

Financial Conduct Authority Registration Number 31218R
Regulator of Social Housing Registration Number L4238

ASPIRE HOUSING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

Year Ended 31st March 2019

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BOARD MEMBERS, EXECUTIVE DIRECTORS, ADVISORS AND BANKERS

BOARD

Chair	Kevin Richardson (appointed Chair 26 th February 2019) Philippa Holland (resigned 26 th February 2019)
Executive director	Sinéad Butters
Other non-executive directors	Marina Barrett Nicola Winn Ian Dale Jenny Danson (appointed 5 th June 2018) Mike Lawton (appointed 1 st July 2018) Elizabeth Shenton (appointed 6 th July 2018, resigned 23 rd May 2019) Alasdair Macarthur (appointed 11 th September 2018) Sandra Hambleton (resigned 14 th May 2018) Philip Thomas-Hands (resigned 1 st July 2018) Hamid Ghafoor (resigned 11 th September 2018) Paul Northcott (appointed 4 th June 2019) Neale Clifton (appointed 26 th February 2019)
Secretary	Paul Medford

EXECUTIVE TEAM

Group Chief Executive	Sinéad Butters
Deputy Group Chief Executive	Will Nixon
Executive Director of Finance	Mark Thrasher (appointed 13 th August 2018) John Lindsay (resigned 12 th August 2018)
Executive Director of Customer Experience	Andrei Szatkowski (appointed 16 th July 2018)
Executive Director of Organisational Development	Ian Gleave (appointed 15 th March 2019)
Executive Director of Property	Dan Gray
Executive Director of Customer Experience	Tracey Johnson (resigned 28 th February 2019)

Registered office:

Kingsley
The Brampton
Newcastle-under-Lyme
Staffordshire
ST5 0QW

ADVISORS

Auditors:

Beever and Struthers
St George's House
215 – 219 Chester Road
Manchester
M15 4JE

Principal Solicitors:

Anthony Collins LLP
134 Edmund Street
Birmingham
B3 2ES

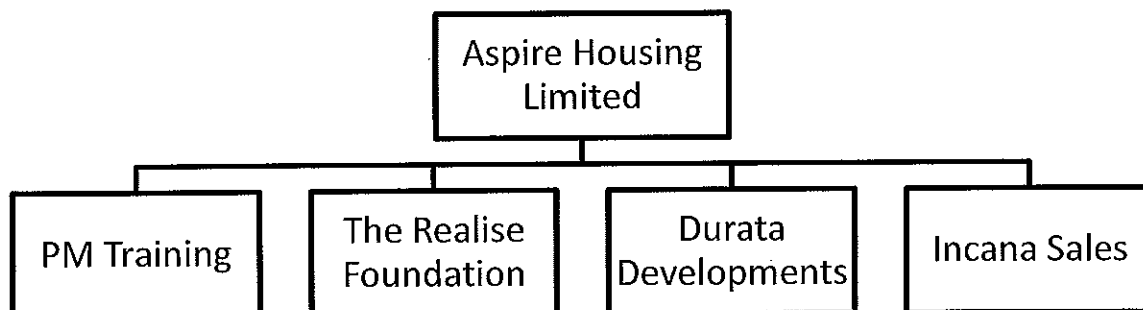
BANKERS

Principal Bankers:

Barclays Bank Plc
PO Box 3333
15 Colmore Row
Birmingham
B3 2WN

Report of the Board

The Aspire Housing group structure is set out in the chart below:



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.

Project Management (Staffordshire) Limited (PM Training) is a limited company registered at Companies House. (registration number 01620399)

The Realise Foundation is registered with the Financial Conduct Authority as a Registered Society under the Co-operative and Community Benefit Societies Act 2014.

In June 2018 Durata Developments Limited (11256769) and Incana Sales Limited (11256836) were established, as limited companies, registered at Companies House and as subsidiaries of Aspire Housing Ltd. Neither company has traded during the year and it is anticipated that trading will commence during 2019/20.

Board Members and Executive Directors

The Board members and executive directors of the Aspire Group who served during the year and up to the date of approval of these financial statements are set out on page 1.

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 4 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 Nominations Committee approval.

Governance

Aspire Housing has adopted the NHF 2015 Code of Governance, 'Promoting board excellence for housing associations'. A check of compliance with the code is undertaken annually and this confirms that Aspire is fully compliant. Aspire has also adopted the NHF merger code.

During 2018/19 the Aspire Housing Board completed an internally led Board Effectiveness Survey, the results of which were discussed at the June 2019 Board meeting. An action plan is being developed to address areas of potential improvement and consolidate existing strengths.

All Directors receive an annual appraisal. The new Chair and outgoing Chair undertook their appraisals in February 2019. Annual appraisals for the remainder of the Board have been deferred until September 2019 noting that there are a number of Directors who are new to the role.

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 four star rating.

Strategic Report**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 c9,000 properties, Aspire also develops new affordable housing;
- The development and sale of housing on the open market.
- The provision of high quality training and employment opportunities across both the private and public sectors, and
- The provision of regeneration services including support for lifelong learning, apprenticeships and environmental improvements through the Realise Foundation.

Review of financial year

The Aspire Group produced a surplus for the year of £12.4m compared to the 2017-18 surplus of £3.8m. This large increase is primarily attributed to two items; firstly, the previous year included £4m of one-off costs as a result of re-financing and secondly, 2018/19 included the gain on disposal of land of £6m (compared to £2m in the prior year). The underlying operational performance remains strong and comparable to the previous year.

There is a requirement to charge the Statement of Comprehensive Income with re-measurement and actuarial adjustments in relation to the two defined benefit pension schemes which the Group has. The Social Housing Pension Fund are now able to provide a breakdown for each individual employer, whereas previously they could not. The adjustments for both schemes are shown in detail in note 9 to the statements.

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 0.96% of the rent debit (2018: 0.96%) and with 100.4% of rent collected in the year (2018: 99.7%). The rent lost in the year from bad debts was £115k (0.3% of rent and service charges). Void rent loss for the year of £378k (1.0%) represented a deterioration compared to the previous year's loss of £218k (0.59%). This is primarily due to the decision to empty the Ashfields Grange scheme which will be redeveloped over the next two years.

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, with a total of 224 brought into stock, of which the number of low-cost home ownership first tranche sales was 84. 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.

Repairs, maintenance and improvements to the housing stock continued to represent the largest element of Aspire Housing's expenditure with total expenditure of £12.7m, 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 of up to 50 dwellings per annum 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 2018-19, 50 houses were disposed of, as well as various land sites, including the site in Lower Milehouse which generated a receipt of £3.4m. This site was part of the wider regeneration of the area which will produce a more diverse mixed tenure neighbourhood. The total receipts generated of c£6.1m will be utilised to fund the development of new homes.

PM Training achieved an operating profit of £921k in 2018/19 which was significantly greater than in 2017/18 (£205k) and the highest in PM Training's history, this against a challenging environment within the further education sector. This improved profit arose primarily as a result of the delivery of a number of additional European Social Fund Programme funded (ESF) contracts, as well as positive performance across the mainstream ESFA contracts. Overall turnover grew by 27% from £7.25m to £9.22m, primarily as a result of the increased ESF and ESFA contracts in addition to growth from Homeworks contracts.

During 2018-19 PM Training has, through its training division, supported over 1,600 companies locally with their workplace skills needs.

Objectives and strategy

The 2018-19 financial year was the third year of Aspire Housing's 2016-21 corporate plan which sets out our vision for "Building Better Futures". By 2021 we have the following objectives:

- To be recognised by industry experts as an exemplar of best practice nationally
- To be successful in building new homes and in creatively managing our existing portfolio
- To be digitally led, seamlessly using technology to enhance communication, drive efficiencies and improve customers' experiences across all of our businesses
- To be known as much for our smart professionalism and agility, as for our ability to raise aspirations, transform lives and help communities to prosper
- To be recognised as a great place to work

We have now delivered 554 new homes of our ambitious development target, secured opportunities for another 300 and have identified a further 400 new homes, including our first outright sale scheme which we hope will commence during 2019/20.

During the summer of 2019 we have been working on the development of our new corporate plan "Building Better Futures by Putting People First." Aspire Housing is now 19 years old and has seen many changes to the environment in which we work. In that time, we have delivered our transfer promises to tenants, bought a training company, established a unique local charity, rode the challenge of rent cuts, seen a 20% reduction in staff, established our largest ever newbuild programme, won the Queen's Award for enterprise, and established ourselves as a sector leader in housing and training. Some 19 years on, we are in the top 10% most efficient Housing Associations in the Country, are graded G1/V1, and Ofsted Good.

However, the issues facing our communities are more challenging and complex than ever. In the last 10 years since the economic crash, things are getting worse. The gap between rich and poor is growing, between thriving areas and lost towns and cities becoming starker. Locally, people are struggling with debt, with the inability to sustain themselves on low wages and restrictive zero-hour contracts, using foodbanks to survive, and leaning heavily on those that can help. Welfare reform is biting hard, with the impact of bedroom tax and Universal Credit creating complex challenges for tenants that are often almost impossible to overcome alone. We see our young people leaving school without qualifications, and with a start in life that ensures a trajectory of poor life chances and a cycle of continued desperation.

We can no longer just react to latest government thinking and allow ourselves to be buffeted by the winds of change. It is clear that, despite huge efforts over nearly 20 years on our part, our communities need us now more than ever. We need to respond with absolute clarity; putting our People First. Putting our staff, tenants and learners at the heart of our business and making them the centrifugal force of all that we do.

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. No longer are we entirely focussed on delivering the lowest cost but delivering the greatest value in a joined-up way. We will do this with a strong focus on adding value in the communities of North Staffordshire.

We will do this through six key themes:

- Governance and Engagement
- Our Culture
- Our Resources
- Our Neighbourhoods
- Our Housing Offer
- Our Skills Offer

We will launch this new strategy with the Board in the autumn 2019 and develop new measures and targets which will be built into our budget and business plan for 2020 and beyond. Further details can be found on our website following its launch in October 2019.

Risks and uncertainties

Financial risk management objectives and principles

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.

Interest rate risk

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 risk

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 c£50m of undrawn facilities as at 31 March 2019.

Credit risk

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 introduction of Universal Credit.

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.

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 of £205m are in place (including c£50m of undrawn facilities at 31 March 2019), which 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 and Risk 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 and Risk Committee quarterly and to the Aspire Housing Board every six months. The major risks to the successful achievement of Aspire Housing's objectives are considered below.

Key risk	Management actions
<p>Pension Strategy risk puts financial strain on the business plan There is currently a significant deficit for the defined benefit schemes. Having made the decision to exit the schemes a suitable deficit repayment plan will need to be agreed.</p>	<ul style="list-style-type: none"> • Regular strategic reviews of pensions • Stress testing of the business plan to understand capacity to pay the deficit • DB schemes now closed to new starters • Engagement with actuarial professionals • Agreement with the Board that any new pension arrangement must be affordable and contained within the existing business plan parameters
<p>Changing demographics result in stock and/or services becoming obsolete Aspire has a number of schemes which were originally designed for older persons accommodation. These are increasingly becoming outdated and lack modern building standards.</p>	<ul style="list-style-type: none"> • Asset Management Strategy • Development Strategy • Marketing Strategy • Older Person's Strategy • Provision within the business plan to replace those schemes which bring significant risk
<p>Failure to keep pace with technology resulting in operational inefficiency or system downtime There has been a lack of investment in the IT infrastructure and the main applications which is impacting on the ability to deliver services in an agile way</p>	<ul style="list-style-type: none"> • A re-focused IT strategy • Approved budget and business plan provision for a 4-year investment programme • Contracts and resources in place to deliver two key IT projects

Capital structure and treasury policy

Aspire Housing borrows at both fixed and floating rates of interest. Aspire's policy is to keep at least 60% of its borrowings at fixed rates of interest. At the year-end 95% of its borrowings were at fixed rates. More detail of the debt can be found at note 24 to these financial statements.

Future developments

The new business plan approved by the Board in February 2019 provides for 1,144 new homes, to be completed in the 5 years to March 2025. 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).

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 RTB policy.

Statement of compliance

In preparing this Strategic Report, the Board has followed the principles set out in the SORP 2018.

Value for Money

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 2016-21 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 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.

The additional capacity created in the business plan as a result of the achievement of efficiencies will enable us to deliver nearly 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 2018-19 we sold 35 properties, 1 parcel of land, 9 commercial units and 1 garage site either at auction or by private treaty, generating gross sales proceeds of £7.5m (17-18: £3.5m). 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 2019-20 business plan, approved by the Board in February 2019, we have included an additional £8.3m over the next 10 years to support the delivery of the Older Persons Strategy and increased levels of environmental work. In addition to this, £5m has been provided to carry out major repairs and upgrade work to non-traditional property stock. In total an additional £30m has been included in the plan for the next 30 years, which will cover an increase in major works, day to day maintenance and compliance works.

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 three years of that plan we have provided 554 new homes. The business plan approved by the Board in February 2019 included the provision of another 1,144 homes over the next six years.

VfM metrics and targets

The new 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.

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

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 KPIs are drawn from the RSH and Sector Scorecard metrics, as indicated in the tables below, with the addition of several additional Aspire Housing specific KPIs set out in table 3.

Comparison of our performance against ourselves and our peers

Table 1: Regulator of Social Housing metrics

	Aspire Housing				Global accounts 17-18	
	2017-18 Actual	2018-19		2019-20 Target	Median	1 st Quartile
		Target	Actual			
Re-investment %	11.0%	13.1%	12.0%	13.7%	5.8%	8.7%
New Supply - social housing %	2.4%	2.2%	2.5%	2.8%	1.0%	2.3%
New Supply – non-social housing %	0.0%	0.00%	0.0%	0.0%	0.0%	0.0%
Gearing	64.3%	61.5%	61.7%	62.7%	43.7%	32.5%
EBITDA-MRI interest cover	206.1%	217.8%	210.7%	167.5%*	203.0%	275.6%
Headline social housing cost per unit	£2,679	£2,550	£2,599	£2,971*	£3,362	£2,947
Operating margin (social housing units)	35.6%	39.1%	33.2%	31.1%*	32.5%	37.4%
Operating margin (overall)	32.2%	35.5%	32.3%	28.8%*	29.7%	35.4%
Return on capital employed (ROCE)	7.7%	7.7%	8.4%	5.0%*	4.1%	5.7%

*Aspire Housing VfM target

- 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 recognise that this may be partially due to a lower average cost per unit for our fixed assets.
- New Supply – Our development programme seeks to maximise the financial capacity that we have. Whilst we do not currently build any non-social housing units, our development programme for social housing is top quartile performance compared to the sector
- 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. Whereas in 2018-19 our comparison to the sector was around median, we suspect that this may not be the case as we continue to borrow more. However, the sector quartile performance may also change as a large number of providers are also expanding their borrowing in order to build more homes.
- Headline social housing cost per unit - Our overall headline social housing cost per unit reduced from £2,679 in 2017-18 to £2,599 in 2018-19 (2017-18 sector top quartile cost per unit: £2,947). Aspire continue to be amongst the top performing housing providers as measured by cost per unit. The reduction in 2018/19 is partially due to

the increased number of housing properties which we now have, however it is also due to less expenditure on improvements during the year. As part of our new People First Strategy, 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. This is in response to feedback from our customers on what matters to them and will have a consequential impact on this measure.

The 2019/20 budget paper set out an estimation of the impact on cost per unit over the next few years as follows:

- 2019/20 £2,971
- 2020/21 £2,988
- 2021/22 £3,131

The 2019/20 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 2017-18 was still better than the median performers in the sector and it will be interesting to see how we compare to others when the 2018-19 data is published.
- Return on Capital Employed – Performance in 2018-19 continued to be at top quartile level however, the significant additional investment in services for 2019-20 and beyond will see this fall to levels which would still be above the median level. This is forecast to remain at this level for the next 3 years.

Table 2: Sector Scorecard metrics

	Aspire Housing				HouseMark 2017-18	
	2017-18 Actual	2018-19		2019-20 Target	Median	1 st Quartile
		Target	Actual			
New supply delivered – units	205	156	224	250*	n/a	n/a
Overall satisfaction with service provided	94.7%	95.0%	94.1%	94.0%*	87.5%	91.6%
Occupancy at 31 March	99.9%	99.4%	99.7%	99.4%	99.4%	99.7%
Ratio of responsive to planned repairs	54.6%	59.9%	85.0%	54.5%	61.0%	45.0%
Rent collected as % of rent due	99.7%	99.5%	100.4%	99.5%*	99.9%	100.4%
Overheads as % of adjusted turnover	10.4%	9.5%	10.7%	10.9%	12.0%	10.0%

*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, however we intend to review our VfM reporting framework in November 2019.

- New supply delivered – Our Strategic Plan, which was agreed in 2016, established a target to deliver 1,500 new homes by 2021. We have so far delivered 554 and this will grow to 1,823 by March 2024. Our target will therefore take longer to achieve than was originally anticipated, however we will now be building more than was planned.
- 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 aspects of our service and our new People First approach seeks to address this.
- 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 2018-19 our performance varied significantly from the previous year due to lower planned maintenance expenditure, which would put us in the third quartile. This is due to the cyclical nature of the expenditure for planned maintenance and we expect this to rise 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.
- Overheads as a % of adjusted turnover – For 2018-19 has increased from 10.4% to 10.7% and highlights the start of the plan to invest more in our front-line services. This is planned to increase further in 2019-20 to 10.9% as the People First strategy is rolled out. However, we continue to compare better than median performance, and we will be mindful to see how this compares to others for 2019-20.

Table 3: Additional Aspire Housing metrics

	Aspire Housing				HouseMark Quartile
	2017-18 Actual	2018-19		2019-20 Target	2017-18
		Target	Actual		
EBITDA operating margin	41.2%	40.0%	41.8%	40.0%*	n/a
Void rent loss	0.6%	0.6%	1.0%	1.0%*	2 nd
Current arrears	1.0%	1.2%	0.9%	1.25%*	1 st
Satisfaction with repairs and maintenance service	86.0%	87.0%	84.5%	88.0%*	2 nd
Satisfaction with VfM of services provided	94.6%	93.0%	95.2%	95.0%*	1 st

*Aspire Housing VfM target

Table 3 includes measures which were established as part of the 2016-21 strategy and form part of our VfM plan. These will be refreshed when the new People First Strategy is launched in the autumn of 2019.

Performance in all of these areas remained above median for 2017-18 however we did not achieve our target for all areas; void rent loss was higher than expected, this was 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. As part of our new approach under People First we plan to engage with our customers to understand why this is the case and work towards solutions to improve performance in this area.

Social return on assets

The achievement of positive social impact is a core element of Aspire Housing's corporate aims reinforced by our Corporate Plan and the new objectives set out on page 7. 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. PM Training is a profit-making company and PM Training profits provide the main source of funding for The Realise Foundation.

During 2018-19 PM Training has, through its training division;

- Supported over 1,600 companies locally with their workplace skills needs.
- 453 young people have participated in our pre-apprenticeship employability programmes including study programmes and traineeships with 67% positively progressing to positive destinations.
- 503 apprenticeship starts during the year, with a total of 741 apprenticeship learners on programme. The overall success rate for the year was 67%.

- The Company has continued to respond and adapt to the major changes to the apprenticeship agenda in the past 12 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. During 2019-20 we will be working with HACT (Housing Associations' Charitable Trust) to use their model to help us to measure the social impact of the work we do across the whole group.

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:

- **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 and Risk 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 and Risk 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 and Risk committee. The Audit and Risk committee considers internal control at each of its meetings during the year.

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

Compliance with Governance and Viability Standard

A programme of internal checks has been undertaken during the year to ensure that Aspire Housing complies with the requirements of the RSH 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.

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 2018 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.

Statement of responsibilities of the board for the financial statements

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

Community Benefit Society legislation requires the Board to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under Community Benefit Society legislation, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Association for that period. 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 United Kingdom Accounting Standards and the Statement of Recommended Practice: "Accounting by Registered Housing Providers" (2014), have been followed subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the organisation and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the Board members are aware:

- There is no relevant audit information of which the organisation's auditors are unaware;
- and
- The Board members have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Annual general meeting

The annual general meeting will be held on 27 September 2019.

External auditors

A resolution to re-appoint Beever and Struthers as auditors of Aspire Housing will be proposed at the Annual General Meeting.

The Report of the Board, including the Strategic Report, was approved by the Board on 10 September 2019 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'M Lawton', with a long, sweeping underline.

Mike Lawton
Vice Chair

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 2019 which comprise the consolidated and Association Statement of Comprehensive Income, the consolidated and Association Statement of Changes in Reserves, the consolidated and Association Statement of Financial Position, the consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2019 and of the Group's income and expenditure and the Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Cooperative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

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

Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities set out on page 18, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's web-site 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 Association, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association 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 for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers

Beever and Struthers, Statutory Auditor
St George's House
215/219 Chester Road
Manchester
M15 4JE

Date: *23 September 2019*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 For the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Turnover	3	52,691	49,221
Operating expenditure	3	(37,390)	(35,406)
Gain on disposal of housing properties	6	5,943	3,179
Operating surplus		21,244	16,994
Deficit on disposal of other fixed assets	6	-	(258)
Interest receivable and similar income	7	92	27
Interest payable and similar charges	8	(8,386)	(12,546)
Other finance charges		(428)	(408)
Surplus before tax		12,522	3,809
Tax (charge) on ordinary activities	11	(146)	(46)
Surplus for the financial year		12,376	3,763
Re-measurement of SHPS obligation	9	(650)	-
Actuarial (loss)/gain relating to pension schemes	9	(3,580)	1,400
Total comprehensive income for the year		8,146	5,163

The group's results do not include any discontinued activities in 2018/2019, however 2017/2018 included a small element of discontinued activity relating to furniture resale with a turnover of £125k and operating expenditure of £379k.

The accompanying notes on pages 29 to 58 form part of these financial statements. Historical cost surpluses and deficits were identical to those shown in the Statement of Comprehensive Income.

The financial statements were approved and authorised for issue by the Board at a meeting held on 10 September 2019 and signed on its behalf by:



Mike Lawton
 Vice Chair



Sinéad Butters
 Group Director



Paul Medford
 Secretary

ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME
 For the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Turnover	3	45,595	43,324
Operating expenditure	3	(30,865)	(29,374)
Gain on disposal of housing properties	6	5,943	3,179
Operating surplus		20,673	17,129
Deficit on disposal of other fixed assets	6	-	(258)
Interest receivable and similar income	7	90	26
Interest payable and similar charges	8	(8,386)	(12,546)
Other finance charges		(428)	(408)
Surplus before tax		11,949	3,943
Tax (charge) on ordinary activities	11	-	-
Surplus for the financial year		11,949	3,943
Re-measurement of SHPS obligation	9	(650)	-
Actuarial (loss)/gain relating to pension schemes	9	(3,580)	1,400
Total comprehensive income for the year		7,719	5,343

The association's results do not include any discontinued activities in 2018/2019, however 2017/2018 included a small element of discontinued activity relating to furniture resale with a turnover of £125k and operating expenditure of £379k.

The accompanying notes on pages 29 to 58 form part of these financial statements.

Historical cost surpluses and deficits were identical to those shown in the Statement of Comprehensive Income.

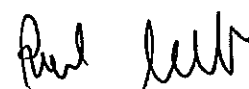
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Mike Lawton
 Vice Chair



Sinéad Butters
 Group Director



Paul Medford
 Secretary

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES
 For the year ended 31 March 2019

	2019	2018
	£'000	£'000
Balance as at 1 st April	30,677	25,514
Surplus from Statement of Comprehensive Income	12,376	3,763
Re-measurement of SHPS obligation	(650)	-
Actuarial (loss)/gain relating to pension schemes	(3,580)	1,400
Balance as at 31 st March	<u>38,823</u>	<u>30,677</u>

ASSOCIATION STATEMENT OF CHANGES IN RESERVES
 For the year ended 31 March 2019

	2019	2018
	£'000	£'000
Balance as at 1 st April	31,396	26,053
Surplus from Statement of Comprehensive Income	11,949	3,943
Re-measurement of SHPS obligation	(650)	-
Actuarial (loss)/gain relating to pension schemes	(3,580)	1,400
Balance as at 31 st March	<u>39,115</u>	<u>31,396</u>

The accompanying notes on pages 29 to 58 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 As at 31 March 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Housing properties	12	216,521	202,067
Other tangible fixed assets	13	5,581	5,161
Intangible fixed assets	15	266	399
		<u>222,368</u>	<u>207,627</u>
Current assets			
Properties developed for sale	16	4,245	2,966
Stock	17	28	62
Trade and other debtors	18	3,520	2,811
Cash and cash equivalents	29	24,054	17,211
		<u>31,847</u>	<u>23,050</u>
Creditors: amounts falling due within one year	19	<u>(8,296)</u>	<u>(9,308)</u>
Net current assets		<u>23,551</u>	<u>13,742</u>
Total assets less current liabilities		<u>245,919</u>	<u>221,369</u>
Creditors: amounts falling due after more than one year	20	<u>(186,833)</u>	<u>(176,210)</u>
Pension provision	9	<u>(20,222)</u>	<u>(14,482)</u>
Deferred tax provision	11	<u>(41)</u>	<u>-</u>
Total Net Assets		<u>38,823</u>	<u>30,677</u>
Reserves			
Income and expenditure reserve		<u>38,823</u>	<u>30,677</u>
Total reserves		<u>38,823</u>	<u>30,677</u>

The accompanying notes on pages 29 to 58 form part of these financial statements.

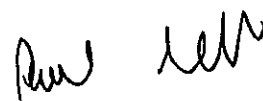
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Mike Lawton
 Vice Chair



Sinéad Butters
 Executive Director



Paul Medford
 Secretary

ASSOCIATION STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	2019 £'000	2018 £'000
Tangible fixed assets			
Housing properties	12	216,521	202,067
Other tangible fixed assets	13	5,262	5,038
Investments in subsidiaries	14	3,472	3,222
		<u>225,255</u>	<u>210,327</u>
Current assets			
Property developed for sale	16	4,245	2,966
Stock	17	28	62
Trade and other debtors	18	2,224	1,864
Cash and cash equivalents		22,213	15,468
		<u>28,710</u>	<u>20,360</u>
Creditors: amounts due within one year	19	<u>(7,795)</u>	<u>(8,599)</u>
Net current assets		<u>20,915</u>	<u>11,761</u>
		<u>246,170</u>	<u>222,088</u>
Total assets less current liabilities			
Creditors: amounts due after more than one year	20	(186,833)	(176,210)
Pension provision	9	(20,222)	(14,482)
		<u>39,115</u>	<u>31,396</u>
Total Net Assets			
Reserves			
Income and expenditure reserve		39,115	31,396
Total reserves		<u>39,115</u>	<u>31,396</u>

The accompanying notes on pages 29 to 58 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board at a meeting held on 10 September 2019 and signed on its behalf by:



Mike Lawton
Vice Chair



Sinéad Butters
Executive Director



Paul Medford
Secretary

CONSOLIDATED STATEMENT OF CASH FLOWS
 for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Net cash generated from operating activities	27	<u>20,961</u>	<u>19,016</u>
Cash flow from investing activities			
Purchase and construction of housing properties		(18,685)	(15,402)
Component replacements to housing properties		(3,480)	(3,697)
Purchase of other fixed assets		(886)	(341)
Social housing grant – received		672	628
Proceeds from sale of housing properties		6,492	5,371
Proceeds from sale of other fixed assets		26	248
Interest received		92	27
Net cash outflow from investing activities		<u>(15,769)</u>	<u>(13,166)</u>
Cash flow from financing activities			
Loans received		10,000	19,225
Interest paid		(8,349)	(12,384)
Net cash inflow from financing activities		<u>1,651</u>	<u>6,841</u>
Net change in cash and cash equivalents	29	6,843	12,691
Cash and cash equivalents at the beginning of the year	29	17,211	4,520
Cash and cash equivalents at the end of the year	29	<u>24,054</u>	<u>17,211</u>

The accompanying notes on pages 29 to 58 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS 31 March 2019

1 LEGAL STATUS

The association is registered, in England and Wales, under the Co-operative and Community Benefit Societies Act 2014 and is a registered housing provider. The registered office is Kingsley, The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW. The association is a public benefit entity and the accounts are presented in pounds sterling, rounded to the nearest £'000.

2 ACCOUNTING POLICIES

Basis of accounting

The financial statements of Aspire Housing are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS102) and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2014 (SORP 2014) and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

Discontinued operations in 2017/18 represented the activities of Furniture Mine which was sold on 1 September 2017.

Basis of consolidation

The Group accounts consolidate the accounts of Aspire Housing and all its subsidiaries at 31 March.

Going concern

The Group's financial statements have been prepared on a going concern basis which assumes an ability to continue to operate for the foreseeable future.

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;

- **Provision for bad and doubtful debts:** on the basis of likelihood of collection depending on the age of the debt.
- **Impairment:** the association has identified a cash generating unit at a scheme level. Following the government announcement of a change in rent policy from April 2016, which was classed as an impairment trigger, the association carried out an impairment review and concluded there was no impairment and no reduction in net income for any group of cash generating units. There has been no further impairment trigger since.
- **Goodwill:** goodwill within the group is amortised over the life of the investment up to a maximum of ten years.
- **Housing properties classification:** housing properties are properties held for the provision of social housing or otherwise to provide social benefit.
- **Financial instruments:** all of the association's loans have been treated as basic for FRS102 classification. Basic instruments are recognised at amortised historical cost.
- **Defined benefit pension schemes:** the association has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, salary increases and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the Statement of Financial Position. The assumptions reflect historical experience and current trends. Variations in these assumptions could significantly impact the liability.

ACCOUNTING POLICIES (continued)

Turnover and revenue recognition

Turnover comprises rental income receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale and other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and revenue grants receivable in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. 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 Company has fulfilled its obligations in accordance with contractual terms.

Turnover in PM Training represents the consideration receivable in respect of training and other services provided during the year, excluding Value Added Tax. ESFA contract income is recognised in full in the Statement of Comprehensive Income in the year for which it is receivable and any clawback in respect of the period is deducted from income and recognised as a liability.

Turnover in Realise represents donations from Aspire Housing and local companies plus fund raising activities undertaken by the members of Realise. Donations and sales income is 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 activity wholly undertaken in the UK.

Interest payable

Interest is charged to the Statement of Comprehensive Income in the year in which it is incurred.

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 Group also enrolls all new employees in the SHPS auto enrolment pension scheme.

For the SHPS, the association was unable to recognise its share of the scheme assets and scheme liabilities in the previous year and therefore had applied defined contribution accounting. For the year ended 31 March 2018 the association had recognised a past service deficit liability within creditors based on the present value of the association's deficit funding agreement.

For the year ended 31 March 2019, the association is able to identify its share of the scheme assets and scheme liabilities from 1 April 2018 and has therefore applied defined benefit accounting from this date onwards. For accounting purposes, the relevant date for accounting for this change from defined contribution to defined benefit accounting is 1 April 2018. The deficit funding agreement liability that was previously recognised within creditors was derecognised on the 1 April 2018, and the initial net defined benefit pension liability was recognised at this date in the statement of financial position. The resulting net difference on initial recognition of the SHPS obligation was recognised in other comprehensive income.

ACCOUNTING POLICIES (continued)

For both schemes, the current service costs and costs from settlements and curtailments are charged against operating surplus. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included net in Other Finance Costs/Income. Actuarial gains and losses are reported in the Statement of Comprehensive Income.

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the Projected Unit Method and are discounted at appropriate high quality bond rates. The net deficit is presented separately from other assets on the Statement of Financial Position. A net surplus is recognised only to the extent that it is recoverable by the Group.

Further details are found in note 9.

Taxation

The charge for taxation is based on surpluses arising on certain activities which are liable to tax.

Deferred taxation

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. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

Housing properties

Housing properties are principally properties available for rent, all have been categorised as held for social benefit, and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs and expenditure incurred in respect of improvements.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefit of the assets, are capitalised as improvements.

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

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.

Social housing grant

Social Housing Grant (SHG) is receivable from Homes England and is utilised to reduce the capital costs of housing properties, including land costs. It is held as a deferred asset (income) on the Statement of Financial Position and amortised to the Statement of Comprehensive Income, within turnover, over the life of the property to which it relates.

SHG due from Homes England or received in advance is included as a current asset or liability on the Statement of Financial Position. SHG received in respect of revenue expenditure is credited to the Statement of Comprehensive Income in the same period as the expenditure to which it relates.

SHG is subordinated to the repayment of loans by agreement with Homes England. SHG released on the sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included on the Statement of Financial Position in creditors.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to the Statement of Comprehensive Income. Upon disposal of the associated property, the Group is required to recycle these proceeds and, as such, a contingent liability is disclosed to reflect this.

Where Social Housing Grant is recycled, as described above, the SHG is credited to a fund which appears as a creditor until used to fund the acquisition of new properties, where recycled grant is known to be repayable it is shown as a creditor within one year.

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.

Disposal Proceeds Fund (DPF)

Receipts from the sale of SHG funded properties less the net book value of the property and the costs of disposal are credited to the DPF, this creditor is carried forward until it is used to fund the acquisition of new social housing. Following the Housing and Planning Act 2016 disposals made after 1 April 2017 no longer have to be accounted for through the DPF. There will be a winding down period until 2020 to use any funds currently remaining in the DPF.

Depreciation of housing properties

The Group separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.

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

ACCOUNTING POLICIES (continued)

Structure	60 years
Aerials	20 years
Showers	30 years
Central heating	30 years
Boilers	12 to 15 years
Energy efficiency	30 years
Roofs	50 years
Kitchens	20 years
Sound insulation	30 years
Bathrooms	30 years
Rewires	30 years
Windows and doors	40 years
Smoke alarms	15 years
Lifts	30 years

Freehold land is not depreciated.

Other tangible fixed assets

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Freehold buildings	50 years
Furniture, fixtures and fittings	7 years
Shops	40 years
Freehold office buildings & long leasehold property	60 years
CareCALL equipment	4 years
Computers and office equipment	3 years
Plant & equipment	7 years
Garages	30 years

Properties developed for sale

Shared ownership first tranche sales, complete properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal. Shared ownership staircasing sales are treated as property disposals when the staircasing reaches 100%. The association 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.

Impairment

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income immediately.

Liquid resources

Liquid resources are readily disposable current asset investments. They include some money market deposits, held for more than 24 hours, which can only be withdrawn without penalty on maturity or by giving notice of more than one working day.

ACCOUNTING POLICIES (continued)

Stock and work in progress

Stock and work in progress is stated at the lower of cost and net realisable value.

Holiday pay accrual

A calculation is made of the amount of unused holiday pay entitlement and where this is material it is accrued.

Leased assets

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Financial instruments

The Group only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are measured at transaction price initially, plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest method.

Loan finance issue costs

These 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.

Investment in subsidiaries

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

Goodwill

Goodwill is amortised over the useful economic life of the investment.

3 GROUP TURNOVER, COST OF SALES, OPERATING EXPENDITURE AND OPERATING SURPLUS

	Turnover	2019	
		Operating expenditure	Operating surplus/ (deficit)
	£'000	£'000	£'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	(30,017)	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 activities	8,013	(7,373)	640
	52,691	(37,390)	15,301
	Turnover	2018	
	£'000	Operating expenditure	Operating surplus/ (deficit)
	£'000	£'000	£'000
Social housing lettings	38,317	(24,683)	13,634
Other social housing activities			
First tranche low cost home ownership sales	3,644	(2,113)	1,531
Other	303	(1,529)	(1,226)
Total social housing activities	42,264	(28,325)	13,939
Non-social housing activities			
Lettings	935	(670)	265
Other	125	(379)	(254)
Amortisation of goodwill	-	(180)	(180)
PM Training	5,873	(5,635)	238
The Realise Foundation	24	(217)	(193)
Total non-social housing activities	6,957	(7,081)	(124)
	49,221	(35,406)	13,815

3 ASSOCIATION TURNOVER, COST OF SALES, OPERATING EXPENDITURE AND OPERATING SURPLUS

	Turnover	2019 Operating expenditure	Operating surplus/ (deficit)
	£'000	£'000	£'000
Social housing lettings	38,487	(25,509)	12,978
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	(29,797)	14,881
Non-social housing activities			
Lettings	917	(848)	69
Total non-social housing activities	917	(848)	69
	45,595	(30,645)	14,950

	Turnover	2018 Operating expenditure	Operating surplus/ (deficit)
	£'000	£'000	£'000
Social housing lettings	38,317	(24,683)	13,634
Other social housing activities			
First tranche low cost home ownership sales	3,644	(2,113)	1,531
Other	303	(1,529)	(1,226)
Total social housing activities	42,264	(28,325)	13,939
Non-social housing activities			
Lettings	935	(670)	265
Other	125	(379)	(254)
Total non-social housing activities	1,060	(1,049)	11
	43,324	(29,374)	13,950

3 GROUP AND ASSOCIATION PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	2019 £'000	2018 £'000
General Housing		
Rent receivable net of identifiable service charges and net of voids	35,024	34,924
Service charge income	2,855	2,787
Amortised government grants	608	606
Turnover from social housing lettings	<u>38,487</u>	<u>38,317</u>
Operating expenditure		
Management	(6,801)	(6,192)
Service charge costs	(2,988)	(2,930)
Routine maintenance	(5,891)	(4,636)
Planned maintenance	(3,499)	(4,710)
Bad debts	(115)	(136)
Depreciation of housing properties	(6,435)	(6,079)
Operating expenditure on social housing lettings	<u>(25,729)</u>	<u>(24,683)</u>
Operating surplus on social housing lettings	<u>12,758</u>	<u>13,634</u>
Void Losses	<u>378</u>	<u>218</u>

*Included within the 'depreciation of housing properties' in Note 12 is £53k (2018 - £53k) in relation to solar panels which is not included within the analysis above.

4 ACCOMODATION IN MANAGEMENT

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

	GROUP		ASSOCIATION	
	2019 No.	2018 No.	2019 No.	2018 No.
Social housing				
General housing – social rent	7,533	7,479	7,533	7,479
General housing – affordable rent	530	497	530	497
General housing – supported housing	563	563	563	563
General housing – residential care	40	40	40	40
Low cost home ownership accommodation	329	250	329	250
Total owned	<u>8,995</u>	<u>8,829</u>	<u>8,995</u>	<u>8,829</u>
Accommodation managed on behalf of others	47	47	47	47
Total owned and managed	<u>9,042</u>	<u>8,876</u>	<u>9,042</u>	<u>8,876</u>

There are no properties managed by other bodies on behalf of the Group.

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.

5 OPERATING SURPLUS

This is arrived at after charging/(crediting):

	GROUP		ASSOCIATION	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Depreciation of housing properties	6,487	6,110	6,487	6,110
Depreciation of other tangible fixed assets	440	481	390	462
Amortisation of grants	(608)	(606)	(608)	(606)
Amortisation of goodwill	133	180	-	-
Operating lease rentals				
- Land and buildings	209	367	44	208
- Vehicles	463	494	259	347
- Plant and equipment	139	175	89	133
Auditor's remuneration for audit services				
- audit of financial statements	22	23	22	23
- audit of financial statements of the Group subsidiaries	6	5	-	-
for non-audit services				
- tax advisory	1	1	-	-
- other	1	-	1	-

6 SURPLUS ON SALE OF FIXED ASSETS – HOUSING PROPERTIES

	GROUP & ASSOCIATION	
	2019 £'000	2018 £'000
Disposal proceeds	6,668	4,637
Carrying value of fixed assets	(771)	(1,476)
Shared ownership staircasing proceeds	141	88
Shared ownership staircasing carrying value	(95)	(70)
	5,943	3,179
Recycling of funds	-	-
	5,943	3,179
DEFICIT ON SALE OF FIXED ASSETS – OTHER		
Disposal proceeds	-	-
Carrying value of fixed assets	-	(258)
	-	(258)
	5,943	2,921

7 INTEREST RECEIVABLE AND OTHER INCOME

	GROUP		ASSOCIATION	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Interest receivable and similar income	<u>92</u>	<u>27</u>	<u>90</u>	<u>26</u>

8 INTEREST PAYABLE AND SIMILAR CHARGES

	GROUP		ASSOCIATION	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Loans repayable and bank overdrafts	8,254	7,725	8,254	7,725
National interest on DPF	5	3	5	3
Breakage costs	-	4,703	-	4,703
Loan fees amortised	91	57	91	57
Other finance costs	36	58	36	58
	<u>8,386</u>	<u>12,546</u>	<u>8,386</u>	<u>12,546</u>

9 EMPLOYEES

Average monthly number of employees expressed in full time equivalents:

	GROUP		ASSOCIATION	
	2019 No.	2018 No.	2019 No.	2018 No.
Operations - Housing	96	111	96	111
Operations - Maintenance	80	97	80	97
Resources - Central Administration	96	86	96	86
PM Training	139	125	-	-
	<u>411</u>	<u>419</u>	<u>272</u>	<u>294</u>

A full-time equivalent is based on working hours of 37 per week.

	£'000	£'000	£'000	£'000
Employee costs:				
Wages and salaries	11,368	11,602	8,053	8,715
Social security costs	1,038	1,080	753	819
Other pension costs	1,473	1,376	1,400	1,351
Pension adjustments	309	451	309	451
	<u>14,188</u>	<u>14,509</u>	<u>10,515</u>	<u>11,336</u>

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;

	2019	GROUP
	No.	2018
		No.
£60,001 to £70,000	4	3
£70,001 to £80,000	6	3
£80,001 to £90,000	2	4
£90,001 to £100,000	1	1
£100,001 to £110,000	1	1
£110,001 to £120,000	1	2
£150,001 to £160,000	1	1
£180,001 to £190,000	1	2
£230,001 to £240,000	1	-

Pension Schemes

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 employees who do not choose a final salary scheme are auto-enrolled into a defined contribution scheme with the Social Housing Pension Trust. The current minimum employee contribution is 2.5% and the employer contributes an additional 2.5% to the scheme. This defined contribution scheme has been in operation since 1st January 2014 for Aspire Housing employees.

From 1st April 2014 PM Training, has auto-enrolled employees into a contribution scheme with the Social Housing Pension Trust on the same terms as Aspire Housing. PM Training promoted the government's stakeholder scheme until 31st March 2014 but made no contributions on behalf of employees.

Social Housing Pension Scheme

Aspire Housing participates in the Social Housing Pension Scheme ('the scheme') which is a multi-employer scheme in the UK to some 500 non-associated employers. For the year ended 31 March 2018 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 it accounted for the scheme as a defined contribution scheme. The contributions payable from the association to the SHPS under the terms of its funding agreement for past deficits was recognised as a liability within creditors in the association's financial statements. The net present value of £773k was recognised with creditors for this contractual obligation for the year ended 31 March 2018.

For the year ended 31 March 2019, sufficient information is available for the association in respect of SHPS to account for its obligation on a defined benefit basis. The most recent formal valuation was completed on 30 September 2017 and rolled forward allowing for the different financial assumptions required under FRS102, to 31 March 2019 by a qualified independent actuary.

ASPIRE HOUSING LIMITED
REPORT AND FINANCIAL STATEMENTS - for the year ended 31st March 2019

Under the defined benefit pension accounting approach, the net deficit as at 1 April 2018 is £1,423k and £1,465k as at 31 March 2019.

The proposals set out in FRED71 requires the difference on transition from defined benefit contribution accounting to defined benefit accounting to be presented separately in other comprehensive income. The change on transition has resulted in a re-measurement difference, which has been recognised at the relevant date of application, 1 April 2018, in other comprehensive income.

	2018
	£000
Past Service deficit liability as at 1 April derecognised	773
Net Pension scheme deficit under defined benefit accounting as at 1 April	<u>(1,423)</u>
Loss recognised in other comprehensive income on initial recognition as at 1 April	<u>650</u>

The major assumptions used by the actuary in assessing scheme liabilities were;

	31 March 2019 % per annum	31 March 2018 % per annum
Inflation/Salary increase rate	3.23%	3.13%
CPI increase rate	2.23%	2.13%
Discount rate	2.38%	2.60%
Allowance for commutation of pension at retirement	75% of Maximum allowance	75% of Maximum allowance

Mortality Assumptions

The post retirement mortality assumptions adopted at 31 March 2019 imply the following life expectancies. The assumed retirement age is 65.

	2019
	No. of years
Current pensioners - Males	21.8
Current pensioners - Females	23.5
Future pensioners - Males	23.2
Future pensioners - Females	24.7

Amounts recognised in the Statement of Financial Position

	31 March 2019 £'000	1 April 2018 £'000
Fair value of plan assets	3,746	4,043
Present value of defined benefit obligation	(5,211)	(5,466)
Net liability to be recognised	<u>(1,465)</u>	<u>(1,423)</u>

EMPLOYEES – Pension Schemes (continued)

Analysis of the amount charged to the Statement of Comprehensive Income

	2019 £'000
Current service cost	49
Expenses	5
Amount charged to operating costs	54
Other finance charges	
Interest cost	132
Interest income	(97)
Amount charged to interest payable and financing costs	35

Reconciliation of opening and closing balances of the defined benefit obligation

	2019 £'000
Defined benefit obligation as at 1 April 2018	5,466
Current service cost	49
Expenses	5
Interest costs	132
Contributions by plan participants	33
Actuarial gains due to scheme experience	(29)
Actuarial losses due to changes in demographic assumptions	13
Actuarial losses due to changes in financial assumptions	369
Net benefits paid	(827)
Defined benefit obligation as at 31 March 2019	5,211

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

Changes in the present value of defined benefit obligation

	2019 £'000
Fair value plan assets as at 1 April 2018	4,043
Interest income	97
Experience on plan assets (excluding interest income)	256
Contributions by the employer	144
Contributions by plan participants	33
Benefits paid and expenses	(827)
Fair value plan assets as at 31 March 2019	3,746

The actual return on the plan assets (including and changes in the share of assets) over the period ending 31 March 2019 was £353,000.

EMPLOYEES – Pension Schemes (continued)

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. The valuation will monitor the scheme's assets against the current value of the pension benefits earned to date to establish if there is a surplus or deficit and to review the employers' contribution rates.

The employer's contributions to the SCCPF by Aspire Housing for the year were £724,190 (2018 £886,602) and the employers contribution rate remained at 20.7%.

Financial Assumptions

In calculating the scheme assets and liabilities, the fund's actuary had to make a number of assumptions about events and circumstances in the future. These assumptions represent the best estimate of expected outcomes, but it is possible that actual outcomes will differ from those indicated in the accounts. Any differences between expected and actual outcomes are reported through experienced gains and losses.

The major assumptions used by the actuary in assessing scheme liabilities were;

	31 March 2019 % per annum	31 March 2018 % per annum
Inflation/pension increase rate	2.5%	2.4%
Salary increase rate	2.9%	2.8%
Discount rate	2.4%	2.7%

The expected rates of return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 31st March 2018 for the year to 31st March 2019). The Accounting Standard requires that the expected return on assets is set by the employer having taken actuarial advice. The expected return on assets assumption is set equal to the discount rate as per FRS102.

Mortality Assumptions

The post retirement mortality assumptions used to value the benefit obligation are based on the CMI 2010 model for both prospective and current pensioners and has assumed that mortality assumptions have now peaked. Based on these assumptions the average future life expectancies at age 65 are summarised below;

	2019 No. of years	2018 No. of years
Current pensioners - Males	22.1	22.1
Current pensioners - Females	24.4	24.4
Future pensioners - Males	24.1	24.1
Future pensioners - Females	26.4	26.4

EMPLOYEES – Pension Schemes (continued)**Amounts recognised in the Statement of Financial Position**

	2019 £'000	2018 £'000
Fair value of employer assets	66,799	61,951
Present value of funded liabilities	(85,462)	(76,342)
Present value of unfunded liabilities	(94)	(91)
Net liability	<u>(18,757)</u>	<u>(14,482)</u>

Analysis of the amount charged to the Statement of Comprehensive Income

	2019 £'000	2018 £'000
Current service cost	1,316	1,686
Other finance charges		
Interest cost	2,063	1,967
Interest income	(1,670)	(1,571)
Losses on curtailments & settlements	279	47
	<u>1,988</u>	<u>2,129</u>

£1,316k (2018: £1,686k) was charged to the operating surplus.

Movement in deficit during the year

	2019 £'000	2018 £'000
Deficit at beginning of the year	(14,482)	(15,055)
Current service cost	(1,316)	(1,686)
Interest costs	(2,063)	(1,967)
Employer contributions	1,191	1,297
Contributions in respect of unfunded benefits	5	5
Past service costs (including curtailments)	(279)	(47)
Interest income on plan assets	1,670	1,571
Changes in financial assumptions	(3,483)	1,400
Group share of scheme liabilities	<u>(18,757)</u>	<u>(14,482)</u>

EMPLOYEES – Pension Schemes (continued)

Changes in the present value of defined benefit obligation

	2019 £'000	2018 £'000
Opening defined benefit obligation	76,433	75,400
Current service cost	1,316	1,686
Interest cost	2,063	1,967
Contributions by members	245	303
Changes in financial assumptions	6,804	(1,580)
Past service costs (including curtailments)	279	47
Estimated unfunded benefits paid	(5)	(5)
Estimated benefits paid	(1,579)	(1,385)
Closing defined benefit obligation	<u>85,556</u>	<u>76,433</u>

Changes in the present value of assets

	2019 £'000	2018 £'000
Opening fair value of employer assets	61,951	60,345
Net interest/expected return on assets	1,670	1,571
Contributions by members	245	303
Contributions by the employer	1,191	1,297
Contributions re unfunded benefits	5	5
Re-measurements	3,321	(180)
Unfunded benefits paid	(5)	(5)
Benefits paid	(1,579)	(1,385)
Closing Fair Value of Employer Assets	<u>66,799</u>	<u>61,951</u>

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

	2019	2018
Equities	68%	73%
Bonds	21%	14%
Property	8%	8%
Cash	3%	5%

Actual Return on Plan Assets

	2019 £'000	2018 £'000
Actual return on plan assets	<u>5,666</u>	<u>1,391</u>

EMPLOYEES – Pension Schemes (continued)

Amounts for the current and previous four accounting periods are as follows;

	2019	2018	2017	2016	2015
	£'000	£'000	£'000	£'000	£'000
Present value of defined benefit obligation	(85,556)	(76,433)	(75,400)	(61,299)	(74,843)
Fair value of scheme assets	67,474	61,951	60,345	52,407	51,245
Deficit on scheme	(18,757)	(14,482)	(15,055)	(8,892)	(23,598)
Experience gains/(losses) on assets	3,321	(180)	(5,609)	(1,118)	3,928
Experience gains/(losses) on liabilities	(3)	-	2,858	683	409

10 DIRECTORS' EMOLUMENTS

	GROUP & ASSOCIATION	
	2019	2018
	£'000	£'000
Executive Director Costs		
Aggregate emoluments	1,024	849
Pensions Contributions	109	108
	1,133	957

The remuneration of the Chief Executive (who is also the highest paid employee) included above was as follows:

	GROUP & ASSOCIATION	
	2019	2018
	£'000	£'000
Remuneration	155	152
Pension Contributions	30	29
	185	181

The aggregate amount of compensation for loss of office was £126k (2018: £68k).

The Deputy Chief Executive also acts as Chief Executive Officer of the Group's subsidiary Project Management (Staffordshire) Limited, an appropriate element of his cost is recharged as a management charge.

Pension contributions are made into defined benefit schemes for all executive directors. The Chief Executive is a member of the Staffordshire County Council Pension Fund, a defined benefit final salary pension scheme. She is an ordinary member of the pension scheme and no enhanced or special terms apply. Aspire Housing Limited does not make any further contribution to an individual pension arrangement for the Chief Executive.

Non-Executive Director Costs

The total emoluments paid to non-executive directors within the Aspire Group for their services to the group were £86k (2018: £62k) of which emoluments paid to Aspire Housing Ltd non-executive directors were £51k (2018: £39k).

DIRECTORS' EMOLUMENTS (continued)

The Chair is a remunerated position and received emoluments amounting to £12k (2018: £12k).

	GROUP		ASSOCIATION	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Kevin Richardson (Chair)	6	7	6	7
Philippa Holland (Chair to 26/02/19)	11	12	11	12
Sandra Hambleton	1	3	1	3
Helen Collins	-	3	-	3
Marina Barrett	5	3	5	3
Ian Dale	7	3	7	3
Philip Thomas-Hands	1	3	1	3
Hamid Ghafour	4	5	4	5
Jenny Danson	4	-	4	-
Mike Lawton	4	-	4	-
Elizabeth Shenton	3	-	3	-
Alasdair Macarthur	5	-	5	-
Nicola Winn	10	10	-	-
Subsidiary Board Members				
Helen Walters	-	2	-	-
Alice Belcher	5	3	-	-
Sarah Tudor	5	2	-	-
Maqsood Ahmed	5	3	-	-
Barry Pitts	5	3	-	-
Paul Newell	5	-	-	-
	86	62	51	39

Expenses paid to non-executive directors were £3k (2018: £1k).

Remuneration payable to directors and key management personnel in total

Key management personnel are Executive and Non-Executive Directors and their costs are included in the numbers on page 36 and amount to £1,219k (2018: £1,019k). The aggregate compensation for loss of office was £126k (2018: £68k).

11 TAXATION

The association converted to charitable status on 1st April 2011 and, therefore, is subject to Corporation Tax exemptions on its charitable activities.

	GROUP		ASSOCIATION	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
United Kingdom Corporation Tax				
Current tax on surplus for the year	150	37	-	-
Prior year tax credit	(36)	-	-	-
Tax on surplus on ordinary activities	114	37	-	-
Total current tax credit	114	37	-	-
Deferred Tax				
Timing differences, origination and reversal	32	9	-	-
Total Deferred Tax	32	9	-	-
Tax on surplus on ordinary activities	146	46	-	-

	GROUP		ASSOCIATION	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Current tax reconciliation				
Surplus on ordinary activities before taxation	12,522	3,809	11,949	3,943
Taxation at 19% (2018: 19%)	2,379	724	2,270	749
Effects of:				
Expenditure not tax deductible	7	7	-	-
Charitable exemptions	(2,204)	(685)	(2,270)	(749)
Capital Allowances in excess of depreciation	(32)	(9)	-	-
Losses carried forward	(36)	-	-	-
Other short term timing differences	-	-	-	-
Actual current tax (credit)/charge	114	37	-	-

12 GROUP & ASSOCIATION TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

Social housing properties

	Social housing properties held for letting	Shared Ownership	Social housing properties under construction	Shared Ownership properties under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 st April 2018	238,115	11,916	5,377	1,662	257,070
Additions	-	-	13,008	9,456	22,464
Transfer from/(to) current fixed assets	-	293	-	(4,326)	(4,033)
Transfers between categories	-	-	1,119	(1,119)	-
Improvements	3,421	-	-	-	3,421
Schemes Completed	12,650	3,669	(12,650)	(3,669)	-
Disposals	(1,726)	(100)	(55)	(3)	(1,884)
At 31 st March 2019	252,460	15,778	6,799	2,001	277,038
Depreciation					
At 1 st April 2018	54,627	376	-	-	55,003
Charge for the year	6,327	160	-	-	6,487
Eliminated on disposals	(968)	(5)	-	-	(973)
At 31 st March 2019	59,986	531	-	-	60,517
Net Book Value					
At 31 st March 2019	192,474	15,247	6,799	2,001	216,521
At 31 st March 2018	183,488	11,540	5,377	1,662	202,067

Housing properties with a carrying value of £106m have been pledged to secure borrowings of the Association.

Expenditure on works to existing properties

	GROUP & ASSOCIATION	
	2019	2018
	£'000	£'000
Components capitalised	3,421	3,780
Amount charged to revenue	3,499	4,710
	6,920	8,490

Social housing assistance

	GROUP & ASSOCIATION	
	2019	2018
	£'000	£'000
Total SHG due by 31 March	37,956	35,781
Recognised in the Statement of Comprehensive Income	5,021	4,413
Held as deferred income	32,935	31,368
Total grant	37,956	35,781

13 GROUP TANGIBLE FIXED ASSETS – OTHER

	Computers & office equipment	Plant & equipment and Motor vehicles	Leasehold property	Shops & garages	Freehold property	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 st April 2018	3,473	1,105	89	5,197	2,635	12,499
Additions	599	191	81	-	15	886
Disposals	(1,338)	(184)	-	(48)	-	(1,570)
At 31 st March 2019	2,734	1,112	170	5,149	2,650	11,815
Depreciation						
At 1 st April 2018	3,271	1,031	11	2,136	889	7,338
Charge for year	175	36	19	122	88	440
Eliminated on disposals	(1,338)	(184)	-	(22)	-	(1,544)
At 31 st March 2019	2,108	883	30	2,236	977	6,234
Net Book Value						
At 31 st March 2019	626	229	140	2,913	1,673	5,581
At 31 st March 2018	202	74	78	3,061	1,746	5,161

ASSOCIATION TANGIBLE FIXED ASSETS – OTHER

	Computers & office equipment	Plant & equipment and Motor vehicles	Shops & Garages	Offices	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 st April 2018	3,467	946	5,197	2,650	12,260
Additions	578	6	-	56	640
Disposals	(1,338)	(173)	(48)	-	(1,559)
At 31 st March 2019	2,707	779	5,149	2,706	11,341
Depreciation					
At 1 st April 2018	3,266	932	2,136	888	7,222
Charge for year	174	5	122	89	390
Eliminated on disposals	(1,338)	(173)	(22)	-	(1,533)
At 31 st March 2019	2,102	764	2,236	977	6,079
Net Book Value					
At 31 st March 2019	605	15	2,913	1,729	5,262
At 31 st March 2018	201	14	3,061	1,762	5,038

14 SUBSIDIARY UNDERTAKINGS

All subsidiaries are incorporated in England and Wales and the Group holds 20% or more of the nominal value of any share capital are as follows:

Subsidiary	Holding	Proportion of voting rights and shares held	Nature of Business
The Realise Foundation	N/A	100%	Co-operative & Community Benefit Society – Regeneration Charity
Project Management (Staffordshire) Limited	Ordinary Shares	100%	Company Limited by shares – Employment & Training
Incana Sales Limited	Ordinary Shares	100%	Company Limited by shares – Outright Sales
Durata Developments Limited	Ordinary Shares	100%	Company Limited by shares – Professional and Construction Services

The investment of £3.472m (2018 £3.222m) relates to the acquisition cost of Project Management (Staffordshire), Durata and Incana.

15 INTANGIBLE FIXED ASSETS - GROUP

Goodwill

	£'000
Cost	
At 31 March 2019 and 2018	2,291
Amortisation	
At 1 April 2018	(1,892)
Charge for the year	(133)
At 31 March 2019	(2,025)
Net book value at 31 March 2019	266
Net book value at 31 March 2018	399

16 PROPERTIES FOR SALE

	GROUP & ASSOCIATION	
	2019 £'000	2018 £'000
Renew property	103	103
Shared ownership - completed	2,251	1,623
Shared ownership – work in progress	1,891	1,240
	4,245	2,966

17 STOCK

	GROUP		ASSOCIATION	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Raw materials and consumables	28	62	28	62
	<u>28</u>	<u>62</u>	<u>28</u>	<u>62</u>

18 DEBTORS

	GROUP		ASSOCIATION	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Due within one year				
Rent and service charges receivable	1,024	914	1,024	914
Less: Provision for bad & doubtful debts	(683)	(572)	(683)	(572)
	<u>341</u>	<u>342</u>	<u>341</u>	<u>342</u>
Other debtors	1,240	808	321	341
Grant receivable	126	-	126	-
Trade debtors	352	502	69	56
Amounts due from group undertakings	-	-	32	63
Prepayments and accrued income	1,452	1,159	1,326	1,062
Social security and other taxes	9	-	9	-
	<u>3,520</u>	<u>2,811</u>	<u>2,224</u>	<u>1,864</u>

19 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		ASSOCIATION	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade creditors	1,062	948	978	890
Amounts owed to group undertakings	-	-	442	99
Rent & service charges in advance	1,229	957	1,229	957
Renew recycled grant	103	103	103	103
Recycled Capital Grant Fund (note 22)	-	65	-	65
Disposals proceeds fund (note 23)	212	1,076	212	1,076
Voluntary Right to Buy fund	62	-	62	-
Corporation tax	150	46	-	-
Other taxation and social security	521	513	394	386
Right to buy creditor	444	855	444	855
Other creditors	1,367	756	1,157	697
Accruals and deferred income	2,168	2,913	1,796	2,395
Interest accrued	352	320	352	320
SHPS Pension Deficit Agreement	-	145	-	145
Deferred Capital Grant (Note 21)	626	611	626	611
	<u>8,296</u>	<u>9,308</u>	<u>7,795</u>	<u>8,599</u>

20 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	GROUP		ASSOCIATION	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Debt (note 24)	155,327	145,327	155,327	145,327
Issue cost of debt	(1,160)	(1,213)	(1,160)	(1,213)
	<u>154,167</u>	<u>144,114</u>	<u>154,167</u>	<u>144,114</u>
Disposals proceeds fund (note 23)	2	304	2	304
Recycled Capital Grant Fund (note 22)	226	318	226	318
Sinking fund	129	89	129	89
SHPS Pension Deficit Agreement	-	628	-	628
Deferred capital grant (Note 21)	32,309	30,757	32,309	30,757
	<u>186,833</u>	<u>176,210</u>	<u>186,833</u>	<u>176,210</u>

21 DEFERRED CAPITAL GRANT

	GROUP & ASSOCIATION	
	2019	2018
	£'000	£'000
At 1st April	31,368	31,733
Grants received in year	847	546
Grants Recycled	1,328	(296)
Released to income in the year	(608)	(615)
Balance 31 st March	<u>32,935</u>	<u>31,368</u>
To be released within one year	626	611
To be used after more than one year	32,309	30,757
	<u>32,935</u>	<u>31,368</u>

22 RECYCLED CAPITAL GRANT FUND

	GROUP & ASSOCIATION	
	2019	2018
	£'000	£'000
Opening balance	383	86
Inputs to RCGF:		
Grants recycled	49	296
Interest accrued	2	1
Recycling of grant:		
New build	(208)	-
Closing balance	<u>226</u>	<u>383</u>
Amounts falling due within one year (note 19)	-	65
Amounts falling due after more than one year (note 20)	226	318
	<u>226</u>	<u>383</u>
Amount three years old or older where repayment may be required	-	-
The source of the grant is Homes England		

23 DISPOSAL PROCEEDS FUND

	GROUP & ASSOCIATION	
	2019 £'000	2018 £'000
Opening balance	1,380	1,378
Inputs to DPF:		
Funds recycled	-	-
Net PRTB receipts	-	-
Certain proceeds of profit making PRPs	-	-
Interest accrued	3	2
Transfers from other PRPs	-	-
Use/allocation of funds:		
New build	(1,169)	-
Major repairs and works to existing stock	-	-
Transfers to other PRP'S	-	-
Other	-	-
Repayment of funds to Homes England	-	-
Closing balance	<u>214</u>	<u>1,380</u>
Amounts falling due within one year (note 19)	212	1,076
Amounts falling due after more than one year (note 20)	2	304
	<u>214</u>	<u>1,380</u>
Amounts three years old or older where repayment may be required	-	-
	<u>-</u>	<u>-</u>

The Group continues to identify new schemes which will utilise the balance within the Disposal Proceeds Fund. The amounts identified as more than three years old and potentially repayable amount to nil (2018 - nil) and are approved for use by Home England for investment in the provision of additional social housing.

24 DEBT ANALYSIS

	GROUP & ASSOCIATION	
	2019 £'000	2018 £'000
Due after more than one year		
Bank loans	155,327	145,327
Total debt	<u>155,327</u>	<u>145,327</u>
Debt is repayable as follows	2019	2018
	£'000	£'000
Between 2 & 5 years	-	-
After five years	155,327	145,327
	<u>155,327</u>	<u>145,327</u>

The bank loans are secured by a floating charge over the assets of the Group. The fixed rate financial liabilities have a weighted average interest of 5.27% and the weighted average period for which they remain fixed is 15 years. The rates paid for the variable rate borrowing at 31st March have a weighted average of 2.32%. At 31 March 2019 the Group had undrawn loan facilities of £50.0m (2018 - £60.0m).

25 FINANCIAL COMMITMENTS

	GROUP		ASSOCIATION	
	2019	2018	2019	2018
are as follows:	£'000	£'000	£'000	£'000
Capital expenditure				
Expenditure contracted for but not provided in the accounts	28,769	16,721	28,769	16,721
Expenditure approved by the Board, but not contracted	32,176	37,853	32,176	37,853
	60,945	54,574	60,945	54,574

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 (£6.4m) and funding from the existing loan facility and the Group's own resources (£44.3m).

Group Operating Leases

Total future lease payments which the Group is committed to make under non-cancellable operating leases are as follows:

	GROUP		ASSOCIATION	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
(i) Land & Buildings				
Within one year	144	218	116	141
Between two and five years	169	379	155	251
More than 5 years	523	523	523	511
	836	1,120	794	903
(ii) Plant, equipment & vehicles				
Within one year	613	664	470	685
Between two and five years	316	1,207	173	456
	929	1,871	643	1,141

26 CONTINGENT LIABILITIES

There is a contingent liability relating to income received by PM Training who have been subjected to an ESFA audit that has identified some potential issues relating to grant funded income that may be subjected to claw back. The quantum of the potential liability is not known at the date of signing the accounts and therefore no provision has been made for the potential liability in either PM Training or the Group accounts. There were no contingent liabilities for the Group in 2018.

27 RECONCILIATION OF GROUP OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2019 £'000	2018 £'000
Surplus for the year	12,376	3,763
Adjustments for non-cash items:		
Depreciation of housing properties	6,487	6,110
Depreciation of other fixed assets	440	481
Amortisation of intangible assets	133	180
Amortisation of grants	(608)	(615)
Decrease/(Increase) in stocks	34	(7)
Increase in properties for outright sale	(1,279)	(1,271)
Increase in debtors	(583)	(689)
Increase in creditors	760	694
Pensions costs less contributions payable	309	431
Adjustments for investing or financing activities:		
Surplus on sale of housing properties	(5,943)	(3,179)
Deficit on sale of fixed assets	-	258
Interest receivable	(92)	(27)
Interest payable	8,386	12,546
Other finance costs	428	408
Taxation	146	46
Corporation tax paid	(33)	(113)
Net cash inflow from operating activities	<u>20,961</u>	<u>19,016</u>

28 RECONCILIATION OF GROUP NET CASH FLOW TO MOVEMENT IN NET DEBT

	2019 £'000	2018 £'000
Increase in cash	6,843	12,691
Cash inflow from decrease in debt	(10,000)	(19,225)
Decrease in net debt from cash flows	<u>(3,157)</u>	<u>(6,534)</u>
Net debt brought forward	(128,116)	(121,582)
Net debt carried forward	<u>(131,273)</u>	<u>(128,116)</u>

29 GROUP ANALYSIS OF CHANGES IN NET DEBT

	As at 1 st April 2018 £'000	Cash Flow £'000	As at 31 st March 2019 £'000
Cash & cash equivalents			
Cash at bank and in hand	17,211	6,843	24,054
	<u>17,211</u>	<u>6,843</u>	<u>24,054</u>
Debt	(145,327)	(10,000)	(155,327)
Net debt	<u>(128,116)</u>	<u>(3,157)</u>	<u>(131,273)</u>

30 RELATED PARTIES

During the year, Marina Barrett was a Board member and was also a tenant with annual rent and service charges payable of £2,207 (2018: £2,118) and there were no arrears at the 31 March (2018: £nil).

During the year, Sandra Hambleton 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. Sandra resigned on 14th May 2018 and was replaced by Elizabeth Shenton from 6th July 2018. All transactions with the council are on normal commercial terms and none of the councillors are able to use their position to their advantage.

During the year Aspire Housing Limited, a registered provider, had the following intra-group transactions with the following Aspire Group non-regulated entities: Project Management (Staffordshire) Limited (PM Training) and The Realise Foundation (Realise).

Entity	Allocation basis	Amounts charged to/(from) non-regulated entities	Amounts charged to/(from) non-regulated entities
		2019 £'000	2018 £'000
PM Training (subsidiary)	Apportionment of management costs	469	469
	Giff Aid	192	-
	Directly attributable works	(2,008)	(1,342)
Realise (subsidiary)	Directly attributable administration costs	30	29
	Giff Aid	(192)	-
		<u>(1,509)</u>	<u>(844)</u>

31 FINANCIAL INSTRUMENTS

The Association and Group financial instruments may be analysed as follows:

ASSOCIATION	2019 £'000	2018 £'000
Financial assets measured at amortised cost	23,070	16,207
Financial liabilities measured at amortised cost	(161,120)	(153,598)
Total	<u>(138,050)</u>	<u>(137,391)</u>
GROUP	2019 £'000	2018 £'000
Financial assets measured at amortised cost	26,091	18,863
Financial liabilities measured at amortised cost	(162,063)	(154,360)
Total	<u>(135,972)</u>	<u>(135,497)</u>

32 ULTIMATE CONTROLLING PARTY

The parent has taken advantage of the exemption available under section 33 FRS102 not to disclose transactions with wholly owned subsidiary undertakings.

The current subsidiaries of Aspire Housing Ltd as at 31st March 2019 are Project Management (Staffordshire) Limited, The Realise Foundation plus Durata Developments Limited and Incana Sales Limited, both of which were incorporated in March 2018.