



Group Report and Financial Statements

Year ended 31st March 2020

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

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Halton Housing

Board Members, Executive Directors, Advisors and Bankers

Halton Housing Board

| | |
|---------------|--|
| Chair | Ingrid Fife (to 19 th September 2019) |
| | Clive Deadman (from 19 th September 2019) |
| Vice Chair | Angela Holdsworth |
| Other Members | Mark Dennett |
| | Mark Forrest |
| | Michael Fry |
| | Matthew Harrison |
| | Geoff Linnell |
| | Linda Levin |
| | Kevin Williams |

Open Solutions (OSUK) Board

| | |
|---------------|------------------------------------|
| Chair | Mark Forrest |
| Other Members | Gwynne Furlong |
| | David Hughes |
| | Neil McGrath (from 1st April 2019) |
| | Rob Poole |

HHT Development Ltd

| | |
|---------------|--|
| Chair | Michael Fry |
| Other Members | Neil McGrath |
| | Kevin Williams (to 2nd January 2020) |
| | Matthew Harrison (from 2nd January 2020) |

Executive Directors

| | |
|---|--|
| Group Chief Executive | Liz Haworth (from 1st July 2019) |
| Interim Group Chief Executive and Chief Financial Officer | Neil McGrath (to 30th June 2019) |
| Deputy Group Chief Executive and Chief Financial Officer | Neil McGrath (from 30th June 2019) |
| Chief Operating Officer | Nicole Kershaw (to 20th December 2019) |
| Interim Chief Operating Officer | Debbie Trust-Dickinson (from 8th January 2020) |
| Company Secretary | Neil McGrath |

Halton Housing

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

Registered number Registered as a Community Benefit Society: 7744
Registered with the Regulator of Social Housing: L4456

Auditors

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

Bankers

Lloyds
Horsemarket Street
Warrington
WA1 2LP

Solicitors

Trowers and Hamlins
Princess Street
Manchester
M2 4EW

Halton Housing

Report of the Board

The Board presents its report and the audited Financial Statements for the year ended 31st March 2020. 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 28 to 30.

Halton Housing ("the Association") is a charitable housing association registered under the Co-operative and Community Benefit Societies Act 2014. As at 31st March 2020 there were 15 members who guaranteed £1 each.

STRATEGIC, OPERATING AND FINANCIAL REVIEW

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

The Business Model

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

HH has two wholly owned subsidiary companies:

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

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

Strategy and Objectives

Our financial and non-financial objectives are included on page 10 as part of our Value for Money Statement.

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

The Group remunerates its Board and details of the remuneration are shown within Note 10 on page 53. Remuneration enables the Group to continue to attract and retain Board Members with the appropriate skills, knowledge, and experience.

A Fair Review of the Business

Halton Housing

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:

- The “Customeyes” programme has been concluded. The insight from that work has been used to inform the development of our new Customer Contact and Customer Voice strategies. The delivery plans for both strategies are included in the “Driving our Future” change programme.
- We have continued to demonstrate improvement in the management of health and safety compliance. We have also established a Compliance Committee to monitor progress.
- Completed the construction of an additional 85 new homes. This has taken the number of new homes built and acquired since stock transfer to almost 1,300.
- Achieved highest possible regulatory rating (V1 G1).
- Colleague Health and Wellbeing has continued to be a priority, and this has been further validated by the Investor in People (IIP) Health and Wellbeing award we achieved as part of the IIP assessment process.

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 £7.5m, to £201.8m. The value of investment properties decreased by £4.7m, to £20.0m. Cash increased by £6.1m and debt increased by £4.4m. A surplus of £2.7m was recorded in the year.

The £7.5m 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 £1.8m.

Capital investment in major repairs in existing properties was £3.9m. Housing properties with a book value of £314k were sold, reducing the net book value of the properties on the balance sheet, but providing cash receipts for reinvestment.

The Group invested £2.0m in acquiring additional investment properties and sold investment properties with a value of £0.6m. The reduction in the value of investment properties is because of the transfer of £6.1m to stock following a decision to dispose of the assets within OSUK. The Association maintained its investment in OSUK at £26.3m. The Association has also invested directly in investment property with a value of £1.3m. The Group has recognised a gain of £0.5m during the year because of the revaluation of its investment properties.

Stock has increased by £5.5m mainly because of the increase in land held for resale of £4.5m, previously included within investment properties, and the increase in outright sale homes of £0.8m.

The total balance of drawn debt was £140.0m. As a result of the increase in debt, there was an increase in gearing (measured by the net debt per unit).

Turnover increased by 9% to £40.0m. 84% of turnover is from social housing lettings activity which has increased by 1%. Other turnover is from properties developed for outright sale (8%), shared ownership first tranche sales (4%) and market renting (4%). The operating margin reduced to 21% as costs increased more than revenue.

Financial Review (continued)

The Group has benefitted from a range of favourable macroeconomic conditions in recent years and it

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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 95 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 and the Coronavirus pandemic in 2020. 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 £2.6m. 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.

| Group | 2019/20 £'000 | 2018/19 £'000 | 2017/18 £'000 | 2016/17 £'000 | 2015/16 £'000 |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Turnover | 40,024 | 36,727 | 35,588 | 35,320 | 32,465 |
| Operating costs | (28,101) | (26,044) | (24,125) | (23,080) | (23,599) |
| Cost of sales | (3,919) | (1,501) | (1,053) | (1,413) | (417) |
| Gain on disposals | 1,227 | 1,202 | 1,710 | 879 | 659 |
| Operating surplus | 9,230 | 10,384 | 12,120 | 11,706 | 9,108 |
| Surplus before tax | 2,556 | 4,020 | 6,489 | 6,837 | 4,452 |
| Reserves at 31 st March | 42,131 | 33,656 | 33,078 | 25,309 | 20,850 |

Turnover includes income from rents and service charges which has increased from 2018/19 to 2019/20 by £0.4m to £33.0m. 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 2019 as part of the four year rent reduction period which commenced in April 2016. Other turnover is properties developed for outright sale (£3.0m), shared ownership first tranche sales (£1.5m), market renting (£1.5m), shops and garages (£0.5m), VAT shelter (£0.2m) and amortised grants (£0.2m).

Operating costs have increased from 2018/2019 to 2019/20 by £1.9m due to an increase in housing property depreciation (£0.2m) routine and planned maintenance costs (£0.8m), management costs (£0.5m), other social housing lettings costs (£0.3m) and non-social housing lettings costs (£0.3m) offset by a decrease in bad debts (£0.2m).

Total reserves at the end of the financial year show a surplus of £42.1m. Reserves reflect the surplus for the year of £2.6m, plus the surplus brought forward from the previous years of £33.7m, plus the actuarial gains for the year of £5.9m in respect of the pension schemes.

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Financial Review (continued)

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

| Group | 2019/20 £'000 | 2018/19 £'000 | 2017/18 £'000 | 2016/17 £'000 | 2015/16 £'000 |
|--|------------------|------------------|------------------|------------------|------------------|
| Housing Properties (net book value) | 163,600 | 159,949 | 154,347 | 140,975 | 125,763 |
| Other fixed assets and investments | 25,177 | 30,293 | 22,259 | 17,026 | 10,757 |
| Net current assets/(liabilities) | 17,916 | 7,094 | 1,558 | 213 | 4,340 |
| Creditors falling due after more than one year | (163,176) | (157,972) | (143,809) | (131,082) | (120,718) |
| Pension provision | (1,386) | (5,708) | (1,276) | (1,823) | 708 |
| Reserves | 42,131 | 33,656 | 33,078 | 25,309 | 20,850 |

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 £7.5m. The depreciation charge for housing properties in the year was £4.4m.

At the year end the Group had invested a total of £17.4m in investment properties. £16.1m within OSUK and £1.3m within the Association.

Net current assets have increased by £10.8m due to an increase of £5.5m in stock, £6.1m in cash and a reduction in creditors of £0.4m offset by a reduction of £1.2m in debtors. The Association has also previously invested £0.1m in the Halton Credit Union.

Creditors falling due after more than one year includes £138.6m of loans drawn by the Association and £24.6m of deferred social housing grant.

The Group has positive reserves of £42.1m. The reserves have increased during the year by £8.4m. The level of reserves is in line with those expected within the Group's long-term financial plan.

The cash flow statement on page 34 shows that during the year the Group generated a net cash inflow from operating activities of £14.0m. The Group also received £3.1m of proceeds from sale of properties and £1.7m in grants. The Group used this income to purchase properties with a cost of £10.1m and interest payments of £6.9m. New loans were received of £19.9m and £15.8m of loans were repaid.

No additional funding facilities were put in place during the year. The Group is financed by a £110m 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 £20m revolving credit facility. The term loan facility is now fully drawn, and the revolving credit facilities are available up to 5th September 2027. £100m of the capital market funds have been drawn. The remaining £20m will be drawn in 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 £140m of borrowings at rates from 3.5% to 5.6% which it considers to be favourable. This gives the Group financial security and ability to forward plan with a degree of certainty.

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Financial Review (continued)

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

The Group has drawn £140m of its £230m agreed long term loan facilities at 31st March 2020. 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 can grow and diversify our business and secure the longer-term viability of the organisation. This includes seizing opportunities as they arise.

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

Our key priorities for 2020/21 include:

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

Principal Risks and Uncertainties (Group)

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

- There is a risk of interruption to our services due to a lack of resource because of a major pandemic
- 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's customers do not pay their rent resulting in rent arrears increasing to unsustainable levels
- There is a risk that we do not have good quality data on the condition and compliance position of our homes leading to failure to comply with statutory requirements and placing our customers in danger
- There is a risk that organisational performance declines if we do not attract, retain, and develop our people.
- There is a risk that HH does not comply with data protection and security legislation leading to an increased incidence of possible prosecution
- There is a risk that key third party contractors fail resulting in a major adverse impact on HH's ability to complete key projects

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

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Health and Safety Compliance

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

| Measure | 2019/20 | Comments |
|---|---------|--|
| Gas safety – percentage of homes with a valid gas safety certificate (LGSR) | 99.9% | We had eight properties which did not have an up to date certificate at the end of March 2020. All stages of our no access and legal process are being followed. |
| Percentage of up to date fire risk assessments (FRA's) | 100% | All FRA's are up to date. 886 out of 970 FRA actions have been completed. Works have been suspended due to restrictions imposed by the Coronavirus pandemic. |
| Percentage of homes with a valid electrical condition survey (EICR) (within five years) | 99.9% | Three properties did not have a valid EICR dated within the last five years. We continue to use every endeavour to gain access to these homes. Both the rewire programme and EICR programme have been suspended due to restrictions imposed by the Coronavirus pandemic. |
| Percentage of homes with an asbestos survey | 62.0% | There are 3,877 homes with an asbestos survey. 100% of communal areas have an asbestos survey. Surveys have been suspended due to restrictions imposed by the Coronavirus pandemic. |
| Planned legionella controls completed | 100% | 100% of planned legionella inspections and tests were completed. |
| Number of passenger lifts that have an up to date certification | 100% | The inspection programme is up to date. |

Coronavirus (COVID-19) Pandemic

As well as serious implications for people's health, COVID-19 is significantly impacting businesses and the wider economy. We have considered the principal risks and uncertainties resulting from the pandemic.

| Risk | Mitigating action/comments |
|--------------------------------------|--|
| Remote working - impact on employees | There was a seamless transition to working from home largely because of HH's already well-established flexible working agile culture. |
| Impact on responsive works | Emergency repairs and key compliance works have continued throughout the lockdown period. An almost full range of services was resumed on 1 st June 2020. |
| Impact on planned works delivery | Works to install new components have been paused and are currently anticipated to begin again in June 2020. |
| Construction sites are closed | One of our two development sites was shut down for a short period but both sites have now resumed work. |
| Increased costs on development sites | Fixed prices agreed for all work in progress and an allowance in budget for contingencies |

Coronavirus (COVID-19) Pandemic (continued)

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| Risk | Mitigating action/comments |
|--------------------------|---|
| Shared ownership sales | Number of shared ownership homes in the development programme is limited. Delay on sales completions on a small number of homes. |
| Impairment trigger | Market uncertainty clause removed from formal valuations on 26 th May 2020 as limited impact on EUV-SH values |
| Increased rent arrears | Additional monitoring of rent arrears has been introduced. Our debt recovery team and welfare benefits advisors are working closely with customers to maximise take up of benefits and establish affordable payment plans. Allowance has been made in cash flow forecasts for deferred receipts |
| Pension valuations | The valuations by the Cheshire and SHPS Pension Fund actuaries at 31 st March 2020 have been incorporated in these accounts |
| Cashflow implications | Reduced income from shared ownership sales and rent are in large part offset by reduced spend on planned maintenance and development. We have significant cash balances and undrawn loan facilities. |
| Impact on subsidiaries | OSUK has allowed for deferred rental receipts and income from outright market sales. |
| Availability of funding | We have a £70m undrawn revolving credit facility of which £34m is secured and available. The next £20m tranche of our deferred private placement is due to be received in December 2020. There is currently no indication there will be difficulty securing this receipt. |
| Government support | We have drawn on the support offered through the Coronavirus job retention scheme. |
| Loan covenant compliance | The Financial Plan has been reforecast and demonstrates that all loan covenants can be met. |

The Board considers there to be no material uncertainty to going concern in the current circumstances. Assumptions made in the revised forecast in response to the COVID-19 crisis include:

- Lower repair costs because we carry out emergency repairs and gas servicing only for two months
- Lower planned works costs because of no planned works for two months. Work will commence in June 2020 at 100% of the volume expected in the original budget
- Short term increase in repair costs to recover backlog upon resumption of services in June 2020
- Property sales delayed by three months
- Lower construction costs because of deferred development schemes
- Increased arrears and bad debt write-off

These assumptions are being monitored and updated as further guidance is received from the government. In addition, several scenarios have been undertaken to stress test the assumptions made.

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Environmental Statement

We aim to reduce the environmental impact of our activities. We will develop an Environmental Sustainability Policy that will shape the way the Group considers its environmental impact across all its business activities.

VALUE FOR MONEY STATEMENT

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

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

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

OD3 sets out six high level strategic themes:

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

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

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

OD3 2019/20

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

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

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

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VALUE FOR MONEY STATEMENT (continued)

It has also helped us to identify and deliver some quick wins in response to the feedback from our customers. Some examples include:

- Reducing the longest call wait time from 68 minutes to 6 minutes
- Reducing the call abandonment rate from 22% to 2%
- Customer access at our head office, Waterfront Point, improved, with a 94% “good” rating from visitors
- Put new measures of customer experience in place
- Completed the Discovery Phase of the end to end processing of day to day repairs
- Reviewed and put in place new structures that provide clarity of accountability
- Recruited a Programme lead for repairs processes and systems improvement
- Undertook a comprehensive health check of our IT systems
- Listening days with our customers to inform our customer offer
- Clarity and publication of a clear service offer and standards
- Methodology for gathering customer feedback to reflect industry standards
- Development and implementation of our Customer Voice strategy
- Development and implementation of our Customer Contact strategy

The delivery of “Customeyes” has been predicated on four key building blocks:

1. Having good quality data and intelligence to inform service delivery
2. Understanding customer behaviour and delivering tailored services based on insight
3. Using technology to underpin a pre-emptive service model
4. Hearing the customer voice and developing services that respond to customers’ needs and preferences

The programme has now been concluded. It has enabled us to set out an integrated programme of transformation. This will be our focus over the next two years of OD3. The deliverables will include:

- Delivering the IT roadmap to ensure our IT platform is robust and fit for the future
- A full reconfiguration of day to day repairs systems, processes and working practices
- A refreshed digital offer for customers with end to end “zero touch” functionality
- A robust data management function with the capacity to turn data into insight
- A housing management offer that takes account of customer preferences and has a focus on place
- A fully integrated IT, digital and data platform that drives efficiency, reduces waste, and improves productivity

OD3 2020/21

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

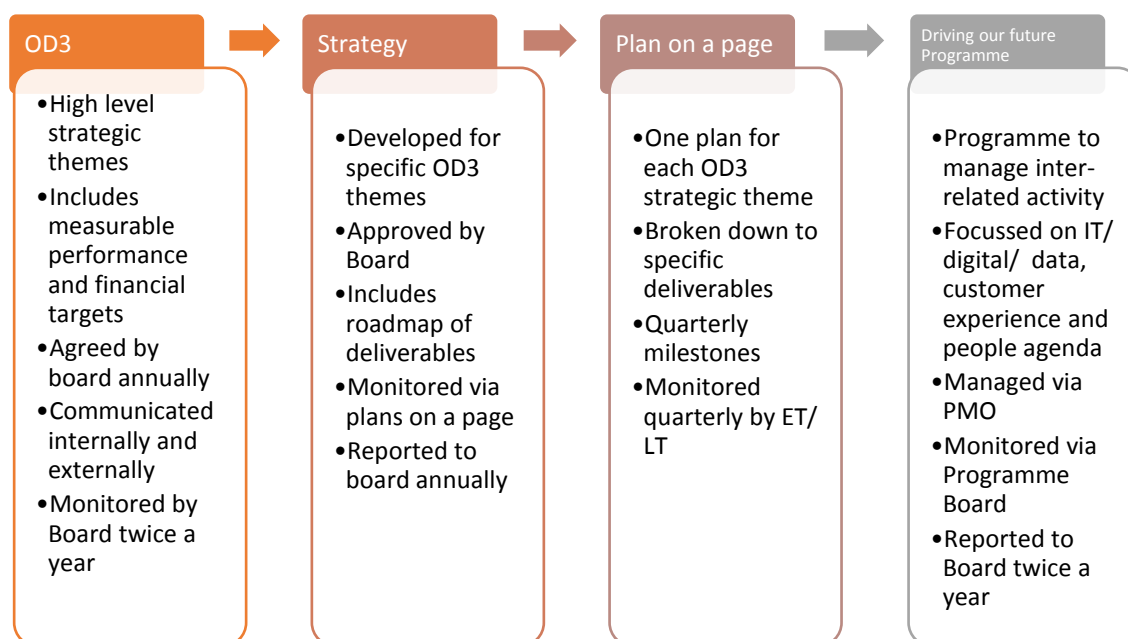
1. **Customer Focus** - Customers are our key focus. We will listen to their views, understand their needs and preferences, and deliver services that are accessible, high performing and provide value for money. We will be a pioneer for innovative service delivery using insight, digital and AI, whilst ensuring our visible presence within our neighbourhoods.
2. **Places to be Proud Of** - We will keep our customers safe and continue investing in our existing homes to make sure they are fit for the future and that we minimise our environmental impact. We will build on our role within our neighbourhoods, working with partners to tackle the challenges they face and create places to be proud of.
3. **Growth and Diversification** - We will continue to grow and diversify our business, developing a whole market housing offer which meets a range of needs including those of older people and those starting out on the housing ladder. We will grow our commercial arm, OSUK to generate profits which help protect our business and subsidise our social housing activity.

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VALUE FOR MONEY STATEMENT (continued)

4. **Healthy Organisation** - We will deliver all of this through our people. We will create an environment where colleagues are valued and listened to, and where they have a strong voice which shapes our future direction. We will recruit and retain people with the right skills, but more importantly the right behaviours to help us deliver our plans. We will invest in our leaders, our people and our IT and create a healthy organisation where everyone can do a great job in an innovative, collaborative, and agile business.
5. **Well Governed & Financially Viable** - Our plans can only be delivered if we maintain our strong foundations. This means being as efficient and productive as we can be, maximising our income and delivering great performance. It means being well governed, compliant with regulatory and legal requirements and having the financial capacity to fund our plans.
6. **Brand and Reputation** - We will build on our brand and reputation with our customers, our colleagues, local partners and within the sector. We will be the first choice for people looking for a home within the borough and beyond and a partner of choice for those who invest in our neighbourhoods and provide services to our customers. We will continue to be regarded in the sector as a forward thinking, innovative housing provider.

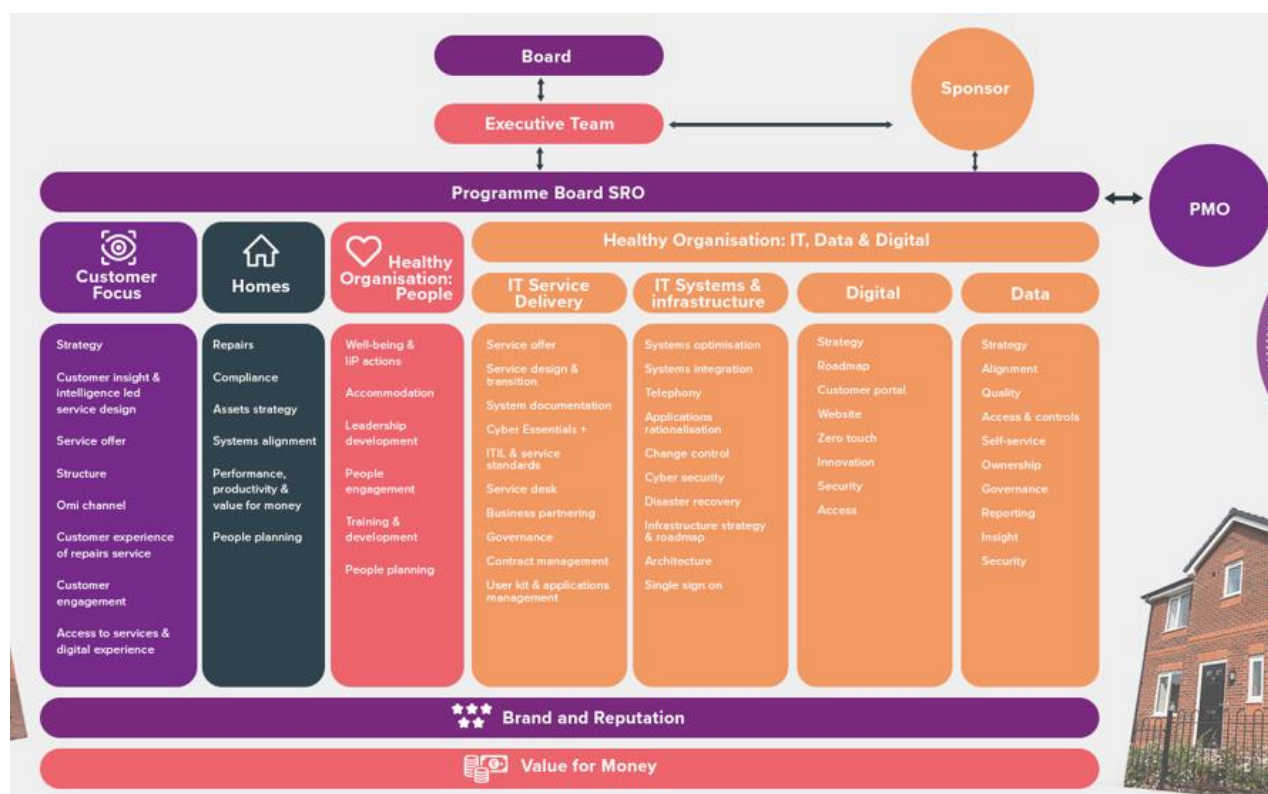
Each priority has a roadmap of specific deliverables which are described and monitored as a 'plan on a page'. Quarterly milestones have been attributed to each deliverable which are monitored every quarter by the Executive and Leadership Team. Progress against the deliverables is reported to the Board.



The “Driving Our Future” change programme will be managed by a Project Manager and monitored by a Programme Board to focus on the key interrelated projects that will underpin the delivery of the six strategic themes. The focus of the key projects is IT, digital experience, data, customer experience and our people. This is illustrated in the diagram below:

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VALUE FOR MONEY STATEMENT (continued)



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

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

| OD3 Theme | Performance Measure | Actual 2019/20 | Target 2020/21 | Target 2021/22 | Benchmark (Source) |
|---|------------------------------------|----------------|----------------|----------------|--|
| Customer Focus | Complaints (per 1,000 homes) | 223 (33.3) | 204 (28.12) | 186 (25.31) | 190 (26.8) (Placeshapers) |
| | Customer Satisfaction | 81.5% | 83% | 86% | 85.15% (Placeshapers) |
| Places to be Proud of | Repairs Completed Right First Time | 83.81% | 86% | 90% | 89.9% (Placeshapers) |
| Financially Viable and Well Governed | Income Recovery – Current Arrears | £1,129k | £1,025k | £1,075k | £1,340k (Global Accounts – Liverpool City Region) |
| | Void Rent Loss | £153k | £185k | £191k | £295k (Placeshapers) |

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VALUE FOR MONEY STATEMENT (continued)

| OD3 Theme | Performance Measure | Actual 2019/20 | Target 2020/21 | Target 2021/22 | Benchmark (Source) |
|-----------------------------------|-------------------------------|----------------|---------------------|---------------------|-----------------------|
| Growth and Diversification | New Homes Delivered | 56 (0.8%) | 73 (1.04%) | 137(1.96%) | 1.49% (Placeshapers) |
| | Return on Investment in OSUK | 5.2% | 5.0% | 6.2% | n/a |
| | Unsold Homes (value and time) | £174k | <£500k for 6 months | <£500k for 6 months | n/a |
| Healthy Organisation | Colleague Satisfaction | 87% | 80% | 82% | 77% (Placeshapers) |
| | Colleague Sickness Absence | 9.3 days | 8 days | 7 days | 9 days (Placeshapers) |

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.

In 2019/20 we have continued to perform well against our ‘lifeblood’ measures. A summary of our performance against these measures is included in the table below:

| Measure | Actual 2018/19 | Target 2019/20 | Actual 2019/20 | Comments |
|-----------------------------------|--|--|--|--|
| Complaints and Compliments | 316 (45.14 per 1,000 homes) | 284 (40.57 per 1,000 homes) | 223 (31.86 per 1,000 homes) | We received 21% less complaints in 2019/20 compared to 2018/19. This is much better than the 10% reduction that we originally set. |
| Customer Satisfaction | 87% | 88% | 81.5% | This measures how many customers would recommend HH as a landlord to a friend or family member. In 2020/21, the overall satisfaction question will change to “Taking everything into account, how satisfied or dissatisfied are you with the service provided by Halton Housing?” The move to the STAR indicator will enable HH to benchmark performance with other organisations in the future. |
| Tenancy Sustainability | 92.4% | 93% | 92.1% | 548 tenancies were terminated during 2019/20. This was eight more than the previous year. |
| Income Recovery | Current Arrears at year end: £904k (2.77%) | Current Arrears at year end: £1.285m (3.85%) | Current Arrears at year end: £1.129m (3.45%) | The 2019/20 target assumed that a continued increase in the number of new UC cases would have an adverse impact on arrears. Median performance for 2018/19 is 4.16%. |

VALUE FOR MONEY STATEMENT (continued)

| Measure | Actual 2018/19 | Target 2019/20 | Actual 2019/20 | Comments |
|--------------------------------------|---|---|---|---|
| Liquidity | 23 months | >18 months | 20 months | The target is based on having sufficient secured funds in place to finance the Business Plan for at least 18 months. |
| 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 | Interest Cover: 139.03% Net Debt Per Unit: £18.4k OSUK Investment: £26.3m | The three targets ensure compliance with all the key financial covenants for each of the four funders. |
| New Homes Delivered | 32 (0.46%) | 67 (0.95%) | 56 (0.79%) | 54 homes were built, and two homes were purchased during 2019/20. The short fall of 11 is due to delays compared to the original planned handover. |
| Pipeline of New Homes Secured | 85 | 362 | 78 | The measure includes all new homes that are in contract. There was a short fall in the anticipated number of homes that were secured. This has been mainly due to the anticipated timing of phased handovers. The pipeline is active and buoyant and contractual progress and arrangements are expected to progress in 2020/21. |
| Return on Investment in OSUK | 5.3% | 5.2% | 5.2% | HH's investment in OSUK returned 5.23% in the year achieving the target set in the budget and business plan. |
| Unsold Homes | 3 | 0 | 12 | There were 12 unsold homes at the end of March 2020. Eight of them were unsold for less than one month. |
| Colleague Retention | 92.8% | 90% | 91.1% | HH performance is comfortably top quartile and better than target. |
| Colleague Satisfaction | 84% | 85% | 87% | This measures how many colleagues would recommend HH as an employer to a friend or family member. |
| Colleague Sickness Absence | 7.1 days | 6.5 days | 9.3 days | There has been an increase in the number of long-term absence cases in 2019/20. Each case is robustly monitored. The number of short-term cases has remained low throughout the year. |
| Repairs right first time | 83.4% | 86% | 83.8% | There was a small increase in performance in 2019/20 compared to 2018/19 but it is still below our expectation. Work has commenced on projects that will improve efficiency in planning and delivery of the repairs service in 2020/21. |

Halton Housing

VALUE FOR MONEY STATEMENT (continued)

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.

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

Our most recent performance:

We use 'Placeshapers' as our peer group. We also assess our performance against the Global Accounts 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 (8,176 compared to 17,139), however their competitiveness (in terms of financial efficiency and delivery of new homes) continues to be demonstrated. Placeshapers headline social housing cost per unit has increased for the second year running, but proportionately less so than other providers. Changes globally are reflected in increased expenditure on maintenance and improvement works, investment in existing properties and in relation to health and safety.

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

Halton Housing

VALUE FOR MONEY STATEMENT (continued)

| Measure | Benchmark Source (medians) | 2017 | 2018 | 2019 | 2020 Forecast | 2020 Actual | Commentary |
|---|----------------------------|--------|--------|-------|---------------|-------------|---|
| 1. Reinvestment | Placeshapers | 6.34% | 6.47% | 6.72% | | | For the year ending March 2020 at £8.5m our investment was lower than the previous three years and our forecast (2019: £10.5m and 2018: £19.1m). This is due to timing delays in several new schemes that are in our pipeline. Investment includes £4.3m (2019: £6.5m and 2018: £13.7m) development of new homes, £3.9m (2019:£3.9m and 2018: £4.8m) capitalised major repairs and £0.4m (2019:£0.1m and 2018: £0.6m) capitalised interest. |
| | Halton Housing | 13.85% | 12.26% | 6.60% | 8.00% | 5.23% | |
| | Global Accounts | 5.62% | 6.03% | 6.24% | | | |
| 2a. New Supply Delivered (Social Housing Units) | Placeshapers | 1.25% | 1.26% | 1.49% | | | In 2018 the AHPG2 programme was concluded and 226 new homes completed. In 2019 we completed 32 new homes and a further 56 in 2020. The focus has been on planning future investment. There have been several off the shelf purchases in the year. HH continues to have a buoyant pipeline. |
| | Halton Housing | 2.21% | 3.18% | 0.45% | 0.29% | 0.78% | |
| | Global Accounts | 1.24% | 1.16% | 1.43% | | | |
| 2b. New Supply Delivered (Non-Social Housing Units) | Placeshapers | 0.00% | 0.00% | 0.00% | | | In 2019 HH invested an additional £10.9m in its subsidiary, OSUK. Over the last two years in 2019 and 2020 OSUK used this investment to acquire 94 (2020:15 and 2019:79) additional homes for market rent and to develop 62 (2020:25 and 2019:37) homes for market sale. |
| | Halton Housing | 0.60% | 0.37% | 1.08% | 0.75% | 0.54% | |
| | Global Accounts | 0.00% | 0.00% | 0.00% | | | |

Halton Housing

VALUE FOR MONEY STATEMENT (continued)

| Measure | Benchmark Source (medians) | 2017 | 2018 | 2019 | 2020 Forecast | 2020 Actual | Commentary |
|---|----------------------------|---------|---------|---------|---------------|-------------|--|
| 3. Gearing (Net Book Value of Housing Properties) | Placeshapers | 50.90% | 43.60% | 44.10% | | | 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 £290m. Using this value instead of the historic cost would reduce gearing to 44% which would be more in line with our benchmark |
| | Halton Housing | 74.79% | 77.22% | 80.80% | 78.44% | 77.98% | |
| | Global Accounts | 48.20% | 42.90% | 43.40% | | | |
| 4. EBITDA MRI Interest Cover | Placeshapers | 221.00% | 195.00% | 186.00% | | | Our EBITDA MRI is lower than our forecast due to interest and service costs in relation to defined benefit pension schemes of £1.5m. This is an increase of £819k compared to the previous year. Without these pension costs our EBITDA would be 141%. We have also spent more on maintenance and major repairs compared to the previous years. |
| | Halton Housing | 183.39% | 155.59% | 145.80% | 142.00% | 120.82% | |
| | Global Accounts | 216.00% | 206.00% | 184.00% | | | |
| | Halton Housing | 3,310 | 3,326 | 3,421 | 3,508 | 3,632 | |
| | Global Accounts | 3,298 | 3,397 | 3,695 | | | |

Halton Housing

VALUE FOR MONEY STATEMENT (continued)

| Measure | Benchmark Source (medians) | 2017 | 2018 | 2019 | 2020 Forecast | 2020 Actual | Commentary |
|--|----------------------------|-------|-------|-------|---------------|-------------|---|
| 5. Headline social housing cost per unit | Placeshapers | 3,206 | 3,272 | 3,522 | | | At £3,632 our cost per unit is comparable with global accounts but higher than our benchmark. |
| | Halton Housing | 3,310 | 3,326 | 3,421 | 3,508 | 3,632 | |
| | Global Accounts | 3,298 | 3,397 | 3,695 | | | |
| Management cost per unit | Placeshapers | 903 | 939 | 968 | | | Our management costs per unit have increased. A significant element of this increase is attributable to an additional £819k defined benefit pension costs compared to the previous year (2019: £127k increase and 2018: £505k increase). This has had an impact of increasing the overall cost per unit by a further £116 per unit (2019: £18 per unit and (2018: £71 increase per unit). We did not allow for this additional pension cost in our forecast. After taking this adverse pension variance into account our overall management cost per unit has increased by £78 per unit (6.7%). The total interest and service costs in relation to the pension scheme is £1.5m or £205 per home. |
| | Halton Housing | 1,069 | 1,096 | 1,175 | 1,215 | 1,251 | |
| | Global Accounts | 941 | 974 | 1,004 | | | |
| Service charge cost per unit | Placeshapers | 340 | 347 | 365 | | | |
| | Halton Housing | 218 | 220 | 237 | 224 | 222 | |
| | Global Accounts | 372 | 389 | 395 | | | |

Halton Housing

VALUE FOR MONEY STATEMENT (continued)

| Measure | Benchmark Source (medians) | 2017 | 2018 | 2019 | 2020 Forecast | 2020 Actual | Commentary |
|-----------------------------|----------------------------|-------|-------|-------|---------------|-------------|--|
| Maintenance cost per unit | Placeshapers | 976 | 997 | 1,053 | | | During 2020 we spent £2,021 per unit on maintenance and repairs compared to our benchmark of £1,881 per unit; like others across the sector we are experiencing increases in relation to health and safety and compliance work. We expect to see a similar increase in the benchmarks when results are published. There has also been a keen focus on delivering emergency jobs, repairs backlog and reducing follow on work to ensure a 'Right First Time' approach. Over the past six years we have reduced our major repair costs by 36% from £1,223 per unit to £890 per unit. |
| | Halton Housing | 839 | 913 | 1,014 | 955 | 1,131 | |
| | Global Accounts | 925 | 948 | 1,013 | | | |
| Major repairs cost per unit | Placeshapers | 643 | 735 | 828 | | | |
| | Halton Housing | 1,111 | 1,034 | 888 | 893 | 890 | |
| | Global Accounts | 683 | 720 | 794 | | | |
| Other cost per unit | Placeshapers | 185 | 207 | 225 | | | |
| | Halton Housing | 74 | 64 | 106 | 220 | 139 | |
| | Global Accounts | 0 | 0 | 0 | | | |

Halton Housing

VALUE FOR MONEY STATEMENT (continued)

| Measure | Benchmark Source (medians) | 2017 | 2018 | 2019 | 2020 Forecast | 2020 Actual | Commentary |
|---|----------------------------|--------|--------|--------|---------------|-------------|--|
| 6a. Operating Margin (Social Housing Lettings only) | Placeshapers | 34.41% | 32.80% | 29.60% | | | Our operating margin has reduced again this year and is lower than our benchmark. This partly because of our higher major repairs spend, increased pension costs and partly due to our lower rents. This was the final year of the rent cut. Our average social rents including service charges rents and service charges continue to be low and almost the lowest in the Borough at £85.56 per week for general need social rent (2018/19 NROSH). We estimate that our rents are 11% lower than our peer group. |
| | Halton Housing | 31.22% | 29.55% | 24.35% | 22.79% | 20.80% | |
| | Global Accounts | 34.33% | 32.10% | 29.20% | | | |
| 6b. Operating Margin | Placeshapers | 31.86% | 29.30% | 26.70% | | | |
| | Halton Housing | 30.65% | 29.25% | 25.00% | 22.93% | 20.00% | |
| | Global Accounts | 31.16% | 28.90% | 25.80% | | | |

Halton Housing

VALUE FOR MONEY STATEMENT (continued)

| Measure | Benchmark Source (medians) | 2017 | 2018 | 2019 | 2020 Forecast | 2020 Actual | Commentary |
|--------------------------------------|----------------------------|--------|--------|--------|---------------|-------------|--|
| 7. Return on capital employed (ROCE) | Placeshapers | 4.38% | 4.12% | 3.67% | | | This is higher than our benchmark because of the lower historic cost value of our homes. |
| | Halton Housing | 7.40% | 6.80% | 5.26% | 4.88% | 4.47% | |
| | Global Accounts | 4.37% | 4.08% | 3.76% | | | |
| Debt per unit | Placeshapers | 20,752 | 21,733 | | | | The debt per unit is in line with our expectations. Our loans at £140m in March 2020 are all fixed. There was a cash in bank balance of £11.0m (2019: £4.72m) which is equivalent to £1,565 (2019: £671) per property. This will be used to fund our development schemes. This would give the effective net debt to be £18,402 per property. |
| | Halton Housing | 15,334 | 17,124 | 19,382 | 19,975 | 19,980 | |
| | Global Accounts | 21,030 | 21,458 | | | | |
| Debt to turnover | Placeshapers | 3.30 | 3.50 | | | | During the year, an additional £20m of funding was secured. This funding is fixed and was used to repay the revolving facility and will be used to fund the development of new homes. |
| | Halton Housing | 3.00 | 3.52 | 3.90 | 4.00 | 3.80 | |
| | Global Accounts | 3.30 | 3.40 | | | | |
| Effective interest rate | Placeshapers | 4.59% | 4.64% | | | | HH's borrowings at March 2020 are on long term fixed rates. |
| | Halton Housing | 5.39% | 5.19% | 5.05% | 5.25% | 5.31% | |
| | Global Accounts | 4.61% | 4.52% | | | | |

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

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

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

In preparing these financial statements, the Board is required to:

- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent,
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Society Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It has general responsibility for taking reasonable steps to safeguard the assets of the group and association and to prevent and detect fraud and other irregularities.

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

In so far as the Board is aware:

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

Statement of Compliance

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

Corporate Governance

The Board confirms that HH has adopted the National Housing Federation's Code of Governance – Promoting Board excellence for housing associations (revised 2015). A full review of HH's compliance with the 2015 Code of Governance for 2019/20 has been carried out. The review demonstrates that HH is fully compliant with all Provisions of the Code.

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.

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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.

No merger opportunities were explored during 2019/20.

Modern Slavery Act 2015

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

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

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

Investment Policy

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

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

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

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

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

In relation to investment, the Rules state:

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

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

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

Internal Controls

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

Halton Housing

Internal Controls (continued)

The external audit management letter, which was produced following the audit of the financial statements for the year ending 31st March 2020 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 and Codes of Conduct.
- An appropriate governance structure, which is regularly reviewed to ensure that it remains fit for purpose.
- Board approved terms of reference and delegated authorities its committees.
- Detailed financial budgets and forecasts for subsequent years.
- Our Direction.
- Clearly defined management and reporting structures.
- The Performance Management Framework, which is reported upon to Board and its committees.
- A programme of internal reviews undertaken by an externally provided internal audit team.
- Careful staff recruitment and training.
- An approved Treasury Management Policy.
- Board approved Whistleblowing Policy.
- Detailed policies and procedures.
- Asset and Liability Register.
- Financial Golden Rules.
- Business Continuity.
- Cyber Security.
- Risk Appetite.

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

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

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

The internal audit program agreed for the year included:

- Corporate governance and risk management areas.
- Strategic and business areas.
- Core financial areas.
- Main support and operational areas.
- ICT environment and information areas.

The Group has an Anti-Fraud Policy, which has been approved by the Audit and Risk Committee. There has been one reported case of fraud during 2019/20 which resulted in a loss of £400. This was reported to the Audit and Risk Committee in accordance with the Group's policy.

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Internal Controls (continued)

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 because 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.

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.
- 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) briefings.
- An Employee Bargaining Group.
- Various committees including Health and Safety Committee and other working groups to encourage cross departmental working.
- Colleague Engagement Surveys.

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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 23rd July 2020 and signed on its behalf by:

Clive Deadman

Chair

23rd July 2020

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Independent Auditor's Report to the Members of Halton Housing Year Ended 31 March 2020

Opinion

We have audited the financial statements of Halton Housing (the Association) and its subsidiaries (the Group) for the year ended 31 March 2020 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 2020 and of the Group's income and expenditure and the Association's income and expenditure for the year then ended.
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

Emphasis of matter

We draw attention to note 14 of the financial statements which describes the basis, and uncertainties therein, regarding the valuation of investment properties. Our opinion is not modified in this respect.

Conclusions relating to going concern

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

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board 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

Halton Housing

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

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

Use of our report

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

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

Date: 23rd July 2020

Halton Housing

Statement of Comprehensive Income

For the year ended 31st March 2020

| | Notes | Year ended 31-Mar-20 | | Year ended 31-Mar-19 | |
|---|-------|-------------------------|----------------------|-------------------------|----------------------|
| | | Group £'000 | Association £'000 | Group £'000 | Association £'000 |
| Turnover | 2 | 40,024 | 35,629 | 36,727 | 35,129 |
| Cost of sales | 2 | (3,919) | (1,336) | (1,501) | (1,501) |
| Operating expenditure | 2 | (28,102) | (27,189) | (26,044) | (25,287) |
| Gain on disposal of property, plant and equipment (fixed assets) | 6 | 1,227 | 1,203 | 1,202 | 1,244 |
| Operating surplus | | 9,230 | 8,306 | 10,384 | 9,585 |
| Gift aid donation from subsidiary companies | | - | 172 | - | 368 |
| Interest receivable | | 14 | 1,135 | 9 | 943 |
| Interest and financing costs | 7 | (6,736) | (6,966) | (6,490) | (6,601) |
| Gain in valuation of investment properties | 14 | 48 | 15 | 117 | 58 |
| Surplus before tax | 8 | 2,556 | 2,662 | 4,020 | 4,353 |
| Taxation | 9 | - | - | - | - |
| Surplus for the year after tax | | 2,556 | 2,662 | 4,020 | 4,353 |
| Other comprehensive income | | | | | |
| Initial recognition of multi-employer defined benefit scheme | | - | - | (562) | (562) |
| Actuarial gain / (loss) in respect of pension schemes | 12/24 | 5,919 | 5,919 | (2,880) | (2,880) |
| Total comprehensive income for the year | | 8,475 | 8,581 | 578 | 911 |

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 36 to 68 form part of these Financial Statements.

These Financial Statements were approved by the Board of Directors/Trustees and authorised for issue on 23rd July 2020 and were signed on its behalf by:

Board/Trustee
Clive Deadman

Board/Trustee
Angela Holdsworth

Company Secretary
Neil McGrath

Halton Housing

Statement of Financial Position

As at 31st March 2020

| | Notes | Year ended 31-Mar-20 | | Year ended 31-Mar-19 | |
|--|-------|-------------------------|----------------------|-------------------------|----------------------|
| | | Group £'000 | Association £'000 | Group £'000 | Association £'000 |
| Fixed assets | | | | | |
| Tangible fixed assets | 13 | 168,758 | 169,462 | 165,519 | 166,095 |
| Investment properties | 14 | 20,019 | 1,305 | 24,723 | 1,290 |
| Investment in subsidiaries | 15 | - | 11,900 | - | 11,000 |
| | | <u>188,777</u> | <u>182,667</u> | 190,242 | 178,385 |
| Long term debtors | | | | | |
| Debtors due in more than one year | 17 | - | 14,400 | - | 15,300 |
| Current assets | | | | | |
| Stock | 16 | 12,407 | 4,013 | 6,891 | 3,920 |
| Trade and other debtors | 17 | 2,371 | 2,313 | 3,532 | 2,643 |
| Investments | 18 | 117 | 117 | 117 | 117 |
| Cash and cash equivalents | 19 | 11,034 | 10,890 | 4,928 | 4,721 |
| | | <u>25,929</u> | <u>17,333</u> | 15,468 | 11,401 |
| Less: Creditors: amounts falling due within one year | 20 | (8,013) | (7,575) | (8,374) | (7,724) |
| Net current assets | | <u>17,916</u> | <u>9,758</u> | 7,094 | 3,677 |
| Total assets less current liabilities | | 206,693 | 206,825 | 197,336 | 197,362 |
| Creditors: amounts falling due after more than one year | 21a | 163,176 | 163,176 | 157,972 | 157,972 |
| Provisions for (assets) / liabilities | | | | | |
| Pension provision | 12/24 | 1,386 | 1,386 | 5,708 | 5,708 |
| Total net assets | | <u>42,131</u> | <u>42,263</u> | 33,656 | 33,682 |
| Reserves | | | | | |
| Non-equity share capital | 25 | - | - | - | - |
| Income and expenditure reserve | | 42,131 | 42,263 | 33,656 | 33,682 |
| Total reserves | | <u>42,131</u> | <u>42,263</u> | 33,656 | 33,682 |

The notes on pages 36 to 68 form part of these Financial Statements. These Financial Statements were approved by the Board of Directors/Trustees and authorised for issue on 23rd July 2020 and were signed on its behalf by:

Board/Trustee
Clive Deadman

Board/Trustee
Angela Holdsworth

Company Secretary
Neil McGrath

Halton Housing

Consolidated Statement of Changes in Reserves

As at 31st March 2020

| | Group | Association |
|--|---|---|
| | Income and expenditure reserve £'000 | Income and expenditure reserve £'000 |
| Balance as at 1 April 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 |
| Surplus from Statement of Comprehensive Income | 2,556 | 2,662 |
| Actuarial gain in respect of pension schemes | 5,919 | 5,919 |
| Balance at 31 March 2020 | 42,131 | 42,263 |

The notes on pages 36 to 68 form part of these Financial Statements.

Halton Housing

Consolidated Statement of Cash Flows at 31st March 2020

| | Notes | Year ended 31-Mar-20 £'000 | Year ended 31-Mar-19 £'000 |
|---|--------------|----------------------------------|----------------------------------|
| Net cash generated from operating activities | (see Note i) | 14,071 | 13,230 |
| Cash flow from investing activities | | | |
| Purchase of tangible fixed assets | | (8,056) | (11,604) |
| Purchase of investment properties | | (2,064) | (11,800) |
| Purchase of investments | | - | (12) |
| Proceeds from sale of tangible fixed assets | | 1,495 | 2,157 |
| Proceeds from sale of investment properties | | 1,595 | 1,705 |
| Grants received | | 1,710 | 2,881 |
| Interest received | | 14 | 9 |
| | | (5,306) | (16,664) |
| Cash flow from financing activities | | | |
| Interest paid | | (6,857) | (6,599) |
| New secured loans | | 19,948 | 16,191 |
| Repayment of borrowings | | (15,750) | (3,000) |
| | | (2,659) | 6,592 |
| Net change in cash and cash equivalents | | 6,106 | 3,158 |
| Cash and cash equivalents at beginning of the year | | 4,928 | 1,770 |
| Cash and cash equivalents at end of the year | | 11,034 | 4,928 |

The notes on pages 36 to 68 form part of these Financial Statements.

Halton Housing
Notes to the Financial Statements
For the Year Ended 31st March 2020

Notes to Consolidated Statement of Cash Flows at 31st March 2020

Note i

| | Year ended 31-Mar-20 £'000 | Year ended 31-Mar-19 £'000 |
|--|---|----------------------------------|
| Cash flow from operating activities | | |
| Surplus for the year | 2,556 | 4,020 |
| Adjustments for non-cash items: | | |
| Depreciation of tangible fixed assets | 5,007 | 4,799 |
| Decrease/ (Increase) in stock | 711 | (4,095) |
| Decrease/(Increase) in trade and other debtors | 404 | (731) |
| (Decrease)/Increase in trade and other creditors | (1,251) | 743 |
| Pension costs less contributions payable | 1,441 | 815 |
| Carrying amount of tangible fixed asset disposals | - | 564 |
| Carrying amount of investment property disposals | - | 2,179 |
| (Gain) in valuation of investment properties | (48) | (117) |
| Adjustments for investing or financing activities: | | |
| (Gain) on disposal of property, plant and equipment (fixed assets) & investment properties | (1,227) | (1,202) |
| Government grants utilised in the year | (244) | (226) |
| Interest payable | 6,736 | 6,490 |
| Interest received | (14) | (9) |
| Net cash generated from operating activities | 14,071 | 13,230 |

Note ii

Analysis of net debt - Group

| | At 31st March 2019 £000's | Cash flow £000's | Cash flow £000's | At 31st March 2020 £000's |
|------------------------------------|---|-----------------------------------|-----------------------------------|---|
| Cash at bank and in hand | 4,928 | 6,106 | - | 11,034 |
| Debt due within one year: | | | | |
| Loans | - | - | | - |
| Debt due after more than one year: | | | | |
| Loans | (134,275) | (4,198) | (144) | (138,617) |
| Total | (129,347) | 1,908 | (144) | (127,583) |

The notes on pages 36 to 68 form part of these Financial Statements.

Halton Housing
Notes to the Financial Statements
For the Year Ended 31st March 2020

Legal Status

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

The Group comprises the following entities:

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

1. Principal Accounting Policies

Basis of Accounting

The Group's financial statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2018. The Group is required under the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 to prepare consolidated financial statements.

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. The financial statements are prepared on the historical cost basis of accounting as modified by the revaluation of investments and are presented in sterling £'000 for the year ended 31 March 2020.

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 2020 using the acquisition method of accounting as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition, being the date the Group obtains control.

Going concern

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

Judgements and key sources of estimation uncertainty

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

- a. **Development expenditure.** The Group capitalises development expenditure in accordance with the accounting policy described on page 40. Initial capitalisation of costs is based on management's judgement that development scheme is confirmed, usually when Board approval has taken place including access to the appropriate funding. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment. Housing properties are transferred to completed properties when they are ready for letting.
- b. **Categorisation of housing properties.** The Group has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Group has considered if the asset is held for social benefit or to earn commercial rentals. The Group has determined that market rented property are investment properties.
- c. **Impairment.** The Group has identified a cash generating for impairment assessment purposes at a property scheme level.

Other key sources of estimation and assumptions:

- a. **Tangible fixed assets.** Other than investment properties, tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- b. **Revaluation of investment properties.** The Group carries its investment property at fair value, with changes in fair value being recognised in the Statement of Comprehensive Income. The Group engaged independent valuation specialists to determine fair value at 31 March 2020. The valuer used a valuation technique based on a discounted cash flow model. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long term vacancy rate. The key assumptions used to determine the fair value of investment property are further explained in note 14.
- c. **Impairment of non-financial assets.** Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified.

Halton Housing
Notes to the Financial Statements
For the Year Ended 31st March 2020

- d. **Pension and other post-employment benefits.** The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary increases and pension increases are based on expected future inflation rates for the respective sector. Further details are given in note 12.

Turnover and revenue recognition

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

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

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

Support income and costs including Supporting People income and costs

Supporting People (SP) contract income received from Administering Authorities is accounted for as SP income in the Turnover as per note 3. The related support costs are matched against this income in the same note. Support charges included in the rent are included in the Statement of Comprehensive Income from social housing lettings note 3 and matched against the relevant costs.

Service charges

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

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

Interest

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

Loans

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

Halton Housing
Notes to the Financial Statements
For the Year Ended 31st March 2020

Loan interest costs

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

Loan finance issue costs

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

Taxation

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

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

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

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

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

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

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

Value Added Tax

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

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

Halton Housing
Notes to the Financial Statements
For the Year Ended 31st March 2020

Tangible fixed assets and depreciation

Housing properties

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

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

Freehold land is not depreciated.

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

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

Housing properties (continued)

UELs for identified components are as follows:

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

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

Depreciation of other Tangible Assets

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

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

Halton Housing
Notes to the Financial Statements
For the Year Ended 31st March 2020

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.

Halton Housing
Notes to the Financial Statements
For the Year Ended 31st March 2020

Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

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

Current asset investments

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

Stock and properties held for sale

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

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

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

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

Short-term debtors and creditors

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

Non-government grants

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

Social Housing and other government grants

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

When SHG in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

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

Recycling of Capital Grant

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

Halton Housing
Notes to the Financial Statements
For the Year Ended 31st March 2020

Holiday pay accrual

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

Retirement benefits

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

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

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

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

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

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

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

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 the Statement of Comprehensive Income immediately.

The following financial instruments are assessed individually for impairment:

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

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

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

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

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

Halton Housing
Notes to the Financial Statements
For the Year Ended 31st March 2020

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

| Group | 2020 | | | |
|---|---------------|----------------|-----------------------|-------------------|
| | Turnover | Cost of sales | Operating expenditure | Operating surplus |
| | £'000 | £'000 | £'000 | £'000 |
| Social housing lettings (Note 3a) | 33,552 | - | (26,574) | 6,978 |
| Other social housing activities | | | | |
| First tranche low cost home ownership sales | 1,481 | (1,290) | (31) | 160 |
| Activities other than social housing | | | | |
| Lettings (Note 4) | 1,992 | - | (1,448) | 544 |
| Properties developed for outright sale (Note 4) | 2,999 | (2,629) | (50) | 321 |
| Total | 40,024 | (3,919) | (28,102) | 8,002 |
| | 2019 | | | |
| | £'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 |

Halton Housing
Notes to the Financial Statements
For the Year Ended 31st March 2020

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

| Association | 2020 | | | |
|---|-----------------|----------------------|------------------------------|--------------------------|
| | Turnover | Cost of sales | Operating expenditure | Operating surplus |
| | £'000 | £'000 | £'000 | £'000 |
| Social housing lettings (Note 3b) | 33,552 | - | (26,574) | 6,978 |
| Other social housing activities | | | | |
| First tranche low cost home ownership sales | 1,481 | (1,290) | (31) | 160 |
| Activities other than social housing | | | | |
| Lettings (Note 4) | 471 | - | (585) | (114) |
| Properties developed for outright sale (Note 4) | 125 | (46) | - | 79 |
| Total | 35,629 | (1,336) | (27,189) | 7,103 |
| | 2019 | | | |
| | £'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 |
| Total | 35,129 | (1,501) | (25,287) | 8,341 |

Halton Housing
Notes to the Financial Statements
For the Year Ended 31st March 2020

3(a). Turnover and operating expenditure

| Group | General Housing | Supported Housing and Housing for Older People | Total 2020 | Total 2019 |
|---|------------------------|---|-------------------|-------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Income | | | | |
| Rent receivable net of identifiable service charge and voids | 30,338 | 1,116 | 31,454 | 31,216 |
| Service charge income | 1,263 | 310 | 1,573 | 1,417 |
| Amortised government grants | 201 | 43 | 244 | 226 |
| Government grants taken to income | 24 | - | 24 | - |
| Other income | 11 | - | 11 | - |
| VAT Shelter Income | 205 | - | 205 | 319 |
| Charges for Support Services | - | 41 | 41 | 40 |
| Turnover from Social Housing Lettings | 32,042 | 1,510 | 33,552 | 33,218 |
| Operating expenditure | | | | |
| Management | (8,140) | (672) | (8,812) | (8,299) |
| Service charge costs | (1,146) | (417) | (1,563) | (1,667) |
| Routine maintenance | (6,874) | (260) | (7,134) | (6,360) |
| Planned maintenance | (800) | (30) | (830) | (763) |
| Major repairs expenditure | (2,400) | - | (2,400) | (2,373) |
| Development costs not capitalised | (2) | - | (2) | (1) |
| Bad debts | (171) | - | (171) | (263) |
| Depreciation of Housing Properties | (4,454) | (233) | (4,687) | (4,471) |
| Other Costs | (948) | (27) | (975) | (701) |
| Operating expenditure on Social Housing Lettings | (24,935) | (1,639) | (26,574) | (24,898) |
| Operating Surplus/(Deficit) on Social Housing Lettings | 7,107 | (129) | 6,978 | 8,320 |
| Void losses (being rental income lost as a result of property not being let, although it is available for letting) | (168) | (5) | (173) | (164) |

Halton Housing
Notes to the Financial Statements
For the Year Ended 31st March 2020

3(b). Turnover and operating expenditure

| | General Housing | Supported Housing and Housing for Older People | Total 2020 | Total 2019 |
|---|----------------------------|---|-----------------------|-----------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Association | | | | |
| Income | | | | |
| Rent receivable net of identifiable service charge and voids | 30,338 | 1,116 | 31,454 | 31,216 |
| Service charge income | 1,263 | 310 | 1,573 | 1,417 |
| Amortised government grants | 201 | 43 | 244 | 226 |
| Government grants taken to income | 24 | - | 24 | - |
| Other income | 11 | - | 11 | - |
| VAT Shelter Income | 205 | - | 205 | 319 |
| Charges for Support Services | - | 41 | 41 | 40 |
| Turnover from Social Housing Lettings | 32,042 | 1,510 | 33,552 | 33,218 |
| Operating expenditure | | | | |
| Management | (8,140) | (672) | (8,812) | (8,285) |
| Service charge costs | (1,146) | (417) | (1,563) | (1,667) |
| Routine maintenance | (6,874) | (260) | (7,134) | (6,362) |
| Planned maintenance | (800) | (30) | (830) | (763) |
| Major repairs expenditure | (2,400) | - | (2,400) | (2,373) |
| Development costs not capitalised | (2) | - | (2) | (1) |
| Bad debts | (171) | - | (171) | (263) |
| Depreciation of Housing Properties | (4,454) | (233) | (4,687) | (4,471) |
| Other Costs | (948) | (27) | (975) | (701) |
| Operating expenditure on Social Housing Lettings | (24,935) | (1,639) | (26,574) | (24,886) |
| Operating Surplus/(Deficit) on Social Housing Lettings | 7,107 | (129) | 6,978 | 8,332 |
| Void losses (being rental income lost as a result of property not being let, although it is available for letting) | (168) | (5) | (173) | (164) |

Halton Housing
Notes to the Financial Statements
For the Year Ended 31st March 2020

4. Turnover from activities other than social housing

| | Group | | Association | |
|---|--------------|--------------|--------------------|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| Activities other than social housing | | | | |
| Shops and Garages Lettings | 487 | 329 | 364 | 329 |
| Market Renting | 1,462 | 1,503 | 75 | 73 |
| Other | 43 | 199 | 32 | 31 |
| Properties developed for outright sale | 2,999 | - | 125 | - |
| | 4,991 | 2,031 | 596 | 433 |

5. Accommodation owned, managed and in development

| Group | 2020 | | 2019 | |
|--|--------------------------|----------------|--------------------------|----------------|
| | No. of properties | | No. of properties | |
| | Owned | Managed | Owned | Managed |
| Social Housing | | | | |
| <u>Under development at end of year:</u> | | | | |
| General needs housing social rent | - | - | - | - |
| General needs housing affordable rent | 154 | - | 108 | - |
| Supported housing and housing for older people | 56 | - | 44 | - |
| Low-cost home ownership | 166 | - | 94 | - |
| <u>Under management at end of year:</u> | | | | |
| General needs housing | 6,804 | 3 | 6,815 | 3 |
| Supported housing and housing for older people | 167 | - | 167 | - |
| Low-cost home ownership | 72 | - | 44 | - |
| | 7,419 | 3 | 7,272 | 3 |
| Non-Social Housing | | | | |
| <u>Under development at end of year:</u> | | | | |
| Outright Sale | 22 | - | 49 | - |
| Market rented | 4 | - | 18 | - |
| <u>Under management at end of year:</u> | | | | |
| Market rented | 265 | - | 266 | - |
| | 291 | - | 333 | - |

Halton Housing
Notes to the Financial Statements
For the Year Ended 31st March 2020

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

| Association | 2020 | | 2019 | |
|--|-------------------|----------|-------------------|----------|
| | No. of properties | | No. of properties | |
| | Owned | Managed | Owned | Managed |
| Social Housing | | | | |
| <u>Under development at end of year:</u> | | | | |
| General needs housing affordable rent | 154 | - | 108 | - |
| Supported housing and housing for older people | 56 | - | 44 | - |
| Low-cost home ownership | 166 | - | 94 | - |
| <u>Under management at end of year:</u> | | | | |
| General needs housing | 6,804 | 3 | 6,815 | 3 |
| Supported housing and housing for older people | 167 | - | 167 | - |
| Low-cost home ownership | 72 | - | 44 | - |
| | 7,419 | 3 | 7,272 | 3 |
| Non-Social Housing | | | | |
| <u>Under development at end of year:</u> | | | | |
| Outright Sale | - | - | 12 | - |
| Market rented | - | - | - | - |
| <u>Under management at end of year:</u> | | | | |
| Market rented | 10 | - | 10 | - |
| | 10 | - | 22 | - |

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

Group

| | Sales of Investment Properties | Sales of Properties not developed for outright sale | Others | Total 2020 | Total 2019 |
|---|--------------------------------|---|----------|--------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Proceeds of sales | 760 | 1,749 | 8 | 2,517 | 4,607 |
| <i>Less: Costs of sales</i> | | | | | |
| Halton Borough Council's share of sale proceeds | - | (205) | - | (205) | (197) |
| Carrying value of fixed assets | (700) | (314) | (6) | (1,020) | (2,743) |
| Incidental sale expenses | (36) | (29) | - | (65) | (465) |
| Surplus | 24 | 1,201 | 2 | 1,227 | 1,202 |
| Capital grant recycled (Note 23) | - | - | - | - | 23 |

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

Halton Housing
Notes to the Financial Statements
For the Year Ended 31st March 2020

Association

| | Sales of Properties not developed for outright sale | Others Total 2020 | | Total 2019 |
|---|--|--------------------------|--------------|-------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Proceeds of sales | 1,749 | 8 | 1,757 | 2,067 |
| Other proceeds | | | - | - |
| <i>Less: Costs of sales</i> | | | | |
| Halton Borough Council's share of sale proceeds | (205) | - | (205) | (197) |
| Carrying value of fixed assets | (314) | (6) | (320) | (564) |
| Incidental sale expenses | (29) | - | (29) | (62) |
| Surplus | <u>1,201</u> | <u>2</u> | <u>1,203</u> | <u>1,244</u> |
| Capital grant recycled (Note 23) | <u>-</u> | <u>-</u> | <u>-</u> | <u>23</u> |

7. Interest and financing costs

| | Group | | Association | |
|---|--------------|--------------|--------------------|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| Deferred benefit pension (income) charge | 156 | 63 | 156 | 63 |
| On loans repayable within five years | - | 345 | - | 345 |
| On loans wholly or partly repayable in more than five years | 7,201 | 6,377 | 7,201 | 6,377 |
| Costs associated with financing | <u>7,357</u> | <u>6,785</u> | <u>7,357</u> | <u>6,785</u> |
| Less: interest capitalised on housing properties under construction | (621) | (295) | (391) | (184) |
| Capitalised Interest Amortised | - | - | - | - |
| | <u>6,736</u> | <u>6,490</u> | <u>6,966</u> | <u>6,601</u> |

The weighted average interest on borrowings of 4% (2019: 4%) was used for calculating capitalised finance costs.

8. Surplus on ordinary activities

Halton Housing
Notes to the Financial Statements
For the Year Ended 31st March 2020

| | Group | | Association | |
|---|--------------|-------|--------------------|-------|
| | 2020 | 2019 | 2020 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| The operating surplus is stated after charging/(crediting):- | | | | |
| Auditors remuneration (excluding VAT): | | | | |
| Audit of the group financial statements | 20 | 16 | 20 | 16 |
| Audit of subsidiaries | 3 | 2 | - | - |
| Fees payable to the company's auditor and its associates for other services to the group: | | | | |
| Taxation compliance services | 10 | 5 | 10 | 5 |
| Service area review services | - | 4 | - | 4 |
| Operating lease rentals: | | | | |
| Vehicle Hire Costs | 135 | 230 | 135 | 230 |
| Land and buildings | - | - | - | - |
| Office equipment | 8 | 8 | 8 | 8 |
| Impairment losses of housing properties | - | - | - | - |
| Depreciation of housing properties | 4,687 | 4,471 | 4,687 | 4,471 |
| Depreciation of other fixed assets | 320 | 328 | 320 | 328 |

9. Tax on surplus on ordinary activities

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

10. Directors' remuneration

| | 2020 | 2019 |
|--|--------------|-------|
| | £'000 | £'000 |
| The aggregate emoluments paid to or receivable by non-executive Directors and former non-executive directors | 72 | 72 |
| The aggregate emoluments paid to or receivable by executive Directors and former executive directors | 398 | 340 |
| The emoluments paid to the highest paid Director excluding pension contributions | 144 | 141 |
| The aggregate amount of Directors or past Directors pensions, excluding amounts payable under a properly funded pension scheme | - | - |

The Chief Executive is an ordinary member of the pension scheme. The pension scheme is a final salary scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply. There are no additional pension arrangements. A contribution by Halton Housing of £22k (2019: £28k) was paid in addition to the personal contributions of the Chief Executive.

10. Directors' remuneration (continued)

Halton Housing
Notes to the Financial Statements
For the Year Ended 31st March 2020

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 2019-20 (£) | Remuneration Received 2018-19 (£) | Halton Housing | Audit and Risk Committee | Remuneration and Nominations Committee | Open Solutions (OSUK) Limited | HHT Development Limited |
|---|-----------------------------------|-----------------------------------|----------------|--------------------------|--|-------------------------------|-------------------------|
| Ingrid Fife (resigned 19.09.19) | 5,646 | 12,840 | Chair ✓ | | ✓ | | |
| Clive Deadman (appointed 19.09.19) | 6,000 | - | Chair ✓ | | ✓ | | |
| Mark Dennett | 6,500 | 6,500 | ✓ | Chair ✓ | | | |
| Mark Forrest | 9,500 | 9,500 | ✓ | | ✓ | Chair ✓ | |
| Michael Fry | 6,500 | 6,500 | ✓ | | Chair ✓ | | Chair ✓ |
| Angela Holdsworth | 7,500 | 7,500 | Vice chair ✓ | ✓ | | | |
| Kevin Williams (resigned from HD Board 02.01.20) | 5,000 | 5,000 | ✓ | ✓ | | | |
| Matthew Harrison (appointed to HD Board 02.01.20) | 5,000 | 5,000 | ✓ | | ✓ | | ✓ |
| Linda Levin (appointed 23.11.17) | 5,000 | 5,000 | ✓ | ✓ | | | |
| Gwynne Furlong - OSUK (appointed 29.11.18) | 5,000 | 1,667 | | | | ✓ | |
| Judith Winterbourne - OSUK (retired 29.11.18) | - | 3,333 | | | | ✓ | |
| David Hughes -OSUK | 5,000 | 5,000 | | | | ✓ | |
| Geoff Linnell (appointed 24.05.18) | 5,000 | 4,263 | ✓ | ✓ | | | |
| Rob Poole - OSUK (appointed 15.05.18) | - | - | | | | ✓ | |
| Neil McGrath - OSUK (appointed 28.03.19) | - | - | | | | ✓ | ✓ |
| | 71,646 | 72,103 | | | | | |

Halton Housing
Notes to the Financial Statements
For the Year Ended 31st March 2020

11. Employee information

| | Group | | Association | |
|--|---------------|--------------|--------------------|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| | 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 | 135 | 146 | 135 | 146 |
| Housing Management | 86 | 83 | 86 | 83 |
| Development | 9 | 8 | 9 | 8 |
| Support Services | 78 | 75 | 78 | 75 |
| | 308 | 312 | 308 | 312 |
| | £'000 | £'000 | £'000 | £'000 |
| Staff costs (for the above employees) | | | | |
| Wages and salaries | 9,665 | 9,746 | 9,665 | 9,746 |
| Social Security costs | 941 | 967 | 941 | 967 |
| Other pension costs | 1,272 | 1,210 | 1,272 | 1,210 |
| Redundancy costs | 158 | 195 | 158 | 195 |
| | 12,036 | 12,118 | 12,036 | 12,118 |

Aggregate number of full time equivalent staff whose remuneration exceeded £60,000 in the year:

| | Group | | Association | |
|----------------------|--------------|------|--------------------|------|
| | 2020 | 2019 | 2020 | 2019 |
| | No. | No. | No. | No. |
| £60,000 to £69,999 | 4 | 2 | 4 | 2 |
| £70,000 to £79,999 | 2 | 2 | 2 | 2 |
| £80,000 to £89,999 | 3 | 3 | 3 | 3 |
| £90,000 to £99,999 | 2 | 1 | 2 | 1 |
| £110,000 to £119,999 | - | 1 | - | 1 |
| £120,000 to £129,999 | 1 | - | 1 | - |
| £130,000 to £139,999 | 1 | 1 | 1 | 1 |
| £140,000 to £149,999 | 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 are contracted out of the state scheme.

Social Housing Pension Scheme

The Group participates in the Social Housing Pension Scheme (SHPS), a defined benefit multi-employer pension scheme administered by TPT Retirement Solutions (TPT). The accounting policy in relation to SHPS is set out on page 43.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2018 updated to 31 March 2020 by a qualified independent actuary.

Halton Housing
Notes to the Financial Statements
For the Year Ended 31st March 2020

| | At 31 March 2020 | At 31 March 2019 |
|--|-----------------------------|---------------------|
| | % pa | % pa |
| Rate of increase in salaries | 2.51 | 3.21 |
| Rate of increase for pensions in payment / inflation | 2.51 | 3.21 |
| Discount rate for scheme liabilities | 2.33 | 2.39 |
| Inflation assumption (CPI) | 1.51 | 2.21 |

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 2020 | At 31 March 2019 |
|-----------------------------|-----------------------------|-----------------------------|
| | Years | Years |
| <i>Retiring today</i> | | |
| Males | 21.5 | 21.8 |
| Females | 23.3 | 23.5 |
| <i>Retiring in 20 years</i> | | |
| Males | 22.9 | 23.2 |
| Females | 24.5 | 24.7 |

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

| | At 31 March 2020 | At 31 March 2019 |
|---|-----------------------------|-----------------------------|
| | £'000 | £'000 |
| Employer service cost (net of employee contributions) | 79 | 77 |
| Past service cost | - | - |
| Total operating charge | 79 | 77 |

Analysis of pension finance income / (costs)

| | | |
|--|-------------|-------------|
| Net interest expenses | (19) | (18) |
| Amounts (charged)/credited to financing costs | (19) | (18) |

Amount of gains and losses recognised in the Statement of Comprehensive Income

| | | |
|--|-------------|--------------|
| Actuarial gains on pension scheme assets | (11) | 169 |
| Actuarial (losses) / gains on scheme liabilities | 394 | (246) |
| Actuarial gain / (loss) recognised | 383 | (77) |

Halton Housing
Notes to the Financial Statements
For the Year Ended 31st March 2020

| | At 31 March 2020 £'000 | At 31 March 2019 £'000 |
|---|---------------------------------------|---------------------------------------|
| Movement in (deficit) during year | | |
| (Deficit) in scheme at 1 April | (803) | (688) |
| Movement in year: | | |
| Employer service cost (net of employee contributions) | (83) | (34) |
| Employer contributions | 116 | 14 |
| Past service cost | - | - |
| Net interest/return on assets | (19) | (18) |
| Remeasurements | 383 | (77) |
| (Deficit) in scheme at 31 March | (406) | (803) |
| | | |
| Asset and Liability Reconciliation | At 31 March 2020 £'000 | At 31 March 2019 £'000 |
| | | |
| Reconciliation of liabilities | | |
| Liabilities at start of period | 3,001 | 2,613 |
| Service cost | 83 | 77 |
| Interest cost | 73 | 69 |
| Employee contributions | 28 | 28 |
| Remeasurements | (394) | 246 |
| Benefits paid | (12) | (32) |
| Past Service cost | | |
| Curtailments and settlements | | |
| Liabilities at end of period | 2,779 | 3,001 |
| | | |
| Reconciliation of assets | | |
| Assets at start of period | 2,198 | 1,925 |
| Interest Income | 54 | 50 |
| Return on plan assets | (11) | 213 |
| Employer contributions | 116 | 14 |
| Employee contributions | 28 | 28 |
| Benefits paid | (12) | (32) |
| Assets at end of period | 2,373 | 2,198 |
| | | |
| Actual return on plan scheme assets | (406) | (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 2020 were £1,400k, of which employer's contributions totalled £1,058k and employees' contributions totalled £342k. 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 2019 updated to 31 March 2020 by a qualified independent actuary.

Halton Housing
Notes to the Financial Statements
For the Year Ended 31st March 2020

| | At 31 March 2020 | At 31 March 2019 |
|--|-----------------------------|---------------------|
| | % pa | % pa |
| Rate of increase in salaries | 2.60 | 2.80 |
| Rate of increase for pensions in payment / inflation | 1.90 | 2.50 |
| Discount rate for scheme liabilities | 2.30 | 2.80 |
| Inflation assumption (CPI) | 1.90 | 2.50 |

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 2020 | At 31 March 2019 |
|-----------------------------|-----------------------------|---------------------|
| | Years | Years |
| <i>Retiring today</i> | | |
| Males | 21.2 | 22.3 |
| Females | 23.6 | 24.5 |
| <i>Retiring in 20 years</i> | | |
| Males | 21.9 | 23.9 |
| Females | 25.0 | 26.5 |

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

| | At 31 March 2020 | At 31 March 2019 |
|---|-----------------------------|---------------------|
| | £'000 | £'000 |
| Employer service cost (net of employee contributions) | 2,175 | 1,768 |
| Past service cost | 357 | - |
| Total operating charge | 2,532 | 1,768 |

Analysis of pension finance income / (costs)

| | | |
|---|----------------|---------|
| Expected return on pension scheme assets | 1,049 | 1,103 |
| Interest on pension liabilities | (1,186) | (1,148) |
| Amounts (charged) to financing costs | (137) | (45) |

Amount of gains and losses recognised in the Statement of Comprehensive Income

| | | |
|--|----------------|---------|
| Actuarial gains on pension scheme assets | (1,289) | 1,113 |
| Actuarial (losses) / gains on scheme liabilities | 6,825 | (3,916) |
| Actuarial gain / (loss) recognised | 5,536 | (2,803) |

Halton Housing
Notes to the Financial Statements
For the Year Ended 31st March 2020

| | At 31 March | At 31 March |
|---|--------------------|---------------|
| | 2020 | 2019 |
| | £'000 | £'000 |
| Movement in (deficit) during year | | |
| (Deficit) in scheme at 1 April | (4,905) | (1,276) |
| Movement in year: | | |
| Employer service cost (net of employee contributions) | (2,175) | (1,768) |
| Employer contributions | 1,058 | 987 |
| Past service cost | (357) | - |
| Net interest/return on assets | (137) | (45) |
| Remeasurements | 5,536 | (2,803) |
| (Deficit) in scheme at 31 March | (980) | (4,905) |
| | | |
| Asset and Liability Reconciliation | At 31 March | At 31 March |
| | 2020 | 2019 |
| | £'000 | £'000 |
| | | |
| Reconciliation of liabilities | | |
| Liabilities at start of year | 48,282 | 41,904 |
| Service cost | 2,175 | 1,768 |
| Interest cost | 1,186 | 1,148 |
| Employee contributions | 342 | 319 |
| Remeasurements | (6,825) | 3,916 |
| Benefits paid | (896) | (773) |
| Past Service cost | 357 | - |
| Curtailments and settlements | - | - |
| Liabilities at end of year | 44,621 | 48,282 |
| | | |
| Reconciliation of assets | | |
| Assets at start of year | 43,377 | 40,628 |
| Return on plan assets | 1,049 | 1,103 |
| Remeasurements | (1,289) | 1,113 |
| Employer contributions | 1,058 | 987 |
| Employee contributions | 342 | 319 |
| Benefits paid | (896) | (773) |
| Assets at end of year | 43,641 | 43,377 |
| | | |
| Deficit in scheme at 31st March | (980) | (4,905) |

Halton Housing
Notes to the Financial Statements
For the Year Ended 31st March 2020

13. Tangible fixed assets

| Group | Housing Properties | | | | | Other fixed assets | | | |
|---|---|--|--|---|--------------------------|---------------------|---------------------------------------|-------------------------------|--------------------|
| | Social Housing Properties for Letting Completed | Social Housing Properties for letting under Construction | Low cost home ownership Properties completed | Low cost home ownership Properties under construction | Total Housing Properties | Freehold properties | Plant, machinery, fixtures & vehicles | Computer, hardware & software | Total fixed assets |
| Cost | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At start of the year | 185,229 | 4,342 | 3,035 | 1,674 | 194,280 | 5,689 | 637 | 1,143 | 201,749 |
| Transfers to/from low cost home ownership | - | (1) | - | 1 | - | - | - | - | - |
| Additions to properties acquired | (256) | 2,875 | (45) | 1,729 | 4,303 | (148) | 16 | 46 | 4,217 |
| Works to existing properties | 3,867 | - | - | - | 3,867 | - | - | - | 3,867 |
| Interest capitalised | - | 309 | - | 82 | 391 | - | - | - | 391 |
| Schemes completed | 3,975 | (3,975) | 2,153 | (2,153) | - | - | - | - | - |
| Disposals | (1,147) | - | (28) | - | (1,175) | - | (14) | (23) | (1,212) |
| Transfers from/ (to) stock of properties under construction | - | 1 | - | 118 | 119 | - | - | - | 119 |
| At end of the year | 191,668 | 3,551 | 5,115 | 1,451 | 201,785 | 5,541 | 639 | 1,166 | 209,131 |
| Depreciation and impairment | | | | | | | | | |
| At start of the year | 34,167 | - | 164 | - | 34,331 | 404 | 554 | 941 | 36,230 |
| Charge for the year | 4,294 | - | 59 | - | 4,353 | 174 | 48 | 98 | 4,673 |
| Disposals | (499) | - | - | - | (499) | - | (14) | (17) | (530) |
| At end of the year | 37,962 | - | 223 | - | 38,185 | 578 | 588 | 1,022 | 40,373 |
| Net book value at the end of the year | 153,706 | 3,551 | 4,892 | 1,451 | 163,600 | 4,963 | 51 | 144 | 168,758 |
| Net book value at the start of the year | 151,062 | 4,342 | 2,871 | 1,674 | 159,949 | 5,285 | 83 | 202 | 165,519 |

Halton Housing
Notes to the Financial Statements
For the Year Ended 31st March 2020

13. Tangible fixed assets (Continued)

| Association | Housing Properties | | | | Total Housing Properties | Freehold properties | Other fixed assets | | Total fixed assets |
|---|---|--|--|---|--------------------------|---------------------|---------------------------------------|-------------------------------|--------------------|
| | Social Housing Properties for Letting Completed | Social Housing Properties for letting under Construction | Low cost home ownership Properties completed | Low cost home ownership Properties under construction | | | Plant, machinery, fixtures & vehicles | Computer, hardware & software | |
| Cost | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At start of the year | 185,229 | 4,888 | 3,035 | 1,704 | 194,856 | 5,689 | 637 | 1,143 | 202,325 |
| Transfers to/from low cost home ownership | - | (1) | - | 1 | - | - | - | - | - |
| Additions to properties acquired | (256) | 2,962 | (45) | 1,770 | 4,431 | (148) | 16 | 46 | 4,345 |
| Works to existing properties | 3,867 | - | - | - | 3,867 | - | - | - | 3,867 |
| Interest capitalised | - | 309 | - | 82 | 391 | - | - | - | 391 |
| Schemes completed | 3,975 | (3,975) | 2,153 | (2,153) | - | - | - | - | - |
| Disposals | (1,147) | - | (28) | - | (1,175) | - | (14) | (23) | (1,212) |
| Transfers from/ (to) stock of properties under construction | - | 1 | - | 118 | 119 | - | - | - | 119 |
| At end of the year | 191,668 | 4,184 | 5,115 | 1,522 | 202,489 | 5,541 | 639 | 1,166 | 209,835 |
| Depreciation and impairment | | | | | | | | | |
| At start of the year | 34,167 | - | 164 | - | 34,331 | 404 | 554 | 941 | 36,230 |
| Charge for the year | 4,294 | - | 59 | - | 4,353 | 174 | 48 | 98 | 4,673 |
| Disposals | (499) | - | - | - | (499) | - | (14) | (17) | (530) |
| At end of the year | 37,962 | - | 223 | - | 38,185 | 578 | 588 | 1,022 | 40,373 |
| Net book value at the end of the year | 153,706 | 4,184 | 4,892 | 1,522 | 164,304 | 4,963 | 51 | 144 | 169,462 |
| Net book value at the start of the year | 151,062 | 4,888 | 2,871 | 1,704 | 160,525 | 5,285 | 83 | 202 | 166,095 |

Halton Housing
Notes to the Financial Statements
For the Year Ended 31st March 2020

13. Tangible fixed assets (Continued)

Group & Association

Completed Housing Properties comprise:

| | 2020 | 2019 |
|-----------|-----------------------|----------------|
| | £'000 | £'000 |
| Freehold | 158,442 | 153,775 |
| Leasehold | 156 | 158 |
| | <u>158,598</u> | <u>153,933</u> |

Works to existing properties in the year:

| | 2020 | 2019 |
|--------------------------------|---------------------|--------------|
| | £'000 | £'000 |
| Components capitalised | 3,867 | 3,869 |
| Investment Works in Progress | 65 | 189 |
| Amounts charged to expenditure | 2,400 | 2,373 |
| | <u>6,332</u> | <u>6,431</u> |

14. Investment properties held for letting

| | Group | | Association | |
|--|----------------------|---------------|---------------------|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| At start of year | 24,723 | 16,579 | 1,290 | 1,230 |
| Additions | 2,034 | 10,266 | - | 2 |
| Disposals | (640) | (2,179) | - | - |
| Transfer to stock | (6,146) | (60) | - | - |
| (Loss) / Gain from adjustment in value | 48 | 117 | 15 | 58 |
| At end of year | <u>20,019</u> | <u>24,723</u> | <u>1,305</u> | <u>1,290</u> |

The total historic cost of the Investment Properties as at 31 March 2020 was £19.6m (2019:£23.1m).

The investment properties were valued as at 2nd February 2020 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 7.0% to 9.5% depending upon the property investment type and location;
- The investment yield applied is also determined by the percentage of void units at each investment and 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 stable growth rate with a cautious outlook beyond due to factors of Brexit and regulation changes.

Given the impact of the Covid-19 pandemic on housing markets and the availability of market evidence to fully inform an opinion on value, we consider that there is material uncertainty in the valuation of our investment properties included within these accounts. We will keep this situation under review.

At 31 March 2020 there were no contractual obligations to purchase/construct/develop/repair/maintain investment properties.

Halton Housing
Notes to the Financial Statements
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15. Fixed asset investments

Group Companies

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

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

The investments held in the year of £11.9m (2019:£11m) 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 | |
|--------------------------------------|---------------|--------------|--------------------|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| Stock held in Vans / Stores | 86 | 58 | 86 | 58 |
| Improvement Works in Progress | 65 | 189 | 65 | 189 |
| Land held for Sale | 6,315 | 1,759 | 1,804 | 1,760 |
| Properties held for sale | | | | |
| Shared ownership properties: | | | | |
| Completed | 866 | 111 | 884 | 111 |
| Work in progress | 1,174 | 1,688 | 1,174 | 1,702 |
| Outright sale properties: | | | | |
| Completed | 1,145 | 158 | - | 98 |
| Work in progress | 2,756 | 2,928 | - | 2 |
| | 12,407 | 6,891 | 4,013 | 3,920 |

17. Trade and other debtors

| | Group | | Association | |
|--------------------------------------|----------------|----------------|--------------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| Rent arrears | 2,226 | 1,756 | 1,998 | 1,580 |
| Less: provision for bad debts | (1,542) | (1,636) | (1,335) | (1,502) |
| Other taxation and social security | 28 | 120 | 5 | 105 |
| Intercompany debtors | - | - | 71 | 48 |
| Other debtors | 2 | 868 | 2 | 852 |
| Prepayment and accrued income | 1,657 | 2,424 | 1,572 | 1,560 |
| | 2,371 | 3,532 | 2,313 | 2,643 |
| Due after more than one year: | | | | |
| Intercompany debtor | - | - | 14,400 | 15,300 |
| | - | - | 14,400 | 15,300 |

Halton Housing
Notes to the Financial Statements
For the Year Ended 31st March 2020

18. Investments

| | Group | | Association | |
|--|--------------|-------|--------------------|-------|
| | 2020 | 2019 | 2020 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| Investments at cost: | | | | |
| Listed on a recognised investment exchange | 12 | 12 | 12 | 12 |
| Unlisted investments | 105 | 105 | 105 | 105 |
| | 117 | 117 | 117 | 117 |
| | | | | |
| Historic cost of investments | 112 | 112 | 112 | 112 |

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

19. Cash and cash equivalents

| | Group | | Association | |
|--------------------------|---------------|-------|--------------------|-------|
| | 2020 | 2019 | 2020 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| Money market investments | - | - | - | - |
| Cash at bank | 11,034 | 4,928 | 10,890 | 4,721 |
| | 11,034 | 4,928 | 10,890 | 4,721 |

20. Creditors: amounts falling due within one year

| | Group | | Association | |
|--|--------------|-------|--------------------|-------|
| | 2020 | 2019 | 2020 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| Trade creditors | 599 | 732 | 586 | 702 |
| Social Housing Grant received in advance | 664 | - | 664 | - |
| Amounts owed to group undertakings | - | - | 626 | 1,038 |
| Rents and service charges paid in advance | 725 | 631 | 667 | 588 |
| Other taxation and social security payable | 385 | 382 | 385 | 375 |
| Accruals and deferred income | 5,106 | 6,060 | 4,124 | 4,452 |
| Deferred Capital Grant (Note 22) | 244 | 226 | 244 | 226 |
| Other creditors | 290 | 343 | 279 | 343 |
| | 8,013 | 8,374 | 7,575 | 7,724 |

Halton Housing
Notes to the Financial Statements
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21(a). Creditors: amounts falling due after more than one year

| | Group | | Association | |
|---------------------------------------|-----------------------|----------------|-----------------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| Loans (Note 21b) | 138,617 | 134,275 | 138,617 | 134,275 |
| Deferred Capital Grant (Note 22) | 24,536 | 23,674 | 24,536 | 23,674 |
| Recycled capital grant fund (Note 23) | 23 | 23 | 23 | 23 |
| | <u>163,176</u> | <u>157,972</u> | <u>163,176</u> | <u>157,972</u> |

21(b). Debt analysis

| | Group | | Association | |
|---|-----------------------|----------------|-----------------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| Loans repayable by instalments: | | | | |
| In five years or more | 140,000 | 120,000 | 140,000 | 120,000 |
| Loans not repayable by instalments: | | | | |
| In two years or more and less than five years | - | 15,750 | - | 15,750 |
| In five years or more | - | - | - | - |
| Less: loan issue costs | (1,383) | (1,475) | (1,383) | (1,475) |
| Total loans | <u>138,617</u> | <u>134,275</u> | <u>138,617</u> | <u>134,275</u> |

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 2020 was:

| | Total | Variable Rate | Fixed rate | Weighted Average rate | Weighted average term |
|-----------------------|-----------------------|----------------------|-----------------------|------------------------------|------------------------------|
| | £'000 | £'000 | £'000 | % | Years |
| Instalment loans | 140,000 | - | 140,000 | 4.63 | 15.43 |
| Non-instalments loans | - | - | - | | |
| | <u>140,000</u> | - | <u>140,000</u> | | |

At 31st March 2020 Halton Housing had undrawn loan facilities of £90,000,000 (2019: £114,250,000)

22. Deferred capital grant

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| | Group | | Association | |
|----------------------------------|---------------|--------|--------------------|--------|
| | 2020 | 2019 | 2020 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| At start of the year | 23,900 | 22,961 | 23,900 | 22,961 |
| Grant received in the year | 1,788 | 730 | 1,788 | 730 |
| Plus/(Less): Received In Advance | (664) | 435 | (664) | 435 |
| Released to income in the year | (244) | (226) | (244) | (226) |
| At the end of the year | 24,780 | 23,900 | 24,780 | 23,900 |

| | £'000 | £'000 | £'000 | £'000 |
|------------------------------------|---------------|--------|---------------|--------|
| Amount due to be released < 1 year | 244 | 226 | 244 | 226 |
| Amount due to be released > 1 year | 24,536 | 23,674 | 24,536 | 23,674 |

23. Recycled capital grant fund

| | Group | | Association | |
|--------------------------|--------------|-----------|--------------------|-----------|
| | 2020 | 2019 | 2020 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| At the start of the year | 23 | - | 23 | - |
| Inputs: Grants recycled | - | 23 | - | 23 |
| At the end of the year | 23 | 23 | 23 | 23 |

24. Provision for liabilities and charges

| | Cheshire Pension | Social Housing Pension Scheme | Total Pension Scheme Provision |
|---|-------------------------|--------------------------------------|---------------------------------------|
| | £'000 | £'000 | £'000 |
| Group and Association | | | |
| At the start of the year | 4,905 | 803 | 5,708 |
| Transfer from Statement of Comprehensive Income (increase in the provision of the year) | 2,669 | 102 | 2,771 |
| Deficit Contribution Paid | (1,058) | (116) | (1,174) |
| Unwinding | - | - | - |
| Re-measurement changes | (5,536) | (383) | (5,919) |
| At the end of the year | 980 | 406 | 1,386 |

25. Members Guarantee

Every Member undertakes to contribute to the assets of the Company, in the event of the Company being wound up whilst they are a Member, or within one year thereafter, the amount as may be required shall be for payment of the debts and liabilities of the Company contracted before they ceased to be a Member and of the costs, charges and expenses of winding up the Company and the adjustment of the rights of the contributories among themselves. Each Member's contribution shall not exceed one pound. At the year-end there were 15 members.

26. Capital commitments

Halton Housing
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| | Group | | Association | |
|--|----------------|---------|--------------------|--------|
| | 2020 | 2019 | 2020 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| Capital expenditure that has been contracted for but has not been provided for in the financial statements | 8,163 | 8,178 | 31,124 | 11,605 |
| Capital expenditure that has been authorised by the Board but has not yet been contracted for | 127,128 | 127,165 | 62,422 | 85,869 |
| | 135,291 | 135,343 | 93,546 | 97,474 |

The Group/Association expects these commitments to be financed with:

| | | | | |
|---------------------------------------|----------------|---------|---------------|--------|
| Social Housing Grant | 14,846 | 11,834 | 14,846 | 11,834 |
| Proceeds from the sales of properties | 72,947 | 70,322 | 31,400 | 42,487 |
| Committed loan facilities | 47,498 | 53,186 | 47,300 | 43,153 |
| | 135,291 | 135,342 | 93,546 | 97,474 |

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 | |
|---|--------------|-------|--------------------|-------|
| | 2020 | 2019 | 2020 | 2019 |
| | £'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 | - | - | - | - |
| In five years or more | - | - | - | - |
| | - | - | - | - |
| Others: | | | | |
| In less than one year | 8 | 143 | 8 | 143 |
| In one year or more but less than two years | 8 | 8 | 8 | 8 |
| In two years or more and less than five | 9 | 17 | 9 | 17 |
| In five years or more | - | - | - | - |
| | 25 | 168 | 25 | 168 |

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

28. Contingent liability

Halton Housing
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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 | |
|---|----------------------|---------------|----------------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| | £'000 | £'000 | £'000 | £'000 |
| The total accumulated government grant and financial assistance received or receivable at 31 March: | | | | |
| Held as deferred capital grant (Note 22) | 24,780 | 23,900 | 24,780 | 23,900 |
| Recognised as income in statement of Comprehensive Income | 1,347 | 1,079 | 1,347 | 1,079 |
| | <u>26,127</u> | <u>24,979</u> | <u>26,127</u> | <u>24,979</u> |

30. Related parties

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

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

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

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

The amounts owing at the end of 31st March 2020 were a long term debtor of £14.4 million (2019: £15.3 million) in relation to the loan by HH in OSUK and there is also a Fixed Asset Investment of £11.9 million (2019: £11 million) both of which relate to payments made to fund the purchase of the Fixed Assets held by OSUK.

Intra-group interest is charged by HH to OSUK at an agreed commercial rate. The amount paid during the year amounted to £1,121,331 (2019: £934,123).

Intra-group management fees are receivable by HH from its subsidiaries to cover the running costs HH incurs on behalf of managing and providing services to them both. The Management fee is calculated on a service by service basis using varying methods of allocation. The total amount of charges payable by OSUK and HD Ltd amounted to £58,000 (2019: £58,000) and £443,391 (2019: £443,391) respectively.

During the year OSUK sold two properties to HH for £354,830 (2019: £nil). There were no amounts outstanding at 31st March 2020 in respect of this transaction.

There is a debtor owed to HH by OSUK of £70,658 (2019: £46,243). This relates to the net payments and income received through HH that will be repaid during the year ended 31st March 2020 and gift aid.

30. Related parties continued

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For the Year Ended 31st March 2020

HD Ltd provides Design & Build Services to HH. The total amount of design and build fees invoiced by HD Ltd during the year was £4,797,352 (2019: £6,374,779).

At 31st March 2020 HH owed £626,332 (2019: £1,037,580) to HD Ltd in respect of uninvoiced costs to 31st March 2020 in relation to schemes under construction.

HD Ltd commenced provides Design & Build Services to OSUK. The total amount of design and build fees invoiced by HD Ltd during the year was £1,842,451 (2019:£1,531,278).

At 31st March 2020 OSUK owed £169,769 (2019: £269,381) to HD Ltd in respect of uninvoiced costs to 31st March 2020 in relation to schemes under construction.

OSUK and HD Ltd declared gift aid payments in respect of the year ended March 2019 to HH of £56,808 (2019: £189,773) and £114,734 (2019: £178,067) respectively. These were paid during the year ended 31st March 2020. Related party balances are not secured.

31. Financial instruments

| | Group | | Association | |
|---|----------------|---------|--------------------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| The Group's and Association's financial instruments may be analysed as follows: | £'000 | £'000 | £'000 | £'000 |
| Financial assets | | | | |
| (a) Financial assets that are measured at amortised cost | 12,716 | 6,848 | 26,966 | 21,932 |
| Financial liabilities | | | | |
| (a) Financial liabilities measured at amortised cost | 171,189 | 166,346 | 170,751 | 165,696 |

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.