Group Report and Financial Statements

Year ended 31st March 2019

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

Halton Housing

<u>Contents</u>

Section	Page
Board Members, Executive Directors, Advisors and Bankers	1
Report of the Board	
• Strategic, Operating and Financial Review	3
• Value for Money Statement	9
• Statement of Responsibilities of the Board	15
Independent Auditor's Report to the Members of Halton Housing	20
Consolidated Statement of Comprehensive Income	23
Consolidated Statement of Financial Position	24
Consolidated Statement of Changes in Reserves	25
Consolidated Statement of Cash Flows	26
Notes to the Financial Statements	27

Halton Housing

Board Members, Executive Directors, Advisors and Bankers

Halton Housing Board

Chair	Ingrid Fife
Vice Chair	Angela Holdsworth
Other Members	Nick Atkin (from 1st April 2018 to 24th May 2018)
	Mark Dennett
	Mark Forrest
	Michael Fry
	Matthew Harrison
	Geoff Linnell (from 24th May 2018)
	Linda Levin
	Kevin Williams

Open Solutions (OSUK) Board

Chair	Mark Forrest
Other Members	Nick Atkin (to 31st March 2019)
	Gwynne Furlong (from 29th November 2018)
	David Hughes
	Neil McGrath (from 1st April 2019)
	Rob Poole (from 15th May 2018)
	Judith Winterbourne (to 29th November 2018)

HHT Development Ltd

Chair	Michael Fry
Other Members	Neil McGrath
	Kevin Williams

Executive Directors

Group Chief Executive	Nick Atkin (to 31st March 2019)
Interim Group Chief Executive and Chief Financial Officer	Neil McGrath (from 18th February 2019)
Deputy Group Chief Executive and Chief Financial Officer	Neil McGrath (to 17th February 2019)
Chief Operating Officer	Nicole Kershaw (from 1st December 2018)
Company Secretary	Neil McGrath

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

Registered number Registered as a Community Benefit Society: 7744 (effective 1st April 2018)
Registered with the Regulator of Social Housing: L4456

Auditors	Bankers	Solicitors
Beever and Struthers	Lloyds	Trowers and Hamlins
St George's House	Horsemarket Street	Princess Street
215-219 Chester Road	Warrington	Manchester
Manchester	WA1 2LP	M2 4EW
M15 4JE		

Halton Housing

Report of the Board

The Board presents its report and the audited Financial Statements for the year ended 31st March 2019. 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 2014).

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 2015. The Board of Management's responsibilities are as stated below. This statement should be read in conjunction with the audit report on pages 20 to 22.

Halton Housing ("the Association") is a charitable housing association registered under the Co-operative and Community Benefit Societies Act 2014. As at 31st March 2019 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" (2014) and The Accounting Direction for Private Registered Providers of Social Housing 2015.

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 predominatley 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 7,336 properties. 93% of these are for rent to people on low incomes.

Strategy and Objectives

Our financial and non-financial objectives are included on page 9 as part of our Value for Money Statement.

The Association has identified the key risks to achieving its strategy and objectives and these are shown on page 7 within the section entitled "principal risks and uncertainties".

The Association remunerates its Board and details of the remuneration are shown within Note 10 on page 44. Remuneration enables the Association 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 are a leading player in several areas because of our innovative approach and solutions to the challenges we face.

Some of our key organisational achievements include:
- Continued investment in our homes and neighbourhoods.

Halton Housing

- Completed the construction of an additional 32 new homes. This has taken the number of new homes built and acquired since stock transfer to almost 1,200.
- Increased the number of properties for market rent in OSUK, from 214 to 256.
- Reassessed and evolved our approach to how we manage and report on health and safety compliance as changes to legislation are introduced.
- Embarked on and completed the discovery phase of our transformational project, "Customeyes", which will transform our services from a reactive to pre-emptive way of working.
- Retained 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 £9.3m, to £194.0m. The value of investment properties increased by £8.1m, to £24.7m. Cash increased by £3.2m and debt increased by £13.3m. A surplus of £4.0m was recorded in the year.

The £9.0m 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 £0.7m.

Capital investment in major repairs in existing properties was £3.9m. Housing properties with a book value of £1.3m were sold, reducing the net book value of the properties on the balance sheet, but providing cash receipts for reinvestment.

The Group invested £10.3m in acquiring additional investment properties and sold investment properties with a value of £2.2m. The growth in the value of investment properties is predominantly driven by the acquisition of properties within OSUK. The Association increased its investment in OSUK, by £10.9m to £26.3m. The Association has also invested directly in investment property with a value of £1.2m. The Group has recognised a gain of £0.1m during the year as a result of the revaluation of its investment properties.

The total balance of drawn debt was £135.8m. As a result of the increase in debt, there was an increase in gearing (measured by the net debt per unit).

Turnover increased by 3% to £36.7m. 90% of turnover is from social housing lettings activity which has increased by 1%. Other turnover is from market renting (4%), shared ownership first tranche sales (4%) and shops and garages (1%). The operating margin reduced to 28% as costs increased more than revenue.

The Group has benefitted from a range of favourable macroeconomic conditions in recent years and it has remained in a solid financial position. The Group has continued to focus on the delivery of its priorities, directing its surpluses and additional private finance into the delivery of 74 new and acquired homes. £3.9m 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 rent reductions announced in 2015. 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 £4.0m. Performance was better than budget due to improved operational performance and efficiency savings. A summary of the Group's income and expenditure account over the past five years is shown below.

Financial Review (continued)

Group	2018/19 £'000	2017/18 £'000	2016/17 £'000	2015/16 £'000	2014/15 (Restated) £'000
Turnover	36,727	35,588	35,320	32,465	31,075
Operating costs	(26,044)	(24,125)	(23,080)	(23,599)	(22,512)
Cost of sales	(1,501)	(1,053)	(1,413)	(417)	(108)
Gain on disposals	1,202	1,710	879	659	495
Operating surplus	10,384	12,120	11,706	9,108	8,449
Surplus before tax	4,020	6,489	6,837	4,452	3,888
Reserves at 31st March	33,656	33,078	25,309	20,850	11,749

Turnover includes income from rents and service charges which has increased from 2017/18 to 2018/19 by £0.2m to £32.6m. This is as a result of additional properties developed and acquired during the year offset by rent reductions on existing properties which were applied from April 2018 as part of the four year rent reduction period which commenced in April 2016. Other turnover is from market renting (£1.5m), shared ownership first tranche sales (£1.5m), shops and garages (£0.3m), VAT shelter (£0.3m) and amortised grants (£0.2m).

Operating costs have increased from 2017/18 to 2018/19 by £1.9m due to an increase in housing property depreciation (£0.3m) routine and planned maintenance costs (£0.7m), management costs (£0.6m) and other social housing lettings costs (£0.3m).

Total reserves at the end of the financial year show a surplus of £33.7m. Reserves reflect the surplus for the year of £4.0m, plus the surplus brought forward from the previous years of £33.1m, less the actuarial losses for the year of £3.4m in respect of the pension schemes.

A summary of the Group's Statement of Financial Position over the past five years is shown below. Due to the FRS102 accounting changes for grant, the housing properties (net book value) and creditors falling due after more than one year, have been restated for 2014/15. The net impact on the overall Statement of Financial Position is the same.

Group	2018/19 £'000	2017/18 £'000	2016/17 £'000	2015/16 £'000	2014/15 (Restated) £'000
Housing Properties (net book value)	159,949	154,347	140,975	125,763	107,639
Other fixed assets and investments	30,293	22,259	17,026	10,757	8,796
Net current assets/(liabilities)	7,094	1,558	213	4,340	12,390
Creditors falling due after more than one year	(157,972)	(143,809)	(131,082)	(120,718)	(113,694)
Pension provision	(5,708)	(1,276)	(1,823)	708	(3,382)
Reserves	33,656	33,078	25,309	20,850	11,749

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 £9.5m. The depreciation charge for housing properties in the year was £4.0m.

During the year the Group invested an additional £0.1m (£5.7m in total) completing the development of Waterfront Front, its head office in Widnes.

At the year end the Group had invested a total of £24.7m in investment properties. £23.4m within OSUK and £1.3m within the Association. OSUK is funded by a loan of £15.3m and equity of £11.0m. All of the funding is provided by the Association.

Financial Review (continued)

Net current assets has increased by £5.5m due to an increase of £4.1m in stock and £3.1m in cash offset by an increase in creditors of £0.3m and a reduction of £1.4m in debtors. The Association has also previously invested £0.1m in the Halton Credit Union.

Creditors falling due after more than one year includes £135.3m of loans drawn by the Association and £23.7m of deferred social housing grant.

The Group has positive reserves of £33.7m. The reserves have increased during the year by £0.6m. The level of reserves is in line with those expected within the Group's long term financial plan.

The cash flow statement on page 26 shows that during the year the Group generated a net cash inflow from operating activities of £13.2m. The Group also received £3.9m of proceeds from sale of properties and £2.9m in grants. The Group used this income to purchase properties with a cost of £23.4m and interest payments of £6.6m. New loans were received of £16.2m and £3.0m of loans were repaid.

No additional funding facilities were put in place during the year. The Group is financed by a £130m loan facility from Lloyds and £120m from the capital markets in the form of four private placements of £30m, £30m, £20m and £40m respectively. The Lloyds facility is in four tranches. Tranche A is a £40m term loan facility, Tranche B is a £30m revolving credit facility, Tranche C is a £20m revolving credit facility and Tranche D is a £40m revolving credit facility. The term loan facility is now fully drawn and the revolving credit facilities are available up to 5th September 2027. £80m of the capital market funds have been drawn. The remaining £40m will be drawn in two tranches in June 2019 and December 2020.

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 £120m of borrowings at rates from 3.5% to 5.56% 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 in order to provide funding for the future development and acquisition of new homes.

The Group has drawn £135.8m of its £250m agreed long term loan facilities at 31st March 2019. 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)

As we move into a very different operating environment, we need to adapt to ensure we are able to grow and diversify our business and secure the longer term viability of the organisation. This includes seizing a number of opportunities as they arise.

Looking to the future there remain a number of challenges the Group needs to address.

Our key priorities for 2019/20 include:

- We will undertake a review of how our services are delivered to customers. Our Customeyes programme will transform the way in which our services are provided. We will have implemented a new structure and will be well on the way to more streamlined ways of working that have been co-created with our customers. We will also have a plan of what needs to change going forward.

Future Developments (continued)

- We will review our customer insight model to ensure real time feedback is gathered, drivers for satisfaction/complaints are understood and learning is used to improve service delivery.
- Strengthening our approach to health and safety and compliance. We believe all our customers deserve to live in places that are safe and secure. We have made significant improvements this year on our approach to health, safety and compliance. However, there is always room for improvement and we will continue to develop our approach.
- Based on our intelligence, we have several places that need to be improved. During the next year we will undertake appraisals and feasibility studies on these places. We want to make improvements and provide high quality places for all our customers to live.
- As part of our Customeyes Programme we will review the way in which we deliver our responsive repair service. We want to improve our 'right first time' approach and reduce the number of reactive repairs in favour of planned repairs. These changes will deliver a better service and experience for customers as well as being more efficient and effective.
- We will review our approach to Asset Management and continue to invest in innovative solutions and smart technology to improve the energy efficiency and performance of our home.
- We will evaluate our community investment work so we can better understand social value and measure the outcomes.
- We will invest in our neighbourhoods by building new homes – we will build 700 new rented and shared ownership homes over the next five years.
- We will adopt a pragmatic approach to opportunities to build homes with or without grant and/or acquire other social housing.
- OSUK will acquire or build an additional 300 homes over the next five years so that it can achieve a greater profit that can be reinvested into Halton Housing.
- We will ensure that the constitution of our Board remains 'fit for purpose' and is led by an appropriately skilled Chair.
- We will continue to use our experience, as one of the first areas to see the roll out of the full digital service, to inform and influence the wider debate about Universal Credit.
- We will ensure that we have access to secured funding facilities that meet the requirements of our Business Plan.
- We will develop our leaders so that they can provide strong leadership and clear direction.
- We will develop our people to make them more resilient and so that they are able to adapt to meet the changing need of the business.
- We will ensure that colleagues continue to feel valued and part of a community whilst working flexibly.
- We will launch Our Direction (OD3) and embed the new priorities throughout HH.
- We will keep our promises to customers by doing what we say we will.
- We will generate positive external interest by promoting our successes via various social media platforms.
- We will review existing/potential relationships with partners and stakeholders to maximise opportunities and minimise risks.
- We will engage with individuals, network with influences and attend key strategic meetings on a local, regional and national basis.

Principal Risks and Uncertainties (Group)

The Group's Risk Management Policy sets out how the Group identifies and manages risk. The top 10 risks identified by the Group's risk management system are as follows:

- There is a risk that HH does not meet the Health and Safety requirements for the 'big six' (fire, asbestos, electrical, gas, legionella and lifts).
- There is a risk that HH customers choose not to pay their rent resulting in rent arrears increasing to unsustainable levels.
- There is a risk that HH does not deliver or demonstrate VfM.
- There is a risk that HH does not build an appropriate mix of homes for rent or for sale and deliver its development aspiration in a VfM manner.

Principal Risks and Uncertainties (Group) (continued)

- There is a risk of increased competition within the provision of affordable housing (both rented and home ownership products) which could have an adverse impact on HH.
- 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 HH does not understand the legal form, commercial substance and risk flows across the Group creating increased risk of failure and reputational damage.
- There is a risk that HH does not maintain its financial covenants and security requirements, to sustain current and future borrowings.
- There is a risk that HH's governance arrangements do not satisfy the governance standard.
- There is a risk that HH does not comply with all relevant law.

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

Health and Safety Compliance

During the year we have reassessed and evolved our approach to how we manage and report on health and safety compliance as changes to legislation are introduced. Compliance, Health and Safety performance measures are reported to each Board meeting. A summary of our performance against these measures is included in the table below:

Measure	Actual 2018/19	Comments
Gas safety – percentage of homes with a valid gas safety certificate (LGSR)	99.9%	We had one property which did not have an up to date certificate at the end of March 2019. All stages of our no access and legal process have been followed and we have applied for a gas injunction.
Percentage of up to date fire risk assessments (FRA's)	100%	All FRA's are up to date. Current assessments are due for review from September 2019. 526 out of 666 FRA actions have been completed. All substantial actions have been completed.
Percentage of homes with a valid electrical condition survey (within five years)	88.3%	There are 6,215 electrical condition surveys that meet our five year requirement.
Percentage of homes with an asbestos survey	50.7%	There are 3,219 homes with an asbestos survey. All applicable homes will be surveyed by December 2021. 100% of communal areas have an asbestos survey.
Planned legionella controls completed	100%	100% of planned legionella inspections and tests were completed. Work is to start on risk assessing domestic dwellings in April 2019.

Environmental Statement

We aim to reduce the environmental impact of our activities. We acknowledge that sustained change at the Group will be best achieved by the provision of facilities, information and guidelines to promote, encourage and embed permanent behavioural change in all aspects of the business.

We operate an Environmental Sustainability Policy that shapes the way that the Group considers its environmental impact across all of its business activities.

Halton Housing

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 Direction (OD2.0) has been our framework for the last three years. We have made good progress with the delivery of this strategy. Updates are reported to Board every six months. In April 2019 we launched Our Direction (OD3). This builds upon earlier versions of Our Direction.

Our Direction has been designed to be clear and succinct to ensure it is widely understood and embedded across the organisation. As part of the development of OD3, Board undertook a review of the external environment, Sector Risk Profile and Consumer Standards Report.

Our ambition is to continue to be innovative and a market leader in all that we do. We do not want to be like many other housing organisations whose default approach is to respond to problems as they arise. This reactive method is not sustainable for the future. Using data, technology and predictive analytics we can shift this approach and improve customer experience. Delivering an excellent customer experience makes us more efficient in the longer term. It reduces unnecessary customer contacts, so requires fewer resources and costs, contributing to a strong operating margin. These resources can be released to minimise the impact of the continued rollout of Universal Credit (UC).

We recognise the importance of listening to customers, so we can know them better. This will enable us to personalise services to enhance the customer experience and provide relevant support where it's most needed. Having a better grasp of our customers' values, needs and aspiration will allow us to understand behavioural drivers, which will support our transformation from delivering reactive to pre-emptive services.

OD3 is a framework for how we run the organisation. There are six Priorities. Each Priority has a clear strategy which sets out the why, how, targets to March 2020, financial implications and the associated KPI's.

1. **Customer Focus** - By knowing our customers better and listening to their feedback we will deliver easy, intuitive and personalised services.
2. **Places to be proud of** - We will work with customers to create thriving communities where people choose to live.
3. **Growth and diversification** - We will focus on providing homes and new housing products for a wider group of customers covering a range of tenures, and work with our Local Authority partners to support them with the delivery of their homelessness strategies.
4. **Financially viable and well governed** - We need to satisfy all our financial requirements and maintain compliance with the Regulatory Framework and our chosen codes of Governance.
5. **Healthy organisation** - We need the right people in the right jobs with the right skills. We want to develop talent and support our people to be the best they can be.
6. **Brand and reputation** - We will use our strong brand and reputation to build relationships and strengthen partnerships, so we can maximise opportunities for our customers, communities and colleagues.

We have seven Behaviours which we expect all our colleagues to demonstrate.

1. Make decisions
2. Work with others
3. Adapt to change
4. Enjoy your job
5. Challenge how we do things
6. Take ownership
7. Listen

There are two Principles, which remind us that (1) we all make choices and (2) we should all take responsibility. We use the Principles to make decisions and shape our culture. Our two Principles and six Behaviours are part of our everyday working life, they help us make decisions and shape our culture.

VALUE FOR MONEY STATEMENT (continued)

We have 10 Personas which represent our existing and future customers. We use these Personas to keep our customers at the centre of our thinking. We are currently reviewing these Personas to make sure that they are relevant and representative of our customer base.

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 at each Board meeting. The budget is reviewed every six months and the business plan is updated on a regular basis as the need arises. We have clear savings targets that are linked to our strategies. These savings have been consolidated into the long-term business plan. Overall, we continue to outperform the budget each financial year.

To measure how we are delivering Our Direction, a suite of key strategic indicators or success measures have been identified that link to HH's six priorities and key strategies. We call these our "Lifeblood Measures". They are reported to Board and cascaded throughout the organisation via the monthly Performance Clinics that are held with the Leadership Team and each operational service area. They are supplemented by other operational KPI's and budget scrutiny that is used to manage performance and ensure that economy, efficiency and effectiveness is being delivered at an operational level.

In 2018/19 we have continued to perform well against our lifeblood measures, with six out of the seven meeting our stretching targets. A summary of our performance against these measures is included in the table below:

Measure	Actual 2017/18	Target 2018/19	Actual 2018/19	Comments
Income collected from current customers (includes income collected from arrears brought forward from the previous year)	Cash Collection: 96.4% Arrears: £842k	Cash Collection: 95.93% Arrears: £1.1m	Cash Collection: 96.34% Arrears: £904k	The target has been achieved despite the impact UC has had on our cash collection and arrears. If income collection against arrears that were brought forward from the previous year is excluded, then our performance is 99.67% (17/18: 99.78%). Median performance for 2017/18 is 99.81%.
Void rent loss	£144,484	£166,472	£140,589	547 properties were re-let this year with an average void period of 19.73 days. Our property occupancy level is 99.51% (17/18: 99.27%). Median performance for 2017/18 is 99.40%.
Customer Feedback	-	80%	91.07%	4,217 surveys were completed during 2018/19 following day to day repairs and gas services. 91.07% of customers said they would recommend HH as a landlord to a friend or family member.
New Homes Completed	224	32	32	HH has built 256 new homes since April 2017. This includes 20 new shared ownership properties, four general needs bungalows and eight houses during 2018/19
Number of Unsold Homes	1	0	3	Two shared ownership and one buy back property were unsold at the end of March 2019.
OSUK - Return on investment		2.92%	3.24%	The Return on Investment from OSUK to HH was 3.24% for the 12 months up to the end of March 2019. OSUK reported a profit (after interest) of £66k against a budgeted profit of £44.5k for 2018/19. The methodology for calculating this measure is different from 2019/20 onwards.
Employee Engagement		65%	71%	The average response rate of the six employee 'Pulse' Survey's carried out in 2018/19 was 71%.

Our framework is designed to report to Board the key activities that should be the focus of its attention. The Key Performance Indicators have been reviewed in line with the introduction of OD3. There are 15 KPI's that will be calculated and reported to Board from the start of the 2019/20 Financial Year.

VALUE FOR MONEY STATEMENT (continued)

Measure	Actual 2018/19	Target 2019/20	Comments
Complaints and Compliments	316 (45.14 per 1,000 homes)	284 (40.57 per 1,000 homes)	This target has been set with the aim to reduce the number of complaints compared to 2018/19 by 10%. Median performance for 2018/19 is 33.1 per 1,000 homes.
Customer Satisfaction	87%	88%	This measures how many customers would recommend HH as a landlord to a friend or family member.
Tenancy Sustainability	92.4%	93%	Median performance for 2018/19 is 76.76%. Our performance is comfortably top quartile.
Income Recovery	Current Arrears at year end: £904k (2.77%)	Current Arrears at year end: £1.285m (3.85%)	The target assumes an increase in the number of new UC cases having an adverse impact on arrears. Median performance for 2018/19 is 4.16%.
Liquidity	23 months	>24 months	HH's target is based on having secured funds available to finance the Business Plan for at least two years.
Loan Covenant Compliance	Interest Cover: 152.38% Net Debt Per Unit: £18.7k OSUK Investment: £26.3m	Interest Cover: >115% Net Debt Per Unit: <£24k OSUK Investment <£31m	These targets will ensure compliance with our external financial requirements.
New Homes Delivered	32 (0.46%)	67 (0.95%)	This is the number of properties due to be built in 2019/20. Median performance for 2017/18 is 1.16%.
Pipeline of New Homes Secured	85	362	We expect to have 362 properties secured and in contract to be built by the end of 2019/20.
Return on Investment in OSUK	5.3%	5.2%	HH's investment in OSUK is expected to return 5.2% in the year. HH's investment in OSUK will increase throughout 2019/20 as OSUK acquires or builds new properties. The methodology for calculating this measure is different from 2019/20 onwards.
Unsold Homes	3	0	All properties built for sale are expected to be sold by the end of 2019/20.
Colleague Retention	92.75%	90%	Median performance for 2018/19 is 85.65%. Our performance is comfortably top quartile.
Colleague Satisfaction	84%	85%	This measures how many colleagues would recommend HH as an employer to a friend or family member.
Colleague Sickness Absence	7.05 days	6.5 days	Median performance for 2018/19 is 8.9 days. Our performance is comfortably top quartile.
Repairs right first time	83.44%	86%	Median performance for 2018/19 is 90%.

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.

VALUE FOR MONEY STATEMENT (continued)

Financial and Health and Safety Compliance performance is also reported to each Board meeting. This will ensure 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:

	Halton Housing Group	Actual 2018	Target 2019	Actual 2019	Median Placeshapers 2018	Median Global Accounts 2018
Metric 1	**Reinvestment %**	12.26%	8.22%	6.59%	6.47%	6.03%
Metric 2	**New Supply Delivered**					
	2A: New Supply Delivered (Social Housing Units)	3.18%	0.45%	0.45%	1.26%	1.16%
	2B: New Supply Delivered (Non-social Housing Units)	0.37%	1.37%	1.08%	0.00%	0.00%
Metric 3	**Gearing %**	77.22%	89.47%	80.80%	43.60%	42.90%
Metric 4	**EBITDA MRI**	158%	136%	146%	195%	206%
Metric 5	**Headline Social Housing cost per unit**	**£3,326**	**£3,494**	**£3,421**	**£3,272**	**£3,397**
	Management cost per unit	£1,096	£1,167	£1,175	£939	£974
	Service charge cost per unit	£220	£201	£237	£347	£389
	Maintenance cost per unit	£913	£952	£1,014	£997	£948
	Major repairs cost per unit	£1,034	£1,020	£888	£735	£720
	Other social housing cost per unit	£64	£155	£106	£207	£245
Metric 6	**Operating Margin %**					
	A: Operating Margin (Social housing lettings only)	29.55%	25.21%	24.35%	32.80%	32.10%
	B: Operating Margin (overall)	29.25%	24.47%	25.00%	29.30%	28.90%
Metric 7	**Return on Capital Employed**	6.80%	4.70%	5.26%	4.12%	4.08%

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

Placeshapers is a group of financially strong and competitive organisations. They tend to be smaller than other providers (average social homes 7,549 compared to 16,036) and a greater proportion are LSVTs (61% compared to 33%). They compare favourably to the sector against measures of economy, efficiency and effectiveness. Placeshapers contribution to national social housing supply is significant, echoing the wider sector commitment to deliver new homes. Although smaller, Placeshapers are cost effective, spending less per unit across management, service charge, maintenance, major repairs and other costs.

Re-investment: In 2018/19 at £10.5m our investment was significantly lower than the 2017/18 investment of £19.1m. Investment includes £6.5m (2018: £13.7m) development of new homes, £3.9m (2018: £4.8m) capitalised major repairs and £0.1m (2018: £0.6m) capitalised interest.

New Supply Delivered (Social Housing): In 2017/18 the AHPG2 programme was concluded and we completed 226 new homes, this year we have completed 32 new homes. The focus during 2018/19 has been on planning and preparing for future reinvestment.

New Supply Delivered (Non-Social Housing): In 2018/19 HH invested an additional £10.9m in its subsidiary, OSUK. OSUK has used this investment to acquire 79 additional homes for market rent and to develop 37 homes for market sale.

VALUE FOR MONEY STATEMENT (continued)

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 £286m. Using this value instead of the historic cost would reduce gearing to 46% which would be more in line with our benchmark.

EBITDA MRI: Our EBITDA MRI is lower because we have spent more on maintenance and major repairs than most. During 2017/18 we spent £1,947 per unit compared to our benchmark of £1,732 per unit. Included within our major repairs spend for 2018/19 is £1.2m for essential fire safety works. Over the past five years we have reduced our major repair costs by 36% from £1,223 per unit to £888 per unit.

Headline Social Housing Cost: At £3,421 our cost per unit is comparable with our benchmark. Our management costs per unit have increased. An element of this increase is attributable to an additional £127k defined benefit pension costs because of accounting changes compared to the previous years (there was a £505k increase in 2017/18). This has had an impact of increasing the overall cost per unit by a further £18 per unit (2017/18: £71 increase per unit). After taking this adverse pension variance into account our overall management cost per unit has increased by £24 per unit (2.19%).

Operating Margin: Our operating margin has reduced from 2017/18 to 2018/19 and is lower than our benchmark. This partly because of our higher major repairs spend and partly due to our lower rents. Our average social rents including service charges rents and service charges continue to be low and almost the lowest in the Borough at £86.23 per week (2017/18 NROSH). We estimate that our rents are 11% lower than our peer group.

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

Our future targets

	Halton Housing Group	Median Placeshapers 2018	Actual 2019	Forecast 2020	Forecast 2021	Forecast 2022	Forecast 2023	Forecast 2024
Metric 1	Reinvestment %	6.47%	6.59%	8.00%	13.80%	13.42%	7.79%	2.07%
Metric 2	New Supply Delivered							
	2A: New Supply Delivered (Social Housing Units)	1.26%	0.45%	0.29%	1.56%	2.55%	1.75%	2.31%
	2B: New Supply Delivered (Non-social Housing Units)	0.00%	1.08%	0.75%	1.08%	0.62%	0.49%	0.69%
Metric 3	Gearing %	43.60%	80.80%	78.44%	82.64%	81.97%	80.69%	75.03%
Metric 4	EBITDA MRI	195%	146%	142%	130%	130%	142%	155%
Metric 5	Headline Social Housing cost per unit	£3,272	£3,421	£3,508	£3,494	£3,471	£3,574	£3,583
	Management cost per unit	£939	£1,175	£1,215	£1,175	£1,156	£1,152	£1,144
	Service charge cost per unit	£347	£237	£224	£226	£226	£228	£228
	Maintenance cost per unit	£997	£1,014	£955	£961	£964	£975	£980
	Major repairs cost per unit	£735	£888	£893	£867	£860	£952	£1,022
	Other social housing cost per unit	£207	£106	£220	£266	£265	£267	£210
Metric 6	Operating Margin %							
	A: Operating Margin (Social housing lettings only)	32.80%	24.35%	22.79%	21.12%	20.80%	23.07%	25.20%
	B: Operating Margin (overall)	29.30%	25.00%	22.93%	21.75%	16.70%	22.27%	23.21%
Metric 7	Return on Capital Employed	4.12%	5.26%	4.88%	4.01%	3.63%	4.45%	5.10%

Re-investment: We will spend £127m 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 £19m on capitalised major repairs and £3.8m on capitalised interest over the same period.

VALUE FOR MONEY STATEMENT (continued)

New Supply Delivered (Social Housing): We will build 659 new homes within HH over the next five years at a cost of £105m. These will be for shared ownership, affordable rent and rent to buy.

New Supply Delivered (Non-Social Housing): In our commercial subsidiary OSUK we will build or acquire an additional 322 homes at a cost of £33m over the next five years. It is estimated that HH will achieve a return of 5.5% from its investment in OSUK. Profits from OSUK will be re-invested into HH and used to subsidise the provision of social housing.

Gearing: Because of the investment in the development of new homes, our debt is forecast to increase by £49m. We have secured the finance required to fund this investment.

EBITDA MRI: This is forecast to remain lower than our benchmark throughout the next five years. However, we remain within our financial performance requirements. Our headroom against our tightest covenant is £1.7m in 2021/22. In all other years it exceeds £2.0m.

Headline Social Housing Cost: We expect our cost per unit (before inflation) to reduce because of our Customeyes transformation programme which is designed to improve our efficiency by shifting our service offer from a reactive to pre-emptive way of working. Our Asset Management Strategy is due for review in November 2019.

Social Housing Costs per units without inflation	Forecast 2020 £'s	Forecast 2021 £'s	Forecast 2022 £'s	Forecast 2023 £'s	Forecast 2024 £'s
Management cost per unit	1,221	1,172	1,145	1,133	1,116
Service charge cost per unit	224	222	217	215	211
Maintenance cost per unit	955	947	936	933	924
Major repairs cost per unit	893	850	826	897	944
Other social housing cost per unit	215	255	249	246	188
Total	**3,508**	**3,446**	**3,373**	**3,424**	**3,383**

Operating Margin (social housing lettings only): The final year of the rent cut continues to impact our operating margins in both 2018/19 and 2019/20. Our assumptions around void and bad debt remain prudent at 1% and 3%. We have a track record of outperforming these targets and achieving higher operating margins as a result. The Budget for 2019/20 includes a cashable efficiency saving of £300k. We expect savings of £100k in employee costs, £100k in management costs and a further £100k in our repairs costs and we are confident that this will be achieved. Our longer-term aim is to achieve efficiency savings of £1m over three years. These savings, once achieved, will be re-invested to deliver new homes and services for customers.

Operating Margin (Overall): In 2021/22 our operating margin is lower than other years as a result of the completion and sale of shared ownership and outright sale properties from our development pipeline. We are not anticipating profits from these sales which are mainly 'extra care' homes. Excluding the cost and revenue from these sales our operating margin would be 27%.

Return on Capital Employed: Our plans anticipate a return on capital employed of at least 3.6% as our asset base grows through the finances we have secured and the reinvestment of our surpluses.

Halton Housing

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 2015. 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 2015 SORP for Registered Social Housing Providers.

Halton Housing

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). A full review of HH's compliance with the 2015 Code of Governance for 2018/19 has been carried out. The review demonstrates that HH is fully compliant with all Provisions of the Code, with the exception of Provision D2. Provision D2 requires that: *"Maximum tenure must be agreed for all non-executives which must in total be nine years or fewer, composed of two or more consecutive terms of office."* Ingrid Fife reached the end of her nine-year maximum term of office as Board Member at the 2018 AGM. In March 2018 Board agreed to pause the recruitment process that had commenced to appoint a replacement for Ingrid at the 2018 AGM, due to the merger opportunity that was being explored at that time. This decision was taken because Board agreed that, as Chair, Ingrid possessed the skills, knowledge and experience that would enable HH to properly evaluate and scrutinise the merger opportunity. Board agreed that Ingrid's term of office be extended to September 2019. Following a Board decision in July 2018, the merger opportunity is no longer being explored. At that time, Board agreed to start the process to recruit a replacement for Ingrid by 31st March 2019. However, in November 2018, Board agreed to pause the recruitment for a second time because HH's Group Chief Executive (GCEO), Nick Atkin, tendered his resignation. This decision was taken because Board agreed it could destabilise the organisation too much if the Chair and GCEO roles were changed within a relatively short time of each other. Board re-affirmed its earlier decision and agreed that Ingrid's term of office be extended to September 2019. A new GCEO was appointed during April 2019 and the recruitment process has started for a replacement for Ingrid.

OSUK and HHT Development Ltd have adopted the Institute of Directors' Corporate Governance Guidance and Principles for Unlisted Companies in the UK (Phase 1). Both companies 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.

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.

During 2016/17 the Association developed its own Mergers, Group Structures and Partnerships Policy which amplifies certain aspects of the Code.

One merger opportunity was explored during 2018/19. Board agreed in July 2018, not to pursue this opportunity.

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 of 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.

Halton Housing

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 2019 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.
- Customer Scrutiny.
- Standing Orders and Financial Regulations setting out clearly the system of delegation.
- An adopted Code of Governance.
- 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.

Internal Controls (continued)

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 has been no reported cases of fraud during 2018/19.

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

The Group has a legal responsibility for providing a work environment that is free from direct or indirect discrimination or harassment of any type. All potential and recruited staff should enjoy equality of opportunity. We are committed to:
- Ensuring that recruitment and selection are carried out in a way that is fair and non-discriminatory.
- Ensuring that induction processes give appropriate coverage to equality and diversity issues and are used to raise awareness of the Association's ethos and principles among new recruits.
- Advertising job opportunities in a range of media which ensure increased access for all.
- Encouraging a diverse workforce which is reflective of the customer base.
- Ensuring that career progression and advancement are available to all employees.

It is important that all employees who are or consider that they may be disabled for the purposes of the Disability Discrimination Act (DDA) advise our Human Resources Team as soon as possible. The management of employees who are, or become, disabled as a result of sickness may mean that we should make 'reasonable adjustments' as dictated by the DDA before the employee can return to their job. The types of adjustments that we might be required to consider include:
- Making physical adjustments to the workplace.
- Allocating some of the disabled person's duties to another person.
- Transferring the disabled person to another vacant post, with or without reasonable adjustments being made.
- Altering the disabled person's working hours through, for example, part-time working, job sharing or other flexible working arrangements.
- Providing special equipment to assist the disabled person to perform his or her tasks, ensuring that any training in the use of the equipment that is required is given.

Equality and Diversity (continued)

We are committed to equality of opportunity for all employees and welcome discussions with employees who are or may be disabled, as to how they can maximise their performance in their role.

Communication with employees

The Group is committed to continually improving and ensuring open and honest communication channels with all employees on all matters affecting them in their employment. We have a variety of ways in which we communicate with employees and regularly review the effectiveness of these methods.

The various communication mechanisms we currently have in place are:

- Announcements on our intranet – SharePoint.
- Chief Executive's blog.
- Usage of performance and information screens located at various points around the offices.
- Managers' Briefing sessions.
- All company events at Christmas, summer BBQ and Our Direction (OD3) launch.
- An Employee Bargaining Group.
- Various committees including Health and Safety Committee and other working groups to encourage cross departmental working.
- Colleague Engagement Surveys.

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 re-appoint Beever and Struthers as the Association's external auditors.

The Board/Strategic Report was approved on [date] and signed on its behalf by:

Ingrid Fife
Chair
25th July 2019

Halton Housing

Independent Auditor's Report to the Members of Halton Housing
Year Ended 31 March 2019

Opinion

We have audited the financial statements of Halton Housing (the Association) and its subsidiaries (the Group) for the year ended 31 March 2019 which comprise the consolidated and Association Statement of Comprehensive Income, the consolidated and Association Statement of 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 31 March 2019 and of the Group's income and expenditure and the Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

Other information (continued)

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 15, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

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

Date: 25th July 2019

Halton Housing

Statement of Comprehensive Income

For the year ended 31st March 2019

	Notes	Year ended 31-Mar-19		Year ended 31-Mar-18	
		Group	Association	Group	Association
		£'000	£'000	£'000	£'000
Turnover		36,727	35,129	35,588	34,514
Cost of Sales	2	(1,501)	(1,501)	(1,053)	(1,053)
Operating expenditure	2	(26,044)	(25,287)	(24,125)	(23,556)
Gain on disposal of property, plant and equipment (fixed assets)	6	1,202	1,244	1,710	1,415
Operating surplus		10,384	9,585	12,120	11,320
Gift Aid Donation from Subsidiary Companies		-	368	-	-
Interest receivable		9	943	6	568
Interest and financing costs	7	(6,490)	(6,601)	(5,537)	(5,554)
(Loss) / gain in valuation of investment properties	14	117	58	(100)	171
Surplus before tax	8	4,020	4,353	6,489	6,505
Taxation	9	-	-	-	-
Surplus for the year after tax		4,020	4,353	6,489	6,505
Other comprehensive Income					
Initial recognition of multi-employer defined benefit scheme		(562)	(562)	-	-
Actuarial gain / (loss) in respect of pension schemes	12	(2,880)	(2,880)	1,280	1,280
Total comprehensive Income for the year		578	911	7,769	7,785

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 27 to 61 form part of these Financial Statements.

These Financial Statements were approved by the Board of Directors/Trustees and authorised for issue on 25th July 2019 and were signed on its behalf by:

Board/Trustee	Board/Trustee	Company Secretary
Ingrid Fife	Angela Holdsworth	Neil McGrath

Halton Housing

Statement of Financial Position

As at 31st March 2019

	Notes	Year ended 31-Mar-19 Group £'000	Year ended 31-Mar-19 Association £'000	Year ended 31-Mar-18 Group £'000	Year ended 31-Mar-18 Association £'000
Fixed assets					
Tangible fixed assets	13	165,519	166,095	160,027	160,500
Investment properties	14	24,723	1,290	16,579	1,230
Investment in subsidiaries	15	-	11,000	-	6,000
		190,242	178,385	176,606	167,730
Long term debtors					
Debtors due in more than one year	17	-	15,300	-	9,400
Current assets					
Stock	16	6,891	3,920	2,796	1,875
Trade and other debtors	17	3,532	2,643	4,952	4,889
Investments	18	117	117	105	105
Cash and cash equivalents	19	4,928	4,721	1,770	1,454
		15,468	11,401	9,623	8,323
Less: Creditors: amounts falling due within one year	20	(8,374)	(7,724)	(8,066)	(7,597)
Net current assets		7,094	3,677	1,557	726
Total assets less current liabilities		197,336	197,362	178,163	177,856
Creditors: amounts falling due after more than one year	21a	157,972	157,972	143,809	143,809
Provisions for (assets) / liabilities					
Pension provision	12/24	5,708	5,708	1,276	1,276
Total net assets		33,656	33,682	32,390	32,083
Reserves					
Non-equity share capital	25	-	-	-	-
Income and expenditure reserve		33,656	33,682	33,078	32,771
Total reserves		33,656	33,682	33,078	32,771

The notes on pages 27 to 61 form part of these Financial Statements. These Financial Statements were approved by the Board of Directors/Trustees and authorised for issue on 25th July 2019 and were signed on its behalf by:

Board/Trustee	Board/Trustee	Company Secretary
Ingrid Fife	Angela Holdsworth	Neil McGrath

Consolidated Statement of Changes in Reserves

Halton Housing

As at 31st March 2019

	Group	Association
	Income and expenditure reserve £'000	**Income and expenditure reserve £'000**
Balance as at 1 April 2017	25,309	24,986
Surplus from Statement of Comprehensive Income	6,489	6,505
Actuarial gain in respect of pension schemes	1,280	1,280
Balance at 31 March 2018	**33,078**	**32,771**
Surplus from Statement of Comprehensive Income	4,020	4,353
Actuarial (loss) in respect of pension schemes	(3,442)	(3,442)
Balance at 31 March 2019	**33,656**	**33,682**

The notes on pages 27 to 61 form part of these Financial Statements.

Halton Housing

Consolidated Statement of Cash Flows at 31st March 2019

	Notes	Year ended 31-Mar-19 £'000	Year ended 31-Mar-18 £'000
Net cash generated from operating activities	(see Note i)	13,230	12,103
Cash flow from investing activities			
Purchase of tangible fixed assets		(11,604)	(21,475)
Purchase of investment properties		(11,800)	(5,565)
Purchase of investments		(12)	-
Proceeds from sale of tangible fixed assets		2,157	2,295
Proceeds from sale of investment properties		1,705	3,129
Grants received		2,881	1,713
Interest received		9	6
		(16,664)	(19,897)
Cash flow from financing activities			
Interest paid		(6,599)	(5,852)
New secured loans		16,191	21,547
Repayment of borrowings		(3,000)	(12,400)
		6,592	3,295
Net change in cash and cash equivalents		3,158	(4,499)
Cash and cash equivalents at beginning of the year		1,770	6,269
Cash and cash equivalents at end of the year		4,928	1,770

Note i

	Year ended 31-Mar-19 £'000	Year ended 31-Mar-18 £'000
Cash flow from operating activities		
Surplus/(deficit) for the year	4,020	6,489
Adjustments for non-cash items:		
Gain on disposal of property, plant and equipment (fixed assets)		
Depreciation of tangible fixed assets	4,799	4,531
(Increase) in stock	(4,095)	(2,014)
(Increase) / Decrease in trade and other debtors	(731)	16
Increase / (Decrease) in trade and other creditors	743	(2,133)
Increase / (Decrease) in provisions	14	(14)
Pension costs less contributions payable	801	733
Carrying amount of tangible fixed asset disposals	564	790
Carrying amount of investment property disposals	2,179	-
(Gain) / Loss in valuation of investment properties	(117)	100
Adjustments for investing or financing activities:		
(Gain)/loss on disposal of property, plant and equipment (fixed assets)	(1,202)	(1,710)
Proceeds from the sale of tangible fixed assets		
Government grants utilised in the year	(226)	(216)
Interest payable	6,490	5,537
Interest received	(9)	(6)
Net cash generated from operating activities	13,230	12,103

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 2014. The Group is required under the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 to prepare consolidated Group 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 2015. 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 2019.

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 2019 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. No significant concerns have been noted in the business plan updated for 2019/20 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 32. 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 economic lives (UEL) 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 2019. 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. **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.

d. **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.

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

Turnover and revenue recognition
Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities and Homes England, income from the sale of shared ownership and other 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 2. The related support costs are matched against this income in the same note. Support charges included in the rent are included in the Statement of Comprehensive Income from social housing lettings note 3 and matched against the relevant costs.

Service charges
Service charge income and costs are recognised on an 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 Association'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

HH 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.

HH 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	30 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	4 - 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.

Stock and properties held for sale (continued)

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.

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 balance sheet date.

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). Historically, TPT has not been able to provide sufficient information for each social landlord's share of SHPS to allow defined benefit accounting to be applied. Instead, in accordance with FRS 102 paragraphs 28.11 and 28.11A and Housing SORP paragraphs 15.9 to 15.12, SHPS has been accounted for as a defined contribution scheme and recognised a liability for the present value of the landlord's deficit funding agreement.

Retirement benefits (continued)

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

Consistent with the guidance in FRED 71 paragraph 4 (FRS 102 paragraph 28.11B), the difference between the deficit funding liability and the net defined benefit deficit for SHPS has been recognised in Other Comprehensive Income. This constitutes a change in accounting policy. Further disclosures in this area are included in note 12.

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.

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.

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

The following financial instruments are assessed individually for impairment:
(a) All equity instruments regardless of significance, and
(b) Other financial assets that are individually significant.

Other financial instruments are assessed for impairment either individually or grouped on the basis of simitar credit risk characteristics.

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

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

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

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

Group	2019			
	Turnover	Cost of sales	Operating expenditure	Operating surplus
	£'000	£'000	£'000	£'000
Social housing lettings (Note 3a)	33,218	-	(24,898)	8,320
Other social housing activities				
First tranche low cost home ownership sales	1,478	(1,501)	-	(23)
Activities other than social housing				
Lettings (Note 4)	2,031	-	(1,146)	885
Sale of Land (Note 4)	-	-	-	-
Total	36,727	(1,501)	(26,044)	9,182

	2018			
	£'000	£'000	£'000	£'000
Social housing lettings (Note 3a)	32,980	-	(23,236)	9,744
Other social housing activities				
First tranche low cost home ownership sales	143	(147)	-	(4)
Activities other than social housing				
Lettings (Note 4)	1,559	-	(889)	670
Sale of Land (Note 4)	906	(906)	-	-
Total	35,588	(1,053)	(24,125)	10,410

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

Association	2019			
	Turnover	Cost of sales	Operating expenditure	Operating surplus
	£'000	£'000	£'000	£'000
Social housing lettings (Note 3b)	**33,218**	**-**	**(24,886)**	**8,332**
Other social housing activities				
First tranche low cost home ownership sales	**1,478**	**(1,501)**	**-**	**(23)**
Activities other than social housing				
Lettings (Note 4)	**433**	**-**	**(401)**	**32**
Sale of Land (Note 4)	**-**	**-**	**-**	**-**
Total	**35,129**	**(1,501)**	**(25,287)**	**8,341**

	2018			
	£'000	£'000	£'000	£'000
Social housing lettings (Note 3b)	32,980	-	(23,175)	9,805
Other social housing activities				
First tranche low cost home ownership sales	143	(147)	-	(4)
Activities other than social housing				
Lettings (Note 4)	485	-	(381)	104
Sale of Land (Note 4)	906	(906)	-	-
Total	34,514	(1,053)	(23,556)	9,905

3(a). Turnover and operating expenditure

	General Housing	Supported Housing and Housing for Older People	Total 2019	Total 2018
	£'000	£'000	£'000	£'000
Group				
Income				
Rent receivable net of identifiable service charge and voids	30,089	1,127	31,216	30,968
Service charge income	1,294	123	1,417	1,414
Amortised government grants	186	40	226	216
VAT Shelter Income	319	-	319	343
Charges for Support Services	40	-	40	39
Turnover from Social Housing Lettings	31,928	1,290	33,218	32,980
Operating expenditure				
Management	(7,644)	(655)	(8,299)	(7,717)
Service charge costs	(1,236)	(431)	(1,667)	(1,547)
Routine maintenance	(6,114)	(246)	(6,360)	(5,579)
Planned maintenance	(735)	(28)	(763)	(854)
Major repairs expenditure	(2,373)	-	(2,373)	(2,452)
Development costs not capitalised	(1)	-	(1)	(34)
Bad debts	(263)	-	(263)	(442)
Depreciation of Housing Properties	(4,267)	(204)	(4,471)	(4,197)
Other Costs	(688)	(13)	(701)	(414)
Operating expenditure on Social Housing Lettings	(23,321)	(1,577)	(24,898)	(23,236)
Operating Surplus/(Deficit) on Social Housing Lettings	8,607	(287)	8,320	9,744
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	(146)	(18)	(164)	(144)

3(b). Turnover and operating expenditure

	General Housing £'000	Supported Housing and Housing for Older People £'000	Total 2019 £'000	Total 2018 £'000
Association				
Income				
Rent receivable net of identifiable service charge and voids	30,089	1,127	31,216	30,968
Service charge income	1,294	123	1,417	1,414
Amortised government grants	186	40	226	216
VAT Shelter Income	319	-	319	343
Charges for Support Services	40	-	40	39
Turnover from Social Housing Lettings	31,928	1,290	33,218	32,980
Operating expenditure				
Management	(7,630)	(655)	(8,285)	(7,658)
Service charge costs	(1,236)	(431)	(1,667)	(1,547)
Routine maintenance	(6,116)	(246)	(6,362)	(5,577)
Planned maintenance	(735)	(28)	(763)	(854)
Major repairs expenditure	(2,373)	-	(2,373)	(2,452)
Development costs not capitalised	(1)	-	(1)	(34)
Bad debts	(263)	-	(263)	(442)
Depreciation of Housing Properties	(4,267)	(204)	(4,471)	(4,197)
Other Costs	(688)	(13)	(701)	(414)
Operating expenditure on Social Housing Lettings	(23,309)	(1,577)	(24,886)	(23,175)
Operating Surplus/(Deficit) on Social Housing Lettings	8,619	(287)	8,332	9,805
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	(146)	(18)	(164)	(144)

4. Turnover from activities other than social housing

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Activities other than social housing				
Shops and Garages Lettings	**329**	385	**329**	385
Market Renting	**1,503**	1,134	**73**	71
Other	**199**	40	**31**	29
Sale of Land	**-**	906	**-**	906
	2,031	2,465	**433**	1,391

5. Accommodation owned, managed and in development

	2019		2018	
Group	**No. of properties**		No. of properties	
	Owned	**Managed**	Owned	Managed
Social Housing				
Under development at end of year:				
General needs housing affordable rent	**108**	**-**	83	-
Low-cost home ownership	**94**	**-**	50	-
Under management at end of year:				
General needs housing	**6,815**	**3**	6,853	3
Supported housing and housing for older people	**167**	**-**	167	-
Low-cost home ownership	**44**	**-**	24	-
	7,272	**3**	7,177	3
Non-Social Housing				
Under development at end of year:				
Outright Sale	**49**	**-**	33	-
Market rented	**18**	**-**	18	-
Under management at end of year:				
Market rented	**266**	**-**	224	-
	333	**-**	275	-

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

Association	**2019 No. of properties Owned**	**2019 No. of properties Managed**	2018 No. of properties Owned	2018 No. of properties Managed
Social Housing				
Under development at end of year:				
General needs housing affordable rent	108	-	83	-
Supported housing and housing for older people	44	-	-	-
Low-cost home ownership	94	-	50	-
Under management at end of year:				
General needs housing	6,815	3	6,853	3
Supported housing and housing for older people	167	-	167	-
Low-cost home ownership	44	-	24	-
	7,272	3	7,177	3
Non-Social Housing				
Under development at end of year:				
Outright Sale	12	-	-	-
Market rented	-	-	-	-
Under management at end of year:				
Market rented	10	-	10	-
	22	-	10	-

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

Group

	Sales of Investment Properties £'000	Sales of Properties not developed for outright sale £'000	Others £'000	Total 2019 £'000	Total 2018 £'000
Proceeds of sales	2,540	2,051	16	4,607	5,334
Less: Costs of sales					
Halton Borough Council's share of sale proceeds	-	(197)	-	(197)	(299)
Carrying value of fixed assets	(2,179)	(498)	(66)	(2,743)	(3,184)
Incidental sale expenses	(403)	(62)	-	(465)	(141)
Gain / (loss)	(42)	1,294	(50)	1,202	1,710
Capital grant recycled (Note 23)	-	23	-	23	-

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

Association

	Sales of Properties not developed for outright sale	Others	Total 2019	Total 2018
	£'000	£'000	£'000	£'000
Proceeds of sales	2,051	16	2,067	2,205
Less: Costs of sales				
Halton Borough Council's share of sale proceeds	(197)		(197)	(299)
Carrying value of fixed assets	(498)	(66)	(564)	(481)
Incidental sale expenses	(62)	-	(62)	(10)
Surplus/(deficit)	1,294	(50)	1,244	1,415
Capital grant recycled (Note 23)	23	-	23	-

7. Interest and financing costs

	Group 2019	Group 2018	Association 2019	Association 2018
	£'000	£'000	£'000	£'000
Deferred benefit pension (income) charge	63	56	63	56
On loans repayable within five years	345	2	345	2
On loans wholly or partly repayable in more than five years	6,377	6,199	6,377	6,199
Costs associated with financing	6,785	6,257	6,785	6,257
Less: interest capitalised on housing properties under construction	(295)	(720)	(184)	(703)
Capitalised Interest Amortised	-	-	-	-
	6,490	5,537	6,601	5,554

The weighted average interest on borrowings of 4% (2018: 4%) was used for calculating capitalised finance costs.

8. Surplus on ordinary activities

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
The operating surplus is stated after charging/(crediting):-				
Auditors remuneration (excluding VAT):				
Audit of the group financial statements	**16**	15	**16**	15
Audit of subsidiaries	**2**	3	**-**	-
Fees payable to the company's auditor and its associates for other services to the group:				
Taxation compliance services	**5**	4	**5**	4
Service area review services	**4**	13	**4**	13
Operating lease rentals:				
Vehicle Hire Costs	**230**	274	**230**	274
Land and buildings	**-**	-	**-**	-
Office equipment	**8**	23	**8**	23
Impairment losses of housing properties	**-**	-	**-**	-
Depreciation of housing properties	**4,471**	4,197	**4,471**	4,197
Depreciation of other fixed assets	**328**	334	**328**	334

9. Tax on surplus on ordinary activities

The main activities of the Association are to provide charitable services. The Association is recognised as a charity for taxation purposes 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 period 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. Directors' remuneration

	2019	2018 Restated
	£'000	£'000
The aggregate emoluments paid to or receivable by non-executive Directors and former non-executive directors	**72**	66
The aggregate emoluments paid to or receivable by executive Directors and former executive directors	**340**	272
The emoluments paid to the highest paid Director excluding pension contributions	**141**	130
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 £28k (2017: £26k) 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:

Board Member	Remuneration Received 2018-19 (£)	Remuneration Received 2017-18 (£)	Halton Housing	Audit and Risk Committee	Remuneration and Nominations Committee	Open Solutions (OSUK) Limited	HHT Development Limited
Ingrid Fife	12,840	11,000	Chair ✓		✓		
Mark Dennett	6,500	6,500	✓	Chair ✓			
Mark Forrest	9,500	7,424	✓		✓	Chair ✓	
Michael Fry	6,500	6,572	✓		Chair ✓		Chair ✓
Angela Holdsworth	7,500	7,485	Vice chair ✓	✓			
Kevin Williams	5,000	4,731	✓	✓			✓
Matthew Harrison (appointed 23.03.17)	5,000	4,856	✓		✓		
Linda Levin (appointed 23.11.17)	5,000	1,971	✓	✓			
Gwynne Furlong (appointed 29.11.18)	1,667	-				✓	
Judith Winterbourne (retired 29.11.18)	3,333	4,731				✓	
David Hughes	5,000	4,731				✓	
Nick Atkin (appointed 01.04.18, retired 24.05.18)	-	-	✓				
Geoff Linnell (appointed 24.05.18)	4,283	-	✓	✓			
Rob Poole (appointed 15.05.18)	-	-				✓	
Neil McGrath (appointed 28.03.19 OSUK)	-	-				✓	✓
	72,103	65,523					

11. Employee information

	Group		Association	
	2019	2018	**2019**	2018
	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	**146**	147	**146**	147
Housing Management	**83**	78	**83**	78
Development	**8**	8	**8**	8
Support Services	**75**	67	**75**	67
	312	300	**312**	300
	£'000	**£'000**	**£'000**	**£'000**
Staff costs (for the above employees)				
Wages and salaries	**9,746**	8,770	**9,746**	8,770
Social Security costs	**967**	852	**967**	852
Other pension costs	**1,210**	1,091	**1,210**	1,091
Redundancy costs	**195**	72	**195**	72
	12,118	10,785	**12,118**	10,785

Aggregate number of full time equivalent staff whose remuneration exceeded £60,000 in the period:	Group		Association	
	2019	2018 Restated	**2019**	2018 Restated
	No.	No.	**No.**	No.
£60,000 to £69,999	**2**	2	**2**	2
£70,000 to £79,999	**2**	1	**2**	1
£80,000 to £89,999	**3**	2	**3**	2
£90,000 to £99,999	**1**	2	**1**	2
£110,000 to £119,999	**1**	1	**1**	1
£130,000 to £139,999	**1**	-	**1**	-
£150,000 to £159,999	**-**	1	**-**	1
£160,000 to £169,999	**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 is 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 policy in relation to SHPS is set out on page 29. As noted in the accounting policy, there has been a change in accounting policy in relation to SHPS.

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

- Removal of the liability for the funding of the deficit funding agreement (reduction in creditors of £126k; increase in Other Comprehensive Income £126k.
- Recognition of the net pension deficit (increase in pension liability £608k; reduction in Other Comprehensive Income £608k).

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2018 updated to 31 March 2019 by a qualified independent actuary.

	At 31 March 2019 % pa	At 31 March 2018 % pa
Rate of increase in salaries	**3.21**	3.10
Rate of increase for pensions in payment / inflation	**3.21**	3.10
Discount rate for scheme liabilities	**2.39**	2.60
Inflation assumption (CPI)	**2.21**	2.10

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 2019 Years
Retiring today	
Males	**21.8**
Females	**23.5**
Retiring in 20 years	
Males	**23.2**
Females	**24.7**

12. Pension obligations (continued)

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

	At 31 March 2019 £'000
Employer service cost (net of employee contributions)	77
Past service cost	-
Total operating charge	**77**
Analysis of pension finance income / (costs)	
Net interest expenses	(18)
Amounts (charged)/credited to financing costs	(18)
Amount of gains and losses recognised in the Statement of Comprehensive Income	
Actuarial gains on pension scheme assets	169
Actuarial (losses) / gains on scheme liabilities	(246)
Actuarial gain / (loss) recognised	(77)

Movement in surplus/(deficit) during year	**At 31 March 2019 £'000**
(Deficit)/ Surplus in scheme at 1 April	(688)
Movement in year:	
Employer service cost (net of employee contributions)	(34)
Employer contributions	14
Past service cost	-
Net interest/return on assets	(18)
Remeasurements	(77)
(Deficit) in scheme at 31 March	(803)

12. Pension obligations (continued)

Asset and Liability Reconciliation	At 31 March 2019 £'000
Reconciliation of liabilities	
Liabilities at start of period	2,613
Service cost	77
Interest cost	69
Employee contributions	28
Remeasurements	246
Benefits paid	(32)
Past Service cost	
Curtailments and settlements	
Liabilities at end of period	3,001
Reconciliation of assets	
Assets at start of period	1,925
Interest income	50
Return on plan assets	213
Employer contributions	14
Employee contributions	28
Benefits paid	(32)
Assets at end of period	2,198
Actual return on plan scheme assets	(803)

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 2018 were £1,306k, of which employer's contributions totalled £987k and employees' contributions totalled £319k. The agreed contribution rates for future years are 21.3% 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 2016 updated to 31 March 2019 by a qualified independent actuary.

	At 31 March 2019 % pa	At 31 March 2018 % pa
Rate of increase in salaries	2.80	2.70
Rate of increase for pensions in payment / inflation	2.50	2.40
Discount rate for scheme liabilities	2.80	2.70
Inflation assumption (CPI)	2.50	2.40

12. Pension obligations (continued)

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 2019 Years	At 31 March 2018 Years
Retiring today		
Males	**22.3**	22.3
Females	**24.5**	24.5
Retiring in 20 years		
Males	**23.9**	23.9
Females	**26.5**	26.5

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

	At 31 March 2019 £'000	At 31 March 2018 £'000
Employer service cost (net of employee contributions)	**1,768**	1,679
Past service cost	**-**	-
Total operating charge	**1,768**	1,679
Analysis of pension finance income / (costs)		
Expected return on pension scheme assets	**1,103**	1,012
Interest on pension liabilities	**(1,148)**	(1,068)
Amounts (charged)/credited to financing costs	**(45)**	(56)
Amount of gains and losses recognised in the Statement of Comprehensive Income		
Actuarial gains on pension scheme assets	**1,113**	399
Actuarial (losses) / gains on scheme liabilities	**(3,916)**	881
Actuarial (loss) / gain recognised	**(2,803)**	1,280

Movement in surplus/(deficit) during year	At 31 March 2019 £'000	At 31 March 2018 £'000
(Deficit)/ Surplus in scheme at 1 April	(1,276)	(1,823)
Movement in year:		
Employer service cost (net of employee contributions)	(1,768)	(1,679)
Employer contributions	987	1,002
Past service cost	-	-
Net interest/return on assets	(45)	(56)
Remeasurements	(2,803)	1,280
(Deficit) in scheme at 31 March	(4,905)	(1,276)

Asset and Liability Reconciliation	At 31 March 2019 £'000	At 31 March 2018 £'000
Reconciliation of liabilities		
Liabilities at start of period	41,904	40,529
Service cost	1,768	1,679
Interest cost	1,148	1,068
Employee contributions	319	298
Remeasurements	3,916	(881)
Benefits paid	(773)	(789)
Past Service cost		-
Curtailments and settlements		-
Liabilities at end of period	48,282	41,904
Reconciliation of assets		
Assets at start of period	40,628	38,706
Return on plan assets	1,103	1,012
Remeasurements	1,113	399
Employer contributions	987	1,002
Employee contributions	319	298
Benefits paid	(773)	(789)
Assets at end of period	43,377	40,628
Actual return on plan scheme assets	(4,905)	(1,276)

13. Tangible fixed assets

Group	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	180,224	1,534	1,632	1,581	184,971	5,613	601	1,041	192,226
Transfers to/from low cost home ownership	-	-	-	-	-	-	-	-	-
Additions to properties acquired	287	4,799	6	1,459	6,551	76	36	107	6,770
Works to existing properties	3,869	-	-	-	3,869	-	-	-	3,869
Interest capitalised	19	102	-	31	152	-	-	-	152
Schemes completed	2,093	(2,093)	1,397	(1,397)	-	-	-	-	-
Disposals	(1,263)	-	-	-	(1,263)	-	-	(5)	(1,268)
At end of the year	185,229	4,342	3,035	1,674	194,280	5,689	637	1,143	201,749
Depreciation and impairment									
At start of the year	30,500	-	124	-	30,624	233	495	847	32,199
Charge for the year	4,143	-	40	-	4,183	171	59	97	4,510
Disposals	(476)	-	-	-	(476)	-	-	(3)	(479)
At end of the year	34,167	-	164	-	34,331	404	554	941	36,230
Net book value at the end of the year	151,062	4,342	2,871	1,674	159,949	5,285	83	202	165,519
Net book value at the start of the year	149,724	1,534	1,508	1,581	154,347	5,380	106	194	160,027

13. Tangible fixed assets (Continued)

	Housing Properties					Other fixed assets			
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**
Cost	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At start of the year	180,224	1,991	1,632	1,597	185,444	5,613	601	1,041	192,699
Transfers to/from low cost home ownership	-	-	-	-	-	-	-	-	-
Additions to properties acquired	287	4,888	6	1,473	6,654	76	36	107	6,873
Works to existing properties	3,869	-	-	-	3,869	-	-	-	3,869
Interest capitalised	19	102	-	31	152	-	-	-	152
Schemes completed	2,093	(2,093)	1,397	(1,397)	-	-	-	-	-
Disposals	(1,263)	-	-	-	(1,263)	-	-	(5)	(1,268)
At end of the year	185,229	4,888	3,035	1,704	194,856	5,689	637	1,143	202,325
Depreciation and impairment									
At start of the year	30,500	-	124	-	30,624	233	495	847	32,199
Charge for the year	4,143	-	40	-	4,183	171	59	97	4,510
Disposals	(476)	-	-	-	(476)			(3)	(479)
At end of the year	34,167	-	164	-	34,331	404	554	941	36,230
Net book value at the end of the year	151,062	4,888	2,871	1,704	160,525	5,285	83	202	166,095
Net book value at the start of the year	149,724	1,991	1,508	1,597	154,820	5,380	106	194	160,500

13. Tangible fixed assets (Continued)

Group & Association

Housing Properties comprise:	2019	2018
	£'000	£'000
Freehold	153,775	151,071
Leasehold	158	161
	153,933	151,232

Works to existing properties in the year:	2019	2018
	£'000	£'000
Components capitalised	3,869	4,830
Investment Works in Progress	189	-
Amounts charged to expenditure	2,373	2,452
	6,431	7,282

14. Investment properties held for letting

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
At start of year	16,579	14,241	1,230	1,050
Additions	10,266	5,314	2	9
Disposals	(2,179)	(2,702)	-	-
Transfer to stock	(60)	(174)	-	-
(Loss) / Gain from adjustment in value	117	(100)	58	171
At end of year	24,723	16,579	1,290	1,230

The total historic cost of the Investment Properties as at 31 March 2019 was £23.1m.

The investment properties were valued as at 31 March 2019 by Aspin and Company Limited, Chartered Surveyors, professional qualified external Chartered Surveyors and RICS Registered Valuers. The valuation of properties was undertaken in accordance with the provisions of the Royal Institution of Chartered Surveyors Valuation Standards. 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 8.0% to 10.4% 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 we have applied a consistent approach in this regard. Rental growth is a predication based upon leading research (i.e. Savills). North West predications for the residential investment market are for a 4.4% growth rate (2019 to 2020) with a cautious outlook beyond due to factors such as Brexit and regulation changes.

At 31 March 2019 there were contractual obligations to purchase/construct/develop/repair/maintain investment property amounting to £Nil.

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 £11m, (£6m 2017-18) 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	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Stock held in Vans / Stores	**58**	98	**58**	98
Improvement Works in Progress	**189**	-	**189**	-
Land held for Sale	**1,759**	-	**1,760**	-
Properties held for sale	**-**	-	**-**	-
Shared ownership properties:	**-**	-	**-**	-
Completed	**111**	82	**111**	82
Work in progress	**1,688**	1,582	**1,702**	1,596
Outright sale properties:	**-**	-	**-**	-
Completed	**158**	273	**98**	99
Work in progress	**2,928**	761	**2**	-
	6,891	2,796	**3,920**	1,875

17. Trade and other debtors

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Rent arrears	**1,756**	1,384	**1,580**	1,273
Less: provision for bad debts	**(1,636)**	(1,248)	**(1,502)**	(1,162)
Other taxation and social security	**120**	133	**105**	108
Intercompany debtors	**-**	-	**48**	186
Other debtors	**868**	807	**852**	806
Prepayment and accrued income	**2,424**	3,876	**1,560**	3,678
	3,532	4,952	**2,643**	4,889
Due after more than one year:				
Intercompany debtor	**-**	-	**15,300**	9,400
Other Debtors	**-**	-	**-**	-
	-	-	**15,300**	9,400

18. Investments

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Investments at cost:				
Listed on a recognised investment exchange	**12**	-	**12**	-
Unlisted investments	**105**	105	**105**	105
	117	105	**117**	105
Historic cost of investments	**112**	100	**112**	100

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

19. Cash and cash equivalents

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Cash at bank	**4,928**	1,770	**4,721**	1,454
	4,928	1,770	**4,721**	1,454

20. Creditors: amounts falling due within one year

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Trade creditors	**732**	583	**702**	554
Social Housing Grant received in advance	**-**	435	**-**	435
Amounts owed to group undertakings	**-**	-	**1,038**	1,122
Rents and service charges paid in advance	**631**	549	**588**	529
Other taxation and social security payable	**382**	358	**375**	358
Accruals and deferred income	**6,060**	5,420	**4,452**	3,897
SHPS pension agreement plan (Note 12)	**-**	14	**-**	14
Deferred Capital Grant (Note 22)	**226**	216	**226**	216
Recycled Capital Grant Fund (Note 23)	**-**	-	**-**	-
Other creditors	**343**	491	**343**	472
	8,374	8,066	**7,724**	7,597

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

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Loans (Note 21b)	**134,275**	120,952	**134,275**	120,952
Deferred Capital Grant (Note 22)	**23,674**	22,745	**23,674**	22,745
Recycled capital grant fund (Note 23)	**23**	-	**23**	-
SHPS pension agreement plan (Note 12)	**-**	112	**-**	112
	157,972	143,809	**157,972**	143,809

21(b). Debt analysis

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Loans repayable by instalments:				
In five years or more	**120,000**	120,000	**120,000**	120,000
Loans not repayable by instalments:				
In two years or more and less than five years	**15,750**	2,500	**15,750**	2,500
In five years or more	**-**	-	**-**	-
Less: loan issue costs	**(1,475)**	(1,548)	**(1,475)**	(1,548)
Total loans	**134,275**	120,952	**134,275**	120,952

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 2019 was:

	Total	**Variable Rate**	**Fixed rate**	**Weighted Average rate**	**Weighted average term**
	£'000	**£'000**	**£'000**	**%**	**Years**
Instalment loans	120,000	-	120,000	4.77	16.18
Non-instalments loans	15,750	15,750	-		
	135,750	**15,750**	**120,000**		

At 31st March 2019 Halton Housing had undrawn loan facilities of £114,250,000 (2018: £127,500,000)

22. Deferred capital grant

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
At start of the year	**22,961**	19,418	**22,961**	19,418
Grant received in the year	**730**	4,194	**730**	4,194
Plus/(Less): Received In Advance	**435**	(435)	**435**	(435)
Released to income in the year	**(226)**	(216)	**(226)**	(216)
At the end of the year	**23,900**	22,961	**23,900**	22,961

	£'000	£'000	**£'000**	£'000
Amount due to be released < 1 year	**226**	216	**226**	216
Amount due to be released > 1 year	**23,674**	22,745	**23,674**	22,745

23. Recycled capital grant fund

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
At the start of the year	-	-	-	-
Inputs: Grants recycled	23	-	23	-
At the end of the year	23	-	23	-

24. Provision for liabilities and charges

	Cheshire Pension	Social Housing Pension Scheme
	£'000	£'000
Group and Association		
At the start of the year	1,276	688
Transfer from Statement of Comprehensive Income (increase in the provision of the year)	1,813	52
Deficit Contribution Paid	(987)	(14)
Unwinding	-	-
Re-measurement changes	2,803	77
At the end of the year	4,905	803

25. Members Guarantee

Every Member undertakes to contribute to the assets of the Association, in the event of the Association 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 Association contracted before they ceased to be a Member and of the costs, charges and expenses of winding up the Association 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 15 members.

26. Capital commitments

	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**8,178**	15,309	**11,605**	12,411
Capital expenditure that has been authorised by the Board but has not yet been contracted for	**127,165**	111,639	**85,869**	85,998
	135,343	126,948	**97,474**	98,409
The Group/Association expects these commitments to be financed with:				
Social Housing Grant	**11,834**	11,727	**11,834**	11,727
Proceeds from the sales of properties	**70,322**	37,666	**42,487**	31,765
Committed loan facilities	**53,186**	77,555	**43,153**	54,917
	135,342	126,948	**97,474**	98,409

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		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Land and buildings:				
In less than one year	-	-	-	-
In one year or more but less than two years	-	-	-	-
In two years or more and less than five years	-	-	-	-
In five years or more	-	-	-	-
	-	-	-	-
Others:				
In less than one year	143	172	143	172
In one year or more but less than two years	8	8	8	8
In two years or more and less than five years	17	22	17	22
In five years or more	-	3	-	3
	168	205	168	205

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	
	2019	2018	**2019**	2018
	£'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)	**23,900**	22,961	**23,900**	22,961
Recognised as income in statement of Comprehensive Income	**1,079**	853	**1,079**	853
	24,979	23,814	**24,979**	23,814

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 Halton Housing.

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 2019 were a long term debtor of £15.3 million (2018: £9.4 million) in relation to the loan by HH in OSUK and there is also a Fixed Asset Investment of £11 million (2018: £6 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 £934,123 (2018: £562,141).

Intra-group management fees are receivable by HH from its subsidiaries to cover the running costs Halton Housing 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 (2018: £58,000) and £443,391 (2018: £367,663) respectively.

There is a debtor owed to HH by OSUK of £46,243 (2018: £186,040). This relates to the net payments and income received through HH that will be repaid during the year ended 31st March 2019 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 £6,374,779 (2018: £13,134,303).

At 31st March 2019 HH owed £1,037,580 (2018: £1,122,450) to HD Ltd in respect of uninvoiced costs to 31st March 2019 in relation to schemes under construction.

HD Ltd commenced during the year providing Design & Build Services to Open Solutions (OSUK) Limited. The total amount of design and build fees invoiced by HD Ltd during the year was £1,531,278 (2018:£Nil).

At 31st March 2019 Open Solutions (OSUK) Limited owed £269,381 (2018: £94,216) to HD Ltd in respect of uninvoiced costs to 31st March 2019 in relation to schemes under construction.

OSUK and HD Ltd declared gift aid payments in respect of the year ended March 2018 to the Association of £189,773 and £178,067 respectively. These were paid during the year ended 31st March 2019. Related party balances are not secured.

31. Financial instruments

The Group's and Association's financial instruments may be analysed as follows:	Group		Association	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Financial assets				
(a) Financial assets that are measured at amortised cost	**6,848**	5,722	**21,932**	14,942
Financial liabilities				
(a) Financial liabilities measured at amortised cost	**166,346**	151,877	**165,696**	151,407

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.