Group Report and Financial Statements

Year ended 31st March 2021

Halton Housing

Halton Housing is a charitable housing association registered under the Co-operative and Community Benefit Societies Act 2014

Community Benefit Society: 7744
Regulator of Social Housing registered number: L4456

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Board Members, Executive Directors, Advisors and Bankers

Halton Housing Board

Chair	Clive Deadman
Vice Chair	Angela Holdsworth (to 14th July 2020)
	Michael Fry (from 14th July 2020)
Other Members	Mark Dennett
	Mark Forrest (retired 24th September 2020)
	Michael Fry
	Matthew Harrison
	Geoff Linnell
	Linda Levin
	Kevin Williams
	Ian Hayhoe (from 24th September 2020)

Open Solutions (OSUK) Board

Chair	Mark Forrest (retired 24th September 2020)
	Ian Hayhoe (from 24th September 2020)
Other Members	Gwynne Furlong (resigned 15th September 2020)
	David Hughes (resigned 15th September 2020)
	Neil McGrath
	Rob Poole
	Michael Fry (from 24th September 2020)
	Geoff Linnell (from 24th September 2020)

HHT Development Ltd

Chair	Michael Fry
Other Members	Neil McGrath
	Matthew Harrison

Executive Directors

Group Chief Executive	Liz Haworth
Deputy Group Chief Executive and Chief Financial Officer	Neil McGrath
Chief Operating and Transformation Officer	Debbie Trust-Dickinson
Company Secretary	Neil McGrath

Registered office Waterfront Point, Warrington Road, Widnes, WA8 0TD

Registered number Registered as a Community Benefit Society: 7744

Registered with the Regulator of Social Housing: L4456

Auditors

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

Bankers

Lloyds
Horsemarket Street
Warrington
WA1 2LP

Solicitors

Trowers and Hamlins
Princess Street
Manchester
M2 4EW

Report of the Board

Report of the Board

The Board presents its report and the audited Financial Statements for the year ended 31st March 2021. The information contained in this report together with the Strategic, Operating and Financial Review complies with the requirements of the Statement of Recommended Practice (SORP 2018).

The Directors of the association are defined as the Board of Management, as defined by the Accounting Direction for Private Registered Providers of Social Housing 2019. The Board of Management's responsibilities are as stated below. This statement should be read in conjunction with the audit report on pages 40 to 42.

Halton Housing ("the Association") is a charitable housing association registered under the Co-operative and Community Benefit Societies Act 2014. As at 31st March 2021 there were 16 members who guaranteed £1 each.

Strategic, Operating and Financial Review

The Strategic, Operating and Financial Review has been prepared in accordance with the applicable Accounting Standards in the United Kingdom, the Statement of Recommended Practice "Accounting for Registered Providers" (2018) and The Accounting Direction for Private Registered Providers of Social Housing 2019.

The Business Model

Halton Housing (HH) is a charitable housing association registered under the Co-operative and Community Benefit Societies Act 2014 and a Registered Provider of social housing that was formed to take transfer of the housing stock of Halton Borough Council on 5th December 2005. We operate predominantly in the Cheshire towns of Widnes and Runcorn.

HH has two wholly owned subsidiary companies:

- HHT Development Ltd – a company limited by shares and a VAT efficient group development vehicle.
- Open Solutions (OSUK) Limited – a company limited by shares which has been established to undertake activity that will generate a profit that can be reinvested in the Association to subsidise its social housing activity.

The Group owns and manages 7,381 (2020: 7,311) homes and has an additional 529 (2020: 402) homes under development at 31st March 2021. Most of the homes are for rent and provided to people on low incomes.

Strategy and Objectives

Our financial and non-financial objectives are included on page 11 as part of our Value for Money Statement.

The Group has identified the key risks to achieving its strategy and objectives and these are shown on page 9 within the section entitled "principal risks and uncertainties".

The Group remunerates its Board and details of the remuneration are shown within Note 10 on page 68. Remuneration enables the Group to continue to attract and retain Board Members with the appropriate skills, knowledge, and experience.

A Fair Review of the Business

Operating Review (Group)

Over the last 12 months we have delivered several significant achievements and outcomes. We have responded well to the challenge presented by the Covid-19 pandemic and received positive feedback from key stakeholders including Halton Borough Council (HBC).

Some of our key organisational achievements include:

- Through listening to our customers and using our insight we have developed our Customer Contact and our Customer Voice Strategies.
- We have continued to demonstrate excellent performance in the management of health and safety compliance.
- We have developed our strategies for Asset Management, Environmental and Sustainability and Placeshaping.
- Set out our Social Value Strategy which has been approved by Board.
- We approved the development of 215 new affordable homes across three schemes – 110 for rent and 105 for shared ownership.
- Completed the construction of an additional 92 new homes. This has taken the number of new homes built and acquired since stock transfer to almost 1,400.
- All homes developed for sale have been sold and all shared ownership homes have either been sold or reserved.
- Completed a Stakeholder Survey and developed a subsequent action plan.
- Achieved No 1 Housing Digital provider award.
- We have achieved the highest possible regulatory rating (V1 G1).

Financial Review (Group)

The Financial Statements demonstrate the Group delivered a solid year of balance sheet growth, underpinned by a strong financial operating performance. The value of housing properties increased by £22m, to £223.9m. The value of investment properties increased by £4.1m, to £24.2m. Cash increased by £15.7m and debt increased by £4.4m. A surplus of £5.1m was recorded in the year.

The £22m growth in the value of housing properties is predominantly driven by the development of new properties. The growth in housing properties was funded through cash, debt and the re-investment of operating surpluses supplemented by grant of £9m.

Capital investment in major repairs in existing properties was £3m. Housing properties with a book value of £159k were sold, reducing the net book value of the properties on the balance sheet, but providing cash receipts for reinvestment.

The Group invested £8.1m in acquiring additional investment properties and sold investment properties with a value of £3.6m. The reduction in the value of investment properties is because of the transfer of £6.1m to stock following a decision to dispose of assets within OSUK. The Association increased its investment in OSUK to £26.6m. The Association has also invested directly in investment property with a value of £1.4m. The Group has recognised a gain of £0.9m during the year because of the revaluation of its investment properties.

Stock has decreased by £2.2m mainly because of the sale of several Shared Ownership and Outright Sale properties during the year. Total sale proceeds achieved from the sale of properties was £7.0m.

The total balance of drawn debt was £160.0m. As a result of the increase in debt, there was an increase in gearing (measured by the net debt per unit).

Turnover increased by 9% to £43.5m. 79% of turnover is from social housing lettings activity which has increased by 9%. Other turnover is from properties developed for outright sale (9%), shared ownership first tranche sales (7%) and market renting (5%). The operating margin increased to 26% as costs increased less than revenue.

The Group has continued to focus on the delivery of its priorities, directing its surpluses and additional private finance into the delivery of new and acquired homes. £4.4m has been invested into the existing housing stock.

However, whilst financial performance is strong, there have been changes to the operating environment, such as the Coronavirus (Covid-19) pandemic in 2020/21. As the environment changes, Board will continue to monitor performance to gain assurance that those changes are being effectively managed and mitigated, ensuring that the Group is financially viable and well governed.

During the year, the Group reported a surplus before tax of £5.1m. Performance was better than budget due to improved operational performance, deferred expenditure because of Covid-19 and efficiency savings. A summary of the Group's income and expenditure account over the past five years is shown below.

Group	2020/21 £'000	2019/20 £'000	2018/19 £'000	2017/18 £'000	2016/17 £'000
Turnover	43,495	40,024	36,727	35,588	35,320
Operating costs	(26,384)	(28,101)	(26,044)	(24,125)	(23,080)
Cost of sales	(6,520)	(3,919)	(1,501)	(1,053)	(1,413)
Gain on disposals	634	1,227	1,202	1,710	879
Operating surplus	11,225	9,230	10,384	12,120	11,706
Surplus before tax	5,083	2,556	4,020	6,489	6,837
Reserves at 31st March	38,749	42,131	33,656	33,078	25,309

Turnover includes income from rents and service charges which has increased from 2019/20 to 2020/21 by £0.8m to £34.3m. This is because of additional properties developed and acquired during the year and rent increases on existing properties which were applied from April 2020 following the four-year rent reduction period which commenced in April 2016. Other turnover is properties developed for outright sale (£3.9m), shared ownership first tranche sales (£3.2m), market renting (£1.5m), shops and garages (£0.5m), VAT shelter (£0.2m) and amortised grants (£0.3m).

Operating costs have decreased from 2019/20 to 2020/21 by £1.7m due to reductions in management costs (£0.7m), other social housing lettings costs (£0.5m) and bad debts (£0.2m) offset by an increase in routine and planned maintenance costs (£0.5m), development costs not capitalised (£0.1m) and non-social housing lettings costs (£0.2m).

Total reserves at the end of the financial year show a surplus of £38.7m. Reserves reflect the surplus for the year of £5.1m, plus the surplus brought forward from the previous years of £42.1m, plus the actuarial losses for the year of £8.5m in respect of the pension schemes.

A summary of the Group's Statement of Financial Position over the past five years is shown below:

Group	2020/21 £'000	2019/20 £'000	2018/19 £'000	2017/18 £'000	2016/17 £'000
Housing Properties (net book value)	181,495	163,600	159,949	154,347	140,975
Other fixed assets and investments	29,166	25,177	30,293	22,259	17,026
Net current assets/(liabilities)	29,715	17,916	7,094	1,558	213
Creditors falling due after more than one year	(191,267)	(163,176)	(157,972)	(143,809)	(131,082)
Pension provision	(10,360)	(1,386)	(5,708)	(1,276)	(1,823)
Reserves	38,749	42,131	33,656	33,078	25,309

Fixed assets comprise of mainly housing properties held for letting. The values are based on the historic cost less depreciation. During the year, the gross value of the Association's housing properties increased by £22.3m. The depreciation charge for housing properties in the year was £4.5m.

At the year end the Group had invested a total of £24.2m in investment properties. £22.9m within OSUK and £1.4m within the Association.

Net current assets have increased by £11.8m due to an increase of £15.7m in cash offset by a reduction of £2.2m in stock, £0.3m in debtors and an increase in creditors of £1.4m. The Association has also previously invested £0.1m in the Halton Credit Union.

Creditors falling due after more than one year includes £158.7m of loans drawn by the Association and £32.6m of deferred social housing grant.

The Group has positive reserves of £38.8m. The reserves have decreased during the year by £3.4m. The level of reserves is in line with those expected within the Group's long-term financial plan. Reserves reflect the surplus for the year of £5.1m, plus the surplus brought forward from the previous years of £42.1m plus the actuarial loss in respect of the pension schemes of £8.5m.

The cash flow statement on page 47 shows that during the year the Group generated a net cash inflow from operating activities of £14.0m. The Group also received £3.1m of proceeds from sale of properties and £1.7m in grants. The Group used this income to purchase properties with a cost of £10.1m and interest payments of £6.9m.

£20m funding facilities were put in place and secured during the year. The Group is financed by a £90m loan facility from Lloyds and £120m from the capital markets in the form of three private placements of £30m, £40m and £50m, respectively. The Lloyds facility is in three tranches. Tranche A is a £40m term loan facility, Tranche B is a £30m revolving credit facility and Tranche C is a £20m revolving credit. The term loan facility is now fully drawn, and the revolving credit facilities are available up to 5th September 2027. £120m of the capital market funds have been drawn.

The treasury management activity is operated within strict policies and guidelines, approved by the Board, designed to maintain an efficient capital structure whilst managing the Group's liquidity and interest rate risks.

The Group has fixed £160m of borrowings at rates from 3.5% to 5.6% which it considers to be favourable. This gives the Group financial security and ability to forward plan with a degree of certainty.

The Group is temporarily operating outside of its guideline limit for the proportion of fixed and variable rate debt within its Treasury Management Policy. This has been approved by Board as the Group seeks to take advantage of low interest rates to provide funding for the future development and acquisition of new homes.

The Group has drawn £160m of its £210m agreed long term loan facilities at 31st March 2021. The Group's lending agreements include financial covenants. The Group has been within the limits set by lenders during the year.

The Board has a reasonable expectation that the Group has adequate resources to continue operations for the foreseeable future. For this reason, the Group has adopted the going concern basis in preparing the Financial Statements.

Future Developments (Group)

We need to adapt to ensure we can grow and diversify our business and secure the longer-term viability of the organisation. This includes seizing opportunities as they arise.

Looking to the future there remain several challenges the Group needs to address.

Our key priorities for 2021/22 include:

- Customers are our key focus. We will deliver services that are accessible, high performing and provide value for money.
- We will keep our customers safe and continue investing in our existing homes.
- We will continue to grow and diversify our business.
- We will create an environment where colleagues are valued and listened to.
- We will be well governed, compliant with regulatory and legal requirements and have the financial capacity to fund our plans.
- We will build on our brand and reputation with our customers, our colleagues, local partners and within the sector.

Principal Risks and Uncertainties (Group)

Board has ultimate responsibility for risk management. It has delegated the responsibility for examining the effectiveness of the Risk Management Policy to the Audit and Risk Committee.

Risk Appetite Statement - Our core business is general needs renting, which forms most of our stock. Our strategy is to continue to diversify our activity through our development and growth programmes providing more homes and housing products to a wider group of people.

We are regarded as an innovative, forward thinking group but we will not pursue this reputation at any cost. We are committed to the digital offer, but we recognise that this is not the first choice for all customers. Our strategy is to listen to our customers and to provide a good customer experience through all service channels.

We will review our corporate strategy every six months and ensure that our financial plans and targets are set and maintained at acceptable levels of risk incorporating prudent and reasonable assumptions. We will test the financial plans to ensure that all entities within our group are not exposed to unacceptable levels of risk that are outside of agreed tolerances.

We will set annual 'lifeblood' performance measures that are consistent with the strategic and financial plan. These measures will be both financial and non-financial measures and will be underpinned by operational arrangements that will be expected to deliver value for money for the group.

We will provide safe, decent and energy efficient homes for our customers. We will actively manage our housing assets with a focus on our poorer performing assets.

We are regarded as a good employer. We will develop our people and operate policies to provide a modern working environment. We will work with our employees on an 'adult to adult' basis.

We will pursue a balanced development and growth programme including homes for shared ownership, rent to buy, outright market sale, affordable rent, and market rent.

We will only invest in social and non-social housing activity that achieves our financial appraisal targets. However, if there is a compelling reason to undertake a project that does not meet these criteria then such exceptions may be pursued, so long as there is an overall balance within the project portfolio to counteract it.

Almost all our work is carried out using computer systems and we enable our employees to work as flexibly as possible. We will make sure that we maximise the benefits of our information and our systems but in doing so we will not compromise the security of the data that we hold. Each year we will undertake an external test of our systems to make sure that they are as secure and safe as they can be.

We want to improve lives by creating social value through the things that we do, the communities that we work in and through the people we employ.

The highest rated risks identified by the Group's risk management system are as follows:

- There is a risk that we do not have good quality data on the condition and compliance position of our homes leading to failure to comply with statutory requirements and placing our customers in danger.
- There is a risk that a change in national and local housing policy will have an adverse impact on Halton Housing excluding Welfare Reform.
- There is a risk that HH does not comply with data protection and security legislation leading to an increased incidence of possible prosecution.
- There is a risk that key third party contractors fail resulting in a major adverse impact on HH's ability to complete key projects.

These risks continue to be monitored on a regular basis by the Risk Group and Leadership Team.

Health and Safety Compliance

We have continued to demonstrate improvement in the management of health and safety compliance. Compliance, Health and Safety performance measures are reported to each Board meeting. We have also established a Compliance Committee to monitor progress. A summary of our performance is included in the table below:

Measure	2020/21	Comments
Gas safety – percentage of homes with a valid gas safety certificate (LGSR)	100%	We had one property which did not have an up-to-date certificate at the end of March 2021. All stages of our no access and legal process are being followed.
Percentage of up-to-date fire risk assessments (FRA's)	100%	All FRA's are up to date. 1,394 out of 1,825 FRA actions have been completed. Works were temporarily suspended due to restrictions imposed by the Coronavirus (Covid-19) pandemic.
Percentage of homes with a valid electrical condition survey (EICR) (within five years)	99.5%	35 properties did not have a valid EICR dated within the last five years. Surveys were temporarily suspended due to restrictions imposed by the Coronavirus (Covid-19) pandemic.
Percentage of homes with an asbestos survey	66.7%	There are 4,172 homes with an asbestos survey. 100% of communal areas have an asbestos survey. Surveys were temporarily suspended due to restrictions imposed by the Coronavirus (Covid-19) pandemic.
Planned legionella controls completed	100%	100% of planned legionella inspections and tests were completed.
Number of passenger lifts that have an up-to-date certification	100%	The inspection programme is up to date.

Coronavirus (Covid-19) Pandemic

As well as serious implications for people's health, Covid-19 has significantly impacted businesses and the wider economy. Throughout the year, we continued to consider the principal risks and uncertainties resulting from the pandemic. Some headline risks that continued to be addressed include:

- Our seamless transition to working from home largely because of our already well-established flexible working agile culture. We are now developing our future ways of working as we transition to the "new normal'.
- Emergency repairs and key compliance works continued throughout the lockdown period. An almost full range of services was resumed from 1st June 2020. The backlog in repairs has been cleared.
- Only one of the two development sites was shut down for a short period of time. Fixed prices were in place for all the work in progress and an allowance was included in budgets for contingencies. The number of shared ownership homes in the development programme was limited and there were delays on sale completions on only a small number of homes, but all were either sold or reserved by 31st March 2021.
- The market uncertainty clause, removed from formal valuations on 26th May 2020, had a limited impact on EUV-SH values. We have since seen increases in our latest valuations.
- Additional monitoring of rent arrears was introduced. The debt recovery team and welfare benefits advisors worked closely with customers to maximise take up of benefits and establish affordable payment plans. We outperformed our rent arrears targets by the year end, and we reduced our provision for bad debts at the year end.
- No customers were evicted from their homes during 2020/21.

Environmental Statement

We aim to reduce the environmental impact of our activities. To achieve net zero carbon, we will progress innovative options to decarbonise our existing housing stock, focusing on our lower performing homes and minimise the environmental impact of our maintenance activities and travel.

We will work with customers to reduce fuel poverty; consider how environmental and sustainability becomes an increasing factor in our decision making; and invest in our communities to increase biodiversity and access to quality green space to create thriving places where people choose to live.

Our Environmental and Sustainability Strategy will contribute to delivery of our business plan through six key principles:

- We will continually measure and report our environmental and sustainability performance.
- Environmental and sustainability criteria are part of our corporate culture and factors in the decisions that we make.
- We will involve and listen to our customers with the aim of reducing the carbon emitted from their homes and actively supporting residents to reduce their fuel poverty and assist in improving their lives.
- All our new build homes will achieve a minimum EPC B rating.
- We will continue to increase the average EPC rating of our stock, where practicable to EPC C by 2030 and assess our stock to forecast the investment required to achieve net zero, considering future planned and investment, energy, and compliance activities collectively.
- Use innovative approaches to reduce our carbon footprint, increase biodiversity and seek to identify and secure funding.

We have appointed a Strategic Lead for Decarbonisation and a Retrofit Project Manager. These additional resources will begin to work up our longer-term plans to achieve net zero carbon by 2050.

One of our initial priorities is to establish our plan to achieve EPC C by 2030 (where it is cost effective and affordable to do so) for all homes. We will measure our progress through our performance framework and set annual targets to increase the percentage of homes that achieve EPC C. We have made provision of £1m to achieve this by 2030. Where we identify properties that do not present as being cost effective to achieve EPC C, we will undertake more detailed analysis via options appraisal routes.

Our roadmap for the next three years, will build on the EPC C work described above. It will help to increase the quality of our data. We are developing programmes that aim to improve the fabric of our homes first. Where possible we will bid for funding such as the Green Homes Grant and we will work in partnership with others such as HBC on the current and future Local Authority Delivery funding (LAD 2).

We have included a further provision of £4m in our financial plans from 2024/25 until 2028/29. Whilst we know that this is insufficient to achieve the government's 2050 net zero carbon emissions target, we can begin to plan our long-term sustainability approach.

Value for Money Statement

Value For Money Statement

Achieving and demonstrating Value for Money (VFM) is integrated into the way we work at HH. It is part of our values. We aim to deliver the best we can, making the best use of the resources available to us. For this reason, we do not have a separate, standalone VFM Strategy. We want to ensure we deliver VFM for our customers, our communities, and neighbourhoods.

Halton Housing's approach to VFM is embedded within Our Direction. Since 2012 it has provided the framework for how Halton Housing is run. Our overarching aim is "improving people's lives". This is our mission.

OD3 has been designed to be clear and succinct to ensure it is widely understood and embedded across the organisation.

OD3 sets out six high level strategic themes:

1. Customer focus
2. Places to be proud of
3. Growth and diversification
4. Healthy organisation
5. Financially viable and well governed
6. Brand and reputation

We have four Behaviours which we expect all our colleagues to demonstrate:

1. We keep our promises – making decisions and taking responsibility for seeing things through to the end. It means being open and honest, and explaining what is and is not possible.
2. We work in partnership – We work in a collaborative way. It means listening carefully to our customers and colleagues and playing our part in the team and supporting each other.
3. We are innovative and creative – We challenge how things are done. We are flexible and open to new ways of doing things. We learn from mistakes and continually seek to improve.
4. We treat everyone with respect – most importantly we treat everyone with kindness. By being helpful, approachable, and treating people with respect, we can create a place where difference is valued, and where everyone can thrive and enjoy their job.

In September 2018 "Customeyes" was launched. The aspiration of the programme was to move to a service model which is pre-emptive rather than reactive. It was a dominant theme of OD3 during its first 12 months. In the initial discovery phase, we learnt that our customers liked: the quality of their home, the digital services that were available (but limited to certain services), friendly helpful colleagues and that their rent represented good value for money. Our customer insight also told us that we could improve: the quality of the repairs service, getting things right first time, simplifying the number of touchpoints, making processes easier to use and dealing with anti-social behaviour more effectively.

The discovery phase helped us to distil our four key service principles. They are:

1. Get it right first time.
2. Make it easier to access services.
3. Keep our promises.
4. Listen

It helped us to identify and deliver some quick wins in response to the feedback from our customers and enabled us to set out an integrated programme of transformation. This set out our focus for the next two years of OD3 (2020/21 and 2021/22). We will complete.

- Delivery of the IT roadmap to ensure our IT platform is robust and fit for the future.
- A full reconfiguration of day-to-day repairs systems, processes and working practices.
- A refreshed digital offer for customers with end to end "zero touch" functionality.
- A robust data management function with the capacity to turn data into insight.

- A housing management offer that takes account of customer preferences and has a focus on place.
- A fully integrated IT, digital and data platform that drives efficiency, reduces waste, and improves productivity.

OD3 2020/21 – Our achievements

The priorities that we set for 2020/21 considered of a range of drivers including changes in the external environment, regulatory changes, new priorities arising from Board strategy discussions, and internal factors including the outcomes of the "Customeyes" programme, Investors in People (IIP) assessment feedback and the IT health check.

1. **Customer Focus -** *Customers are our key focus. We will listen to their views, understand their needs and preferences, and deliver services that are accessible, high performing and provide value for money. We will be a pioneer for innovative service delivery using insight, digital and AI, whilst ensuring our visible presence within our neighbourhoods.*

- We have signed up to the NHF Together with Tenants Charter and continue to strengthen the customer voice with a range of online opportunities for customers to engage including virtual complaints and repairs forums.
- We have set out our customer voice strategy. It will provide a framework to ensure that the customer voice is heard. It sets out the arrangements we will put in place to provide accessible and meaningful engagement for our tenants and customers. It will allow us to understand and respond to their diverse needs, provide choice and opportunities for involvement, and resolve complaints fairly and promptly.
- We have set out our customer contact strategy. It is a key vehicle for the delivery of this aspiration, bringing together a planned approach for improving the way customers can access our services, whether digital, by telephone or face to face. In developing this strategy, we have defined the current problems and gathered evidence relating to the customer experience. These have been captured and set out within the road map, to ensure we continue to improve the customer experience and improve our performance.
- Customer satisfaction is still a challenge for us at 77.4% (target 83%), but our 'Every Contact Counts' campaign is gathering momentum and our new digital offer was launched in March 2021.
- We have appointed a new Customer Experience Director.
- We have recruited a new team to deliver in-house transaction-based customer satisfaction surveys to provide more meaningful insight. From April 2021 we have begun to carry out monthly customer surveys in line with the HouseMark STAR framework, allowing us to benchmark better with other providers.

2. **Places to be Proud Of -** *We will keep our customers safe and continue investing in our existing homes to make sure they are fit for the future and that we minimise our environmental impact. We will build on our role within our neighbourhoods, working with partners to tackle the challenges they face and create places to be proud of.*

- This year we have spent £12.8m and will invest a further £37m in our asset portfolio over the next three years whilst considering our commitment to national, environmental and sustainability targets. We will demonstrate our continued commitment to customer safety, regulatory compliance, and customer satisfaction.
- We cleared the backlog of 800 repairs, and we launched 'Active Repairs' a new system to streamline repair reporting to customers.
- Our asset management strategy is focussing on the themes detailed below to ensure our priorities are achieved.
    - Adherence to legislative changes in asset compliance and continued focus on customer safety.
    - Improved data and intelligence led decision making, ensuring robust stock condition survey data and active appraisal of our assets.
    - Carbon emissions and sustainability, focusing on finding innovative solutions to improve the performance of the 10% of our homes that are currently falling below the target EPC C rating.
    - Modernising service delivery to improve overall customer satisfaction, right first-time, value for money and efficiency.
    - Re-establishing neighbourhood plans, using multiple data sources to prioritise interventions and investment decisions.

- Our social value strategy links closely with both our placeshaping and environmental and sustainability strategies. It aims to improve the conditions of life for the residents of the areas in which Halton Housing owns or manages housing stock by tackling inequalities arising from, homelessness, health, income, fuel and food poverty, digital exclusion, and employment opportunities.
- We launched 'Destination Ditton', an initial neighbourhood management pilot.
- We worked with Halton Borough Council to support 144 homeless households into homes.
- We commenced work with Homes England 'Next Steps' programme to convert two long term void properties into four flats to support the homeless

3. **Growth and Diversification -** *We will continue to grow and diversify our business, developing a whole market housing offer which meets a range of needs including those of older people and those starting out on the housing ladder. We will grow our commercial arm, OSUK to generate profits which help protect our business and subsidise our social housing activity.*

- We achieved our new homes and development pipeline targets. We completed 92 new homes (target 83)
- We approved the development of 215 new affordable homes across three schemes – 110 for rent and 105 for shared ownership.
- We secured grant allocation for 'Next Steps' accommodation project.
- We have worked with Halton Borough Council and local partners to support plans for the regeneration of Runcorn town centre.
- All the homes that we developed for sale have been sold and all shared ownership homes have either been sold or reserved.
- Our subsidiary, OSUK, has generated (£1.6m (ROI: 6.02%) contribution to reinvest into HH. It has increased its stock valuation by £900k through strong management and performance of the portfolio.
- We have been instrumental in developing the 'Building Better' procurement framework to explore opportunities for Modern Methods of Construction

4. **Healthy Organisation -** *We will deliver all of this through our people. We will create an environment where colleagues are valued and listened to, and where they have a strong voice which shapes our future direction. We will recruit and retain people with the right skills, but more importantly the right behaviours to help us deliver our plans. We will invest in our leaders, our people and our IT and create a healthy organisation where everyone can do a great job in an innovative, collaborative, and agile business.*

- The resilience of the workforce has continued to achieve strong operational performance under very challenging conditions and in particular the challenges presented by the Covid-19 pandemic.
- We appointed Chief Transformation & Operations Officer, Director of Technology, Digital & Data and five new apprentices. We also restructured the ICT and Business Improvements teams
- We launched and are underway with our 'Leadership Matters' training and development programme for our employees.
- We commenced the implementation of our two year 'Driving Our Future' change programme with great success.
- We moved our IT platform to Azure and away from Citrix.
- We commenced our IIP Assessment which concluded with a Gold Award in May 2021
- We commenced the closure of DB pension schemes to new entrants from 1st June 2021.
- We delivered a new contact centre and telephony platform.

5. **Well Governed & Financially Viable** - *Our plans can only be delivered if we maintain our strong foundations. This means being as efficient and productive as we can be, maximising our income and delivering great performance. It means being well governed, compliant with regulatory and legal requirements and having the financial capacity to fund our plans.*

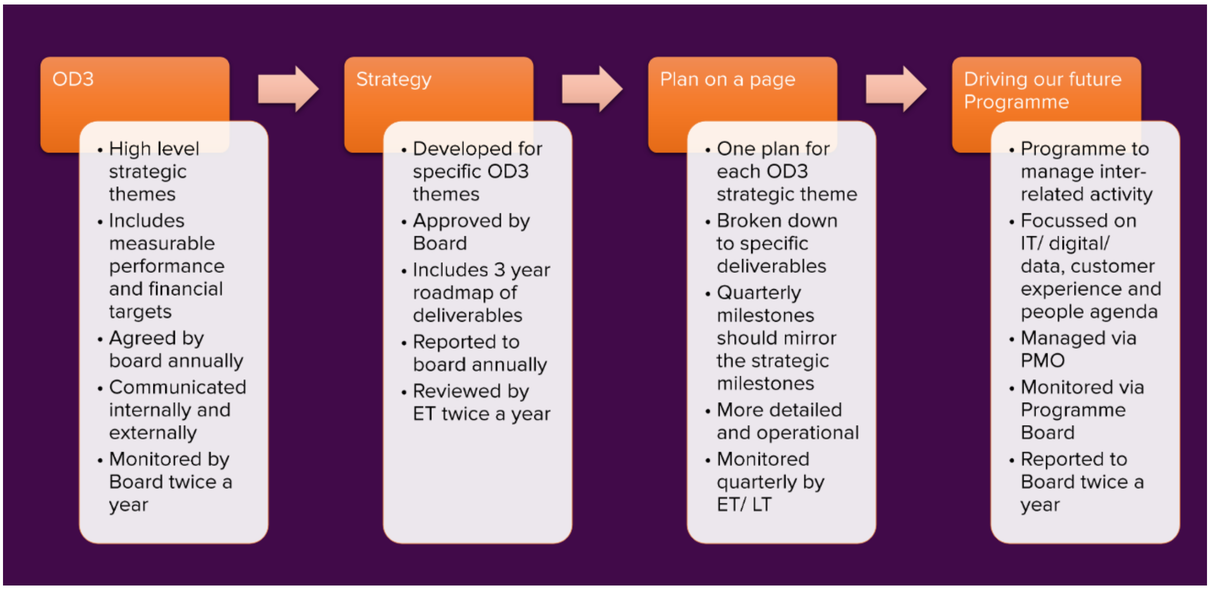
- We anticipated that our rent arrears and bad debts would increase because of Universal Credit and the impact of the Covid-19 pandemic. However, we have outperformed the targets that we set for 2020/21.
- Our recent assessment of Board effectiveness identified that the Board is operating effectively. A Board Skills and Behaviour Framework was implemented in July 2018. It demonstrates that the skills and behaviour requirements are being met. The assessment of the Board against the Framework was reviewed in 2019 and used to inform the most recent Board appointment.

- A review and self-assessment have been completed against the new NHF 2020 Code of Governance and the Social Housing White Paper. Actions have been identified and have started to be addressed.
- We have adopted the NHF Merger Code, and we have developed our own Merger, Acquisition and Partnership Policy. Within this context HH continues to explore opportunities for enhanced collaboration and where appropriate, acquisitions.
- Our latest compliance self-assessment demonstrates how HH is fully compliant with all aspects of the Governance and Financial Viability Standard.
- We continue to be judged G1/V1 by our Regulator.
- We drew a further £20m in funds from the capital markets in December 2020.
- We held a successful Board Strategy Day in September and we have started to plan for our aspiration to build a further 1,000 homes by 2026 using the existing financial capacity that we have.
- We achieved £140k in savings achieved on the renewal of our insurance policies.

6. **Brand and Reputation -** *We will build on our brand and reputation with our customers, our colleagues, local partners and within the sector. We will be the first choice for people looking for a home within the borough and beyond and a partner of choice for those who invest in our neighbourhoods and provide services to our customers. We will continue to be regarded in the sector as a forward thinking, innovative housing provider.*

- We have continued to actively support and contribute to a wide range of local strategic partnerships and groups across Halton and the wider Liverpool City Region (LCR). We value the opportunity this involvement offers to influence and contribute to key local and regional strategic decision and policy making.
- We enjoy a strong strategic relationship with Halton Borough Council, and we continue to be represented and play an active role in contributing towards the Council's strategic priorities.
- During the recent Covid-19 pandemic our priority has been to support and work with our more vulnerable customers and those that are in a vulnerable situation of homelessness. We have worked with Halton Borough Council and Halton and St Helens Voluntary and Community Action to coordinate support.
- The stakeholder survey that we completed, not only provided insight on the great reputation that we have and how highly respected we are in the community, but it has also provided recommendations to help us to build on the things that we need to do to strengthen our partnerships.
- We have also worked in partnership with Teardrops, a charity which supports the homeless in Halton and surrounding areas to deliver food hampers each week to our more vulnerable customers. We have donated £6,000 to Teardrops to support this work.
- As part of the Liverpool City Region COVID-19 Operational Group we have also donating £2,500 to each of the Widnes and Runcorn Foodbanks, to support our customers.
- We have also worked with Halton Borough Council to allocate 144 homes to vulnerable people during the lockdown with the aim of reducing rough sleeping and homelessness.
- We launched our new website, customer portal and app.
- We achieved recognition as the Number 1 digital landlord nationally.

Each priority has a roadmap of specific deliverables which are described and monitored as a 'plan on a page'. Quarterly milestones have been attributed to each deliverable which are monitored every quarter by the Executive and Leadership Team. Progress against the deliverables is reported to the Board.



The "Driving Our Future" change programme is managed by a Project Manager and monitored by a Programme Board which focusses on the key interrelated projects that underpin the delivery of the six strategic themes. The focus of the key projects is IT, digital experience, data, customer experience and our people.

The financial framework, performance framework and risk register are aligned to OD3 so that there is a 'golden thread' which runs through our corporate governance. The priorities are communicated to both internal and external stakeholders.

We focus on 'lifeblood' measures which are critical to the successful delivery of our priorities. Linked to these measures are a series of operational performance measures for each service area. Our 'lifeblood' measures for 2020/21 are set out in the table below:

OD3 Theme	Measure	Actual 2019/20	Target 2020/21	Actual 2020/21	Benchmark (source)	Comments
Customer Focus	**Complaints and Compliments**	223 (31.86 per 1,000 homes)	190 (27.14 per 1,000 homes)	127 (18.14 per 1,000 homes)	190 (26.8 per 1,000) (Placeshapers)	We received 43% less complaints in 2020/21 compared to 2019/20. This is much better than the 15% reduction that we originally set.
	Customer Satisfaction	81.5%	83%	77.4%	85.15% (Placeshapers)	In 2020/21, the overall satisfaction question changed to "Taking everything into account, how satisfied or dissatisfied are you with the service provided by Halton Housing?". The introduction of the Customer Insight team will enable us to gain a deeper understanding of our customer needs, expectations and behaviours allowing us to focus attention on

OD3 Theme	Measure	Actual 2019/20	Target 2020/21	Actual 2020/21	Benchmark (source)	Comments
						what matters most to customers.
Places to be Proud of	**Repairs right first time**	83.8%	86%	83.6%	89.9% (Placeshapers)	Performance in 2020/21 was at a similar level compared to 2019/20 but it is still below our expectation. Work is ongoing on projects that we expect to improve efficiency in planning and delivery of the repairs service.
Financially Viable and Well Governed	**Void Rent Loss**	£153,361	£185,000	£158,933	£295k (Placeshapers)	Void Rent Loss achieved target by £26k. Properties have taken longer to let than usual in 2020/21 due to Coronavirus restrictions but the number of voids received has reduced by 23% compared to 2019/20.
	Current Arrears	Current Arrears at year end: £1.129m (3.45%)	Current Arrears at year end: £1.129m (3.45%)	Current Arrears at year end: £878k (2.6%)	£1,340k (Global Accounts – Liverpool City Region)	Current Arrears achieved target at year end with levels being £252k better than 2019/20 despite the impact of the pandemic. Median performance for 2019/20 is 3.33%.
Growth and Diversification	**New Homes Delivered**	56 (0.79%)	83 (1.18%)	92 (1.3%)	1.49% (Placeshapers)	92 new homes were delivered for HH in 2020/21. This is nine better than expected at the start of the year. 45 Shared Ownership, 24 Affordable Rent and 23 Rent to Buy.
	Pipeline of New Homes Secured	78	360	404	n/a	The measure includes all new homes that are in contract. The number of homes secured to be built has exceeded the target.
	Return on Investment in OSUK	5.2%	5%	6.02%	n/a	HH's investment in OSUK returned 6.02% in the year achieving the target set in the budget and business plan.
	Unsold Homes	£174,250	<£500k for 6 months	£360,290	n/a	At the end of March 2021, Halton Housing had four shared ownership homes that had been unsold for

OD3 Theme	Measure	Actual 2019/20	Target 2020/21	Actual 2020/21	Benchmark (source)	Comments
						over six months which are all reserved.
Healthy Organisation	**Colleague Satisfaction**	87%	80%	78.9%	77% (Placeshapers)	The question used for this measure changed from how many colleagues would recommend HH as an employer to a friend or family member to how satisfied or dissatisfied are employees with Halton Housing as an employer.
	Colleague Sickness Absence	9.3 days	8 days	9 days	9 days (Placeshapers)	Long-term absence reduced in 2020/21 but remained high. Each case is robustly monitored. The number of short-term cases has remained low throughout the year.

Financial and Health and Safety Compliance performance is also reported to each Board meeting. This ensures that all key information, including the regulatory value for money metrics and asset compliance is measured against defined targets and regularly reported to the Board.

Our most recent performance:

We use ‘Placeshapers’ as our peer group. We also assess our performance against the Global Accounts published for all organisations each year.

Placeshapers is a group of financially strong and competitive organisations. They tend to be smaller than other providers, however their competitiveness (in terms of financial efficiency and delivery of new homes) continues to be demonstrated.

Our performance and trend against the Value for Money metrics and the comparison to our benchmark group can be seen in the table below:

Measure	Benchmark Source (medians)	2017	2018	2019	2020	2021 Forecast	2021 Actual
1. Reinvestment	Placeshapers	6.34%	6.47%	6.72%	6.10%		
	Halton Housing	13.85%	12.26%	6.60%	5.23%	22.72%	11.81%
	Global Accounts	5.62%	6.03%	6.24%	7.20%		
2a. New Supply Delivered (Social Housing Units)	Placeshapers	1.25%	1.26%	1.49%	1.26%		
	Halton Housing	2.21%	3.18%	0.45%	0.78%	1.42%	1.28%
	Global Accounts	1.24%	1.16%	1.43%	1.50%		
2b. New Supply Delivered (Non-Social Housing Units)	Placeshapers	0.00%	0.00%	0.00%	0.00%		
	Halton Housing	0.60%	0.37%	1.08%	0.54%	1.45%	1.10%
	Global Accounts	0.00%	0.00%	0.00%	0.00%		
3. Gearing (Net Book Value of Housing Properties)	Placeshapers	50.90%	43.60%	44.10%	33.80%		
	Halton Housing	74.79%	77.22%	80.80%	77.98%	76.87%	72.73%
	Global Accounts	48.20%	42.90%	43.40%	44.00%		
4. EBITDA MRI Interest Cover	Placeshapers	221.00%	195.00%	186.00%	196.10%		
	Halton Housing	183.39%	155.59%	145.80%	120.82%	133.88%	159.87 %
	Global Accounts	216.00%	206.00%	184.00%	170.00%		
5. Headline social housing cost per unit (£)	Placeshapers	3,206	3,272	3,522	4,023		
	Halton Housing	3,310	3,326	3,421	3,632	3,536	3,237
	Global Accounts	3,298	3,397	3,695	3,830		
Management cost per unit (£)	Placeshapers	903	939	968			
	Halton Housing	1,069	1,096	1,175	1,251	1,247	1,135
	Global Accounts	941	974	1,004			
Service charge cost per unit (£)	Placeshapers	340	347	365			
	Halton Housing	218	220	237	222	222	215
	Global Accounts	372	389	395			

Measure	Benchmark Source (medians)	2017	2018	2019	2020	2021 Forecast	2021 Actual
Maintenance cost per unit (£)	Placeshapers	976	997	1,053			
	Halton Housing	839	913	1,014	1,131	1,085	1,180
	Global Accounts	925	948	1,013			
Major repairs cost per unit (£)	Placeshapers	643	735	828			
	Halton Housing	1,111	1,034	888	890	839	620
	Global Accounts	683	720	794			
Other cost per unit (£)	Placeshapers	185	207	225			
	Halton Housing	74	64	106	139	143	87
	Global Accounts	0	0	0			
6a. Operating Margin (Social Housing Lettings only)	Placeshapers	34.41%	32.80%	29.60%	23.60%		
	Halton Housing	31.22%	29.55%	24.35%	20.80%	23.39%	27.95%
	Global Accounts	34.33%	32.10%	29.20%	25.70%		
6b. Operating Margin	Placeshapers	31.86%	29.30%	26.70%	21.50%		
	Halton Housing	30.65%	29.25%	25.00%	20.00%	21.67%	24.35%
	Global Accounts	31.16%	28.90%	25.80%	23.10%		
7. Return on capital employed (ROCE)	Placeshapers	4.38%	4.12%	3.67%	2.80%		
	Halton Housing	7.40%	6.80%	5.26%	4.47%	4.27%	4.67%
	Global Accounts	4.37%	4.08%	3.76%	3.40%		

Reinvestment: For the year ending March 2021 our investment was lower than we forecast but significantly more than the last two years. We had hoped that some of our schemes would have commenced sooner than they did. Delays due to the Covid-19 pandemic delayed the commencement of some of our schemes. Our reinvestment activity is significantly higher than the upper quartile at 10% for the sector. Investment includes £18.2m (2020: £4.3m, 2019: £6.5m and 2018: £13.7m) development of new homes, £2.9m (2020: £3.9m, 2019: £3.9m and 2018: £4.8m) capitalised major repairs and £0.3m (2020: £0.4m, 2019: £0.1m and 2018: £0.6m) capitalised interest.

New Supply (Social Housing): In 2018 the AHPG2 programme was concluded, and 226 new homes completed. In 2019 we completed 32 new homes and a further 56 in 2020. In 2021 we have completed a further 92 new homes. The focus remains on planning future investment. There have been several off the shelf purchases in the year. HH continues to have a buoyant pipeline of new opportunities.

New Supply (non-social housing): In 2021 HH invested an additional £0.3m in its subsidiary, OSUK. During the year OSUK has built or acquired a further 83 properties (28 for outright sale and 55 for market rent). In the previous two years in 2019 and 2020 OSUK used this investment to acquire 94 (2020:15 and 2019:79) additional homes for market rent and to develop 62 (2020:25 and 2019:37) homes for market sale.

Gearing: We know that we are more highly geared than the norm. As an LSVT the historic cost value of our homes is relatively low at an average cost of only £24k per home which has the impact of increasing the gearing percentage. The EUV-SH value of our homes is £315m. Using this value instead of the historic cost would reduce gearing to 41.9% which would be more in line with our benchmark.

EBITDA MRI interest cover: Our EBITDA MRI is better than our forecast. During the year we drew an additional £20m in debt from a deferred private placement to fund our development programme. Rental income has been higher than expected and bad debts and voids lower. Expenditure has been lower due to deferment of some of our project work and major works due to the Covid-19 pandemic. Our management and interest costs have also been lower. As in previous years there has been a non-cash charge to management costs due to interest and service costs in relation to defined benefit pension schemes. This year the charge was £719k. 2020: £1.5m and 2019: £681k). Without these pension costs our EBITDA MRI interest cover would be 169%.

Social Housing cost per unit: At £3,236 our cost per unit is much lower than the benchmark and Global Accounts.

Management cost per unit: Our management costs per unit have decreased. A significant element of this decrease is attributable to the lower non-cash defined benefit pension costs compared to the previous year (2020: £819k increase, 2019: £127k increase and 2018: £505k increase). This has had an impact of reducing the overall cost per unit by £103 (2020: £116 increase per unit, 2019: £18 increase per unit and 2018: £71 increase per unit). We do not allow for this non-cash pension cost in our forecasts. After taking this non-cash pension cost into account our overall management cost per unit has decreased by £12 per unit (1.1%). The total non-cash interest and service costs in relation to the pension scheme is £719k or £103 per home.

Maintenance and repairs costs per unit: During 2021 we spent £1,800 per unit on maintenance and repairs compared to our forecast of £1,924 per unit. Whilst our maintenance costs have been higher per unit, our major repairs costs are lower. This is because of the Covid-19 pandemic which has resulted in some of our major works being deferred. Nonetheless we have made great strides in improving our repairs service and clearing the backlog of works that built up during the first lockdown. Like others across the sector, we have experienced increased costs in relation to health and safety and compliance work. There has also been a keen focus on delivering emergency jobs, repairs backlog and reducing follow on work to ensure a 'Right First Time' approach. Over the past seven years we have reduced our major repair costs by 49% from £1,223 per unit to £620 per unit.

Operating Margin: Our operating margin has increased this year and is higher than our benchmark and forecast. We expect benchmarks to increase now that rental increases are being applied again. Our improved result is due to higher rental income, higher grant, lower bad debts, and voids. We have also experienced lower non-cash pension costs, lower major works, and repairs. This was the first year that we have been able to increase rents following four years of rent decreases. Our average social rents including service charges continue to be low and almost the lowest in Halton at £83.54 per week for general need social rent (England average: £94.25 source 2019/20 NROSH) and £103.13 for general needs affordable rent (England average: £128.62 source 2019/20 NROSH).

Return on capital employed: This is higher than our benchmark because of the lower historic cost value of our homes.

Our future targets:

Each year, as part of our annual budget setting and business planning process, we produce service area plans that identify the objectives to be achieved and the resources that are to be used for the forthcoming year. Performance against the annual budget is discussed quarterly at Board meetings and monthly by the Leadership Team. The budget is reviewed every six months and the business plan is updated on a regular basis as we plan and develop our strategies. Savings targets have been consolidated into the long-term business plan. Overall, we continue to outperform the budget each financial year.

The ongoing six-monthly review of Our Direction (OD3) ensures that our goals are always current and aligned to the changes that are taking place both internally and externally. The Performance Framework continues to be reviewed and updated in line with this.

When we set our performance measures for 2021/22 and the following year we consider, current performance, our ambition and strategies and benchmarking information. Benchmarking information considered include Liverpool City Region, Placeshapers and the whole sector. By 2022/23 we are working towards upper median or top quartile performance compared to the benchmark used for each measure.

Our performance measures for the next two years are detailed in the table below:

OD3 Theme	Performance Measure	Target 2021/22	Target 2022/23
Customer Focus	Complaints (% closed at Stage 1)	95%	95%
	Customer Satisfaction	80%	83%
Financially Viable and Well Governed	Current Arrears	£1.148m	£1.196m
	Void Rent Loss	£194k	£206k
Growth and Diversification	New Homes Delivered	169	240
	Pipeline of New Homes Secured	351	
	Return on Investment in OSUK	4.7%	4.5%
	Unsold Homes	<£500k for 6 months	<£500k for 6 months
Healthy Organisation	Colleague Satisfaction	81%	81%
	Colleague Sickness Absence	8 days	7 days
Places to be Proud of	Energy Efficiency	85.29%	87.13%

This is a summary of our focus for 2021/22 and beyond as we begin to develop the next iteration of our Corporate Plan:

- Customers are our key focus. We will listen to their views, understand their needs and preferences, and deliver services that are accessible, high performing and provide value for money. We will be a pioneer for innovative service delivery using insight, digital and AI, whilst ensuring a visible presence in our neighbourhoods.
- We will keep our customers safe and continue investing in our existing homes to make sure that they are fit for the future and that we minimise our environmental impact.
- We will build on our role within our neighbourhoods, working with partners to tackle the challenges they face and create places to be proud of.
- We will continue to grow and diversify our business developing a whole market housing offer which meets a range of needs including those of older people and those starting out on the housing ladder.
- We will grow our commercial arm, OSUK, to generate profits which help protect our business and subsidise our social housing activity.
- We will do all of this through our people. We will create an environment where colleagues are valued and listened to, and where they have a strong voice which shapes our future direction.
- We will retain people with the right skills, but more importantly, the right behaviours, to help us to deliver our plans.

- We will invest in our leaders, our people and our IT and create a healthy organisation where everyone can do a great job in an innovative, collaborative, and agile business.
- Our plans can only be delivered if we maintain our strong foundations. We will be as efficient and productive as we can be, maximising our income and delivering great performance.
- We will be well governed, compliant with regulatory and legal requirements and have the financial capacity to fund our plans.
- We will build our brand and reputation with our customers, our colleagues, local partners and with the sector.
- We will be the first choice for people looking for a home within the borough and beyond and a partner of choice for those who invest in our neighbourhoods and provide services for our customers.
- We will continue to be regarded in the sector as a forward thinking, innovative housing provider.

Based on these plans, our strategy, and our day-to-day operational activities we have developed our long-term financial plan. We have used this to calculate our value for money metrics for the next five years as illustrated in the table below:

Group Value for Money metrics	2021	2022	2023	2024	2025	2026
Metric 1: Reinvestment	11.81%	21.8%	19.7%	22.2%	19.4%	15.8%
Metric 2a: New Supply Delivered (Social housing units)	1.28%	2.4%	2.0%	3.1%	3.1%	2.5%
Metric 2b: New Supply Delivered (Non-Social Housing)	1.1%	1.1%	0.0%	0.2%	0.8%	0.8%
Metric 3: Gearing (NBV Housing Properties)	72.73%	77.8%	78.0%	77.40%	75.3%	71.0%
Metric 4: EBITDA MRI Interest Cover	159.9%	129.1%	149.2%	161.0%	176.6%	171.7%
Metric 5: Headline Social Housing Cost Per unit (£)	3,237	3,575	3,442	3,561	3,654	3,687
Management Cost per unit (£)	1,135	1,268	1,150	1,239	1,237	1,246
Service Cost per unit (£)	215	245	243	239	236	235
Routine Maintenance cost per unit (£)	1,180	1,132	1,119	1,095	1,084	1,083
Major Repairs cost per unit (£)	620	781	783	843	955	980
Other costs per unit (£)	87	149	148	145	143	143
Metric 6a: Operating Margin (Social Housing Lettings only)	27.9%	22.3%	25.3%	24.6%	24.9%	24.5%
Metric 6b: Operating Margin	24.4%	20.8%	24.4%	21.6%	21.2%	20.8%
Metric 7: Return on Capital Employed (ROCE)	4.7%	4.1%	4.1%	4.0%	4.3%	4.1%

Reinvestment: We will spend £226m over the next five years on the development of new homes. These will be for shared ownership, affordable rent, rent to buy, market rent, and market sale. We will also spend £24.6m on capitalised major repairs and £6.2m on capitalised interest over the same period.

New Supply (Social Housing): We will build 1,178 new homes over the course of the next five years in HH, at a cost of £201m. These will be for shared ownership, affordable rent and rent to buy.

New Supply (non-social housing): In our commercial subsidiary, OSUK, we will build or acquire an additional 316 homes at a cost of £61m over the next five years. It is estimated that HH will receive a return of 7.4% from its investment in OSUK. Profits from OSUK will be re-invested into HH and used to subsidise the provision of social housing.

Gearing: As we continue to invest in the development of new homes, our debt is forecast to increase by £70m. We will need to secure additional funding to deliver our ambition as some of our current loan portfolio matures and additional funding is required to fund new homes. We have more than sufficient security to achieve this based on our current EUV-SH valuation of £315m. Our gearing is forecast to reduce as the net book value of our properties (valued at cost) increases from £215m to £321m.

EBITDA MRI interest cover: This is forecast to remain lower than our benchmark through the next five years. However, we remain within our financial performance requirements. Our headroom against our tightest covenant is £2.2m in 2021/22.

Social Housing cost per unit: We expect our cost per unit to reduce in 2022/23. In 2021/22 we have included some additional costs that were rolled over from 2020/21 because of delays in some works and projects due to the Covid-19 pandemic. In all years we are expecting our costs per unit to be lower than our benchmark. We cannot however predict what the impact will be of any additional unknown non-cash pension costs that are attributed to the FRS102 adjustments for the defined benefit pension scheme. This adjustment has distorted our unit costs in previous years.

Operating Margin (social housing lettings only): We are applying rent increases in accordance with the regulatory allowances. Our assumptions around voids and bad debts remain prudent at 0.5% and 2% respectively compared to the past three years performance. We continue to have a track record of outperforming these and achieving higher operating margins as a result. Our plans include employee savings of £250k per annum and management cost savings of £220k per annum from 2022/23. We are confident that we can achieve these savings.

Operating Margin (overall): Our operating margin is expected to average 21.76% over the next five years as we continue to build and sell properties for shared ownership and outright sale from our development pipeline. We are not expecting large surpluses from the shared ownership product, a proportion of which are extra care independent living homes for older persons. Excluding the costs and revenue from property sales our operating margin would average 26% over the next five years.

Return on Capital Employed: Our plans anticipate a return on capital employed of at least 4% as our asset base grows through the reinvestment of our surpluses and utilising our security to raise finance to build new homes.

Responsibilities of the Board

Statement of Board's responsibilities in respect of the Financial Statements

The Board is responsible for preparing the report and the 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 state of affairs of the group and 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 group and 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 group and 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 2019. It has general responsibility for taking reasonable steps to safeguard the assets of the group and association and to prevent and detect fraud and other irregularities.

The Board is 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.

In so far as the Board is aware:

- There is no relevant audit information of which the Group's auditor is unaware; and
- The Board has taken all steps that it ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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 2018 SORP for Registered Social Housing Providers.

Corporate Governance

The Board confirms that HH has adopted the National Housing Federation's Code of Governance – Promoting Board excellence for housing associations (revised 2015). HH has also adopted the National Housing Federation's Code of Governance (2020). A statement of compliance against the new code will be published in 2021/22. A full review of HH's compliance with the 2015 Code of Governance for 2020/21 has been carried out. The review demonstrates that HH is fully compliant with all Provisions of the Code apart from provision D2. This is due to Mark Dennett having remained on the Board beyond the maximum permitted nine-year term.

Mark Dennett, Local Authority Board Member, reached the end of his maximum permitted nine-year term in August 2020. Board agreed in April 2020 to extend Mark's term for 12 months following a request from the Council. As a result of the Covid-19 pandemic, local elections were postponed from 2020 to 2021, and the Council had no capacity to consider its nomination to replace Mark. Board also considered Mark's knowledge of HH's financial position and risk profile would be beneficial to support it as it navigated its way through the challenges posed by the pandemic. His experience and knowledge have provided stability during a period of great uncertainty. The RSH has been notified of the extension of Mark's tenure and did not raise any issues or concerns. An appointment timetable has been developed to appoint a replacement for Mark. The process has been approved by Remuneration and Nominations Committee and aims to secure Board approval for the appointment in August 2021.

OSUK and HHT Development Ltd have not adopted the NHF code because it was felt that it would be most appropriate for them to continue to adopt the Institute of Directors' Corporate Governance Guidance and Principles for Unlisted Companies in the UK (Phase 1), which is better aligned to their structure and purpose. OSUK and HHT Development Ltd have completed a review of their compliance and are satisfied that they have good governance processes and procedures in place to assist them in achieving their objectives.

Board Composition

The HH Board consists of nine non-executive Board Members. Two are nominated by Halton Borough Council for appointment by the Board (Local Authority Board Members). Seven are recruited in accordance with the skills required by the Board (Recruited Board Members).

The Group has had a Board Membership Policy for several years. The Policy has been expanded to provide more focus on diversity. The purpose of the Policy is to ensure an inclusive and diverse Board and Committee Membership resulting in optimal decision-making and assisting in the development and execution of a strategy which promotes the success of the HH Group.

The Policy confirms that we will use positive action to benefit the Group. This will ensure a wider pool of talented, skilled, and experienced people from which to recruit Board Members and a better understanding of the needs of a diverse range of customers.

Clive Deadman (Chair) (Recruited Board Member) - Clive has a background in engineering and private equity, and he has held senior leadership roles for over 20 years in a range of utilities and infrastructure companies. Clive brings extensive experience from within the social housing sector, the NHS, the Ombudsmen, and a range of other performance driven not-for-profit organisations. He is also a Professor of Water & Energy at Cranfield University.

Mike Fry (Vice Chair) (Chair of HDL) (Remunerations and Nominations Committee Chair)(Local Authority Board Member) - Mike is heavily involved with the local Chamber of Commerce. He runs his own business which gives him an insight into the business sector in the borough and the wider region. He is also a champion for the voluntary sector which gives him an in depth understanding of the needs of the more vulnerable in our society and what support they need. Mike is a local Councillor which brings him into almost daily contact with our communities right across the borough. Mike has lots of experience of being on various Boards, also chairing a wide range of meetings. He is a good communicator which helps him to get to the heart of problems and solving them, usually in a calm and sedate manner without upsetting people on the way. He is a people person, and is well respected in the political, business, and charitable sectors within Halton.

Angela Holdsworth (Audit and Risk Committee Chair) (Recruited Board Member) **-** Angela has significant Non-Executive Director experience in the housing association sector. She is an experienced business leader with over 30 years of successful delivery of high- profile business roles and projects in several industry sectors from manufacturing through to highly regulated service organisations. Angela's current role as director of Angelteccies includes technical support providing product and processing support into the Wire & Cable Industry.

Ian Hayhoe (Chair of OSUK) (Recruited Board Member) - Ian is well-known within the business community of Halton. Ian brings over 25 years' experience in the Telecoms and Financial Services sectors to the Board of Halton Housing. Ian is currently Head of Telesales and Retention at VMO2 (Virgin Media/O2), a Director of Halton and Widnes Chamber of Commerce and Executive Chair of Halton Enterprises Ltd.

Mark Dennett (Local Authority Board Member) - Mark is a Local Authority nominee who was appointed to the Board in 2011. Mark is both an officer and a member of two local authorities, Warrington and Halton, with over 20 years' experience in all aspects of finance and accounts. He has broad experience in the health and children's services sectors and has networks across the region and at various levels of the public sector.

Linda Levin (Recruited Board Member) - Linda is an experienced housing professional who started her career as a graduate trainee Housing Manager with Knowsley MBC and went onto hold senior positions at Wirral and Halton Councils. Linda has a passion for tenant empowerment and building strong effective partnerships between landlords and tenants. Linda's focus throughout her career has been in housing where she has achieved positive outcomes for customers and communities. Linda is currently Director of Customer and Communities at a housing association in Greater Manchester.

Geoff Linnell (Recruited Board Member) - Geoff is a Non-Executive Chair and Director with measurable business transformation success and over 40 years' experience ensuring companies deliver more business value. Geoff has a strong governance and risk management background with consensus stakeholder management. Geoff's key strengths are strategy development, digital innovation, governance and risk management, transformation programme delivery, organisation design and talent management. He has vast experience within many sectors including information technology, NHS, care services, adult learning, investment banking, wealth management, retail banking, building societies and insurance.

Matthew Harrison (Recruited Board Member) - Matt is CEO of a leading North West Housing provider. Before taking on this role, Matt was Development Director at the same organisation and led on many iconic, award winning regeneration projects. He is currently a Board member of the Sheffield Local Housing Company, Chairs the Greater Manchester RP Joint Venture, Hive Homes and is a Board Member of its Sheffield City Region equivalent, Forge New Homes. He leads on Growth for the Greater Manchester Housing providers. Matt has also been involved with a Local Strategic Partnership, has been a PFI Company NED and has supported the NHF in a variety of ways. Matt is well versed in the power of partnership working and supportive of collaborative approaches to get things done.

Kevin Williams (Recruited Board Member) - Kevin has extensive property development and asset management experience gained over the past 20 years. He is financially astute with a strong grasp of financial matters, including business planning and stress testing. Kevin is currently Executive Director of Commercial Services at The Guinness Partnership. Kevin is responsible for the management of Guinness' 11,000 leasehold properties, the marketing and sale of homes for Shared Ownership and market sale with projected receipts in excess of £500m over the next 4 years, management of the Guinness commercial asset and non-residential portfolio, and hard & soft Facilities Management services to the Guinness corporate estate.

Committees of the Board

The Board has overall responsibility for the organisation of the following Committees:

- Audit and Risk Committee
- Remuneration and Nominations Committee
- Urgency Committee
- Appeals Panel

Audit and Risk Committee

The Committee will carry out its duties on behalf of each entity within the Group. The Terms of Reference for the Audit and Risk Committee are as follows:

a) External Audit

- Agree the scope of the external audit and the provision of other services by the external auditor.
- Consider the audit plan and discuss issues that are likely to affect the audit and financial statements with the auditors.
- Review the external audit management report and receive both formal and informal feedback from the external auditor.
- Review the Letter of Representation to the External Auditor
- Review the financial statements and satisfy itself as to the integrity of financial information.
- Advise the HH Board on the soundness of financial systems in the light of the external audit.
- Consider the management letter and the draft response to it and advise the HH Board accordingly.
- Monitor to ensure the implementation of external audit recommendations.
- Confirm and determine the fee to be paid to the external auditor.
- Review the performance of the external auditor and determine if value for money is being provided and whether the external auditor is independent and effective.
- Recommend to the HH Board the re-appointment of the external auditor or recommend that the service be re-tendered.
- Oversee the tendering and selection of the external auditor.

b) Internal Audit

- Ensure that the Group has appropriate internal audit arrangements. This involves making the key judgements about the level of risks and, in the light of them, the level of resources that are deployed. The internal audit programme must cover all systems and must involve compliance testing.
- Approve the appointment (and termination) of the internal auditor or external provider of the internal audit service.
- Consider and approve the internal audit plan and audit programme for each period.
- Commission special studies and investigations.

- Receive and review internal audit reports, taking appropriate action and report to the HH Board on the adequacy and effectiveness of the Group's internal controls.
- Consider draft responses and internal audit reports and advise the HH Board accordingly.
- Monitor to ensure the implementation of internal audit recommendations.
- Advise the HH Board on the soundness of the Group's financial, operational and compliance systems in the light of the internal audit.
- Confirm and determine the fee to be paid to any external provider of internal audit service.
- Review the performance of the internal auditor and determine if value for money is being provided and whether the internal auditor is independent and effective. The Audit and Risk Committee must ensure the internal auditor has no conflicts of interest with the external auditor.
- Make policy recommendations to the HH Board.

c) Risk Management

- Examine the effectiveness of the Risk Management Policy
- Review the effectiveness of stress testing against identified risks and combinations of risks across a range of scenarios, and the risk mitigations put in place as a result.

d) Annual Advisory Report to the Board

- The Committee will commission from the Group Chief Executive an annual advisory report which shall then be presented to the HH Board. The report shall be used as a source document for the Board's report on internal controls, which it includes alongside the Group's annual financial statements. The report will cover:
    - A summary of risk management activities undertaken.
    - Changes in significant risks since the previous annual report
    - Forms of assurance previously approved by the HH Board/ Audit and Risk Committee, together with a summary of findings from each form of assurance.
    - External audit matters
    - All significant control failings reported in the year.
    - Any fraudulent activity that has taken place All these items remain the responsibility on a day-to-day basis of the senior employees of HH.

e) Other

- Agree the write-off of irrecoverable rent arrears.
- Agree the appropriate accounting policies to be adopted.
- Review the Group policies for preventing and detecting fraud.
- Ensure the organisation complies with all statutory duties placed on it.
- Examine the independence of the Committee periodically.

Remuneration and Nominations Committee

The Terms of Reference for the Remuneration and Nominations Committee are as follows:

a) Remuneration

- Ensure HH considers all factors which it deems necessary in determining Group Executive Team and Board Member remuneration policy, including relevant legal and regulatory requirements, and guidance from the National Housing Federation
- Obtain reliable, up to date information about remuneration levels in other organisations of comparable scale and complexity.
- Review and establish Board Member remuneration levels at a frequency determined in the Board Remuneration Policy
- Review and make recommendations to Board on the total individual remuneration package of the Group Executive

Team members considering:
  - The responsibilities required of them in their contracts of employment.
  - The context of the approved Business Plan
  - Resources available to HH
- Review the on-going appropriateness and relevance of the Group Executive Team and Board Member Remuneration policies
- Act in relation to disciplinary and grievance proceedings against the Group Executive Team members in accordance with their contract of employment

b) Nominations

- Regularly review the structure, size and composition of the Board and make recommendations to Board regarding any changes.
- Consider succession planning for Board Members, considering the challenges and opportunities facing the organisation, and the skills and expertise needed on the Board in the future.

- Be responsible for identifying and nominating for approval by the Board, candidates to fill Board vacancies as and when they arise.
- Be responsible for identifying and nominating for approval by the Board, candidates for appointment as Board Chair, OSUK Board Chair and HHT Development Board Chair as and when the vacancy arises.
- Make recommendations to Board on the re-appointment of any Board Member at the end of their current fixed term of office, having considered their performance and ability to continue to contribute to the Board considering the knowledge, skills and experience required.
- Make recommendations to Board on membership of the Audit and Risk Committee, Remuneration and Nominations Committee, and any other Committee of the Board as appropriate
- Make recommendations to Board on appointments to Committee Chair and Vice Chair positions
- Make recommendations to Board on appointments to Lead Member roles
- Make recommendations to Board on appointment to the position of Board Vice Chair
- Make recommendations to Board on appointments to the OSUK Board.
- Make recommendations to Board on appointments to the HHT Development Board
- Recommend procedures for the appointment of Group Executive Team members

Urgency Committee - Where a decision is required from HH Board/Committee outside the agreed meeting schedule, and there is an urgent need to proceed with a course of action, the Urgency Committee shall be convened.

Appeals Panel - The Appeals Panel is to act as HH's final appeals forum under its key policies relating to staff and customers, which include but are not limited to the following:

- Terms and Conditions of Employment
- Health and Safety
- Grievance and Discipline
- Codes of Conduct
- Equal Opportunities and Diversity Policy

Regulatory Compliance

The Board confirms that the Association is fully compliant with all aspects of the Regulator of Social Housing's Governance and Financial Viability Standard.

Voluntary Code on Mergers, Group Structures and Partnerships

During 2015/16 the Association adopted the National Housing Federation's Voluntary Code on Mergers, Group Structures and Partnerships.

The Association would consider acquisition or merger. Notwithstanding this, one of the risks of the Code is that it could potentially lead to the Board becoming overwhelmed by considering several approaches rather than focussing on the strategic direction of the business.

To avoid this, the Association has implemented a gateway mechanism. In summary only those potential partnerships that meet the criteria agreed by Board and have a reasonable chance of being developed further would be escalated to Board. This initial assessment will be made by the Group Chair and Group Chief Executive.

The Association has developed its own Mergers, Group Structures and Partnerships Policy which amplifies certain aspects of the Code.

No merger opportunities were explored during 2020/21.

Modern Slavery Act 2015

HH complies with its obligations under the Modern Slavery Act 2015. As required by the Transparency in Supply Chain provision, HH confirms that no instances of slavery and human trafficking occur within the organisation and that it expects the same standards from all its contractors, suppliers, and other business partners.

HH's standard tender documentation requires potential suppliers to confirm that they comply with the Modern Slavery Act 2015.

HH will not intentionally support or deal with any business involved in slavery or human trafficking.

Investment Policy

Board recognises that the Investment Policy must be kept under review. It will be reviewed formally once every three years and more often if changes in the external environment, for example legal, tax or market changes, mean it requires more urgent review.

The constitutional power of the Association to invest is set out in its Rules at B2.6 and B2.7.

"The Association shall have power to do anything that a natural or corporate person can lawfully do which is necessary or expedient to achieve any of its objects, except as expressly prohibited in the Rules:

B2.6 subject to rule F15, invest the funds of the Association and monies borrowed by the Association.

B2.7 lend money (including monies borrowed) on such terms as the Association shall think fit.

In relation to investment, the Rules state:

F15 The funds of or monies borrowed by the Association may be invested by the Board in such manner as it determines."

This power will be exercised to ensure that the financial returns from such investments are used to further the Association's aims.

The Investment Policy only applies to significant investment decisions of the Association and is not intended to prevent or contradict the exercise of the delegated authority in the Association's Treasury Management Policy.

Internal Controls

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

The external audit management letter, which was produced following the audit of the financial statements for the year ending 31st March 2021 did not raise any issues, which are fundamental to the system of internal control or have a potential material effect on the financial statements.

Key elements of the control framework include:

- Regulation.
- External review and Customer Scrutiny.
- Standing Orders and Financial Regulations setting out clearly the system of delegation.
- An adopted Code of Governance and Codes of Conduct.
- An appropriate governance structure, which is regularly reviewed to ensure that it remains fit for purpose.
- Board approved terms of reference and delegated authorities its committees.
- Detailed financial budgets and forecasts for subsequent years.
- Our Direction.
- Clearly defined management and reporting structures.
- The Performance Management Framework, which is reported upon to Board and its committees.
- A programme of internal reviews undertaken by an externally provided internal audit team.
- Careful staff recruitment and training.
- An approved Treasury Management Policy.
- Board approved Whistleblowing Policy.
- Detailed policies and procedures.
- Asset and Liability Register.
- Financial Golden Rules.
- Business Continuity.
- Cyber Security.
- Risk Appetite.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Audit and Risk Committee to regularly review the effectiveness of the system of internal control. The Board receives a Key Issues Report from each Audit and Risk Committee meeting, and the minutes are available for all Board Members to see.

The means by which the Audit and Risk Committee reviews the effectiveness of the system of internal control include:

- Internal audit reports.
- Management assurances.
- The external audit management letter.
- Other stakeholder reports.

- The internal audit program agreed for the year included:
- Corporate governance and risk management areas.
- Strategic and business areas.
- Core financial areas.
- Main support and operational areas.
- ICT environment and information areas.

The Group has an Anti-Fraud Policy, which has been approved by the Audit and Risk Committee. There have been no reported cases of fraud during 2020/21.

The Group's Executive Team has submitted to the Board a detailed report on the operation of internal controls during the year under review and up to the date of approval of this report. The Board has considered this report and the evidence that supports the statements made and considers this to be a true and accurate reflection of the Group's current position. The Board can also confirm that it is satisfied that all necessary action is being taken to remedy the control failings identified in its review.

Equality and Diversity

We are committed to achieving a working environment, which provides equality of opportunity and freedom from unlawful discrimination on the grounds of race, sex, pregnancy, and maternity, marital or civil partnership status, gender reassignment, disability, religion or beliefs, age, or sexual orientation. We also aim to provide a service that does not discriminate against its customers in how they can access the services provided by HH.

The Single Equality Scheme takes account of the requirements within the Equality Act 2010 and the Public-Sector Equality Duty (PSED). The framework describes in a single document how HH will fulfil its statutory and regulatory requirements to promote equality of opportunity, avoid discrimination, demonstrating its commitment to placing the promotion of equality and diversity at the centre of every aspect of its work. We have agreed three local equality objectives as part of the Single Equality Scheme.

Objective 1: Financial Inclusion – We have continued to invest considerable time and resources to mitigate or even counteract some of the continued impacts of the welfare reform regime being experienced by our customers. We assisted 768 customers during 2020/21 and dealt with 1,086 individual benefit and money related issues that provided a monetary gain to our customers. In addition to the financial outcomes achieved for customers, we recorded 422 non-financial outcomes for the provision of a wide range of advocacy support for customers ranging from assistance with benefit appeals, sanction challenges and DWP complaints through to helping to open basic bank accounts. This included dealing with 10 victims of Universal Credit Fraud and 34 customers impacted by Covid-19.

Objective 2: Aids and Adaptations – During 2020/21 we have successfully moved 47 customers to suitably adapted homes that will meet their long-term needs. This has resulted in a total value of £355k being achieved in recycled adaptations. There has been a decrease in demand for this service during 2020/21 compared to the previous year because of the Covid-19 pandemic.

Objective 3: Domestic Abuse – We have supported and assisted victims of domestic abuse and their families. During 2020/21 we have opened 125 domestic abuse cases. We continue to work closely with the Police and the Multi Agency Risk Assessment Conference (MARAC). We deliver the Sanctuary Scheme, which allows for extra security to be put in place in a property for safety which has assisted 53 customers to remain in their home.

Gender Pay. We published our gender pay information on our website in December 2020. The results were extremely positive. Average salaries show a 1.5% pay gap in favour of female employees. This along with a large representation of females at a senior level provides a positive pay gap of approximately 5.7%. The report highlights the lack of females in our lower middle quartile which is primarily our trade colleagues and highlights the need for our continued efforts in this area.

Diversity Profile. We completed an analysis of the diversity profile of our customers, workforce, and Board.

- Females are currently under-represented on the Board and to a lesser degree within the workforce.
- Younger age groups are under-represented on the Board.

- The workforce and Board are broadly representative of the ethnic make-up of our customer base.
- A considerable proportion of customers identify as having a disability in comparison to the workforce, Board, and wider Halton population.
- A considerable proportion of the customer base is single in comparison to the wider Halton population.

Our new customer insight function will be capturing and utilising data to help us better understand our customers, their needs, expectations, and behaviours. Our customer insight framework will enable us to identify opportunities for improvements which offer the greatest impact to our customers. This in turn will allow us to deliver services which feel more personalised, and coordinate communication campaigns that are tailored and personalised using customer segmentation, with evaluation of improvement initiatives ensuring we continue to meet the needs and expectation of our customers.

People and Culture

We will deliver through our people. We will create an environment where colleagues are valued and listened to, and where they have a strong voice which shapes our future direction. We will recruit and retain people with the right skills, but more importantly the right behaviours to help us deliver our plans. We will invest in our leaders, our people and our IT and create a healthy organisation where everyone can do a great job in an innovative, collaborative, and agile business.

We have four Behaviours, which we expect all our colleagues to demonstrate. They are:

- We keep our promises – making decisions and taking responsibility for seeing things through to the end. It means being open and honest, and explaining what is and is not possible.
- We work in partnership – We work in a collaborative way. It means listening carefully to our customers and colleagues and playing our part in the team and supporting each other.
- We are innovative and creative – We challenge how things are done. We are flexible and open to new ways of doing things. We learn from mistakes and continually seek to improve.
- We treat everyone with respect – most importantly we treat everyone with kindness. By being helpful, approachable, and treating people with respect, we can create a place where difference is valued, and where everyone can thrive and enjoy their job.

Our People Strategy has four key themes:

- Leadership Capability
- Performance Management
- Workforce Planning
- Colleague Engagement

Our aims are to:

- Reinforce our commitment to developing our people and our leaders.
- Ensure HH leaders across all levels of the business are accountable for their people particularly in relation to performance, talent management, colleague engagement and workforce planning.
- Provide an innovative, collaborative, and agile working environment in which people can work to the best of their ability.
- Recognise and reward our colleagues in return for service excellence to our customers and colleagues.
- Align social value to the priorities defined within OD3 and the “Driving our Future” change programme.

Social Value

As a housing association we are an anchor institution within our neighbourhoods. We are an employer, builder, partner, and place maker. We are at the beating heart of communities across Halton – and we are there to stay.

Housing is not just about 'bricks and mortar'. Having a decent, affordable home is an important determinant of people's health and well-being, has a positive effect on children's education, can help people get and sustain employment and can provide a route out of poverty. Housing's carbon footprint can also be reduced through the right energy efficiency and construction measures.

The Covid-19 pandemic has hit disadvantaged communities hardest.

Our Social Value Strategy links closely with both our Placeshaping and Environmental and Sustainability strategies. It aims to improve the conditions of life for the residents of the areas in which we own or manage housing stock by tackling inequalities arising from:

- Homelessness
- Health
- Income
- Fuel and food poverty
- Digital exclusion
- Employment opportunities

We are a locally based social landlord operating predominantly within Halton and the Liverpool City Region. We recognise we have an important role in investing in and tackling the challenges faced by the place in which we operate. As from 2020/21 we have committed to set an annual budget of £100,000 to support local initiatives.

We have signed up as an early adopter of the ESG Sustainability Reporting Standard and we will continue to report progress using the HACT Social Value impact Statement. Our first ESG report will be published in Autumn 2021.

Disclosure of information to 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 the Association's auditors are unaware; and each Board member has taken all the steps that they ought to have taken as a Board member to make themselves aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

Auditors

At the AGM, the Association will be seeking to appoint RSM as the Association's external auditors.

The Board/Strategic Report was approved on 5th August 2021 and signed on its behalf by:

Clive Deadman
Chair
5th August 2021

Independent Auditor's Report

Independent Auditor's Report to the Members of Halton Housing Year Ended 31st March 2021

Opinion

We have audited the financial statements of Halton Housing (the Association) and its subsidiaries (the Group) for the year ended 31st March 2021 which comprise the consolidated and Association Statement of Comprehensive Income, the consolidated and Association Statement of Financial Position, the consolidated and Association Statement of Changes in Reserves, the consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31st March 2021 and of the Group's income and expenditure and the Association's income and expenditure for the year then ended.
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Strategic 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 the Co-operative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

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

Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities set out on page 28, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 based on these financial statements.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of laws and regulations that affect the Group and Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws and regulations that we identified included the Co-operative and Community Benefit Societies Act, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019, tax legislation, health and safety legislation, and employment legislation.
- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations and fraud was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the nature of the Group's activities and the regulated nature of the Group's activities.
- We reviewed financial statements disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

Use of our report

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

BEEVER AND STRUTHERS (Statutory Auditor)
St George's House, 215/219 Chester Road, Manchester, M15 4JE

Date: 27 September 2021

Primary Financial Statements

Statement of Comprehensive Income

For the year ended 31st March 2021

	Notes	Year ended 31-Mar-21		Year ended 31-Mar-20	
		Group	**Association**	Group	Association
		£'000	**£'000**	£'000	£'000
Turnover	**2**	**43,495**	**38,117**	40,024	35,629
Cost of sales	**2**	**(6,520)**	**(3,104)**	(3,919)	(1,336)
Operating expenditure	**2**	**(26,384)**	**(25,346)**	(28,101)	(27,188)
Gain on disposal of property, plant and equipment (fixed assets)	**6**	**634**	**641**	1,227	1,203
Operating surplus		**11,225**	**10,308**	9,231	8,307
Gift aid donation from subsidiary companies		**-**	**156**	-	172
Interest receivable		**5**	**1,130**	14	1,135
Interest and financing costs	**7**	**(7,031)**	**(7,220)**	(6,736)	(6,966)
Gain in valuation of investment properties	**14**	**884**	**53**	48	15
Surplus before tax	**8**	**5,083**	**4,427**	2,557	2,663
Taxation	**9**	**-**	**-**	-	-
Surplus for the year after tax		**5,083**	**4,427**	2,557	2,663
Other comprehensive income					
Initial recognition of multi-employer defined benefit scheme		**-**	**-**	-	-
Actuarial gain / (loss) in respect of pension schemes	**12/24**	**(8,472)**	**(8,472)**	5,919	5,919
Total comprehensive income for the year		**(3,389)**	**(4,045)**	8,476	8,582

Historical cost surpluses and deficits were identical to those shown in the Statement of Comprehensive Income.
All turnover and operating costs are attributable to continuing operations. The notes on pages 49 to 85 form part of these Financial Statements.

These Financial Statements were approved by the Board of Directors/Trustees and authorised for issue on 5th August 2021 and were signed on its behalf by:

Board/Trustee
Clive Deadman

Board/Trustee
Angela Holdsworth

Company Secretary
Neil McGrath

Statement of Financial Position

As at 31st March 2021

	Notes	Year ended 31-Mar-21 Group £'000	Year ended 31-Mar-21 Association £'000	Year ended 31-Mar-20 Group £'000	Year ended 31-Mar-20 Association £'000
Fixed assets					
Tangible fixed assets	**13**	**186,469**	**187,346**	168,758	169,462
Investment properties	**14**	**24,192**	**1,358**	20,019	1,305
Investment in subsidiaries	**15**	**-**	**11,900**	-	11,900
		210,661	**200,604**	188,777	182,667
Long term debtors					
Debtors due in more than one year	**17**	**-**	**14,700**	-	14,400
Current assets					
Stock	**16**	**10,220**	**4,991**	12,407	4,013
Trade and other debtors	**17**	**2,545**	**2,441**	2,371	2,313
Investments	**18**	**125**	**125**	117	117
Cash and cash equivalents	**19**	**26,698**	**26,594**	11,034	10,890
		39,588	**34,151**	25,929	17,333
Less: Creditors: amounts falling due within one year	**20**	**(9,880)**	**(9,610)**	(8,013)	(7,575)
Net current assets		**29,708**	**24,541**	17,916	9,758
Total assets less current liabilities		**240,369**	**239,845**	206,693	206,825
Creditors: amounts falling due after more than one year	**21a**	**191,267**	**191,267**	163,176	163,176
Provisions for (assets) / liabilities					
Pension provision	**12/24**	**10,360**	**10,360**	1,386	1,386
Total net assets		**38,742**	**38,218**	42,131	42,263
Reserves					
Non-equity share capital	**25**	**-**	**-**	-	-
Income and expenditure reserve		**38,742**	**38,218**	42,131	42,263
Total reserves		**38,742**	**38,218**	42,131	42,263

The notes on pages 49 to 85 form part of these Financial Statements. These Financial Statements were approved by the Board of Directors/Trustees and authorised for issue on 5th August 2021 and were signed on its behalf by:

Board/Trustee
Clive Deadman

Board/Trustee
Angela Holdsworth

Company Secretary
Neil McGrath

Consolidated Statement of Changes in Reserves

As at 31st March 2021

	Group	Association
	Income and expenditure reserve £'000	Income and expenditure reserve £'000
Balance as at 1 April 2019	33,656	33,682
Surplus from Statement of Comprehensive Income	2,557	2,663
Actuarial gain in respect of pension schemes	5,919	5,919
Balance at 31 March 2020	**42,131**	**42,263**
Surplus from Statement of Comprehensive Income	5,083	4,427
Actuarial loss in respect of pension schemes	(8,472)	(8,472)
Balance at 31 March 2021	**38,742**	**38,218**

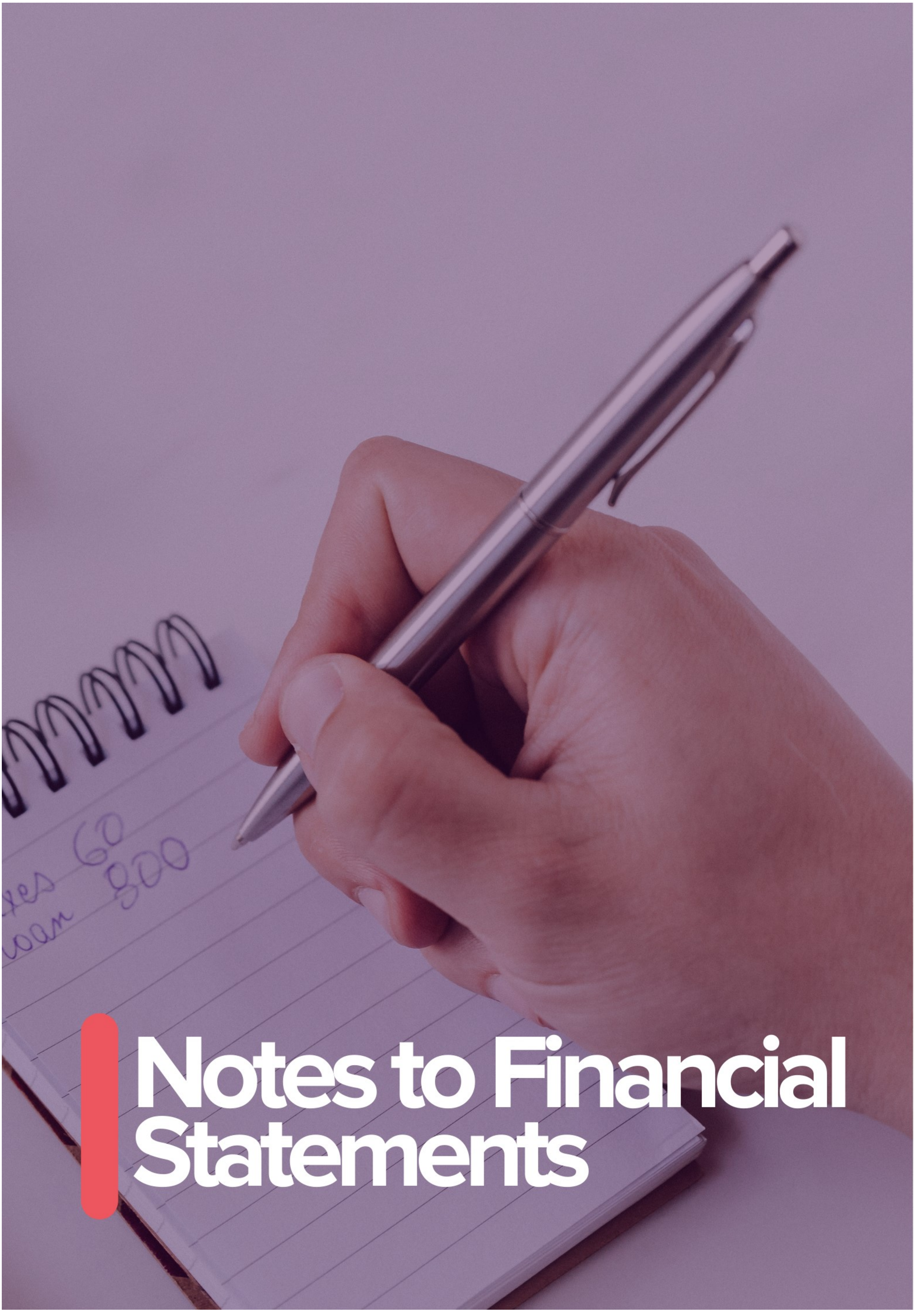
The notes on pages 49 to 85 form part of these Financial Statements.

Consolidated Statement of Cash Flows

As at 31st March 2021

	Notes	Year ended 31-Mar-21 £'000	Year ended 31-Mar-20 £'000
Net cash generated from operating activities	**(see Note i)**	**18,948**	14,072
Cash flow from investing activities			
Purchase of tangible fixed assets		**(21,287)**	(8,056)
Purchase of investment properties		**(6,639)**	(2,064)
Purchase of investments		**-**	-
Proceeds from sale of tangible fixed assets		**554**	1,495
Proceeds from sale of investment properties		**3,052**	1,595
Grants received		**8,220**	1,710
Interest received		**5**	14
		(16,095)	(5,306)
Cash flow from financing activities			
Interest paid		**(7,116)**	(6,857)
New secured loans		**19,926**	19,948
Repayment of borrowings		**-**	(15,750)
		12,810	(2,659)
Net change in cash and cash equivalents		**15,664**	6,107
Cash and cash equivalents at beginning of the year		**11,034**	4,928
Cash and cash equivalents at end of the year		**26,698**	11,034

The notes on pages 49 to 85 form part of these Financial Statements.



Notes to Financial Statements

Notes to the Financial Statements

Consolidated Statement of Cash Flows

at 31st March 2021

Note i

	Year ended 31-Mar-21 £'000	Year ended 31-Mar-20 £'000
Cash flow from operating activities		
Surplus/(deficit) for the year	**5,083**	2,557
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	**5,014**	5,007
Decrease/ (Increase) in stock	**1,386**	711
Decrease/(Increase) in trade and other debtors	**(42)**	404
(Decrease)/Increase in trade and other creditors	**1,715**	(1,251)
Pension costs less contributions payable	**465**	1,441
(Gain) in valuation of investment properties	**(884)**	(48)
Adjustments for investing or financing activities:		
(Gain) on disposal of property, plant and equipment (fixed assets) & investment properties	**(541)**	(1,227)
Government grants utilised in the year	**(274)**	(244)
Interest payable	**7,031**	6,736
Interest received	**(5)**	(14)
Net cash generated from operating activities	**18,948**	14,072

Note ii

Analysis of net debt - Group

	At 31st March 2020 £000's	**Cash flow £000's**	**Cash flow £000's**	**At 31st March 2021 £000's**
Cash at bank and in hand	**11,034**	**15,664**	**-**	**26,698**
Debt due within one year:				
Loans	**-**	**-**		**-**
Debt due after more than one year:				
Loans	**(138,617)**	**(19,926)**	**(148)**	**(158,691)**
Total	**(127,583)**	**(4,262)**	**(148)**	**(131,993)**

Legal Status
Halton Housing is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 (Community Benefit Society number: 7744) and is registered with the Regulator of Social Housing as a Private Registered Provider of Social Housing. The registered office is Waterfront Point, Warrington Road, Widnes, WA8 0TD.

The Group comprises the following entities:

Name	Incorporation	Registered/Non Registered
Halton Housing	Co-operative and Community Benefit Societies Act 2014	Registered
Open Solutions (OSUK) Limited	Companies Act 2006	Non-registered
HHT Development Limited	Companies Act 2006	Non-registered

1. Principal Accounting Policies

Basis of Accounting
The Group's 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 2018. The Group is required under the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 to prepare consolidated financial statements.

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. The financial statements are prepared on the historical cost basis of accounting as modified by the revaluation of investments and are presented in sterling £'000 for the year ended 31 March 2021.

The Group's financial statements have been prepared in compliance with FRS 102. The Group meets the definition of a public benefit entity (PBE).

Parent company disclosure exemptions
In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS102:

- No cash flow statement has been presented for the parent company,
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole, and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

Basis of consolidation
The consolidated financial statements incorporate the results of Halton Housing and all of its subsidiary undertakings as at 31 March 2021 using the acquisition method of accounting as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition, being the date the Group obtains control.

Going concern
The Group's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. The impact of the COVID-19 pandemic on the economy and the operating activities of many business has resulted in a climate of considerable uncertainty and have to led to extensive reassessments of the Group's financial plans, it's liquidity as well as an assessment of imminent or likely future breach in loan covenants. These have been stress tested against a range of projected scenarios and assumptions for cash generation and mitigating actions which may be taken to reduce discretionary cash outflows. These are being monitored and updated on a continuing basis in light of actual experience which has generally been more positive than the initial assumptions made. No significant concerns have been noted and therefore we consider it appropriate to continue to prepare the financial statements on a going concern basis.

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 Group capitalises development expenditure in accordance with the accounting policy described on page 54. Initial capitalisation of costs is based on management's judgement that 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. Housing properties are transferred to completed properties when they are ready for letting.

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

c. **Impairment.** The Group has identified a cash generating for impairment assessment purposes at a property scheme level.

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 a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

b. **Revaluation of investment properties.** The Group carries its investment property at fair value, with changes in fair value being recognised in the Statement of Comprehensive Income. The Group engaged independent valuation specialists to determine fair value at 31 March 2021. The valuer used a valuation technique based on a discounted cash flow 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 14.

c. **Impairment of non-financial assets.** Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the 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.

d. **Pension and other post-employment benefits.** The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and 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 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 12.

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 first tranche shared ownership and other properties developed for outright sale 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. Supporting People Income is recognised under the contractual arrangements.

Sales of properties developed for outright sale are included in Turnover and Cost of Sales.

Support income and costs including Supporting People income and costs

Supporting People (SP) contract income received from Administering Authorities is accounted for as SP income in the Turnover as per note 3. 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 accruals basis. The Group operates both fixed and variable service charges 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.

Interest

Interest payable is capitalised on borrowings to finance the development of new properties, after deduction of interest receivable on Social Housing Grant (SHG) received in advance, to the extent that it accrues in respect of the period of development. Other interest payable and receivable is charged or credited against the Statement of Comprehensive Income.

Loans

The Group’s debt has been treated as “basic” in accordance with paragraphs 11.8 and 11.9 of FRS 102. The Group has some fixed rate loans which have a two-way break clause (i.e. in addition to compensation being payable by a borrower to a lender if a loan is prepaid where the prevailing fixed rate is lower than the existing loan’s fixed rate, compensation could be payable by the lender to the borrower in the event that a loan is prepaid and the prevailing fixed rate is higher than the existing loan’s fixed rate). The Financial Reporting Council (FRC) issued a statement on 2 June 2016 in respect of such loans with no prescriptive direction as to whether they should be classified as “basic” or “non-basic”. On the grounds that the Group believes the recognition of each debt liability at cost provides a more transparent and understandable position of the Group’s financial position and that each loan still satisfies the requirements of paragraphs 11.8 and 11.9 of FRS 102, the Group has retained its “basic” treatment of its debt following the FRC announcement.

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.

Taxation
The tax expense for the period comprises current and deferred tax. Tax is recognised in profit and loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met, and
- Where timing differences relate to interests in subsidiaries and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair value of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

No corporation tax is payable on the surpluses of charitable activities of Halton Housing as it has charitable status. Halton Housing has not carried out any non-charitable activities which may attract taxation charges; there have been only a small number of taxable supplies in the financial period.

Value Added Tax
Halton Housing is registered for Value Added Tax. A large proportion of the VAT incurred by Halton Housing cannot be recovered as the bulk of its turnover results from exempt activities. Halton Housing operates a VAT shelter arrangement in relation to an agreed schedule of qualifying works in its improvement programme whereby 100% of the VAT can be reclaimed. Under the Transfer Agreement Halton Housing has retained the first £1.1m from the Council's share of VAT Shelter receipts in recognition of half of the payment of £2.2m towards the pension deficit on transfer. Thereafter, Halton Housing recognises 50% of the VAT reclaimed from the VAT shelter arrangement in its Income and Expenditure Account, the remaining 50% is due to Halton Borough Council under the terms of the Transfer Agreement.

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

Tangible fixed assets and depreciation

Housing properties
Tangible fixed assets are stated at cost, less accumulated depreciation. Cost includes the cost of acquiring land and buildings, development costs and expenditure incurred in respect of improvements.

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

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.

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

Housing properties (continued)

UELs for identified components are as follows:

Structure : Built pre 1945	50 years
Structure : Built 1946 to 1964	75 years
Structure : Built post 1964	100 years
Roofs	55 years
Roofline	30 years
Lifts	35 years
Kitchens	20 years
Bathrooms	30 years
Doors	30 years
Windows	40 years
Rewires	30 years
Boilers	15 years
Canopy	30 years
Central Heating System	30 years
Cladding	20 years
Door Entry Systems	30 years
Emergency Lighting	25 years
Fire & Security Systems	20 years

Halton Housing 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 of other Tangible Assets
Expenditure in excess of £1,000, which results in an enhancement of the economic benefit of an asset is deemed to be an improvement and is capitalised. Depreciation is calculated on a straight- line basis over the useful economic life of the asset. Where an asset relates to part of a leased property this is depreciated over the term of the lease. Depreciation is charged in the year of acquisition but is not charged in the year of disposal.

Commercial Shops	30 years
Freehold Offices	40 – 60 years
Furniture and equipment	Between 4 and 10 years
Motor vehicles	4 years
Computer equipment	4 years

Low cost home ownership properties
The costs of low cost home ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and 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.

Properties for Sale
Shared ownership first tranche sales, completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

The disposal of any housing properties through the Right to Buy is included in Statement of Comprehensive Income in the period in which the disposal occurs as the difference between the net sale proceeds and the net carrying value. Halton Housing has an obligation to repay a share of the net sales proceeds to Halton Borough Council in excess of £1.1m and after pre agreed costs.

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.

Where costs are incurred in relation to mixed tenure schemes these are allocated directly to the tenure type where applicable or on the same basis of unit allocation based on total scheme numbers.

Property managed by agents
Where the Group carries the majority of the financial risk on property managed by agents, income arising from the property is included in the Statement of Comprehensive Income Account.

Where the agency carries the majority of the financial risk, income includes only that which relates solely to the Group. In both cases, the assets and associated liabilities are included in the Group's Statement of Financial Position.

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 the social benefit of the Group. 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.

Valuation of investments
Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in listed company shares, which have been classified as current asset investments, are re-measured to market value at each balance sheet date. Gains and losses on re-measurement are recognised in profit or loss for the period.

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.

Stock and properties held for sale
Stock of materials are stated at the lower of cost and net realisable value being the estimated selling price less costs to complete and sell.

Properties developed for outright sale are included in current assets as they are intended to be sold, at the lower of cost or estimated selling price less costs to complete and sell.

At each reporting date, stock and properties held for sale are assessed for impairment. If there is evidence of impairment, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in Statement of Comprehensive Income.

Since the year end our sales programme has remained active and we are continuing to achieve both sales completions and reservations at the original marketed prices and therefore we have not considered it necessary to recognise any impairment loss within these financial statements.

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 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. Social Housing Grant (SHG) received for items of cost written off in the Statement of Comprehensive Income Account is included as part of Turnover.

When SHG in respect of housing properties in the course of 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 Group 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 the Homes England and Greater London Authority. 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 SHG 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.

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

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 disclosures in the accounts follow the requirements of Section 28 of FRS 102 in relation to multi-employer funded schemes in which the Group has a participating interest.

Halton Housing participates in two funded multi-employer defined benefit pension schemes:

The Social Housing Pension Scheme (SHPS) a defined benefit multiemployer pension scheme administered by TPT Retirement Solutions (TPT). The assets of the scheme are held separately from those of Halton Housing. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating expenditure, financing items and, in the Statement of Comprehensive Income.

The Cheshire County Council Pension Scheme provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of Halton Housing. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating expenditure, financing items and, in the Statement of Comprehensive Income.

Provisions
Provisions are recognised when the Group has an obligation at the reporting date as a result of a past event, it is probable that an outflow of economic benefits will be required in settlement and the amount can be reliably estimated.

Provisions for cyclical maintenance or major works to existing stock are not made unless they represent commitments or obligations at the Statement of Financial Position date where there is no discretion to avoid or delay the expenditure.

The Group makes a provision for rental arrears, which are considered to be non-recoverable. The full value of former tenant debt is provided for. The provision for current tenant debt is calculated based upon the value of the debt.

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.

Financial instruments held by the Group 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, and
- Commitments to receive or make a loan to another entity which meet the conditions above are held at cost less impairment.

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 Group are classified as basic financial instruments in accordance with FRS 102. The 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 the Statement of Comprehensive Income 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 on the basis of 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 the Statement of Comprehensive Income immediately.

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

Group	2021			
	Turnover	**Cost of sales**	**Operating expenditure**	**Operating surplus**
	£'000	**£'000**	**£'000**	**£'000**
Social housing lettings (Note 3a)	**34,307**	**-**	**(24,719)**	**9,588**
Other social housing activities				
First tranche low cost home ownership sales	**3,191**	**(2,963)**	**(58)**	**170**
Activities other than social housing				
Lettings (Note 4)	**2,038**	**-**	**(1,606)**	**432**
Properties developed for outright sale (Note 4)	**3,959**	**(3,557)**	**(1)**	**401**
Total	**43,495**	**(6,520)**	**(26,384)**	**10,591**

	2020			
	£'000	£'000	£'000	£'000
Social housing lettings (Note 3a)	33,552	-	(26,574)	6,978
Other social housing activities				
First tranche low cost home ownership sales	1,481	(1,290)	(31)	160
Activities other than social housing				
Lettings (Note 4)	1,992	-	(1,448)	544
Properties developed for outright sale	2,999	(2,629)	(49)	321
Total	40,024	(3,919)	(28,102)	8,003

2(b). Turnover, cost of sales, operating expenditure and operating surplus

Association

	2021			
	Turnover	**Cost of sales**	**Operating expenditure**	**Operating surplus**
	£'000	**£'000**	**£'000**	**£'000**
Social housing lettings (Note 3b)	**34,307**	**-**	**(24,719)**	**9,588**
Other social housing activities				
First tranche low cost home ownership sales	**3,191**	**(2,990)**	**(58)**	**143**
Activities other than social housing				
Lettings (Note 4)	**494**	**-**	**(568)**	**(74)**
Properties developed for outright sale (Note 4)	**125**	**(114)**	**(1)**	**10**
Total	**38,117**	**(3,104)**	**(25,346)**	**9,667**

	2020			
	£'000	£'000	£'000	£'000
Social housing lettings (Note 3b)	33,552	-	(26,574)	6,978
Other social housing activities				
First tranche low cost home ownership sales	1,481	(1,290)	(31)	160
Activities other than social housing				
Lettings (Note 4)	471	-	(584)	(113)
Properties developed for outright sale (Note 4)	125	(46)	**-**	79
Total	35,629	(1,336)	(27,189)	7,104

3(a). Turnover and operating expenditure

	General Housing	Supported Housing and Housing for Older People	Total 2021	Total 2020
	£'000	£'000	£'000	£'000
Group				
Income				
Rent receivable net of identifiable service charge and voids	**30,725**	**1,107**	**31,832**	31,454
Service charge income	**1,352**	**282**	**1,634**	1,573
Amortised government grants	**231**	**43**	**274**	244
Government grants taken to income	**309**	**-**	**309**	24
Other income	**31**	**-**	**31**	11
VAT Shelter Income	**191**	**-**	**191**	205
Charges for Support Services	**36**	**-**	**36**	41
Turnover from Social Housing Lettings	**32,875**	**1,432**	**34,307**	33,552
Operating expenditure				
Management	**(7,461)**	**(640)**	**(8,101)**	(8,812)
Service charge costs	**(1,218)**	**(318)**	**(1,536)**	(1,563)
Routine maintenance	**(6,389)**	**(233)**	**(6,622)**	(7,134)
Planned maintenance	**(1,737)**	**(63)**	**(1,800)**	(830)
Major repairs expenditure	**(1,429)**	**-**	**(1,429)**	(2,400)
Development costs not capitalised	**(93)**	**-**	**(93)**	(2)
Bad debts	**73**	**-**	**73**	(171)
Depreciation of Housing Properties	**(4,451)**	**(235)**	**(4,686)**	(4,687)
Other Costs	**(508)**	**(17)**	**(525)**	(975)
Operating expenditure on Social Housing Lettings	**(23,213)**	**(1,506)**	**(24,719)**	(26,574)
Operating Surplus/(Deficit) on Social Housing Lettings	**9,662**	**(74)**	**9,588**	6,978
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	**(157)**	**(19)**	**(176)**	(173)

3(b). Turnover and operating expenditure

	General Housing	Supported Housing and Housing for Older People	Total 2021	Total 2020
	£'000	£'000	£'000	£'000
Association				
Income				
Rent receivable net of identifiable service charge and voids	30,725	1,107	31,832	31,454
Service charge income	1,352	282	1,634	1,573
Amortised government grants	231	43	274	244
Government grants taken to income	309		309	24
Other income	31		31	11
VAT Shelter Income	191	-	191	205
Charges for Support Services	36		36	41
Turnover from Social Housing Lettings	32,875	1,432	34,307	33,552
Operating expenditure				
Management	(7,461)	(640)	(8,101)	(8,812)
Service charge costs	(1,218)	(318)	(1,536)	(1,563)
Routine maintenance	(6,389)	(233)	(6,622)	(7,134)
Planned maintenance	(1,737)	(63)	(1,800)	(830)
Major repairs expenditure	(1,429)		(1,429)	(2,400)
Development costs not capitalised	(93)	-	(93)	(2)
Bad debts	73		73	(171)
Depreciation of Housing Properties	(4,451)	(235)	(4,686)	(4,687)
Other Costs	(508)	(17)	(525)	(975)
Operating expenditure on Social Housing Lettings	(23,213)	(1,506)	(24,719)	(26,574)
Operating Surplus/(Deficit) on Social Housing Lettings	9,662	(74)	9,588	6,978
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	(157)	(19)	(176)	(173)

4. Turnover from activities other than social housing

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Activities other than social housing				
Shops and Garages Lettings	**496**	487	**376**	364
Market Renting	**1,464**	1,462	**75**	75
Other	**78**	43	**43**	32
Properties developed for outright sale	**3,959**	2,999	**125**	125
	5,997	4,991	**619**	596

5. Accommodation owned, managed and in development

Group	**2021 No. of properties**		2020 No. of properties	
	Owned	**Managed**	Owned	Managed
Social Housing				
Under development at end of year:				
General needs housing social rent	**-**	**-**	-	-
General needs housing affordable rent	**187**	**-**	154	-
Supported housing and housing for older people	**60**	**-**	56	-
Low-cost home ownership	**226**	**-**	166	-
Under management at end of year:				
General needs housing	**6,830**	**3**	6,804	3
Supported housing and housing for older people	**167**	**-**	167	-
Low-cost home ownership	**117**	**-**	72	-
	7,587	**3**	7,419	3
Non-Social Housing				
Under development at end of year:				
Outright Sale	**53**	**-**	22	-
Market rented	**-**	**-**	4	-
Under management at end of year:				
Market rented	**264**	**-**	265	-
	317	**-**	291	**-**

The Group owns and manages 7,378 (2020: 7,308) homes for both Halton Housing, a Registered Social Landlord and Open Solutions (OSUK) Limited, a company limited by shares. In addition, the Group manages 3 (2020: 3) homes owned by another body.

There was an increase of 70 owned and managed properties. During the year 148 properties were acquired or developed: 1 social rent, 47 affordable rent, 45 shared ownership and 55 market rent; 65 properties were sold: 19 social rent, 1 affordable rent and 45 market rent and 13 properties were transferred to stock or properties under construction: 2 social rent and 11 market rent.

The homes owned and managed at 31 March 2021 comprise: 5,488 social rent (2020: 5,508); 1,325 affordable rent (2020: 1,279); 17 intermediate rent (2020: 17); 128 supported housing social rent (2020: 128); 39 supported housing affordable rent (2020: 39); 117 Shared Ownership (2020: 72) and 264 market rent (2020: 265).

5. Accommodation owned, managed and in development (continued)

Association	2021 No. of properties Owned	2021 No. of properties Managed	2020 No. of properties Owned	2020 No. of properties Managed
Social Housing				
Under development at end of year:				
General needs housing affordable rent	**187**	**-**	154	-
Supported housing and housing for older people	**60**	**-**	56	-
Low-cost home ownership	**226**	**-**	166	-
Under management at end of year:				
General needs housing	**6,830**	**3**	6,804	3
Supported housing and housing for older people	**167**	**-**	167	-
Low-cost home ownership	**117**	**-**	72	-
	7,587	**3**	7,419	3
Non-Social Housing				
Under development at end of year:				
Outright Sale	**-**	**-**	-	-
Market rented	**-**	**-**	-	-
Under management at end of year:				
Market rented	**10**	**-**	10	-
	10	**-**	10	-

Halton Housing, a Registered Social Landlord, owns and manages 7,378 (2020: 7,308) homes and manages 3 (2020: 3) homes owned by another body.

There was an increase of 71 owned and managed properties. During the year 93 properties were acquired or developed: 1 social rent. 47 affordable rent and 45 shared ownership properties; 20 properties were sold: 19 social rent and 1 affordable rent and 2 properties were transferred to properties under construction: 2 social rent.

The homes owned and managed at 31 March 2021 comprise: 5,488 social rent (2020: 5,508); 1,325 affordable rent (2020: 1,279); 17 intermediate rent (2020: 17); 128 supported housing social rent (2020: 128); 39 supported housing affordable rent (2020: 39); 117 Shared Ownership (2020: 72) and 10 market rent (2020: 10).

6. Gain/(loss) on disposal of property, plant and equipment (fixed assets)

Group

	Sales of Investment Properties	**Sales of Properties not developed for outright sale**	**Others**	**Total 2021**	Total 2020
	£'000	**£'000**	**£'000**	**£'000**	£'000
Proceeds of sales	**3,153**	**761**	**-**	**3,914**	2,517
Other proceeds	**-**	**14**		**14**	-
Less: Costs of sales					
Halton Borough Council's share of sale proceeds	**-**	**(19)**	**-**	**(19)**	(205)
Carrying value of fixed assets	**(3,059)**	**(159)**	**60**	**(3,158)**	(1,020)
Incidental sale expenses	**(101)**	**(16)**	**-**	**(117)**	(65)
Surplus	**(7)**	**581**	**60**	**634**	1,227
Capital grant recycled (Note 23)	**-**	**-**	**-**	**-**	-

6. Gain/(loss) on disposal of property, plant and equipment (fixed assets)

Association

	Sales of Properties not developed for outright sale	**Others**	**Total 2021**	Total 2020
	£'000	**£'000**	**£'000**	£'000
Proceeds of sales	**761**		**761**	1,757
Other proceeds	**14**		**14**	-
Less: Costs of sales				
Halton Borough Council's share of sale proceeds	**(19)**		**(19)**	(205)
Carrying value of fixed assets	**(159)**	**60**	**(99)**	(320)
Incidental sale expenses	**(16)**		**(16)**	(29)
Surplus	**581**	**60**	**641**	1,203
Capital grant recycled (Note 23)	**-**	**-**	**-**	-

7. Interest and financing costs

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Deferred benefit pension (income) charge	**37**	156	**37**	156
On loans repayable within five years	**1,006**	-	**1,006**	-
On loans wholly or partly repayable in more than five years	**6,483**	7,201	**6,483**	7,201
Costs associated with financing	**7,526**	7,357	**7,526**	7,357
Less: interest capitalised on housing properties under construction	**(495)**	(621)	**(306)**	(391)
Capitalised Interest Amortised	**-**	-	**-**	-
	7,031	6,736	**7,220**	**6,966**

The weighted average interest on borrowings of 4% (2020: 4%) was used for calculating capitalised finance costs.

8. Surplus on ordinary activities

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
The operating surplus is stated after charging/(crediting):-				
Auditors remuneration (excluding VAT):				
Audit of the group financial statements	**19**	20	**19**	20
Audit of subsidiaries	**3**	3	**-**	-
Fees payable to the company's auditor and its associates for other services to the group:				
Taxation compliance services	**1**	10	**1**	10
Other services	**-**	-	**-**	-
Operating lease rentals:				
Vehicle Hire Costs	**304**	135	**304**	135
Land and buildings	**-**	-	**-**	-
Office equipment	**8**	8	**8**	8
Impairment losses of housing properties	**-**	-	**-**	-
Depreciation of housing properties	**4,686**	4,687	**4,686**	4,687
Depreciation of other fixed assets	**328**	320	**320**	320

9. Tax on surplus on ordinary activities

The main activities of the Association are to provide charitable services. The Association has been registered as a charity (registration number: 1111346) and therefore no corporation tax is payable on any of its surplus. There have been only a small number of taxable supplies in the financial year within the Association. The subsidiary companies surpluses are fully liable to corporation tax, however, the amount due will be fully covered by qualifying gift aid payments.

10. Key management personnel remuneration

	2021 **£'000**	2020 £'000
The aggregate emoluments paid to or receivable by non-executive Directors and former non-executive directors	**66**	72
The aggregate emoluments paid to or receivable by executive Directors and former executive directors	**447**	398
The emoluments paid to the highest paid Director excluding pension contributions	**179**	144
The aggregate amount of Directors or past Directors pensions, excluding amounts payable under a properly funded pension scheme	**-**	-

The Chief Executive is an ordinary member of the pension scheme. The pension scheme is a final salary scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply. There are no additional pension arrangements. A contribution by Halton Housing of £22k (2020: £28k) was paid in addition to the personal contributions of the Chief Executive.

Directors (key management personnel) are defined as members of the Board, the Chief Executive and any other person who is a member of the Executive Management Team or its equivalent.

Non-executive Directors are defined as Board members of Halton Housing: their pay within the year was as follows:

10. Key management personnel remuneration (continued)

Board Member	Remuneration Received 2020-21 (£)	Remuneration Received 2019-20 (£)	Halton Housing	Audit and Risk Committee	Remuneration and Nominations Committee	Open Solutions (OSUK) Limited	HHT Development Limited
Ingrid Fife (resigned 19.09.19)	-	5,646	✓		✓		
Clive Deadman (appointed 19.09.19)	12,000	6,000	✓ Chair		✓		
Mark Dennett	5,458	6,500	✓	✓ Vice Chair			
Mark Forrest (retired 24.09.2020)	4,616	9,500	✓		✓	✓	
Michael Fry (appointed to OSUK 24.09.20)	7,250	6,500	✓ Vice Chair		✓ Chair	✓	✓ Chair
Angela Holdsworth	6,821	7,500	✓	✓ Chair			
Kevin Williams	5,000	5,000	✓	✓			
Matthew Harrison	5,000	5,000	✓		✓		✓
Linda Levin	5,000	5,000	✓	✓			
Gwynne Furlong - OSUK (resigned 15.09.20)	2,295	5,000				✓	
David Hughes -OSUK (resigned 15.09.2020)	2,327	5,000				✓	
Geoff Linnell (appointed to OSUK 24.09.20)	5,000	5,000	✓	✓		✓	
Rob Poole - OSUK	-	-				✓	
Neil McGrath - OSUK (appointed 01.04.19)	-	-				✓	✓
Ian Hayhoe (appointed 24.09.20)	5,086	-	✓			✓ Chair	
	65,853	71,646					

11. Employee information

	Group		Association	
	2021	2020	**2021**	2020
	No.	No.	**No.**	No.
The average number of persons employed during the year expressed in full time equivalents (37 hours per week) was:				
Property Services	**132**	135	**132**	135
Housing Management	**84**	86	**84**	86
Development	**9**	9	**9**	9
Support Services	**74**	78	**74**	78
	299	308	**299**	308
	£'000	**£'000**	**£'000**	**£'000**
Staff costs (for the above employees)				
Wages and salaries	**10,033**	9,665	**10,033**	9,665
Social Security costs	**988**	941	**988**	941
Other pension costs	**1,520**	1,272	**1,520**	1,272
Redundancy costs	**32**	158	**32**	158
	12,573	12,036	**12,573**	12,036

Aggregate number of full time equivalent staff whose remuneration exceeded £60,000 in the year:	Group		Association	
	2021	2020	**2021**	2020
	No.	No.	**No.**	No.
£60,000 to £69,999	**6**	4	**6**	4
£70,000 to £79,999	**4**	2	**4**	2
£80,000 to £89,999	**1**	3	**1**	3
£90,000 to £99,999	**3**	2	**3**	2
£120,000 to £129,999	**1**	1	**1**	1
£130,000 to £139,999		1		1
£140,000 to £149,999	**1**	1	**1**	1
£170,000 to £179,999	**1**		**1**	

12. Pension obligations

Halton Housing participates two schemes, the Social Housing Pension Scheme (SHPS) and the Cheshire Local Government Pension Scheme (LGPS). Both schemes are multi-employer defined benefit schemes. The Schemes are funded and are contracted out of the state scheme.

Social Housing Pension Scheme

The Group participates in the Social Housing Pension Scheme (SHPS), a defined benefit multi-employer pension scheme administered by TPT Retirement Solutions (TPT). The accounting policies in relation to SHPS are set out on pages 51 and 57.

Social Housing Pension Scheme(continued)
Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2018 updated to 31 March 2021 by a qualified independent actuary.

	At 31 March 2021	At 31 March 2020
	% pa	% pa
Rate of increase in salaries	**3.87**	2.51
Rate of increase for pensions in payment / inflation	**3.21**	2.51
Discount rate for scheme liabilities	**2.22**	2.33
Inflation assumption (CPI)	**2.87**	1.51

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

	At 31 March 2021	At 31 March 2020
	Years	Years
Retiring today		
Males	**21.6**	21.5
Females	**23.5**	23.3
Retiring in 20 years		
Males	**22.9**	22.9
Females	**25.1**	24.5

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

	At 31 March 2021	At 31 March 2020
	£'000	£'000
Employer service cost (net of employee contributions)	**65**	79
Past service cost		-
Total operating charge	**65**	79

Analysis of pension finance income / (costs)		
Net interest expenses	**(9)**	(19)
Amounts (charged)/credited to financing costs	**(9)**	(19)

Amount of gains and losses recognised in the Statement of Comprehensive Income		
Actuarial gains on pension scheme assets	**(307)**	(11)
Actuarial (losses) / gains on scheme liabilities	**954**	394
Actuarial loss recognised	**647**	383

Social Housing Pension Scheme(continued)

Movement in (deficit) during year	At 31 March 2021 £'000	At 31 March 2020 £'000
(Deficit) in scheme at 1 April	**(406)**	(803)
Movement in year:		
Employer service cost (net of employee contributions)	**(69)**	(83)
Employer contributions	**127**	116
Past service cost	**-**	-
Net interest/return on assets	**(9)**	(19)
Remeasurements	**(647)**	383
(Deficit) in scheme at 31 March	**(1,004)**	(406)

Asset and Liability Reconciliation	At 31 March 2021 £'000	At 31 March 2020 £'000
Reconciliation of liabilities		
Liabilities at start of period	**2,779**	3,001
Service cost	**69**	83
Interest cost	**66**	73
Employee contributions	**30**	28
Remeasurements	**954**	(394)
Benefits paid	**(13)**	(12)
Past Service cost		
Curtailments and settlements		
Liabilities at end of period	**3,885**	2,779
Reconciliation of assets		
Assets at start of period	**2,373**	2,198
Interest Income	**57**	54
Return on plan assets	**307**	(11)
Employer contributions	**127**	116
Employee contributions	**30**	28
Benefits paid	**(13)**	(12)
Assets at end of period	**2,881**	2,373
Actual return on plan scheme assets	**(1,004)**	(406)

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Cheshire West and Cheshire Council. The total contributions made for the year ended 31 March 2021 were £1,792k, of which employer's contributions totalled £1,387k and employees' contributions totalled £405k. The agreed contribution rates for future years are 22.7% for employers and range from 5.5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 March 2021 by a qualified independent actuary.

	At 31 March 2021	At 31 March 2020
	% pa	% pa
Rate of increase in salaries	**3.55**	2.60
Rate of increase for pensions in payment / inflation	**2.85**	1.90
Discount rate for scheme liabilities	**2.00**	2.30
Inflation assumption (CPI)	**2.85**	1.90

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

	At 31 March 2021	At 31 March 2020
	Years	Years
Retiring today		
Males	**21.4**	21.2
Females	**24**	23.6
Retiring in 20 years		
Males	**22.4**	21.9
Females	**25.7**	25

Local Government Pension Scheme (continued)

Analysis of the amount charged to operating costs in the Statement of Comprehensive Income		
	At 31 March 2021 £'000	At 31 March 2020 £'000
Employer service cost (net of employee contributions)	**1,910**	2,175
Past service cost	**-**	357
Total operating charge	**1,910**	2,532
Analysis of pension finance income / (costs)		
Expected return on pension scheme assets	**1,014**	1,049
Interest on pension liabilities	**(1,042)**	(1,186)
Amounts (charged) to financing costs	**(28)**	(137)
Amount of gains and losses recognised in the Statement of Comprehensive Income		
Actuarial gains on pension scheme assets	**6,520**	(1,289)
Actuarial (losses) / gains on scheme liabilities	**(14,345)**	6,825
Actuarial gain / (loss) recognised	**(7,825)**	5,536

Local Government Pension Scheme (continued)

Movement in (deficit) during year	At 31 March 2021 £'000	At 31 March 2020 £'000
(Deficit) in scheme at 1 April	**(980)**	(4,905)
Movement in year:		
Employer service cost (net of employee contributions)	**(1,910)**	(2,175)
Employer contributions	**1,387**	1,058
Past service cost	**-**	(357)
Net interest/return on assets	**(28)**	(137)
Remeasurements	**(7,825)**	5,536
(Deficit) in scheme at 31 March	**(9,356)**	(980)

Asset and Liability Reconciliation	At 31 March 2021 £'000	At 31 March 2020 £'000
Reconciliation of liabilities		
Liabilities at start of year	**44,621**	48,282
Service cost	**1,910**	2,175
Interest cost	**1,042**	1,186
Employee contributions	**405**	342
Remeasurements	**14,345**	(6,825)
Benefits paid	**(869)**	(896)
Past Service cost	**-**	357
Curtailments and settlements	**-**	-
Liabilities at end of year	**61,454**	44,621
Reconciliation of assets		
Assets at start of year	**43,641**	43,377
Return on plan assets	**1,014**	1,049
Remeasurements	**6,520**	(1,289)
Employer contributions	**1,387**	1,058
Employee contributions	**405**	342
Benefits paid	**(869)**	(896)
Assets at end of year	**52,098**	43,641
Deficit in scheme at 31st March	**(9,356)**	(980)

13. Tangible fixed assets

Group	Housing Properties					Other fixed assets			
	Social Housing Properties for Letting Completed	Social Housing Properties for letting under Construction	Low cost home ownership Properties completed	Low cost home ownership Properties under construction	Total Housing Properties	Freehold properties	Plant, machinery, fixtures & vehicles	Computer, hardware & software	Total fixed assets
Cost	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At start of the year	191,668	3,551	5,115	1,451	**201,785**	5,541	639	1,166	**209,131**
Transfers to/from Housing Properties for letting	(65)	65	-	-	**-**	-	-	-	**-**
Additions to properties acquired	98	10,770	(14)	7,334	**18,188**	3	76	70	**18,337**
Works to existing properties	2,995	-	-	-	**2,995**	-	-	-	**2,995**
Interest capitalised	24	152	2	77	**255**	-	-	-	**255**
Schemes completed	6,507	(6,507)	4,086	(4,086)	**-**	-	-	-	**-**
Disposals	(640)	-	-	-	**(640)**	-	(21)	(21)	**(682)**
Transfers (to)/from stock	-	715	(54)	638	**1,299**	-	-	-	**1,299**
At end of the year	**200,587**	**8,746**	**9,135**	**5,414**	**223,882**	**5,544**	**694**	**1,215**	**231,335**
Depreciation and impairment									
At start of the year	37,962	-	223	-	**38,185**	578	588	1,022	**40,373**
Charge for the year	4,445	-	94	-	**4,539**	171	49	108	**4,867**
Disposals	(337)	-	-	-	**(337)**	-	(19)	(18)	**(374)**
At end of the year	**42,070**	**-**	**317**	**-**	**42,387**	**749**	**618**	**1,112**	**44,866**
Net book value at the end of the year	**158,517**	**8,746**	**8,818**	**5,414**	**181,495**	**4,795**	**76**	**103**	**186,469**
Net book value at the start of the year	153,706	3,551	4,892	1,451	163,600	4,963	51	144	168,758

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13. Tangible fixed assets (Continued)

Association	Social Housing Properties for Letting Completed	Social Housing Properties for letting under Construction	Low cost home ownership Properties completed	Low cost home ownership Properties under construction	Total Housing Properties	Freehold properties	Plant, machinery, fixtures & vehicles	Computer, hardware & software	Total fixed assets
	Housing Properties					Other fixed assets			
Cost	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At start of the year	191,668	4,184	5,115	1,522	**202,489**	5,541	639	1,166	**209,835**
Transfers to/from Housing Properties for letting	(65)	65	-	-	**-**	-	-	-	**-**
Additions to properties acquired	98	10,846	(14)	7,478	**18,408**	3	21	70	**18,502**
Works to existing properties	2,995	-	-	-	**2,995**	-	-	-	**2,995**
Interest capitalised	24	152	2	77	**255**	-	-	-	**255**
Schemes completed	6,507	(6,507)	4,086	(4,086)	**-**	-	-	-	**-**
Disposals	(640)	-	-	-	**(640)**	-	(21)	(21)	**(682)**
Transfers (to)/from stock	-	715	(54)	638	**1,299**	-	-	-	**1,299**
At end of the year	**200,587**	**9,455**	**9,135**	**5,629**	**224,806**	**5,544**	**639**	**1,215**	**232,204**
Depreciation and impairment									
At start of the year	37,962	-	223	-	**38,185**	578	588	1,022	**40,373**
Charge for the year	4,445	-	94	-	**4,539**	171	41	108	**4,859**
Disposals	(337)	-	-	-	**(337)**	-	(19)	(18)	**(374)**
At end of the year	**42,070**	**-**	**317**	**-**	**42,387**	**749**	**610**	**1,112**	**44,858**
Net book value at the end of the year	**158,517**	**9,455**	**8,818**	**5,629**	**182,419**	**4,795**	**29**	**103**	**187,346**
Net book value at the start of the year	153,706	4,184	4,892	1,522	164,304	4,963	51	144	169,462

13. Tangible fixed assets (Continued)

Group & Association

Completed Housing Properties comprise:	**2021**	2020
	£'000	£'000
Freehold	**167,182**	158,442
Leasehold	**153**	156
	167,335	158,598

Works to existing properties in the year:	**2021**	2020
	£'000	£'000
Components capitalised	**2,995**	3,867
Investment Works in Progress	**5**	65
Amounts charged to expenditure	**1,429**	2,400
Major Repairs Cost	**4,429**	6,332

14. Investment properties held for letting

	Group		**Association**	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
At start of year	**20,019**	24,723	**1,305**	1,290
Additions	**6,694**	2,034	**-**	-
Disposals	**(2,799)**	(640)	**-**	-
Transfer to stock	**(606)**	(6,146)	**-**	-
Gain from revaluation	**884**	48	**53**	15
At end of year	**24,192**	20,019	**1,358**	1,305

The total historic cost of the Investment Properties as at 31st March 2021 was £21.4m (2020: £19.6m). The company has adopted the provisions under sections 16.1 and 16.2 of FRS102 in relation to the revaluation of their investment properties with fair value movements taken to the Statement of Comprehensive Income. The valuation was carried out as at 31st March 2021 by Aspin and Company Limited, a firm of RICS registered valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation – Global Standards 2017 using qualified chartered surveyors who had sufficient current local knowledge of the market and skills and understanding to undertake the valuation competently. In valuing the properties, the following significant assumptions were used:

The discount rate applied was the all risks yield which accounts for economic factors as well as building factors, so it is an all-embracing measure of return. This ranges from 7.0% to 9.5% depending upon the property investment type and location. The investment yield applied is also determined by the percentage of void units at each investment and a consistent approach has been applied in this regard.

At the outbreak of the pandemic, there was significant uncertainty around how the investment market would respond. As we come through the easing of restrictions, the predicted fall in the economy which would impact on the property investment market has not happened to the extent expected. The residential market has shown areas of growth which is clearly demonstrated in an increase in property transactions. Leading researchers (Savills) have predicted a short-term shortage of supply which may push property prices further in the first two quarters of 2021.

The valuations provided are based upon transactional activity, a reducing number of voids and an increased demand. There is less material valuation uncertainty than there was at the last annual review which has played through the Fair Value assessments.

At 31 March 2021 there were no contractual obligations to purchase/construct/develop/repair/maintain investment properties.

15. Fixed asset investments

Group Companies

The group comprises the following entities, all registered in England:

Name	Incorporation and ownership	Regulated/ non-regulated	Nature of Business
Open Solutions (OSUK) Limited	Company – 100%	Non-regulated	Market Renting
HHT Development Limited	Company – 100%	Non-regulated	Design and Build

The investments held in the year of £11.9m (2020: £11.9m) relates to the cost of properties that had been acquired in the year by Open Solutions (OSUK) Limited but financed by Halton Housing as an equity shareholding.

16. Stock

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Stock held in Vans / Stores	**87**	86	**87**	86
Improvement Works in Progress	**70**	65	**70**	65
Land held for Sale	**-**	6,315	**-**	1,804
Properties held for sale				
Shared ownership properties:				
Completed	**970**	866	**970**	884
Work in progress	**3,725**	1,174	**3,755**	1,174
Outright sale properties:				
Completed	**1,006**	1,145	**109**	-
Work in progress	**4,362**	2,756	**-**	-
	10,220	12,407	**4,991**	4,013

17. Trade and other debtors

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Rent arrears	**1,762**	2,226	**1,625**	1,998
Less: provision for bad debts	**(1,342)**	(1,542)	**(1,209)**	(1,335)
Other taxation and social security	**130**	28	**108**	5
Intercompany debtors	**-**	-	**-**	71
Other debtors	**29**	2	**2**	2
Prepayment and accrued income	**1,966**	1,657	**1,915**	1,572
	2,545	2,371	**2,441**	2,313
Due after more than one year:				
Intercompany debtor	**-**	-	**14,700**	14,400
	-	-	**14,700**	14,400

18. Investments

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Investments at cost:				
Listed on a recognised investment exchange	**12**	12	**12**	12
Unlisted investments	**113**	105	**113**	105
	125	117	**125**	117
Historic cost of investments	**112**	112	**112**	112

The unlisted investments held relate to an investment made in the Halton Credit Union.

19. Cash and cash equivalents

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Money market investments	**-**	-	**-**	-
Cash at bank	**26,698**	11,034	**26,594**	10,890
	26,698	11,034	**26,594**	10,890

20. Creditors: amounts falling due within one year

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Trade creditors	**695**	599	**589**	586
Social Housing Grant received in advance	**696**	664	**696**	664
Amounts owed to group undertakings	**-**	-	**2,366**	626
Rents and service charges paid in advance	**970**	725	**887**	667
Other taxation and social security payable	**437**	385	**435**	385
Accruals and deferred income	**6,594**	5,106	**4,154**	4,124
Deferred Capital Grant (Note 22)	**274**	244	**274**	244
Other creditors	**214**	290	**209**	279
	9,880	8,013	**9,610**	7,575

21(a). Creditors: amounts falling due after more than one year

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Loans (Note 21b)	**158,691**	138,617	**158,691**	138,617
Deferred Capital Grant (Note 22)	**32,576**	24,536	**32,576**	24,536
Recycled capital grant fund (Note 23)	**-**	23	**-**	23
	191,267	163,176	**191,267**	163,176

Loans are secured by housing properties, see note 21(b)

21(b). Debt analysis

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Loans repayable by instalments:				
Within one year	**-**	-	**-**	-
In one year or more but less than two years	**5,000**	-	**5,000**	-
In two years or more and less than five years	**10,000**	15,000	**10,000**	15,000
In five years or more	**145,000**	125,000	**145,000**	125,000
Loans not repayable by instalments:				
In two years or more and less than five years	**-**	-	**-**	-
In five years or more	**-**	-	**-**	-
Less: loan issue costs	**(1,309)**	(1,383)	**(1,309)**	(1,383)
Total loans	**158,691**	138,617	**158,691**	138,617

All loans are secured by specific charges on Halton Housing's individual housing properties. The loans are repayable at varying rates of interest and are due to be repaid between 2023 and 2053.

The interest rate profile of Halton Housing at 31 March 2021 was:

	Total	Variable Rate	Fixed rate	Weighted Average rate	Weighted average term
	£'000	£'000	£'000	%	Years
Instalment loans	160,000	-	160,000	4.63	14.51
Non-instalments loans	-	-	-		
	160,000	**-**	**160,000**		

At 31st March 2021 Halton Housing had undrawn loan facilities of £50,000,000 (2020: £90,000,000)

22. Deferred capital grant

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
At start of the year	**24,780**	23,900	**24,780**	23,900
Grant received in the year	**9,040**	1,788	**9,040**	1,788
Plus/(Less): Received In Advance	**(696)**	(664)	**(696)**	(664)
Released to income in the year	**(274)**	(244)	**(274)**	(244)
At the end of the year	**32,850**	24,780	**32,850**	24,780

	£'000	£'000	**£'000**	£'000
Amount due to be released < 1 year	**274**	244	**274**	244
Amount due to be released > 1 year	**32,576**	24,536	**32,576**	24,536

23. Recycled capital grant fund

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
At the start of the year	**23**	23	**23**	23
Recycling: New build	**(23)**	-	**(23)**	-
At the end of the year	-	23	-	23

24. Provision for liabilities and charges

	Cheshire Pension £'000	**Social Housing Pension Scheme £'000**	**Total Pension Scheme Provision £'000**
Group and Association			
At the start of the year	**980**	**406**	**1,386**
Transfer from Statement of Comprehensive Income (increase in the provision of the year)	**1,938**	**78**	**2,016**
Deficit Contribution Paid	**(1,387)**	**(127)**	**(1,514)**
Unwinding	**-**	**-**	**-**
Re-measurement changes	**7,825**	**647**	**8,472**
At the end of the year	**9,356**	**1,004**	**10,360**

25. Members Guarantee

Every Member undertakes to contribute to the assets of the Company, in the event of the Company being wound up whilst they are a Member, or within one year thereafter, the amount as may be required shall be for payment of the debts and liabilities of the Company contracted before they ceased to be a Member and of the costs, charges and expenses of winding up the Company and the adjustment of the rights of the contributories among themselves. Each Member's contribution shall not exceed one pound. At the year-end there were 16 members.

26. Capital commitments

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**46,185**	8,163	**48,728**	31,124
Capital expenditure that has been authorised by the Board but has not yet been contracted for	**42,096**	127,128	**33,133**	62,422
	88,281	135,291	**81,861**	93,546

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
The Group/Association expects these commitments to be financed with:				
Social Housing Grant	**6,402**	14,846	**6,402**	14,846
Proceeds from the sales of properties	**34,333**	72,947	**28,848**	31,400
Committed loan facilities	**47,546**	47,498	**46,613**	47,300
	88,281	135,291	**81,863**	93,546

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

27. Operating leases

Halton Housing holds properties and office equipment under non-cancellable operating leases. At the end of the year HH had commitments of future minimum lease payments as follows:-

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Land and buildings:				
In less than one year	-	-	-	-
In one year or more but less than two	-	-	-	-
In two years or more and less than five	-	-	-	-
In five years or more	-	-	-	-
	-	-	-	-
Others:				
In less than one year	**209**	8	**209**	8
In one year or more but less than two	**206**	8	**206**	8
In two years or more and less than five	**68**	9	**68**	9
In five years or more		-		-
	484	25	**484**	25

The lease agreements do not include any contingent rent or restrictions. Other operating leases for motor vehicles include purchase options.

28. Contingent liability

Grant on property acquisition:

In the year to 31st March 2015 the Association entered into a stock transaction with Sanctuary Housing Group, another social landlord. Housing properties with a fair value of £4.9m were received in exchange for £4.9m cash. This value includes original government grant funding of £2.3m which has an obligation to be recycled in accordance with the original grant funding terms and conditions. HH is responsible for the recycling of the grant in the event of the housing properties being disposed.

29. Grant and financial assistance

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
The total accumulated government grant and financial assistance received or receivable at 31 March:				
Held as deferred capital grant (Note 22)	**32,850**	24,780	**32,850**	24,780
Recognised as income in statement of Comprehensive Income	**1,930**	1,347	**1,930**	1,347
	34,780	26,127	**34,780**	26,127

30. Related parties

Halton Housing (HH) is the Parent entity in the Group and ultimate controlling party.

Open Solutions (OSUK) Limited (OSUK) is registered under the Companies Act 2006 and is a private limited company (Company No. 08277732). This is a wholly owned subsidiary of HH.

HHT Development Limited (HD Ltd) is registered under the Companies Act 2006 and is a private limited company (Company No. 09740400). This is a wholly owned subsidiary of HH.

Council members at Halton Borough Council who served during the year were Mark Dennett and Mike Fry. HH undertakes activities with Halton Borough Council on normal commercial terms, and its members cannot use their position for their own personal or the council's advantage.

The amounts owing at the end of 31st March 2021 were a long term debtor of £14.7 million (2020: £14.4 million) in relation to the loan by HH in OSUK and there is also a Fixed Asset Investment of £11.9 million (2020: £11.9 million) both of which relate to payments made to fund the purchase of the Fixed Assets held by OSUK.

Intra-group interest is charged by HH to OSUK at an agreed commercial rate. The amount paid during the year amounted to £1,125,431 (2020: £1,121,331).

Intra-group management fees are receivable by HH from its subsidiaries to cover the running costs HH incurs on behalf of managing and providing services to them both. The Management fee is calculated on a service by service basis using varying methods of allocation. The total amount of charges payable by OSUK and HD Ltd amounted to £58,000 (2020: £58,000) and £298,923 (2020: £443,391) respectively.

During the year OSUK sold nine properties to HH for £1,677,262 (2020: two properties £354,830). There were no amounts outstanding at 31st March 2021 in respect of this transaction.

30. Related parties continued

There is a debtor owed to HH by OSUK of £323 (2020: £70,658). This relates to the net payments and income received through HH that will be repaid during the year ended 31st March 2022 and gift aid.

HD Ltd provides Design & Build Services to HH. The total amount of design and build fees invoiced by HD Ltd during the year was £7,606,060 (2020: £4,797,352).

At 31st March 2021 HH owed £2,365,283 (2020: £626,332) to HD Ltd in respect of uninvoiced costs to 31st March 2021 in relation to schemes under construction.

HD Ltd commenced provides Design & Build Services to OSUK. The total amount of design and build fees invoiced by HD Ltd during the year was £497,122 (2020: £1,842,451).

At 31st March 2021 OSUK owed £82,735 (2020: £169,769) to HD Ltd in respect of uninvoiced costs to 31st March 2021 in relation to schemes under construction.

OSUK and HD Ltd declared gift aid payments in respect of the year ended March 2020 to HH of £66,151 (2020: £56,808) and £89,787 (2020: £114,734) respectively. These were paid during the year ended 31st March 2021. Related party balances are not secured.

31. Financial instruments

The Group's and Association's financial instruments may be analysed as follows:	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Financial assets				
(a) Financial assets that are measured at amortised cost	**28,486**	12,716	**43,029**	26,966
Financial liabilities				
(a) Financial liabilities measured at amortised cost	**201,140**	171,189	**200,870**	170,751

Financial assets measured at amortised cost comprise cash at bank and in hand, fixed asset investments, rental and service charge debtors, trade debtors, other debtors, accrued income and amounts owed by associated undertakings.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, deferred capital grant, social housing grant received in advance, rents and service charges paid in advance, other taxation and social security payable, accruals and deferred income, SHPS pension agreement plan creditor, trade creditors and other creditors.