Aspire Housing

Annual Report & Financial Statements

Year Ended 31st March 2020

Registration number 31218R

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Board Members, Executive Directors, Advisors and Bankers

Chair	Kevin Richardson
Executive Director	Sinéad Butters
Other Non-Executive Directors	Marina Barrett Neale Clifton Ian Dale Jenny Danson David Hunter (appointed 27 September 2019) Mike Lawton Alasdair Macarthur Paul Northcott Nicola Winn
Secretary	Mark Thrasher
Group Chief Executive	Sinéad Butters
Deputy Group Chief Executive	Will Nixon (resigned 9 April 2020)
Executive Director of Finance	Mark Thrasher
Executive Director of Customer Experience	Andrei Szatkowski
Executive Director of Organisational Development	Ian Gleave
Executive Director of Property	Dan Gray
Executive Director of PM Training	Dan Canavan (appointed 1 April 2020)
Registered Office	Kingsley The Brampton Newcastle-under-Lyme Staffordshire ST5 0QW

Board Members, Executive Directors, Advisors and Bankers (continued)

Auditors	BDO LLP 3 Hardman Street Manchester M3 3AT
Principal Solicitors	Anthony Collins LLP 134 Edmund Street Birmingham B3 2ES
Principal Bankers	Barclays Bank Plc PO Box 3333 15 Colmore Row Birmingham B3 2WN

Strategic Report

Introduction

The Board presents its Strategic Report, containing the Operating and Financial Review and value for money statement, for the year ended 31 March 2020.

Overview and background

Aspire Housing is a leading housing provider, place shaper and property developer. Profits are reinvested in new homes, in revitalising communities and in a comprehensive range of innovative support services, designed to transform lives.

Three distinct but complementary businesses form **we are aspire**; Aspire Housing, PM Training and Realise Foundation. Together, we blend commercial expertise with social purpose and revitalise communities by providing homes, training, employment and support.

A leading housing provider, property developer and place shaper.

The largest provider of apprenticeships for young people in Staffordshire.

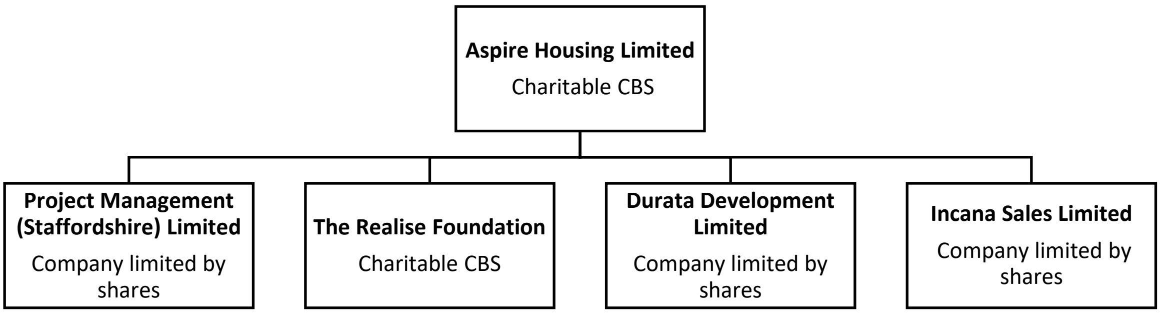
Our charity provides invaluable, practical and holistic support to help prevent and alleviate poverty in our disadvantaged local communities.

During the year Durata Development Limited, the group's development company commenced trading as part of the strategy to increase growth and investment opportunities. It is envisaged that Incana Sales, the group's property company for market sales will commence trading during 2020-21.

As a group, we are focused on Building Better Futures, by putting People First. We do this by living our values: being ambitious, creative and collaborative and always striving to work in a smarter, simpler, slicker way.

Legal structure and objectives

Aspire Housing Limited is registered with the Financial Conduct Authority as a Registered Society under the Co-operative and Community Benefit Societies Act 2014, and with the Regulator of Social Housing (RSH) as a social landlord.



Strategic Report (continued)

Financial review

The Aspire Group is pleased to report a net surplus for the year of £4.4m (2019: £12.4m). The surplus was lower than the previous period, as expected, due to the final year of the minus 1% rent reduction programme, increased costs on management and planned maintenance, reduced activity on both shared ownership first tranche sales and other disposals of housing properties and some additional costs in PM Training; 2019 also included a £3.4m land receipt. The overall group position added £546,000 to the surplus generated by Aspire Housing.

Despite the challenging economic environment in which Aspire operates, income collection and arrears management performance has remained strong with current tenant rent arrears at the year-end representing 1.32% of the rent debit (2019: 0.96%) and with 101.5% of rent collected in the year (2019: 100.4%). The rent lost in the year from bad debts was £206,000 (0.5% of rent and service charges). Void rent loss for the year of £406,000 (1.1%) represented a small deterioration compared to the previous year's loss of £378,000 (1.0%).

Net surplus was 8.7% (2019: 23.5%) of turnover and the operating margin was 25.7% (2019: 40.3%). Total Comprehensive Income though saw a reversal of the actuarial losses from the previous year and the SHPS pension recognition with actuarial gains in the year of £7.1m. Underlying operating performance remains solid and in line with our Business Plan.

The Aspire Group continues to generate a strong net cash flow from operating activities of £21.0m (2019: £21.0m). The group ended the year with cash and short-term investments of £18.6m. These resources will continue to be used to fund the group's objectives over the next three years.

At a group level, interest cover (which measures the extent to which the adjusted surplus covers interest payments) is 173.7% in 2020 (2019: 210.7%), and gearing (which measures the level of indebtedness, and using the Value for Money metrics definition) has changed by a small amount to 60.4% (2019: 61.7%). These ratios remain comfortably within the minimum and maximum levels permitted by funders' loan agreements.

Aspire has continued to invest significant resources both in its existing homes and neighbourhoods and in the development and acquisition of new social and affordable housing for rent and low-cost home ownership. 2018-19 was our most successful for new developments and the programme has continued into 2019-20 with a total of 174 brought into stock, of which the number of low-cost home ownership first tranche sales was 60. We continue to extend our geographic reach into the areas within the Board approved strategy; in particular we have been successful in delivering new homes within South Cheshire and South Staffordshire.

Repairs, maintenance and improvements to the housing stock continued to represent the largest element of Aspire Housing's expenditure with total expenditure of £13.9m, of which £3.3m was capitalised, which was broadly comparable to the previous financial year.

The Aspire Housing Board has approved a strategic disposal programme as part of its broader asset management strategy. Properties are selected using a number of defined criteria including relative net present value, stock type and condition, location and demand. During 2019-20, 44 houses were disposed of. The receipts generated are utilised to fund the development of new homes.

PM Training ended a disappointing year with an operating loss of £749,000 following a profit in 2018-19 of £922,000. Included within this loss was a clawback of £272,000 of ESFA income relating to previous years in respect of claims where there was a different interpretation of guidance or which could not be fully verified.

Strategic Report (continued)

Financial review (continued)

In addition to this there were increased costs to deliver some of the contracts that had been secured and some one-off costs to deliver restructuring and business transformation, following a review of how things were working. However, the social impact of PM Training continues to be positive and well regarded which gives confidence for the future.

Following the poor performance of 2019-20 we have undertaken a root and branch review, commissioned an audit of financial controls and are revising the way in which budgets are set and monitored. We are confident that when training returns to a post Covid-19 level of normality, PM Training will once again deliver a financial return in addition to its continuing social returns. During 2019-20 PM Training has, through its training division, supported over 1,500 companies locally with their workplace skills needs.

Operating review

The Aspire Group has focussed on preparing for and delivering against our new Corporate Strategy which was launched in the Autumn of 2019. Building Better Futures by Putting People First is our vision, underpinned by our values of being Ambitious, Creative and Collaborative. Putting tenants, learners and colleagues at the centre of what we do, hearing our tenants and learners voice at Board, and understanding what it feels like to receive our services are all key facets of our revised approach. We have undertaken a Best Companies Survey in 2019 with a one star result, and an ambition for more. We have instituted Aim High and Fly High colleague talent programmes, and "Seeing is Believing" for all colleagues and Boards to go back to the floor in our communities.

The issues facing those who live in our neighbourhoods are more challenging than ever. Following the Coronavirus outbreak. A global pandemic has seized the world, and everything we thought we knew has changed. Areas like North Staffordshire will be particularly hard hit, with numbers of young people thrown onto the jobs market, and a population heavily dependent on the retail, leisure and hospitality industries. Our work, through the Group where housing, employment and support come together as a whole, will be needed more than ever. People First will be lived in this organisation in a way it will not have been perceived before.

Our strategy is therefore to maximise all parts of the group and draw them together to make the most impact we can in helping our neighbourhoods prosper. To work creatively with local partners and stakeholders to ensure the breadth and depth of our offer, and clarity over where we draw the line. We will ensure that everything we do, in Aspire Housing, PM Training and Realise will focus on our customer. This will require a step change in our approach. In the recent past our focus may have been skewed too much towards delivering at the lowest possible cost but in future we will deliver the greatest value outcomes through more joined-up approaches to delivery. We will do this with a strong focus on adding value in the communities of North Staffordshire to help the area we serve recover, regenerate, and renew.

The 2019-20 financial year was the first year of Aspire Housing's 2019-24 (Corporate Strategy) which sets out to maximise the impact of all parts of the group to ensure our neighbourhoods prosper through a number of themes;

- Governance and engagement
- Our culture
- Our resources
- Our neighbourhoods
- Our housing offer
- Our skills offer
- Our charity

Strategic Report (continued)

COVID-19

On 30 January 2020 the World Health Organisation (WHO) announced Coronavirus as a global health emergency. On 11 March 2020, it announced that Coronavirus was a global pandemic and the UK Government instituted a lockdown of businesses and services on 23 March to limit the spread of coronavirus.

The lockdown had no real impact on the financial results for the year ended 31 March 2020 but will have some impact on the financial results of the subsequent year. We adopted a number of measures to ensure the safety of customers, staff and business partners during this time including the following:

- with the social distancing measures, major improvements such as kitchens and bathrooms and all non-emergency repairs and environmental services were stopped for a period. Only emergency repairs, void clearance and health and safety compliance work has continued uninterrupted. As the lockdown has gradually lifted we have increasingly started to provide some of these services again after full risk assessments
- all construction on our rented and sale development programmes was halted in line with Government recommendations. Once the Government gave the go ahead for building to recommence we started up each site again following risk assessments.
- provided regular contact with older and vulnerable customers to ensure that they had access to food and required medicines. We redeployed some staff from other services and together with volunteers contacted all our customers and then provided increased contact for those considered to be vulnerable.
- provided guidance to those customers who faced financial difficulties. We have taken a position on rent arrears and are working with individual customers to help them through debt problems.
- all offices were closed both for staff and the public with the majority of staff working at home other than those who continued in their roles providing emergency repairs and health and safety compliance work
- training for apprentices and school leavers through PM Training were not possible for a period as classroom and on-the-job activities all had to be suspended.

These measures, inevitably, will have some impact on performance for the group in a number of areas:

- the suspension of building work on developments has put back the handover dates on a number of projects. Whilst all schemes are now back on site and new developments are being started the number originally planned for completion in 2020-21 will not be met and this will have an impact on planned new rental income for the subsequent year
- there has been a hiatus in the housing market which affected sales at the year end and into the subsequent year. At the year end there were 20 unsold shared ownership properties which was higher than we had hoped for but not materially affected by the lockdown. Interest in properties for sale saw the beginnings of an upturn in May, a spike in interest in June with a number of reservations and at the end of July only three remaining unsold or unreserved so we expect performance in 2020-21 to be as originally expected
- major improvements work programmes will be significantly reduced in 2020-21 as our capacity to deliver the original programme will be constrained by the time remaining available and the ability to access homes, particularly where customers are vulnerable, isolating or uncertain. A new reduced programme is being prepared for the year

Strategic Report (continued)

COVID-19 (continued)

- maintenance spend is being moved around between categories but is still considered to be as planned in 2020-21 overall. There is already work underway to pick up the backlog of non-urgent repairs which were put on hold
- expenditure on personal protective equipment has increased to ensure the safety of staff who are working with customers and in the community
- to assist the ongoing financial viability of the PM Training business, we furloughed a number of staff who were unable to provide training when classroom and on-the-job activities were suspended. The support received through the Government Coronavirus Job Retention Scheme in the first half of 2020-21 will be around £94,000.
- both arrears and voids have seen an increase during the first quarter of 2020-21. Our performance on these started at a low base so there have been no immediate concerns but the indicators are being closely monitored and the teams are taking action to address the issues alongside the sensitivities of the situation

The impact on global markets has affected other areas which are outside the group's control. These include:

- the asset values for the defined benefit pension schemes were impacted by the performance of the stock market at the end of March and this is likely to continue into the 2020-21 results and beyond. This impact is added to by low gilt yields which will impact on pension liabilities into the future.
- the group currently has headroom on security for its loan finance but any reduction in valuations from changes in assumptions as a result of the pandemic will impact on this figure. The group is not reliant on MV-T valuations for loan security so some of this risk is mitigated from changes in the housing market but the level of security and headroom will be closely monitored during 2020-21

The situation is still evolving but the Board is receiving regular reports on performance and risks to be able to assess the impact of the pandemic on customers, learners, staff and the business as a whole. On the basis of the reports given and the work done the Board has determined that adopting a going concern basis for the financial statements is correct at the time of approval.

Future developments

The new business plan approved by the Board in February 2020 provides for 1,128 new homes, to be completed in the five years to March 2026. In addition, we also plan to develop 125 homes for outright sale through Incana Sales Limited.

Aspire Housing will continue to make significant investment in its stock and to ensure that its properties meet the Decent Homes Standard (DHS) and responds to enhanced building safety requirements and future climate change targets.

We will continue to assess the impact and manage the risks to our business of government policy, including the impact of Universal Credit and the Voluntary right-to-buy policy.

Strategic Report (continued)

Risks and uncertainties

Aspire Housing uses various financial instruments, including loans and cash, and other items such as rental arrears and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for its operations. The existence of these financial instruments exposes the organisation to several financial risks. The main risks arising from financial instruments are considered by the directors to be interest rate risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing these risks.

Risk	Description
Interest rate	Aspire Housing finances its operations through a mixture of retained surpluses and bank borrowings. The exposure to interest rate fluctuations on borrowings is managed using both fixed and variable rate facilities.
Liquidity	Aspire Housing seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and invests cash assets in accordance with an approved treasury management strategy. In addition to drawn borrowings Aspire Housing had £50m of undrawn facilities as at 31 March 2020.
Credit	The principal credit risk relates to tenant arrears. This risk is managed by providing support to customers with their application for Housing Benefit and through benefit and debt advice, as well as by ensuring that Aspire has an appropriately resourced and high performing Income Management team. Welfare Reform changes have been identified as a key risk for the organisation and extensive work has been carried out in preparation for the continued roll out of Universal Credit.

Aspire Housing’s business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. Long-term debt facilities provide adequate resources to finance committed reinvestment and development programmes, as well as day to day operations. Aspire also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders’ covenants.

Risks that may prevent Aspire Housing and its subsidiaries achieving their objectives are considered and reviewed regularly by the executive team, the Audit Committee and the Board. The risks are recorded and assessed in terms of their impact and probability. Major risks, as well as management actions and controls, are reported to the Audit Committee and Board quarterly.

Strategic Report (continued)

Risks and uncertainties (continued)

Major Risk	Management actions
Unexpected financial shock leads to severe impact on business plan resulting in covenant breach / liquidity / financial loss	Financial planning with stress testing undertaken on the original budget and plans plus updates. Discussions are ongoing on the future pensions strategy with respect to agreeing a suitable deficit repayment plan. Work to refinance and address the refinancing risk as well as provide for the corporate strategy and development appetite has commenced.
Change in government policy putting sector at risk as we know it results in remodelling of business objectives	Aspire Housing is seeking to increase its diversification into other activities through its subsidiaries (e.g. Training and Market Sales). The first developments for Incana Sales are due to be started in 2020-21. The Voluntary right-to-shared ownership proposals are being modelled.
Staff culture, systems and processes act as a barrier to People First results in delays and ineffective roll out of the strategy	The group is seeking to implement agile working through investment in IT and other equipment to optimise more efficient ways of working.
Uncertainty in the short/medium term following the impact of COVID-19 leads to threat to long-term financial viability	The Board and Executive team are continuing to monitor the outbreak, including UK Government advice and whilst they acknowledge that the group faces a prolonged period of uncertainty there are also actions and opportunities that can be implemented. Engagement with the regulator at a national level in conjunction with daily and weekly horizon scanning with updates from the business intelligence team is assisting with this work. Steps are being taken to minimise the impact on customers, staff and business partners with the priority to ensure, as far as possible, that services are available when needed.

Treasury objectives and strategy

The group regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. It also acknowledges that effective treasury management supports the achievement of Aspire's objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

The Board has set annual targets and approval criteria within which the treasury management function operates, including:

Strategic Report (continued)

Treasury objectives and strategy (continued)

- A limit on exposure to variable interest rates; Aspire's policy is to keep at least 60% of its borrowings at fixed rates of interest. At the year-end 90% of its borrowings were at fixed rates
- Use of derivative instruments only when approved by the Board; £Nil at 31 March 2020
- Approved sources of borrowing and investment; all borrowing is from approved sources

Aspire Group is financed by a combination of retained reserves, long-term loan facilities and project-specific grants to part-fund the acquisition and development of new homes. The group has the financial capacity to repay its loans in accordance with the repayment profile of its loan facilities. Pursuit of further development opportunities beyond 2020-21 may involve new funding facilities being agreed or varied to provide additional flexibility. Should this be necessary, it will be presented to Board for approval in a timely and ordered manner.

All financial covenant limits set by lenders during the year have been met.

Corporate governance

Aspire Housing has adopted the NHF 2015 Code of Governance, 'Promoting board excellence for housing associations'. Whilst the organisation is largely compliant with requirements of the code it has not undertaken a full review of its effectiveness as required under provision E4 of the code during the financial year. Aspire has instructed an external consultant to review their state of preparedness for its next In-Depth Assessment. This review overlapped with several elements of provision E4. It was further supplemented by an external review of Governance arrangements more broadly, which will be reported back to the Aspire Housing Board in November 2020. It is still considered therefore that majority of the elements of provision E4 have been covered via these independent reviews. Aspire has also adopted the NHF merger code. The Board meets frequently to determine policy and to monitor the performance of the group and member organisations.

Aspire Housing operates two committees: an Audit Committee and a Nominations and Remunerations Committee. The Board has delegated day to day management to a group of Executive Directors. The Executive Team is led by the Chief Executive and has responsibility for making decisions in line with strategic issues and other issues with group-wide implications, overseeing regulation and monitoring financial viability. The Executive Team meets on a regular basis and recommends policy and strategy decisions to the Board.

Value for Money (VfM)

Our strategic approach to VfM

Aspire Housing is committed to the achievement of value for money in the delivery of all its services. VfM is embedded within our culture and within all of our key strategies, as articulated in our ambition to be "smarter, slicker, simpler" in everything we do. We define value for money as the achievement of optimal value from the use of our resources as measured through the delivery of successful outcomes.

Our 2019-24 corporate plan set out our vision of generating additional capacity to achieve responsible growth through improving our efficiency and increasing our operating margins, whilst at the same time

Strategic Report (continued)

Value for Money (VfM) (continued)

improving the quality of our services and our customers' experiences. The achievement of improved VfM will help to ensure that:

- we maintain a financially viable and robust business plan
- we provide services that are affordable and valued by our customers
- we generate capacity to provide new affordable homes

We set clear targets for financial efficiency and service quality, and progress against these targets is reported regularly to the Board. In addition to this, we introduced the Realise Levy during 2019; all new contracts procured include a requirement for the contractor to contribute 1% of the contract value to our charitable foundation, Realise.

The additional capacity created in the business plan as a result of the achievement of efficiencies will enable us to deliver around 1,850 new homes compared to the 1,700 in our original plan.

Asset Management Strategy

Our Asset Management Strategy provides the framework within which decisions on investment, remodelling, disinvestment, and disposal are made. In delivering this strategy we aim to:

- Operate an active asset management model that enables Aspire to optimise its return on investments
- Understand asset performance and customer perspective on the full range of assets
- Differentiate between routine cyclical investment, remodelling, redevelopment, and disposal
- Have clear long-term investment plans, developed from high quality data, supported by long range procurement, visible to stakeholders
- Have clarity of delivery solutions and a clear order book to maximise efficient delivery by contractors
- Provide homes that meet the needs of our customers and are valued by them

Land management and strategic disposals

We have continued our strategy of assessing properties for disposal on becoming void in line with criteria approved by Board, with up to 50 disposals per annum. In 2019-20 we sold 44 properties and five parcels of land either at auction or by private treaty, generating gross sales proceeds of £3.7m (2019: £5.8m). The resources generated from these sales will be re-invested in the delivery of new affordable homes.

Stock investment

We continue to maintain a 30-year stock investment plan and rolling stock condition survey aligned with the business plan, with regular reviews of priorities and re-alignment of funding to meet the needs of the asset base and of our customers. We periodically commission an independent validation of the accuracy of our stock condition data (most recently in 2016) which provides assurance that our investment plans have a firm evidential base and that our resources can be targeted effectively. In the 2020-21 business plan, approved by the Board in February 2020, we have increased the level of expenditure on our stock by £67m over 30 years including £40m for additional major works.

Strategic Report (continued)

Value for Money (VfM) (continued)

Growth Strategy and new homes provision

The Strategic Plan approved by the Board in 2016 set out an ambition to deliver 1,700 new homes before 2022. In the first four years of that plan we have provided 728 new homes. The business plan approved by the Board in February 2020 included the provision of another 1,128 homes over the next six years.

VfM metrics and targets

The Value for Money standard published by the Regulator of Social Housing in April 2018 requires Registered Providers to report on a number of VfM metrics within their financial statements, and these are set out in table 1 below.

The effects of COVID-19 have been disclosed in the review of business above. The operational changes that we have implemented are likely to have some impact on performance in particular areas against our VfM indicators and those set by the Regulator during 2020-21 but had little impact on the results for 2019-20. The lockdown came only a week before the end of the financial year and most of the trends and trajectory for performance in the year were in place before then. The one exception is the impairment of the PM Training investment which reduced the operating margin and EBITDA metrics.

Table 1: Regulator of Social Housing metrics	**Aspire Housing**				**Global Accounts 2018-19**	
	2018-19 Actual	**2019-20 Target**	**2019-20 Actual**	**2020-21 Target**	**Median**	**1st Quartile**
Re-investment %	12.0%	13.7%	**11.0%**	15.4%	6.2%	9.1%
New Supply - social housing %	2.5%	2.8%	**2.5%**	4.8%	1.2%	2.4%
Gearing	61.7%	62.7%	**60.4%**	64.0%	41.8%	30.4%
EBITDA-MRI interest cover	210.7%	167.5%*	**157.8%**	150.4%	192.8%	271.8%
Headline social housing cost per unit	£2,599	£2,971*	**£2,805**	£3,203	£3,641	£3,161
Operating margin (social housing units)	33.2%	31.1%*	**28.6%**	28.6%	26.5%	32.3%
Operating margin (overall)	32.3%	28.8%*	**26.8%**	27.7%	23.4%	29.3%
Return on capital employed (ROCE)	8.4%	5.0%*	**4.9%**	4.6%	3.3%	4.4%

**Aspire Housing VfM target*

Strategic Report (continued)

Value for Money (VfM) (continued)

- Re-Investment – Aspire continues to invest a significant proportion of its capacity in the building of new homes and investing in our existing stock. We have maintained top quartile performance although we did not carry out all of our improvement work as planned; this was due to work which was previously identified as being required, actually did not need to be replaced.
- New Supply – Our development programme seeks to maximise the financial capacity that we have. Whilst we delivered top quartile performance compared to the sector, we did not deliver all of our plans last year due to the withdrawal of a developer from one major S106 scheme. Following lockdown for COVID-19 we expect there to be a fall in the number of handovers of new units in 2020-21 and our original target may be missed. We do not currently build any non-social housing units.
- Gearing – Aspire was created following the large-scale transfer of stock from Newcastle-under-Lyme Borough Council. As an LSVT the gearing levels required to finance the transfer means that our comparative performance to many traditional associations is unfavourable. Our plans seek to maximise our gearing capacity to deliver as much affordable housing as we can.
- EBITDA-MRI Interest Cover - We have a covenant of 110% and a golden rule not to fall below 125%. As we continue to maximise our borrowing to build more homes, our performance will inevitably reduce. In 2019-20 our comparison to the sector was below median and would have been anyway even before the impairment of PM Training. We recognise that this is due to a combination of our comparatively very low rent levels, a higher level of average cost of capital compared to the sector and the first year of our enhanced investment in the "People First" strategy.
- Headline social housing cost per unit - Our overall headline social housing cost per unit increased from £2,599 in 2018-19 to £2,805 in 2019-20 (2018-19 sector top quartile cost per unit: £3,161). Aspire continues to be amongst the top performing housing providers as measured by cost per unit. The increase in 2019-20 is due to increased management costs and our People First Strategy where we are planning to invest considerably more in our properties over the next few years to roll out a new higher standard for our older persons accommodation offer. COVID-19 will alter our maintenance spend in 2020-21 but we do not think that this will materially affect our overall cost per unit. The 2020-21 budget paper set out an estimation of the impact on cost per unit over the next few years as follows:

  - 2020-21 £3,187
  - 2021-22 £3,033
  - 2022-23 £3,119

- The 2020-21 budget provided for an increased level of investment in some front-line services as we move forward with our plans to deliver on the People First strategy. In addition, the planned investment in IT, asset management and a recognition that we need to divert more resources into repairing and maintaining the stock, all contribute to this increase as highlighted above. Our business plan demonstrates that at the end of this period of investment and as our stock levels grow, we will return to a more normal level of cost per unit by 2022.
- Operating Margin – the increased investment agreed by the Board will result in a deterioration in these measures. Our performance in 2019-20 was still better than most associations in the sector even with the impairment of PM Training and it will be interesting to see how we compare to others when the 2019-20 data is published.

Strategic Report (continued)

Value for Money (VfM) (continued)

- Return on Capital Employed – Performance in 2019-20 looks like it may continue to be at top quartile level; however, it did fall year-on-year as a result of the significant additional investment in services for 2019-20. We are forecasting that the normal position for this indicator will be closer to median level.
- We recognise that the targets 2020-21 will potentially need to be re-set when the Board reconsiders our business plan in September to re-evaluate our ambitions this year in the light of the pandemic.

We also participate in the Sector Scorecard benchmarking exercise and these additional Sector Scorecard metrics are set out in table 2.

Table 2: Sector Scorecard metrics	**Aspire Housing**				**HouseMark 2018-19**	
	2018-19 Actual	**2019-20 Target**	**2019-20 Actual**	**2020-21 Target**	**Median**	**1st Quartile**
New supply delivered – units	224	250*	**174**	199	71	188
Overall satisfaction with service provided	94.1%	94.0%*	**94.0%**	94.0%	86.7%	90.0%
Occupancy at 31 March	99.7%	99.4%	**99.7%**	99.4%	99.4%	99.7%
Ratio of responsive to planned repairs	85.0%	54.5%	**72.6%**	60%	64.0%	47.0%
Rent collected as % of rent due	100.4%	99.5%*	**101.5%**	99.0%*	99.8%	100.3%
Overheads as % of adjusted turnover	10.7%	10.9%	**10.6%**	10.9%	11.8%	9.8%

** Aspire Housing VfM target*

In addition to the regulatory metrics shown in table 1, we also collect data and compare ourselves using some of the Sector Scorecard metrics shown above in table 2. These were in place before the regulator's metric had been established.

- New supply delivered – our Corporate Strategy was agreed in November 2019 and established a target to deliver a further 1,700 new homes by 2022. We have so far delivered 728 and this will grow to 1,856 by March 2026. We fell short of our target for this year due to the withdrawal of a developer from one major S106 scheme.
- Overall satisfaction – Our overall satisfaction rates continue to be at top quartile levels. However, we know that a number of our customers are less satisfied with certain aspects of our service and our People First approach seeks to address this.

Strategic Report (continued)

Value for Money (VfM) (continued)

- Occupancy – Our performance in this area is at top quartile levels however we anticipate this to fall as we roll out our plans to refurbish and redevelop a number of our schemes for older persons and retain empty properties for re-locating customers.
- Ratio of responsive to planned – For 2019-20 our performance varied significantly from the previous year due to higher responsive maintenance expenditure, which put us in the third quartile. This is due to the cyclical nature of the expenditure for planned maintenance and we expect the balance to change over the next few years.
- Rent collected as a % of rent due – Our performance in this area has consistently been high, at top quartile levels. As a result of COVID-19 we are seeing slightly lower figures at the beginning of 2020-21.
- Overheads as a % of adjusted turnover – For 2019-20 has fallen from 10.7% to 10.6% and highlights the start of the plan to invest more in our front-line services. This is planned to increase in 2020-21 to 10.9% through changes to services to support the business. However, we continue to perform better then median performance, and we are mindful to see how this compares to others for 2020-21.

Aspire Housing has also established a set of VfM targets, linked to broader strategic objectives, which have been agreed with the Board, and performance against these targets is monitored and reported to the Board on a regular basis. The chosen metrics are drawn from the RSH and Sector Scorecard metrics, as indicated in the tables below, with the addition of several additional Aspire Housing specific metrics set out in table 3.

Table 3: Additional Aspire Housing metrics	**Aspire Housing**				**HouseMark Quartile**
	2018-19 Actual	**2019-20 Target**	**2019-20 Actual**	**2020-21 Target**	**2018-19**
EBITDA operating margin	41.8%	40.0%*	**43.9%**	30.8%	n/a
Void rent loss	1.0%	1.0%*	**1.1%**	1.0%	3
Current arrears	0.96%	1.25%*	**1.32%**	1.25%	1
Satisfaction with repairs and maintenance service	84.5%	88.0%*	**85.0%**	N/A	2
Satisfaction with VfM of services provided	95.2%	95.0%*	**95.5%**	N/A	1
Procurement Savings	N/A	N/A	N/A	£250,000	N/A
Subsidy generated from asset sales	N/A	N/A	N/A	£997,000	N/A

**Aspire Housing VfM target*

Strategic Report (continued)

Value for Money (VfM) (continued)

Table 3 includes measures which were established originally as part of the 2016-21 strategy and were reconfirmed in the People First Strategy 2019. Some of these measures have changed for 2020-21 as part of the newly adopted strategic plan. Performance in all of these areas remained above median for 2018-19 other than in the area of void loss; this was higher than expected due to the relocation of some residents in order to facilitate the redevelopment of two older persons schemes. In addition, we did not achieve our target for satisfaction with the repairs service and arrears were beginning to climb towards the end of the year as the impact of COVID-19 started to take effect. As part of our new approach under People First we are continuing to engage with our customers to understand why this is the case and work towards solutions to improve performance in these areas.

Social return on assets

The achievement of positive social impact is a core element of Aspire Housing's corporate aims reinforced by our Corporate Strategy and the objectives set out on page 5. A significant proportion of the group's social investment is achieved through PM Training. It delivers high quality employment and training opportunities across the public and private sectors and The Realise Foundation, our charitable subsidiary, provides regeneration services including support for lifelong learning, apprenticeships and environmental improvements. The same principles of VfM that underpin the strategic approach of the parent organisation, equally apply to the subsidiaries.

During 2019-20 PM Training has, through its training division;

- Supported over 1,500 companies locally with their workplace skills needs.
- 498 young people have participated in our pre-apprenticeship employability programmes including study programmes and traineeships with 73% positively progressing to positive destinations.
- 431 apprenticeship starts during the year, with a total of 1,003 apprenticeship learners on programme. The overall success rate for the year was 61%.
- PM Training has continued to respond and adapt to the major changes to the apprenticeship agenda in the past twelve months through the introduction of the apprenticeship levy and the wider reform programme.

PM Training continues to provide Homeworks services and successfully secured additional contracted work in year while expanding its non-contract activity. These services include gardening, decorating, environmental improvements and estate caretaking to people in North Staffordshire. These teams have enabled learners to engage with local neighbourhoods and to prepare for employment. PM Training apprentices have also completed a range of artwork commissions during the year, including several high profile works of public art.

Strategic report

The Strategic report including the Operating and Financial Review was approved by the Board on 10 September 2020 and signed on its behalf by:

DocuSigned by:
Mark Thrasher
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Mark Thrasher
Secretary
Kingsley, The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW

Report of the Board

The Board presents the Aspire Housing Limited Annual Report (the 'Annual Report') and the audited financial statements for the year ended 31 March 2020.

Principal activities

The principal activities of Aspire Housing and its subsidiaries are:

- Housing for rent primarily for families who are unable to rent or buy at open market values and sheltered schemes for the elderly; as well as managing over 9,000 properties, Aspire also develops new affordable housing.
- The development of properties for affordable rented housing and low cost home ownership.
- The provision of high-quality training and employment opportunities across both the private and public sectors.
- The provision of regeneration services including support for lifelong learning, apprenticeships, and environmental improvements through the Realise Foundation.

Board Members and Executive Directors

The Board members and executive directors of Aspire Housing who served during the year and up to the date of approval of these financial statements are set out on page 3.

The Chief Executive, Sinéad Butters, is an executive director of Aspire Housing. Sinéad Butters holds no interest in the association and acts as Chief Executive within the authority delegated by the Board.

Insurance policies indemnify Board members and officers against liability when acting for Aspire Housing and its subsidiaries.

The directors are remunerated for their service, with regular reviews made of the remuneration levels to ensure that they remain appropriate.

The Board normally meets four times per annum and additionally have two away days, one of which is a combined group Board awayday.

Non-executive directors are appointed for three-year terms, although retiring directors are permitted to serve one further term on the Board. The standard period of service is six years, with annual extensions permissible to a maximum of nine years subject to Nomination and Remuneration Committee approval.

Executive directors' remuneration

The remuneration of the executive directors is reviewed by the Nominations and Remuneration Committee, who make recommendations to be considered and determined by the Board.

Service contracts

The executive directors are employed on the same terms as other employees and their notice period is six months.

Report of the Board (continued)

Pensions

The executive directors are able to participate in the Staffordshire County Council and Social Housing Pension Schemes on the same terms as all other eligible staff and the group contributes to the schemes on behalf of its employees. Non-executive directors are not eligible to participate in any group pension scheme.

Other benefits

The executive directors are only entitled to benefits available to all colleagues. Full details of executive remuneration are set out in note 10 to the financial statements.

Statement of compliance

The Board report and financial statements have been prepared in accordance with applicable reporting standards and legislation.

A programme of internal checks has been undertaken during the year to ensure that Aspire Housing complies with the requirements of the Regulator of Social Housing's Governance and Financial Viability Standard. The Standard was updated in 2015 and, in relation to governance, providers are expected to:

- Adhere to all relevant law
- Comply with their governing documents and all regulatory requirements
- Be accountable to tenants, the regulator and relevant stakeholders
- Safeguard taxpayers' interests and the reputation of the sector
- Have an effective risk management and internal controls assurance framework
- Protect social housing assets

The standard also sets out the requirement to develop and maintain an effective assets and liabilities register. Aspire undertook a specific project which was completed in 2016, sponsored at executive level, to redevelop their existing register to ensure that this part of the standard was met. A steering group consisting of senior managers within the business meets on a six-monthly basis to review the on-going maintenance and development of the register. During 2020 an internal audit was undertaken of the Asset and Liability Register which resulted in a substantial assurance grading being awarded.

In relation to financial viability, providers are expected to manage their resources effectively to ensure their viability is maintained whilst also ensuring that social housing assets are not put at undue risk. External legal advice has confirmed that the corporate structure acts to ring fence social housing assets to ensure that they are not placed at risk via non-social housing activities.

The internal review undertaken in 2016 was supplemented by an external review of compliance with the standard, involving site visits by an external firm of solicitors and the sampling of documentary evidence by the same firm. A report from the solicitors was then shared with the Board, providing both internal and external assurance that the requirements of the standard had been met. During the past year, the same checks have been undertaken internally and the detailed analysis has been made available to the Board for inspection. The Board is prepared to certify on this basis that that the organisation is compliant with the Governance and Financial Viability Standard.

Report of the Board (continued)

Employees

Aspire Housing is committed to ensuring that an effective framework for colleague consultation is in place, and that information on matters that concern them is effectively communicated to all colleagues. Regular colleague briefings are held, and a staff forum has been established which meets regularly. The organisation also seeks to work positively with trade unions, and regular meetings are held with the recognised trade unions.

The group is committed to equal opportunities and full and fair consideration is given to applications for employment made by people with disabilities, having regard to their particular aptitudes and abilities.

The Board is aware of its responsibilities on all matters relating to health and safety. Aspire has prepared detailed health and safety policies and provides training both to colleagues and to the Board on health and safety matters. A Health and Safety Committee, chaired by the Executive Director of Organisational Development, meets regularly. An independent survey of Aspire's health and safety framework has been carried out by the British Safety Council, which awarded a five-star rating.

Donations

Aspire Housing made charitable donations totalling £3,000 in the year (2019: £Nil). No political donations were made during the year.

Disclosure of information to auditor

So far as each of the directors of the group is aware, at the time this report is approved:

- There is no relevant information which the group's auditor is unaware; and
- The directors have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's auditor is aware of that information.

Statement of Board's responsibilities in respect of the report of the Board and the financial statements

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

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the group and the association and of the income and expenditure of the group and association for that period.

Report of the Board (continued)

Statement of Board's responsibilities in respect of the report of the Board and the financial statements (continued)

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and assess the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- use the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

Board statement on internal control

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

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

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

The Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by Aspire Housing, which has been in place throughout the financial year and to the date of the approval of the report and financial statements. The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework, includes:

Report of the Board (continued)

Board statement on internal control (continued)

- Identification and evaluation of key risks
  Responsibility has been clearly defined for the identification, evaluation and management of significant risks. There is a formal and on-going process of review in each area of Aspire Housing's activities. The Executive Team is responsible for monitoring corporate risk management, other corporate maps, project risk maps and operational maps. The Audit Committee regularly reviews the application of the controls on the strategic risk map. The Board reviews the strategic risk map in its entirety, with a focus on ensuring that the risks listed are appropriate and the key ones which could prevent the successful delivery of the corporate plans. The Board also defines the risk appetite for the organisation.
- Monitoring and corrective action
  A process of control self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of management and to the Board. The risk management framework, through the reporting of risk crystallisations, facilitates the reporting of internal control failures and ensures that corrective action is taken.
- Control environment and control procedures
  The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues. Policies and procedures cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection. These are regularly reviewed and revised as appropriate.
- Information and financial reporting systems
  The Board regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes. Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years, these are also reviewed and approved by the Board.
- Strategy and policy with regard to fraud
  Fraud awareness training is provided at various levels within the organisation according to particular need. The Audit Committee has reviewed the fraud register and has reflected any relevant information in its review of internal control systems.
- Independent review
  The internal control framework and the risk management process are subject to regular review by the independent internal auditor. This provides independent assurance to the Board via the Audit Committee. The Audit Committee considers internal control at each of its meetings during the year.

As part of the assurance process across the wider group, the Aspire Housing Board receives an internal controls statement from the Board of PM Training, as the size and range of activities undertaken by PM Training are more substantial than the other subsidiary companies in the group. Within the internal controls statement provided by the Board of PM Training, reference is made to the trading loss experienced by PM Training during the year, which arose from a number of challenges. Whilst some of these challenges (such as COVID-19) have resulted from issues which have impacted the sector as a whole, other matters have arisen as a result of weaknesses in the internal control environment at PM Training. Steps are being taken to address these weaknesses to ensure that the PM Training has a robust platform to operate from moving forward. These losses are not material in relation to Aspire Housing but are noted here for transparency and clarity.

Report of the Board (continued)

Board statement on internal control (continued)

The Board cannot delegate ultimate responsibility for the system of internal control but has delegated authority to the Audit Committee to regularly review the effectiveness of the system of internal control. The Audit Committee has received the Chief Executive's annual review of the effectiveness of the system of internal control for the Aspire Housing, and the annual report of the internal auditor, and has reported its findings to the Board.

Going Concern

When approving the financial statements, the Board is required to make an assessment of the organisation's ability to continue as a going concern. In doing this the Board needs to consider all available information about the future, which is at least, but not limited to, twelve months from the date when the financial statements are approved and signed.

The group has in place long-term debt facilities with £50 million of undrawn facilities at 31 March 2020 which provide adequate resources to finance committed reinvestment and development programmes, along with the association's day to day operations. The Group also has a long-term financial plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the Board has a reasonable expectation that the association has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the annual report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements. Further information on the review is set out in note 2.

Independent auditors

A resolution to reappoint the group's auditor will be proposed at the forthcoming Annual General Meeting. BDO LLP have indicated their willingness to continue in office should a resolution concerning their reappointment be agreed at the AGM.

Report of the Board

The Report of the Board, including the financial statements, was approved by the Board on 10 September 2020 and signed on its behalf by:

DocuSigned by:
Mark Thrasher
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Mark Thrasher
Secretary
Kingsley, The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW

Independent Auditor's Report to the Members of Aspire Housing Limited

Opinion

We have audited the financial statements of Aspire Housing 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 Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and 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 Aspire Housing 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 Strategic 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 Strategic Report or of the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- 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, 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 Aspire Housing Limited (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

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

Use of our report

This report is made solely to the members of the association, as a body, in accordance with 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.

DocuSigned by:
BDO LLP
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23 September 2020

BDO LLP, Statutory Auditor

Manchester

United Kingdom

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

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Turnover	4	**49,947**	52,691
Cost of sales	4	**(2,792)**	(3,386)
Operating expenditure	4	**(37,243)**	(34,004)
Surplus on disposal of housing properties	7	**2,901**	5,943
Operating surplus	8	**12,813**	21,244
Interest receivable and similar income	12	**1,819**	1,859
Interest payable and similar charges	13	**(10,543)**	(10,581)
Surplus before taxation		**4,089**	12,522
Taxation on surplus		**282**	(146)
Surplus for the financial year		**4,371**	12,376
Actuarial gains/(losses) on defined benefit pension scheme	29	**7,106**	(3,580)
Remeasurement of SHPS obligation		**-**	(650)
Total comprehensive income for year		**11,477**	8,146

Historical cost surpluses and deficits are the same as those shown in the statement of comprehensive income. All the results are from continuing activities.

The financial statements were approved and authorised for issue by the Board at a meeting held on 10 September 2020 and signed on its behalf by:

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Kevin Richardson	Sinéad Butters	Mark Thrasher
Chair	**Executive Director**	**Secretary**

The notes on page 34 to 72 form part of these financial statements.

Association Statement of Comprehensive Income

for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Turnover	4	**43,834**	45,595
Cost of sales	4	**(2,792)**	(3,386)
Operating expenditure	4	**(31,400)**	(27,479)
Surplus on disposal of housing properties	7	**2,901**	5,943
Operating surplus	8	**12,543**	20,673
Interest receivable and similar income	12	**1,816**	1,857
Interest payable and similar charges	13	**(10,543)**	(10,581)
Surplus before taxation		**3,816**	11,949
Taxation on surplus	14	**-**	-
Surplus for the financial year		**3,816**	11,949
Actuarial gains/(losses) on defined benefit pension scheme	29	**7,106**	(3,580)
Remeasurement of SHPS obligation		**-**	(650)
Total comprehensive income for year		**10,922**	7,719

Historical cost surpluses and deficits are the same as those shown in the statement of comprehensive income. All the results are from continuing activities.

The financial statements were approved and authorised for issue by the Board at a meeting held on 10 September 2020 and signed on its behalf by:

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Kevin Richardson	Sinéad Butters	Mark Thrasher
Chair	**Executive Director**	**Secretary**

The notes on page 34 to 72 form part of these financial statements.

Consolidated Statement of Financial Position

for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Intangible fixed assets	15	**132**	266
Tangible fixed assets – housing properties	16	**231,351**	216,521
Tangible fixed assets - other	17	**7,021**	5,581
		238,504	222,368
Current assets			
Properties for sale	19	**2,624**	4,245
Stock	20	**341**	28
Debtors – receivable within one year	21	**3,852**	3,520
Cash and cash equivalents		**18,592**	24,054
		25,409	31,847
Creditors: amounts falling due within one year	22	**(9,826)**	(8,296)
Net current assets		**15,583**	23,551
Total assets less current liabilities		**254,087**	245,919
Creditors: amounts falling due after one year	23	**(190,156)**	(186,833)
Pension provision	29	**(13,631)**	(20,222)
Deferred tax provision	30	**-**	(41)
Total net assets		**50,300**	38,823
Capital and reserves			
Called up share capital	31	**-**	-
Income and expenditure reserve		**50,300**	38,823
		50,300	38,823

The financial statements were approved and authorised for issue by the Board at a meeting held on 10 September 2020 and signed on its behalf by:

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Kevin Richardson	Sinéad Butters	Mark Thrasher
Chair	**Executive Director**	**Secretary**

The notes on page 34 to 72 form part of these financial statements.

Association Statement of Financial Position

for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Tangible fixed assets – housing properties	16	**231,374**	216,521
Tangible fixed assets - other	17	**6,577**	5,262
Fixed asset investments	18	**2,037**	3,472
		239,988	225,255
Current assets			
Properties for sale	19	**2,624**	4,245
Stock	20	**341**	28
Debtors – receivable within one year	21	**3,781**	2,224
Cash and cash equivalents		**16,239**	22,213
		22,985	28,710
Creditors: amounts falling due within one year	22	**(9,149)**	(7,795)
Net current assets		**13,836**	20,915
Total assets less current liabilities		**253,824**	246,170
Creditors: amounts falling due after one year	23	**(190,156)**	(186,833)
Pension provision	29	**(13,631)**	(20,222)
Total net assets		**50,037**	39,115
Capital and reserves			
Called up share capital	31	**-**	-
Income and expenditure reserve		**50,037**	39,115
		50,037	39,115

The financial statements were approved and authorised for issue by the Board at a meeting held on 10 September 2020 and signed on its behalf by:

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Kevin Richardson	Sinéad Butters	Mark Thrasher
Chair	**Executive Director**	**Secretary**

The notes on page 34 to 72 form part of these financial statements.

Statement of Changes in Reserves

for the year ended 31 March 2020

	Note	Group £'000	Association £'000
Balance at 31 March 2018		30,677	31,396
Surplus for the year		12,376	11,949
Actuarial (losses) on defined benefit pension scheme	29	(3,580)	(3,580)
Remeasurement of SHPS obligation		(650)	(650)
Other comprehensive income for the year		(4,230)	(4,230)
Balance at 31 March 2019		38,823	39,115
Surplus for the year		**4,371**	**3,816**
Actuarial gains on defined benefit pension scheme	29	**7,106**	**7,106**
Other comprehensive income for the year		**7,106**	**7,106**
Balance at 31 March 2020		**50,300**	**50,037**

The notes on page 34 to 72 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 March 2020

	2020	2019
	£'000	£'000
Cash flows from operating activities		
Surplus for the financial year	**4,362**	12,376
Adjustments for:		
Depreciation of fixed assets – housing properties	**6,771**	6,487
Depreciation of fixed assets – other	**681**	440
Impairment	**-**	-
Amortisation of intangible assets	**134**	133
Amortised grant	**(644)**	(608)
Interest payable and financing costs	**8,359**	8,386
Interest receivable	**(122)**	(92)
Taxation expense	**(273)**	146
Pension costs less contributions payable	**515**	737
Surplus on sale of fixed assets – housing properties	**(2,901)**	(5,943)
(Deficit) / surplus on sale of fixed assets - other	**12**	-
Decrease / (increase) in properties for outright sale	**1,621**	(1,279)
(Increase) / decrease in stock	**(313)**	34
(Decrease) in debtors	**(369)**	(583)
Increase in creditors	**3,011**	760
Cash from operations		
Taxation received / (paid)	**123**	(33)
Net cash generated from operating activities	**20,967**	20,961
Cash flows from investing activities		
Proceeds from sale of fixed assets – housing properties	**5,917**	6,492
Proceeds from sale of fixed assets - other	**-**	26
Purchase of fixed assets – housing properties	**(23,753)**	(22,165)
Purchase of fixed assets - other	**(2,133)**	(886)
Receipt of grant	**1,801**	672
Interest received	**122**	92
Net cash from investing activities	**(18,046)**	(15,769)
Cash flows from financing activities		
Interest paid	**(8,383)**	(8,349)
New loans - bank	**-**	10,000
Net cash used in financing activities	**(8,383)**	1,651
Net (decrease)/increase in cash and cash equivalents	**(5,462)**	6,843
Cash and cash equivalents at beginning of year	**24,054**	17,211
Cash and cash equivalents at end of year	**18,592**	24,054

The notes on page 34 to 72 form part of these financial statements.

Notes forming part of the financial statements

1. Legal Status

The association is registered with the Financial Conduct Authority under the Co-operative and Community Benefits Societies Act 2014 (registration number 31218R) and is registered with the Regulator of Social Housing as a social housing provider (registration number L4238). The association is a public benefit entity.

2. Accounting Policies

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for Aspire Housing Limited includes the Cooperative and Community Benefit Societies Act 2014 (and related group accounts regulations), the Housing and Regeneration Act 2008, FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland," the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2018 "Accounting by registered social housing providers" and the Accounting Direction for Private Registered Providers of Social Housing 2019.

The accounts are prepared under the historical cost basis. The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgement in applying the group's accounting policies.

Disclosure exemptions

In preparing the separate financial statements of the parent association, advantage has been taken of the following disclosure exemptions available in FRS 102:

- only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent association would be identical;
- no cash flow statement has been presented for the parent association;
- disclosures in respect of the parent association's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- no disclosure has been given for the aggregate remuneration of the key management personnel of the parent association as their remuneration is included in the totals for the group as a whole.

The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements present the results of Aspire Housing Limited and its subsidiaries ("the group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated Statement of Comprehensive Income from the date on which control is obtained.

2. Accounting Policies (continued)

Going concern

The Board has reviewed the group and association's forecasts and are content that these plans were affordable and that the accounts should be prepared on a going concern basis. However, the impact of the COVID-19 outbreak and its financial effect has meant that the Board have been reviewing financial plans for the next three years to ensure the group and association can remain a going concern. The group and association is modelling a number of scenarios based on current estimates of income generation and available resources. The Board will continue to review plans to make the necessary changes to continue to work with our customers and stakeholders to deliver exceptional services in a friendly, solution-focused way.

The Government's decisions on social distancing had an effect on our financial situation but will not cause any financial difficulties for the group and association. Rent arrears and voids may be up in the year and funding from some external bodies may be down in the year which will reduce the ability to provide services and the margin available to meet overheads but this is not considered to be significant. Delays in development will reduce handovers and consequently rental income from new properties but there are also some reduced costs from services that could not be performed during lockdown.

The length of the COVID-19 outbreak and the measures taken by the Government to contain this are not known and outside of our control but we have put processes in place to manage cashflow on a regular basis and review financial stability as matters progress.

Given the strength of the balance sheet and availability of current funds the Board believe that, while uncertainty exists, this does not pose a material uncertainty that would cast doubt on the group and association's ability to continue as a going concern. The Board, therefore, consider it appropriate for the accounts to be prepared on a going concern basis.

Turnover and revenue recognition

Turnover comprises rent and service charge income receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale, other services included at the invoiced value (excluding VAT) of goods and services supplied in the year, revenue grants receivable in the year, donations and fund-raising activities.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Service charge income is recognised when expenditure is incurred. Income from first tranche 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.

Revenue is recognised at the point the group has fulfilled its obligations in accordance with contractual terms. Any clawback of contract income in respect of the period is deducted from income and is recognised as a liability. Donations and fund-raising income are recognised at the point that invoices are raised whilst other income is recognised at the point of receipt.

The total turnover of the group for the year has been derived from its principal activities wholly undertaken in the UK.

2. Accounting Policies (continued)

Management of units owned by others

Management fees receivable and reimbursed expenses are shown as income and included in management fees receivable. Costs of carrying out the management contracts and rechargeable expenses are included in operating costs.

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively. The charge for taxation is based on surpluses arising on certain activities which are liable to tax.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date where transactions or events have occurred at that date resulting in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the Statement of Financial Position date.

Value Added Tax

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

Loan finance issue costs

Loan finance costs are amortised over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts amortised. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs are recognised in the Statement of Comprehensive Income account in the year in which the redemption took place.

Pensions

The group participates in two defined benefit pension schemes, the Social Housing Pension Scheme (SHPS) and the Staffordshire County Council Pension Fund (SCCPF), which provide benefits based on career average pensionable pay. The assets of both schemes are invested and managed independently of the group. The difference between the fair value of the assets held in the group's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the group's Statement of Financial Position sheet as a

2. Accounting Policies (continued)

Pensions (continued)

pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the group is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

The group also operates a defined contribution plan for all new employees under which the group pays fixed contributions into the SHPS auto enrolment scheme and has no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution pension plan are shown as an operating expense in the surplus for the year during which the services are rendered by employees.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position date.

Termination benefits

Termination benefits are recognised as an expense when the group is demonstrably committed, without realistic possibility of withdrawal to a formal detailed plan to terminate employment.

Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life which is assessed as being 10 years. The estimate of the useful economic life of goodwill is based on a variety of factors such as the long-term strategic benefit of the entities acquired, the cash earning potential of the businesses and the expected useful life of the cash generating units to which the goodwill is attributed.

Housing Properties

Housing properties, principally properties held for rent and held for social benefit, constructed or acquired (including land) on the open market are stated at cost less depreciation and impairment (where applicable). The cost of housing land and property includes the cost of acquiring land and buildings, development costs, directly attributable administration costs and expenditure incurred in respect of improvements which comprise the modernisation and extension of existing properties. Directly attributable administration costs include capitalised interest calculated, on a proportional basis, using finance costs on borrowing which has been drawn in order to finance the relevant construction or acquisition. Where housing properties are in the course of construction, finance costs are only capitalised where construction is on-going and has not been interrupted or terminated.

2. Accounting Policies (continued)

Housing Properties

Expenditure on major refurbishment to properties is capitalised where the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure is charged to the Statement of Comprehensive Income. Housing properties in the course of construction, excluding the estimated cost of the element of shared ownership properties expected to be sold in first tranche, are included in Property, Plant and Equipment and held at cost less any impairment and are transferred to completed properties when ready for letting.

Completed housing properties acquired from subsidiaries are valued at cost plus an uplift at the date of acquisition. Gains and losses on disposals of housing properties are determined by comparing the proceeds with the carrying amount and incidental costs of sales and recognised within gain/loss on disposal of fixed assets in the Statement of Comprehensive Income.

Depreciation of housing properties

Housing land and property is split between land, structure and other major components that are expected to require replacement over time with substantially different economic lives. Land is not depreciated on account of its indefinite useful economic life. Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefits are expected to be consumed.

Housing properties are split between the structure and the major components which require periodic replacement. The costs of replacement or restoration of these components are capitalised and depreciated over the determined average useful economic life on a straight-line basis as follows:

Description	**Economic useful life (years)**
Structure	60
Aerials	20
Showers	30
Central heating	30
Boilers	12 to 15
Energy efficiency	30
Roofs	50
Kitchens	20
Sound insulation	30
Bathrooms	30
Rewires	30
Windows and doors	40
Lifts	30

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last reporting date in the pattern by which the group expects to consume an asset’s future economic benefit.

2. Accounting Policies (continued)

Other properties

Commercial premises, shops and garages are classified as held for social benefit and are accounted for on this basis for reporting purposes.

Shared ownership properties and staircasing

Under low cost home ownership arrangements, the group disposes of a long lease on low cost home ownership housing units for a share ranging between 25% and 75% of value. The buyer has the right to purchase further proportions up to 100% based on the market valuation of the property at the time each purchase transaction is completed.

Low cost home ownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover. The remaining element, "staircasing element", is classed as Property Plant and Equipment and included in completed housing property at cost less any provision for impairment. Sales of subsequent tranches are treated as a part disposal of Property Plant and Equipment. Such staircasing sales may result in capital grant being deferred or abated and any abatement is credited in the sale account in arriving at the surplus or deficit.

For shared ownership accommodation that the group is responsible for, the policy is to maintain them in a continuous state of sound repair. Maintenance of other shared ownership properties is the responsibility of the shared owner. Any impairment in the value of such properties is charged to the Statement of Comprehensive Income.

The group has an asset management strategy which includes disposal of housing properties, land and other housing related assets where it is economically or strategically advantageous to do so. The net proceeds of sale are used for the re-provision of social housing properties or reinvestment in making existing stock fit for long term future use.

Other tangible fixed assets

Other tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

2. Accounting Policies (continued)

Depreciation of other tangible fixed assets

Land is not depreciated.

Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Description	Economic useful life (years)
Freehold buildings	30
Shops	40
Garages	30
Furniture, fixtures and fittings	7
Plant and equipment	7
Computers and office equipment	3

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of Comprehensive Income.

Government grants

Social housing grant, from Homes England, received in relation to newly acquired or existing housing properties is accounted for using the accrual model set out in FRS 102 and the Housing SORP 2018. Grant is carried as deferred income in the Statement of Financial Position and released to the Statement of Comprehensive Income on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with Housing SORP 2018 the useful economic life of the housing property structure has been selected (see table of useful economic lives above).

Where social housing grant funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a replacement property. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the Statement of Comprehensive Income.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once performance related conditions have been met.

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

2. Accounting Policies (continued)

Other grants

Grants received in respect of revenue expenditure are credited to the Statement of Comprehensive Income in the same period as the expenditure to which they relate. Capital grants are held as a deferred asset (income) on the Statement of Financial Position and amortised to the Statement of Comprehensive Income over the life of the property to which it relates.

Recycled Capital Grant Fund

On the occurrence of certain relevant events, primarily the sale of dwellings, Homes England can direct the group to recycle capital grants or to make repayments of the recoverable amount. The group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three-year period, it will be repayable to Homes England with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year is disclosed in the Statement of Financial Position under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

Disposal Proceeds Fund

Receipts from Right to Acquire (RTA) sales are required to be retained in a ring-fenced fund that can only be used for providing replacement housing. The sales receipts less eligible expenses are credited to the Disposal Proceeds Fund. Following the Housing and Planning Act 2016 disposals made after 1 April 2017 are no longer accounted for through the Disposals Proceeds Fund and there has been a winding down period until 31 March 2020 to use any funds currently remaining in the DPF.

Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Impairment of fixed assets and goodwill

The housing property portfolio for the group is assessed for indicators of impairment at each Statement of Financial Position date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. An option appraisal is carried out to determine the option which produces the highest net realisable value. Valuations on rental return or potential sale proceeds are obtained and used to inform the options. The group looks at the net realisable value, under the options available, when considering the recoverable amount for the purposes of impairment assessment. The recoverable amount is taken to be the higher of the fair value less costs to sell or value in use of an asset or cash generating unit. The assessment of value in use may involve considerations of the service potential of the assets or cash generating units concerned or the present value of future cash flows to be derived from them appropriately adjusted to account for any restrictions on their use.

The group defines cash generating units as schemes except where its schemes are not sufficiently large enough in size or where it is geographically sensible to group schemes into larger cash generating units. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value, an impairment is recognised in the Statement of Comprehensive Income immediately.

2. Accounting Policies (continued)

Stock

Stock represents work in progress and completed properties, properties developed for outright sale and shared ownership properties. For shared ownership properties the value held as stock is the estimated cost to be sold as a first tranche.

Stock is stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales proceeds after allowing for all further costs to completion and selling costs. On disposal, sales proceeds are included in turnover and the costs of sales, including costs incurred in the development of the properties, marketing and other incidental costs are included in operating expenses. An assessment of whether there is any impairment is made at each reporting date. Where an impairment loss is identified, it is immediately recognised in the Statement of Comprehensive Income.

Financial instruments

Financial assets and liabilities are recognised when the group becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all its liabilities.

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method, less any impairment losses. Any losses arising from impairment are recognised in the income statement in other operating expenses.

The group estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts. The group has made arrangement with individuals and households for arrears payments of rent and service charges. These arrangements are effectively loans granted at nil interest rate.

All loans, investments and short-term deposits held by the group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Loans and investments that are payable or receivable within one year are not discounted.

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Cash and cash equivalents in the group's Statement of Financial Position consists of cash at bank, in hand, deposits and short-term investments with an original maturity of three months or less. The group has also identified some investments, which meet the definition of cash and cash equivalents but are restricted in their use; these investments have been classified as restricted cash equivalents.

2. Accounting Policies (continued)

Leased assets

All leases are treated as operating leases. Rentals receivable or payable under the agreements are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

Leasehold Sinking Funds

Unexpended amounts collected from leaseholders for major repairs on leasehold schemes and any interest received are included in creditors.

Reserves

Income received, and expenditure incurred, for restricted purposes is separately accounted for within restricted funds. Realised and unrealised gains and losses on assets held by these funds are also allocated to the fund.

3. Significant Judgements and Estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Goodwill

The estimate of the useful economic life of goodwill is based on a variety of factors such as the long-term strategic benefit of the entities acquired, the cash earning potential of the businesses and the expected useful life of the cash generating units to which the goodwill is attributed. Goodwill within the group is assessed as having a useful life of a maximum of ten years linked to the life of the investment.

Housing properties

In determining the intended use, the group has considered if assets are held for social benefit or to earn commercial rentals. The Group has determined that all housing properties are held for social benefit. The useful depreciable lives of each component of social benefit housing properties are reviewed at each reporting date and compared to actual performance to ensure the assumed lives remain appropriate. A review each year seeks to ensure that the useful economic lives, remaining term and component splits are applied consistently.

Other tangible fixed assets

Other tangible fixed assets are depreciated over their useful lives taking into account residual values where appropriate. The estimates of useful life for the different component types and assets are detailed above. They are estimated on sector averages and the opinion of experienced asset practitioners. A review each year seeks to ensure that the useful economic lives and remaining terms are applied consistently.

3. Significant Judgements and Estimates (continued)

Impairment

Reviews for impairment of housing properties are carried out when an indication of impairment exists. Indications for a review of impairment are examples of the following:

- changes in the market, economic or legal, including regulatory, environment in which the group operates - for example the 2015 rent policy which resulted in a material impact on the net income collected in the future for housing properties; and
- changes in the rate of return from housing properties (demand and asset management reviews including the additional fire safety investment expenditure following the Grenfell Disaster) or a material reduction in market values.

Any impairment review is conducted at the scheme level i.e. the cash generating unit. The judgement this year is that there have been no triggers to impairment. This judgement is based on a re-let repairs contract at lower cost, improved procurement leading to lower component replacement costs, improved rental income outlook based on recent government statements, and no deterioration in underlying void and arrears performance. Brexit risks are not expected to have a long-term effect on carrying values. The implications of COVID-19 have been considered and whilst there is likely to be a short-term impact on some of the financial metrics these are not considered to be triggers for impairment.

Basic financial instruments

The assessment of certain loans and interest rate fixes as basic financial instruments requires judgement. Such instruments have been reviewed in detail and have been assessed as basic because key clauses indicate that funders will not suffer a loss on breakage. In addition, such instruments are only entered into by the group in order to give budgetary and cash flow certainty; they are not entered into for trading purposes.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and long-term nature of these plans, such estimates are subject to considerable uncertainty and the group relies on the expert input of actuaries and accepts the estimations they use are reasonable. The key assumptions are as follows:

Assumptions	SHPS	LGPS
Inflation (CPI)	1.5%	1.9%
Rate of discount on the scheme	2.3%	2.3%
Rate of salary increase	2.5%	2.3%
Rate of increase in pensions	2.5%	1.9%
Life expectancy male non-pensioner	22.9 years	22.1 years
Life expectancy female non-pensioner	24.5 years	25.0 years
Life expectancy male pensioner	21.5 years	21.2 years
Life expectancy female pensioner	23.3 years	23.6 years

Full details are disclosed in the pensions costs note 29.

4. Turnover, Cost of Sales, Operating Expenditure and Operating Surplus – Group

	2020			
	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	Operating surplus £'000
Social housing lettings	**38,769**	**-**	**(28,359)**	**10,410**
Other social housing activities				
First tranche low cost home ownership sales	**3,689**	**(2,792)**	**-**	**897**
Other	**307**	**-**	**(830)**	**(523)**
Total social housing activities	**42,765**	**(2,792)**	**(29,189)**	**10,784**
Non-social housing activities				
Lettings	**1,064**	**-**	**(776)**	**288**
Amortisation of goodwill	**-**	**-**	**(134)**	**(134)**
PM Training	**6,031**	**-**	**(6,744)**	**(713)**
The Realise Foundation	**87**	**-**	**(391)**	**(304)**
Durata Development	**-**	**-**	**(9)**	**(9)**
Total non-social housing	**7,182**	**-**	**(8,054)**	**(872)**
Surplus on disposal of housing properties				**2,901**
	49,947	**(2,792)**	**(37,243)**	**12,813**

	2019			
	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	Operating surplus £'000
Social housing lettings	38,487	-	(25,729)	12,758
Other social housing activities				
First tranche low cost home ownership sales	5,883	(3,386)	-	2,497
Other	308	-	(902)	(594)
Total social housing activities	44,678	(3,386)	(26,631)	14,661
Non-social housing activities				
Lettings	917	-	(848)	69
Amortisation of goodwill	-	-	(133)	(133)
PM Training	7,074	-	(6,118)	956
The Realise Foundation	22	-	(274)	(252)
Total non-social housing	8,013	-	(7,373)	640
Surplus on disposal of housing properties				5,943
	52,691	(3,386)	(34,004)	21,244

4. Turnover, Cost of Sales, Operating Expenditure and Operating Surplus – Association

	2020			
	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	Operating surplus £'000
Social housing lettings	**38,769**	**-**	**(28,359)**	**10,410**
Other social housing activities				
First tranche low cost home ownership sales	**3,689**	**(2,792)**	**-**	**897**
Other	**312**	**-**	**(830)**	**(518)**
Total social housing activities	**42,770**	**(2,792)**	**(29,189)**	**10,789**
Non-social housing activities				
Lettings	**1,064**	**-**	**(776)**	**288**
Impairment of investment in subsidiary	**-**	**-**	**(1,435)**	**(1,435)**
Total non-social housing	**1,064**	**-**	**(2,211)**	**(1,147)**
Surplus on disposal of housing properties				**2,901**
	43,834	**(2,792)**	**(31,400)**	**12,543**

	2019			
	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	Operating surplus £'000
Social housing lettings	38,487	-	(25,729)	12,758
Other social housing activities				
First tranche low cost home ownership sales	5,883	(3,386)	-	2,497
Other	308	-	(902)	(594)
Total social housing activities	44,678	(3,386)	(26,631)	14,661
Non-social housing activities				
Lettings	917	-	(848)	69
Total non-social housing	917	-	(848)	69
Surplus on disposal of housing properties				5,943
	45,595	(3,386)	(27,479)	20,673

5. Income and Expenditure from Social Housing Lettings

	Group and Association				
	General needs £'000	Housing for older people £'000	Low cost home ownership £'000	2020 £'000	2019 £'000
Income					
Rent receivable net of identifiable service charges and voids	32,280	2,091	859	35,230	35,024
Service charge income	1,672	1,176	47	2,895	2,855
Amortised government grants	536	58	50	644	608
Turnover from social housing lettings	34,488	3,325	956	38,769	38,487
Expenditure					
Management	(7,110)	(422)	(173)	(7,705)	(6,801)
Service charge costs	(2,899)	(172)	(71)	(3,142)	(2,988)
Routine maintenance	(5,383)	(320)	(131)	(5,834)	(5,891)
Planned maintenance	(4,384)	(260)	(107)	(4,751)	(3,499)
Bad debts	(206)	-	-	(206)	(115)
Depreciation of housing properties	(6,158)	(399)	(164)	(6,721)	(6,435)
Operating expenditure on social housing lettings	(26,140)	(1,573)	(646)	(28,359)	(25,729)
Operating surplus on social housing lettings	8,348	1,752	310	10,410	12,758
Void losses	368	38	-	406	378

6. Accommodation in Management

	Group and Association			
	As at 1 April 2019 No.	Additions and transfers in No.	Disposals and transfers out No.	**As at 31 March 2020 No.**
Social housing				
General housing – social rent	7,536	100	(116)	**7,520**
General housing – affordable rent	530	56	(14)	**572**
General housing – housing for older people	603	-	-	**603**
Low cost home ownership	329	47	(8)	**368**
Total owned	8,998	203	(138)	**9,063**
Accommodation managed by others	(3)	-	-	**(3)**
Accommodation managed for others	47	-	-	**47**
Total managed	9,042	203	(138)	**9,107**
Leaseholders	269	3	-	**272**

Properties managed on behalf of others relate to management contracts only and the third-party organisations own the properties and the associated risks and rewards.

7. Surplus on Disposal of Housing Properties

	Group and Association				
	Shared ownership staircasing £'000	**Right-to-Buy and Right-to-Acquire £'000**	**Asset management disposals £'000**	**2020 £'000**	2019 £'000
Housing properties					
Disposal proceeds	**616**	**1,639**	**3,666**	**5,921**	6,809
Cost of disposals	**(399)**	**(357)**	**(1,169)**	**(1,925)**	(866)
Selling costs	**(2)**	**(53)**	**(354)**	**(409)**	-
Grant repaid	**-**	**(686)**	**-**	**(686)**	-
	215	**543**	**2,143**	**2,901**	5,943

8. Operating Surplus

This is arrived at after charging

	Group		Association	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Depreciation of housing properties	**6,771**	6,487	**6,771**	6,487
Depreciation of other tangible fixed assets	**681**	440	**579**	390
Impairment of housing properties	**-**	-	**-**	-
Amortisation of intangible assets	**134**	133	**-**	-
Operating lease charges:				
land and building	**211**	209	**29**	44
vehicles	**387**	463	**199**	259
plant and equipment	**69**	169	**30**	89
Auditors' remuneration (excluding VAT):				
audit of financial statements	**24**	22	**24**	22
audit of financial statements of group subsidiaries	**13**	6	**-**	-
fees for tax computations	**4**	-	**1**	-
fees for tax advice	**5**	1	**5**	-
fees for non-audit services	**3**	1	**3**	1

9. Employees

	Group		Association	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Staff costs (including Executive Management Team) consist of:				
Wages and salaries	**12,627**	11,368	**8,903**	8,053
Social security costs	**1,177**	1,038	**844**	753
Pension costs	**1,632**	1,782	**1,477**	1,709
	15,436	14,188	**11,224**	10,515

The average number of employees (including Executive Management Team) expressed as full-time equivalents (calculated based on a standard working week of 37 hours) during the year was as follows:

	Group		Association	
	2020	2019	**2020**	2019
	No.	No.	**No.**	No.
Operations - Housing	**89**	96	**89**	96
Operations - Maintenance	**91**	80	**91**	80
Resources – Central Administration	**113**	96	**113**	96
PM Training	**154**	139	**-**	-
	447	411	**293**	272

9. Employees (continued)

The full-time equivalent number of staff who received remuneration from £60,000 upwards (including those who received settlement payments for loss of office) were as follows:

	Group		Association	
	2020	2019	**2020**	2019
	No.	No.	**No.**	No.
£60,001 to £70,000	**5**	4	**4**	4
£70,001 to £80,000	**4**	6	**4**	6
£80,001 to £90,000	**3**	2	**3**	2
£90,001 to £100,000	**1**	1	**1**	1
£100,001 to £110,000	**2**	1	**2**	1
£110,001 to £120,000	**1**	1	**1**	1
£120,001 to £130,000	**1**	-	**1**	-
£130,001 to £140,000	**1**	-	**1**	-
£150,001 to £160,000	**1**	1	**1**	1
£180,001 to £190,000	**1**	1	**1**	1
£230,001 to £240,000	**-**	1	**-**	1
£320,001 to £330,000	**1**	-	**1**	-

10. Directors' and Senior Executive Remuneration

The directors are defined as the members of the Board of Management, the Chief Executive and the Executive Management Team disclosed on page 3.

	Group		Association	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Executive directors' emoluments	**807**	1,024	**807**	1,024
Pension contributions	**106**	109	**106**	109
Compensation for loss of office	**174**	126	**174**	126
Amounts paid to non-executive directors	**103**	86	**54**	51
	1,190	1,345	**1,141**	1,310

Pension contributions are made into defined benefit schemes for all executive directors.

The total amount payable to the Chief Executive in respect of emoluments was £188,000 (2019: £185,000). Pension contributions of £31,000 (2019: £30,000) were made to a defined benefit pension scheme on her behalf. As a member of the Staffordshire County Council Pension Fund the pension entitlement of the Chief Executive is identical to those of other members and no enhanced or special terms apply.

10. Directors' and Senior Executive Remuneration (continued)

The highest paid director had emoluments in the year (which included contractual compensation) of £351,000 including pension contributions of £26,000. In 2019 the highest paid director was the Chief Executive.

The Managing Director of the group's subsidiary Project Management (Staffordshire) Limited is paid by the association and an appropriate element of his cost is recharged as a management charge.

11. Board Members

	Remuneration	Member of Group Board	Member of Audit Committee	Member of Nominations and Remuneration Committee
	£'000			
Kevin Richardson (Chair)	**14**	✓		✓
Maqsood Ahmed	**5**			
Marina Barrett	**5**	✓	✓	
Alice Belcher	**5**			
John Capper	**3**		✓	
Neale Clifton	**5**	✓		
Ian Dale	**8**	✓		
Jenny Danson	**5**	✓		✓
Elaine Harrison	**1**			
David Hunter	**2**	✓		
Mike Lawton	**7**	✓		
Alasdair Macarthur	**7**	✓	✓	
Paul Newell	**5**			
Paul Northcott	**3**	✓		
Barry Pitts	**6**			
Ian Ridgway	**1**			
Elizabeth Shenton	**3**			✓
Martin Townsend	**3**		✓	
Sarah Tudor	**5**		✓	
Nicola Winn	**10**	✓		✓
	103			

Expenses paid to non-executive directors were £4,000 (2019: £3,000).

12. Interest Receivable and Similar Income

	Group		Association	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Interest receivable and similar income	**122**	92	**119**	90
Interest income on net defined benefit plan assets	**1,697**	1,767	**1,697**	1,767
	1,819	1,859	**1,816**	1,857

13. Interest Payable and Similar Charges

	Group		Association	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Bank loans and overdrafts	**6,174**	6,307	**6,174**	6,307
Other loans	**2,052**	1,947	**2,052**	1,947
Loan fees amortised	**91**	91	**91**	91
Recycled capital grant fund	**2**	2	**2**	2
Disposals proceeds fund	**-**	3	**-**	3
Interest expense on net defined benefit liability	**2,184**	2,195	**2,184**	2,195
Other finance costs	**40**	36	**40**	36
	10,543	10,581	**10,543**	10,581

14. Taxation

	Group		Association	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
UK corporation tax				
Current tax on surplus for the year	**-**	150	**-**	-
Adjustment in respect of prior periods	**(150)**	(36)	**-**	-
Total current tax charge	**(150)**	114	**-**	-
Deferred tax				
Origination and reversal of timing differences	**(132)**	32	**-**	-
Changes to tax rates	**-**	-	**-**	-
	(132)	32	**-**	-
Taxation on surplus on ordinary activities	**(282)**	146	**-**	-

14. Taxation (continued)

The tax assessed for the year differs to the standard rate of corporation tax in the UK applied to surplus before tax. The differences are explained below:

	Group		Association	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Surplus/(deficit) on ordinary activities before tax	**4,089**	12,522	**3,816**	11,949
Surplus/(deficit) on ordinary activities at the standard rate of corporation tax in the UK of 19% (2019: 19%)	**777**	2,379	**725**	2,270
Effects of				
Expenses not deductible for tax purposes	**6**	7	**-**	-
Charitable exemptions	**(918)**	(2,204)	**(725)**	(2,270)
Depreciation in excess of capital allowances	**15**	(32)	**-**	-
Tax losses carried forward	**120**	(36)	**-**	-
Adjustment to tax charge in respect of previous periods	**(150)**	-	**-**	-
Deferred tax recognised	**(132)**	32	**-**	-
Total tax charge for period	**(282)**	146	**-**	-

15. Intangible Fixed Assets - Group

	Goodwill on consolidation £'000
Cost	
At 1 April 2019	2,291
At 31 March 2020	2,291
Amortisation	
At 1 April 2019	(2,025)
Charge for the year	(134)
At 31 March 2020	(2,159)
Net book value	
At 31 March 2020	**132**
At 31 March 2019	266

Goodwill arising on consolidation is being amortised over the directors' estimate of its useful life of 10 years. This estimate is based on a variety of factors such as the long-term strategic benefit of the entities acquired, the cash earning potential of the businesses and the expected useful life of the cash generating units to which the goodwill is attributed.

16. Tangible Fixed Assets – Housing Properties

	Group				
	General needs completed £'000	General needs under construction £'000	Low cost home ownership completed £'000	Low cost home ownership under construction £'000	Total £'000
Cost					
At 1 April 2019	252,460	6,799	15,778	2,001	277,038
Additions – construction costs	-	15,160	-	6,972	22,132
Additions – improvement works	3,279	-	-	-	3,279
Reclassification of properties	-	868	-	(868)	-
Completed schemes	11,183	(11,183)	2,374	(2,374)	-
Transfer to properties held for sale	-	-	2,619	(3,992)	(1,373)
Disposals	(3,039)	(9)	(552)	(139)	(3,739)
At 31 March 2020	263,883	11,635	20,219	1,600	297,337
Depreciation					
At 1 April 2019	(59,986)	-	(531)	-	(60,517)
Charge for year	(6,535)	-	(236)	-	(6,771)
Eliminated on disposals	1,262	-	40	-	1,302
At 31 March 2020	(65,259)	-	(727)	-	(65,986)
Net Book Value					
At 31 March 2020	**198,624**	**11,635**	**19,492**	**1,600**	**231,351**
At 31 March 2019	192,474	6,799	15,247	2,001	216,521

16. Tangible Fixed Assets – Housing Properties (continued)

	Association				
	General needs completed £'000	General needs under construction £'000	Low cost home ownership completed £'000	Low cost home ownership under construction £'000	Total £'000
Cost					
At 1 April 2019	252,460	6,799	15,778	2,001	277,038
Additions – construction costs	-	15,183	-	6,972	22,155
Additions – improvement works	3,279	-	-	-	3,279
Reclassification of properties	-	868	-	(868)	-
Completed schemes	11,206	(11,206)	2,374	(2,374)	-
Transfer to properties held for sale	-	-	2,619	(3,992)	(1,373)
Disposals	(3,039)	(9)	(552)	(139)	(3,739)
At 31 March 2020	263,906	11,635	20,219	1,600	297,360
Depreciation					
At 1 April 2019	(59,986)	-	(531)	-	(60,517)
Charge for year	(6,535)	-	(236)	-	(6,771)
Eliminated on disposals	1,262	-	40	-	1,302
At 31 March 2020	(65,259)	-	(727)	-	(65,986)
Net Book Value					
At 31 March 2020	**198,647**	**11,635**	**19,492**	**1,600**	**231,374**
At 31 March 2019	192,474	6,799	15,247	2,001	216,521

	Group and Association	
	2020 £'000	2019 £'000
The net book value of housing properties may be further analysed as:		
Freehold	**230,710**	215,660
Long leasehold	**641**	861
	231,351	216,521

	Group and Association	
	2020 £'000	2019 £'000
Works to properties:		
Improvements to existing properties capitalised	**3,279**	3,421
Major repairs expenditure to Statement of Comprehensive Income	**4,751**	3,499
	8,030	6,920

16. Tangible Fixed Assets – Housing Properties (continued)

	Group and Association	
	2020	2019
	£'000	£'000
Total Social Housing Grant received or receivable to date is as follows:		
Capital grant – housing properties	**34,260**	32,935
Recognised in the Statement of Comprehensive Income	**5,665**	5,021
	39,925	37,956

17. Tangible Fixed Assets – Other

	Group					
	Freehold property	**Leasehold property**	**Shops and garages**	**Computers and office equipment**	**Plant and equipment and motor vehicles**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost						
At 1 April 2019	2,650	170	5,149	2,734	1,112	11,815
Additions	710	13	-	1,301	109	2,133
Disposals	-	-	(26)	(1)	(28)	(55)
At 31 March 2020	3,360	183	5,123	4,034	1,193	13,893
Depreciation						
At 1 April 2019	(977)	(30)	(2,236)	(2,108)	(883)	(6,234)
Charge for year	(93)	(26)	(129)	(379)	(54)	(681)
Eliminated on disposals	-	-	14	1	28	43
At 31 March 2020	(1,070)	(56)	(2,351)	(2,486)	(909)	(6,872)
Net Book Value						
At 31 March 2020	**2,290**	**127**	**2,772**	**1,548**	**284**	**7,021**
At 31 March 2019	1,673	140	2,913	626	229	5,581

17. Tangible Fixed Assets – Other (continued)

	Association					
	Freehold property £'000	Leasehold property £'000	Shops and garages £'000	Computers and office equipment £'000	Plant and equipment and motor vehicles £'000	Total £'000
Cost						
At 1 April 2019	2,650	56	5,149	2,707	780	11,342
Additions	710	-	-	1,188	7	1,906
Disposals	-	-	(26)	(1)	(5)	(32)
At 31 March 2020	3,360	56	5,123	3,894	782	13,215
Depreciation						
At 1 April 2019	(977)	(1)	(2,236)	(2,102)	(764)	(6,080)
Charge for year	(93)	(2)	(129)	(351)	(3)	(578)
Eliminated on disposals	-	-	14	1	5	20
At 31 March 2020	(1,070)	(3)	(2,351)	(2,452)	(762)	(6,638)
Net Book Value						
At 31 March 2020	**2,290**	**53**	**2,772**	**1,442**	**20**	**6,577**
At 31 March 2019	1,673	55	2,913	605	16	5,262

18. Fixed Asset Investments - Association

	Subsidiaries £'000
Cost	
At 1 April 2019	3,472
At 31 March 2020	**3,472**
Impairment	
Charge for year	(1,435)
	(1,435)
Net Book Value	
At 31 March 2020	**2,037**
At 31 March 2019	3,472

During the current year, the association has recognised an impairment loss of £1,435,000 (2019 - £Nil) in respect of its investment in Project Management (Staffordshire) Limited. The subsidiary made a trading loss in the year ended 31 March 2020 of £473,000 but is forecast to make a further loss in 2020-21 as a result of the COVID-19 lockdown and its trading conditions. Whilst after this the subsidiary is expected to begin making profits again this is dependent on a number of assumptions about how quickly training courses and commercial work will return to normal. The value of operating cash flows discounted at the weighted average interest rate plus net assets is £1,786,000.

The subsidiaries in which the association has an interest in are as follows:

Name	Country of incorporation	Proportion of voting rights / ordinary share capital held	Nature of business	Nature of entity
Durata Development Limited	England	100%	Professional and construction services	Incorporated company
Project Management (Staffordshire) Limited	England	100%	Employment and training	Incorporated company
The Realise Foundation	England	N/A	Regeneration charity	Cooperative and Community Benefit Society
Incana Sales Limited	England	100%	Outright sales	Incorporated company

19. Properties for Sale

	Group and Association	
	2020	2019
	£'000	£'000
Renew property	**103**	103
Low cost homes ownership – completed	**1,190**	2,251
Low cost home ownership – work in progress	**1,331**	1,891
	2,624	4,245

20. Stock

	Group and Association	
	2020	2019
	£'000	£'000
Work in progress	**341**	-
Raw materials and consumables	**-**	28
	341	28

21. Debtors

	Group		Association	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Due within one year				
Rent and service charge arrears	**1,467**	1,024	**1,467**	1,024
Less: provision for doubtful debts	**(897)**	(683)	**(897)**	(683)
	570	341	**570**	341
Trade debtors	**434**	352	**60**	69
Amounts owed by group undertakings	**-**	-	**1,212**	32
Other debtors	**630**	1,249	**602**	330
Prepayments and accrued income	**2,047**	1,452	**1,257**	1,326
Social housing grant receivable	**80**	126	**80**	126
Deferred tax asset	**91**	-	**-**	-
	3,852	3,520	**3,781**	2,224

Amounts owed by group undertakings are repayable on demand and do not attract interest.

22. Creditors: Amounts Falling Due Within One Year

	Group		Association	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Trade creditors	**1,489**	1,062	**1,162**	978
Social housing grant in advance	**-**	-	**-**	-
Rent and service charges received in advance	**1,575**	1,229	**1,575**	1,229
Amounts owed to group undertakings	**-**	-	**558**	442
Taxation and social security	**527**	521	**385**	394
Corporation tax	**-**	150	**-**	-
Other creditors	**1,442**	1,367	**956**	1,157
Deferred capital grant (note 25)	**658**	626	**658**	626
Right-to-buy creditor	**686**	444	**686**	444
Recycled capital grant fund (note 26)	**175**	-	**175**	-
Disposals proceeds fund (note 27)	**-**	212	**-**	212
Voluntary right-to-buy fund	**-**	62	**-**	62
Renew recycled grant	**103**	103	**103**	103
Accruals and deferred income	**2,845**	2,168	**2,565**	1,796
Accrued interest	**326**	352	**326**	352
	9,826	8,296	**9,149**	7,795

Amounts owed to group undertakings are repayable on demand and do not attract interest.

23. Creditors: Amounts Falling Due After One Year

	Group and Association	
	2020	2019
	£'000	£'000
Loans and borrowings (note 24)	**155,327**	155,327
Loan issue costs	**(1,073)**	(1,160)
	154,254	154,167
Deferred capital grant (note 25)	**33,602**	32,309
Recycled capital grant fund (note 26)	**390**	226
Disposals proceeds fund (note 27)	**-**	2
Voluntary right-to-buy fund	**1,737**	-
Sinking fund balances	**173**	129
	190,156	186,833

24. Loans and Borrowings

	Group and Association		
	Bank loans	**Other loans**	**2020**
	£'000	**£'000**	**£'000**
Loans maturity of debt:			
In one year or less, or on demand	**-**	**-**	**-**
In more than one year but not more than two years	-	**-**	**-**
In more than two years but not more than five years	**55,327**	**-**	**55,327**
In more than five years	**40,000**	**60,000**	**100,000**
	95,327	**60,000**	**155,327**

	Group and Association		
	Bank loans	Other loans	2019
	£'000	£'000	£'000
Loans maturity of debt:			
In one year or less, or on demand	**-**	**-**	-
In more than one year but not more than two years	-	**-**	-
In more than two years but not more than five years	-	**-**	-
In more than five years	95,327	60,000	155,327
	95,327	60,000	155,237

Loans are secured by specific charges on the housing properties of the group. The loans bear interest at fixed rates of 5.27% or at variable rates calculated at a margin above the London Inter Bank Offer Rate.

At 31 March 2020 the group had undrawn loan facilities of £50m (2019: £50m).

25. Deferred Capital Grant

	Group and Association	
	2020	2019
	£'000	£'000
At 1 April	**32,935**	31,368
Grants received during the year	**2,115**	847
Grants recycled from the recycled capital grants fund	**(146)**	1,328
Released to income during the year	**(644)**	(608)
At 31 March	**34,260**	32,935
To be released within one year (note 22)	**658**	626
To be used after more than one year (note 23)	**33,602**	32,309
	34,260	32,935

26. Recycled Capital Grant Fund

	Group and Association	
Funds pertaining to activities within areas covered by	**Homes England 2020 £'000**	Homes England 2019 £'000
At 1 April	**226**	383
Inputs to fund:		
grants recycled from deferred capital grants	**337**	49
interest accrued	**2**	2
Recycling of grant:		
new build	**-**	(208)
At 31 March	**565**	226
Amounts falling due within one year (note 22)	**175**	-
Amounts falling due after more than one year (note 23)	**390**	226
	565	226
Amount three years old or older where repayment may be required	**-**	-

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

27. Disposals Proceeds Fund

	Group and Association	
Funds pertaining to activities within areas covered by	**Homes England 2020 £'000**	Homes England 2019 £'000
At 1 April	**214**	1,380
Inputs to fund:		
grants recycled from deferred capital grants	**-**	-
interest accrued	**-**	3
Recycling of grant:		
new build	**(214)**	(1,169)
At 31 March	**-**	214
Amounts falling due within one year (note 22)	**-**	212
Amounts falling due after more than one year (note 23)	**-**	2
	-	214
Amount three years old or older where repayment may be required	**-**	-

Withdrawals from the disposals proceeds fund were used for the purchase and development of new housing schemes for letting.

28. Financial Instruments

The group's and association's financial instruments may be analysed as follows:

	Group		Association	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Financial assets				
Financial assets measured at historic cost				
Trade debtors	**434**	352	**60**	69
Other receivables	**3,327**	3,042	**3,721**	2,029
Cash and cash equivalents	**18,592**	24,054	**16,239**	22,213
Total financial assets	**22,353**	27,448	**20,020**	24,311
Financial liabilities				
Financial liabilities measured at amortised cost				
Loans payable	**(155,327)**	(155,327)	**(155,327)**	(155,327)
Financial liabilities measured at historical cost				
Trade creditors	**(1,489)**	(1,062)	**(1,162)**	(978)
Other creditors	**(6,888)**	(5,787)	**(6,538)**	(5,370)
Total financial liabilities	**(163,704)**	(162,176)	**(163,027)**	(161,675)

29. Pensions

The majority of the association's employees are members of either the Staffordshire County Council Pension Fund (SCCPF) (administered in accordance with the Local Government Pension Fund regulations) or the Social Housing Pension Scheme (SHPS). Both are multi-employer schemes providing defined benefits based on members earnings and the length of participation in the pension scheme.

All association employees who do not choose a final salary scheme are auto enrolled into a defined contribution scheme with the Pensions Trust.

From 1 April 2014 PM Training has auto-enrolled employees into a contribution scheme with the Pension Trust on the same terms as Aspire Housing.

Staffordshire County Council Pension Fund

The Staffordshire County Council Pension Fund (SCCPF) is a multi-employer scheme with more than one participating employer, which is administered by Staffordshire County Council under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme.

Statutory triennial actuarial valuations of the pension scheme are performed by an independent, professionally qualified actuary using the projected unit method. The most recent formal actuarial valuation was completed as at 31 March 2019. Contributions to the scheme are made by the association based on the advice of the actuary and with the aim of making good the deficit over the remaining working life of the employees.

The employer's contributions to the SCCPF by the association for the year were £708,000 (2019: £724,000) and the employers contribution rate remained at 20.7%. At the year-end £56,000 (2019: £58,000) was owed to the scheme and is included in creditors falling due within one year.

	Group and Association	
	2020	2019
	£'000	£'000
Reconciliation of present value of plan liabilities		
At 1 April	**85,556**	76,433
Current service cost	**1,484**	1,316
Interest cost	**2,059**	2,063
Contributions by members	**242**	245
Actuarial (gains) / losses	**(14,294)**	6,804
Benefits paid	**(1,659)**	(1,584)
Past service costs (including curtailments)	**15**	279
At 31 March	**73,403**	85,556
Reconciliation of fair value of plan assets		
At 1 April	**66,799**	61,951
Interest income on plan assets	**1,606**	1,670
Contributions by members	**242**	245
Contributions by employer	**1,368**	1,196
Actuarial gains / (losses)	**(7,912)**	3,321
Benefits paid	**(1,659)**	(1,584)
At 31 March	**60,444**	66,799

29. Pensions (continued)

Staffordshire County Council Pension Fund (continued)

	Group and Association	
	2020	2019
	£'000	£'000
Fair value of plan assets	**60,444**	66,799
Present value of plan liabilities	**(73,403)**	(85,556)
Net pension scheme liability	**(12,959)**	(18,757)

Included within the plan liabilities are £82,000 (2019: £94,000) of unfunded liabilities.

Amounts recognised in other comprehensive income are as follows:

	Group and Association	
	2020	2019
	£'000	£'000
Included in management costs:		
Current service cost	**1,484**	1,316
Past service costs (including curtailments)	**15**	279
	1,499	1,595

	Group and Association	
	2020	2019
	£'000	£'000
Included in other finance costs:		
Interest income	**1,606**	1,670
Interest expense	**(2,059)**	(2,063)
Net interest cost	**(453)**	(393)

The analysis of the actuarial loss recognised in other comprehensive income was as follows:

	Group and Association	
	2020	2019
	£'000	£'000
Actual return less expected return on scheme assets	**(7,912)**	3,321
Changes in assumptions underlying the present value of scheme liabilities	**14,294**	(6,804)
	6,382	(3,483)

29. Pensions (continued)

Staffordshire County Council Pension Fund (continued)

	Group and Association	
	2020	2019
	£'000	£'000
Composition of plan assets:		
Equities	**39,289**	44,755
Bonds	**13,902**	14,028
Property	**6,044**	6,012
Cash	**1,209**	2,004
	60,444	66,799

The principal actuarial assumptions used at the balance sheet date were as follows:

	Group and Association	
	2020	2019
	%	%
Discount rate	**2.3%**	2.4%
Future salary increases	**2.3%**	2.9%
Future pension increases	**1.9%**	2.5%
Inflation assumption (CPI)	**1.9%**	2.5%
Mortality assumptions:		
- current pensioners – male	**21.2 years**	22.1 years
- current pensioners – female	**23.6 years**	24.4 years
- future pensioners – male	**22.1 years**	24.1 years
- future pensioners – female	**25.0 years**	26.4 years

Social Housing Pension Scheme

The association participates in the Social Housing Pension Scheme (SHPS), a multi-employer scheme which provides benefits to some 500 non-associated employers. SHPS is a defined benefit scheme in the UK and is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A recovery plan has been put in place with the aim of removing this deficit by 30 September 2026. SHPS is classified as a 'last-man standing arrangement'. Therefore the association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from SHPS.

29. Pensions (continued)

Social Housing Pension Scheme (continued)

For financial years ending on or before 28 February 2019, it was not possible for the association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme, therefore the association accounted for the scheme as a defined contribution scheme. For financial years ending on or after 31 March 2019, it was possible to obtain sufficient information to enable the association to account for the scheme as a defined benefit scheme.

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for accounting year-ends from 31 March 2019 to 29 February 2020 inclusive. The liabilities are compared, at the relevant accounting date, with the association's fair share of the scheme's total assets to calculate the association's net deficit or surplus. Similarly, an actuarial valuation of the scheme was carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive.

	Group and Association	
	2020	2019
	£'000	£'000
Reconciliation of present value of plan liabilities		
At 1 April	**5,211**	5,466
Current service cost	**68**	49
Expenses	**5**	5
Interest cost	**125**	132
Contributions by members	**28**	33
Actuarial (gains) / losses	**(797)**	353
Benefits paid	**(33)**	(827)
At 31 March	**4,607**	5,211
Reconciliation of fair value of plan assets		
At 1 April	**3,746**	4,043
Interest income on plan assets	**91**	97
Contributions by members	**28**	33
Contributions by employer	**176**	144
Actuarial gains / (losses)	**(73)**	256
Benefits paid	**(33)**	(827)
	3,935	3,746
Fair value of plan assets	**3,935**	3,746
Present value of plan liabilities	**(4,607)**	(5,211)
Net pension scheme liability	**(672)**	(1,465)

29. Pensions (continued)

Social Housing Pension Scheme (continued)

Amounts recognised in other comprehensive income are as follows:

	Group and Association	
	2020	2019
	£'000	£'000
Included in management costs:		
Current service cost	**68**	49
Expenses	**5**	5
	73	54

	Group and Association	
	2020	2019
	£'000	£'000
Included in other finance costs:		
Interest income	**91**	97
Interest expense	**(125)**	(132)
Net interest cost	**(34)**	(35)

The analysis of the actuarial loss recognised in other comprehensive income was as follows:

	Group and Association	
	2020	2019
	£'000	£'000
Experience (losses) / gains arising on the scheme assets	**(73)**	256
Experience gains arising on the scheme liabilities	**69**	29
Changes in assumptions underlying the present value of scheme liabilities	**(728)**	(382)
	(732)	(97)

29. Pensions (continued)

Social Housing Pension Scheme (continued)

	Group and Association	
	2020	2019
	£'000	£'000
Composition of plan assets:		
Global Equity	**576**	631
Absolute Return	**205**	324
Distressed Opportunities	**76**	68
Credit Relative Value	**108**	69
Alternative Risk Premia	**275**	216
Fund of Hedge Funds	**2**	17
Emerging Markets Debt	**119**	129
Risk Sharing	**133**	113
Insurance-Linked Securities	**121**	107
Property	**87**	84
Infrastructure	**293**	197
Private Debt	**79**	50
Opportunistic Illiquid Credit	**95**	-
Corporate Bond Fund	**224**	175
Liquid Credit	**2**	-
Long Lease Property	**68**	55
Secured Income	**149**	134
Liability Driven Investment	**1,306**	1,370
Net Current Assets	**17**	7
	3,935	3,746

The principal actuarial assumptions used at the balance sheet date were as follows:

	Group and Association	
	2020	2019
Discount rate	**2.3%**	2.4%
Future salary increases	**2.5%**	3.2%
Future pension increases	**2.5%**	3.2%
Inflation assumption	**1.5%**	2.2%
Mortality assumptions:		
current pensioners – male	**21.5 years**	21.8 years
current pensioners – female	**23.3 years**	23.5 years
future pensioners – male	**22.9 years**	23.2 years
future pensioners – female	**24.5 years**	24.7 years

29. Pensions (continued)

Social Housing Pension Scheme (continued)

The employer's contributions to the SHPS by the association for the year were £36,000 (2019: £27,000) and the employers contribution rate was 13.3%. At the year-end £3,000 (2019: £2,000) was owed to the scheme and is included in creditors falling due within one year.

Defined Contribution Scheme

A defined contribution pension scheme is also operated by the group. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge represents contributions payable by the group to the fund and amounted to £186,000 (2019: £121,000). Contributions totalling £16,000 (2019: £10,000) were payable to the fund at the year end and are included in creditors falling due within one year.

30. Deferred tax

	Group	
	2020	2019
	£'000	£'000
Deferred tax liabilities		
Accelerated capital allowances	**65**	41
Unused tax losses	**(156)**	-
Other short-term timing differences	**-**	-
	(91)	41

The net reversal of deferred tax assets and liabilities expected in 2020 is £1,000. This is expected to arise because depreciation is anticipated to be higher than the available capital allowances. As the future deferred tax balances, if any, will be dependent on future changes in fair values of assets and liabilities, it is not possible to estimate any further future reversals. The utilisation of tax losses is dependent on future profits.

31. Share Capital

	Group and Association	
	2020	2019
	£	£
At 1 April	**9**	7
Shares issued in the year	**1**	5
Shares cancelled in the year	**(1)**	(3)
At 31 March	**9**	9

The share capital of the association consists of shares with a nominal value of £1 each, which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. When a shareholder ceases to be a member, that share is cancelled, and the amount paid thereon becomes the property of the association. Therefore, all shareholdings relate to non-equity interests.

32. Contingent Liabilities

There are no contingent liabilities for the company in the year.

In 2019 there was a contingent liability relating to income received by PM Training who were subjected to an ESFA audit that identified some potential issues relating to grant funded income that may be subject to claw back. The quantum of the potential liability was not known at the date of signing the accounts and therefore no provision was made for the potential liability in the accounts. During the 2019-20 the figure for claw back was agreed at £272,000 and this is shown in creditors at the year-end.

33. Operating Leases

The group and association had minimum lease payments under non-cancellable operating leases as set out below:

	Group		Association	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Amounts payable as lessee				
Not later than one year	**206**	757	**113**	586
Later than one year and not later than five years	**101**	485	**35**	328
Later than five years	**-**	523	**-**	523
Total	**307**	1,765	**148**	1,437

34. Capital Commitments

	Group and Association	
Capital commitments are as follows:	**2020**	2019
	£'000	£'000
Capital expenditure		
Commitments contracted but not provided for	**47,448**	28,769
Commitments approved by the Board but not contracted for	**42,389**	32,176
	89,837	60,945

The group is committed to a programme of property acquisition and units for refurbishment. Likewise, the group will continue to seek further development opportunities and will look to obtain potential development sites throughout the year. The above commitments represent schemes approved by Board and will be financed by property sales (£10.2m), capital grant (£12.9m) and funding from the existing loan facility and the group's own resources (£66.7m).

35. Related Party Transactions

The association provides management services and other services to its subsidiaries. The association also receives charges from its subsidiaries. During the year Aspire Housing Limited, a registered provider, had the following intra-group transactions with the following non-regulated entities: Project Management (Staffordshire) Limited, The Realise Foundation and Durata Development Limited. The quantum and basis of those charges is set out below:

		Amounts charged to / (from) non-regulated entities	
		2020	2019
Entity	**Allocation basis**	**£'000**	£'000
Project Management (Staffordshire)	Apportionment of management costs	**469**	469
	Gift Aid	**791**	192
	Directly attributable works	**(2,195)**	(2,008)
The Realise Foundation	Directly attributable administration costs	**61**	30
	Gift Aid	**(791)**	(192)
Durata Development	Development services	**(1,410)**	-
	Apportionment of management costs	**10**	-
		(3,065)	(1,509)

During the year, Marina Barrett was a Board member and was also a tenant with annual rent and service charges payable of £2,280 (2019: £2,207); arrears at 31 March were £13 (2019: £nil).

During the year, Elizabeth Shenton was a member of the Board and also a councillor with Newcastle Borough Council, a local authority having nomination rights over tenancies for Aspire properties. Elizabeth resigned on 23 May 2019. All transactions with the council are on normal commercial terms and no councillors are able to use their position to their advantage.

36. Net Debt Reconciliation

	At 1 April 2019	**Cash flows**	**Other non-cash changes**	**At 31 March 2020**
	£'000	**£'000**	**£'000**	**£'000**
Cash at bank and in hand	24,054	(5,462)	-	**18,592**
Bank and other loans	(155,327)	-	-	**(155,327)**
Net debt	(131,273)	(5,462)	-	**(136,735)**

Aspire Housing Limited

Kingsley, The Brampton ST5 0QW

Registration number 31218R