Building homes, independence and aspirations

Reports and Financial Statements for the year ended 31 March 2020

Contents

Registered office

Home Group Limited
2 Gosforth Park Way
Gosforth Business Park
Newcastle upon Tyne
NE12 8ET

Co-operative and Community
Benefit Society No: 22981R

Regulator of Social Housing
Registered No: L3076

Chairman's Introduction

It gives me pleasure to introduce the financial statements for the year to 31 March 2020 – statements which outline our progress and success, as well as the challenges we've faced over the past year. It is safe to say it has been another challenging year. We began it still amid the turbulent environment created by Brexit. However, that all-encompassing issue has been dwarfed by the unprecedented situation caused by COVID-19. Given this unsolicited operating environment I feel it's fair to say our performance has been excellent over the past financial year.

Home Group is a social enterprise and charity, we are one of the nation's largest providers of housing, health and care, with a turnover of £406 million. Last year, we housed 115,000 people in our 55,000 homes across England and Scotland. This included accommodation-based support for close to 15,000 customers with mental and physical health issues.

Our surplus before tax for the year ended 31 March 2020 was £42 million – a £5 million fall compared to the previous year. The reason for this decrease is mostly down to the fact we invested significantly more last year – and will do so again this year in order to achieve key priorities set down in our strategic plan.

We placed an even greater focus last year on ensuring our customers received the best possible return on their investment. This focus was driven by our revised customer promise, which outlined six areas where we, and our customers, could judge our performance more accurately and effectively.

One of the areas we wanted to improve was in repairs and maintenance. In the last financial year, we invested £90 million in improving and maintaining our customers' homes (2019: £79 million). We have budgeted over £100 million for 2020/21. Last year's investment paid off as we saw the majority of repairs and maintenance targets met or exceeded, and customer satisfaction levels increase.

As well as maintaining homes, we continued with our plans to deliver over 1,000 new homes per year. Total homes delivered last year was 1,179. As anticipated, that was down from the previous year due to a long-term beneficial change to our strategic approach. Overall, we invested £192 million in delivering new homes in the financial year to 31 March 2020 (2019: £349 million).

In March 2019 we signalled our commitment to invest further in our ambitious build programme when we secured a £350 million bond issue. The bond was structured as £250 million received from investors in March 2019 with a further £100 million retained. We successfully issued the £100 million retained bonds in May 2020 in a deal which saw the lowest interest rate that the Group has ever achieved in a long-term fixed rate transaction.

Investment in our new models of care programme continues to show a great return. The new models of care teams work closely with NHS providers and local authorities to deliver much-needed solutions for customers with mental health needs, learning disabilities, autism or those needing support and reablement. We are in the process of introducing a new strategic performance indicator on clinical quality which will allow us to measure our overall performance more effectively in this area.

Last year I highlighted we had piloted our new customer promise, which has now been fully rolled out from April 2020. As part of this we significantly increased and enhanced our customer engagement. We engaged close to 4,000 customers during the year, and carry out a customer involvement impact assessment, which demonstrates how we have involved customers and adapted key areas of the business based on their feedback. Customers are involved in six areas of the organisation, including scrutiny, procurement and complaints.

Customer assessors across England and Scotland spoke to 900 customers in 59 neighbourhoods to gauge how well we were doing at delivering on our customer promise. We also invited customers to full board meetings in order for them to share their experiences with us, whether good, bad or indifferent. It was enlightening for board members to listen first hand to those experiences.

Our commitment to this level of engagement and support for customers continues in 2020/21. The work carried out in this area by colleagues has been exceptional. On behalf of the board, I would like to thank them for their tremendous effort. I would also like to thank all colleagues who have delivered such a high level of performance throughout this financial year, which made the challenges we faced less daunting.

We should be rightly proud of what we have achieved this past financial year. However, unfortunately, there hasn't been much time for celebration. We now find ourselves thrust into an environment where uncertainties loom large around every corner. The agility we have shown to date to deal with these uncertainties reassures me that while this next year will be a challenge, we will come through it in good shape. The fact that we have a strong credit rating of A-, a rating of G1:V1 from the Regulator of Social Housing, a healthy surplus available for reinvestment and a gearing ratio of 46% should make us even more resolute.

John Cridland
Chairman, Home Group

Strategic Report

Board

J Cridland, CBE, MA (Home Group Chair)

C E R Bassett, LLB (Hons) (until 18 July 2019)

R A Bradley, DL, BA (Hons), DipSocAd, MA, CQSW (Clinical Governance Committee Chair)

L Cullen, MA, MBBS, FRCPsych (appointed 2 June 2020)

K Gillespie, BSc (Hons), FRICS (Development Committee Chair)

M G Henderson, BSc (Hons)

J Hudson, BSc (Hons), PhD, ACA

R M Jackson, BA (Hons) (until 23 January 2020)

M Madden, FCMA, CGMA, B.COMM (Hons) (Home Scotland Chair)

B Mehta, CBE, BA (Hons), MSc (Governance Committee Chair)

L A Morphy, OBE, BSc (Econ), MSc (Health and Safety Governance Committee Chair)

I Mudie, SAC Dip (appointed 30 July 2020)

N W Salisbury, BA (Hons) (Senior Independent Member, Audit Committee Chair)

K Tinneny (until 18 July 2019)

C Vallis, BSc, MBBS, FRCA, FRCPCH, MFSEM (appointed 24 September 2019)

Executive (key management personnel)

M G Henderson, BSc (Hons)
Chief Executive

R M Byrne, BA, MCIH
Executive Director – New Models of Care

J Cook
Executive Director – Development (appointed 1 July 2019)

M Forrest, BA (Hons), PGCE, ACA
Executive Director – Operations

B A Ham, BA (Hons), MPhil, FRGS
Executive Director – Development (until 28 June 2019)

J Hudson, BSc (Hons), PhD, ACA
Chief Financial Officer

N Hussain, BA (Hons), Dip DM
Executive Director – Business Development (appointed 22 July 2019)

Advisors

Bankers:
Barclays Bank plc
Barclays House
5 St. Ann's Street
Quayside
Newcastle upon Tyne
NE1 2BH

Independent Auditors:
KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

Solicitors:
Devonshire Solicitors LLP
30 Finsbury Circus
London
EC2M 7DT

Strategy

Overview of Home Group and our strategy

Home Group, a social enterprise and a charity with a turnover in excess of £400 million, is one of the UK's largest providers of high quality housing and supported housing services and products. Founded in the North East by an Act of Parliament in the 1930s, for almost 90 years we have been working with trusted partners and our customers to make a real difference to the lives of individuals, families and communities across the UK.

The principal activities of Home Group are:

- The provision of affordable rented accommodation – we currently house 115,000 people across more than 55,000 properties. These are a variety of tenures, including social, affordable, shared ownership and supported homes;
- The design, development and delivery of integrated health and care services – for our customers who need more than just a home, we support their specific needs, and worked with nearly 15,000 vulnerable people last year in our supported housing and health services;
- The development of new homes – in addition to developing new build properties for affordable rent and home ownership, we also develop homes for sale on the open market, many of which are marketed under our Persona sales brand. Profits from our open market sales activity are reinvested into the business.

In 2016, we launched our five year strategy. Our mission is to "build homes, independence and aspirations". The strategy is regularly refreshed to ensure we deliver what our customers and their communities need in an ever changing external environment. Our intention was to review and update the strategy during 2020 to strengthen our approach to important challenges and opportunities such as Net Zero emissions, but due to the COVID-19 crisis, this will be completed in early 2021. This will allow us to reflect, capture learning, build in the overall impacts of COVID-19 on our customers, business, colleagues and partners, and ultimately ensure the strategy remains relevant following this unprecedented situation.

Our five year strategy has four goals. These were refreshed during 2019 to reflect our new customer promise and a greater focus on the types and location of new housing.

Delivering on our customer promise	Our customer promise includes six pledges to our customers. We promise to: care about you; deliver a reliable repairs service; help communities to grow; provide a safe place to live; tell you where your money goes; and work together with customers and partners. Our customer promise was updated during 2019/20 and has now become one of our core strategic goals. We wanted to formally place customers at the heart of our strategy.
Building the right homes in the right places	We are making a step change in house building, by pioneering new markets and building more truly affordable homes. The homes we build are high quality and designed with our customers in mind. We are entering new markets, with different tenures. The surplus we make from selling houses will be used to build more homes for affordable rent, to regenerate existing stock, and provide an integrated housing and health offer.
Market leaders in new models of care	We are adapting our model and shifting our place within the health and social care market. We are delivering clinical care services that truly make a difference by focusing on where we can deliver a long-term impact for customers. We are doing all we can to relieve pressure on the NHS, and we will focus on the needs of the individuals we serve, whether that is mental health, learning disabilities, or reablement.
Being 20% more efficient	We are re-engineering the way we work. Working more efficiently and productively enables us to free up resources to support our strategic priorities. This goal is supported by our value for money strategy which drives us to be more cost effective and do more with less.

We measure progress against these goals to ensure they are fully embedded and driving everything we do. The KPIs against which we measure performance are included in the Value for Money section of this report at page 15. In addition, we work with customers to undertake more qualitative assessments of how we are delivering the customer promise across our neighbourhoods and our overall performance is regularly scrutinised by our customer forum who feedback directly to the Board.

Business model and structure

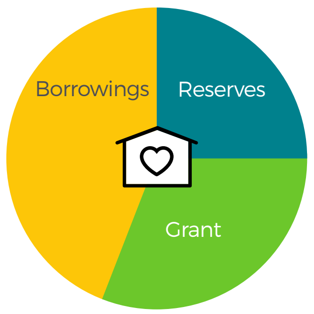
Business model

Home Group is not-for-profit and any surplus is reinvested back into the business. Value is generated through the business streams below, and through the following key resources and relationships:

- The homes we own
- Our colleagues and customers
- Our suppliers and contractors

Business activity:	Renting homes	Development	Supported services
	This includes supported housing and shared ownership as well as our core general needs homes	We build new homes for rent and shared ownership, and also develop some homes for outright sale (Homes for rent / Homes for sale)	We provide care and support services to customers living in our supported housing
Main income stream: Main costs:	• Rent and service charge income • Repairs and maintenance • Housing management	• Sales income • Build costs • Sales and marketing costs	• Support contract income • Support costs

Surplus: Where income exceeds costs, we generate a surplus. We reinvest our surplus in:
- Improving our existing homes
- Improving the services we offer to our customers
- Developing new affordable homes



As well as our own reserves built through surpluses, the business is funded through external borrowings and government grant:

- We are a strategic development partner with Homes England, the Greater London Authority and the Scottish government, all of which provide grant funding to help us build affordable homes.
- We also fund our development through long-term borrowings, either through bank loans or the issue of corporate bonds

For management purposes, the business is organised into three business units:
- Operations: The delivery of services to our rented and supported customers
- Development: Design and delivery of our new build homes, and sales and marketing of our outright sale properties
- New models of care: Design and development of our integrated support services

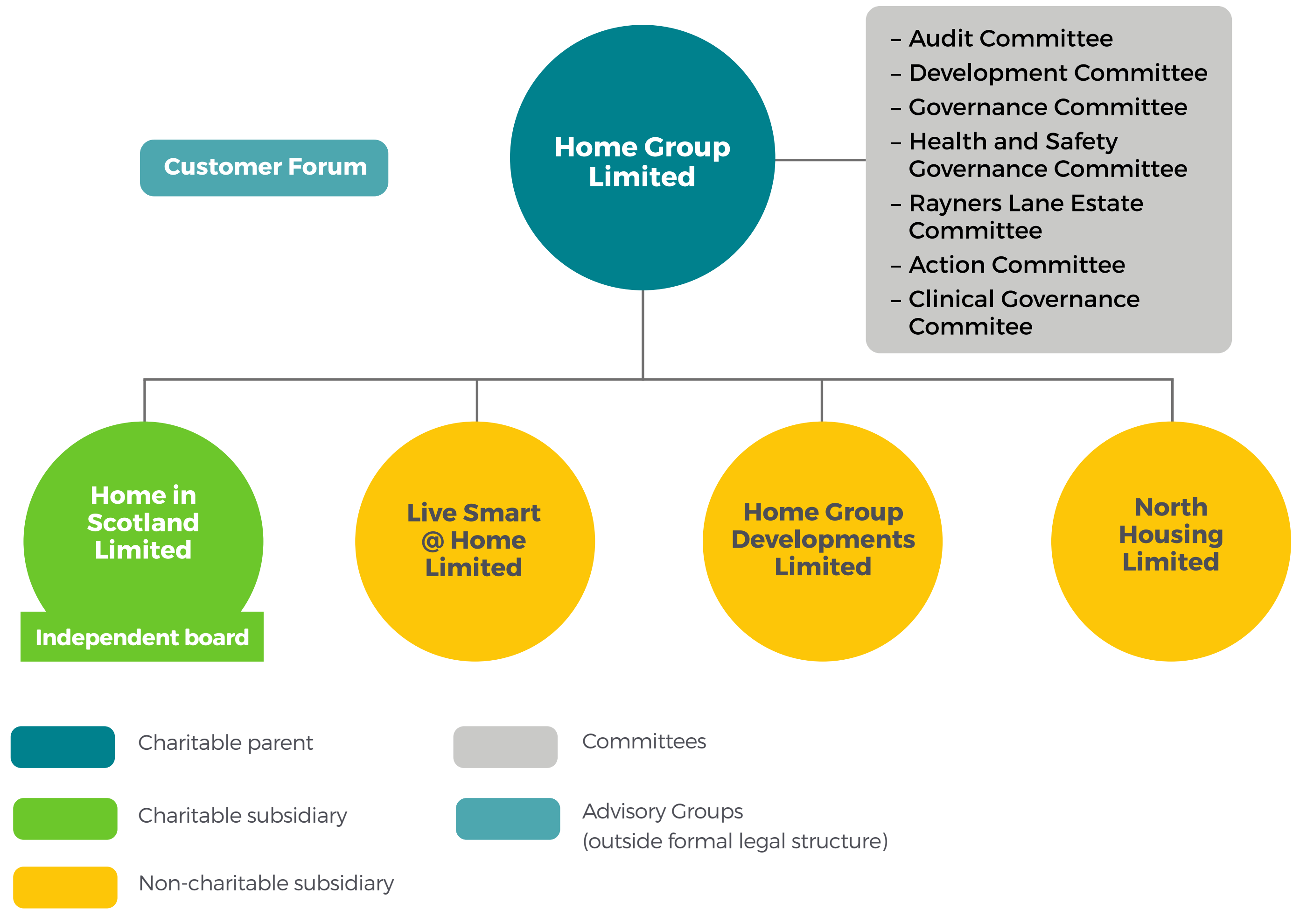
These business units are supported by our Support Functions team which provides asset management, assurance, compliance and risk, health and safety, communications, marketing, strategy, business development, project management, finance, human resources, information systems, legal services, company secretarial and procurement.

Group structure

Home Group Limited, a registered society under the Co-operative and Community Benefit Societies Act 2014, is the parent organisation in the Home Group. Home Group Limited is registered with the Financial Conduct Authority (FCA) as a registered society and with the Regulator of Social Housing (RSH) as a Registered Provider, and has charitable status.

Home Group Limited has four trading subsidiaries:

- Home in Scotland Limited (Home Scotland), a charitable registered housing association registered with the Scottish Housing Regulator, undertaking Home Group's business in Scotland.
- Home Group Developments Limited (HGDL), a private non-charitable company which undertakes new build construction of affordable housing and homes for sale on the open market.
- North Housing Limited (NHL), a private, non-charitable company which acts as a vehicle to facilitate joint venture activity across the Group. Joint venture partnerships are formed primarily to develop residential property.
- Live Smart @ Home Limited (Live Smart), a private non-charitable company managing market and mid-market rented products..



The group also has interests in joint ventures and associates, details of which are set out in Note 15 to the financial statements.

Within the main financial statements, the consolidated financial position is referred to as the 'Group', and the parent entity financial position is referred to as the 'Association'.

Business environment

COVID–19

The coronavirus pandemic is the most significant external factor impacting Home Group, its customers, colleagues, suppliers and stakeholders. We are operating in a different environment and expect to do so for a number of months to come. A summary of the key impacts and our response is included below;

Customers and the community – during an unprecedented time it is imperative that we continue to support our customers, many of whom are extremely vulnerable. Whilst their safety and wellbeing has been our main concern, we also know that for many their financial situations have been impacted by the pandemic. We added additional resource into our customer financial inclusion team to provide advice, support and solutions for our customers who were struggling with rent or their bills. We also made wellbeing calls to check in on how customers were doing and whether there was any additional support we could provide.

Colleagues – the health, safety and wellbeing of our colleagues are our top priority. We completed detailed risk assessments and provided personal protective equipment in line with Public Health England guidance for all those who need it in their day to day work. Where colleagues can work from home they are, with all of our offices across the country closed in the early months of the pandemic. As steps are taken by the UK government to ease lockdown we have plans in place through the business to ensure our colleagues can continue to work safely whilst still providing the important support our customers need.

Supply chain – many of our major suppliers (maintenance and development contractors) have been significantly impacted by the pandemic with site closures and furloughing of staff. We initially reduced our maintenance service to emergency repairs and statutory compliance checks only, and have been working closely with our maintenance contractors and customers to ensure these activities can be recommenced and completed safely for all. In support of our small and medium sized suppliers we changed our payment terms and now pay them all immediately on receipt of goods and services.

Financial position and liquidity – risk based scenario planning has been undertaken to understand the potential impact on our financial position for the current year and in the future. This has included the impact on loan covenants, cash flow, liquidity and funding requirements. Home Group remains in a strong financial position with the capacity to respond to this and any future shocks. We maintain flexibility in our plans for growth which are being reviewed and can be altered to maintain our financial strength if required. Further details are discussed in our going concern assessment on page 37.

Principal risks and uncertainties

There are other key risks which may prevent us from achieving our strategy which are reviewed on a continuing basis throughout the year by the Board, the Executive team and senior management. The risks are identified, evaluated, monitored and reported in line with our risk management framework which is approved by the Board.

The risks which we consider could materially impact our ability to deliver our strategy and objectives; how these are affected by the pandemic; and how we are managing and mitigating the risks, are set out below.

Risk description	How we manage and mitigate the risk
A significant downturn in the economy, including a property market crash or a slowdown in the market, could result in us not achieving planned sales levels or values. The resulting reduced cash flow would impact on our ability to deliver on our development ambitions.	Stress testing is carried out on an annual basis on our 5 year business plan. In response to COVID-19 we have performed additional testing, modelling and scenario planning on an ongoing basis as the situation changed to understand the potential impact on our key financial indicators. Recovery plans are being developed and risk assessed against Government and sector guidance.
We continually review and assess the impact of the Welfare Reform Act and other policy changes. Without effective mitigation, arrears and bad debt could increase significantly following the roll out of Universal Credit and the economic impact of COVID-19.	We are further strengthening the way we support customers to prevent them from accruing arrears. We have increased the resource in our Financial Inclusion team and we have implemented a new arrears management software. Furthermore, in response to COVID-19 we have set up an income protection working group who report into the existing income protection steering group.

Risk description	How we manage and mitigate the risk
We are currently managing through a fast moving government policy and regulatory environment which could impact on our ability to achieve our strategy. Longer term, the external environment will remain both politically and economically complex and changeable, for example, we are yet to see how Brexit might impact on the sector.	We closely monitor government policy, seeking to influence and respond to consultations where appropriate. There is currently an intense period of engaging with the wider sector during the COVID-19 outbreak, particularly around areas such as statutory compliance and delivering clinical services. We also assess the impact of potential changes in government policy (e.g. rent formula or grant allocation) on our 5 year business plan through annual stress testing.
We work with a number of key suppliers and partners, particularly with respect to our developments and ongoing maintenance of properties, who are vital in helping us deliver services to our customers. Any disruption to these arrangements could impact the continuity of services, resulting in a financial loss and/or impact on the level of service our customers receive.	We continue to make improvements to our contractors and contract arrangements. This is a key focus, with involvement from the legal team, particularly within the current operating environment to understand our obligations, responsibilities and mitigating future potential challenges. Our procurement framework ensures that suppliers are robust and that due diligence is carried out to make sure requirements can be delivered. We take a strong contract management approach and KPIs are embedded within contracts. In managing supply chain risk during COVID-19, further actions have been implemented including full category reviews for all major contracts with category plans that specifically look at what is happening in the external market place. Category management training has taken place which detailed how to perform micro and macroeconomic assessments on the categories and this is flowing through in the results.
We have continued to expand our new models of care, particularly in the areas of mental health and learning disabilities. In an uncertain healthcare market, any changes in funding streams, political agenda or our ability to develop successful partnerships, will affect our plans for growth and reduce the estimated financial contribution of these services.	We continue to grow our in house clinical expertise to support growth. We also continue to develop our presence in the market, building relationships and maximising opportunities to influence. Clinical skills have recently been strengthened at Board level. A Clinical Governance Committee further strengthens internal governance and report into the Board.
Our customers' health, safety, wellbeing and satisfaction is paramount. If we do not understand our customers, or respond to their diverse and changing needs we are at risk of not delivering on our key social mission.	There is a Health & Safety policy in place which is our overall framework for all customers and colleagues. Our in house clinical team support us to understand and meet the requirements of our customers with complex needs. Knowledge sharing across the business strengthens our response to all customers. We have established involvement channels to ensure the customer voice is central to our way of working. In response to the COVID-19 pandemic, we have implemented further measures to ensure the safety of our customers which includes welfare calls to all customers, risk assessments being carried out for additional activities such as cleaning of communal areas where required, and clear communications with customers for protocol where emergency repairs and compliance safety checks are deemed safe to be carried out.

Risk description	How we manage and mitigate the risk
Compliance with the regulatory framework and all statutory health, safety and environmental legislation remains a priority. Any failing in these areas could lead to action being taken against us, as well as impacting on our future strategy and reputation.	The Regulatory Compliance Group provides governance over how we deliver all of our regulatory requirements. This groups carries out horizon scanning across all of the regulators, downgrade analysis and apply the 'could this happen here' test to identify areas for improvement, and the group also identifies areas for management review based on risk. The internal assurance team considers regulatory and statutory compliance when carrying out internal audits and developing the risk based internal audit plan. The expected Social Housing White Paper is yet to be published and any resulting regulatory changes will need to be implemented. We are actively monitoring and adapting our working practice to ensure compliance with regular guidance updates across all of our regulators in response to COVID-19.
There are increasing regulatory and legislative environmental requirements, alongside growing customer awareness and expectation of the sustainability agenda. Not complying with or engaging in this activity could impact on both regulatory compliance and the reputation of the group.	A new strategic environmental working group is in place which informs our approach and will ensure our action plans in this area are delivered. The group also provides governance over environmental returns.
The ongoing challenges of changing regulation and the requirement for EWS1 checks to be carried out, post Grenfell, and the impact this has on Home Group's costs, development pipeline and existing property sales. There is a sector wide shortage in the availability of relevant experts to provide independent EWS1 checks which can prevent mortgages from being obtained.	Where we haven't yet taken possession of a property, the necessity to provide an EWS1 check is being written into requirements and we won't take possession without one. The Higher Risk Building Group is an internal working group which is in place; they are looking to appoint a contractor to carry out the checks, and also carrying out a prioritisation exercise for all affected properties in Home Group's possession. We continue to monitor regular guidance updates, with the Social Housing White Paper still to be published, and any significant impact these may have on Home Group.

This year's financial performance is affected by estimation uncertainty in relation to the valuation of defined benefit pension schemes and the calculation of impairment of our housing developments under construction. These are discussed in Note 1 of the financial statements on pages 42 and 43.

Environmental impact

Our customers, colleagues and partners care about our impact on the environment and how we're working to improve it. As an organisation, we are acting on four key areas:

- **Our existing homes** - with over 55,000 homes in hundreds of communities, we are focused on improving their energy efficiency. It is the right thing to do for the environment, and we hope it will also help to reduce the risk of fuel poverty for our customers. We will make sure that as many of our homes as possible achieve an EPC rating of C by 2030, and are also developing our response to the challenge of net carbon zero by 2030.
- **Our new homes** - when we're building new homes and communities, for people to rent or buy, we're building them so they are fit for the future. We're responding to the government's future homes standard, which means installing only renewable heating systems from 2025, looking at the use of heat networks for decarbonisation and using modern methods of construction, such as offsite construction.
- **Our offices and operations** - our approach to sustainability isn't only about helping our customers to reduce energy use, it's also about us operating as sustainably as possible. We're looking at colleague travel, office energy and water use, emissions from our contractors and diverting waste from landfill to minimise our environmental impact.
- **Our supply chain** - we also expect our partners and suppliers to take sustainability seriously. We're making sure the products we buy for our homes and offices have as little environmental impact as possible. From recycled paper to Forest Stewardship Council (FSC) certified wood products to low flow taps and showers, our procurement team ensures that sustainability is thought about every time we purchase goods and services.

We have a sustainability steering group, featuring colleagues from across the business, with dedicated roles related to energy and the environment and others with a keen interest in reducing our environmental impact.

Equality, diversity and inclusion

Equality, diversity and inclusion are at the heart of our social purpose, driving the value that a diverse workforce brings to the organisation and the communities within which we operate.

In terms of colleague gender we have a ratio of 65% females to 35% males and at senior level, 45% of our executive and senior management team are women. A recent Women into Senior Leadership Programme has shown a 40% rate in promotions and we are ranked as 5th in the UK by Great Place to Work for best organisations for women to work at.

Our latest gender pay gap reporting is published on our website and can be found at the following address: **https://www.homegroup.org.uk/about-us/corporate/transparency/gender-pay-gap/**

Our broad efforts to attract, recruit and retain an overall diverse workforce, have led to promising results with our BAME representation currently at 12%, LGB+ at 5% and disability presenting at 5%. Nevertheless, our continued need to address senior leadership representation of underrepresented colleagues remains a top priority for us.

Whilst we acknowledge there's clearly work still to do, to achieve the aspirational targets we've committed to by 2025 (BAME 22%, LGB+ 8%, Disability 8%), our pledge in adopting the Rooney Rule (interviewing where possible, at least one candidate from a BAME background for all senior roles – and extending this to female applicants too) has shown very promising results with over 46% of all senior recruitment exercises having candidates who identify as BAME.

In 2019/20 our annual colleague survey (carried out by the external company, Great Place to Work) placed us 10th in the UK for large organisations, with 79% of our colleagues agreeing that Home Group is a great place to work. We were also pleased to achieve a massive jump of 58 places in the Stonewall top 100 employers' index, putting us at 17th place and reflecting our progress with LGBTQ+ equality and inclusion. In addition, we also achieved re-accreditation for Investors in People Gold, and have become one of the UK's first organisations to achieve high performing accreditation for Investors in People for Wellbeing.

Apprenticeships

This year we were proud double winners at the National Apprenticeship Awards where the Department for Education and National Apprenticeship Service named us Large National Apprenticeship Employer of the Year and winner of Resourcing Excellence in Apprenticeships.

Our award winning apprenticeship programme supports around 120 apprentices each year and over 70 of our annual apprenticeships are exclusively for Home Group customers who have been long term unemployed. Indeed, 61% of apprentices within our customer programme tell us that they feel they would not have been offered a job or an apprenticeship elsewhere so it is great to know we are supporting our customers' independence and aspirations via our programme. Meanwhile, 64% of our apprenticeships are filled by diverse or disadvantaged groups and 80% of our apprentices stay in jobs with Home Group at the end of their apprenticeship.

Anti-corruption and Bribery

Home Group is committed to the highest ethical standards and adopts a zero tolerance to fraud, bribery or tax evasion in any form. It manages risks in respect of fraud, bribery, corruption and offences under the Bribery Act 2010, Criminal Finances Act 2017 and the Fraud Act 2006. Our fraud, tax evasion and bribery prevention, detection and response policy includes standards and guidance for all colleagues who must also complete mandatory training.

Key measures designed to eliminate or reduce the likelihood of fraud and bribery include existing financial controls, procurement, recruitment and tenancy allocation policies, procedures and internal and auditing procedures. Additional controls include policies, procedures and associated resources relating to gifts & hospitality & payments and benefits, anti-money-laundering and whistle-blowing.

Taxation – our contribution to the UK tax system

As a responsible tax payer, Home Group meets its liabilities to pay taxes in full as they fall due, and is committed to observing all applicable laws, rules and regulations in meeting our tax obligations. The table below summarises the total tax payable by the Group:

	2020 £m	2019 £m
Irrecoverable input VAT	22.4	21.6
Employer's national insurance contributions	6.2	6.1
Corporation tax	0.7	2.2
Stamp duty land tax	-	0.4
Total	29.3	30.3

As the majority of our income is exempt from VAT, the Group is unable to recover the majority of the VAT it suffers on purchases. As a result we pay over £20 million in irrecoverable input VAT each year. The Group does not pay corporation tax on the majority of its activities, as social housing activity is charitable in nature. Profits from outright property sales are subject to corporation tax.

Financial review

Surplus generated

Surplus before tax is a key measure we use to track our financial performance. We achieved a surplus before tax for the year of £42.0 million, allowing the Group to continue investing in new and existing homes. Significant movements are discussed further below.

Summary statement of comprehensive income	2019/20 £m	2018/19 £m
Turnover	406.1	367.3
Cost of sales	(79.4)	(38.0)
Operating expenditure	(261.9)	(249.0)
Surplus on disposal of housing properties	15.5	5.9
Operating surplus	**80.3**	**86.2**
Share of profit in joint ventures and associates	1.7	2.3
Net finance costs	(40.0)	(41.5)
Surplus before tax	**42.0**	**47.0**

Turnover - Group turnover increased by £38.8 million to £406.1 million in the year ended 31 March 2020. Whilst the majority of our turnover (67%) continues to come from social housing lettings, the increase in the current year (£42.2 million) largely resulted from increased new build property sales – both shared ownership and outright sales. We continue to grow our development and sales capacity to enable us to deliver successful mixed tenure developments, and provide cash to reinvest into our new development programme, allowing us to provide more affordable homes.

Turnover from our supported business decreased slightly (both social housing lettings and income from supported services) as some services were decommissioned as we continue to reposition our services in line with our new models of care strategy.

Cost of sales – The increase in cost of sales reflects that sales completions increased to 590 this year, from 311 in the previous year.

Operating surplus - whilst turnover increased, our operating surplus reduced by £6.0 million. The main drivers of this were an increase in development and marketing expenditure (£6.1 million) as we continue to deliver new developments and regeneration projects; an increase in repairs and maintenance costs (£4.8 million) as an investment in our existing homes; and in-year development property impairment charges of £2.6 million. The majority of this related to historic schemes which have become less viable in the current environment.

The contribution from disposal of housing properties reflects the Group's positive asset management strategy to divest of poorly performing stock or where we no longer deliver a supported service. It also includes sales of existing homes to our customers, either through staircasing of their shared ownership home or outright purchase under Right to Buy or Right to Acquire.

Financial strength

The Group's balance sheet remains strong, with net assets increasing by £47.5 million during the year. Gearing remains low, at 46.0% (2019: 47.6%). Significant movements in the balance sheet are discussed further below.

Summary statement of financial position	2019/20 £m	2018/19 £m
Housing properties	2,489.8	2,384.3
Other fixed assets and investments	131.7	118.2
Properties and assets held for sale	187.0	203.1
Cash and cash equivalents	34.6	83.6
Debtors	35.1	32.6
Borrowings (bonds and third party loans)	(1,181.1)	(1,218.3)
Deferred capital grant	(813.6)	(789.0)
Pension provision	(29.7)	(40.4)
Other liabilities	(187.9)	(156.0)
Net assets	**665.9**	**618.1**

Fixed Assets - housing properties increased by £105.5 million during the year as we continue to invest in new development and improvements to our existing homes. We added 591 social homes to our housing stock in the year and spent £22.8 million on capitalised improvement works on our existing housing properties. Other fixed assets and investments increased by £13.4 million during the year, mainly due to investment in joint ventures and associates (£18.8 million net investment), which are delivering additional new homes for sale and stock.

Current assets - properties held for sale decreased by £16.1 million during the year. The balance was particularly high at the beginning of the financial year as we took advantage of opportunities to purchase stock from commercial housebuilders which we converted to shared ownership.

The increase in 'other current assets held for sale' of £5.8 million relates to spend on land and activities for our planned new headquarters in Newcastle city centre. We are currently in discussions with a developer to agree a sale and leaseback arrangement which is why this is shown in current assets; this sale is likely to take place in the coming months before development begins on site.

Cash and cash equivalents decreased by £48.9 million during the year. Our cash balance was particularly high at the beginning of the financial year as we had recently completed a bond issuance and the funds were deposited as cash. The cash received has subsequently been used to repay existing borrowings, £75.6 million of which fell due for repayment during the year.

Liabilities - our largest liability remains borrowings (bonds and third party loans), although they decreased by £37.1 million this year, as we repaid some existing facilities with the cash received from the bond issuance.

Deferred capital grant increased by £24.6 million during the year due as we received more grant to fund our development of housing properties.

The pension provision decreased by £10.7 million following actuarial review of the position at the year end. This was mainly due to the increase in corporate bond yields in March 2020, and does not impact the funding position.

Other liabilities increased by £32.0 million. The most significant movement was an increase in social housing grant received in advance (£36.6 million) via the Homes England strategic partnership.

Cash flows

Summary cash flow statement	2019/20 £m	2018/19 £m
Net cash inflow from operating activities	126.4	29.7
Net cash outflow from investing activities	(87.5)	(160.0)
Net cash outflow from financing activities	(87.8)	187.0
Net change in cash and cash equivalents	**(48.9)**	**56.7**

Cash inflows and outflows for the year ended 31 March 2020 are detailed in the Group Cash Flow Statement on page 36.

Cash inflow from operating activities increased compared to the prior year as we did not invest as much in properties for sale. As our sales programme did not deliver in line with target, we made the decision not to spend our uncommitted development budget to better manage our cash flows.

Cash outflow from investing activities decreased compared to the prior year as we did not invest as much in housing properties, with a corresponding decrease in capital grants received.

Proceeds from the £250 million fixed income bond we issued resulted in a net cash inflow from financing activities in 2018/19. This year we saw a net cash outflow as we repaid existing facilities.

Looking ahead

With the current COVID-19 crisis we are experiencing disruption in our business activities and a subsequent impact on our finances. However, our stress testing gives us assurance that we are financially resilient with good liquidity and headroom against all financial covenants. The most significant financial impacts for the Group are;

Operations – we are experiencing higher level of voids due to restrictions on moving home and we have had more customers who have not been able to pay all of their rent during this time so arrears have increased. We already have clear plans in place to address these areas and expect to see only a minimal impact on finances as a result.

Development and sales - with sites largely closed for the first three months of the year we are currently spending a significant amount less on new homes. We have achieved 61 sales completions in the first quarter but this is fewer than budgeted and therefore related surplus and proceeds are not what we expected. We are currently reviewing our development and sales plans in light of current market conditions and expect to revise our in-year targets downwards, with recovery in 2021.

We have carried out extensive risk based stress testing on the impact that the pandemic could have on Home Group in the next 12 months and beyond. This provides us with confidence that we are in a robust position to withstand any ongoing impact of the pandemic, including any potential second wave. We have sufficient headroom in the scenarios we have stress tested.

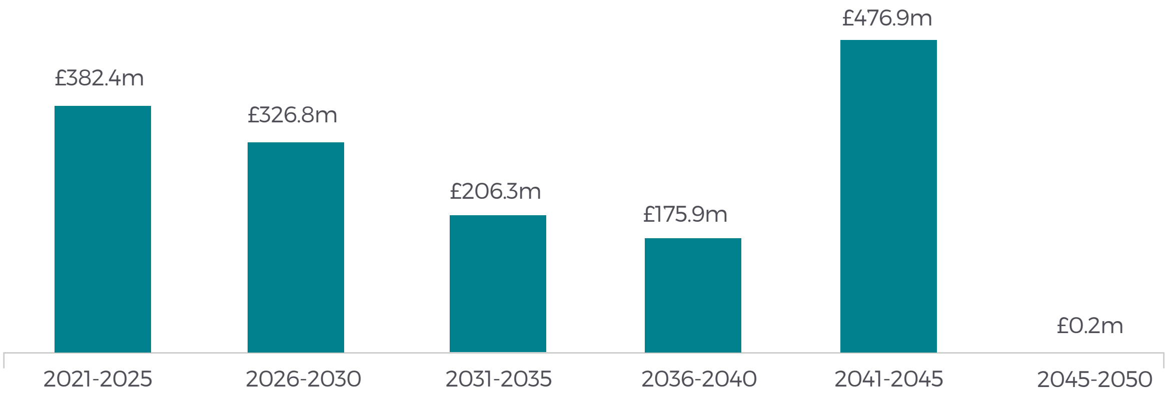
Capital structure and treasury policies

As at 31 March 2020, the Group has committed borrowing facilities of £1.4 billion (2019: £1.5 billion) of which £1.2 billion is drawn. £226.3 million (2019: £257.8 million) remains undrawn and available to enable us to respond to any financial shocks from COVID-19, support the investment in our new development programme and our existing properties in line with our asset management plans. Debt is secured by specific charges against housing land and buildings. The Group continues to have a large pool of unencumbered properties available as security for future borrowings to support its growth strategy.

In March 2019, Home Group Limited issued a £350 million bond of which £100 million was retained, and we used this cash to manage maturities on our revolving credit facilities. We monitored the market closely and with the support of our advisors and approval of the Home Board agreed to issue the £100 million retained bond in May 2020. The bond was significantly oversubscribed and was issued at an effective fixed rate of 2.311% maturing in 2043. This funding forms a key part of the Group's long-term financing strategy and will further support Home Group's aim to build homes for social and affordable rent, together with supported housing. In July 2020, to protect against any future economic shocks caused by the COVID-19 crisis, Home Group Limited also entered into an agreement with the Bank of England to access up to £175 million under their Covid Corporate Finance Facility. While we do not anticipate having to draw upon this facility we believe this provides a prudent additional line of credit over the next 12 months.

Our current facilities (including undrawn and available facilities and the retained bond issued post year-end) has the following repayment profile;

Maturity of available facilities



The Group's Treasury function operates within a framework of clearly defined Board approved policies and procedures that serve to ensure sufficient liquidity is available to meet foreseeable needs, prudent investment of surplus cash and minimise financial risk.

The Group manages its exposure to fluctuations in interest rate risk by ensuring a high proportion of its debt is long-term fixed interest rates funding. At present the policy is to aim to maintain between 65% and 80% of borrowing in long-term fixed interest rate funding. At the year-end 68.7% (2019: 74.7%) of the Group's borrowing was in the form of long-term fixed interest rate debt.

The Group's lending agreements include a number of financial and non-financial covenants. The key financial covenants are interest cover, gearing and net income cover ratios. Loan covenants are monitored by the Treasury team on a monthly basis and reported to Board regularly. All covenants were met at the year end.

As at 31 March 2020, the Group has a Standard & Poor's credit rating of A- and the outlook for the Group is deemed stable.

Strategic performance and value for money

As discussed on page 5 our strategic goals are;

- Delivering our customer promise
- Building the right homes in the right places
- Becoming market leaders in new models of care
- Becoming 20% more efficient

Value for Money (VfM) is embedded throughout our strategic goals which set out the outcomes we intend to deliver. To Home Group, VfM means delivering our strategy in the most cost-effective way, allowing us to do more with less. Underpinning this is the need to ensure the long-term viability of the business, which means that consideration must be given to the likely long-term consequences of decisions so we can continue to deliver our social mission now and in the future.

In doing this, we acknowledge the need to strike the right balance between delivering our strategic goals, including VfM, and our risk appetite with particular regard to compliance and regulatory risk.

How do we measure and benchmark our performance?

We measure our performance against these strategic goals via defined performance indicators which we set clear annual targets for. Our indicators are based on the sector scorecard measures and the VfM metrics set out by the Regulator of Social Housing (these are identified with 'RSH' in the following pages), together with additional indicators linked to our strategy. The measurement of our strategy and performance in this way ensures that our approach to value for money is embedded throughout our strategic goals and the way in which we deliver our outcomes.

Performance against our targets is reviewed in monthly performance meetings, and reported to Board at every Board meeting. The Board also receive a semi-annual update on benchmarking and progress on our improvement plans. We benchmark our VfM indicators where available and appropriate against a group of comparable housing providers to help us understand our performance and inform our improvement plans and targets. Because information for 2019/20 is not available at the time of preparing the annual reports, benchmarking information is presented for 2018/19. The peer group used may vary as we decide for each indicator which is the most appropriate comparison.

Some of our performance indicators are Alternative Performance Measures (APMs) as defined by the European Securities and Markets Authority (ESMA). In accordance with the ESMA Guidelines on APMs we have provided definitions and reconciliation of each APM to line items presented in the financial statements on pages 81-85.

Our performance on our key performance indicators, including our VfM indicators, against the 2019/20 target and peer group benchmark is shown on the following pages. Although we would usually also set out our targets for the upcoming year, we have not yet finalised these as initial 2020/21 budgets and targets will need to be revised to take the impact of COVID-19 into account.

Delivering our customer promise

Indicator	2019/20 Target		2019/20 Result	2018/19 Result	2017/18 Result
Social housing reinvestment (RSH)	9.8%		**6.5%**	10.7%	6.3%
Community investment	£30		**£34**	£24	£22
Average time to complete a standard repair	14 days		**11 days**	10 days	10 days
Average time to attend an emergency repair	6 hours		**6 hours**	5 hours	6 hours
Complaints responded to within 20 days	90%		**81%**	88%	87%
Complaints escalated to Stage 2	10%		**8%**	10%	12%
Customer satisfaction – Rented	93%		**95%**	95%	93%
Customer satisfaction – Supported	96%		**97%**	97%	96%

Social housing reinvestment - this reflects both the investment we make in new homes, and our investment in improving existing homes. During the year, we reduced development expenditure below what was budgeted, in line with the reduced sales we were seeing. While this resulted in our reinvestment ratio falling below target, we consider this to demonstrate prudent fiscal management. We continued to invest in our existing homes, with an increase compared to previous years.

Complaints responded to within 20 days - the proportion of complaints responded to within our target of 20 working days dropped during the year. This was partly the result of changes in our complaints process, which although it should eventually lead to complaints being resolved more efficiently, some complaints have taken longer to resolve while the new process is being embedded.

Our new process has been co-designed with customers and will allow us to better prioritise complaints while encouraging customers to provide us with feedback to help us improve the way we do things. We will continue to review performance against our complaints targets as the new process is embedded.

Building the right homes in the right place

Indicator	2019/20 Target		2019/20 Result	2018/19 Result	2017/18 Result
Homes delivered	1,900	🔴	**1,179**	1,660	1,364
New supply – social (RSH)	2.3%	🟢	**2.4%**	2.3%	2.1%
New supply – non-social (RSH)	0.8%	🔴	**0.3%**	0.6%	0.4%
Gearing (RSH)	40-55%	🟢	**46.0%**	47.6%	43.9%
Profit from new build sales and joint ventures	£16.9m	🔴	**£10.0m**	£12.0m	£12.6m

Homes delivered - as our sales programme did not deliver in line with target this year, we made the decision not to spend our uncommitted development budget to better manage our cash flows. This resulted in us not meeting our new supply targets, and a reduction from previous years.

During the year we delivered 591 new homes for affordable rent (2019: 735) and a further 227 for affordable home ownership (2019: 554). The increase in new supply (social) is due to how this is measured; affordable home ownership do not add to new supply until sold, and a number of homes were delivered in the previous year but sold in the current year.

We also completed 158 new homes for outright sale (2019: 198), leading to the decrease in the new supply (non-social homes) measure. A further 203 homes were delivered by our joint ventures (2019: 173).

Building new homes remains a core part of our strategy, and we continue to aim to deliver high quality, affordable homes where our customers need them. However we will only invest in new developments where this is the right decision for the business, and will not pursue targets at the expense of delivering value for money.

Profit from new build sales and joint ventures - sales completions increased to 590 this year, from 311 in the previous year, as we grew our sales capacity. However a greater proportion of these were from schemes where we purchased completed properties from commercial housebuilders and converted them to an affordable home ownership product. The margins on these sales is lower than on our own development schemes, as we did not take on any of the development risk. Furthermore, some higher margin sales planned for March did not complete before the year end as a result of the COVID-19 pandemic, resulting in us not meeting the target.

Becoming market leaders in new models of care

Indicator	2019/20 Target		2019/20 Result	2018/19 Result	2017/18 Result
Value of new business won	£27.0m	🟢	**£27.7m**	£19.9m	£7.3m

In addition to reshaping the services we deliver and winning new business in line with our strategy, delivering high quality care to our customers is also an important measure of success for this strategic goal. We are in the process of introducing a new strategic performance indicator on clinical quality which will allow us to measure our overall performance in this area. Clinical quality is currently assessed through a suite of measures, and is overseen by the clinical governance committee. Going forward, we believe it is important that these measures are elevated into our suite of strategic KPIs.

20% more efficient

Indicator	2019/20 Target		2019/20 Result	2018/19 Result	2017/18 Result
Operating margin – Overall (RSH)	18.0%	🔴	**16.0%**	21.9%	21.9%
Operating margin – Social housing lettings (RSH)	22.7%	🟢	**23.6%**	25.8%	26.9%
Interest cover (EBITDA MRI) (RSH)	184%	🔴	**155%**	198%	198%
Return on capital employed (RSH)	3.5%	🔴	**3.1%**	3.4%	4.0%
Occupancy – Rented	99.2%	🔴	**98.9%**	98.9%	98.8%
Occupancy – Supported	93.3%	🔴	**89.2%**	92.5%	93.1%
Repairs ratio	0.9	🟢	**0.9**	1.0	1.0
Social housing cost per unit (RSH)	£4,339	🔴	**£4,407**	£4,272	£4,409
Arrears	8.5%	🟢	**8.4%**	8.0%	7.2%
Overheads as % adjusted turnover	14.2%	🟢	**13.5%**	13.3%	12.8%

Operating margin and interest cover - overall operating margin fell below target mainly due to a lower margin achieved on new build sales. The margins that we achieve on sales varies between schemes, although we have a minimum hurdle rate that we expect all schemes to meet which are signed off before any investment is made.

As discussed on the previous page, we did not meet our target on profit from new build sales and joint ventures in what was an uncertain market. This was a combination of lower margin sales, and lower volume of sales than budgeted, impacting both margin and interest cover.

Return on capital employed - remains low as we continue to invest in new development schemes. We expect our return on capital to be lower in the next couple of years due to this investment, but return to and then exceed historic levels by the end of our five year business plan as sales activity catches up with development, and the size of our supported business increases. As return on capital employed is a long term measure, we do not consider an improvement plan to be necessary.

Occupancy - although we have put a number of improvements in place to address our occupancy levels, we were impacted by lockdown measures due to COVID-19 put in place during March which meant lettings could not proceed as usual, leading to a decrease in occupancy at the year end.

Social housing cost per unit - increased in 2020, mainly due to increased spend on maintaining our homes. This also meant that our cost per unit is slightly above the peer group average, although not significantly higher. We continue to target cost savings where appropriate, however we note that our cost per unit includes the impact of delivering specialist support packages to some of our most vulnerable customers and an increasing investment in our planned maintenance programme to continue to improve our existing homes.

How do we benchmark our performance?

We benchmark our VfM indicators where available and appropriate against a group of comparable housing providers to help us better understand our performance and inform our improvement plans and targets. Because information for 2019/20 is not available at the time of preparing the annual reports, benchmarking information is presented for 2018/19. The peer group used may vary as we decide for each indicator which is the most appropriate comparison.

Our performance on our key performance indicators compared to a peer group benchmark (where available) is set out on the following pages. We benchmark our performance as green (above average), amber (slightly below average) or red (significantly below average).

The VfM regulatory standard requires us to develop improvement plans to address areas of underperformance. We have carried out an assessment of whether we consider each area to be under-performing, taking into account targets, strategy, recent trends, and performance in relation to the sector and our peer group.

There may be areas where we perform below average in comparison to the sector and peer group; however if we understand the reasons why and are comfortable with this result in relation to our strategic goals and direction, we may decide that specific improvement actions are not necessary. Our improvement plans are reviewed regularly throughout the year, with new actions identified and added as necessary.

Indicators where performance has improved or remained the same

Indicator	2019/20 Result	2019/20 Benchmark	2018/19 Benchmark
Social housing reinvestment (RSH)	**6.5%**	🟢	🟢
Average time to complete a standard repair	**11 days**	🟡	🟡
New supply – social (RSH)	**2.4%**	🟢	🟢
Gearing (RSH)	**46.0%**	🟢	🟢
Interest cover (EBITDA MRI) (RSH)	**155%**	🟢	🟢
Repairs ratio	**0.9**	🟡	🔴
Overheads as % adjusted turnover	**13.5%**	🟡	🟡

We do not consider an improvement plan to be necessary for any of these indicators.

Last year we had an improvement plan in place for overheads, as even though we were not significantly below peer group average, we had seen a declining trend. This year, although our overheads remain slightly higher than the peer group, they were well within target. The improvement plan actions we put in place last year have been addressed, and although we will continue to monitor overhead levels, no specific improvement plan for the upcoming year is considered necessary.

Action	Update from prior year
➤ Detailed benchmarking to be carried out to understand the extent to which back office costs are impacted by supported housing and other factors, and identify areas for improvement	Benchmarking shows that once factors such as our supported housing provision are considered, the main driver of our high overheads is depreciation of hardware and software, which reflects investment in improving our systems in recent years
➤ 5% reduction in overheads targeted as part of budget setting process	Budgeted efficiency savings have been achieved
➤ Additional controls put in place around recruitment to roles within support functions	FTE in support functions has increased by 24 since the beginning of the year. These roles have been approved as being necessary where additional capacity is needed within teams, and have been delivered within budget

Indicators where performance has declined

Indicator	2019/20 Result	2019/20 Benchmark	2018/19 Benchmark
New supply – non-social (RSH)	**0.3%**	🟡	🟢
Operating margin – Overall (RSH)	**16.0%**	🔴	🟡
Operating margin – Social housing lettings (RSH)	**23.6%**	🔴	🟡
Return on capital employed (RSH)	**3.1%**	🔴	🟡
Occupancy – Rented	**98.9%**	🔴	🟡
Social housing cost per unit (RSH)	**£4,407**	🟡	🟢
Arrears	**8.4%**	🟡	🟢

New supply (non-social) - this indicator was impacted by our decision during the year to restrict expenditure on new development, to reflect reduced sales proceeds and an improvement plan is not deemed necessary. We believe our approach to be prudent and while this means we came in under target in building new supply, this demonstrates a considered and responsible appetite of the Board for development risk.

Operating margins and return on capital employed - were impacted by the lower margin and surplus delivered by our new build sales activity this year, as well as an increase in maintenance expenditure. We have processes and minimum hurdle rates in place to ensure that all development schemes deliver an appropriate return. We have long term targets in place as part of our 20% more efficient strategic goal, and do not consider an improvement plan to be necessary in the short term.

Occupancy - although we have put improvements in place to address occupancy levels, we were impacted by lockdown measures put in place during March which meant lettings could not proceed as usual, impacting our year end occupancy. Our improvement plan will continue, although with a new focus on reducing the increased number of void properties that we have following lockdown.

Action plan	Update from prior year
➤ Standardise the voids process with targeted incremental improvements at each stage of the process	The process has been standardised with regional reporting introduced to assess time lost against each stage in the process.
➤ Focus on reducing hard-to-let properties which have been vacant for more than 95 days	Voids over 95 days reduced by 8% since the beginning of the year. Over the last 12 months we have re-let 615 homes which had been void for over 95 days, and are developing targeted plans to improve performance on these hard-to-let properties
New action for 2020/21	
➤ Introduce new enhanced void standards for hard to let properties to make these more attractive to our customers	

Social housing cost per unit - last year, a reduction in our social housing cost per unit meant we benchmarked as below average cost in our peer group. Although costs have increased slightly this year, we are only slightly higher cost than the peer group average, and do not consider an improvement plan to be necessary. As noted above the increase in costs are as a result of a deliberate strategy to delivering specialist support packages and increase investment in our customers' homes.

Arrears - continues to be a challenge as more of our customers move onto Universal Credit (UC). Approximately 2,000 of our customers moved onto UC in the last six months of the year. New claimants wait at least five weeks for their first payment, so arrears tend to build up initially, and must then be repaid over a longer period. We are putting a number of improvement actions in place to help us better manage arrears in the future.

Action plan (new actions for 2020/21)
➤ A financial inclusion team has been established to provide support to customers, with dedicated roles in each region now being recruited to
➤ New arrears case management software being introduced from May 2020
➤ Earlier intervention process introduced, with live monitoring of the DWP landlord portal for new cases so these can be immediately escalated

Performance and Value for Money conclusions

We have experienced mixed results on our performance indicators in 2019/20 and have missed our target in a number of areas. Some areas (homes delivered) were as a consequence of decisions made in year to ensure we managed our financial position and some areas (occupancy, arrears) were impacted towards the end of the year by COVID-19. These same factors have also led to a worsening trend in many of our VfM indicators.

As we continue to understand the full impact of COVID-19, we are putting in place plans to recover performance, and will set targets over the short and long term to monitor progress. We have not yet finalised our targets for 2020/21 as initial budgets and targets will need to be revised to take this into account, and current improvement plans revisited and refreshed. We also continue to consult with our customers on the best way to measure how we are delivering on our customer promise and we continually review our VfM indicators to ensure these fully reflect our strategic goals and priorities.

Statement of compliance

The Board confirms that this Strategic Report has been prepared in accordance with the principles set out in the 2018 SORP for Registered Social Housing Providers.

On behalf of the Board.

J Cridland, CBE, MA
Home Group Chairman
30 July 2020

Report of the Board

Governance

Governance structure

Throughout the year the Association operated under its established governance structure comprising the Board of the Association, and seven Board committees and an advisory panel - the Audit Committee, Clinical Governance Committee, Development Committee, Governance Committee, Health and Safety Governance Committee, Action Committee, Rayners Lane Estate Committee and the Treasury Panel – the roles of which are summarised below.

In addition, each subsidiary has its own board, and representatives of the Group attend Board meetings of joint ventures and associates. The Group also has a customer forum, which is responsible for representing customers' views and interests at a national level and for providing a strong mechanism for involving customers in Home Group.

The Board	• Responsible for the overall direction of Home Group's business. • Essential functions include the setting of strategy and monitoring of progress in achieving that strategy, the definition of values and objectives, approving policies, plans and budgets, and monitoring performance of the business and its executive management. • Seeks to ensure that undue risks are not taken and that Home Group's affairs are conducted to the highest standards of performance and propriety. • Annually reviews Home Group's governance arrangements and undertakes an annual self-evaluation of its effectiveness as a Board.
Audit Committee	• Oversees financial reporting and Home Group's risk and control framework, internal and external audit arrangements and internal control systems. The Committee's role includes an overview of the work undertaken throughout Home Group by Home Group's risk and compliance and assurance services teams, and reviewing and recommending the report and financial statements to the Board for approval. • Review the independence and objectivity of Home Group's external auditors, KPMG, and monitors the provision of non-audit services undertaken by the external auditors, including the fees charged for such services.
Clinical Governance Committee	• Gives the Board assurance on the quality of care for customers and its remit covers governance and internal monitoring, organisational policies and procedures, safety and excellence in customer care and quality assurance. • Reviews incident reports and management's response to root cause analysis reviews of why incidents and accidents have occurred.
Development Committee	• Established from 30 August 2019. • Oversees Home Group's development activity. • Reviews performance of development schemes against commercial and strategic objectives, driving lessons learned and feeding back into the business to drive continuous improvement.
Governance Committee	• Oversees annual reviews of Home Group's compliance against the Regulator of Social Housing's regulatory standards, Home Group's Rules, Governance Framework and Governance Standards, and recommends any changes to the Board of the Association. • Responsible for non-executive and executive recruitment and succession planning, and for making policy recommendations on board member evaluation and non-executive appraisal. Also responsible for the recruitment process in respect of Executive appointments, and for supporting the Board in ensuring adequate succession planning for the Executive. • Recommends to the Home Group Board the remuneration package offered to the Chief Executive and endorses remuneration packages of other members of the Executive.
Health and Safety Governance Committee	• Provides a strategic steer into the Group's Health and Safety Strategy and Implementation Plan and oversees progress against these to provide assurance to the Home Group Board of the effective development and maintenance of the health and safety management system.

HOME GROUP LIMITED
REPORT OF THE BOARD TO
THE MEMBERS OF HOME GROUP LIMITED

Governance (continued)

Action Committee	• Meets as required to act in relation to matters requiring an express authorisation of the Board which are not otherwise covered by delegated authority and which are necessary to safeguard the business interests of Home Group and where it is not possible or practicable to convene a meeting of the full Board. • The quorum for the Committee is three members of the Board and all decisions are reported to the next meeting of the Board and to other Boards where relevant.
Rayners Lane Estate Committee	• Established under the terms of a stock transfer agreement between the Association and the London Borough of Harrow, and oversees the delivery of the Association's commitments under the stock transfer agreement, specifically in respect of the regeneration of the Rayners Lane estate in Harrow. • Membership comprises individuals nominated separately by the London Borough of Harrow, the Rayners Lane Estate Tenants and Residents Association, the Association's customers on the estate and the Association.

Membership of the Board and committees is set out on page 22.

Corporate governance

Home Group has been rated as G1:V1 for governance and financial viability by the Regulator of Social Housing in its latest In Depth Assessment in May 2019. The Board confirms that Home Group has assessed its compliance with the Governance and Financial Viability Standard during the year and certifies that in all material respects Home Group is in compliance with the Governance and Financial Viability Standard.

The Board has adopted and is compliant with the requirements of the National Housing Federation's Code of Governance 2015 edition. The Board is committed to supporting adherence to high standards of corporate governance, and has adopted and is compliant with the National Housing Federation's Code of Conduct 2012.

Home Group has adopted the National Housing Federation's Code on Mergers, Group Structures and Partnerships (2015). There have been no merger, group structure or partnership proposals during the financial year.

Executive and non-executive appraisal and remuneration

A system of non-executive Board member appraisal is in place, under which the Chairman conducts an annual individual appraisal of non-executive Board members, incorporating feedback from other non-executive Board members and members of the Executive. An equivalent appraisal of the Chairman is conducted by the Senior Independent Member. Performance appraisal of Executive Board members is conducted within the framework of Home Group's performance appraisal process.

The Association introduced a policy in July 2005 which entitles non-executive members of the Board to elect to draw remuneration. The Association's remuneration framework was set in accordance with the regulatory requirements set by the Housing Corporation in 2003, and in accordance with National Housing Federation guidance. This reflects the business needs of the Association, having regard to the complexity, size and demands of the organisation. Following a review of non-executive board member remuneration during the year, the Association considers that remuneration remains appropriate. Details of the remuneration drawn by members of the Board during the year are set out in Note 5 to the financial statements on page 50. The total remuneration of non-executive board members represents 0.03% of Group turnover (2019: 0.02%).

The names of those who were Board members or members of the Executive at any time during the year, or up to the date of signing this report, are set out on page 4.

Board member and Committee member attendance at meetings during the year ended 31 March 2020 is shown in the table below.

Home Group Board and Commitee member attendance

Name	Home Group Board		Audit Committee		Clinical Governance Committee		Development Committee		Governance Committee		Health and Safety Governance Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
Non-executives												
Claire Bassett	2	2			1	1						
Rhona Bradley	6	5	4	4	4^	4^						
Neil Braithwaite			4	3								
Ian Campbell*											4	3
John Cridland	6^	6^					4	3	3	3		
Linda Cullen	0	0										
Ken Gillespie	6	5	4	4			4^	4^			4	3
Ruth Jackson	5	5										
Lara Joisce			4	4								
Myriam Madden**	6	6							3	3		
Annie Mauger-Thompson*			1	0								
Bharat Mehta	6	5			4	4			3^	3^	4	4
Leslie Morphy	6	6			4	4			3	3	4^	4^
Nick Salisbury	6	5	4^	4^			4	4	3	3		
Colin Strachan*											1	1
Kim Tinneny	2	2			1	0						
Chris Vallis	4	4										
Brian Walsh					3	2						
Executives												
Mark Henderson	6	6										
John Hudson	6	6										

A = maximum number of meetings that could have been attended **B** = number of meetings actually attended

* Member of Home Scotland Board ** Chair of Home Scotland Board ^ Board or Committee Chair

- Claire Bassett stood down from the Home Group Board and the Clinical Governance Committee on 18 July 2019.
- Neil Braithwaite stood down from the Audit Committee on 28 January 2020.
- Ian Campbell was appointed to the Health and Safety Governance Committee on 17 July 2019.
- Linda Cullen was appointed to the Home Group Board on 2 June 2020.
- Ruth Jackson stood down from the Home Group Board on 23 January 2020.
- Myriam Madden was appointed to the Audit Committee on 21 April 2020.
- Annie Mauger-Thompson was appointed to the Audit Committee on 30 August 2019 and stood down on 18 December 2019.
- Colin Strachan stood down from the Health and Safety Governance Committee on 27 August 2019.
- Kim Tinneny stood down from the Home Group Board and the Clinical Governance Committee on 18 July 2019.
- Chris Vallis was appointed to the Home Board on 24 September 2019.
- Brian Walsh was appointed to the Clinical Governance Committee on 9 September 2019.

Statement of internal controls

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

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss.

The process for identifying, evaluating and managing significant risks faced by the Group is ongoing, and has been in place throughout the period from 1 April 2019 up to the date of approval of the financial statements. This process is set out in the Group's Risk Management Framework and its effectiveness is assessed on an annual basis by the Board.

Key elements of the internal control framework include:

- Board approved terms of reference and delegated authorities for all Boards and Committees, including the Audit Committee;
- clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- strategic and operational risk registers which are regularly reviewed by Senior Management, Executive, the Audit Committee and the Board;
- a robust planning process with detailed financial budgets, forecasts and performance measures;
- regular reporting to Executive and the appropriate Board/Committee of key performance indicators to monitor progress against objectives;
- an established health and safety management system and compliance framework;
- a structured approach to the appraisal and authorisation of all significant new business initiatives and commitments;
- a considered and documented approach to treasury management which is subject to annual review;
- formal recruitment, retention and training and development policies;
- Board approved Confidential Reporting Policy and Fraud and Bribery Prevention, Detection and Response Policy;
- detailed policies and procedures in each area of the Group's operations; and
- an Assurance Service which reviews internal controls across the Group and provides regular reports to the Audit Committee on any significant control weaknesses.

The internal control framework, which includes the above elements, is embedded within our culture and values, and is embraced by our colleagues. There is a strong awareness of the importance of internal controls and they are a fundamental part of ensuring the integrity of the framework.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Audit Committee to regularly review the effectiveness of the system of internal control. The Audit Committee received the Annual Assurance Statement from the Head of Audit and the Group Chief Executive's annual review of the effectiveness of the system of internal control. The Audit Committee has subsequently reported its findings to the Board in its annual report.

During the year there were no significant findings or weaknesses identified in internal controls, which resulted in material losses, contingencies or uncertainties that require disclosure in the financial statements or in the report of the auditors

Other information

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

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

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

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Association and of the income and expenditure of the Group and 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 UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the Group or the Association or to cease operations, or has no realistic alternative but to do so.

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

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

Colleagues

We work with colleagues to make sure people feel aware, informed and involved with Home Group's strategic direction and we welcome views and suggestions. We use a range of ways to engage with colleagues, including Workplace (an enterprise social network), our intranet, seminars, meetings and events as well as a strong team culture of briefings, meetings and brilliant conversations.

Our mutual pay award is an example of how we engage with colleagues and encourage them to be involved in the company's performance, achieving a common awareness of factors affecting the performance of the company, and consulting colleagues so their views can be taken into account in making decisions.

Our recruitment approach is one that is inclusive and as a Disability Confident and 'Mindful Employer' we support future and current colleagues to develop meaningful careers, offering a comprehensive training and development approach that welcome a diverse pool of colleagues. We continue to invest in colleague learning and development and wellbeing as this is key to engagement and business success.

Disclosure of information to auditors

The Board members and Executive Directors who held office at the date of approval of this Board report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditor is unaware; and each Board member and Executive Director has taken all the steps that they ought to have taken as a Board member or Executive Director to make themselves aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

Events after the end of the reporting period

The Board considers that there have been no events since the year end that have had a significant impact on the Group's financial position.

We do not believe that any of the assumptions or judgements we have made in the financial statements, detailed on page 41-42, need to be reassessed in-light of COVID-19. Our loan covenant compliance and funding arrangements remain in place and are unaffected. We have, and continue to, complete robust stress testing, as discussed on pages 13-14 of the Strategic Report, which supports our going concern assessment as set out on page 37.

Auditors

The external audit will be subject to a competitive tender for the year ending 31 March 2021.

Statement of compliance

The Board confirms that this Report of the Board has been prepared in accordance with the principles set out in the 2018 SORP for Registered Social Housing Providers.

On behalf of the Board.

J Cridland, CBE, MA
Home Group Chairman
30 July 2020

Independent Auditor's Report to Home Group Limited

1. Our opinion is unmodified

We have audited the financial statements of Home Group Limited ("the Association") for the year ended 31 March 2020 which comprise the Group and Association Statements of Comprehensive Income, Group and Association Statements of Financial Position, Group and Association Statements of Changes in Reserves, the Group Statement of Cash Flows and related notes, including the accounting policies in Note 1 of the financial statements.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of affairs of the Group and of the Association as at 31 March 2020 and of the income and expenditure of the Group and of the Association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor for the year ended 31 March 2006 by the Board. The period of total uninterrupted engagement is for the 15 financial years ended 31 March 2020.

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard applicable to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole	£4.0 million (2019 : £4.1 million) 1.0% (2019: 1.1%) of turnover	
Coverage	100% (2019: 100%) of Group turnover	
Key audit matters		**vs 2019**
Recurring risks	Recoverability of Work in Progress and Properties Under Construction	▲
	New: Valuation of defined benefit pension obligations	▲
	New: Going concern	▲

2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Recoverability of Work in Progress and Properties Under Construction **(Group and Association)** (Group: Housing properties under construction £161.7m; 2019: £125.2m; Shared ownership properties under construction £44.0m; 2019: £59.1m; Shared ownership properties work in progress £21.6m; 2019: £29.9m; Outright sales properties work in progress £138.4m; 2019: £112.2m) (Association: Housing properties under construction £123.0m; 2019: £94.5m; Shared ownership properties under construction £44.4m; 2019: £59.5m; Shared ownership properties work in progress £21.6m; 2019: £29.9m; Outright sales properties work in progress £74.7m; 2019: £60.2m) Refer to page 38 (accounting policy) and page 55-56 and 60 (financial disclosures).	The Group has a significant development programme which includes social housing, shared ownership properties and mixed tenure schemes with a significant portion of open market sales. The Group has a significant development programme which includes social housing, shared ownership properties and mixed tenure schemes with a significant portion of open market sales. **Accounting judgement** For properties under construction and work in progress an assessment needs to be made at each reporting date of whether there are any indicators of impairment, such as cost overruns and building or contractor issues. This is a subjective assessment that needs to be made for a large number of development schemes and which requires a detailed understanding of the status of each scheme. There is a risk that impairment indicators may not be identified by the Group and therefore work in progress or housing properties under construction may be overstated. The considerations differ depending on the intended purpose of each scheme. **Subjective estimate** Where an impairment indicator has been identified, the Group assesses to what extent the carrying amount of the work in progress and properties under construction is recoverable. Where schemes predominantly consist of social housing units that will be retained by the Group on completion these are considered to be assets held for their service potential. In most circumstances this results in making an assessment of the carrying amount compared to the cost of constructing an equivalent asset excluding cost overruns. This is a subjective assessment, however it is likely that where there have been increases in construction costs, an impairment may be required. For development schemes which do not primarily comprise social housing units the carrying amount is considered impaired to the extent that it exceeds the net realisable value ("NRV"). Where development is ongoing, NRV is the forecast total selling price less the forecast costs to complete and sell.	Our procedures included: • **Personnel interviews:** Carrying out corroborative enquiries to identify cost overruns and other potential impairment trigger events at specific sites and comparing these with external sources of information; • **Our sector experience:** Identifying potential impairment trigger events with reference to our experience of the Group and the wider sector; • **Our development project expertise:** Using our own quantity surveying expert to assist in assessing sites at higher risk of impairment and evaluating the reasonableness of key assumptions in the scheme forecasts. This includes challenging management on the impact of the COVID-19 pandemic on forecast costs; • **Assessing valuers' credentials:** Where the Group uses third party valuations to support estimated sales prices for work in progress, assessing the competence, capability, objectivity and independence of the Group's external valuers; • **Sensitivity analysis:** For a risk-based sample of sites, performing our own sensitivity analysis over the key assumptions used by the Group and identifying those that have the greatest impact on the impairment assessment; • **Tests of detail:** For a risk-based sample of sites, challenging the forecast costs and sales valuations in the Group's forecasts using third party data, where available, or data from similar projects; • **Tests of detail:** Where there are uncertainties related to third party contractor costs or contractual disputes, comparing the Group's year-end estimates with actual results or the latest available evidence available after the reporting date; • **Historical comparisons:** For a risk-based sample of sites, comparing initial forecast costs and selling prices with the actual outturn and critically assessing the accuracy of the Group's forecasting; and

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TO HOME GROUP LIMITED

	The risk	Our response
	For all schemes assessing the total costs to complete developments requires judgement as the costs not yet incurred can differ from forecast. A further area of consideration exists in the current year in relation to how the COVID-19 pandemic will impact the costs to complete development schemes. For sites where there are complex arrangements with third party contractors or contractual disputes it may be even more difficult to reliably estimate future costs and selling prices. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the *Recoverability of Work in Progress and Properties Under Construction* had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	• **Assessing transparency**: Critically assessing the Group's disclosures in relation to judgement and estimation in relation to recoverability of work in progress and properties under construction. **Our results** We found the estimated recoverability of the carrying value of housing properties under construction and work in progress to be acceptable (2019: acceptable).
Valuation of defined benefit pension obligations **(Group and Association)** (£243.5m; 2019: 266.4m) Refer to pages pages 41 and 43 (accounting policy) and page 69-74 (financial disclosures).	**Subjective valuation** Small changes in the assumptions and estimates used to value the Group's pension obligations (before deducting scheme assets) would have a significant effect on the Group's and Association's net pension deficit. The effect of these matters is that, as part of our risk assessment, we determined that valuation of the defined benefit pension obligation has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the accounts as a whole. The accounts (notes 1 and 24) disclose the range/sensitivity estimated by the Group.	Our procedures included: • **Benchmarking assumptions:** Challenging, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate, and mortality/life expectancy against externally derived data; and • **Assessing transparency:** Considering the adequacy of the Group's disclosures in respect of the sensitivity of the deficit to these assumptions. **Our results** We found the valuation of the pension obligation to be acceptable.
Going concern **(Group and Association)** Refer to pages 13-14 (Strategic report) and page 37 (financial statements disclosures).	**Disclosure quality** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and Association. That judgement is based on an evaluation of the inherent risks to the Group's and Association's business model and how those risks might affect the Group's and Association's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risks most likely to adversely affect the	Our procedures included: • **Funding assessment:** Considering the availability and sufficiency of the financing arrangements in place at the Group, including the headroom on covenants; • **Historical comparisons:** Assessing historical forecasting accuracy, by comparing forecast results to those actually achieved by the Group; • **Sensitivity analysis:** Considering sensitivities over the level of available financial resources indicated by the Group's financial forecasts

	The risk	Our response
	Group's and Association's available financial resources over this period were : • the impact of COVID-19 on demand and pricing in the housing sector: and • political risks linked to government policy on housing. There are also less predictable but realistic second order impacts, such as the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	taking account of reasonably possible (but not unrealistic) adverse effects that could arise from risks individually and collectively; • **Sensitivity analysis:** Challenging the stress testing performed by the directors considering various scenarios that could arise as a result of Covid-19; • **Benchmarking assumptions:** Assessing the key assumptions used in the cash flow forecast including comparing estimated house price inflation to published third party indices and loan payback to correspondence with the Group's lenders; • **Evaluating directors' intent:** Evaluating the achievability of the actions the Directors consider they would take to improve the position should the risks materialise; • **Evaluating directors' intent:** Assessing each mitigation in turn to consider whether the directors would take the safer mitigating action rather than a riskier course of action; • **Assessing transparency:** Assessing the completeness and accuracy of the going concern disclosures in the Annual Report and considering whether they reflect the risks associated with the Group's ability to continue as a going concern. **Our results:** We found the going concern disclosure without any material uncertainty to be acceptable.

We continue to perform procedures over the impact of uncertainties due to the UK exiting the European Union. However, following the UK's exit from the European Union on 31 January 2020, we have not assessed this as one of the most significant matters in our current year audit and, therefore, it is not separately identified in our report this year.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £4.0 million (2019: £4.1 million), determined with reference to a benchmark of Group turnover as disclosed in the Statement of Comprehensive Income, of £406.1 million, of which it represents 1.0% (2019: 1.1%). We consider turnover to be more appropriate than a profit-based benchmark as the Association is a not-for-profit organisation and the focus is on turnover rather than any surpluses, which are reinvested in the Group.

Materiality for the Association financial statements as a whole was set at £3.5 million (2019: £3.4 million), determined with reference to a benchmark of Association turnover, of which it represents 1.1% (2019: 1.1%).

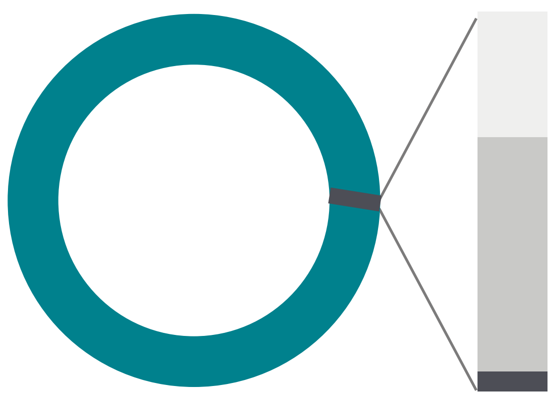
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.2 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

We subjected all of the Group's four (2019: four) reporting components to full scope audits for group purposes.

The components within the scope of our work accounted for the percentages illustrated below.

The work on all components (2019: all components), including the audit of the parent Association, was performed by the Group team.

Group turnover
£406.1 million (2019: £367.3 million)



Group turnover

Group materiality

Group materiality
£4.0 million (2019: £4.1 million)

£4.0 million
Whole financial statements materiality (2019: £4.1 million)

£3.5 million
Range of materiality at four components (£0.1 million to £3.5 million) (2019: £0.2 million to £3.4 million)

£0.2 million
Misstatements reported to the audit committee (2019: £0.2 million)

Group turnover | **Group surplus before tax** | **Group total assets**

Full scope for group audit purposes 2020

Full scope for group audit purposes 2019

Residual components

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4. We have nothing to report on going concern

The Association's Board have prepared the financial statements on the going concern basis as they do not intend to liquidate the Association or the Group or to cease their operations, and as they have concluded that the Association's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Association's Board's conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Association will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Association's use of that basis for a period of at least 12 months from the date of approval of the financial statements.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The Association's Board is responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

Based solely on that work we have not identified material misstatements in the other information.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the Association has not kept proper books of account; or
- the Association has not maintained a satisfactory system of control over transactions; or
- the Financial Statements are not in agreement with the association's books of account; or
- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Board's responsibilities

As explained more fully in their statement set out on page 24, the Board is responsible for: preparing financial statements which give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and 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 they either intend to liquidate the Group or the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Board and other management (as required by auditing standards), and discussed with the Board and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related legislation for registered providers of social housing) and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate. We identified the following areas as those most likely to have such an effect: laws related to the construction and provision of private and social housing, including health and safety, recognising the regulated nature of the Group's activities and laws relating to data protection. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Board and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items. The identified actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to it 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 as a body, for our audit work, for this report, or for the opinions we have formed.

Nick Plumb for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
14 August 2020

Statement of Comprehensive Income for the year ended 31 March 2020

	Notes	GROUP 2020	GROUP 2019	ASSOCIATION 2020	ASSOCIATION 2019
		£000	£000	**£000**	£000
Turnover	2	**406,096**	367,317	**349,339**	315,155
Cost of sales	2	**(79,364)**	(38,040)	**(49,282)**	(12,495)
Operating expenditure	2	**(261,905)**	(248,959)	**(248,373)**	(233,872)
Surplus on disposal of housing properties	3	**15,451**	5,930	**15,334**	5,830
Operating surplus		**80,278**	86,248	**67,018**	74,618
Share of profit in joint ventures	15	**1,528**	3,266	**-**	-
Share of profit / (loss) in associates	15	**170**	(962)	**-**	-
Interest receivable	7	**3,296**	2,582	**991**	911
Interest payable and financing costs	8	**(43,304)**	(44,163)	**(41,266)**	(42,056)
Gift aid receipt	9	**-**	-	**-**	4,400
Surplus on ordinary activities before taxation	10	**41,968**	46,971	**26,743**	37,873
Taxation	11	**(726)**	(2,243)	**1,260**	(1,279)
Surplus for the year		**41,242**	44,728	**28,003**	36,594
Actuarial gain / (loss) relating to pension schemes	24	**6,456**	(3,946)	**6,456**	(3,946)
Total comprehensive income for the year		**47,698**	40,782	**34,459**	32,648

All activities are continuing.

The notes on pages 37 to 80 form part of the financial statements.

The financial statements on pages 33 to 80 were approved by the Board on 30 July 2020 and were signed on its behalf by:

J Cridland, CBE, MA
Home Group Chairman

N W Salisbury, BA (Hons)
Board Member

R Hall, BA (Hons) Law
Company Secretary

Statement of Financial Position as at 31 March 2020

	Notes	GROUP 2020 £000	GROUP 2019 £000	ASSOCIATION 2020 £000	ASSOCIATION 2019 £000
Fixed assets					
Housing properties	12	**2,489,789**	2,384,330	**2,321,772**	2,236,950
Other fixed assets	13	**18,205**	22,142	**18,205**	22,140
Intangible fixed assets	14	**17,020**	18,424	**17,020**	18,424
Investment in subsidiaries	15	**-**	-	**134,796**	122,534
Investment in joint ventures	15	**69,707**	53,407	**-**	-
Investment in associates	15	**15,327**	12,850	**-**	-
Other investments	15	**10,189**	10,027	**7,566**	7,547
Homebuy loans receivable		**682**	682	**682**	682
Pension asset	24	**509**	663	**509**	663
		2,621,428	2,502,525	**2,500,550**	2,408,940
Current assets					
Properties held for sale	16	**181,207**	203,078	**116,903**	136,510
Other fixed assets held for sale	13	**5,809**	-	**5,809**	-
Debtors	17	**35,144**	32,640	**38,052**	33,747
Cash and cash equivalents		**34,640**	83,586	**31,632**	79,172
		256,800	319,304	**192,396**	249,429
Creditors: amounts falling due within one year	18	**(225,947)**	(226,299)	**(186,785)**	(202,349)
Net current assets		**30,853**	93,005	**5,611**	47,080
Total assets less current liabilities		**2,652,281**	2,595,530	**2,506,161**	2,456,020
Creditors: amount falling due after more than one year	19	**(1,956,699)**	(1,936,953)	**(1,927,883)**	(1,901,508)
Pension provision	24	**(29,710)**	(40,431)	**(29,710)**	(40,431)
Net assets		**665,872**	618,146	**548,568**	514,081
Capital and reserves					
Non-equity share capital	25	**-**	-	-	-
Restricted reserve		**662**	626	**662**	626
Income and expenditure reserve		**665,210**	617,520	**547,906**	513,455
Total capital and reserves		**665,872**	618,146	**548,568**	514,081

The notes on pages 37 to 80 form part of the financial statements.

The financial statements on pages 33 to 80 were approved by the Board on 30 July 2020 and were signed on its behalf by:

J Cridland, CBE, MA
Home Group Chairman

N W Salisbury, BA (Hons)
Board Member

R Hall, BA (Hons) Law
Company Secretary

Statement of Changes in Reserves for the year ended 31 March 2020

GROUP	Income and expenditure reserve £000	Restricted reserve £000	Total reserves £000
As at 1 April 2018	576,721	629	577,350
Total comprehensive income for the year	40,782	-	40,782
Transfer to income and expenditure reserve	20	(20)	-
Repayment of restricted income	(3)	17	14
As at 31 March 2019	617,520	626	618,146
Total comprehensive income for the year	47,698	-	47,698
Transfer from income and expenditure reserve	(8)	8	-
Movement in restricted income	-	28	28
As at 31 March 2020	**665,210**	**662**	**665,872**

ASSOCIATION	Income and expenditure reserve £000	Restricted reserve £000	Total reserves £000
As at 1 April 2018	480,791	629	481,420
Total comprehensive income for the year	32,648	-	32,648
Transfer to income and expenditure reserve	20	(20)	-
Repayment of restricted income	(4)	17	13
As at 31 March 2019	513,455	626	514,081
Total comprehensive income for the year	34,459	-	34,459
Transfer to income and expenditure reserve	(8)	8	-
Movement in restricted income	-	28	28
As at 31 March 2020	**547,906**	**662**	**548,568**

The notes on pages 37 to 80 form part of the financial statements.

Group Cash Flow Statement for the year ended 31 March 2020

	Notes	2020	2019
		£000	£000
Net cash inflow from operating activities	26	**126,428**	29,723
Cash flow from investing activities			
Purchase of housing properties, other fixed assets and intangible assets		**(171,988)**	(253,297)
Loans to joint ventures		**(26,261)**	(16,764)
Repayments from joint ventures		**13,905**	13,166
Distributions received from joint ventures		**183**	2,949
Loans to associates		**(2,304)**	(2,052)
Repayments from associates		**450**	400
Additions to other investments		**(530)**	(634)
Disposals of other investments		**368**	421
Net proceeds from sale of housing properties and other fixed assets		**33,315**	17,884
Capital grants received		**65,103**	77,722
Capital grants repaid		**(54)**	(97)
Interest received		**244**	284
Net cash outflow from investing activities		**(87,569)**	(160,018)
Cash flow from financing activities			
Interest paid		**(43,227)**	(37,659)
New secured loans		**32,308**	267,025
Repayment of borrowings		**(76,886)**	(42,339)
Net cash inflow from financing activities		**(87,805)**	187,027
Net change in cash and cash equivalents		**(48,946)**	56,732
Cash and cash equivalents at the beginning of the year		**83,586**	26,854
Cash and cash equivalents at the end of the year		**34,640**	83,586

The notes on pages 37 to 80 form part of the financial statements.

1. Principal accounting policies

Basis of accounting

The financial statements have been prepared in accordance with UK Accounting FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102'), the Accounting Direction for Private Registered Providers of Social Housing 2019 and the Statement of Recommended Practice for registered social housing providers Update 2018 ('SORP 2018').

Compliance with the SORP 2018 requires departure from the requirements of 'FRS 102, section 19 'Business Combinations and Goodwill', in relation to negative goodwill and an explanation of the result of the departure is given in the 'Negative goodwill' policy below.

As a public benefit entity, Home Group has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102.

No cash flow statement has been presented for the parent (Association) because advantage has been taken of the disclosure exemption available in FRS 102.

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. The financial statements are prepared on the historical cost basis of accounting. There are no material differences between the surplus on ordinary activities before taxation and the surplus for the current or prior year and their historical cost equivalents.

A summary of the more important Group accounting policies is set out below, together with an explanation of where they have not been applied consistently.

Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report and the Report of the Board. The most significant factor impacting our business at this time is the COVID-19 pandemic as detailed on page 8.

Since the UK entered 'lockdown' on March 23 we have closely monitored the effects of COVID-19. Trading across all business areas has been affected. Our rental and supported businesses have primarily been impacted by a short term reduction in maintenance activity, though we have plans in place to recover this activity during the 2020/21 financial year. Our homes sales programme has also been impacted, and we saw a significant drop off in activity during the first few weeks of the lockdown period. However in recent weeks we have seen sales activity increase (above the original COVID-19 budget) and expect this trend to continue throughout 2020/21. Alongside the sales programme our development programme has been delayed as activity at the majority of our sites was suspended at the height of lockdown. This suspended activity has slowed down our budgeted capital expenditure and our debt levels at 30 June 2020 (£1.135 billion) are lower than budget. At the end of 2020/21 Quarter 1 our surplus before tax was £16.8 million.

We expect the impact from the pandemic to continue for some time both for the UK as a whole and Home Group. As such the Group has and continues to carry out extensive risk based stress testing to understand the impact that the pandemic could have on Home Group in the next 12 months and beyond.

We have prepared cash flow and covenant compliance forecasts for the Group for the period to 31 March 2022, considering various severe but plausible downside scenarios, and have performed additional stress testing to assess the impact on our financial position, covenants and liquidity.

At the balance sheet date the amount of cash and undrawn committed facilities available to the Group was £260.9 million, and a further £80.1 million uncommitted facilities, meaning total facilities of £341.0 million. Total facilities have since increased to £528.9 million at 30 June 2020, and include a bond issue in May 2020 of £100 million. During 2020/21 £39.4 million of loans are due to be repaid (Note 20), and these repayments along with committed capital expenditure and other committed spend has been included in all the forecasts prepared. In the base case scenario net debt is expected to increase by £40.6 million in the forecast period. We therefore expect to have significant headroom on available cash and facilities at the end of 2020/21.

The severe but plausible scenarios include:

- a reduction in property sales volumes and values;
- a reduction in rental income as a result of a higher voids rate accompanied by an increase in arrears;
- an increase in temporary staff costs to support our front line colleagues;
- costs related to purchase protective equipment (PPE) for our colleagues; and
- a delay in contract income receipts.

The stresses we have subjected our projections to are at least as severe as what we have experienced to date throughout lockdown and have also considered the impact of a prolonged second wave of COVID-19. The results of our severe but plausible downside scenarios and stress testing give us confidence that we are in a robust position to withstand any ongoing impact of the pandemic, including any

1. Principal accounting policies (continued)

potential second wave. In all severe but plausible downsides forecasted, the Group has sufficient headroom on all of its covenants and significant liquidity through the long term debt facilities it has in place as detailed on pages 63-66. The results suggest we would not have to take mitigating actions to ensure we continue to operate within our loan covenants, however we have a detailed mitigation plan if such an event arose.

On this basis, the Board has a reasonable expectation that the Group and the Association will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months after the date on which the report and financial statements are signed. For this reason, the Group and Association continue to adopt the going concern basis in the financial statements.

Basis of consolidation

The Group Statement of Comprehensive Income and Statement of Financial Position consolidate the results and financial position of the Association and its subsidiary undertakings, joint ventures and associates. Details of the subsidiary undertakings, joint ventures and associates are included in Note 15 to the financial statements. Intra-group turnover, surpluses and balances are eliminated fully on consolidation. Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries and on transfers of engagements represents the excess of the fair value of identifiable assets over the fair value of consideration given. Where negative goodwill arises on the acquisition of a business as a part of a commercial transaction it is classified as a negative asset and amortised over the life of the asset acquired. Where negative goodwill arises through an acquisition which is in substance a gift of a business (a non-exchange transaction) the fair value of the gifted recognised assets and liabilities is recognised as a gain or loss in the income and expenditure reserve in the year of the transaction.

The outlined treatment is in accordance with the SORP 2018 but not in accordance with section 19 of FRS 102 which requires that negative goodwill is shown as a negative asset on the Statement of Financial Position. The Board is of the opinion that the treatment required by FRS 102 would not present a true and fair view of the Group's net assets because the substance of each transaction is a transfer of a business for no consideration rather than a purchase in the conventional manner. If the negative goodwill had been treated as a negative asset as required by FRS 102 then the Group's net assets would have been reduced by £91.8 million (2019: £92.3 million).

Turnover

Rental income is recognised on a straight line basis, in accordance with the terms of the tenancy agreement, on an accrual basis. Revenue arising from the sale of property is recognised on legal completion. Revenue from contracts for support services is recognised in line with the contractual terms when the services are rendered. Revenue from shared ownership sales is recognised on the legal completion of the first tranche disposal. Revenue from government grants is recognised in line with the accounting policy set out on page 39.

Charges for support services

Income in respect of contracts for support services received is accounted for as charges for support services in the turnover in Note 2 to the financial statements. The related support costs are matched against this income.

Housing properties

Housing properties are stated at cost less accumulated depreciation and impairment. Housing properties in the course of construction are stated at cost and are transferred into housing properties when completed. The cost of a property comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. Directly attributable costs include the employment costs of development colleagues, finance and legal colleagues, and surveyors arising directly from the construction or acquisition of the property, together with other incremental costs which would have been avoided only if the property had not been constructed or acquired. Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme. The capitalisation rate is the weighted average of the rates applicable to general borrowings that are outstanding during the period.

Housing properties are split under component accounting between their land, structure costs and a specific set of major components which require periodic replacement. Refurbishment or replacement of such components is capitalised and depreciated on a straight line basis over the estimated useful economic life of components as shown opposite.

1. Principal accounting policies (continued)

Component	Estimated useful economic life (years)
Property structure	100
Roof	40 - 55
Insulated render	35
Central heating	30
Windows	30
Bathroom	25 – 30
Electrical	25 – 30
Solar panels	25
Doors	20 - 25
Kitchen	15 - 20
Boiler	15
Lift	15
Land	Not depreciated

Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and impairment. Depreciation is charged on a straight line basis to write off the cost less any estimated residual value over the expected useful economic lives of the assets.

Asset type	Estimated useful economic life (years)
Freehold offices and long leasehold offices	40 or over the life of the lease
Improvements to short leasehold properties	5 – 20
Plant, machinery and fixtures	4 – 8
Motor vehicles	4
Computer equipment	3 – 5
Leased equipment	over the life of the lease

Intangible assets – software

Intangible assets that are acquired are stated at cost less accumulated amortisation and less accumulated impairment losses. The useful life of software is seven years.

Government grants

Government grants include grants receivable from Homes England, Greater London Authority, the Scottish Housing Regulator, local authorities and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received. Grants due from government organisations or received in advance are included as current assets or liabilities.

Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the Statement of Financial Position in creditors. If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in income and expenditure.

Other grants

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

Impairment

Reviews for indicators of impairment of housing properties are carried out on an annual basis and any impairment in an income generating unit is recognised by a charge to the Statement of Comprehensive Income. An impairment is recognised where the carrying amount of an income generating unit exceeds its recoverable amount being the higher of its fair value less costs to sell and its value in use, or where there is a material change to a development programme or scheme, for example when there is a change in the planned use of the properties or a change in the way the properties are to be managed, or a material increase in development costs as a result of contamination, change in government policy, or a change in demand for a property that is considered irreversible.

Disposals of housing properties

Where properties built for sale are disposed of during the year the disposal proceeds are included in turnover and the attributable costs included in cost of sales. Where properties previously rented out to customers are disposed of, the surplus on disposal is included in operating surplus.

Where a component is replaced or restored, the old component is written off to the Statement of Comprehensive Income, to avoid double counting, and the new component is capitalised. Charges arising from the early replacement of a component are reflected as part of the overall depreciation charge.

Social Housing Grant (SHG) relating to a disposed property is either recycled or repaid. This includes previously amortised grant.

Properties for sale

Completed properties for outright sale and properties under construction are valued at the lower of cost and net realisable value.

Shared ownership

The costs of shared ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and on disposal the first tranche sale proceeds are shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset. Any grant attributable to shared ownership assets is wholly attributed to the element retained and held in liabilities. Subsequent tranches sold ('staircasing') are accounted for as disposals of housing properties, as noted above.

Improvements to properties

Expenditure on housing properties which is capable of generating increased future rents, or extends their useful lives, or significantly reduces future maintenance costs, is capitalised.

Subsidiaries

The consolidated financial statements include the financial statements of the Association and its subsidiary undertakings made up to 31 March 2020. A subsidiary is an entity that is controlled by the parent (the Association). The results of subsidiary undertakings are included in the consolidated Statement of Comprehensive Income from the date that control commences until the date that control ceases. Control is established when the Association has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Joint ventures and associates

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. Associates are all entities over which the Group has significant influence but not control. Investments in joint ventures and associates are accounted for by the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss after the date of acquisition. If the Group's share of losses exceeds the carrying amount of its investment, the Group discontinues recognising its share of further losses. Additional losses are recognised as a provision only to the extent that the Group has a legal or constructive obligation to make payments on behalf of the joint venture or associates. The Group only resumes recognising its share of profits after they equal the share of losses not recognised. Loans to joint ventures and associates are included in fixed asset investments as they are intended to be held on a long term basis.

Other investments

Other fixed asset and current asset investments are stated at market value.

Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Index-linked loans

Index-linked loans are shown at the amount borrowed net of any principal repayments plus indexation less issue costs. Indexation represents the amount of uplift of the borrowing by reference to movements in the retail prices index and is charged to the Statement of Comprehensive Income annually.

Loan issue costs

Issue costs of long term loan finance are deducted from the proceeds of the loan and accordingly reduce the amount at which the loan is initially recorded and are charged to the Statement of Comprehensive Income at a constant rate on the carrying amount over the term of the loan. Redemption costs are charged when incurred.

Leaseholders' building funds

Charges which are made to leaseholders for future major repairs are held in designated interest-bearing bank accounts with a corresponding creditor disclosed on the Statement of Financial Position under creditors due within one year.

Supported housing managed by agencies

Social Housing Grant and revenue grant claimed by the Group as owner of its supported housing schemes and the related expenditure are included in the Statement of Financial Position and Statement of Comprehensive Income of the Group. The treatment of other income and expenditure in respect of these schemes depends on whether the Group carries the financial risk. Where the Group carries the financial risk, all the scheme's income and expenditure is included in the Statement of Comprehensive Income within Note 2 to the financial statements. Where an agency carries the financial risk, the Statement of Comprehensive Income includes only that income and expenditure which relates solely to the Group. Other income and expenditure of schemes in this category is excluded from the Statement of Comprehensive Income.

Pension costs

The Group operates three main defined benefit pension schemes. The operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets and any other changes in the fair value of the assets and liabilities are recognised in the accounting periods in which they arise. The operating costs, finance costs and expected return on assets, and any other changes in the fair value of assets and liabilities are recognised in the Statement of Comprehensive Income.

In addition to the three defined benefit schemes above, the Group participates in a number of other multi-employer defined benefit schemes where it is not possible to identify the share of the underlying assets and liabilities belonging to individual participating employers. These pension schemes are accounted for as defined contribution schemes in line with SORP 2018 and FRS 102, with agreed deficit contributions being recognised as a liability in the Statement of Financial Position.

The Group also operates a defined contribution scheme. The contributions paid into this scheme are charged to the Statement of Comprehensive Income as incurred.

Taxation

The tax expense for the period comprises current and deferred tax. Current tax is recognised for the amount of income tax payable in respect of the taxable surplus for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the reporting date.

Timing differences are differences between the Group's taxable surpluses and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable, and therefore recognised, only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable surpluses from which the future reversal of the underlying timing differences can be deducted. Deferred tax balances are not discounted.

Value Added Tax (VAT)

The Group is partially exempt from VAT. A small proportion of VAT is reclaimed but because of the small amounts involved, expenditure is shown gross and the VAT recovered is included in sundry income.

Homebuy

The Group operated this scheme by lending a percentage of the cost to home purchasers, secured on the property. The loans are interest free and repayable only on the sale of the property. On a sale, the fixed percentage of the proceeds is repaid. The loans are financed by an equal amount of Social Housing Grant (SHG). On redemption:

- The SHG is recycled,
- The SHG is written off, if a loss occurs,
- The Group keeps any surplus.

Homebuy loans are treated as concessionary loans and are initially recognised at the amount paid to the purchaser and reviewed annually for impairment. The associated Homebuy grant from Homes England is recognised as deferred income until the loan is redeemed.

Holiday pay accrual

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

Financial instruments

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

Restricted reserves

Services within Home Group's supported services are empowered to raise funds at a local level for the future benefit of that service. Funds collected and relevant expenditure incurred are recorded in the Statement of Comprehensive Income in the period with net movement transferred between the income and expenditure reserve and the restricted reserve at the end of each year.

Significant estimates and judgements

Preparation of the financial statements requires management to make significant judgements and estimates. The judgements and estimates which have the most significant impact on amounts recognised in the financial statements are set out below.

Significant management judgements

Carrying value of housing properties and stock

Judgement is exercised in determining the carrying value of housing properties and stock in line with the accounting policies set out on page 38.

The Group has conducted a review of the financial performance and future prospects of its full portfolio of existing rented housing properties to assess whether there has been a trigger event for an impairment review. Indicators of impairment used as part of the review were: a fall in market values, a significant change in our operating environment, change in market interest rates, the strength of our balance sheet, evidence of obsolescence in our stock, a change in how we use our stock, or a deterioration in asset performance. Specifically we have considered whether properties are planned to be sold, demolished or earmarked for regeneration, whether they require major works or whether they have been void for an extended period of time. Impairment charges identified and included in the Statement of Comprehensive Income are set out in Note 10 to the financial statements.

Investment in joint ventures and associates

For loans to joint ventures and associates, the Group has reviewed future projections for joint ventures to assess the likely recoverability of loans at the balance sheet date.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expense is provided below. The estimates used relate to the current year and are not expected to impact the next financial year: they will be re-evaluated at the next reporting date.

Impairment testing

Where indicators of impairment have been identified we have tested the carrying values of both our housing properties and our development work in progress. In doing so we make a number of estimates. For the purpose of our review we consider each individual completed home and each development scheme an individual cash generating unit (CGU).

When considering housing properties we compare our carrying values against the sector standard valuation of Existing Use Value for Social Housing (EUV-SH). This is the value at which we would expect to transfer properties to another registered provider. Where the carrying value of identified properties is higher than EUV-SH, the properties have been impaired by the difference and the cost has been taken to the Statement of Comprehensive Income. It is a standard valuation method and as such is not considered to cause significant uncertainty.

For stock, a scheme under development is impaired if its carrying value is higher than its selling price less costs to sell and complete. We calculate selling price less costs to sell for each scheme by taking into account costs incurred to date, estimated costs to complete, future grant receipts and any anticipated sales proceeds from property developed for sale.

Where carrying value exceeds selling price less costs to sell an impairment provision is created and the cost is taken to the Statement of Comprehensive Income. Management is required to exercise significant judgement in estimating the outcome of a development and therefore in assessing whether, and to what extent, impairment provisions are required. The two key estimations are future costs and sales values.

As part of our development appraisal process we subject these estimations to sensitivity analysis, and have summarised the impact below:

Uncertainty	Impact
Future costs	For our active developments we have considered a number of cost increase scenarios. A 3% increase in costs across all active sites would lead to a £0.5m impairment; a 5% increase would mean a £1.3m impairment; and a 10% increase a £4m impairment. The majority of our contracts, however, are fixed price and we would not expect significant deviations from agreed terms.
Sales values	In the event of a significant property market event we have considered the impact of a 15% reduction in sales prices. In this scenario we would expect to record an impairment of approximately £10m.

The carrying value of housing property and stock has been considered in the context of COVID-19. For housing properties the pandemic may be considered a trigger for existing impairment indicators and we have revaluated our assessment and concluded that no new triggers have been activated. In relation to stock, we have continued to work closely with our contractors and are not aware of any significant COVID-19 cost increases likely to be borne. Further, although our sales activity has been suppressed since the beginning of the pandemic we have not seen a significant reduction in the value of properties that we have sold.

Defined benefit pension liabilities

The cost of defined benefit pension scheme benefits and the liability for benefits at the balance sheet date are determined using actuarial valuations. The actuarial valuation is based upon assumptions including discount rates, inflation, future salary increases and future pension increases. The valuation also reflects assumptions about future mortality rates. Variation in these assumptions may significantly impact the cost of defined benefit pension scheme benefits and the liability for benefit accrued at the balance sheet date. The overall net liability across all defined benefit pension schemes as at 31 March 2020 was £29.2 million. Key areas of estimation uncertainty are the discount rate applied in the calculations, the inflation rate used, and the average life expectancy. These are considered below:

Uncertainty	Impact
Discount rate	A 0.25% change in the discount rate would change defined benefit scheme obligations by around 4%
Inflation rate	A 0.25% change in inflation linked assumptions would change the obligation by around 4%
Life expectancy	An increase in average life expectancy by one year would also increase liabilities by 4%

2a. Turnover, cost of sales, operating expenditure and operating surplus / (deficit)

GROUP – YEAR ENDED 31 MARCH 2020	Note	Turnover	Cost of sales	Operating expenditure	**Operating surplus/ (deficit)**
		£000	£000	£000	**£000**
Income and expenditure from social housing lettings	2b	273,617	-	(209,041)	**64,576**
Other social housing activities					
Charges for support services		21,644	-	(19,874)	**1,770**
Shared ownership first tranche sales		46,000	(39,128)	(5,211)	**1,661**
Community investment		194	-	(1,720)	**(1,526)**
Development and marketing		56	(12)	(11,214)	**(11,170)**
Surplus on sale of social housing properties	3	-	-	-	**8,343**
Impairment of properties held for sale		-	-	(448)	**(448)**
Housing partnership		5,110	-	(2,168)	**2,942**
Other		2,189	-	(3,363)	**(1,174)**
		75,193	(39,140)	(43,998)	**398**
Non-social housing activities					
Lettings – mid-market renting		3,725	-	(1,715)	**2,010**
Properties developed for outright sale		49,677	(40,224)	(2,796)	**6,657**
Surplus on sale of non-social housing properties	3	-	-	-	**7,108**
Other		3,884	-	(4,355)	**(471)**
		57,286	(40,224)	(8,866)	**15,304**
Total		**406,096**	**(79,364)**	**(261,905)**	**80,278**

GROUP – YEAR ENDED 31 MARCH 2019	Note	Turnover	Cost of sales	Operating expenditure	Operating surplus/ (deficit)
		£000	£000	£000	£000
Income and expenditure from social housing lettings	2b	270,809	-	(200,988)	**69,821**
Other social housing activities					
Charges for support services		24,441	-	(23,090)	**1,351**
Shared ownership first tranche sales		20,245	(13,700)	(3,384)	**3,161**
Community investment		-	-	(1,179)	**(1,179)**
Development and marketing		-	-	(5,073)	**(5,073)**
Surplus on sale of social housing properties	3	-	-	-	**5,930**
Housing partnership		4,243	-	(2,576)	**1,667**
Other		4,520	-	(2,532)	**1,988**
		53,449	(13,700)	(37,834)	**7,845**
Non-social housing activities					
Lettings – mid-market renting		4,032	-	(2,812)	**1,220**
Properties developed for outright sale		33,266	(24,340)	(2,432)	**6,494**
Other		5,761	-	(4,893)	**868**
		43,059	(24,340)	(10,137)	**8,582**
Total		**367,317**	**(38,040)**	**(248,959)**	**86,248**

There are no individually material amounts in Other.

2a. Turnover, cost of sales, operating expenditure and operating surplus / (deficit) (continued)

HOME GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS

ASSOCIATION – YEAR ENDED 31 MARCH 2020	Note	Turnover	Cost of sales	Operating expenditure	**Operating surplus/ (deficit)**
		£000	£000	£000	**£000**
Income and expenditure from social housing lettings	2b	257,067	-	(199,634)	**57,433**
Other social housing activities					
Charges for support services		21,416	-	(19,873)	**1,543**
Shared ownership first tranche sales		43,768	(36,897)	(5,211)	**1,660**
Community investment		194	-	(1,627)	**(1,433)**
Development and marketing		-	-	(9,840)	**(9,840)**
Surplus on sale of social housing properties	3	-	-	-	**8,226**
Impairment of properties held for sale		-	-	(414)	**(414)**
Housing partnership		5,110	-	(2,168)	**2,942**
Other		2,960	-	(3,359)	**(399)**
		73,448	(36,897)	(42,492)	**2,285**
Non-social housing activities					
Lettings – mid-market renting		507	-	(312)	**195**
Properties developed for outright sale		14,015	(12,385)	(1,668)	**(38)**
Surplus on sale of social housing properties	3	-	-	-	**7,108**
Other		4,302	-	(4,267)	**35**
		18,824	(12,385)	(6,247)	**7,300**
Total		**349,339**	**(49,282)**	**(248,373)**	**67,018**

ASSOCIATION – YEAR ENDED 31 MARCH 2019	Note	Turnover	Cost of sales	Operating expenditure	Operating surplus/ (deficit)
		£000	£000	£000	£000
Income and expenditure from social housing lettings	2b	255,113	-	(191,996)	**63,117**
Other social housing activities					
Charges for support services		24,422	-	(23,091)	**1,331**
Shared ownership first tranche sales		17,747	(11,339)	(3,297)	**3,111**
Community investment		-	-	(1,166)	**(1,166)**
Development and marketing		-	-	(4,146)	**(4,146)**
Surplus on sale of social housing properties	3	-	-	-	**5,830**
Housing partnership		4,243	-	(2,576)	**1,667**
Other		4,893	-	(2,529)	**2,364**
		51,305	(11,339)	(36,805)	**8,991**
Non-social housing activities					
Lettings – mid-market renting		497	-	(270)	**227**
Properties developed for outright sale		1,253	(1,156)	(22)	**75**
Other		6,987	-	(4,779)	**2,208**
		8,737	(1,156)	(5,071)	**2,510**
Total		**315,155**	**(12,495)**	**(233,872)**	**74,618**

There are no individually material amounts in Other.

2b. Income and expenditure from social housing lettings

GROUP

	Housing accommodation	Supported housing and housing for older people	Shared ownership	**2020** **Total**	2019 Total
	£000	£000	£000	**£000**	£000
Income					
Rent receivable net of identifiable service charges	199,529	16,142	7,336	**223,007**	220,944
Service charges income	7,625	24,049	735	**32,409**	33,504
Net rents receivable	207,154	40,191	8,071	**255,416**	254,448
Amortised government grants	6,038	1,954	363	**8,355**	8,191
Revenue grants from local authorities and other agencies	4	9,842	-	**9,846**	8,170
Total income from social housing lettings	213,196	51,987	8,434	**273,617**	270,809
Expenditure					
Service charge costs	7,745	21,894	1,281	**30,920**	31,453
Management	43,030	14,212	2,157	**59,399**	63,628
Routine maintenance	39,121	3,888	51	**43,060**	40,275
Planned maintenance	16,272	984	36	**17,292**	16,285
Major repairs expenditure	6,091	390	7	**6,488**	5,460
Rent losses from bad debts	3,555	681	-	**4,236**	4,441
Property lease charges	603	1,995	23	**2,621**	2,714
Depreciation of housing properties	35,204	3,697	1,019	**39,920**	37,806
Impairment of housing properties	1,942	235	1,011	**3,188**	(2,319)
Other costs	1,418	458	41	**1,917**	1,245
Total expenditure on social housing lettings	154,981	48,434	5,626	**209,041**	200,988
Operating surplus on social housing letting activities	58,215	3,553	2,808	**64,576**	69,821
Rent losses from voids	3,740	3,946	11	**7,697**	7,696

2b. Income and expenditure from social housing lettings (continued)

ASSOCIATION

	Housing accommodation	Supported housing and housing for older people	Shared ownership	**2020** **Total**	2019 Total
	£000	£000	£000	**£000**	£000
Income					
Rent receivable net of identifiable service charges	182,666	16,106	7,264	**206,036**	204,985
Service charges income	6,820	24,039	734	**31,593**	32,737
Net rents receivable	189,486	40,145	7,998	**237,629**	237,722
Amortised government grants	7,283	1,954	356	**9,593**	9,392
Revenue grants from local authorities and other agencies	3	9,842	-	**9,845**	7,999
Total income from social housing lettings	196,772	51,941	8,354	**257,067**	255,113
Expenditure					
Service charge costs	6,899	21,882	1,275	**30,056**	30,578
Management	41,608	14,210	2,152	**57,970**	61,908
Routine maintenance	36,261	3,880	51	**40,192**	37,352
Planned maintenance	14,952	983	35	**15,970**	15,025
Major repairs expenditure	5,921	389	7	**6,317**	5,413
Rent losses from bad debts	3,185	677	-	**3,862**	4,114
Property lease charges	559	1,977	23	**2,559**	2,655
Depreciation of housing properties	33,291	3,697	1,011	**37,999**	36,025
Impairment of housing properties	1,625	235	960	**2,820**	(2,230)
Other costs	1,390	458	41	**1,889**	1,156
Total expenditure on social housing lettings	145,691	48,388	5,555	**199,634**	191,996
Operating surplus on social housing letting activities	51,081	3,553	2,799	**57,433**	63,117
Rent losses from voids	3,597	3,943	11	**7,551**	7,518

3. Surplus on disposal of properties

	GROUP		ASSOCIATION	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Social housing properties				
Sales proceeds	**17,321**	18,516	**16,917**	17,985
Cost of sales	**(4,030)**	(8,044)	**(3,743)**	(7,613)
Capital grant recycled	**(4,948)**	(4,542)	**(4,948)**	(4,542)
	8,343	5,930	**8,226**	5,830
Non-social properties				
Sales proceeds	**15,999**	-	**15,999**	-
Cost of sales	**(8,891)**	-	**(8,891)**	-
	7,108	-	**7,108**	-
Total	**15,451**	5,930	**15,334**	5,830

4. Housing stock

GROUP	At 1 April 2019	New units developed or acquired	Units sold or demolished	Other movements	At 31 March 2020
General needs – social					
Owned and managed	34,403	238	(153)	31	34,519
Owned but not managed	8	-	-	8	16
Managed but not owned	32	-	-	5	37
General needs – affordable					
Owned and managed	6,775	340	(5)	(27)	7,083
Owned but not managed	1	-	-	(1)	-
Total general needs units	**41,219**	**578**	**(158)**	**16**	**41,655**
Housing for older people – social					
Owned and managed	1,697	-	-	(121)	1,576
Housing for older people – affordable					
Owned and managed	7	-	-	-	7
Total housing for older people units	**1,704**	**-**	**-**	**(121)**	**1,583**
Supported housing – social					
Owned and managed	3,447	55	(211)	80	3,371
Owned but not managed	733	-	(11)	1	723
Managed but not owned	266	3	(89)	-	180
Supported housing – affordable					
Owned and managed	5	-	-	23	28
Total supported housing units	**4,451**	**58**	**(311)**	**104**	**4,302**
Low cost home ownership					
Owned and managed	2,160	596	(85)	170	2,841
Managed but not owned	45	-	(2)	-	43
Total low cost home ownership units	**2,205**	**596**	**(87)**	**170**	**2,884**
Care homes – bed spaces					
Owned and managed	155	-	(1)	1	155
Owned but not managed	95	-	(1)	-	94
Managed but not owned	5	-	-	-	5
Total care home units	**255**	**-**	**(2)**	**1**	**254**
Total social housing					
Owned and managed	48,649	1,229	(455)	157	49,580
Owned but not managed	837	-	(12)	8	833
Managed but not owned	348	3	(91)	5	265
Total social housing	**49,834**	**1,232**	**(558)**	**170**	**50,678**
Leasehold units	5,007	57	(54)	(1,117)	3,893
Market and mid-market rent units	583	-	(88)	(6)	489
Total non-social housing	**5,590**	**57**	**(142)**	**(1,123)**	**4,382**
Total social and non-social housing	**55,424**	**1,289**	**(700)**	**(953)**	**55,060**

The significant 'other' movement within leasehold units follows a review of unit classification during the year. A number of units were identified where Home Group provides services, however does not have a legal interest in the property, therefore these units are no longer included under the leasehold category.

4. Housing stock (continued)

ASSOCIATION	At 1 April 2019	New units developed or acquired	Units sold or demolished	Other movements	At 31 March 2020
General needs – social					
Owned and managed	30,774	95	(134)	(91)	30,644
Owned but not managed	8	-	-	8	16
Managed but not owned	20	-	-	5	25
General needs – affordable					
Owned and managed	6,775	286	(5)	(27)	7,029
Owned but not managed	1	-	-	(1)	-
Total general needs units	**37,578**	**381**	**(139)**	**(106)**	**37,714**
Housing for older people – social					
Owned and managed	1,575	-	-	1	1,576
Housing for older people – affordable					
Owned and managed	7	-	-	-	7
Total housing for older people units	**1,582**	**-**	**-**	**1**	**1,583**
Supported housing – social					
Owned and managed	3,447	55	(211)	80	3,371
Owned but not managed	733	-	(11)	1	723
Managed but not owned	266	3	(89)	-	180
Supported housing – affordable					
Owned and managed	5	-	-	23	28
Total supported housing units	**4,451**	**58**	**(311)**	**104**	**4,302**
Low cost home ownership					
Owned and managed	2,158	596	(85)	170	2,839
Owned but not managed	2	-	-	-	2
Total low cost home ownership units	**2,160**	**596**	**(85)**	**170**	**2,841**
Care homes – bed spaces					
Owned and managed	155	-	(1)	1	155
Owned but not managed	95	-	(1)	-	94
Managed but not owned	5	-	-	-	5
Total care home units	**255**	**-**	**(2)**	**1**	**254**
Total social housing					
Owned and managed	44,896	1,032	(436)	157	45,649
Owned but not managed	839	-	(12)	8	835
Managed but not owned	291	3	(89)	5	210
Total social housing	**46,026**	**1,035**	**(537)**	**170**	**46,694**
Leasehold units	5,007	57	(54)	(1,117)	3,893
Market and mid-market rent units	260	-	(85)	(6)	169
Total non-social housing	**5,267**	**57**	**(139)**	**(1,123)**	**4,062**
Total social and non-social housing	**51,293**	**1,092**	**(676)**	**(953)**	**50,756**

The significant 'other' movement within leasehold units follows a review of unit classification during the year. A number of units were identified where Home Group provides services, however does not have a legal interest in the property, therefore these units are no longer included under the leasehold category.

5. Emoluments of the Board, directors and senior colleagues

Analysis of non-executive Board members' emoluments

Analysis of non-executive Board members' emoluments	2020 £000	2019 £000
C E R Bassett (until 18 July 2019)	**3**	10
R Bradley	**12**	11
J Cridland (appointed 19 July 2018)	**23**	16
K Gillespie	**11**	10
M Macfarlane (until 31 May 2018)	**-**	1
M Madden (appointed 28 August 2018)	**12**	7
B Mehta	**12**	11
L A Morphy	**12**	11
N W Salisbury	**16**	14
B Walsh (appointed 9 September 2019)	**2**	-
	103	91

During the year there were no benefits, other than wages and salaries, payable to non-executive board members.

Details of the emoluments of the executive board members are provided within the Analysis of Directors' Emoluments below.

Analysis of directors' emoluments (key management personnel)

The following disclosure relates to colleagues who are directors (key management personnel) as defined in the Accounting Direction for Private Registered Providers of Social Housing 2019.

	2020 £000	2019 £000
Emoluments paid to the directors:		
Emoluments (including pension contributions and benefits in kind)	**1,179**	1,145
Highest paid director:		
Emoluments (excluding pension contributions)	**246**	235

	Remuneration £000	Benefits £000	Pension contributions £000	2020 Total £000	2019 Total £000
R M Byrne	185	6	16	**207**	193
J Cook (from 1 July 2019)	127	8	6	**141**	-
R Du Rose (until 3 December 2018)	-	-	-	**-**	137
M Forrest	181	7	11	**199**	191
B A Ham (until 30 June 2019)	38	1	5	**44**	179
M G Henderson	238	8	15	**261**	250
J Hudson	192	9	14	**215**	195
N Hussain (from 22 July 2019)	102	8	2	**112**	-
Total	1,063	47	69	**1,179**	1,145

Remuneration represents payments receivable for employment in the period and includes salary and an estimate of performance related bonus, which will be considered after the financial statements are signed.

The members of the Executive, who were in post at the year end, excluding the Chief Executive, are ordinary members of the defined contribution section of the Home Group pension scheme (Note 24). No enhanced or special terms apply. From 1 April 2016 the Chief Executive received a monthly payment in lieu of the pension contributions to which he would otherwise be entitled as an ordinary member of the scheme. This is disclosed within the pension contributions above.

5. Emoluments of the Board, directors and senior colleagues (continued)

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The full time equivalent number of colleagues (including directors) whose remuneration payable in the year (including compensation for loss of office, performance-related bonus, expense allowances and pension contributions) fell above £60,000 was:

	2020 Number	2019 Number
£60,000 - £70,000	**49**	40
£70,001 - £80,000	**29**	27
£80,001 - £90,000	**21**	18
£90,001 - £100,000	**10**	5
£100,001 - £110,000	**8**	5
£110,001 - £120,000	**8**	4
£120,001 - £130,000	**2**	4
£130,001 - £140,000	**1**	1
£140,001 - £150,000	**2**	-
£150,001 - £160,000	**-**	1
£180,001 - £190,000	**-**	2
£190,001 - £200,000	**1**	2
£200,001 - £210,000	**1**	-
£210,001 - £220,000	**1**	-
£240,001 - £250,000	**-**	1
£260,001 - £270,000	**1**	-

6. Employee information

The average number of persons (including directors) employed during the year (expressed as full time equivalents based on 35-37.5 hours) was:

	GROUP		ASSOCIATION	
	2020 Number	2019 Number	2020 Number	2019 Number
Office colleagues	**1,447**	1,392	**1,395**	1,353
Wardens, caretakers, care workers and cleaners	**973**	1,018	**973**	1,018
Maintenance	**16**	16	**16**	16
	2,436	2,426	**2,384**	2,387

	GROUP		ASSOCIATION	
	2020	2019	2020	2019
Employee costs (for the above persons):	**£000**	£000	**£000**	£000
Wages and salaries	**70,355**	68,445	**68,573**	66,915
Social security costs	**6,758**	6,563	**6,570**	6,403
Other pension costs	**4,450**	3,350	**4,338**	3,231
	81,563	78,358	**79,481**	76,549

7. Interest receivable

	GROUP		ASSOCIATION	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Interest receivable from other Group companies	**-**	-	**754**	631
Interest receivable from bank and building society deposits	**165**	125	**158**	121
Other interest receivable	**3,131**	2,457	**79**	159
	3,296	2,582	**991**	911

8. Interest payable and financing costs

	GROUP		ASSOCIATION	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Interest payable to other Group companies	**-**	-	**1**	4
On bank loans and overdrafts	**15,600**	16,824	**14,562**	15,762
On other loans	**33,044**	31,158	**31,776**	29,908
Other financing costs on defined benefit pension schemes	**893**	967	**893**	967
	49,537	48,949	**47,232**	46,641
Less: Interest capitalised on housing property development	**(6,233)**	(4,786)	**(5,966)**	(4,585)
	43,304	44,163	**41,266**	42,056
Average rate applicable to capitalised interest	**2.6%**	2.7%	**2.6%**	2.7%

Included within interest payable and financing costs are amounts for indexation and deferred interest totalling £5,595,738 (2019: £9,878,859).

9. Gift aid receipt

	GROUP		ASSOCIATION	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Gift Aid receipt	**-**	-	**-**	4,400

During the year ending 31 March 2019 the Association received a Gift Aid payment from NHL. The receipt has been included in a separate heading in the Statement of Comprehensive Income.

10. Surplus on ordinary activities before taxation

	GROUP		ASSOCIATION	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Surplus on ordinary activities before taxation is stated after charging / (crediting):				
Depreciation:				
- Housing properties	**40,176**	38,593	**38,024**	36,319
- Other fixed assets	**4,467**	4,716	**4,466**	4,716
Amortisation of intangible assets	**5,127**	4,451	**5,127**	4,451
Impairment / (Reversal of impairment):				
- Housing properties	**3,179**	(2,320)	**2,812**	(2,231)
- Other fixed assets	**1,753**	-	**1,753**	-
- Properties held for sale	**448**	-	**414**	-
Grant amortisation	**(8,953)**	(8,436)	**(10,062)**	(9,558)
External auditor's remuneration for audit services	**180**	108	**129**	85
External auditor's remuneration for non-audit services:				
- Other assurance services	**46**	37	**46**	37
- Other services	**-**	75	**-**	75
Operating lease rentals	**4,371**	5,443	**4,285**	5,208

11. Taxation

	GROUP		ASSOCIATION	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Current tax				
UK corporation tax	**1,817**	3,132	**2**	1,279
Adjustments in respect of prior years' UK corporation tax	**(1,091)**	(889)	**(1,262)**	-
Total current tax	**726**	2,243	**(1,260)**	1,279
Deferred tax				
Current period	**-**	-	**-**	-
Prior year adjustment	**-**	-	**-**	-
Total deferred tax	**-**	-	**-**	-
Tax on surplus on ordinary activities	**726**	2,243	**(1,260)**	1,279

The Group and Association's current tax charges for the period are lower (2019: lower) than the standard rate of corporation tax in the UK (19%). The differences are explained below:

	GROUP		ASSOCIATION	
	2020	2019	**2020**	2019
Total tax reconciliation	**£000**	£000	**£000**	£000
Surplus on ordinary activities before taxation	**41,968**	46,971	**26,743**	37,873
Current UK Corporation tax on above at 19% (2019: 19%)	**7,974**	8,945	**5,081**	7,196
Effects of:				
Expenses not deductible for tax purposes	**6**	100	**-**	-
Consolidation adjustment not deductible	**231**	122	**-**	-
Surplus exempt from tax due to charitable exemptions	**(6,394)**	(6,204)	**(5,079)**	(5,917)
Unrecognised deferred tax movement	**1**	169	**-**	-
Adjustments to tax charge in respect of previous periods	**(1,091)**	(889)	**(1,262)**	-
Other temporary differences	**(1)**	-	**-**	-
Total tax charge	**726**	2,243	**(1,260)**	1,279

The UK corporation tax was previously due to fall to 17% (effective from 1 April 2020), but this decision was reversed and the 19% corporation tax rate was substantively enacted on 17 March 2020.

12. Housing properties

GROUP	Completed housing properties £000	Housing properties under construction £000	Completed shared ownership housing properties £000	Shared ownership housing properties under construction £000	Total £000
Cost					
At 1 April 2019	2,463,018	125,203	190,053	59,131	2,837,405
Additions	1,118	99,919	-	33,928	134,965
Capitalised interest	-	2,720	-	2,086	4,806
Capitalised works	22,838	-	-	-	22,838
Transfer to completed schemes	66,146	(66,146)	51,182	(51,182)	-
Disposals	(22,095)	-	(2,662)	-	(24,757)
At 31 March 2020	**2,531,025**	**161,696**	**238,573**	**43,963**	**2,975,257**
Depreciation					
At 1 April 2019	442,913	2,394	7,323	445	453,075
Charge for year	38,501	-	1,675	-	40,176
Impairment	975	1,193	149	862	3,179
Eliminated in respect of disposals	(10,801)	-	(161)	-	(10,962)
At 31 March 2020	**471,588**	**3,587**	**8,986**	**1,307**	**485,468**
Net book value at 31 March 2020	**2,059,437**	**158,109**	**229,587**	**42,656**	**2,489,789**
Net book value at 31 March 2019	2,020,105	122,809	182,730	58,686	2,384,330

Total accumulated impairment at 31 March 2020 is £11,790,757 (2019: £8,611,336).

	2020	2019
	£000	£000
Completed housing properties, at net book value, comprise:		
Freeholds	**2,146,904**	2,127,880
Long leaseholds	**137,715**	72,908
Short leaseholds	**4,405**	2,047
	2,289,024	2,202,835
Works to existing properties in the year:		
Components capitalised	**22,838**	17,403
Amounts charged to expenditure in respect of major and planned repairs	**23,780**	21,745
	46,618	39,148

12. Housing properties (continued)

ASSOCIATION

	Completed housing properties £000	Housing properties under construction £000	Completed shared ownership housing properties £000	Shared ownership housing properties under construction £000	Total £000
Cost					
At 1 April 2019	2,336,045	94,516	190,613	59,519	2,680,693
Additions	1,118	78,319	-	33,928	113,365
Capitalised interest	-	2,453	-	2,086	4,539
Capitalised works	21,267	-	-	-	21,267
Transfer to completed schemes	52,336	(52,336)	51,182	(51,182)	-
Disposals	(20,398)	-	(2,662)	-	(23,060)
At 31 March 2020	**2,390,368**	**122,952**	**239,133**	**44,351**	**2,796,804**
Depreciation					
At 1 April 2019	433,679	2,394	7,225	445	443,743
Charge for year	36,357	-	1,667	-	38,024
Impairment	993	859	149	811	2,812
Eliminated in respect of disposals	(9,386)	-	(161)	-	(9,547)
At 31 March 2020	**461,643**	**3,253**	**8,880**	**1,256**	**475,032**
Net book value at 31 March 2020	**1,928,725**	**119,699**	**230,253**	**43,095**	**2,321,772**
Net book value at 31 March 2019	1,902,366	92,122	183,388	59,074	2,236,950

Total accumulated impairment at 31 March 2020 is £11,215,265 (2019: £8,403,090).

	2020 £000	2019 £000
Completed housing properties, at net book value, comprise:		
Freeholds	**2,011,361**	2,005,192
Long leaseholds	**143,212**	78,515
Short leaseholds	**4,405**	2,047
	2,158,978	2,085,754
Works to existing properties in the year:		
Components capitalised	**21,267**	16,097
Amounts charged to expenditure in respect of major and planned repairs	**22,287**	20,438
	43,554	36,535

13. Other fixed assets

	Freehold and long leasehold office accommodation £000	Improvements to short leasehold office accommodation £000	Plant, machinery fixtures and vehicles £000	Computer equipment and leased equipment £000	Total £000
GROUP					
Cost					
At 1 April 2019	13,301	5,182	2,473	54,178	75,134
Additions	197	170	139	2,044	2,550
Disposals	(9)	(888)	(180)	(28)	(1,105)
Transfers	(472)	472	-	-	-
At 31 March 2020	**13,017**	**4,936**	**2,432**	**56,194**	**76,579**
Depreciation					
At 1 April 2019	3,775	2,876	1,209	45,132	52,992
Charge for year	512	847	263	2,845	4,467
Impairment	1,753	-	-	-	1,753
Eliminated in respect of disposals	(5)	(719)	(88)	(26)	(838)
Transfers	(90)	90	-	-	-
At 31 March 2020	**5,945**	**3,094**	**1,384**	**47,951**	**58,374**
Net book value at 31 March 2020	**7,072**	**1,842**	**1,048**	**8,243**	**18,205**
Net book value at 31 March 2019	9,526	2,306	1,264	9,046	22,142
ASSOCIATION					
Cost					
At 1 April 2019	13,301	5,182	2,383	54,176	75,042
Additions	197	170	139	2,044	2,550
Disposals	(9)	(888)	(177)	(28)	(1,102)
Transfers	(472)	472	-	-	-
At 31 March 2020	**13,017**	**4,936**	**2,345**	**56,192**	**76,490**
Depreciation					
At 1 April 2019	3,775	2,876	1,120	45,131	52,902
Charge for year	512	847	263	2,844	4,466
Impairment	1,753	-	-	-	1,753
Eliminated in respect of disposals	(5)	(719)	(86)	(26)	(836)
Transfers	(90)	90	-	-	-
At 31 March 2020	**5,945**	**3,094**	**1,297**	**47,949**	**58,285**
Net book value at 31 March 2020	**7,072**	**1,842**	**1,048**	**8,243**	**18,205**
Net book value at 31 March 2019	9,526	2,306	1,263	9,045	22,140

Other fixed assets held for sale (£5,809,000) are shown in current assets in the Statement of Financial Position. This relates to spend on land and activities for our planned new headquarters in Newcastle city centre. We are currently in discussions with a developer to agree a sale and leaseback arrangement which is why this is shown in current assets; this sale is likely to take place in the coming months before development begins on site.

14. Intangible fixed assets

GROUP AND ASSOCIATION

	Software £000
Cost	
At 1 April 2019	27,812
Additions	3,748
Disposals	(73)
At 31 March 2020	**31,487**
Depreciation	
At 1 April 2019	9,388
Charge for year	5,127
Eliminated in respect of disposals	(48)
At 31 March 2020	**14,467**
Net book value at 31 March 2020	**17,020**
Net book value at 31 March 2019	18,424

15. Fixed asset investments

	GROUP		ASSOCIATION	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Shares in Group undertakings				
At 1 April	**-**	-	**104,701**	74,701
Issued in the year	**-**	-	**10,000**	30,000
At 31 March	**-**	-	**114,701**	104,701
Loans to Group undertakings				
At 1 April	**-**	-	**17,833**	31,120
Additions	**-**	-	**22,961**	29,620
Repayments	**-**	-	**(20,699)**	(42,907)
At 31 March	**-**	-	**20,095**	17,833
Interests in joint ventures				
At 1 April	**4,891**	4,574	**-**	-
Share of results	**1,529**	3,266	**-**	-
Distributions received	**(184)**	(2,949)	**-**	-
At 31 March	**6,236**	4,891	**-**	-
Interest in associates				
At 1 April	**-**	962	**-**	-
Share of results	**170**	(962)	**-**	-
At 31 March	**170**	-	**-**	-

15. Fixed asset investments (continued)

	GROUP		ASSOCIATION	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Loans to joint ventures				
At 1 April	**48,516**	43,005	**-**	-
Additions	**28,860**	18,677	**-**	-
Repayments	**(13,905)**	(13,166)	**-**	-
At 31 March	**63,471**	48,516	**-**	-
Loans to associates				
At 1 April	**12,850**	10,813	**-**	-
Additions	**2,757**	2,437	**-**	-
Repayments	**(450)**	(400)	**-**	-
At 31 March	**15,157**	12,850	**-**	-
Other investments				
At 1 April	**10,027**	9,814	**7,547**	7,586
Additions	**530**	634	**386**	373
Disposals	**(368)**	(421)	**(367)**	(412)
At 31 March	**10,189**	10,027	**7,566**	7,547
Total fixed asset investments	**95,223**	76,284	**142,362**	130,081

Amounts charged as security for loans within other investments are for Group £5,191,283 (2019: £5,042,291) and for Association £4,727,190 (2019: £4,618,371). There are no other individually material items within other investments.

Shares in Group undertakings

At 31 March 2020 the Association controlled the following organisations, the results of each of which are consolidated in these financial statements in accordance with the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969:

Subsidiary name	Country of registration	Registered Social Landlord	Shares held by HGL	Basis of control
Home in Scotland Limited	Scotland	Yes	£1	Joint arrangement deed
Live Smart @ Home Limited	England	No	£10,701,000	100% share ownership
Home Group Developments Limited	England	No	£104,000,002	100% share ownership
North Housing Limited	England	No	£0.90	100% share ownership

The following dormant companies are also members of the Group:

Subsidiary name	Country of registration	Registered Social Landlord	Shares held by HGL	Basis of control
Home Housing Limited	England	No	£1	100% share ownership
Stonham Limited	England	No	£1	100% share ownership
Navigation Point Nominee Limited	England	No	£1	100% share ownership
North Eastern Housing Limited	England	No	£0.90	100% share ownership
Copeland Homes Limited	England	No	£1	100% share ownership
PGL (Twelve) Limited	England	No	£1	100% share ownership

Interests in joint ventures and associates

The Group, through its subsidiaries HGDL and NHL holds an interest in the following joint ventures and associates:

Joint venture name	Country of registration	Principal activity	Percentage held
Evolution Gateshead Developments LLP	England	Property development	50%
Gateshead Regeneration LLP	England	Property development	25% (held indirectly)
Evolution Newhall LLP	England	Property development	50%
Evolution (Shinfield) LLP	England	Property development	50%
Evolution (Saffron Walden) LLP	England	Property development	50%
Linden (Northstowe) LLP	England	Property development	50%
Linden (Mowbray View 2) LLP	England	Property development	50%
Linden (Manse Farm) LLP	England	Property development	50%
Associate name	**Country of registration**	**Principal activity**	**Percentage held**
Evolution Morpeth LLP	England	Property development	50%
Ptarmigan Planning 4 Limited	England	Property development	41.2%

HGDL owns a minority interest (which may vary between 33% and 49% depending on other shareholdings) in Ptarmigan Planning 4 Limited, which was established for land promotion and development activities. Ptarmigan Planning 4 Limited has three wholly owned subsidiaries; Ptarmigan Birchington Limited, Ptarmigan Thatcham Limited and Ptarmigan Berinsfield Limited. HGDL also holds a 25% shareholding (with no voting rights attached) in Ptarmigan Land Projects Limited.

The Group results include a profit from interests in joint ventures of £1,528,000 (2019: £3,266,000) and a profit from interests in associates of £170,000 (2019: £962,000 loss).

16. Properties held for sale

	GROUP		ASSOCIATION	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Shared ownership properties:				
- Completed	**20,359**	36,552	**20,359**	36,552
- Work in progress	**21,622**	29,892	**21,622**	29,892
Outright sale properties:				
- Completed	**827**	24,428	**247**	9,862
- Work in progress	**138,399**	112,206	**74,675**	60,204
	181,207	203,078	**116,903**	136,510

17. Debtors

	GROUP		ASSOCIATION	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Amounts falling due within one year:				
Rental and service charges receivable	**21,483**	20,234	**19,840**	18,974
Less: Provision for bad debts	**(9,599)**	(7,840)	**(8,750)**	(7,276)
Net rental debtors	**11,884**	12,394	**11,090**	11,698
Other grants receivable	**666**	280	**666**	280
Prepayments	**10,735**	8,963	**10,591**	8,704
Accrued income	**1,065**	790	**941**	688
Corporation tax	**512**	-	**252**	-
Other amounts due from Group undertakings	**-**	-	**6,138**	4,523
Leasehold debtors	**4,010**	2,379	**3,998**	2,364
Other debtors	**6,272**	7,834	**4,376**	5,490
	35,144	32,640	**38,052**	33,747
Loans to employees included in other debtors	**159**	134	**159**	134

Loans to employees are made in four circumstances:

- Car loans: made in accordance with the policy of providing assistance to colleagues to purchase cars where the use of a car is required by their duties. Interest is charged at a flat rate of 5%.
- Season ticket loans: the Group provides assistance to colleagues to purchase season tickets for travel to work. No interest is charged.
- Salary sacrifice arrangements: opportunity for colleagues to fund learning, a bicycle or IT equipment costs from their salary.
- Colleague support fund: colleagues can request a short term loan to help them manage their finances. No interest is charged, and it is repaid through their salary over six months.

18. Creditors: amounts falling due within one year

	GROUP		ASSOCIATION	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Housing loans from third parties	**39,359**	17,249	**16,413**	15,249
Discounted bonds	**-**	58,378	**-**	58,378
Loans from Group undertakings	**-**	-	**300**	170
Trade creditors	**20,672**	19,366	**17,078**	12,856
Social Housing Grant in advance	**71,033**	34,439	**71,033**	34,327
Deferred capital grant	**9,686**	9,008	**10,380**	9,889
Corporation tax	**-**	2,964	**-**	1,164
Other taxation and social security payable	**2,757**	1,641	**2,733**	1,641
Accruals	**33,624**	40,906	**28,053**	36,338
Deferred income	**13,704**	10,440	**13,037**	9,835
Other amounts due to Group undertakings	**-**	-	**3,086**	274
Leasehold creditors	**17,747**	16,019	**17,747**	16,019
Retentions	**7,826**	8,791	**3,700**	4,311
Other creditors	**9,539**	7,098	**3,225**	1,898
	225,947	226,299	**186,785**	202,349

Accruals have decreased mainly due to development capital accruals and interest payable accruals, and deferred income has increased due to rent prepayments. These movements are driven by the timing of payments.

19. Creditors: amounts falling due after more than one year

	GROUP		ASSOCIATION	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Housing loans from third parties	**755,419**	761,070	**692,754**	682,123
Discounted bonds	**386,377**	381,585	**386,377**	381,585
Deferred capital grant	**803,893**	780,014	**837,742**	823,516
Disposal Proceeds Fund	**759**	3,522	**759**	3,522
Recycled Capital Grant Fund	**9,569**	10,080	**9,569**	10,080
Homebuy grant	**682**	682	**682**	682
	1,956,699	1,936,953	**1,927,883**	1,901,508

20. Debt analysis

	GROUP AND ASSOCIATION	
	2020	2019
Discounted bonds	**£000**	£000
Issued:		
8.75% guaranteed loan stock 2037	**100,000**	100,000
3.125% guaranteed loan stock 2043	**250,000**	250,000
Zero coupon loan stock 2019	**-**	58,953
Zero coupon loan stock 2027	**94,450**	94,450
In issue at 31 March	**444,450**	503,403
Less: Deferred interest and issue costs:		
At 1 April	**63,440**	65,710
Discounted amount / new issue costs	**135**	7,290
Charged to Statement of Comprehensive Income	**(5,502)**	(9,560)
At 31 March	**58,073**	63,440
Net value at 31 March	**386,377**	439,963
Market value at 31 March	**483,865**	511,143

Debenture stock		
Issued:		
8.375% Debenture stock 2018	**-**	-
Less: Issue costs:		
At 1 April	**-**	15
Charged to Statement of Comprehensive Income	**-**	(15)
At 31 March	**-**	-
Net value at 31 March	**-**	-
Market value at 31 March	**-**	-

Housing loans, discounted bonds and debenture stock

A 3.125% bond was issued in March 2019 with a nominal amount of £350 million, including £100 million of retained bonds (which were confirmed and finalised in May 2020). The bond was issued at 98.01%. The discount on issuance is being amortised to the Statement of Comprehensive Income using an effective interest basis. Unamortised costs and the outstanding discount in relation to the new bond were, in total, £7.3 million and are being amortised over the remaining life of the bond.

The Group housing loans, discounted bonds and debenture stock are stated net of unamortised issue costs of £7.3 million (2019: £8.2 million). The Association housing loans, discounted bonds and debenture stock are stated net of unamortised issue costs of £7.0 million (2019: £7.8 million).

Housing loans are secured by specific charges on housing properties, bank and building society deposits and other current asset investments. The net book value of housing properties charged as security for loans is for Group £1,084.9 million (2019: £1,179.9 million) and for Association £933.8 million (2019: £1,039.2 million). £0.6 million within cash and cash equivalents is charged as security for loans for Group and Association (2019: £0.6 million). Most housing loans held by the Group have covenants attached to them, in particular around gearing limitations and a requirement to maintain a minimum level of interest cover.

20. Debt analysis (continued)

Maturity of borrowings

The maturity profile of the carrying amount of the Group's and Association's borrowings as at 31 March 2020 was as follows:

	Less than 1 year	Due in 1-2 years	Due in 2-5 years	Due in over 5 years	Total
	£000	£000	£000	£000	£000
GROUP					
Discounted bonds	-	-	-	386,377	386,377
Housing loans					
- fixed	2,597	10,311	11,228	400,858	424,994
- floating	34,755	6,220	82,140	239,253	362,368
- index-linked	2,007	1,294	4,115	-	7,416
At 31 March 2020	**39,359**	**17,825**	**97,483**	**1,026,488**	**1,181,155**
ASSOCIATION					
Discounted bonds	-	-	-	386,377	386,377
Housing loans					
- fixed	2,436	10,149	10,744	370,317	393,646
- floating	11,970	4,220	76,140	215,775	308,105
- index-linked	2,007	1,294	4,115	-	7,416
Loans from Group undertakings	300	-	-	-	300
At 31 March 2020	**16,713**	**15,663**	**90,999**	**972,469**	**1,095,844**

The maturity profile of the carrying amount of the Group's and Association's borrowings as at 31 March 2019 was as follows:

	Less than 1 year	Due in 1-2 years	Due in 2-5 years	Due in over 5 years	Total
	£000	£000	£000	£000	£000
GROUP					
Discounted bonds	58,378	-	-	381,585	439,963
Housing loans					
- fixed	2,066	2,410	14,906	450,403	469,785
- floating	12,727	28,970	130,735	126,268	298,700
- index-linked	2,456	1,848	2,494	3,036	9,834
At 31 March 2019	**75,627**	**33,228**	**148,135**	**961,292**	**1,218,282**
ASSOCIATION					
Discounted bonds	58,378	-	-	381,585	439,963
Housing loans					
- fixed	2,066	2,410	14,906	419,876	439,258
- floating	10,727	11,970	124,735	100,848	248,280
- index-linked	2,456	1,848	2,494	3,036	9,834
Loans from Group undertakings	170	-	-	-	170
At 31 March 2019	**73,797**	**16,228**	**142,135**	**905,345**	**1,137,505**

20. Debt analysis (continued)

Terms of repayment

At 31 March 2020 the Group had £1,181.2 million loans drawn:

- £299.3 million is from a syndicate of four lenders led by Royal Bank of Scotland. The loans are repaid annually in April each year in accordance with an agreed repayment profile. The facility matures in April 2036.
- £386.4 million relates to the Association's three loan stock issues which mature as bullet repayments in 2027, 2037 and 2043.
- The remaining £495.5 million are bilateral loan facilities from various banks, building societies and sector-specific funders that are repaid in a variety of ways either over the term of the loan or as a bullet repayment on maturity. These loan payments are due at various future dates ranging from within one year to over 30 years.

Undrawn, committed facilities

The Group and the Association had the following undrawn, committed floating rate borrowing facilities available at 31 March:

	GROUP		ASSOCIATION	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Expiring within one year	**-**	-	**-**	-
Expiring between one and two years	**-**	5,000	**-**	-
Expiring between two and five years	**226,000**	163,000	**226,000**	163,000
Expiring in more than five years	**272**	89,772	**272**	89,772
	226,272	257,772	**226,272**	252,772

These facilities have been arranged to help finance future business development. All facilities incur commitment fees at market rates.

20. Debt analysis (continued)

Interest rate risk profile of borrowings

Group and Association borrowings comprise:

	GROUP		ASSOCIATION	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Fixed rate borrowings	**811,371**	909,747	**780,023**	879,220
Floating rate borrowings	**369,784**	308,535	**315,820**	258,285
	1,181,155	1,218,282	**1,095,843**	1,137,505

All of the Group's and Association's 'Creditors: amounts falling due within one year' (other than housing loans) are excluded from the analysis as they are short term in nature and are not subject to interest rate risk. Fixed rate borrowings include the zero coupon loan stocks to reflect the deferred interest charges.

Group fixed rate borrowings bear a weighted average interest rate of 4.97% (2019: 5.31%), Association 5.11% (2019: 5.43%) and are fixed for a weighted average period of 17 years (2019: 17 years), Association 18 years (2019: 17 years). Interest rates on Group fixed rate borrowings range between 0% and 14.00% and Association fixed rate borrowings range between 2.89% and 14.00%.

Floating rate borrowings bear interest rates based either on LIBOR or on a fixed coupon rate applied to debt balances, which change with movements in the retail price index.

The effective interest rates of borrowings are:

	GROUP		ASSOCIATION	
	2020	2019	**2020**	2019
	%	%	**%**	%
Discounted bonds	**6.2**	6.2	**6.2**	6.2
Housing loans				
- fixed	**4.4**	4.4	**4.6**	4.6
- floating	**0.7**	1.3	**0.6**	1.3
- index linked	**5.5**	5.5	**5.5**	5.5
Loans from Group undertakings	**-**	-	**-**	0.7

21. Deferred capital grant

	GROUP		ASSOCIATION	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
At 1 April	**789,022**	750,057	**833,405**	810,960
Grant received in the year	**37,158**	51,699	**28,427**	36,301
Released to income in the year	**(8,953)**	(8,436)	**(10,062)**	(9,558)
Disposals	**(3,648)**	(4,298)	**(3,648)**	(4,298)
At 31 March	**813,579**	789,022	**848,122**	833,405
Amount due to be released within one year	**9,686**	9,008	**10,380**	9,889
Amount due to be released in more than one year	**803,893**	780,014	**837,742**	823,516
	813,579	789,022	**848,122**	833,405

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22. Financial instruments

Interest rate risk

Exposure to fluctuating interest rates is managed by fixing debt to maintain the level of long-term fixed-rate funding between a minimum and maximum proportion of total debt. At present the policy is to aim to maintain between 65% and 80% of borrowing in long-term fixed-interest rate funding, allowing flexibility to move outside of this range, in either direction, on a temporary basis. This policy reflects and matches the long-term nature of our asset base and the rental income streams arising from it. The remaining debt is held at floating rates. At the year-end 68.7% (2019: 74.7%) of the Group's borrowing was in the form of long term fixed interest rate debt.

It is estimated that each quarter point increase in interest rates would increase costs by £912,000 per annum based on the variable rate debt held at 31 March 2020.

The rules of Home Group allow the use of derivatives. The ability to use stand-alone derivatives increases the options available to us in managing interest rate risk. They cannot be used for speculative purposes. The Group currently has no derivative instruments in place.

Credit risk

Home Group's policy is to minimise borrowings and surplus funds. Any investments are only made with highly rated counterparties on the Board approved list, and limited to a maximum authorised amount subject to counterparty classification.

Liquidity risk and future borrowings

As at 31 March 2020, Home Group had £226.3 million (2019: £257.8 million) committed and undrawn facilities, all of which were immediately available for drawdown. The Group continues to have a large pool of unencumbered properties available as security for future borrowings to support its growth strategy.

Financial assets measured at amortised cost

	GROUP		ASSOCIATION	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Fixed asset investments:				
- Loans to Group undertakings	**-**	-	**20,095**	17,833
- Loans to joint ventures	**63,471**	48,516	**-**	-
- Loans to associates	**15,157**	12,850	**-**	-
- Other investment	**2,118**	2,013	**-**	-
	80,746	63,379	**20,095**	17,833
Other financial assets:				
- Short term debtors	**11,884**	12,394	**17,228**	16,221
- Cash and cash equivalents	**34,640**	83,586	**31,632**	79,172
	46,524	95,980	**48,860**	95,393
Total financial assets	**127,270**	159,359	**68,955**	113,226

Loan facilities provided to Group undertakings comprise:

- £15 million loan facility to HGDL with a term of five years maturing in 2023
- £10 million 364 day loan facility to HGDL maturing in 2020
- £10 million loan facility to Home Scotland maturing in 2020 (currently in the process of being extended to 2025)
- £20 million loan facility to Home Scotland maturing 2023

As at 31 March 2020, HGDL had drawn £14.8 million (2019: £10.8 million) and Home Scotland had drawn £5.3 million (2019: £7.0 million) from the Association. The loan facilities attract interest charged at LIBOR plus margin.

Short term debtors comprise net rental debtors and amounts due from Group undertakings.

22. Financial instruments (continued)

Financial liabilities measured at amortised cost	GROUP		ASSOCIATION	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Borrowings:				
Discounted bonds	**386,377**	439,963	**386,377**	439,963
Housing loans				
- fixed	**424,994**	469,785	**393,646**	439,258
- floating	**362,368**	298,700	**308,105**	248,280
- index-linked	**7,416**	9,834	**7,416**	9,834
Loans from Group undertakings	**-**	-	**300**	170
Total borrowings	**1,181,155**	1,218,282	**1,095,844**	1,137,505
Other short term liabilities	**20,672**	19,366	**20,164**	13,130
Total financial liabilities	**1,201,827**	1,237,648	**1,116,008**	1,150,635

Other short term liabilities comprise trade creditors and other amounts due to Group undertakings. The Disposal Proceeds Fund and Recycled Capital Grant Fund are excluded from the above figures as they do not meet the definition of a financial liability. Terms and conditions of the above financial liabilities are included in Note 20.

23. Analysis of Recycled Capital Grant Fund and Disposals Proceeds Fund

GROUP AND ASSOCIATION	**2020**	2019
	£000	£000
Recycled Capital Grant Fund		
At 1 April	**10,080**	9,812
Inputs:		
- Grants recycled	**4,948**	4,542
- Interest accrued	**83**	69
Recycling:		
- New build	**(6,307)**	(4,343)
Adjustments relating to prior year disposals	**362**	-
Transfer from DPF	**457**	-
Repayment of grant to Greater London Authority	**(54)**	-
At 31 March	**9,569**	10,080
Amounts three years or older where repayment to Homes England / Greater London Authority may be required	**1,865**	-
Disposal Proceeds Fund		
At 1 April	**3,522**	3,744
Inputs:		
- Grants recycled	**-**	-
- Interest accrued	**12**	25
Recycling: - New build	**(1,605)**	(247)
Adjustments relating to prior year disposals	**(713)**	-
Transfer to RCGF	**(457)**	-
At 31 March	**759**	3,522
Amounts three years or older where repayment to Homes England / Greater London Authority may be required	**759**	-

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24. Pension obligations

The Group participates in three major funded pension schemes as detailed below. The Group also contributes to a number of other pension schemes for certain employees. Contributions to these schemes are immaterial and consequently details of the schemes are not provided. The amounts recognised within surplus or deficit in relation to all pension schemes for the year ended 31 March 2020 was £4,450,000 (2019: £3,350,000) in respect of current service costs within operating expenditure and a charge of £893,000 (2019: £967,000) within interest payable and financing costs.

The aggregate deficit across the three defined benefit pension arrangements is £29.2 million (2019: £39.8 million).

On 26 October 2018, the High Court ruled in the Lloyds Banking Group case that trustees are under a duty to make sure that equal benefits are paid, including where these benefits are in the form of Guaranteed Minimum Pension (GMP). As a result, all schemes with GMP rights will have to act to allow for equalisation of benefits for the effect of unequal GMPs. This is known as GMP equalisation. As a result of the judgment, companies are required to make an allowance for the increase in the defined benefit obligation that they expect as a result of GMP equalisation. This increase in the defined benefit obligation is shown as a past service cost in the Statement of Comprehensive Income

Home Group Pension and Life Assurance Scheme (HGPLAS)

The Group operates the HGPLAS, a UK registered trust based pension scheme that provides defined benefits. Pension benefits are linked to the members' final pensionable salaries and service at their retirement (or date of leaving if earlier). The trustees are responsible for running the scheme in accordance with the scheme's trust deed and rules, which sets out their powers. The trustees of the scheme are required to act in the best interests of the beneficiaries of the scheme.

There are three categories of pension scheme members:

- Active members: currently in pensionable service.
- Deferred members: have left pensionable service and are yet to retire; and
- Pensioner members: in receipt of pension from the Scheme.

The trustees are required to carry out an actuarial valuation every three years. The most recent actuarial valuation of the scheme was performed by the scheme actuary for the trustees as at 31 March 2017. This valuation revealed a funding shortfall of £12.9 million. Following this, the Group agreed to pay annual contributions of at least 24.6% pa of members' pensionable salaries each year to meet the cost of future service accrual and death in service premiums. In respect of the deficit in the scheme as at 31 March 2017, the Company agreed to pay:

- £3.051 million per annum from 1 July 2018 until 31 October 2021 increasing at 4.5% per annum each 1 April to meet the deficit, continuing the deficit recovery plan agreed in the 2014 actuarial valuation.
- £300,000 per annum for administration expenses.
- The Pension Protection Fund levy.

The next actuarial valuation of the Scheme as at 31 March 2020 is currently ongoing, and a new schedule of contributions may therefore be agreed before 31 March 2021. As a result, the above contribution requirements may change.

The results of the most recent formal actuarial valuation as at 31 March 2017 have been updated to 31 March 2020 by a qualified independent actuary.

The Pensions Trust (TPT)

The Group operates a defined benefit scheme in the UK. This is a separate trustee administered fund holding the pension scheme assets to meet long term pension liabilities. The scheme is closed to new entrants. As a consequence the current service cost calculated under the projected unit method can be expected to increase over time, as the average age of the membership increases. A full actuarial valuation was completed as at 30 September 2018 and the results of this have been updated to 31 March 2020 by a qualified actuary, independent of the scheme's sponsoring employer.

The last full actuarial valuation completed as at 30 September 2018 showed a deficit of £6.028 million. As documented in the scheme's current schedule of contributions put in place following the 30 September 2018 actuarial valuation, the Group has agreed with the Trustee that it will aim to eliminate the deficit over a period of one year from 1 April 2020. The employer contribution rate will be 32.5% per annum of members' earnings in respect of the cost of accruing benefits. In addition the employer will pay:

- £2.244 million per annum from 1 April 2020 until 31 March 2021 to meet the deficit.
- At least £144,000 per annum for the expenses of the scheme.
- The Pension Protection Fund levy.

24. Pension obligations (continued)

Cumbria Local Government Pension Scheme (CLGPS)

In 2004 Copeland Borough Council transferred its housing stock to Home Group Limited. As part of the transaction, Home Group Limited accepted the pension liability for all employees who transferred under the Transfer of Undertakings Protected Employment (TUPE) regulations.

As a consequence, Home Group Limited is a participating employer in the CLGPS which provides benefits based on final pensionable pay. The scheme is closed to new members from the Group. Employer contribution rates during the year ended 31 March 2020 were 21.6% of pensionable salary.

The valuation used for defined benefit pension disclosures has been based on the most recent actuarial valuation at 31 March 2019. This has been updated by Mercer Limited to take account of the requirements of section 28 of FRS 102 in order to assess the liabilities of the scheme at 31 March 2020. Scheme assets are stated at their market value at 31 March 2020.

The decisions of the Court of Appeal in the McCloud case have ruled that the transitional protections afforded to older members when the public service pension schemes were amended constituted unlawful age discrimination. The government has accepted that remedies relating to the McCloud judgment will need to be made in relation to all public service pension schemes, including the LGPS. It is highly unlikely that the exact form of the remedy will be known in the immediate future, and therefore any cost at this stage can only be an estimate. The increase in past service liabilities is shown as a past service cost calculated as at 1 April 2019, and the current service cost for the year ended 31 March 2020 includes an allowance for the additional costs which arise from the judgment.

Scheme disclosures for the year ended 31 March 2020

Assumptions

The post retirement mortality assumptions used to value the benefit obligation are as follows:

	HGPLAS	TPT	CLGPS
Males	SAPS unrated, medium cohort with 1.25% per annum minimum improvement from 2019 rated by one year	SAPS unrated, medium cohort with 1.25% per annum minimum improvement from 2019	SAPS unrated, medium cohort with 1.75% per annum minimum improvement from 2018
Females	SAPS unrated, medium cohort with 1.25% per annum minimum improvement from 2019 rated by one year	SAPS unrated, medium cohort with 1.00% per annum minimum improvement from 2019	SAPS unrated, medium cohort with 1.75% per annum minimum improvement with 2018

The assumed life expectations (in years) on retirement at age 65 are:

	HGPLAS	TPT	CLGPS
Males:			
Member aged 65 (current life expectancy)	20.7	21.7	22.6
Member aged 45 (life expectancy at 65)	22.1	23.0	24.2
Females:			
Member aged 65 (current life expectancy)	22.7	23.4	25.2
Member aged 45 (life expectancy at 65)	24.2	24.7	27.1

The financial assumptions used to calculate the defined benefit section liabilities under FRS 102 are:

	HGPLAS	TPT	CLGPS
Discount rate	2.4%	2.4%	2.4%
Retail Price Index inflation	2.5%	2.5%	N/A
Consumer Price Index inflation	1.8%	1.8%	2.1%
Rate of increase of pensions in deferment	1.8%	2.5%	2.2%
Rate of increase of pensions in payment	2.5%	1.9%	2.2%
Salary increases	3.0%	3.0%	3.6%

HOME GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS

24. Pension obligations (continued)

Amounts recognised in the Statement of Comprehensive Income

	HGPLAS	TPT	CLGPS	Total
	2020	2020	2020	2020
	£000	£000	£000	£000
Current service cost	(613)	(132)	(44)	(789)
Past service cost	-	-	(96)	(96)
Expenses	(459)	(146)	(1)	(606)
Amounts charged to operating expenditure	**(1,072)**	**(278)**	**(141)**	**(1,491)**
Interest income	3,062	1,753	604	5,419
Interest expense	(3,934)	(1,788)	(590)	(6,312)
Amounts (charged) / credited to interest payable and financing costs	**(872)**	**(35)**	**14**	**(893)**
Actuarial gains on scheme assets	(11,176)	3,193	(1,220)	(9,203)
Actuarial losses on scheme liabilities	17,215	4,119	1,184	22,518
Effects of changes in the amount of surplus that is not recoverable - gain / (loss)	-	(6,859)	-	(6,859)
Actuarial gains /(losses) recognised	**6,039**	**453**	**(36)**	**6,456**

Amounts recognised in the Statement of Financial Position

	HGPLAS	TPT	CLGPS	Total
Present value of funded obligations	(148,786)	(70,982)	(23,737)	(243,505)
Fair value of scheme assets	119,076	77,841	24,246	221,163
Effect of asset ceiling	-	(6,859)	-	(6,859)
(Deficit) / Surplus	**(29,710)**	**-**	**509**	**(29,201)**
Opening scheme liabilities	(165,726)	(75,834)	(24,823)	(266,383)
Current service cost	(613)	(132)	(44)	(789)
Past service cost	-	-	(96)	(96)
Interest cost	(3,934)	(1,788)	(590)	(6,312)
Contributions by employees	(143)	(31)	(9)	(183)
Actuarial losses	17,215	4,119	1,184	22,518
Benefits paid	4,415	2,684	641	7,740
Closing scheme liabilities	**(148,786)**	**(70,982)**	**(23,737)**	**(243,505)**
Opening fair value of scheme assets	127,943	73,186	25,486	226,615
Employer contributions	3,978	2,508	9	6,495
Interest income	3,062	1,753	604	5,419
Contributions by employees	143	31	9	183
Actuarial gains / (losses)	(11,176)	3,193	(1,220)	(9,203)
Benefits paid	(4,415)	(2,684)	(641)	(7,740)
Expenses	(459)	(146)	(1)	(606)
Closing fair value of scheme assets	**119,076**	**77,841**	**24,246**	**221,163**

24. Pension obligations (continued)

Actual return on scheme assets

	HGPLAS	TPT	CLGPS	Total
	£000	£000	£000	£000
Actual return	(8,114)	4,946	(697)	(3,865)

Analysis of scheme assets

	HGPLAS	TPT	CLGPS
Equities and property	64.3%	12.9%	52.2%
Bonds and gilts	34.5%	57.2%	24.9%
Other	0.6%	29.9%	18.1%
Cash	0.6%	-	4.8%

Scheme disclosures for the year ended 31 March 2019

Assumptions

The post retirement mortality assumptions used to value the benefit obligation are as follows:

	HGPLAS	TPT	CLGPS
Males	SAPS unrated, medium cohort with 1.25% per annum minimum improvement from 2018 rated by one year	SAPS unrated, medium cohort with 1.25% per annum minimum improvement from 2018	SAPS unrated, medium cohort with 1.5% per annum minimum improvement from 2015
Females	SAPS unrated, medium cohort with 1.25% per annum minimum improvement from 2018 rated by one year	SAPS unrated, medium cohort with 1.00% per annum minimum improvement from 2018	SAPS unrated, medium cohort with 1.5% per annum minimum improvement with 2015

The assumed life expectations (in years) on retirement at age 65 are:

	HGPLAS	TPT	CLGPS
Males:			
Member aged 65 (current life expectancy)	20.6	21.2	23.3
Member aged 45 (life expectancy at 65)	21.9	22.6	25.6
Females			
Member aged 65 (current life expectancy)	22.5	23.0	25.9
Member aged 45 (life expectancy at 65)	24.0	24.2	28.6

The financial assumptions used to calculate the defined benefit section liabilities under FRS 102 are:

	HGPLAS	TPT	CLGPS
Discount rate	2.4%	2.4%	2.4%
Retail Price Index inflation	3.3%	3.3%	N/A
Consumer Price Index inflation	2.3%	2.3%	2.2%
Rate of increase of pensions in deferment	2.3%	3.3%	2.3%
Rate of increase of pensions in payment	3.3%	2.4%	2.3%
Salary increases	3.8%	3.8%	3.7%

24. Pension obligations (continued)

Amounts recognised in the Statement of Comprehensive Income

	HGPLAS	TPT	CLGPS	Total
	2019	2019	2019	2019
	£000	£000	£000	£000
Current service cost	(604)	(127)	(42)	(773)
Past service cost	(166)	(280)	-	(446)
Expenses	(385)	(134)	(1)	(520)
Amounts charged to operating expenditure	(1,155)	(541)	(43)	(1,739)
Interest income	3,192	1,732	629	5,553
Interest expense	(4,132)	(1,782)	(606)	(6,520)
Amounts (charged) / credited to interest payable and financing costs	(940)	(50)	23	(967)
Actuarial gains on scheme assets	2,704	2,904	953	6,561
Actuarial losses on scheme liabilities	(4,561)	(4,749)	(1,197)	(10,507)
Actuarial losses recognised in other comprehensive income	(1,857)	(1,845)	(244)	(3,946)

Amounts recognised in the Statement of Financial Position

	HGPLAS	TPT	CLGPS	Total
Present value of funded obligations	(165,726)	(75,834)	(24,823)	(266,383)
Fair value of scheme assets	127,943	73,186	25,486	226,615
(Deficit) / Surplus	(37,783)	(2,648)	663	(39,768)
Opening scheme liabilities	(160,961)	(67,450)	(23,590)	(252,001)
Current service cost	(604)	(127)	(42)	(773)
Past service cost	(166)	(280)	-	(446)
Interest cost	(4,132)	(1,782)	(606)	(6,520)
Contributions by employees	(148)	(33)	(9)	(190)
Liabilities transferred into the scheme	-	(3,484)	-	(3,484)
Actuarial losses	(4,561)	(4,749)	(1,197)	(10,507)
Benefits paid	4,846	2,071	621	7,538
Closing scheme liabilities	(165,726)	(75,834)	(24,823)	(266,383)
Opening fair value of scheme assets	123,450	64,727	24,508	212,685
Employer contributions	3,680	2,511	9	6,200
Interest income	3,192	1,732	629	5,553
Contributions by employees	148	33	9	190
Assets transferred into the scheme	-	3,484	-	3,484
Actuarial gains	2,704	2,904	953	6,561
Benefits paid	(4,846)	(2,071)	(621)	(7,538)
Expenses	(385)	(134)	(1)	(520)
Closing fair value of scheme assets	127,943	73,186	25,486	226,615

24. Pension obligations (continued)

	HGPLAS	TPT	CLGPS	Total
	2019	2019	2019	2019
Actual return on scheme assets	£000	£000	£000	£000
Actual return	5,896	4,636	1,582	12,114

Analysis of scheme assets	HGPLAS	TPT	CLGPS
Equities and property	66.2%	46.6%	56.8%
Bonds and gilts	32.7%	53.0%	24.2%
Other	0.7%	0.4%	14.2%
Cash	0.4%	-	4.8%

Other defined benefit pension schemes

In addition to the three defined benefit schemes disclosed above, the Group participates in a number of other multi-employer defined benefit pension schemes, where it is not possible to identify the share of the underlying assets and liabilities belonging to individual participating employers. Accordingly, the charge to the income and expenditure account for the period represents the employer contribution payable. As the schemes are not material, detailed disclosures in respect of the schemes are not provided.

However, as a result of changes in pension scheme regulation, there is a potential debt on the employer that could be levied by the trustees of any defined benefit scheme. The debt is due in the event of the employer ceasing to participate in the scheme or the scheme winding up.

The debt for a scheme as a whole is calculated by comparing the liabilities for the scheme (calculated on a buyout basis) with the assets of the scheme. If the liabilities exceed the assets then there is a buyout debt.

The leaving employer's share of the buyout debt is the proportion of the scheme's liability attributable to employment with the leaving employer compared to the total amount of the scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total scheme liabilities, scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy out market. The amounts of debt can therefore be volatile over time.

25. Non-equity share capital

Each non-executive member of the Board holds one share of £1 in the Association. As at 31 March 2020, there were eight non-executive board members who each held a share in the Association

	£
Allotted, issued and fully paid:	
At 1 April 2019	11
Issued during the year	2
Surrendered during the year	(5)
At 31 March 2020	**8**

Shares in Home Group Limited carry no rights to dividend and no rights of redemption, nor do they entitle the shareholding member to a distribution on winding up or dissolution. In a general meeting, every shareholding member present is entitled to one vote on a show of hands. On a poll every shareholding member present in person or by proxy is entitled to one vote.

26. Reconciliation of surplus to net cash inflow from operating activities

	2020	2019
	£000	£000
Surplus for the year	**41,242**	44,728
Adjustments for:		
Taxation	**726**	2,243
Depreciation of housing properties	**40,176**	38,593
Depreciation of other fixed assets	**4,467**	4,716
Amortisation of intangible fixed assets	**5,127**	4,451
Impairment / (Reversal of impairment) of housing properties	**3,598**	(2,320)
Impairment of other fixed assets	**1,753**	-
Decrease / (increase) in properties held for sale	**20,136**	(77,011)
Increase in debtors	**(1,606)**	(4,950)
Increase / (Decrease) in trade and other creditors	**5,843**	(11)
Surplus on disposal of housing properties	**(15,451)**	(5,930)
Loss on disposal of other fixed assets	**266**	6
Pension costs less contributions payable	**(5,004)**	(4,461)
Share of profit before tax in joint ventures	**(1,528)**	(3,266)
Share of (profit) / loss before tax in associates	**(170)**	962
Adjustments for investing or financing activities:		
Government grants utilised in the year	**(8,953)**	(8,436)
Interest payable	**43,304**	44,163
Interest receivable	**(3,296)**	(2,582)
Corporation tax paid	**(4,202)**	(1,172)
Net cash inflow from operating activities	**126,428**	29,723

27. Analysis of changes in net debt

	At 1 April 2019	Cash flows	Other non-cash changes	At 31 March 2020
Cash and cash equivalents	83,586	(48,946)	-	34,640
Debt due within one year:				
- Housing loans from third parties	(17,249)	16,841	(38,951)	(39,359)
- Discounted bonds	(58,378)	58,954	(576)	-
Debt due after one year:				
- Housing loans from third parties	(761,070)	(32,307)	37,958	(755,419)
- Discounted bonds	(381,585)	1,091	(5,883)	(386,377)
Total net debt	**(1,134,696)**	**(4,367)**	**(7,452)**	**(1,146,515)**

28. Reconciliation of net cash flow to movement in net debt

	2020	2019
	£000	£000
Increase in cash in the period	(48,946)	56,732
Cash inflow from increase in debt	44,579	(224,686)
Change in net debt resulting from cash flows	(4,367)	(167,954)
Non cash changes	(7,452)	(9,739)
Movement in net debt in the period	(11,819)	(177,693)
Opening net debt	(1,134,696)	(957,003)
Closing net debt	(1,146,515)	(1,134,696)

29. Capital commitments

	GROUP		ASSOCIATION	
	2020	2019	2020	2019
	£000	£000	£000	£000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	411,026	284,335	223,401	159,614
Capital expenditure that has been authorised by the Board but has not yet been contracted for	498,243	549,694	156,299	254,927

The Group expects to fund these commitments, and the costs associated with future growth of the business through a combination of cash flows from operating activities, grants, proceeds from the sale of housing properties, proceeds from the sale of properties developed for outright and shared ownership sale and further borrowings.

At 31 March 2020, the Group had £226.3 million committed and undrawn facilities all of which were immediately available for drawing. Further information on these facilities and future borrowings is provided in the Strategic Report on page 14.

30. Financial commitments

	GROUP		ASSOCIATION	
	2020	2019	2020	2019
At the year end the total contractual payments under non-cancellable operating leases were as follows:	£000	£000	£000	£000
Less than one year	2,851	2,884	2,724	2,872
Between one and five years	4,017	4,976	3,942	4,976
More than five years	10,197	10,913	10,197	10,913
	17,065	18,773	16,863	18,761

The Association has entered into a number of operating leases for assets which are used by other Group members. The lease cost is borne by the appropriate Group members within their income and expenditure account. However, as the leases are entered into by the Association, they have been included within the above note.

31. Contingent liabilities

There were no contingent liabilities as at 31 March 2020 (2019: £nil).

32. Grant and financial assistance

	GROUP		ASSOCIATION	
	2020	2019	2020	2019
	£000	£000	£000	£000
The total accumulated government grant and financial assistance received or receivable at 31 March:				
Held as deferred capital grant	813,579	789,022	848,122	833,405
Recognised as income in the Statement of Comprehensive Income	130,008	122,599	163,648	155,131
Grant within cost on properties at fair values at acquistion	237,452	237,452	-	–
	1,181,039	1,149,073	1,011,770	988,536

33. Related party transactions

The Home Group Board includes two customer representatives. All transactions in respect of customer board members have been carried out at arm's length and under normal commercial terms. Details of the remuneration of board members are included in Note 5. The Group participates in a number of pension schemes, details of which are outlined in Note 24.

Group

Transactions between fellow subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed.

During the year the Group entered into the following related party transactions with its jointly controlled entities and associates:

	2020	2019
	£000	£000
Invoiced to jointly controlled entities and associates in respect of interest charges	**3,052**	2,298
Purchase of housing property from jointly controlled entities and associates	**3,623**	13,052
Management fee income from jointly controlled entities	**131**	113
Amounts owed from jointly controlled entities and associates at the year-end	**78,629**	61,366

Association

During the year the Association entered into the following related party transactions with its subsidiaries and customer board members:

	2020	2019
	£000	£000
Recharges to subsidiaries in respect of centrally provided services	**1,277**	1,399
Management fees payable by subsidiaries	**308**	435
Interest payable by subsidiaries on borrowings from the Association	**754**	631
Purchase of housing property from subsidiaries	**41,106**	35,174
Interest payable by the Association on borrowings from subsidiaries	**1**	4
Amounts owed to subsidiaries	**3,386**	444
Amounts owed from subsidiaries	**26,233**	22,356
Investment in subsidiaries	**114,701**	104,701
	£	£
Charges to customer board members in respect of rent and service charges	**7,337**	11,509
Amounts owed to customer board members at the year-end	**1,597**	50

The Association recharges each subsidiary for centrally provided services on a basis which reflects the time and cost of the services provided.

There are management agreements in place under which subsidiaries manage some properties on behalf of the Association. The management fees due under these agreements are summarised above.

Intergroup borrowings attract interest at either a fixed rate or interest which is variable and is based on LIBOR, plus a margin. The Association has purchased housing properties from HGDL based on the construction cost plus a margin.

34. Operating segments

As a Public Interest Entity, Home Group is required to provide segmental analysis in line with International Financial Reporting Standard 8 'Operating Segments'. This requires operating segments to be identified based upon the Group's internal reporting to the Chief Operating Decision Maker (CODM) which forms the basis on which the CODM makes decisions about resources to be allocated to segments and assess their performance.

The Group's CODM is the Board.

During 2019/20, the Group had two operating segments. These operating segments undertake different activities and services, which are managed separately. The Group's operating segments are outlined below.

- Operations – this includes the Group's general needs rental business in England and Scotland, the management of homes previously sold as shared ownership and leasehold management, and the Group's supported housing and the provision of care and support services in England and Scotland. It also includes the mid-market rental activity carried out by Live Smart @ Home.
- Development – this includes the development of affordable housing and the development and subsequent sale of shared ownership homes and homes developed for sale on the private market. It includes the activity of Home Group Developments and North Housing.

The Group's third operating segment, New Models of Care, is not material and therefore not separately disclosed. New Models of Care leads on the design and development of integrated health and care services.

These operating segments are supported by the Support Functions business unit, which includes the delivery of support services including Chief Executive's team, Risk and Assurance, Communications, Strategy, Finance, Human Resources and Development, Company Secretary, Information Systems, Legal Services, Procurement and Asset Management.

The Board reviews the internal management accounts at each meeting.

The tables which follow set out the income and expenditure account of the Group's operating segments. The title "Other" has been included to reconcile the segments to the figures reviewed by the Board and is made up of the Group consolidation adjustments, and the Support Functions and New Models of Care business units. The key operating performance measure of profit or loss used by the Board in terms of segmental analysis is operating surplus. The Board does not review any balance sheet measures by segment, only for the Group as a whole, so these have not been reported.

Income and expenditure account – year ended 31 March 2020

	Operations £000	Development £000	Other £000	Group £000
Turnover	309,861	96,166	69	406,096
Cost of sales	-	(79,413)	49	(79,364)
Employment costs	(56,582)	(4,625)	(17,716)	(78,923)
Maintenance	(57,853)	(4)	1,256	(56,601)
Service charges	(20,539)	(2)	-	(20,541)
Other direct housing	(15,816)	(11)	(9)	(15,836)
Overheads (facilities, staff, other administrative costs)	(11,096)	(9,918)	(13,208)	(34,222)
Depreciation and impairment	(44,702)	(3,440)	(6,948)	(55,090)
Other costs	(212)	(31)	(449)	(692)
Recharges	(5,582)	(91)	5,673	-
Operating expenditure	(212,382)	(18,122)	(31,401)	(261,905)
Surplus on disposal of housing properties	-	-	15,451	15,451
Operating surplus / (deficit)	**97,479**	**(1,369)**	**(15,832)**	**80,278**

34. Operating segments (continued)

Income and expenditure account – year ended 31 March 2019

	Operations	Development	Other	Group
	£000	£000	£000	£000
Turnover	311,938	54,428	951	367,317
Cost of sales	-	(38,097)	57	(38,040)
Employment costs	(62,469)	(3,559)	(13,517)	(79,545)
Maintenance	(55,170)	(56)	3,197	(52,029)
Service charges	(19,720)	(19)	62	(19,677)
Other direct housing	(16,210)	(333)	(11)	(16,554)
Overheads (facilities, staff, other administrative costs)	(11,979)	(7,697)	(15,583)	(35,259)
Depreciation and impairment	(35,567)	(3,504)	(6,370)	(45,441)
Other costs	(372)	(162)	80	(454)
Recharges	(5,216)	(136)	5,352	-
Operating expenditure	(206,703)	(15,466)	(26,790)	(248,959)
Surplus on disposal of housing properties	-	-	5,930	5,930
Operating surplus / (deficit)	105,235	865	(19,852)	86,248

Segmental revenue and expenditure is all derived from UK customers and suppliers.

Alternative performance measures

Home Group uses alternative performance measures ('APMs') which, although financial measures of performance, financial position or cash flows, are not defined or specified by FRS 102. The APMs used by the Board when reviewing the performance of the Group are defined below. Some of these measures are defined by the Regulator of Social Housing, and these are identified with 'RSH'.

Amount spent on improving and maintaining our customers' homes

This shows the overall amount we invest in providing a cost effective repairs and maintenance service, and undertaking a planned programme of improvement works.

	2020	2019	
	£000	£000	
Routine maintenance	43,060	40,275	Note 2b
Add: Planned maintenance	17,292	16,285	Note 2b
Add: Major repairs expenditure	6,488	5,460	Note 2b
Add: Capitalised works	22,838	17,403	Note 12
Subtotal: Planned maintenance and improvement works	46,618	39,148	
Amount spent on improving and maintaining customers' homes	**89,678**	**79,423**	

Amount spent on delivering new homes

This shows the overall amount we invest in delivering new homes, one of our strategic priorities.

	2020	2019	
	£000	£000	
Additions to housing properties	134,965	233,156	Note 12
Add:			
Properties held for sale – closing balance	181,207	203,078	Note 16
Add: Cost of sales	79,364	38,040	SOCI
Less: Properties held for sale – opening balance	(203,078)	(125,287)	Note 16
Subtotal: Additions to properties held for sale	57,493	115,831	
Amount spent on delivering new homes	**192,458**	**348,987**	

Social housing reinvestment (RSH)

This shows the amount we invest into new and existing social homes as a proportion of the carrying value of the homes.

	2020	2019	
	£000	£000	
Additions to housing properties	134,965	233,156	Note 12
Add: Capitalised interest	4,806	4,006	Note 12
Add: Capitalised works	22,838	17,403	Note 12
Subtotal: Housing properties reinvestment	162,609	254,565	
Divided by: Housing properties – Net book value	2,489,789	2,384,330	Note 12
Social housing reinvestment	**6.5%**	**10.7%**	

Community investment

This shows the amount we invest in communities as an amount per social home so we can compare it to other providers.

	2020	2019	
	£000	£000	
Community investment – operating expenditure	1,720	1,179	Note 2a
Divided by: Total social housing units	50,678	49,834	Note 4
Community investment per social home	**34**	**24**	

Gearing (RSH)

This is a key risk measure which shows whether the level of borrowing we have entered into to fund new development is appropriate for the size of our business and risk appetite.

	2020	2019	
	£000	£000	
Housing loans from third parties	39,359	17,249	Note 18
Add: Discounted bonds	-	58,378	Note 18
Add: Housing loans from third parties	755,419	761,070	Note 19
Add: Discounted bonds	386,377	381,585	Note 19
Less: Cash and cash equivalents	(34,640)	(83,586)	SOFP
Subtotal: Net debt	1,146,515	1,134,696	
Divided by: Housing properties – Net book value	2,489,789	2,384,330	Note 12
Gearing	**46.0%**	**47.6%**	

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Profit from new build sales and joint ventures

This shows total profits earned from our development activities.

	2020	2019	
	£000	£000	
Shared ownership first tranche sales – Operating surplus	1,661	3,161	Note 2a
Add: Properties developed for outright sale – Operating surplus	6,657	6,494	Note 2a
Add: Share of profit in joint ventures	1,528	3,266	SOCI
Add: Share of profit/(loss) in associates	170	(962)	SOCI
Profit from new build sales and joint ventures	**10,016**	**11,959**	

Operating margin – Overall (RSH)

This measures the proportion of surplus we generate from turnover on day-to-day activities and is a key indicator of operating efficiency and business health.

	2020	2019	
	£000	£000	
Operating surplus	80,278	86,248	Note 2a
Less: Surplus on sale of social housing properties	(8,343)	(5,930)	Note 2a
Less: Surplus on sale of non-social housing properties	(7,108)	-	Note 2a
Subtotal: Operating surplus as defined by RSH	64,827	80,318	
Divided by: Turnover	406,096	367,317	Note 2a
Operating surplus – Overall	**16.0%**	**21.9%**	

Operating margin – Social housing lettings (RSH)

This measures the proportion of surplus we generate from turnover on our core social housing lettings business and is a key indicator of operating efficiency and business health.

	2020	2019	
	£000	£000	
Social housing lettings - Operating surplus	64,576	69,821	Note 2a
Divided by: Social housing lettings – Turnover	273,617	270,809	Note 2a
Operating margin – Social housing lettings	**23.6%**	**25.8%**	

EBITDA MRI (RSH)

Earnings before interest, tax, depreciation and amortisation (major repairs included) is a standard measure used within the social housing sector to compare the level of earnings from operations, excluding the impact of adjustments which can be affected by accounting policy choices.

	2020	2019	
	£000	£000	
Operating surplus as defined by RSH	64,827	80,318	As above
Add: Depreciation of housing properties	40,176	38,593	Note 10
Add: Depreciation of other fixed assets	4,467	4,716	Note 10
Add: Amortisation of intangible fixed assets	5,127	4,451	Note 10
Add: Interest receivable	3,296	2,582	Note 7
Less: Amortised government grants	(8,355)	(8,191)	Note 2b
Less: Revenue grants	(9,846)	(8,170)	Note 2b
Less: Capitalised works	(22,838)	(17,403)	Note 12
EBITDA MRI	**76,854**	**96,896**	

Interest cover (RSH)

Interest cover shows how comfortably we are able to meet the interest repayments on our borrowings.

	2020	2019	
	£000	£000	
EBITDA MRI	76,854	96,896	As above
Divided by:			
Interest payable and financing costs	43,304	44,163	SOCI
Add: Interest capitalised on property development	6,233	4,786	Note 8
Subtotal: Gross interest payable	49,537	48,949	
Interest cover	**155%**	**198%**	

Return on capital employed (RSH)

This shows how efficiently we are using our resources to generate a financial return.

	2020	2019	
	£000	£000	
Operating surplus	80,278	86,248	SOCI
Add: Share of profit in joint ventures	1,528	3,266	SOCI
Add: Share of profit/(loss) in associates	170	(962)	SOCI
Subtotal: Surplus before interest and tax	81,976	88,552	
Divided by: Total assets less current liabilities	2,652,281	2,595,530	SOFP
Return on capital employed	**3.1%**	**3.4%**	

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Repairs ratio

This ratio shows how much we spend on responsive repairs compared to planned maintenance and improvement works.

	2020	2019	
	£000	£000	
Routine maintenance	43,060	40,275	Note 2b
Divided by:			
Planned maintenance and improvement works	46,618	39,148	As above
Repairs ratio	**0.9**	**1.0**	

Social housing cost per unit (RSH)

This is a high level measure of the amount it costs us on average to provide each social home that we manage.

	2020	2019	
	£000	£000	
Social housing lettings – Operating expenditure	209,041	200,988	Note 2a
Less: Depreciation of housing properties	(39,920)	(37,806)	Note 2b
Less: Impairment of housing properties	(3,188)	2,319	Note 2b
Less: Rent losses from bad debts	(4,236)	(4,441)	Note 2b
Add: Other social housing activities – Operating expenditure	43,998	37,834	Note 2a
Less: Shared ownership first tranche sales – Operating expenditure	(5,211)	(3,384)	Note 2a
Add: Capitalised works	22,838	17,403	Note 12
Subtotal: Social housing costs	223,322	212,913	
Divided by: Total social housing units	50,678	49,834	Note 4
Social housing cost per unit	**4,407**	**4,272**	

Arrears

This measures the proportion of rent due remaining unpaid at the year-end, and demonstrates how effective we are at collecting rent.

	2020	2019	
	£000	£000	
Rental and service charges receivable	21,483	20,234	Note 17
Divided by: Net rents receivable	255,416	254,448	Note 2b
Arrears	**8.4%**	**8.0%**	

Building homes, independence and aspirations

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