Financial Statement

For the Year Ended 31 March 2019

Greatwell Homes

An Exempt Charity
(Co-Operative and Community Benefit Society)
(Property, plant and equipment held at cost not valuation)

Basis of preparation:
Compliant with 2014 SORP for PRPs and 2015 Accounting Direction
The accounts do not early adopt the 2019 SORP or 2019 Accounting Direction

Greatwell Homes

Contents

Chair's Statement

As an established housing association now in our second decade, we have created a new identity that reflects our clear ambitions to deliver great homes and great services for all our customers.

The last year has been a successful one for us – one of our main achievements is consulting with over 500 customers on our Customer Charter (our service offer to our customers) which launched in April 2019, after being approved by our Customer Assembly Panel. We also worked closely with our customers to plan, produce and launch phase one of our new customer portal which had almost one fifth of our customers registered in the first nine months of its launch.

In April 2018, we brought our repairs service in-house and then expanded the service the following year by bringing in voids, general building and cyclical works. Also last year, we help 54 households on to the property ladder through our shared ownership scheme.

We are determined to provide as much support as we can to our customers. That's why we reinvest 100% of our surpluses to make sure our customers can enjoy living in well-kept homes and that new affordable homes are delivered to support Northamptonshire's growing population.

We want to help local people have a great quality of life, so we aim to understand the issues that matter and do the right things that mean the most for our local businesses and the wider communities we support.

As a major local employer, we are pleased to be an active contributor to the local economy. We are committed to making sure Greatwell Homes is a great place to work and we strive to grow our own talent through on-the-job training and apprenticeships based in the heart of the area we work.

In our new Corporate Plan 2019 – 2022, we state that by 2022, we will remain financially strong. We will always ensure that our homes are well-maintained, safe and secure. We will grow the number of homes in the area and we will make the best use of modern technology to change the way we work to deliver great Value for Money services.

We are on the next step of our journey and as Greatwell Homes we will do the best we can for our existing and new customers in and around Northamptonshire.

John Lewis,
Chairman

Association Information

Board Members:		Executive Directors:	
Chairman:	John Lewis (Chairman from 27/09/2018)	Chief Executive Officer	Joanne Savage
	Tim Davy (to 27/09/2018)	Director of Resources	Julie Robinson
Vice Chair:	Simon Brooksbank (Board member from 27/09/2018, Vice-Chair from 21/02/2019)	Director of Housing and Support Services and Company Secretary	Amanda Meanwell
	Yvette Morgan (to 21/02/2019)	Director of Asset and Development	Denise Lewis
Board Members:	Cheryl Armatrading (from 27/09/2018)		
	David Beale (from 27/09/2018)		
	Ian Hill (from 27/09/2018)		
	Martin Lord (from 27/09/2018)		
	Doug Livingstone		
	John Welch		
	Martin Wheatley		
	Tony Aslam (to 27/09/2018)		
	Jon Ekins (to 27/09/2018)		
	Mary Reeves (to 27/09/2018)		
	Daphne Simmons (to 27/09/18)		

Advisors and Bankers:		
Registered Office: Greatwell Homes Limited 12 Sheep Street Wellingborough Northants NN8 1BL	Auditors: Beever and Struthers St George's House 215-219 Chester Road Manchester M15 4JE	Principal Solicitors: Trowers and Hamlins 3 Bunhill Row London EC1Y 8YZ
Principal Funders and Bankers: Barclays Bank PLC Midlands Team PO Box 3333 One Snowhill Snowhill Queensway Birmingham B3 2WN	Valuers: (Social Housing) Savills 37-39 Perrymount Road Haywards Heath RH16 3BN	Valuers: (Market Rent) Martin Pendered & Co 2 Burystead Place Wellingborough NN8 1AH

Registered under the Co-operative and Community Benefit Societies Act 2014 (30097R)

Regulator for Social Housing Registration Number: L4509

Strategic report for the year ended 31 March 2019

Our Vision and Values

Greatwell Homes is a Registered Provider regulated by the Regulator of Social Housing (RSH) and complies with the RSH's regulatory framework. We were created in December 2007 as a Large-Scale Voluntary Transfer (LSVT), and we changed our name in April 2019 from Wellingborough Homes to Greatwell Homes to support our future ambitions and priorities.

We operate in Wellingborough, Kettering, Northampton and other parts of Northamptonshire and we own and manage 4,864 homes for rent and shared ownership. We are the largest Registered Provider in Wellingborough and we own the most stock of any housing association in Northamptonshire. We are governed by a Board of management consisting of ten non-executive members (includes one vacancy) – in 2018, we recruited a fully skills-based Board which is a requirement of our Code of Governance, with skills ranging from financial, community knowledge, development, governance and customer insight. All Board Members are entitled to be remunerated.

Our mission statement is that **we will work successfully with our customers and communities, to provide great services and high-quality living environments**. Our values remain integral to how we work with others;

- Respect
- Trust
- One Team
- Empowered
- Efficient and Effective

We are a locally based housing association in and around Northamptonshire with a commitment to:

- Develop a diverse range of new homes to meet local needs
- Work with our customers to provide great homes and value for money services
- Invest in our communities where it supports our customers and protects our business.

Corporate Plan

We are pleased that our Corporate Plan 2015 – 2019 was successful, with most of our priorities and objectives met. One of our biggest achievements in 2018/19 was completing on 124 new build– 78 more than the previous year – with a pipeline of 361 homes of which 345 we expect to be delivered by March 2022 and 16 delivered post 2021/22. We also secured £40 m of funding to support our ambition to build 1,000 new homes over the next 10 years. Whilst the Board consider growth a key priority, it also recognises the commitment to existing customers and communities including significant investment in environmental improvements and Independent Living schemes.

We are at the start of our new Corporate Plan 2019 – 2022 which is shaped around four interlinked strategies that provide the overall direction for Greatwell Homes. These strategies cover four primary areas of focus:

- Transforming our Future
- Growth
- Asset Management
- Finance

Four frameworks support these strategies by setting out how we will successfully deliver our priorities during the life of our Corporate Plan. These are:

- Customer Involvement
- Communications
- Risk, Assurance and Compliance
- Value for Money and Procurement

Our development pipeline is set to deliver a mix of homes with around 30% for low cost ownership and 70% affordable rent with an element of market rent. The 1% reduction in rent every year until 2020 will have an impact as income will have reduced by £6.6million between 2016 and 2020. Our business plan has been robustly stress tested reflecting the fall in our income as well as our growth ambitions, as it remains an absolute priority to provide more affordable homes. However, we have found it necessary to make difficult decisions around non-core activities.

Our housing offer is detailed in table 1 below.

Table 1

	As at 31 Mar 2018 Units	As at 31 Mar 2018 %	As at 31 Mar 2019 Units	As at 31 Mar 2019 %
Social Rent	4,098	87.1%	4,093	85.0%
Supported Housing	260	5.5%	246	5.1%
Affordable Rent	210	4.4%	269	5.7%
Intermediate Rent	0	0%	7	0.1%
Shared Ownership	120	2.6%	177	3.7%
Market Rent	17	0.4%	17	0.4%
Total owned stock	**4,705**	**100.0%**	**4,809**	**100.0%**
RentPlus			55	100.0%
Total managed stock			**55**	**100.0%**
Total owned and managed stock	**4,705**		**4,864**	

Performance in the Year

The last year of our Corporate Plan 2015-19 has driven further significant business improvements and has built on the strong foundations established in the previous years. Performance against the plan has been monitored and reported to Board and other stakeholders during the year. Our key achievements are set out below:

- Governance – we underwent an In-depth Assessment (IDA) carried out by the RSH and retained the highest possible G1 V1 status, demonstrating we are well governed and financially stable. We also fully implemented a skills-based Board, further strengthening our governance and putting us in the best position to deliver our next Corporate Plan 2019-22.
- Financing – Total grant funding under the Shared Ownership Affordable Homes Programme (SOAHP) 2016-21 programme for 2018/19 was £2.03m to deliver homes for affordable rent. We

finalised £40m new funding with the Pension Investment Corporation (PIC) and the first tranche of £10m was put in place in March 2019.

- Staff – we continuously review our front-line services and back office resources to ensure we have the right people, in the right places, doing the right things, at the right times. During 2018/19 we brought our repairs service in-house to provide a more flexible service to our customers.
- Development – during 2018/19 we built 124 new affordable homes, acquired one existing home for market rent, started 152 new homes on site and have a further 361 in our development pipeline, of which 345 will be delivered in the next 3 years and 16 will be delivered post 2021/22.
- Customer Involvement – we are actively working with our customers ensuring they are really shaping and scrutinising our services. During the year scrutiny exercises were carried out covering customer care and communication, customer involvement and supported EMT remuneration review. Also, throughout 2018/19 we worked with our customers to design our Customer Charter and we created a set of customer commitments, based on the regulatory standards, which launched in April 2019. We have strengthened our relationship between the Customer Assembly, (who represent the interest of our customers and ensures compliance with consumer standards) and our Board through two-way reporting and communication.
- Efficiency – We are working hard to deliver further savings, generate income and improve efficiency and identified recurring cashable savings of £47k a year. Our headline unit cost will increase over the next year as we need to invest in our existing properties as identified in our Stock Condition Surveys (SCS) to ensure we provide great homes to our customers. We will continue to identify efficiencies in all of our services areas.
- Planned Improvements – we have a rolling programme of component renewals to our homes ensuring we continue to provide great homes.
- Partnership with Borough Council of Wellingborough (BCW) – we continue to work with partners and are pleased with the positive outcomes from our on-going relationships with the BCW.
- We continue to work with Rentplus being their selected partner for Northamptonshire.

Development and Investment

The Growth Strategy 2019 – 2022 sets out our approach to increasing the number of homes we own and manage for ourselves and others, the expansion and/or improvement of our Customer Charter and increased financial capacity.

We will do this by:

- Increasing the number of homes, we own or manage in and around Northamptonshire by at least 600 homes by 2022.
- Diversifying our offer to provide a mix of tenures to meet local housing needs including homes for older people and those who cannot afford to buy or rent in the open market with around 30% to be for low cost home ownership.
- Growing our business through expanding in-house services and increasing the homes under management, providing more jobs and supporting the local economy.
- Reviewing our approach to merger and acquisition as an opportunity to increase capacity for growth, improve Value for Money (VFM) and quality of services provided to our customers.

We are now operating in areas outside of Wellingborough having the opportunity to secure development sites in Kettering, East Northants and Northampton.

We continue to work through the Quantum Consortium in delivering the 2016-21 SOAHP funded by Homes England. We will be looking to explore how we can work together with other consortium members, for example by jointly procuring sites and/or development services and commissioning research on new and emerging markets.

We continue to build on our development programme; with a pipeline of 361 homes secured either through existing or new developers. There are also potential opportunities to work with other key developing housing associations in and around Northamptonshire to work more collaboratively to secure development opportunities and present a unified offer to the new North Northamptonshire unitary authority once established in 2021.

To ensure that any proposed new development delivers VFM for Greatwell Homes and for our customers we appraise schemes against a set of development parameters which are agreed and reviewed annually by the Board. Funding for our development programme is from our surpluses, grant and borrowing.

We continue to invest in our existing stock through capital planned works with the Board having committed to delivering an environmental improvement programme across our estates.

Mergers, Group Structures and Partnerships - a voluntary code for housing associations

During 2016 the Board established a task and finish group to review the National Housing Federation Mergers, Group Structures and Partnerships voluntary code. Following the review, the Board took the decision to approve adopting the code. The Board, however, has emphasised that whilst they have adopted the code, merger and acquisition will not be a central part of the current growth strategy and that the impact on customers would be a primary consideration. As part of the growth strategy in the Corporate Plan 2019-2022 the board will revisit their appetite for merger and acquisition.

Financial Performance Review

The Board is pleased to report another year of strong financial performance which enables significant reinvestment into improving our services to customers through bringing the repairs service in-house to having a customer portal. Summarised in Table 2 below. We have generated an Operating Surplus of £8.7m which has remained steady year on year with the improvement driven partly by continued efficiencies and savings in our operating costs but also increased sales income. Cost optimisation remains key to addressing the impact of the 1% rent reductions and Welfare Reform.

The total income for the year returns a better than budget performance on 1st tranche sales of £0.7m reflecting re-profiling of the development programme and early handovers, £0.1m gains from higher Right to Buy property disposals and a £0.2m revaluation gain on the market rent property portfolio. Total operating expenditure for the year was £0.05m higher than budget due to several in year projects including rebranding, additional voids works and repairs costs.

Healthy cash flow generation performance has allowed £13m of the development programme expenditure to be funded this year. In the year a loan draw down of £3m from the Barclays facility was actioned to enable land purchases for two new development schemes. This is attributable in part to continuing improved rent arrears which have reduced from 2.53% to 2.11% despite welfare reform impacts and continued pressures on earnings, reflecting the success of our Income Services Team.

The figures reported in 2014 were prepared based on UK GAAP. The transition to FRS102 in 2015 had a material impact on the valuation of social housing properties which are now shown on an historical cost basis rather than market value. There was no material impact on the Operating Surplus because of the change in accounting. FRS102 changes were approved by the Board, our auditors and funders.

Table 2 – 5-Year Summary of Financial Performance

For year ended 31 March	2019	2018	2017	2016	2015
Summary Statement of Comprehensive Income	£'000	£'000	£'000	£'000	£'000
Total turnover (note 2)	26,088	22,959	24,335	21,907	21,973
Income from Social Housing lettings (note 3)	20,733	20,607	20,438	21,342	19,970
Operating surplus: continuing activities	8,768	9,309	8,536	7,487	7,012
Income for the year transferred to reserves	5,751	7,547	7,101	6,631	6,114
Summary Statement of Financial Performance	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Intangible assets	-	-	-	-	-
Housing properties including Investment properties (notes 11, and 15)	112,597	99,336	93,530	86,884	82,695
Other Property, Plant and Equipment (note 11)	932	356	128	156	100
Total fixed assets	**113,529**	**99,692**	**93,656**	**87,040**	**82,795**
Net current assets	11,386	4,300	700	307	8,555
Total assets less current liabilities	**124,915**	**103,992**	**94,356**	**87,347**	**91,350**
Funded by:					
Loans (due over one year) (note 28)	48,745	35,843	35,820	35,798	47,000
Pension asset (note 10)	916	(836)	(874)	(632)	(173)
Other long-term liabilities (note 18)	6,523	6,011	3,983	3,855	2,828
Capital and reserves:					
Revenue reserve	68,731	62,974	55,427	48,326	41,695
Pension reserve					
Property revaluation					
Total reserves	**124,915**	**103,992**	**94,356**	**87,347**	**91,350**

** In 2014 housing properties were valued on EUV-SH basis, in 2015 following the introduction of FRS102 housing properties were valued at depreciated historical cost.*

Risk

The Governance and Viability Standard places emphasis on the Board's role to understand and balance the risks we are facing. The Board, therefore, has the responsibility to ensure effective governance and risk management is fully embedded.

During 2018/19 we continued to enhanced our risk management and gained further assurance that we have an effective framework in place, attaining substantial assurance in our internal audit. The Board carried out a strategic review regarding strength, weaknesses, opportunities and threats which all were considered when developing the new Risk, Assurance and Compliance Framework coming into effect from 2019/20.

Our risk and assurance map was improved throughout the year to provide robust evidencing of internal controls and mitigating actions, including adopting a three-lines-of-defence approach. The risk and assurance map specify who is responsible for managing the risk and the processes that are in place to embed a culture of risk management.

Annually the Board considered the scope of the new risk areas, define their risk appetite and what each means in practice to demonstrate that governance and risk management is aligned to our risk appetite, as shown in table 3 below. Our overall objectives and activities should therefore align to the risk appetite set by the Board.

Table 3 - Risk

Risk Area	Definition of Risk Area	Risk appetite set by Board	What this means
Asset Health and Safety Compliance	All risk relating to cyclical maintenance, gas servicing, asbestos etc.	Minimal	Maintain Health and Safety (H&S) and compliance control measures to meet regulatory and legal obligations.
Financial and Treasury Management	Any risk concerning financial viability	Cautious	Investments only with AAA and AA counterparties. Borrowing (traditional and non-traditional) with prudent covenant headroom. Perfect Storm stress test breaks the business plan in long term (10+ years). V1/V2 viability rating. Shadow credit rating A1 or A2
Housing	Any risk relating to the management of our properties including repairs and maintenance, lettings and tenancy management.	Cautious/Open	Cautious: Continuing to provide current services which complement areas of expertise. Open: Continuing to provide current services as well as developing new products and services which complement areas of expertise such as Rent Plus
New Supply	Risks relating to the increase and decrease of our properties and property types	Open	Deliver growth ambitions which include a greater number of sites that are delivered via land led deals. Consider sites where numbers to be delivered on any one site are 100 units or less.
People	Anything related to stakeholders and stakeholder management including employees and workforce planning	Open	Employ a range of experience levels, including trainees, apprentices and development roles. Make changes within the organisation to accommodate innovative approaches to business/customer needs and best practice. These potentially could lead to restructures and redundancies. Actively engage with potential partners and stakeholders to deliver a

Risk Area	Definition of Risk Area	Risk appetite set by Board	What this means
			range of services linked to our corporate objectives.
Regulatory Compliance	Any risk related to meeting our regulatory and legal requirements, including our funders	Minimal	Meet all regulatory requirements - G1V1 or G1V2 (V2 as a result of risk taking so a regrade).
Supported Living	Any risk relating to our support services including independent living and IMA.	Cautious	Continue to provide current Independent Living but allowing for minor changes
New Business Ventures	New income streams and service offers	Cautious/Open	Cautious: Explore new opportunities that offer an expected rate of return based on current location and current services Open: Explore new opportunities that offer expected rate of return taking into account expansion of location and services

The risk and assurance map is currently monitored as part of quarterly performance assurance clinics which provide a performance overview of the whole business. Outputs and resulting actions are then reported to Audit and Risk Committee (ARC) and the Board on a quarterly basis. This includes highlighting emerging risks and horizon scanning as well as any escalation from operational risk registers. During the year we have in detail reviewed the impact of Brexit and the move to unitary authorities in Northampton. We also annually review and reflect on the regulator's sector risk profile report, updating our risk and assurance register where needed.

During the year, we recruited to a skills-based Board, closing the gaps identified in the 2017/18 self - assessment to ensure we have expertise in all our key risk areas.

During this next year we will embed our new Risk, Assurance and Compliance Framework which details key risk areas identified against our Corporate Plan 2019-22 as well as the Board's current risk appetite. We have also introduced a new speed variable alongside likelihood and impact to further improve our risk management.

Value for Money Statement

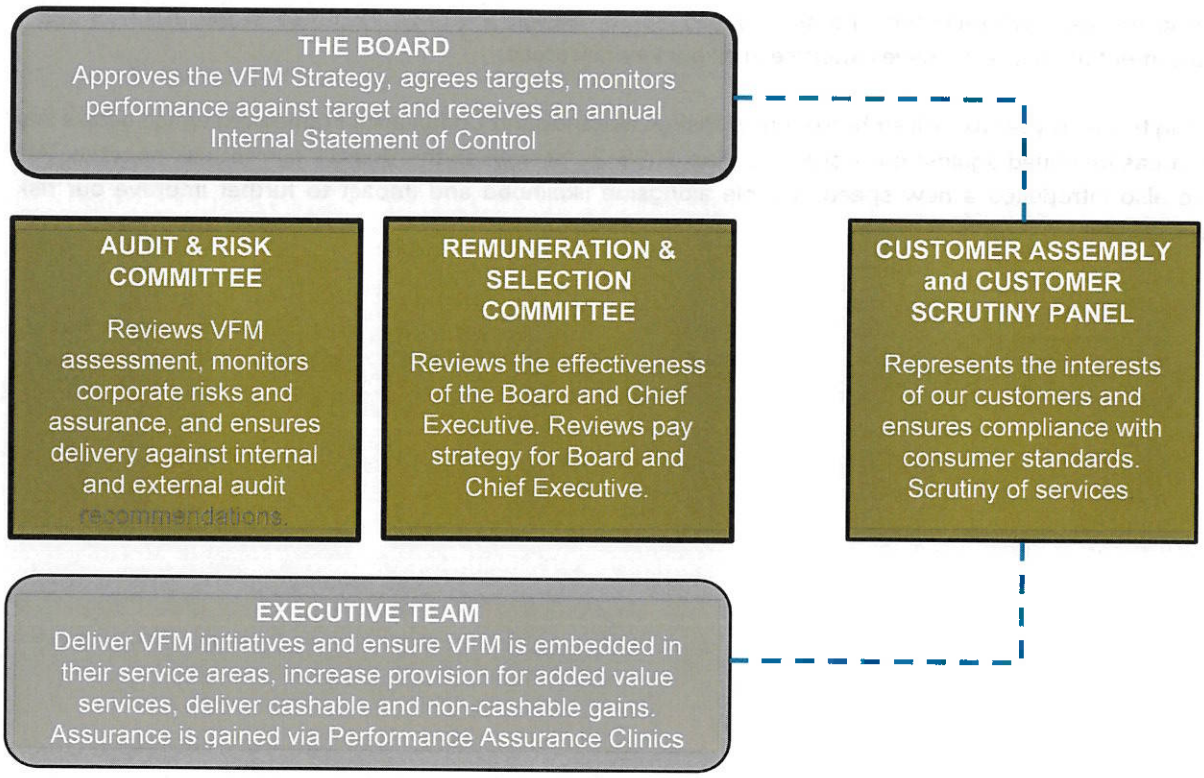
VFM Strategy

We are committed to delivering better Value for Money (VFM) for our customers. Our Corporate Plan 2015-19 set clear objectives and key priority areas to ensure we deliver improvements to services, attain a stronger financial position and gain competitive advantage through partnership working. By making VFM one of the six strategies which support delivery of the Corporate Plan, the Board signalled the importance of VFM to Greatwell Homes. The VFM strategy for 2015-19 was approved by the Board in May 2015 and it included six strategy-specific goals which are aligned to our overall corporate strategic objectives:

- Understanding costs better.
- Delivering improved services to customers and cost savings.
- Effective use of assets.
- Improving procurement.
- Involving customers, staff, Board and stakeholders.
- Demonstrating improvements.

To be effective, VFM is made integral to our business planning, with close links to our Procurement Action Plan and Performance Assurance Clinics. It is a continual review of information, processes, customer scrutiny, customer feedback, benchmarking and our performance trend. How VFM is embedded in our governance structure is illustrated in figure 1 below.

Figure 1: VFM Roles and Governance



Value for Money Standard and Metrics

In April 2018 the RSH launched the new VFM standard and its seven metrics, all of which are part of the Sector Scorecard. The metrics are designed to enable peer comparison in several key areas with methodologies for calculation clearly defined. We benchmark our performance using HouseMark and the results can be found in Table 4 below.

The table shows our 2017/18 and 2018/19 results as well as how we compare to the HouseMark peer group. HouseMark quartile position is based on 2017/18 peer group results and how our 2018/19 results would compare. HouseMark peer group data for 2018/19 will not be published until later in the year. We provide up to date information on our website when it becomes available,

Table 4 – Value for Money Metrics

Description	2017/18 Actual	2018/19 Target	2018/19 Actual	Direction of Travel †	HouseMark peer group** – quartile position	2019/20 Target*
Reinvestment %	9.8%	16.2%	14.82%	↑	2nd Quartile	15.11%
New supply delivered (social units) %	0.94%	2.9%	2.59%	↑	2nd Quartile	2.07%
New supply delivered (non-social units) %	n/a	n/a	0%	⇔	Lower Quartile	n/a
Gearing %	30.5%	40.5%	31.4%	⇔	2nd Quartile	37.4%
Interest cover EBITDA MRI %	370.5%	352%	420.59%	↑	Top Quartile	189.6%
Headline unit cost *	£2,596	£2,878	£2,971	↑	Top Quartile	£3,245
Operating margin (social only)%	35.15%	28.42%	27.79%	↓	3rd Quartile	22.08%
Operating margin (overall) %	41.1%	29.3%	29.4%	↓	2nd Quartile	26.5%
Return on capital employed %	8.9%	6.78%	7.07%	↓	2nd Quartile	6.6%

†Direction of travel indicates the movement trend between last year's actuals and this year's actuals

*2019/20 target is based on the approved budget; 2017/18 and 2018/19 actuals reflect in-year savings and underspends.

**Housemark peer group consists of 42 organisations , all of which are LSVT HAs, stock size is 2500-7500 homes, geographical location is East Midlands, West Midlands, Wales and the Eastern Region and they provide a repairs service either as a DLO or via contractors.

We were successful in meeting our targets that were dependent on operating surpluses in 2018/19. Targets that were dependent on investment in new supply we fell short of as we delivered 125 homes instead of the 133. We have had a lower operating surplus due to higher service charges, office overheads, pension contributions and contractor costs coupled with lower Right to Buy and Right to Acquire disposal income generating a higher cost per unit which was forecast.

Our 2019/20 targets reflect our approved business plan and development pipeline. We expect overheads and capital works costs to increase as will be investing more in our assets as our stock condition surveys are carried out. Our long-term loan will go up to £54m due to raising additional funding. Our operating margin and unit cost targets reflect our budget position for the coming year and we expect to see costs to go up and our operating margin to reduce due to more capital works and reduced surplus which will also have an impact on our interest cover.

Performance indicators year on year

The VFM standard requires that appropriate targets are in place for measuring performance in achieving value for money in delivering our strategic objectives, and that the Board regularly monitor and report their performance against these targets. Performance updates are provided to the Board on a quarterly basis with Key Performance Indicators (KPIs) linked to corporate objectives and to provide assurance against our key risk areas as outlined above. The VFM metrics provide assurance in relation to the Treasury and Financial Management risk with other KPIs covering other risk areas and this is outlined in Table 5 below.

Table 5 – Key Performance Information (KPI's)

Risk Area	Description	Actual 2017/18	Target 2018/19	Actual 2018/19	Direction of Travel (Actuals)
Asset Health and Safety	% dwellings with a valid gas safety certificate	100%	100%	100%	⇔
	% dwellings that are non-decent	0%	0%	0%	⇔
Housing	% satisfaction with complaint handling	59.63%	75%	87%	↑
	Average re let time of all properties (GN and HfOP) (excl. MR)	23.33	23	39.5	↓
	Current tenant arrears as % annual rent debit net of HB (GN and SH) (YTD)	2.53%	3.0%	2.11%	↑
	% customer satisfied with repairs service	96.63%	90%	93.99%	↓
	Completed first visit as % repairs completed	93.74%	85%	96.68%	↑
	Emergency Repairs completed in target as % repairs complete	95.93%	98%	99.46%	↑
	Repairs completed in target as % repairs complete	94.6%	96%	93.37%	⇔
New supply	Number of development units completed against target	46	133	125	↑

	Number of sales completions achieved within target	24	34	54	↑
	Number of units started on site against target	178	150	152	↓
People	Average number of sick days per employee per annum	7.45	8.6	6.16	↓

At the beginning of 2018/19 we brought our repairs service in-house and we anticipated a drop-in performance while the new service, staff and systems bedded in. The team worked incredibly hard to ensure that our customers experience a great service. It is an achievement to have met three out of the four KPIs for this service area. We will look to build on the successful launch to improve this service using technology as an enabler.

During the year there were longer turn around times of our lettable properties and therefore, Board made the decision to bring the service in-house from 2019-29. This will gives us more control to overall performance in making homes available for letting faster.

We narrowly missed our development target of 133 by eight homes regarding new units completed or acquired. The nature of development means that slippages can occur through circumstances outside of our direct control, particularly where developer-led, such as section 106 schemes. However, we completed 125 new build homes in 2018/19 compared to 46 in 2017/18 which is the largest number delivered in any single year to date.

Last year our customer satisfaction with complaint handling was below the level we expected for this area. We have worked with our involved customers, specifically our Customer Scrutiny Panel to identify areas for improvement around communications with our customers. Our mystery shoppers regularly contact staff and their feedback is also used to improve our services. We have changed our complaints process and introduced closer monitoring of issues and trends. Furthermore, we have improved how we capture our Customer Voice and use the information to understand underlying concerns and root causes of dissatisfaction. We have made improvements to our Housing Management System, introducing workflow to enable us to capture all customer contact to monitor the quality of our customer service. This has resulted in satisfaction with complaint handling improving by 17% in 2018/19.

Towards the end of 2018/19 Universal Credit was introduced in Wellingborough and we anticipated an increase in rent arrears. However, there was a clear action plan in place to mitigate the impact of Welfare Reform and by working closely with our customers we managed to reduce our current tenant arrears to 2.11% against a target of 3%.

Review of VFM actions against the VFM Standard

The VFM standard launched in April 2018 clearly outlines expectations set out by the RSH with the code of practice amplifying the requirements. As part of our VFM framework we have an annual action plan outlining how we will be achieving value for money and how this links to our corporate priorities. Table 6 below shows how we performed against what we said we would do in 2018/19 as well as showing how we are meeting the requirements of the VFM standard.

Table 6 – VFM Actions

Strategic Objective	What we said we would do (taken from VFM actions, corporate plan and budget challenge)	What we did
VFM standard: Robust approach to achieving value for money, including a robust approach to decision making and a rigorous appraisal of potential options for improving performance, cost and low performance.		
Reduce costs and drive efficiency	Fully establish the new in-house repairs services and identify further efficiency savings from the second year of the in-house team	Our repairs service was brought in-house in April 2018 and we have monitored and managed the service closely throughout the year. We met three of the four KPIs set for this area and only narrowly missed out on the fourth. Performance was delivered on budget.
Ensure investments generate optimum social and financial value	Assess the potential options and financial viability for redevelopment, remodelling and/or improvement of our independent living schemes to better meet the needs of customers in line with the future vision approved by the Board in 2017/18.	We have reviewed the potential options for our independent living schemes and identified the investment needed while maintaining a balance with our growth agenda. We have looked at improvement, re-development and working in partnership to provide different types of services. The outcomes of which we will be starting to implement in 2019/20.
Ensure operation performance is maintained at a high level	Have a fully skills-based Board by our September 2018 AGM.	A fully skills-based Board was recruited to and appointments of Board members approved at the September 2018 Annual General meeting (AGM).

Strategic Objective	What we said we would do (taken from VFM actions, corporate plan and budget challenge)	What we did
VFM standard: Regular and appropriate consideration by the Board of potential value for money gains, including full consideration of costs and benefits of alternative commercial, organisational and delivery structures.		
Reduce cost and drive efficiency	Review service charge recovery and make recommendation for charging from 1st April 2019	A review of the service charge methodology took place during the year and the decision was taken to continue for 2019/20. Moving forward the decision was taken to do a comprehensive review of rents and service charges during 2019/20.
	Review our rent setting policy, balancing affordability while maximising capacity for growth.	The Board considered our rent setting policy during 2018/19 and approved the policy in November 2018. Moving forward the decision was taken to do a comprehensive review of rents and service charges during 2019/20.
Ensure investments generate optimum social and financial value	Improve the environments on our estates through refurbishing and/or demolishing garages and providing more car parking and consider estate regeneration opportunities.	We have started Phase 1 of our environmental improvement programme which includes the refurbishment of garage sites around Wellingborough.

Strategic Objective	What we said we would do (taken from VFM actions, corporate plan and budget challenge)	What we did
VFM standard: Consideration of value for money across their whole business and where they invest in non-social housing activity, they should consider whether this generates returns commensurate to the risk involved and justification where this is not the case		
Ensure investments generate optimum social and financial value	Pursue new RentPlus opportunities to expand our portfolio of properties and tenure types, to increase revenue income and reduce unit costs	We have expanded our Rentplus portfolio to 55 properties and continue to work closely with our partner to grow this offer to our customers.
	Continue market rent expansion of the portfolio through new development and open market purchases to generate non-social housing income, drive efficiencies and reduce our unit costs.	We have taken on one additional market rent property as well as built seven Rent to Buy properties to ensure we offer our customers a wide choice of products.

Strategic Objective	What we said we would do (taken from VFM actions, corporate plan and budget challenge)	What we did
VFM standard: Appropriate targets in place for measuring performance in achieving value for money and delivering strategic objectives		
Produce and use effective, high quality, accurate and timely data	Develop the success of the Performance and Assurance Clinics, to make this a more effective forum for the Leadership Team to review performance and demonstrate we are achieving value for money objectives to provide assurance to Board.	Performance and Assurance Clinics are held every three months and are used to review budget forecasts, KPIs, OPIs, customer feedback, action plans, projects, risks, policies and contracts. This allows a full overview of all the areas within the organisation and helps to ensure we identify areas for improvement early and deploy resources where they are needed.
Reduce costs and drive efficiency	Continue to review and improve our procurement processes and outcomes	During the year we have updated our procurement policy, created a VFM and procurement framework, launched an electronic procurement system, improved our contracts register and created a procurement toolkit. We have reviewed our membership of procurement frameworks to ensure we get the most value out of them and have built on our procurement networks to learn from others.

VFM Actions for 2019/20

We have developed a new VFM and Procurement Framework 2019-22 which underpins our Corporate Plan Strategies. Within that Framework, we have identified clear actions to ensure we continue to deliver value for money and these can be found in table 7 below. Operating costs incorporate significant changes in spend profile due to initiatives to modernise and transform culture and working practices through increased IT and digital interfaces and solutions , a mix of savings and efficiencies has been delivered as a result of the ongoing transformation and the increased use of procurement consortium . The actions proposed below will ensure we remain a financially strong and viable organisation so that we can continue to grow and provide a diverse range of new homes to meet the needs of local people and to provide great services and high-quality living environments to our customers.

Table 7 – VFM actions for 19/20

VFM Standard	Corporate Strategy	Impact	Our plans for 2019/20
Robust approach to achieving value for money	Transforming our Future	Financial Impact	We will review and benchmark Terms and Conditions across the organisation to ensure they offer a competitive yet attractive package that support engagement, high performance and retention.
		Customer Voice Impact	We will complete the TPAS 'trailblazer' project to ensure customer voice and influence is maximised by use of behavioural insights.
		Customer Voice Impact /Financial Impact	We will develop and implement plans for changes in agreed service areas that build on the learning and outcomes from the behavioural insights work and customer journey mapping.
	Growth	Financial Impact	We will review our rent setting policy to ensure the right balance between maximisation of our capacity to invest in new and existing homes and affordability for our customers.
Regular and appropriate consideration by the board of potential value for money gains	Asset Management	Financial Impact	We will expand our in-house service offer to include voids; cyclical maintenance and general building works.
		Financial and Social impact	We are in the process of negotiation on the land rationalisation agreement with BCW. Subject to sign off of the agreement, we will finalise discussions with BCW and Norse re contractual arrangements for the transfer for the service delivery and impact/ mitigation of differing Service Level Agreements (SLAs).
		Financial and Social Impact	We will identify areas where we can enhance our 5 years capital investment plan regarding common areas and other elements. E.g. floor coverings, fire alarms, door entry systems and domestic showers / smoke alarms.
	Growth	Financial and Social Impact	We will develop a 5- year investment plan to deliver more and/or improved homes in our existing and/or new Independent Living schemes.

	Corporate Strategy	Impact	Our plans for 2019/20
Consideration of value for money across their whole business	Transforming our Future	Customer Voice Impact/Financial Impact	We will be providing training to our managers to improve the leadership of their teams supporting mobile and flexible working to provide better services to our customer.
		Financial Impact	We will enhance existing and introduce new digital platforms for customers/staff/Board members to enable end-to-end self-service.
	Asset Management	Financial Impact	We will update the Net Present Value (NPV) of all stock following acquisition of a new stock profiler system. We will use profile data to inform decisions around pre-war and other low performing stock combined with our rolling programme of stock condition surveys.
	Growth	Financial and Social Impact	We will carry out a review of the market rent programme and develop our brand as a provider of good quality and secure homes for affordable market rent homes to inform future plans to grow the portfolio to support delivery of our charitable objectives.
Appropriate targets in place for measuring performance in achieving value for money in delivering strategic objectives	Transforming our Future	Customer Voice Impact	On 1st April 2019 we launched our Customer Charter, offer to our customers. We will be working closely with customers to develop measures for success and customers will determine achievement of the charter at year end.
			We will review the outcome of the 'Green Paper' consultation and incorporate any potential consumer KPIs not already covered as part of our measures.
	Asset Management	Customer Voice Impact	We will be working with our Asset and Development Customer Panel and Customer Assembly to develop escalation protocols around the customer voice re Health and Safety compliance.
		Customer Voice Impact /Social Impact	We will develop the approach to measure customers' views on high-quality living environments– gold, silver, bronze standards of our estates

Cashable saving and efficiency gains

During the year we achieved the following cashable and efficiency/ non- cashable savings (table 8 below), contributing to our surplus realised in each year which will be reinvested towards achieving our corporate objectives.

Table 8 – Efficiency Gains

Quarter	Service	Saving/ Efficiency	On-going saving (£)	One-off saving (£)	Efficiency/ non-cashable
Q4 2019/20	Procurement	Annual saving for the Northern housing Consortium		£31,996	
	Procurement	HALA annual saving		£13,939	
Q3 2019/20	Information Technology and Business Improvement	Business Continuity in house		£4,150	
		Increase in staff productivity from mobile working solutions			£48,600
	Home Ownership	Shared ownership advertising	£6,500		
	Out of Hours	Retendering contract	£16,500		
Q2 2019/20	Customer Engagement	Increase digital solutions from Face to Face and telephone services			£32,711
Q1 2019/20	Finance	Landlord gas and electricity supply	£12,899		
	IT	Fixed lines telephone	£11,300		
Total			**£47,199**	**£50,085**	**£81,311**

Report of the Board

The Board of Greatwell Homes is pleased to present its report together with the audited financial statements for the year ended 31 March 2019.

Legal status

Greatwell Homes is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered with the regulator of Social Housing as a registered provider of social housing.

Principal Activities

Details of the Association's principal activities, its performance during the year and factors likely to affect its future housing development are contained within the Strategic Report, which precedes this report.

Board and Committee Structure

As at 31 March 2019 the Rules of the Association allow for the appointment of Board members as follows:

- Up to twelve Board members

As at 31 March 2019, the Association had nine Board members with one vacancy on the Board. The members who served during the year are listed in the table below:

Board Members

Table 9: Board Members

Name	Joined Board	Committee Membership
John Lewis (Chair)	22/05/2014 (Chair from 27/09/2018)	n/a
Tim Davy (former Chair)	21/10/2009 (left 27/09/2018)	n/a
Simon Brooksbank (Vice Chair)	27/09/2018	Remuneration and Selection
Yvette Morgan (former Vice Chair)	19/02/2010 (left 21/02/2019)	Audit and risk
Cheryl Armatrading	27/09/2018	Remuneration and Selection
David Beale	27/09/2018	Audit and Risk
Ian Hill	27/09/2018	Audit and Risk
Martin Lord	27/09/2018	Audit and Risk Remuneration and Selection
Doug Livingstone	28/09/2017	Audit and Risk
John Welch	24/01/2013	Audit and Risk
Martin Wheatley	25/02/2016	Remuneration and Selection, Audit and Risk
Tony Aslam	19/05/2011 (left 27/09/18)	Audit and Risk
Jon Ekins	19/05/2011	Audit and Risk

Name	Joined Board	Committee Membership
	(left 27/09/18)	
Mary Reeves	19/05/2011 (left 27/09/18)	Remuneration and Selection
Daphne Simmons	19/05/2011 (left 27/09/18)	Audit and Risk

Shareholders hold one fully paid £1 share that is cancelled on cessation of membership.

Employee Policies

We recognise that the success of our business and our ability to meet our objectives and commitments to our customers and communities depends on our employees. It is the policy of Greatwell Homes that training, career development and promotion opportunities should be available to all employees. We ensure that all employees understand their contribution towards delivery of our new Corporate Plan 2019 – 22. This is reinforced by regular individual meetings between managers and their direct reports, and by our annual performance appraisal and target setting process.

We are fully committed to equality of opportunity and have in place modern employment policies that ensure that we are an attractive and engaging employer to individuals regardless of their gender, age, ethnicity, sexual orientation, religion or disability status. The health, safety and wellbeing of all our employees are of prime importance. We have in place detailed health and safety policies, and provide staff training and education on health and safety matters.

We recognise the Unison Trade Union and engage in local collective negotiations with them.

Insurance

We retendered our insurance in November 2016 and aligned the first renewal to the financial year end 31 March 2018. Insurance was maintained throughout the period including cover for members and senior employees against liabilities in relation to the Association.

Going Concern

Our business activities, our current financial position and factors likely to affect our future development are set out within the Strategic Report. We have in place funding, which provides resources to finance committed reinvestment and development programmes, along with day-to-day operations. We have a long-term business plan that shows we can service the debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the Board has a reasonable expectation that Greatwell Homes has the resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Disclosure of Information of Auditors

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

Code of Governance

We have adopted the National Housing Federation Code of Governance 2015 Promoting Board Excellence for Housing Associations. As at 31 March 2019 we are fully compliant with the Code. Until September 2018 we were not compliant regarding the Board being fully able to decide on the make-up and appointment of new members objectively based on merit. This was due to the previous rule that the Borough Council of Wellingborough had the right to nominate and directly appoint four Councillors as Board members. Following new legislation in 2016 (Housing and Planning Act); the new Rules approved by the Board on 22 February 2018 and adopted by shareholder resolution on 17 May 2018; we were able to implement changes that mean since September 2018 all Board appointments are made based on skills. The recruitment process includes due selection and an assessment process to establish suitability as detailed in our Governance and Delegation framework.

As there are no longer reserved places for customers, we work with the Customer Assembly to support customers and enable them to become Board members appointed based on skills and we have also developed a recruitment process and training programme specifically targeted at customers, as well as several activities aimed at strengthening the relationship between the Customer Assembly and the Board.

Following recruitment during summer 2018, and by the Annual General Meeting on 27 September 2018, all Board members have been appointed on the merit of skills and experience that meet the needs and objectives of the organisation and as such the composition of the Board is now fully compliant with the Code.

Internal Controls Assurance

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and conduct an annual review of the effectiveness of this system.

The process for identifying, evaluating and managing the significant risks faced by the Association is on-going and has been in place throughout the period 1 April 2018 up to the date of approval of the report and financial statements. These internal controls act to provide reasonable assurance that planned corporate objectives are achieved. They also exist to give reasonable assurance that the financial and management performance information is reliable, and the Association's assets are safeguarded. However, the Board recognises that no system of internal control can provide absolute assurance against material misstatement or loss.

Key elements of the systems of the control framework include:

- Board approved terms of reference and delegated authorities for Board, committees and Executive Management Team.
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks.
- Robust strategic and business planning processes, which are stress tested and include detailed financial budgets and forecasts.
- Formal recruitment, retention, training and development policies for all staff.
- Established authorisation and appraisal procedures for significant new initiatives and commitments.

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- Board approved terms of reference and delegated authorities for Board, committees and Executive Management Team.
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks.
- Robust strategic and business planning processes, which are stress tested and include detailed financial budgets and forecasts.
- Formal recruitment, retention, training and development policies for all staff.
- Established authorisation and appraisal procedures for significant new initiatives and commitments.

- A robust approach to treasury management which is reviewed externally each year.
- Regular reporting to the appropriate committee on business objectives, targets and outcomes.
- Board approved whistle blowing and fraud policies covering prevention, detection and reporting of assets.
- Regular monitoring of loan covenants and requirements for any new loan facilities.
- Robust business continuity plans in place which are tested annually including disaster recovery of IT systems

A fraud register is maintained and reviewed by the Audit and Risk Committee at each of its meetings. During 2018/19, there have been no instances of fraud or attempted fraud.

The Board cannot delegate ultimate responsibility for the system of internal control but has delegated authority to the Audit and Risk Committee to regularly review the effectiveness of the system of Internal Control. The Board receives Audit and Risk Committee minutes and a report from its Chair. The Committee has received the Executive Management Team's annual review of the effectiveness of the system of internal control for the Association, and the annual report of the internal auditor, and has reported its findings to the Board.

Public Benefit Entity

As a public benefit entity, Greatwell Homes Limited has applied the public benefit entity 'PBE' prefixed paragraphs of FRS102.

Compliance with Governance and Financial Viability Standard

The Accounting Direction 2015 has a requirement for providers to certify that they have complied with the Regulator's Governance and Financial Viability Standard within the narrative reporting. In addition to this certification, any areas of non-compliance should be disclosed and explained.

The Association is fully compliant with the eight specific expectations regarding Governance and Financial Viability.

Auditors

A resolution to re-appoint Beever and Struthers as the association's auditors will be proposed at the Annual General Meeting on 26 September 2019.

Statement of Compliance

The Board confirms that this Strategic Report has been prepared in accordance with the principles set out in Para 4.7 of the 2018 SORP for Registered Social Housing Providers.

By Order of the Board:

John Lewis, Chair	**Simon Brooksbank, Vice Chair**
1 August 2019	**1 August 2019**

Statement of the Board's Responsibilities in Respect of the Accounts

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

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the of the association and of the Income and Expenditure for the period of account.

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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Society 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 2015. It has general responsibility for taking reasonable steps to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

Statement of Compliance

The board confirms that this Strategic Report has been prepared in accordance with the principles set out in paragraph 4.7 of the 2014 SORP for Registered Social Housing Providers.

The Board's Strategic Report was approved on 1 August 2019 and signed on its behalf by:

John Lewis	**Amanda Meanwell**
Chair	**Company Secretary**

Independent Auditor's Report to the Members of Greatwell Homes Limited

Opinion

We have audited the financial statements of Greatwell Homes Limited "the Association" for the year ended 31 March 2019 which comprise the Consolidated and Association Statement of Comprehensive Income, Consolidated and Association Statement of Financial Position, Consolidated Statement of Changes in Equity (Reserves), Consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the society's ability to continue to adopt the going concern basis

Independent Auditor's Report to the Members of Greatwell Homes Limited

Opinion

We have audited the financial statements of Greatwell Homes Limited "the Association" for the year ended 31 March 2019 which comprise the Consolidated and Association Statement of Comprehensive Income, Consolidated and Association Statement of Financial Position, Consolidated Statement of Changes in Equity (Reserves), Consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the society's ability to continue to adopt the going concern basis

of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which Cooperative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities set out on page 24, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the society's members, as a body, in accordance with section 87 of the Cooperative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the society and the society's members as a body for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers, Statutory Auditor
St George's House
215/219 Chester Road
Manchester
M15 4JE
Date: 1 August 2019

Greatwell Homes Limited - Statement of Comprehensive Income

	Notes	Year Ended 31 Mar 2019 £'000	Year Ended 31 Mar 2018 £'000
Turnover	2	**26,088**	22,959
Operating expenditure and Cost of Sales	2	**(18,427)**	(14,801)
Gain on disposal of fixed assets	5	**1,107**	1,151
Operating surplus		**8,768**	9,309
Interest receivable	6	**16**	5
Interest and financing costs	6	**(1,984)**	(2,089)
Increase/decrease in valuation of investment properties	12	**173**	229
Surplus before tax	7	**6,973**	7,454
Taxation		**0**	0
Surplus for the year after tax		**6,973**	7,454
Other comprehensive income			
Inception deficit adjustment from reserves for SHPS	10	**(945)**	-
Actuarial gain in respect of pension schemes	10	**(277)**	93
Total comprehensive income for the year		**5,751**	7,547

The financial statements on pages 30 to 34 were approved and authorised for issue by the Board on 1 August 2019 and were signed on its behalf by:

John Lewis Chair	Simon Brooksbank Vice Chair	Amanda Meanwell Company Secretary

Greatwell Homes Limited - Statement of Comprehensive Income

	Notes	Year Ended 31 Mar 2019 £'000	Year Ended 31 Mar 2018 £'000
Turnover	2	**26,088**	22,959
Operating expenditure and Cost of Sales	2	**(18,427)**	(14,801)
Gain on disposal of fixed assets	5	**1,107**	1,151
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Taxation		**0**	0
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Inception deficit adjustment from reserves for SHPS	10	**(945)**	-
Actuarial gain in respect of pension schemes	10	**(277)**	93
Total comprehensive income for the year		**5,751**	7,547

The financial statements on pages 30 to 34 were approved and authorised for issue by the Board on 1 August 2019 and were signed on its behalf by:

John Lewis
Chair

Simon Brooksbank
Vice Chair

Amanda Meanwell
Company Secretary

Greatwell Homes Limited - Statement of Financial Position

	Notes	As at 31 Mar 2019 £'000	As at 31 Mar 2018 £'000
Fixed Assets			
Tangible fixed assets	11	110,674	97,092
Investment Properties	12	2,855	2,600
		113,529	99,692
Current Assets			
Stock	13	1,022	969
Trade and Other debtors	14	1,004	1,223
Investments	15	30	-
Cash and Cash equivalents	16	14,553	5,531
		16,609	7,723
Less Creditors: amounts falling due in one year	17	(5,223)	(3,423)
Net Current assets/(liabilities)		**11,386**	4,300
Pension Asset (liabilities)	10	(916)	836
Total assets less current liabilities		**123,999**	104,828
Creditors: amounts falling due after more than one year	18	(55,268)	(41,854)
Total net assets		**68,731**	62,974
Reserves			
Income and expenditure reserve		**68,731**	62,974
Non-equity share capital		**0**	0
Total Reserves		**68,731**	62,974

The financial statements on pages 30 to 34 were approved and authorised for issue by the Board on 1 August 2019 and were signed on its behalf by:

John Lewis
Chair

Simon Brooksbank
Vice Chair

Amanda Meanwell
Company Secretary

The notes on pages 35 to 61 form an integral part of these accounts.

Greatwell Homes Limited - Statement of Financial Position

	Notes	As at 31 Mar 2019 £'000	As at 31 Mar 2018 £'000
Fixed Assets			
Tangible fixed assets	11	110,674	97,092
Investment Properties	12	2,855	2,600
		113,529	99,692
Current Assets			
Stock	13	1,022	969
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Investments	15	30	-
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		16,609	7,723
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Net Current assets/(liabilities)		**11,386**	4,300
Pension Asset (liabilities)	10	(916)	836
Total assets less current liabilities		**123,999**	104,828
Creditors: amounts falling due after more than one year	18	(55,268)	(41,854)
Total net assets		**68,731**	62,974
Reserves			
Income and expenditure reserve		**68,731**	62,974
Non-equity share capital		**0**	0
Total Reserves		**68,731**	62,974

The financial statements on pages 30 to 34 were approved and authorised for issue by the Board on 1 August 2019 and were signed on its behalf by:

John Lewis Chair	Simon Brooksbank Vice Chair	Amanda Meanwell Company Secretary

The notes on pages 35 to 61 form an integral part of these accounts.

Greatwell Homes Limited - Statement of Changes in Reserves

	Income and Expenditure Reserve £'000
Balance as at 1 April 2017	**55,427**
Surplus/(deficit) for the year after tax	7,454
Other comprehensive income for the year	93
Balance as at 31 March 2018	**62,974**
Adjustment to reserves prior year reserves	6
Surplus/(deficit) for the year after tax	6,973
Net Inception deficit adjustment from reserves for SHPS	(945)
Other comprehensive income for the year	(277)
Balance as at 31 March 2019	**68,731**

The notes on pages 35 to 61 form an integral part of these accounts.

Greatwell Homes Limited - Statement of Cash flows

	Notes	Year ended 31-Mar-19 £'000	Year ended 31-Mar-18 £'000
Net cash generated from Operating Activities	note i	8,646	8,698
Cash flow from investing activities:			
Purchase of tangible fixed assets	11/12	(16,185)	(8,674)
Purchase of tangible fixed assets-Other	11	(1,151)	(488)
Proceeds from sale of tangible fixed assets-RTB/RTA	5	1,844	2,292
Proceeds from Shared Ownership 1st Tranche sales	2	4,188	1,318
Proceeds from receipt of grants	19	664	1,667
		(10,640)	(3,885)
Cash flow from financing activities:			
Interest paid	6	(1,984)	(2,089)
New long-term loan financing	28	13,000	-
Net change in cash and cash equivalents		9,022	2,724
Cash and cash equivalents at beginning of the year		5,531	2,807
Cash and cash equivalents at end of the year	16	**14,553**	**5,531**

The notes on pages 35 to 61 form an integral part of these accounts.

Consolidated statement of cash flow continued

Note i

	Notes	Year ended 31-Mar-19 £'000	Year ended 31-Mar-18 £'000
Cashflow from Operating activities			
Surplus for the year	SOCI	**8,768**	9,309
Adjustment for non-cash items:			
Depreciation of Tangible fixed assets	11	3,619	3,182
Decrease/(increase) in stock	13	(53)	(232)
Decrease/(increase) in Trade and other debtors	14	219	25
(Decrease)/increase in trade and other creditors	17	1,800	(669)
Pension costs less contributions payable	10	232	152
Carrying amount of tangible fixed assets disposals	11	135	218
Adjustments for investing or financing activities:			
Gain on disposal of tangible fixed asset	5	(1,107)	(1,151)
Shared ownership sales costs	2	(2,918)	0
Government grants utilised in the year	19	(51)	(51)
Increase in Investments	15	(30)	0
Interest payable	6	(1,984)	(2,089)
Interest received	6	16	4
Net cash generated from operating activities		**8,646**	8,698

The notes on pages 35 to 61 form an integral part of these accounts.

Greatwell Homes - Notes to the financial statements for the year ended 31 March 2019

Legal Status
Greatwell Homes Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator for Social Housing as a Private Registered Provider of Social Housing. The registered office is 12 Sheep Street, Wellingborough, Northants, NN8 1BL.

1. Principal Accounting Policies

Basis of Accounting
The financial statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2014.

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The accounts are prepared on the historical cost basis of accounting and are presented in sterling £.

The Association's financial statements have been prepared in compliance with FRS102. The Association has applied the Public Benefit Entity sections of FRS102.

Going concern
The Association's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. Government's announcements in July 2015 impacting on the future income of the Association have led to a reassessment of the Association's business plan as well as an assessment of imminent or likely future breach in borrowing covenants. No significant concerns have been noted in the 2018/19 business plan and therefore we consider it appropriate to continue to prepare the financial statements on a going concern basis.

Critical accounting judgements and key sources of estimation uncertainty
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

a. **Development expenditure**. The Association capitalises development expenditure in accordance with the accounting policy described on page 38. Initial capitalisation of costs is based on management's judgement that the development scheme is confirmed, usually when Board approval has taken place including access to the appropriate funding. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

b. **Categorisation of housing properties**. The Association has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Association has considered if the asset is held for social benefit or to earn commercial rentals. The Association has determined that market rented properties are investment properties.

c. **Impairment.** The Association considers whether indicators of impairment exist in relation to tangible assets. Indicators considered include external sources of information such as market value, market interest rates and returns on investment, actual or proposed changes to the technological, economic or legal environment, obsolescence or damage to the asset, operational changes or internal reporting which indicates that the asset is performing worse than expected. The Association also considers expected future performance of the asset. See note 12 for more information. Any impairment loss is charged to the Statement of comprehensive Income.

Impairment is recognised where carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified

Following a trigger for impairment, the Association perform impairment tests based on a fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from sales transactions in an arms-length transaction on similar cash generating units (properties) or observable market process less incremental costs for disposing of the properties. The value in use calculation is based on either a depreciated replacement cost or a discounted cashflow model. The depreciated replacement cost is based on available data of the cost of constructing or acquiring replacement properties to provide the same level of service potential to the Association as the existing property. The cash flows are derived from the business plan for the next 30 years and do not include restructuring activities that the Association is not yet permitted to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

The Association has not identified a cash generating unit for impairment assessment purposes at a property scheme level. The Association has not identified any properties in the period with an impairment liability.

d. **Pension and other post-employment benefits**. The costs of defined benefit pension plan and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary increases, and pension increases are based on expected future inflation rates for the respective sector. Further details are given in note 10.

Other key sources of estimation and assumptions:

a. **Tangible fixed assets**. Other than investment properties, tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on several factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are considered. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. The carrying value of tangible fixed assets at 31 March 2019 was £110.7m.

b. **Revaluation of investment properties**. The Association carries its investment properties at fair value, with changes in fair value being recognised in profit and loss. The Association engaged independent valuation specialists to determine fair value at the reported period date. The valuer used a valuation technique based on a discounted cashflow model. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long-term vacancy rate. The key assumptions used to determine the fair value of investment property are further explained in note 12. The carrying value of investment properties as at 31 March 2019 was £2.9m.

c. **Accounting for the Social Housing Pension Scheme ('SHPS')**. The Boards view, considering the guidance issued in FRED 71 and guidance issued by the National Housing Federation, is that the difference between the deficit funding agreement previously recognised in relation to SHPS, and the net defined benefit deficit, should be recognised in Other Comprehensive Income. The relevant date to apply the adjustment is judged to be 1 April 2018, as TPT Retirement Solutions does not have the data to provide enough information before the date 31 March 2018.

Turnover and revenue recognition
Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities and Homes England, income from the sale of shared ownership and other income and are recognised in relation to the period when the goods or services have been supplied.

Rental income is recognised when the property is available for let, net of voids. Income from property sales is recognised on legal completion.

Support income and costs
Support services income is accounted for as support services income in the Turnover as per note 2. The related support costs are matched against this income in the same note. Support charges included in the rent are included in the Statement of Comprehensive Income from social housing lettings note 3 and matched against the relevant costs.

Service charges
Service charge income and costs are recognised on an accrual's basis. The Association's variable service charges are on a scheme by scheme basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position.

Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents; until these costs are incurred this liability is held in the Statement of Financial Position within long term creditors, this is referred to as a sinking fund.

Loan interest costs

Loan interest costs are calculated using the effective interest method of the difference between the loan amount at initial recognition and amount of maturity of the related loan.

Loan finance issue costs

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

Value Added Tax

The Association charges VAT on some of its income and can recover part of the VAT it incurs on expenditure. All amounts disclosed in the financial statements are inclusive of VAT to the extent that it is suffered by the Association and not recoverable.

Tangible fixed assets and depreciation

Housing Properties

Tangible fixed assets are stated at cost, less accumulated depreciation. Donated land/assets or assets acquired at below market value from a government source, i.e. local authority, are included as a liability in the Statement of Financial Position at the fair value less consideration paid.

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction. For mixed tenure housing properties, costs are allocated in the following way:

Freehold land is not depreciated.

Where a housing property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred.

The Association depreciates freehold housing properties by component on a straight-line basis over the estimated UELs of the component categories.

UELs for identified components are as follows:

Component	Years
Adaptations	10
Bathroom	30
Boilers	15
Communal Equipment	5
Electrical Wiring	30
Enveloping	50
Heating Systems	30
Kitchens	20
Lifts	25
Property	75
Roofs	60
Windows and Doors	20

The Association depreciates housing properties held on long term leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

Depreciation is charged on other tangible fixed assets on a straight-line basis over the expected economic useful lives which are as follows:

Component	Years
Fixtures, fittings and equipment	3
IT Equipment	3
Estate capital improvements	30

Low cost home ownership properties
The costs of low-cost home ownership properties are split between current and fixed assets based on the first tranche portion. The first tranche portion is accounted for as a current asset and the sale proceeds shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset and subsequent sales treated as sales of fixed assets/ property sales in operating profit.

Capitalisation of interest and administration costs
Interest on loans financing development is capitalised up to the date of the completion of the scheme and only when development activity is in progress.

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into their intended use.

Leasing and hire purchase
Where assets are financed by hire purchase contracts and leasing agreements that give rights approximating to ownership (finance leases), they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as obligations to the lessor in creditors. They are depreciated over the shorter of the lease term and their economic useful lives.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit and loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Other leases are treated as operating leases and payments are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives received on leases to enter into operating lease agreements are released to Statement of Comprehensive Income over the term of the lease.

Investment property
Investment property includes commercial and other properties not held for social benefit of the Association. Investment property is measured at cost on initial recognition, which includes purchase cost and any directly attributable expenditure, and subsequently at fair value at the reporting date. Fair value is determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income. There are no restrictions on realisation or remittance of income or disposal proceeds.

Current asset investments
Current asset investments include cash and cash equivalents invested for periods of more than 24 hours. They are recognised initially at cost and subsequently at fair value at the reporting date. Any change in valuation between reporting dates is recognised in the Statement of Comprehensive Income.

Short-term debtors and creditors
Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Non-government grants
Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. Where grant is received with specific performance requirements it is recognised as a liability until the conditions are met and then it is recognised as Turnover.

Social Housing Grant (SHG) and other government grants
Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income and recognised in Turnover over the estimated useful life of the associated asset structure (not land), under the accruals model. SHG received for items of cost written off in the Statement of Comprehensive Income Account is included as part of Turnover.

When Social Housing Grant in respect of housing properties during construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

SHG must be recycled by the Association under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by Homes England. However, SHG may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as Turnover. In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

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

Disposal Proceeds Fund (DPF)
Historical receipts from the sale of SHG funded properties less the net book value of the property and the costs of disposal were credited to the DPF up until the year ended 31 March 2017 when due to de-regulatory measures, there are no longer requirements to show new proceeds from relevant disposals in the DPF. This creditor is carried forward until it is used to fund the acquisition of new social housing.

Retirement benefits
The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services.

The Association participates in the Social Housing Pension Scheme ('SHPS'), a defined benefit multiemployer pension scheme administered by TPT retirement Solutions ('TPT'). Historically, TPT has not been able to provide enough information for each social landlord's share of SHPS to allow defined benefit accounting to be applied. Instead, in accordance with FRS 102 paragraphs 28.11 and 28.11A and Housing SORP paragraphs 15.9 to 15.12, SHPS has been accounted for as a defined contribution scheme and recognised a liability for the present value of the landlord's deficit funding agreement.

Following changes made to systems and processed by TPT, enough information is now available for SHPS. In January 2019, the Financial Reporting Council issued FRD71 ('Draft amendments to FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Multi-employer defined benefit plans.') which provides proposed changes to FRS 102 on this issue.

Consistent with the guidance in FRED 71 paragraph 4 (FRS 102 paragraph 28.11B), the difference between the deficit funding liability and the net defined benefit for SHPS has been recognised in Other Comprehensive Income. This constitutes a change in accounting policy. Further disclosures in this area are included in note 10.

Financial Instruments
Financial assets and financial liabilities are measured at transaction price initially, plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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

- Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.
- Commitments to receive or make a loan to another entity which meet the conditions in para 11.8(c) of FRS 102 are measured at cost less impairment.
- Investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are measured at:
  - Fair value with changes in fair value recognised in profit or loss if the shares are publicly traded or their value can otherwise be measured reliably, and
  - At cost less, impairment for all other such investments.

Financial instruments held by the Association are classified as follows:

- Financial assets such as cash, current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method.
- Financial liabilities such as bonds and loans are held at amortised cost using the effective interest method.
- Loans to or from subsidiaries including those that are due on demand are held at amortised cost using the effective interest method.
- Commitments to receive or make a loan to another entity which meet the conditions above are held at cost less impairment.
- An investment in another entity's equity instruments other than non-convertible preference shares and non-puttable ordinary and preference shares are held at fair value.
- Derivatives such as interest rate swaps are classified as financial assets or financial liabilities at fair value.

Financial assets and financial liabilities at fair value are classified using the following fair value hierarchy:

a) The best evidence of fair value is a quoted price in an active market.
b) When quoted prices are unavailable, the price of a recent transaction for an identical asset, adjusted to reflect any circumstances specific to the sale, such as a distress sale, if appropriate.
c) Where there is no active market or recent transactions then a valuation technique is used to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

Loans
All loans held by the Association are classified as basic financial instruments in accordance with FRS 102. They are measured at transaction price plus transaction costs initially, and subsequently at amortised cost using the effective interest rate method. Loans repayable within one year are not discounted.

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

The following financial instruments are assessed individually for impairment:

a) All equity instruments regardless of significance; and
b) Other financial assets that are individually significant.

Other financial instruments are assessed for impairment either individually or grouped based on similar credit risk characteristics.

An impairment loss is measured as follows on the following instruments measured at cost or amortised cost:

a) For an instrument measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.
b) For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date.

If, in a subsequent period, the amount of an impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. The reversal cannot result in a carrying amount (net of any allowance account) which exceeds what the carrying amount would have been had the impairment not previously been recognised. The amount of the reversal is recognised in profit or loss immediately.

2 Of Turnover, cost of sales, operating expenditure and operating surplus

	2019			
	Turnover	Cost of Sales	Operating Expenditure	Operating Surplus
	£'000	£'000	£'000	£'000
Social Housing lettings (note 3a)	20,733	-	(14,972)	5,761
Other social housing activities				
First Tranche low cost home ownership sales	4,188	(2,918)		1,270
Charges for support services	305	-	(298)	7
Other				
VAT shelter Income	305	-	(158)	147
Activities other than social housing				
Lettings (note 3b)	557	-	(81)	476
Gain on disposal of fixed assets (note 5)				1,107
Operating Surplus	**26,088**	**(2,918)**	**(15,509)**	**8,768**

	2018			
	Turnover	Cost of Sales	Operating Expenditure	Operating Surplus
	£'000	£'000	£'000	£'000
Social Housing lettings (note 3a)	20,606	-	(13,362)	7,244
Other social housing activities				
First Tranche low cost home ownership sales	1,318	(812)	-	506
Charges for support services	161	-	(283)	(122)
Other				
VAT shelter Income	340	-	(175)	165
Activities other than social housing				
Lettings (note 3b)	534	-	(169)	365
Gain on disposal of fixed assets (note 5)				1,151
Operating Surplus	22,959	(812)	(13,989)	9,309

3a. Of turnover and operating expenditure from social housing lettings

	General Housing	Supported Housing And Housing For Older People	Low Cost Home Owner ship	Other	Total 2019	Total 2018
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Rent receivable net of identifiable service charges and net of voids	18,606	955	624	-	**20,185**	20,175
Service charge Income	214	264	19	-	**497**	380
Amortised government grants	51	-	-	-	**51**	51
Total Turnover from Social Housing Lettings	18,871	1,219	643	-	**20,733**	20,606
Operating expenditure						
Management	4,510	230	409	-	**5,149**	3,847
Service charge costs	434	203	2	-	**639**	503
Routine Maintenance	4,185	137	-	-	**4,322**	4,633
Planned Maintenance	703	9	-	-	**712**	661
Major Repairs expenditure	-	-	-	1,031	**1,031**	603
Bad Debt	75	-	-	-	**75**	195
Dep'n of Hsg Properties	2,779	265	-	-	**3,044**	2,920
Other Costs	-	-	-	-	**-**	-
Total Operating Expenditure on Social Housing Lettings	12,686	844	411	1,031	**14,972**	13,362
Operating Surplus/(deficit) on Social Housing Lettings	6,185	375	232	(1031)	**5,761**	7,244
Void Losses	95	26	56	1	**179**	96

3b. Turnover from activities other than social housing

	2019	2018
	£'000	£'000
Lettings		
Market Rent	**127**	102
Garages	**430**	432
Other	**557**	534

4. Accommodation owned, managed and in development

	2019 No. of properties Owned	2019 No. of properties Managed	2018 No. of properties Owned	2018 No. of properties Managed
Social Housing				
Under development at end of year:				
General needs housing social rent	**12**	**0**	0	0
General needs housing affordable rent	**136**	**0**	94	0
Supported housing	**0**	**0**	0	0
Housing for older people	**0**	**0**	0	0
Low-cost home ownership	**61**	**0**	53	0
	209	**0**	147	0
Under management at end of year:				
General needs housing social rent	**4,093**	**55**	4,098	0
General needs housing affordable rent	**269**	**0**	210	0
Supported housing	**253**	**0**	260	0
Housing for older people	**0**	**0**	0	0
Low-cost home ownership	**177**	**0**	120	0
	4,792	**0**	4,688	0
Non-Social Housing				
Under management at end of year:				
Market rented	**17**	**0**	16	1
Total	**5,018**	**55**	4,851	1

5. Gain on disposal of property, plant and equipment (fixed assets)

	Right to Buy and Right to Acquire £'000	Shared Ownership Stair-casing Sales £'000	Total 2019 £'000	Total 2018 £'000
Proceeds of sales	1,844	0	**1,844**	2,292
Less: Costs of sales	(135)	0	**(135)**	(219)
Less: Clawback payable BCW	(602)	0	**(602)**	(922)
	1,107	0	**1,107**	1,151

6. Net Interest

	2019 £'000	2018 £'000
Interest receivable and similar income		
On financial assets measured at amortised cost:		
Interest receivable from current accounts	**16**	5
	16	5

	2019 £'000	2018 £'000
Interest payable and financing costs		
On financial liabilities repayable in more than five years:		
On loans repayable within five years	**-**	-
On loans wholly or partly repayable in more than five years	**2,222**	2,158
Grant received towards costs	**(22)**	(22)
Costs associated with financing	**22**	22
	2,222	2,158
On defined benefit pension scheme		
Expected return on plan assets LGPS	**(202)**	(194)
Expected return on plan assets SHPS	**(85)**	
Interest on scheme liabilities LGPS	**182**	173
Interest on scheme liabilities SHPS	**117**	
Unwinding of SHPS pension liability discount	**-**	2
On financial liabilities measured at fair value		
Fair value loss on derivative financial instruments	**-**	-
Less: Interest capitalised on housing properties under construction	**(250)**	(50)
	1,984	2,089

7. Surplus/(deficit) on ordinary activities

	2019 £'000	2018 £'000
The operating surplus is stated after charging: -		
Auditors' remuneration (excluding VAT):		
Audit of financial statements	**18**	16
Operating lease rentals:		
- Vehicles	**103**	45
- Land and Buildings	**255**	220
- Office equipment	**7**	8
Depreciation of housing properties	**3,044**	2,922
Depreciation of other fixed assets	**575**	260

8. Key management personnel remuneration

Remuneration for the year ended 31 March 2019:

Members of the Executive Management Team

Name Position	**2019** Basic Salary £'000	**2019** Benefit in Kind £'000	**2019** E'er Pen £'000	**2019** E'er NIC £'000	**2019** Total £'000	2018 Total £'000
Jo Savage Chief Executive	146	1	19	10	175	173
Julie Robinson Director of Resources	121	1	16	8	146	143
Mandy Meanwell Director of Housing and Support Services	115	1	15	8	138	137
Denise Lewis Director of Assets and Development	117	1	15	11	144	131
	498	**4**	**64**	**37**	**603**	585

Jo Savage is the Chief Executive and was the highest paid executive in the period to 31 March 2019. She is a member of the SHPS defined benefit scheme, the details of which are reported in note 10.

Members of the Board

Name	**2019** Salary £'000	**2019** Benefits in Kind £'000	**2019** E'er Pen £'000	**2019** E'er NIC £'000	**2019** Total £'000	2018 Total £'000
John Lewis - Chair	0	-	-	-	0	0
Tim Davy – Chair (left 27 Sep 18)	6	-	-	-	6	8
Simon Brooksbank – Vice Chair	2	-	-	-	2	0
Yvette Morgan – Vice Chair (left 21 Feb 19)	6	-	-	-	6	5
Martin Wheatley – Remuneration and Selection	6	-	-	-	6	5
John Welch - Audit and Risk	6	-	-	-	6	5
Daphne Simmons	3	-	-	-	3	4
Mary Reeves	3	-	-	-	3	4
Cheryl Armatrading	2	-	-	-	2	1
Martin Lord	2	-	-	-	2	0
David Beale	2	-	-	-	2	0
Ian Hill	2	-	-	-	2	0
Tony Aslam (left 27 Sep 18)	0	-	-	-	0	0
Jon Ekins (left 27 Sep 18)	0	-	-	-	0	0
Doug Livingstone	4	-	-	-	4	1
	43	**0**	**0**	**0**	**43**	33

8. Key management personnel remuneration (continued)

Expenses paid during the year to Board Members totalled £4,912 (2018: £7,661).

Board members nominated by the Borough Council of Wellingborough were not remunerated. John Lewis has elected not to receive remuneration.

There have been no payments to current or past Executive and Non-Executive Directors for loss of office (2018: £nil)

9. Employee information

The average number of persons employed during the year (excluding Executive and Non-Executive Directors) expressed in full time equivalents (37 hours per week) was:

	2019	2018
	No.	No.
Office staff	**90**	79
Trades, Repairs and Maintenance	**14**	-
Wardens, caretakers and cleaners	**17**	16
	121	95

	2019	2018
	£'000	£'000
Staff costs:		
Wages and salaries	**3,201**	2,616
Social security costs	**313**	263
Other pension costs	**338**	157
	3,852	3,035

Aggregate number of full-time equivalent staff (excluding Executive and Non-Executive Directors) whose remuneration (including, salary, bonuses, allowances, employer NIC pension contributions and compensation for loss of office) exceeded £60,000 in the period:

	2019	2018
	No.	No.
£60,000 - £70,000	2	0
£70,000 - £80,000	2	3
£80,000 - £90,000	1	3

10. Pension obligations

Greatwell Homes participates in two schemes, the Social Housing Pension Scheme (SHPS), and the Northamptonshire County Council Pension Fund (LGPS). Both schemes are multi-employer defined benefit schemes. The schemes are funded and were contracted out of the state scheme until 6 April 2016. In addition, the Association also participates in the SHPS defined contribution scheme.

Social Housing Pension Scheme

The Association participates in the Social Housing Pension Scheme ('SHPS'), a defined benefit multi-employer scheme administered by TPT retirement Solutions ('TPT'). The accounting policy in relation to SHPS is set out on Page 37. As noted in the accounting policy, there has been a change in accounting policy in relation to SHPS.

The following adjustments have been made in relation to the change in accounting policy:

- Removal of the liability for the funding of the deficit funding agreement (reduction in creditors of £203,000: increase in Other Comprehensive Income £181,000.
- Recognition of the net pension deficit (increase in pension liability £1.4m; reduction in Other Comprehensive Income £0.9m).

Principal Actuarial Assumptions

The following information is based upon an actuarial valuation of the fund at 31 March 2019 by a qualified independent actuary.

	At 31 Mar 2019
	%
Rate of increase in salaries	3.23
Discount rate for scheme liabilities	2.38
Inflation assumption (CPI)	2.23

The current mortality assumptions include enough allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 Mar 2019
	Years
Retiring today	
Males	21.8

Analysis of the amount charged to operating expenditure in the Statement of Comprehensive Income

	At 31 Mar 2019
	£'000
Employer Contribution	23
Employer service cost (net of employee contributions	(175)
Past service cost	(0)
Total Operating Charge	(152)

Analysis of pension finance income / (costs)	
Expected return on pension scheme assets	**85**
Interest on pension liabilities	**(117)**
Amounts (charged)/credited to financing costs	**(32)**

Amount of gains and losses recognised in the Statement of Comprehensive Income	
Actuarial gains / (losses) on pension scheme asset	**311**
Actuarial gains / (losses) on scheme liabilities	**(379)**
Actuarial gain/(loss) recognised	**(68)**

Movement in surplus / (deficit) during year	**At 31 Mar 2019 £'000**
Surplus / (deficit) in scheme at 1 April	**(1,148)**
<u>Movement in year:</u>	
Employer service cost (net of employee contributions)	**(175)**
Employer contributions	**23**
Past service cost	**-**
Net interest / return on assets	**(32)**
Remeasurements	**(68)**
(Deficit) / Surplus in scheme at 31 March	**(1,400)**

Asset and Liability Reconciliation

	At 31 Mar 2019 £'000
Reconciliation of liabilities:	
Liabilities at start of period	**4,399**
Service cost	**175**
Interest cost	**117**
Employee contributions	**83**
Benefits paid	**(38)**
Past Service cost	**0**
Actuarial (gain)/ loss	**272**
Liabilities at end of period	**5,008**

Reconciliation of assets:	
Assets at start of period	**3,251**
Return on plan assets	**204**
Interest return on plan assets	**85**
Remeasurement	**0**
Employer contribution	**23**
Employee contribution	**83**
Benefits paid	**(38)**
Assets at end of period	**3,608**
Actual return on SHPS plan scheme assets	**1,400**

Local Government Pension Scheme
The LGPS is a funded defined-benefit scheme, with the assets held in a separate funds administered by Northamptonshire County Council. The total contributions made for the year ended 31 March 2019 were £163k of which employer's contributions was £0 and employees' contributions totalled £25k.

The agreed contribution rates for future years for employees range from 5.5% to 8.5% depending on salary. Following the tri-annual valuation employer contributions for 2019/20 have been agreed at nil%.

Principal Actuarial Assumptions
The following information is based upon a full actuarial valuation of the fund at 31 March 2013 to 31 March 2019 by a qualified independent actuary.

	At 31 Mar 2019	At 31 Mar 2018
	%	%
Rate of increase in salaries	2.8	2.7
Rate of Increase for pensions in payment/inflation	2.5	2.4
Discount rate for scheme liabilities	2.4	2.7
Inflation assumption (CPI)	2.5	2.4
Commutation of pensions to lump sums	50/75	50/75

The current mortality assumptions include enough allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 Mar 2019	At 31 Mar 2018
	Years	Years
Retiring today		
Males	**22.1**	22.1
Females	**24.2**	24.2
Retiring in 20 years		
Males	**23.9**	23.9
Females	**26.1**	26.1

Analysis of the amount charged to operating expenditure in the Statement of Comprehensive Income

	At 31 Mar 2019 £'000	At 31 Mar 2018 £'000
Employer service cost (net of employee contributions)	(163)	(154)
Past service cost	(0)	(9)
Total Operating Charge	(163)	(163)

Analysis of pension finance income / (costs)		
Expected return on pension scheme assets	202	194
Interest on pension liabilities	(182)	(173)
Amounts (charged)/credited to financing costs	20	21
Amount of gains and losses recognised in the Statement of Comprehensive Income		
Actuarial gains / (losses) on pension scheme asset	353	(37)
Actuarial gains / (losses) on scheme liabilities	(562)	130
Actuarial gain/(loss) recognised	(209)	93

Movement in surplus / (deficit) during year

	At 31 Mar 2019 £'000	At 31 Mar 2018 £'000
Surplus / (deficit) in scheme at 1 April	836	874
Movement in year:		
Employer service cost (net of employee contributions)	(163)	(154)
Employer contributions	-	11
Past service cost	-	(9)
Net interest / return on assets	20	21
Remeasurements	(209)	93
(Deficit) / Surplus in scheme at 31 March	484	836

Asset and Liability Reconciliation

	At 31 Mar 2019 £'000	At 31 Mar 2018 £'000
Reconciliation of liabilities:		
Liabilities at start of period	**6,719**	6,638
Service cost	**163**	154
Interest cost	**182**	173
Employee contributions	**25**	24
Benefits paid	**(138)**	(149)
Past Service cost	**0**	9
Actuarial (gain)/ loss	**562**	(130)
Liabilities at end of period	**7,513**	6,719
Reconciliation of assets:		
Assets at start of period	**7,555**	7,512
Return on plan assets	**353**	(37)
Remeasurement	**202**	194
Employer contribution	**0**	11
Employee contribution	**25**	24
Benefits paid	**(138)**	(149)
Assets at end of period	**7,997**	7,555
Actual return on plan scheme assets	**484**	836

11. Tangible fixed assets

	Housing Properties								
	Social Housing Properties for Letting Completed £'000	Social Housing Properties for letting under Construction £'000	Low cost home ownership properties Completed (LCHO) £'000	Low cost home ownership properties under Construction £'000	Housing Estates £'000	Estates WIP £'000	**Total Housing Properties £'000**	Furniture and Office equipment £'000	**Total fixed assets £'000**
Cost									
At start of the year	101,673	5,200	6,945	2,262	243	22	**116,345**	1,404	**117,749**
Additions to properties acquired	6,108	3,473	4,251	254	-	-	**14,086**	-	**14,086**
Works to existing properties	1,759	-	-	-	90		**1,849**	1,151	**3,000**
Interest capitalised	250	-	-	-	-	-	**250**	-	**250**
Schemes completed					22	(22)	**0**	-	**0**
Transfer from Social to LCHO							**0**	-	**0**
Transfer from LCHO to Social	323			(323)			**0**	-	**0**
Disposals	(209)	-	-	-	-	-	**(209)**	-	**(209)**
At end of year	109,904	8,673	11,196	2,193	355	-	**132,321**	2,555	**134,876**
Depreciation and impairment									
At start of the year	(19,591)	-	-	-	(18)	-	**(19,609)**	(1,048)	**(20,657)**
Charge for the year	(3,047)	-	-	-	(4)	-	**(3,051)**	(575)	**(3,626)**
Prior Year Adjustment					7		**7**		**7**
Disposals	74	-	-	-	-	-	**74**	-	**74**
At end of year	(22,564)	-	-	-	(15)	-	**(22,579)**	(1,623)	**(24,202)**
Net Book Value at 31 March 2019	87,340	8,673	11,196	2,193	340	-	**109,742**	932	**110,674**
Net Book Value at 31 March 2018	82,082	5,200	6,945	2,262	225	22	**96,736**	356	**97,092**

11. Tangible fixed assets (continued)

	2019	2018
Housing Properties comprises:	**£'000**	£'000
Freehold land and Buildings	109,673	96,672
Long leasehold land and buildings	69	64
	109,742	96,736

Cost of properties include £242k (2018: £67k) for direct administrative costs capitalised during the year

	2019	2018
Works to existing properties in the year:	**£'000**	£'000
Improvement works capitalised	1,759	1,607

The average interest on borrowings of 4.1% (2018: 5.75%) was used for calculating capitalised interest costs of £250k (2017: £50k).

12. Investment properties held for letting

	2019	2018
	£'000	£'000
At start of year	2,600	1,885
Additions	82	486
Transfer from Housing Fixed Assets	0	0
Gain from adjustment in fair value	173	229
	2,855	2,600

Investment properties were valued at 31 March 2019 by Martin Pendered & Co, professional qualified external valuers. The valuation of properties was undertaken in accordance with the Royal Institute of Chartered Surveyors Valuations Standards.

13. Stock

	2019	2018
	£'000	£'000
Shared Ownership properties:		
Completed	**76**	193
Work in Progress	**864**	776
Other materials stock held	**82**	0
	1,022	969

14. Trade and other debtors

	2019	2018
	£'000	£'000
Rent Arrears	1,292	1,521
Less: provision for bad debt	(771)	(959)
	521	562
Other debtors	90	26
Prepayment and accrued income	393	635
	1,004	1,223

Debtors are all due within one year.

15. Investments

	2019	2018
	£'000	£'000
Listed on a recognised investment exchange	30	-
	30	-

16. Cash and cash equivalents

	2019	2018
	£'000	£'000
Money Market Investment	11	11
Cash at Bank	14,542	5,520
	14,553	5,531

In the above are balances totalling £349k (2018: £269k) which are held in a sinking fund for tenants for service chargeable replacement costs.

17. Creditors: amounts falling due within one year.

	2019	2018
	£'000	£'000
Trade creditors	1,821	19
Rents and service charges paid in advance	634	535
Taxation and social security payable	150	137
Accruals and deferred income	1,965	1,736
SHPS pension agreement plan (Note 10)	-	22
Deferred Capital Grant (Note 18)	51	51
Other Creditors	602	923
	5,223	3,423

Other Creditors' relates to the Right to Buy clawback payment due to the Borough Council of Wellingborough due under terms of the transfer agreement.

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

	2019	2018
	£'000	£'000
Bank and other loans (note 27)	48,745	35,843
Deferred Capital Grant (Note 18)	5,813	5,200
SHPS pension agreement plan (Note 10)	-	181
Disposal proceeds fund (Note 19)	361	361
Sinking fund	349	269
	55,268	41,854

Loans are secured by housing properties, see note 27.

19. Deferred capital grant

	2019	2018
	£'000	£'000
At the start of the year	5,251	3,635
<u>Grants received during the year:</u>		
Housing properties	664	1,667
<u>Grants recycled during the year:</u>	0	0
Amortised Grant	(51)	(51)
At the end of the year	5,864	5,251
Due within one year	51	51
Due in more than one year	5,813	5,200
	5,864	5,251

20. Disposal proceeds fund

	2019	2018
	£'000	£'000
At the start of year	0	0
<u>Inputs to disposal proceeds fund:</u>		
Proceeds from Right to Acquire (2016/17)	361	361
Use/allocation of funds	0	0
Repayment of funds to Homes England	0	0
At the end of the year	361	361

20. Disposal proceeds fund (continued)

Due within one year	**0**	0
Due in more than one year	**361**	361
	361	361

There are no amounts of 3 years and older where repayment may be required.

21. Provision for liabilities and charges

In line with accounting policies a review has been undertaken of potential liabilities and charges. There are no disclosures to report.

22. Non-equity share capital

	2019	2018
Allotted Issued and Fully Paid:	£	£
At the start of the year	9	10
Issued during the year	5	0
Reduced in the year	(5)	(1)
At the end of the year	9	9

The par value of each share is £1. The shares do not have the right to any dividend or distribution in a winding -up and are not redeemable. Each share has full voting rights. All shares are fully paid.

23. Capital commitments

Tangible fixed assets/intangible fixed assets

	2019	2018
	£'000	£'000
Capital expenditure that has been contracted for but not been provided for in the financial statements	**25,295**	24,411
Capital expenditure that has been authorised by the Board but has not yet been contracted for	**11,600**	2,837
	36,895	27,248

The Association expects these commitments to be financed with:

Social Housing Grant	**1,559**	2,566
Proceeds from the sale of properties	**2,987**	5,357
Committed loan facilities	**32,349**	19,325
	36,895	27,248

23. Capital commitments (continued)

The above figures include the full cost of shared ownership properties contracted for.

There are no performance conditions attached to the above commitments.

24. Other commitments

The Association had no other commitments as at 31 March 2019 that have not been disclosed elsewhere in these accounts.

25. Operating leases

	2019	2018
Land and Buildings	**£'000**	£'000
In one year or less	**261**	219
In one year or more but less than two years	**261**	0
In two years or more and less than five years	**601**	0
In five years or more	**336**	0
Others		
In one year or less	**108**	53
In one year or more but less than two years	**106**	76
In two years or more and less than five years	**23**	5
In five years or more	**0**	0
	1,696	353

26. Contingent liabilities

	2018	2017
The Association had no contingent liabilities as at 31 March 2019.	**£'000**	£'000

27. Related parties

The Association entered into the following related party transactions in the year ended 31 March 2019:

- The Board has two tenant members who hold a tenancy agreement on normal terms and transactions are undertaken at an arm's length basis. Total rent charged to the Tenant Board members was £6,516 (2018: £8,577). There are no arrears on their tenancy at the reported period end (2018: £nil).

28. Financial Instruments and risk management

The Association has two borrowing facilities with Barclays Bank plc for £85 million and Pension Insurance Corporation Plc (PIC) for £40million. The Board review and update the Treasury Strategy annually and in February 2018 approved re-financing and inception of the PIC borrowing facility. The Association's viability rating from the regulator is the highest possible rating of V1.

	2019 £'000	2018 £'000
Loans not repayable by Instalments:		
Within one year	**9,000**	6,000
in one year or more but less than two years	-	-
in two years or more and less than five years	-	-
in five years or more	**40,000**	30,000
Less loan issue cost	**(255)**	(157)
Total loans	**48,745**	35,843

Both bank loans are secured by specific charges on the Association's individual housing properties.

The loan profile of the Association at 31 March 2019 is as follows:

Tranche / series	Total £'000	Variable rate	Fixed rate	Maturity date
Barclays Facility				
Tranche B	7,000		6.49%	01.09.2034
Tranche B	10,000		6.00%	01.09.2034
Tranche B	3,000		6.44%	10.12.2032
Tranche C	4,000	2.16%		17.07.2025
Tranche C	3,000			17.07.2025
Tranche C	2,000	2.16%		17.07.2025
Tranche A	10,000		4.34%	30.09.2036
PIC Facility				
PIC Series A	10,000		3.343%	29.03.2058
Total drawn	**49,000**			
Undrawn Barclays	**46,000**			
Undrawn PIC	**30,000**			
Total facility Barclays and PIC	**125,000**			

At 31 March 2019 the Association had committed borrowing facilities of £125m of which £76m was undrawn.

Refinancing risk is managed via treasury policy ensuring that there is a minimum 12months projected funding requirement in place.

The Association's average cost of capital at 31 March 2019 is 4.1% (2018: 5.03%).

28. Financial Instruments and risk management (continued)

Interest rate risk

The Association manages volatility of cash flows and interest payments in relation to interest rate risk via limiting its exposure to variable interest rate risk. Interest rate risk policy managed by Finance and approved by the Board states that variable rate borrowings shall not exceed more than 50% of total outstanding borrowings.

Currency risk

The association only trades in sterling and holds sterling balances so it is not exposed to any currency risks.

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument fails to discharge an obligation to the Association. Credit risk policy is part of the treasury policy which is approved by the Board.

Covenant Compliance

Covenant compliance is monitored by finance monthly and reported to Board and the lender quarterly. There were no breaches identified in the year. The following covenants are monitored:

	Limit
Interest Cover	
EBITDA MRI to total interest expense	1.1:1
Debt Owed per unit	
Average net debt per unit owned	£27,500
Asset Cover	
EUV-SH value of charged units	110%

Financial assets and liabilities at fair value

Financial assets that are measured at amortised cost. This includes the total of debtors, trade receivables and other receivables and cash and is reported in note 14.

Financial liabilities that are measured at amortised cost. This is including bank loans, trade creditors, other creditors and rent in advance. This is reported in note 17 and 18.

29. Post Balance Sheet events

There are no post balance sheet events to report.