services in the ordinary course of business to Development Worx at a total cost of £1,150 (2019:nil).

At 31st March 2020 the company was owed £1,150 (2019: nil) by Development Worx.

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. Related party transactions (continued)

During the financial year Housing Plus provided services in the ordinary course of business to CTH at a total cost of £1,150 (2019:nil).

At 31st March 2020 the company was owed £1,150 (2019: nil) by CTH.

All related party transactions within the group are provided on an arms-length basis.

Amounts owed by and to the Housing Plus are disclosed in notes 13 and 14.

These amounts are related to intragroup balances both in creditors and debtors.

27. Group companies

The immediate parent undertaking is The Housing Plus Group Limited (The Parent) which is a charitable Co-operative and Community Benefit Society (30224R). It is a registered provider with the Regulator of Social Housing (L4491).

The parent, Housing Plus, provides all subsidiaries with services such as finance, payroll, human resources advice and recruitment, development advice and management legal service and information technology services.

28. Post balance sheet events

The outbreak of the Covid-19 pandemic is an in-year even reflected in the financial statements to 31 March 2020. The pandemic has impacted on the operations of the entity and this is expected to continue into the 2020/21 financial year. From a financial perspective activity has reduced due to lockdown which may reduce income however, as detailed in note 1, the Directors are satisfied that the company is a going concern. In order to mitigate any liquidity risk due to the potential impact of Covid-19, Stafford and Rural Homes drew down £4m from its Revolving Credit Facility on 1st April 2020.