PIERHEAD HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2020

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Contents	**Page**

PIERHEAD HOUSING ASSOCIATION LIMITED
Foreword by the Chair of the Board
For the year ended 31 March 2020

Chair's Foreword to Accounts

I was delighted to take over as Group Chair, from Paul Smith in October as we moved to managing the organisation with a Common Board for both housing companies.

I must thank Paul for leaving the organisation in really strong shape and the new governance arrangements will only serve to make us more efficient and able to direct more resource onto our tenants and neighbourhoods.

Its been a really successful financial year for Prima:

- A group surplus of £2.8m on a turnover of £13.6m, an operating margin of 25%
- We outperformed the budget by £0.4m
- Strong liquidity with a net debt of £1.4m
- Combined assets of £98.8m

But more importantly we began on our journey to grow and improve as an organisation:

- In January we completed 38 fabulous new homes at Wheatfield Close in Knowsley, and they were occupied almost instantly
- Purchased 20 houses and flats from Regenda in line with our strategic plans
- Refurbished 33 homes for older people at Chestnut Court and making major investment in new kitchens and bathrooms

We want to continue to invest and are really well placed to deliver our growth plans for future years.

As I write these words, we are in the midst of coping with the unexpected circumstances arising from the Covid-19 virus. I have been inspired by our staff who have all gone the extra mile to support tenants and their communities. I am enormously grateful for their commitment and hard work in delivering for Prima which has allowed us to maintain good performance in difficult times for all.

James Boyd
Prima Group Chair

Registered under the Co-operative and Community Benefit Societies Act 2014:	20002R
Regulator of Social Housing:	L1001
Secretary:	K Timmins
Registered office:	8 Columbus Quay Riverside Drive Liverpool Merseyside L3 4DB
Bankers:	Bank of Scotland PO Box 1000 BX2 1LB Barclays Bank Plc Corporate Banking Centre 48B/50 Lord Street Liverpool L2 1TD NatWest 2 - 8 Church Street Liverpool L1 3BG
Auditors:	Beever and Struthers St Georges House 215 Chester Road Manchester M15 4JE
Internal Auditors	BDO LLP 5 Temple Square Temple Street Liverpool L2 5RH
Solicitors:	Brabners LLP Horton House Exchange Flags Liverpool L2 3YL Weightmans LLP 100 Old Hall Street Liverpool L3 3QJ

Member of the National Housing Federation

Overview and Background

2,817 total homes and properties
327 development programme

1,601 homes Pierhead Housing Association (PHA, the Parent)	265 properties PHA Commercial Limited (Prima Commercial)	951 homes Leasowe Community Homes (LCH)

PHA was formed in 1971 and built up a portfolio of houses and flats throughout Merseyside. LCH was formed in 1999 when Wirral Borough Council transferred its homes to the Association. Joining together in April 2017, the two organisations provide general needs housing and neighbourhood services to support sustainable communities in Wirral, Liverpool and Sefton. The Group now has a turnover of over £13m and owns and manages nearly three thousand properties

Prima Commercial was established in February 2017 with the transfer of a portfolio of 256 properties (including key worker, student and retail units) in May 2017. The aim of Prima Commercial is to generate additional surpluses to support the Group's social aims.

Keen to make use of our financial strength we have a 5-year development programme to deliver over 300 affordable homes as well as properties through our commercial subsidiary.

In February 2019, Prima successfully secured Investment Partners Status (IPS) from Homes England as part of their 2016-2021 Shared Ownership and Affordable Housing Programme. This has enabled Prima Commercial to offer development services to other registered providers.

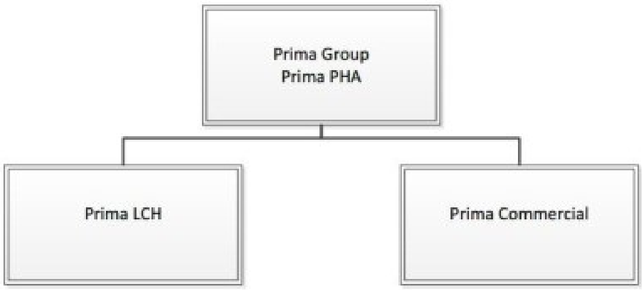
Legal structure

Pierhead Housing Association Limited (PHA), the parent for the Group is a Community Benefit Society with charitable status under the Co-operative and Community Benefit Societies Act 2014. It is registered with the Financial Conduct Authority with a registration number of 20002R. PHA is registered with the Regulator of Social Housing as a Registered Provider of social housing with a registration number of L1001.

Leasowe Community Homes Limited (LCH) is a Community Benefit Society with charitable status under the Co-operative and Community Benefit Societies Act 2014. It is registered with the Financial Conduct Authority with a registration number of 8205. LCH is registered with the Regulator of Social Housing as a Registered Provider of social housing with a registration number of L4195.
Up until 01 October 2019, LCH was a company limited by guarantee with a registered number of 3616536 and a registered charity with Charity Number 1072539.

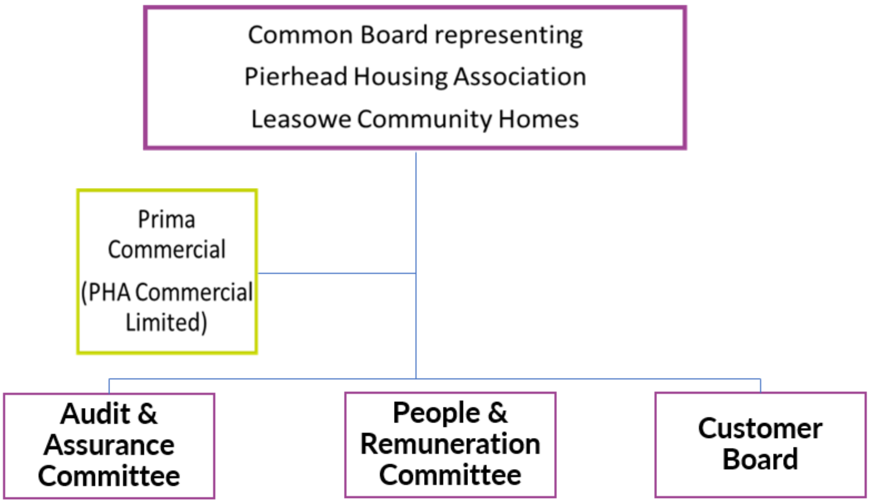
PHA Commercial Limited (Prima Commercial) is a company limited by shares under the Companies Act 2006, with a registered number of 10606594, with all the shares owned by the parent.

The Company structure is as follows:



The organisational structure is supported by the following governance arrangements which was implemented from the 1st October 2019 following a review of governance. This moved the two housing associations to management arrangements with a common (shared) board:

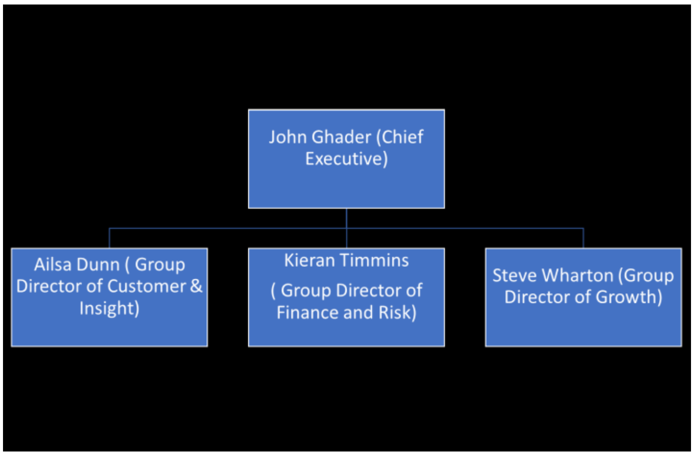
Group Governance Structure



Prima PHA is the parent whilst both Prima LCH and Prima Commercial are subsidiaries within the Group, all are working with an agreed Intra-Group Agreement (IGA).

The management structure in place at the close of the financial year was:

New Executive Team Structure



The Group Director of Finance and Risk is also the Company Secretary.

The Group is currently undertaking a review of its legal structure in order to be as efficient as possible and to adopt best practice. The review will report in the Autumn of 2020.

Our strategic framework
The Group's vision, strategic objectives and values have been developed with tenants, employees and board members and are supporting us to create a shared mission and culture. These set out a shared view of how the organisation will operate and move forward into the future and set out our expectations for our approach on how we do things, focusing on embracing positive behaviours.

Our vision is:

Creating vibrant neighbourhoods in which to live and work, where quality, affordable homes and services are at the heart of the communities.

Our strategic objectives are focussed on our:

- **Customers -** A landlord of choice that delivers excellence for customers
- **Partnerships** - Deliver locally for the benefit of neighbourhoods and communities
- **Business Transformation** - A strong, viable, efficient and effective business
- **Growth and Development** - A Group that continues to grow and prosper and whose reputation is above that of its peers.

Our values set out how we want to do things and focus on how we:

People - Put customers and communities first
Pride - Be proud of what we do and strive to be better
Partner - Respect others, work together and build partnerships
Pioneer - Be creative, embrace change and learn from experience

Review of the Year

It's been a busy year for Prima, transforming ways of working across the business and a focus on strengthening our partnership working. Since the Prima Group formed on 1 April 2017, we have made good progress bringing the Group together and delivering on the promises made in our business case to the Regulator of Social Housing.

How we will meet our vision and objectives is set out in our Corporate Plan – Prima Prospects which is available on our website. We review that plan annually to resources and actions are aligned with the Group's mission, vision and values. Progress is monitored regularly

External Environment

Prima Group is mindful of the changing operating landscape we work in and scanning our strategic environment is a key part of our planning process. This supports us in preparing the business for change, identifying risks and opportunities that we may face.

The Social Housing Green Paper, published in August 2018, considered how to rebalance the relationship between residents and landlords, ensuring residents voices are heard. It set out the Government's high expectations for the sector to deliver additional and much needed affordable homes and ensuring homes are safe and decent. It proposed fundamental reform to ensure social homes are safe with well manged services; it set out the need to strengthen the Regulator's role; along with requirements to see that we are tackling stigma, celebrating thriving communities, empowering residents and effectively resolving complaints.

The Group continues to monitor changes within the sector, and have identified the following key elements on our strategic radar:

- Government Rent Policy - the impact on income through the new rent policy for 2020 to 2025 where increases will be limited to CPI plus 1% with housing associations expected to show they are investing additional income for the benefit of residents;
- The tragedy that was the Grenfell Tower fire and resulting recommendations from the Hackitt review, the Grenfell Tower Inquiry Phase 1 Report and the Building a Safer Future proposals relating to safety standards, appropriate accommodation and an increased focus on health and safety responsibilities of landlords;
- The potential extension of voluntary Right to Buy (vRTB) and the progress of the pilots and the Government's agenda on home ownership;
- The ongoing roll out of welfare reform and Universal Credit and its effect of reducing income levels for customers which could impact negatively on rent collection, arrears levels and bad debts. This was a key consideration in developing our refreshed structure, setting teams up to work differently to better manage this risk and supporting financial inclusion;
- The emerging impact of the new Government's approach to housing including new market initiatives, the introduction of a new homes ombudsman and a focus on further home ownership initiatives;
- Proposals for the future funding of supported housing and the review of sheltered housing rents and service charge calculations;
- The impact of the Government's Homelessness Review and local initiatives such as Housing First;
- The country's targets for reducing carbon emissions and to become carbon neutral by 2050. This will require investment in both new 'greener' homes as well as improvements and retrofitting to our current stock.
- The local devolution agenda, its influence on delivery on homelessness and delivering new homes as shown in the Liverpool City Region's "Building the Future" recommendations.
- Brexit and the impact on the economy and construction labour market brings some degree of uncertainty and our plans need us to be flexible and able to adapt quickly to both risks and opportunities and how wider economic changes affects the lending markets.

- **The Impact of Covid- 19**
  At the time of writing the world is dealing with the outcomes of a global pandemic and the consequences of using 'lockdown' to manage the outbreak on global and local economies. The impacts remain uncertain but are being monitored closely. Prima's investment in technology has allowed staff to work effectively from home and to keep service levels and support going for customers. To date the financial impact has been relatively limited and Prima has coped well. However, we realise that there will be longer term consequences for the local economy and the long-term funding of housing associations may be impacted by the long-term cost of paying for government interventions and support in the short term.

We understand that we need to be an agile business, adapting to meet the challenges of this increasingly complex, dynamic and uncertain environment. Effective management within this context requires a robust approach to understanding and controlling risk.

The Group robustly reviewed its Governance arrangements following the outcomes of our strategic governance review. To reinforce its commitment to the Governance and Viability Standard the Group has:

- Implemented the recommendations from the Strategic Options and Governance Review Action Plan;
- Reassessed its 'Risk Appetite and Golden Rules' which enabled the agreement of clear parameters for future development schemes and openness to new opportunities;
- Reviewed its approach to risk by revising the risk management strategy and business assurance framework and ensuring that it is fully embedded within the decision making and business planning processes;
- Reviewed the Group's approach to stress testing to ensure it reflected the Boards' risk appetite;
- Assessed key emerging risks to update the reviewed corporate risk register;
- Started to undertake 'risk deep dives' at board and committee meetings;
- Learnt from the experience of the regulators 'In Depth Assessment' (IDA) process;
- Further developed its assets and liabilities register for the Group.

The Regulator carried out an in-depth assessment in December 2018, to review Prima Group's governance and viability. We were pleased to be able to maintain our G1/V1 status. We committed that our Group-wide business plan would demonstrate added value for present and future customers, deliver efficiency and cost improvement plans across the business, through leaner organisational structures and more effective streamlined systems and processes, eliminating unnecessary waste and duplication from top to bottom.

Progress on Prima Prospects During 2019/20

We have made significant progress in delivering on this change programme and on the objectives, we set ourselves in our 2019-20 business plan, including:

Customers

- Embedded new ways of working to improve the customer experience and business performance, focussing on tenancy sustainment and protecting rental income;
- Re-assessed our team structures to reallocate resources effectively and prepare the Group to meet the challenges ahead;
- Started to diversify the customer base, offering private sector lettings through Prima Commercial;
- Carried out a Customer Satisfaction Index survey with results informing our knowledge and insight on customers' needs now and for the future;
- Developed more online customer services including webchat, online housing applications and a customer Self-Serve App to provide information on their account and access to key services;
- Began a process of reviewing customer facing services, using feedback from our Customer Scrutiny Group on repairs to help inform procurement of new repair contractors;
- With the help of our Customer Steering Group we have set up and recruited to the new Prima Customer Board;
- Achieved good performance for housing and repairs services including the key areas of managing empty homes and income collection, and responding positively to the increased roll out of Universal Credit to more customers;

- Reaching customers in new ways, increasingly using digital channels and video to communicate, including Facebook Messenger, setting up Instagram and YouTube channels.

Partnerships

- Continuing to work with CHANW partners to collaborate and co-procure on policy development, customer satisfaction survey, legal services and training;
- Developed a website for a CHANW partner organisation and supporting others in reviewing theirs;
- Supported Eldonians in specialist areas such as asset management and stock condition surveys;
- Delivered development services to Eldonians and Wirral Methodist Housing Association, acting as development agent and supporting them in working with Homes England;
- Worked with Wirral Borough Council to identify housing priorities and opportunities for development to bring a proposed site to planning stage;
- Implemented our neighbourhood planning approach, producing Neighbourhood Plans, setting out our knowledge and further plans for the communities we work in;
- Building our relationship with Homes England and others as an Investment Partner, as we successfully developed new homes at our Holly Farm site (Wheatfield Close) and continue to identify new sites. In addition, following our bid to access funding to revitalise Chestnut Court, we have completed the refurbishment of the scheme improving the scheme for our residents;
- Carried out a review of the impact of the work done by the Wirral Development Trust, assessing their delivery of key projects. Looking to further understand the social impact of our investment in communities, we have started to investigate other models to deliver regeneration and access to training and work opportunities.

Business Transformation

- Implemented our new governance arrangements, which has seen changes to Boards and Committees, the meeting cycles reviewed and the streamlining of governance processes and reporting;
- Robust board appraisals in place and recruitment for new Board Members completed;
- Revised our risk and compliance reporting with a further review of Board's risk appetite and our Risk Assurance Framework planned;
- Embedded the teams working in the Insight and Innovation and Finance and Risk areas to drive improved future service delivery;
- Commenced the process of procuring new repairs and maintenance contractors, setting out our requirements focused on delivering improved services to customers;
- Gone live with our new asset management software solution, bringing together property component data into one system, giving us more property insight across repairs and asset management teams;
- Started to review performance information and how this is presented to better enable challenge of our performance;
- Continuing progress made on delivering our ICT strategy, gaining the benefits of the Office 365 suite, making the necessary infrastructure changes and staring to roll out mobile working solutions to improve ways of working across the business enabling staff to work more dynamically and reducing administration tasks;
- Further developed our Treasury Strategy & Financial Capacity, using intergroup borrowing where appropriate;
- Retained our G1/V1 status;
- Achieved improved levels of employee satisfaction during a time of change for the business;
- Introducing new ways of working with employees by successfully embedding Wednesday morning training sessions, establishing our Mental Health Champions and having a staff selected charity of the year for the organisation to rally behind.

Growth & Development

- Completed 38 new homes at Holly Farm and fully let them early in 2020;
- Purchased 20 homes from Regenda;
- Continuing to progress with our overall growth target of 300 homes in 5 years;
- Delivering housing management and compliance services on behalf of other providers through our new contract with Signature Homes;

- Implemented new asset management software to improve understanding of data for day to day maintenance, cyclical works and investment programmes, which will make future investment planning more streamlined;
- Completed full stock condition survey for Prima PHA to ensure data for the Group is robust and for more accurate financial business planning for investment;
- Completed the Homes England funded redevelopment of Chestnut Court to improve its long-term future appeal and improve living standards for current tenants;
- Appraising potential new developments on two sites in partnership with Richmond Fellowship;
- On behalf of the Eldonians, we successfully bid for Homes England grant funding for the initial site investigation and design plans for proposed new homes on their Love Lane site.

Prima Commercial

Its been another successful year for Prima Commercial which has made a surplus after taxation of £287k

- The development team (which sits within the commercial arm of Prima) ensured:
  - The completion of Prima's first major development at Holly Farm in Knowsley (38 units at a net cost of £3.6m).
  - The purchase of 20 homes from Regenda.
  - The remodelling of the sheltered scheme at Chestnut Court increasing the scheme's desirability and economic life.
- In addition, they managed the successful delivery of development services to other organisations including Eldonians and Wirral Methodist housing associations and several charitable organisations generating additional income.
- Prima Commercial continued to progress the Prima development programme including the acquisition of key sites on behalf of the Group including the purchase of the former Prescot Police station. We now have a strong pipeline of future projects which will deliver our growth strategy.
- A review of the cost base and how costs are apportioned across the Group structure took place during the year which ensured that no social housing costs are charged to the commercial entity.
- The impact of Covid -19 - Performance of the stock has held up well despite the challenges to commercial businesses arising from the lockdown with arrears maintained within normal bands. We continue to monitor the situation closely to understand what impacts arise on the medium-term economy of the Liverpool City Region.

Looking Ahead - Our Strategic Objectives for 2020-21

Prima Group has invested resources over the past twelve months in building new partnership links, business transformation and establishing our growth and development offer. Together with having approved financial capacity the Group is in a strong position to meet the challenges and opportunities which may arise over the life of the 2020-21 Corporate Plan. The Board revisited the Group's four strategic objectives and strategic aims to make sure we are still focusing on the right things for our customers and our ambitions for the future.

Objective 1: Customers

Strategic Aim: A landlord of choice that delivers excellence for customers.

Activity: To engage with and enable customers to have a strong voice and choices in developing and influencing services.

Key actions for 2020-21:
- Ensure customers are central to service delivery and we work to improve the customer experience and reviewing customer standards.
- Embed our Neighbourhood Strategy and Planning approach, identifying and improving capacity within neighbourhoods and supporting the regeneration of communities.
- Review customer standards and key policies.

Objective 2: Partnerships

Strategic Aim: Deliver locally for the benefit of its neighbourhoods and communities.

Activity: To develop collaborative partnerships and alliances to sustain safe, vibrant, healthy and decent neighbourhoods and position the Group as a provider and partner of choice.

Key actions for 2020-21:
- Share services, systems, people and processes where it makes sense to do so, building on the Group's partnership approach.
- Work with residents within their homes and neighbourhoods to make a positive impact and maintain vibrant communities.

Objective 3: Business Transformation

Strategic Aim: A strong, viable, efficient and effective business.

Activity 1: Consolidating the business by improving process, practice and performance.

Key actions for 2020-21:
- Effective leadership and governance.
- Building on the Group's strength in relation to financial management and control and building on existing healthy financial position and surpluses.
- Continuously improving services and key performance areas nurturing new ideas, innovation and approaches to increase business efficiency.

Objective 4: Growth & Development

Strategic Aim: A Group that continues to grow and prosper and whose reputation is above that of its peers.

Activity 1: Ensure we are well placed and have capacity to take up any opportunities that arise.

Key actions for 2020-21:
- Build and acquire more homes.
- Grow our commercial activity, where we can further develop and generating additional income.
- Make best use of stock and land using intelligence to drive investment decisions.

Summary financial results

The Group has reported another healthy surplus for 2019-20 and again closes the year in a very strong financial position.

Statement of Comprehensive Income
The Group achieved a surplus on ordinary activities for the year of £3.6m,(2019: £3.8m), the Association achieved a surplus of £1.8m, (2019: £1.9m).

Statement of comprehensive income	**2020 £'m**	**2019 £'m**
Turnover	13.6	13.5
Operating costs	(10.2)	(9.7)
Gain on property disposals	0.2	-
Operating surplus	**3.6**	**3.8**
Gain on valuation of Investment property	0.1	-
Net interest charge	(0.8)	(0.4)
Taxation	(0.1)	(0.1)
Surplus for the year	**2.8**	**3.3**

Statement of financial position	**2020 £'m**	**2020 £'m**
Fixed assets	98.7	94.6
Net current assets	10.4	12.5
Total assets less current liabilities	**109.1**	**107.1**
Long term creditors and provisions	(60.8)	(63.1)
Total net assets	**48.3**	**44.0**

Key explanations are as follows:

Turnover:
Turnover increased by £0.1m (0.7%) to £13.6m (2019: £13.5m). Overall turnover has held up well, despite the third of four 1% rent reductions in line with the Government's requirements for rent setting.

Operating Costs:
Operating costs increased by £0.5m (5%) to £10.2m (2019: £9.7m). The increase is mainly driven by further investment in properties through repairs and property maintenance, the previous year also benefitted from a one-off release of a provision in respect of service charge costs.

Property disposals and revaluations:
The Group made a surplus of £0.2m on property disposals and a further £0.1m on the revaluation of investment properties, (2019: £Nil).

Interest Receivable and Payable:

Net interest charges after amounts receivable and other financing amounts increased by £0.4m (100%) to £0.8m (2019: £0.4m), the increase is driven by the release of a provision in the previous year (see note 8).

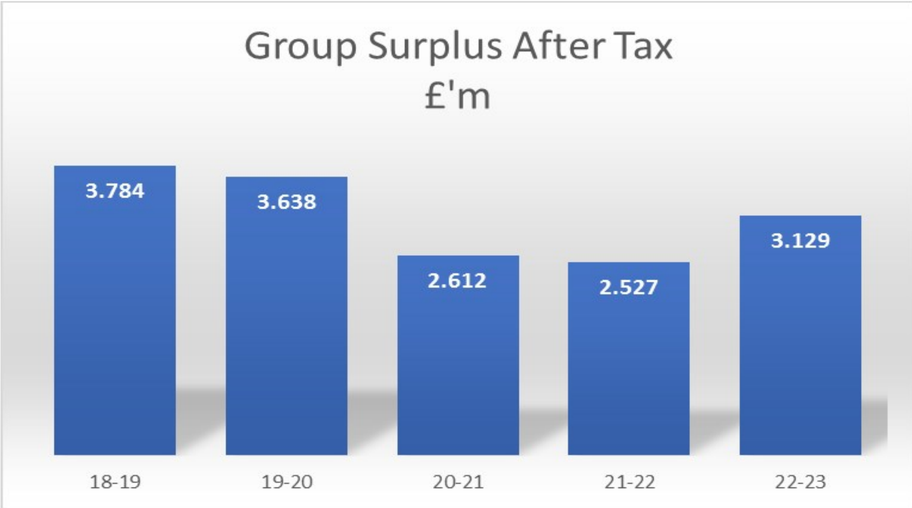
Statement of financial position:
Total net assets have increased by £4.3m (9.7%) to £48.3m (2019: £44.0m), the increase is reflected in the Group's continued investment in its properties less depreciation charges and has also benefitted from the release of the pension provision.

At the close of the year the Group held cash investments of £13.6m and had long term borrowings of £15.0m.

This is an exciting time for Prima as it embarks upon using its strong financial base to grow responsibly and develop new homes and new products across all its neighbourhoods.

The organisation has strong liquidity with a net debt of £1.4m and has no immediate need to borrow to fund current plans but will be embarking on a refinancing exercise during 2020/21 to fund the new developments planned as set out in the Treasury management report. The strong financial performance and robust asset portfolio leave us in good shape to secure that funding.

The Group maintains a medium-term financial plan summarised in the table below:



This plan is stress tested against a range of scenarios and board develop mitigating strategies against a range of risks.

Covenant Compliance

The only current loan facilities are with Prima PHA.

Review over the first five years of the base plan shows that Prima PHA is comfortably within its covenant targets before the introduction of any stress testing:

- Gearing at a maximum of 20.2% (reflecting the scheduled repayment of loans), giving circa £68m headroom against covenant targets.
- Interest cover over the five years is at a minimum of 1.76 times, against the tightest covenant target of 1.05, providing headroom of £0.52m.

The existing loan facilities have approximately 22 years left to run and there is nothing within the base plan which indicate that Prima PHA will not meet its existing covenant targets.

Overall, the plan demonstrates good financial health and that the Group is financially viable.

Risk Management

The Board has a good awareness of the key risks associated with delivering its strategy and a revised approach was underway at year end and subsequently approved and implemented.

The Group's current 15 key strategic risks and corresponding risk appetites* are:

01 EXTERNAL ENVIRONMENT - Risks associated with outside factors (political, meteorological, epidemiological)		Seeking	>15
02 ASSET MANAGEMENT - Inappropriate investment in existing stock		Balanced	6-12
03 NEW DEVELOPMENT - Failure to deliver the approved development programme to time, standard or within budget		Seeking	>15
04 TECHNOLOGY- New project implementation		Seeking	>15
05 HEALTH & SAFETY - Breach of Health and Safety Regulations		Cautious	5 or lower
06 INCOME COLLECTION - Negative impact on revenue		Balanced	6-12
07 ICT AND SECURITY - Attack on IT system, caused either deliberately or accidentally including risk of fraud/phishing/malicious emails requesting money or data		Balanced	6-12
08 STAFF RETENTION & BOARD SUCCESSION - Risk we do not retain key knowledge/plan for succession		Balanced	6-12
09 COMMERCIAL - Risk of Commercial not delivering income targets		Balanced	6-12
10 GDPR AND SECURITY - Breach of GDPR or other data protection legislation		Balanced	6-12
11 PARTNERSHIPS - Failure to deliver effective partnerships could result in corporate objectives not being achieved		Balanced	6-12
12 PENSION - Unplanned financial costs due to pension commitments		Balanced	6-12
13 FINANCE - Breaking loan covenants		Balanced	6-12
14 LIQUIDITY - Insufficient cash balance to cover liabilities/objectives		Balanced	6-12
15 REGULATORY COMPLIANCE - Governance arrangements do not support the business in delivering is objectives and/or failure to meet expectations of Economic and/or Consumer Standards		Cautious	5 or lower

Of these, 12 are currently within risk appetite. The three which are not are:

- **01 EXTERNAL ENVIRONMENT - Risks associated with outside factors (political, meteorological, epidemiological)**
  The main focus has been putting effective measures in place to support our tenants and staff through the extreme challenges to be faced around the Coronavirus pandemic. Board are kept updated regularly.
  Risk appetite is seeking/external (>15) but current risk is assessed at 4x5 (major/almost certain)

- **05 HEALTH & SAFETY - Breach of Health and Safety Regulations**
  The score for this risk has been revised. We are progressing as normal on all compliance actions but access for gas/electrical testing may become problematic due to Covid 19. Contractors are working as normal and following Government guidance.
  Risk appetite is cautious (5 or lower) but current risk is assessed at 5x2 (catastrophic/unlikely). It should be noted that any major health and safety failure is always likely to have a very significant impact even if the likelihood has been much reduced by management interventions and systems. Board members may wish to consider how they deal with risks of this nature where it may be challenging to bring them within risk appetite.

- **15 REGULATORY COMPLIANCE - Governance arrangements do not support the business in delivering is objectives and/or failure to meet expectations of Economic and/or Consumer Standards**
  The score has increased from 4 as the likelihood has increased but the impact is also down as the Regulator relaxes things. Whilst managing the impact of Covid-19, we also need to look at any gaps identified and work we might need to do in line with the new rent standard.
  Risk appetite is cautious (5 or lower) but current risk is assessed at 3x2 (moderate/unlikely)

Covid-19 will impact on other areas and risk management over the coming months and will also focus on the following risks:

06 Income Collection	Customers potentially affected by furloughing, SSP and/or redundancies
07 ICT and Security	Increase in phishing attempts under the guise of Covid19 alerts
02 Asset Management	Likely to be a backlog
03 New Development	Less likely to be delivered
09 Commercial	Impact on student and leaseholder income
05 Health and Safety	Mental health and wellbeing, sickness
08 Staff Retention and Board Succession	Furloughing, sickness

The table below explains our definitions of risk appetite:

Risk Level	Net Risk Score	Definition
High	>20	Beyond our risk appetite boundary requiring intensive risk management to avoid potential Catastrophic or Major impact.
Seeking	>15	Eager to be innovative and to choose options offering potentially higher business rewards, despite greater inherent risk and/or confident in setting high levels of risk appetite because controls forward scanning and responsiveness are robust.
Balanced	Must be between 6 and 12	Willing to consider all potential treatment options, taking a balanced approach to the level of net risk exposure, the associated control environment, and the potential / actual reward from undertaking the activity.
Cautious	Score must be 5 or lower at net level	The risk should be managed to a level where mitigation is paramount, and this is demonstrated through the associated control environment.

Value for Money (VFM)

What does VFM mean to Prima?
VFM is making the most of all the resources we have available to maximise the delivery of corporate objectives - it is about being a well-run, well governed, effective social business.

Good VFM is about competitive costs, high productivity and successful outcomes. The objective is to achieve the best balance between cost, quantity and quality and then to keep this under regular review.

We will deliver VFM by ensuring we have:

A Healthy Business - and maintaining a strong financial position to give us the ability and credibility to invest in services for our customers and communities.

Effective Asset Management - Through the effective use and maintenance of our existing assets.

Operating efficiently - Controlling our costs and delivering a quality service.

Reinvesting wisely - Efficient use of resources available invested in new homes and our current properties.

Excellent Outcomes - Delivering a service our customers love and want.

This review is undertaken in line with the VFM standard and the associated guidance and value for money metrics. The Regulator has directed all housing associations to use a common set of measures to help stakeholders judge the performance of providers. We provide a full account of not only the Regulator's metrics, but all the measures developed within the sector scorecard. Prima welcomes this change as it improves transparency and should give stakeholders much better information to judge how a provider is performing.

We assess Value For Money at a Group level.

Who do we compare ourselves to?
Benchmarking with others is an important component of value for money. As a comparator data set, we use performance data (from the Housemark systems and from the Global Accounts for Housing Associations published by the Regulator) for:

- Landlords with between 1000-4000 properties.
- We exclude landlords from the South East and London because of the difference in the economies and costs of those regions.
- Whilst we have some supported and specialist housing which might affect costs, we do not believe that the volumes are of sufficient scale to merit a specific comparator for this Group.

Our corporate objectives set out what we are aiming to achieve:

Our vision is:

Creating vibrant neighbourhoods in which to live and work, where quality, affordable homes and services are at the heart of the communities.

Our strategic objectives are focussed on our:

Customers - A landlord of choice that delivers excellence for customers.

Partnerships - Deliver locally for the benefit of neighbourhoods and communities.

Business Transformation - A strong, viable, efficient and effective business.

Growth and Development – A Group that continues to grow and prosper and whose reputation is above that of its peers.

Achieving Value For Money means we can:

- Continue to invest in our properties and neighbourhoods and to support our tenants;
- Use our financial capacity to provide new housing;
- Be agile, responsive and innovative in delivering fantastic services.

How do we ensure scarce resources are allocated between competing priorities?
Ultimately, the Board sets the strategic direction and determines how scarce resources are rationed between competing priorities, their decision-making process is based on sound and accepted principles and by setting challenging but achievable targets.

The target setting process is underpinned by financial budgets which are set in advance of the forthcoming financial year. The budget and target proposals are created from the ground up and based upon actual business needs and delivery plans.

The Executive Management Team scrutinise the initial budget submissions considering:

- Any business cases supporting proposed growth or new initiatives.
- The link back to the agreed corporate priorities.
- An assessment of current value for money versus agreed targets.
- The expected financial or social return on the investment as appropriate.

Setting the budgets and targets is clearly about much more than costs, the amount we spend on service delivery is an important element of not just VFM, but also of our financial viability, our capacity to support investment into new and existing homes and the social impact it brings.

The process is fine-tuned until the resulting budgets and targets are optimised in terms of economy, efficiency and effectiveness and conflicting interests minimised.

The resulting targets and budgets are monitored regularly and compared to actual performance, any deviations are understood, and corrective action is taken.

How do we ensure efficient use of the resources available?
The properties that Prima own are an extremely valuable social asset. It is therefore vital that we understand the return on our existing assets so that we make the best use of the resources they represent.

A key element of the regulatory requirements in relation to VFM is the need to clearly demonstrate: ‘an understanding of the return on assets and a proactive approach to managing those assets’. Over the last year we have fully documented our Asset Management Strategy and completed large numbers of in-depth stock condition surveys. Work will continue on this to ensure that the approach we take to our properties will dovetail and complement our new approach to neighbourhood management.

The resulting model will use financial and non-financial indicators to evaluate the predicted financial performance of our homes, based upon their Net Present Value. This model can then be used to help inform the strategic decision making on future investment, usage and retention or disposal of assets. This will also be used to help us understand and improve over time, the return on our assets including:

- Measuring the long-term performance of our properties.
- Modelling analysis of our assets value and contribution.
- Providing an objective baseline from which to make investment decisions.
- Identify properties requiring an option appraisal.

In addition to the above, the drive to optimise the long-term returns on our assets includes taking account of Social Investment and Social Impact. It is well understood that having a good quality home with security of tenure helps people with improved health and wellbeing, the potential for higher educational achievement and improved self-esteem, in turn leading to better employment prospects. We continue to drive to get better results for our customers as some residents suffer disproportionately from poor health, low educational attainment and higher levels of unemployment. We are committed to continuing to invest to improve the neighbourhoods in which we work and to improve the opportunities that are available for our residents. The key areas of activity that are promoted include:

- Sustainable tenancies
- Improved life chances & opportunities
- Community cohesion
- Financial inclusion.

Delivering VFM:
We use a suite of indicators, including the Regulator's VFM metrics to assess if we are delivering against our five key Value For Money themes:

A Healthy Business - and maintaining a strong financial position to give us the ability and credibility to invest in services for our customers and communities.

Healthy Business										
Measure	2017/18 Actual (GROUP)	2018/19 Actual (GROUP)	2019/20 Actual (GROUP)	2018/19 Housemark/ Global Accounts Comparator		2020/21 Target (GROUP)	2021/22 Target (GROUP)	2022/23 Target (GROUP)	2023/24 Target (GROUP)	2024/25 Target (GROUP)
				Median	Best Quartile					
Operating margin (overall)	33.99%	27.77%	24.53%	21.50%	29.90%	18.05%	17.70%	19.85%	22.16%	22.18%
Operating margin % (Social housing units)	34.30%	27.80%	25.36%	27.60%	33.60%	18.38%	17.75%	20.41%	22.49%	22.44%
EBITDA MRI (as % interest) PHA Only	678%	397%	276%	206%	308%	290%	197%	221%	276%	297%

Where are we now?
Prima's finances are in good health with the Group making a high level of surplus. Compared to other similar housing associations we perform well and have significant headroom. Over 90% of the Group's turnover comes from social housing, which achieved an operating margin of 25.4% in 2019/20.
Our margins have reduced slightly in 2019/20 because:

- Staff costs have increased because of pay awards.
- Increases in potential disrepair costs as a result of active solicitors in the local area (to be prudent full provision has been made for all outstanding claims 2019/20).
- This was the final year of the 1% per annum rent cut applied by Government.

So what next?
Whilst we want to be in a strong financial position we realise we need to use that financial strength to invest in both new properties and in our current stock.

The target figures shown for 2020/21 and future years are the projections from our financial plan and show a slightly worse position despite applying the Government permitted rent increase of CPI + 1% because:

- We budget at a full establishment with no allowance for vacant posts.
- We have made very prudent provisions for disrepair costs bad debts.
- Increasing depreciation because old low value assets are being replaced by new kitchens and bathrooms as we invest in our stock.
- We have consistently outperformed our budgets in recent years.

Our medium-term aim is to return towards median financial surpluses (whilst still using our capacity to deliver new homes). The margins shown reflect a largescale investment in major repairs and maintenance costs which are above sector norms. We are optimistic that the detailed asset condition survey work will allow us to refine these budgets to make savings and increase margins.

We expect margins to increase as we deliver new homes and begin to receive the benefit of increased income streams over the next few years. In addition, we are expecting rental increases of CPI+1% for the next five years in line with Government policy. After five years whilst the margin remains healthy it is declining over time because we (prudently) assume costs rise in line with RPI and rents only increase at CPI.

Effective Asset Management - through the effective use and maintenance of our existing assets.

Effective Asset Management										
Measure	2017/18 Actual (GROUP)	2018/19 Actual (GROUP)	2019/20 Actual (GROUP)	2018/19 Housemark/ Global Accounts Comparator		2020/21 Plan (GROUP)	2021/22 Plan (GROUP)	2022/23 Plan (GROUP)	2023/24 Plan (GROUP)	2024/25 Plan (GROUP)
				Median	Best Quartile					
Occupancy	99.20%	99.59%	99.28%	99.28%	99.69%	98.80%	98.80%	98.80%	98.80%	98.80%
Ratio of responsive repairs to planned	0.9	0.81	0.38	0.63	0.43	0.43	0.43	0.43	0.43	0.43
ROCE	4.46%	3.53%	3.34%	3.20	4.40	2.34%	2.23%	2.43%	2.75%	2.82%

So where are we now?

Against a backdrop of:

- Significant impacts from Welfare reform.
- Holding some challenging stock in less desirable areas that requires investment.

We perform well in maintaining occupancy levels and that performance remained steady this year. We are just above median performance. We aim to stay closer to best quartile performance. Void numbers have been managed successfully during the Covid-19 lockdown exploiting technology to do virtual viewings and enable lettings to continue.

We recognise managing our repairs better and moving to a position where more work is planned and less is responsive is important. Performance has improved hugely in the last 12 months as we have used our data from extensive stock condition surveys to move into the top quartile (having more planned than responsive repairs).
Return on Capital Employed reflects the operating surplus compared to Total assets (including current assets) less current liabilities.

So what next?

Occupancy – In our financial plan we are very prudent in our assumptions around occupancy. **We aim to move back towards top quartile performance** by:

- Using what we have learnt about our most vulnerable tenants during the lockdown to inform the support we provide.
- Increasingly using technology to let properties efficiently.
- Working with the city region to allow unoccupied homes to support the homeless across Merseyside.
- Using our data analysis to identify poor performing properties and developing a strategy to deal with them.

Ratio of responsive to planned – We will use our improved asset management data and systems to **maintain top quartile performance.**

Return on Capital Employed reflects the operating surplus compared to Total assets (including current assets) less current liabilities.

The forecast reduction in 2020/21 planning figures reflects:

- Because we are prudent in our planning, surpluses are lower in the medium-term plan.
- In the next few years, we will reduce our current assets (cash) as we invest in the fixed assets of new homes and in our current stock. From about 18 months time we will begin borrowing to fund those investments so the denominator of this calculation will increase without surpluses immediately improving.

We aim to effectively manage to maintain ROCE at median performance.

Operating efficiently - controlling our costs and delivering a quality service

Operating Efficiently										
Measure	2017/18 Actual (GROUP)	2018/19 Actual (GROUP)	2019/20 Actual (GROUP)	2018/19 Housemark/ Global Accounts Comparator		2020/21 Plan (GROUP)	2021/22 Plan (GROUP)	2022/23 Plan (GROUP)	2023/24 Plan (GROUP)	2024/25 Plan (GROUP)
				Median	Best Quartile					
Headline Social Housing Cost per Unit	£3,119	£3,375	£3,796	£3,980	£3,200	£3,911	£4,287	£4,241	£4,066	£4,156
Management Cost per Unit	£1,008	£955	£972	£1,042	£852	£1,245	£1,267	£1,211	£1,175	£1,184
Service Charge Cost Per unit	£240	£256	£308	£246	£160	£292	£292	£287	£285	£292
Maintenance Cost per unit	£834	£910	£880	£983	£845	£964	£962	£961	£983	£1,017
Major Repairs Cost Per unit	£931	£1,127	£1,504	£727	£507	£1,407	£1,762	£1,779	£1,620	£1,660
Other Social Housing Cost Per unit	£107	£127	£132	£183	£98	£4	£4	£4	£4	£4
Rent Collection	101.10%	99.82%	100.0%	99.8%	100.2%	98.0%	98.0%	98.8%	98.8%	98.8%

So where are we now?

Whilst we remain below the median our headline cost per unit has increased between 2018/19 and 2019/20. This is driven largely by major repairs costs as we have been investing in our stock.
Historically we have been effective at controlling our management costs which are better than the median.
We have traditionally out performed our prudent budget forecasts in actual performance.
During the year we improved the efficiency of our decision-making structures by rationalising and modernising our governance arrangements including the development of a new common board
Rent collection performance has been strong despite welfare reform.

So what next?

At the moment in our medium-term financial plan we have retained really prudent provisions for future costs in all areas and in particular in relation to repairs and maintenance of our stock. This means that we are currently forecasting to remain high spending. We did this because we wanted to make sure we could effectively deliver whatever investment is needed in our stock in the medium-term. In particular, we want to have sufficient provision to deal with the Green Homes agenda and to make sure that our stock is being moved towards being carbon neutral by 2050, in line with Government plans. These challenges are faced by all housing associations especially those with older stock.

Overall, we aim to keep below median costs. We will do this by:

- Seeking to grow (both by building our own stock) and by seeking partnerships so that our investment in the business is spread over a wider stock base.
- Continuing to review the most effective managerial structures for our homes.
- Using greater intelligence over our stock to make our property investment as cost effective as possible.

We are investing to support tenants as the impact of welfare reform continues to be felt and implementing our anti-poverty strategy will help us maintain good performance in collecting rent. We recognise however that the impact of the coronavirus has had an impact on our tenants already and that in the medium-term the Merseyside economy is overexposed to the impacts of a global downturn because of its reliance on hospitality, leisure, retail and university sectors. Our medium-term financial plan reflects that uncertainty. **Our aim will be to outperform the plan and remain near 100% collection.**

Reinvesting wisely - efficient use of resources available invested in new homes and our current properties.

Reinvestment										
Measure	2017/18 Actual (GROUP)	2018/19 Actual (GROUP)	2019/20 Actual (GROUP)	2018/19 Housemark/ Global Accounts Comparator		2020/21 Plan (GROUP)	2021/22 Plan (GROUP)	2022/23 Plan (GROUP)	2023/24 Plan (GROUP)	2024/25 Plan (GROUP)
				Median	Best Quartile					
New supply delivered (Social housing units)	0.23%	0.00%	1.43%	1.0%	2.9%	0.4%	0.5%	3.7%	3.0%	0.0%
New supply delivered (Non-social housing units)	0.29%	0.04%	0.00%	0.0%	0.0%	0.0%	0.1%	0.0%	0.9%	0.0%
Gearing %	0.26%	0.00%	1.53%	35.7%	45.3%	5%	12%	20%	20%	18%
Reinvestment	2.32%	4.73%	4.77%	7.00%	11.13%	5.21%	8.73%	14.71%	4.05%	2.07%

So where are we now?

2019/20 was very successful in delivering our growth agenda. We built 38 new units in Knowsley, refurbished and remodelled 30 units at Chestnut Court and acquired 20 homes from Regenda.

Whilst we are pleased to have delivered some new properties, we have only partially used our underlying capacity and are ambitious to do much more.

We have seen growth in levels of reinvestment, however, we have been able to do this from our cash holdings and without borrowing, therefore we retain low levels of gearing.

So what next?

We plan to deliver at least 300 properties – an investment of £35m over the next five years. We will borrow against our capacity - this will increase our gearing over the next few years. This will see delivery of new units increasing in line with our ambition.

Coronavirus has delayed development works (across the whole economy) but we are well placed to progress because of our strong financial position. We have progressed the purchase of three sites, which we will develop speedily as we return to more normal working arrangements. We are also aware that our financial strength may mean that there are new opportunities for 'cash rich' organisations that may not have presented, without the economic shock from lockdown. We will actively look for good value opportunities that allow us to **outperform our current growth targets**.

Increasing stock numbers allow us to spread our current costs over a larger base.

The new Common Board will shortly be considering its ambitions for beyond the initial five-year plan and will likely include a new set targets for development for 2024/25 and beyond.

Reinvestment shows investment in new homes plus capital investment in current properties divided by housing properties at valuation. This will increase significantly as we invest in both our current and new homes.

Excellent outcomes - delivering a service our customers love and want.

Excellent Outcomes										
Measure	2017/18 Actual (GROUP)	2018/19 Actual (GROUP)	2019/20 Actual (GROUP)	2018/19 Housemark/ Global Accounts Comparator		2020/21 Plan (GROUP)	2021/22 Plan (GROUP)	2022/23 Plan (GROUP)	2023/24 Plan (GROUP)	2024/25 Plan (GROUP)
				Median	Best Quartile					
Customer satisfaction	78%	n/a	75%	89%	92%	78.00%	80.00%	82%	84%	86%
£ Invested in Communities	£173,239	£159,376	£143,000	£95,340		£143,000	£143,000	£143,000	£143,000	£143,000

So where are we now?
We recognise that overall satisfaction levels are on the lower side. This is in part of a reflection of the dispersed nature of our stock and the diverse range of neighbourhoods in which they are located.

We perform better on a range of other measures where we interact directly with customers, for example 9/10 tenants are happy with a recent repair.

So what next?
We aim to move towards Median Performance **by a range of measures. We have:**

- Embedded new ways of working to improve the customer experience and business performance, focussing on tenancy sustainment and protecting rental income;
- Re-assessed our team structures to reallocate resources effectively and prepare the Group to meet the challenges ahead;
- Carried out a Customer Satisfaction Index survey with results informing our knowledge and insight on customers' needs now and for the future;
- Developed more online customer services including webchat, online housing applications and a customer Self-Serve App to provide information on their account and access to key services 24/7;
- Began a process of reviewing customer facing services, using feedback from our Customer Scrutiny Group on repairs to help inform procurement of new repair contractors;
- With the help of our Customer Steering Group we have set up and recruited to the new Prima Customer Board;
- Achieved good performance for housing and repairs services including the key areas of managing empty homes and income collection, and responding positively to the increased roll out of Universal Credit to more customers;
- Reaching customers in new ways, increasingly using digital channels and video to communicate, including Facebook Messenger, setting up Instagram and YouTube channels.

These measures have already proved effective during the lockdown period.

We aim to maintain our investment in communities and have especially focused resources on support that enables tenants into work.

<u>VFM compliance</u>
The form and content of the strategic report review has been prepared in line with the Statement of Recommended Practice for Registered Social Housing Providers 2018. The statement has also been prepared in accordance with the Accounting Direction for Private Registered Providers Board has considered this value for money self-assessment and believes that Prima fully complies with the expectations set out in the Regulator's value for money standard.

Kieran Timmins
Company Secretary

The Board of Pierhead Housing Association Limited present their report and audited financial statements for the year ended 31 March 2020.

Principal activities
The Association's activities are the development and management of social housing, ensuring the provision of good quality housing and related services for those in need. More details are included in the Strategic report that precedes this report.

Financial results
The Group has achieved a surplus for the year of £4,260K (2019: £2,526K) and the Association achieved a favourable surplus of £1,721K (2019: £127K).

Board and Executive Directors
The Board members who held office during the year and the Committees they serviced were:

P Smith (Chair)	- People and Remuneration Committee (Resigned 19-09-19)
J Boyd (Chair)	- People and Remuneration Committee (Effective Chair since 19-09-19)
A Ramsay	- People and Remuneration Committee
I Francis	- Customer Service and Performance Committee (Term expired 19-09-19)
G Lewis	- Customer Service and Performance Committee and Audit and Assurance Committee
R Woolfall	- Board Member
M Latham	- Audit and Assurance Committee (Resigned 19-09-19)
A Leech	- Board Member (Resigned 30-06-19)
B Callow	- Board Member (Appointed 19-09-19)
J Hale	- People and Remuneration Committee (Appointed 19-09-19)
K Vogel	- Audit and Assurance Committee (Appointed 19-09-19)
M Evans	- People and Remuneration Committee (Appointed 19-09-19)
P Roberts	- Audit and Assurance Committee (Appointed 19-09-19)
R Young	- Audit and Assurance Committee (Appointed 19-09-19)
T Dunne	- People & Remuneration Committee and Audit & Assurance Committee (Appointed 19-09-19)

Board members are remunerated for their services and permitted to claim expenses incurred in the performance of their duties. Details of the remuneration of board members are set out in note 5 to the financial statements. With the exception of A Leech each member of the Board holds a fully paid share in the Association.

Prima Customer Board:
C Sheehy (Appointed 09-07-19)
D Williamson (Appointed 06-11-19)
J Crozier (Appointed 06-11-19)
K Thompson (Appointed 09-07-19 and Resigned 09-02-20)
N Wiffen (Appointed 27-08-19)
S Mends (Appointed 12-12-19)
V Whearty (Appointed 09-07-19 and Resigned 21-08-19)

The Executive Team
J Ghader (Chief Executive)
K Timmins (Group Director of Finance and Risk)
S Wharton (Group Director of Growth)
A Dunn (Group Director of Customer Insight)
S McGuinness (Group Director of Operations) up to October 2019

The Chief Executive and other Executive Directors are appointed on permanent contracts of employment with a notice period of six months. The remuneration of the Executive Directors is reviewed by the People and Remuneration Committee, who make recommendations to be considered and determined by the Board. Full details of executive emoluments are set out in note 5 to the accounts.

Pensions
The Chief Executive's pension contributions are made on his behalf to a separate fund run by AVIVA pensions. In the case of the other Executive Directors they are eligible to participate in the Social Housing Pension Scheme defined contribution scheme, their participation is on the same terms as all other eligible staff. The Association contributes to the scheme on behalf of its employees. Non-executive directors are not eligible to participate in any company pension scheme.

Other benefits
The Executive Directors are entitled to private health insurance

Landlord health and safety compliance
The Association complies fully with its responsibilities for landlord for health and safety. Despite the restrictions imposed by the Covid19 lockdown in late March 2020, we continue to deliver compliance related activities to keep our tenants safe and meet our legislative responsibilities. There have been difficulties securing access to a small number of properties, particularly where households are shielding. Like all responsible landlords we have taken a pragmatic approach to tenants requesting that their servicing be delayed.

A dynamic desk top risk assessment process is in place for any property overdue for a legislative compliance inspection or service. We keep the Regulator of Social Housing updated on the situation and we continue to pursue access at the earliest opportunity.

Tangible fixed assets
Details of changes in fixed assets are set out in note 10 to the financial statements.

Financial risk management objectives and policies
The Association uses conventional forms of working capital to finance its day to day activities and as such the figures appearing in the financial statements reflect the absolute value of amounts recoverable and payable. The Board receive regular reports on these figures in order to manage the Association's requirements.

Insurance
The Association's policy is to insure against risks wherever possible including cover for liability insurance in respect of the Board and senior personnel of the Association.

Charitable and political donations
The Association made charitable donations in the financial year of £200. (2019:£5,112).

Corporate governance
The Board has adopted the National Housing Federation's (NHF) Code of Governance and we undertake an annual review of compliance against the Code, using the NHF checklist as a guide. We also annually assess our compliance against the Regulator of Social Housing's (RSH) Regulatory Standards in relation to Governance and Financial Viability and the economic and consumer standards. These reviews are informed by the outcomes of a range of robust Board assessment and assurance processes, including individual appraisals, a collective performance self-assessment, skills assessments and training needs analysis. After the In-Depth Assessment carried out by the RSH in December 2018, the Group retained its highest rating of G1 for Governance and V1 for Financial Viability.

As a result, the Board is satisfied that the Group complies with the NHF Code of Governance and the RSH Governance and Financial Viability Standard and economic and consumer Standards.

The Board is also satisfied the Association has complied with all laws and regulations that are relevant.

Statement of Internal Control
The Board is the ultimate governing body and is responsible for the Association's system of internal control. The Board, advised by the Audit and Assurance Committee, has reviewed the effectiveness of the system of internal control for the year ended 31 March 2020 and to the date of approval of these financial statements. For the year ended 31 March 2020, the Board makes the following statements:

- The system of internal control is designed to provide the Board with reasonable but not absolute assurance that risks are identified on a timely basis and dealt with appropriately; that assets are safeguarded; that proper accounting records are maintained; and that the financial information used within the business or for publication is reliable. Control is exercised through an organisational structure with clearly defined levels of authority, responsibility and accountability
- The Association maintains a culture of risk awareness, based on a sound control environment with high regard for integrity and ethical values. Regular reviews of the risk universe and risk mitigation actions are carried out. Any business development involving significant risk is subject to Board approval
- The framework of internal control is subject to a regular programme of review. The Association works closely with BDO, who are contracted to provide the Internal Audit function and who report directly to the Audit and Assurance Committee.
- Service delivery risks are monitored through the risk management framework, self-assessment and tenant scrutiny. This ensures that the control environment framework remains robust during a period of continued external change
- The Association is committed to sound financial management in all aspects of its business. It has a robust business planning process and all parts of the Association have detailed annual budgets. The Association has a comprehensive system of management reporting. This includes financial results, key performance indicators and reporting against a matrix of Board approved limits and thresholds set to ensure financial viability. Overall scrutiny is provided by the Board.
- The Association maintains a suite of policies covering the main elements of its business. The policies are subject to a rolling programme of review to confirm their continued appropriateness.
- The Anti-Fraud Policy sets out the commitment to preventing fraud. Confidential reporting arrangements are in place to allow staff to voice their concerns and know that they will be properly investigated.
- The Anti-Bribery Policy sets out guidelines for all staff to ensure the highest standards of conduct in business dealings. A register of frauds and losses is maintained and is available and reported to the Audit and Assurance Committee.
- The Whistleblowing Policy encourages those with serious concerns about fraud, misconduct or wrongdoing in respect of any aspects of our work of Prima to come forward and raise those concerns. The Policy sets out Prima's approach for whistle-blowers to work within an open and transparent framework linked to Prima's values of openness, fairness and respect.
- In reviewing the effectiveness of the Association's system of internal control, the Board has considered a range of sources of assurance including:
    - Management reports;
    - Key performance indicators;
    - Internal audit reports;
    - Quality management systems;
    - External regulator reports.
- During the year there were no weaknesses in internal controls which resulted in material losses, contingencies or uncertainties that require disclosure in these financial statements.

External audit assurance

The work of the external auditor, Beever and Struthers provides some independent assurance over the adequacy of the internal control environment. The Association receives a management letter from the external auditors which identifies any internal control weaknesses identified as part of their work on the audit of the financial statements. The Board itself and through the activities of the Audit and Assurance Committee has reviewed the outcome of external audit work and the external audit management letter.

I, the Chief Executive, have reviewed the effectiveness of the system of internal control, including the sources of assurance agreed by the Board as being appropriate for that purpose. I am satisfied that there is sufficient evidence to confirm that adequate systems of internal control existed and operated throughout the year and that those systems were directed at the management of the significant risks facing the Association. No weaknesses were identified which would have resulted in material misstatement or loss that would require disclosure in the financial statements.

Going Concern

The Association has long-term debt facilities in place and cash and equivalent holdings which provide adequate resources to finance the Association's plans until October 2022. The Association's long-term financial plans shows that it can service these debt facilities and continue to comply with lenders' covenants. On this basis, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the annual report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Statement of Board's responsibilities

The Board is legally required to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for the period then ended.

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

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

The Board is also responsible for:

- Keeping proper accounting records;
- Safeguarding the Association's assets; and
- Taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Beever and Struthers are willing to continue in office as auditors and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD

SECRETARY DATE 16/09/2020

Independent Auditor's Report to the Members of Pierhead Housing Association Limited
For the year ended 31 March 2020

Opinion
We have audited the financial statements of Pierhead Housing Association Limited (the 'Association') for the year ended 31 March 2020 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves, Statement of Cash flows, and 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 Association's affairs as at 31 March 2020 and of the Association's surplus 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 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 association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Co-operative and Community Benefit Societies Act 2014
In our opinion, based on the work undertaken in the course of the audit:
- The information given in the Board of Management's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report to the Members of Pierhead Housing Association Limited
For the year ended 31 March 2020

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 group and the parent society has not kept proper accounting records; or
- The financial statements are not in agreement with the books of account; or
- We have not received all the information and explanations we require for our audit.

Responsibilities of the Board
As explained more fully in the Statement of the Responsibilities of the Board set out on page 25, 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 parent society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the group or the parent society or to cease operations, or have no realistic alternative but to do so.

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

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

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

Beever and Struthers

Beever and Struthers, Statutory Auditor
St George's House
215/219 Chester Road
Manchester
M15 4JE
Date: 24 September 2020

PIERHEAD HOUSING ASSOCIATION LIMITED

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2020

	Notes	Group 2020 £'000	Association 2020 £'000	Group 2019 £'000	Association 2019 £'000
Turnover	2	13,602	8,797	13,470	8,563
Operating expenditure	2	(10,153)	(6,975)	(9,725)	(6,650)
Gain on disposal of property	3	189	15	39	-
Operating surplus	4	3,638	1,837	3,784	1,913
Gain on valuation of investment property	11	86	-	-	-
Interest receivable	7	61	130	55	140
Interest payable and similar charges	8	(901)	(895)	(499)	(494)
Surplus on ordinary activities before taxation		2,884	1,072	3,340	1,559
Taxation	9	(79)	-	(71)	-
Surplus for the year after taxation		2,805	1,072	3,269	1,559
Other Comprehensive Income					
Actuarial profit /(loss) in respect of pension schemes	29	1,541	1,454	(1,548)	(1,432)
Total comprehensive income for the year		4,346	2,526	1,721	127

The financial statements on pages 28 to 60 were approved and authorised for issue by the Board on 16/09/2020 and were signed on its behalf by:

SECRETARY

BOARD MEMBER

BOARD MEMBER

The notes on pages 32 to 60 form part of these financial statements

Consolidated Statement of Changes in Reserves
For the year ended 31 March 2020

Income and Expenditure Reserves:

	Group 2020 £'000	Association 2020 £'000	Group 2019 £'000	Association 2019 £'000
Balance at 1 April	44,011	12,774	42,290	12,647
Surplus for the year after taxation	2,805	1,072	3,269	1,559
Actuarial profit /(loss) in respect of pension schemes	1,541	1,454	(1,548)	(1,432)
Balance at 31 March	48,357	15,300	44,011	12,774

The financial statements on pages 28 to 60 were approved and authorised for issue by the Board on 16/09/2020 and were signed on its behalf by:

SECRETARY

BOARD MEMBER

BOARD MEMBER

The notes on pages 32 to 60 form part of these financial statements

Statement of Financial Position
For the year ended 31 March 2020

	Notes	Group 2020 £'000	Association 2020 £'000	Group 2019 £'000	Association 2019 £'000
Fixed assets					
Tangible fixed assets	10	93,320	68,844	89,173	65,579
Investments	11	5,445	-	5,386	-
		98,765	68,844	94,559	65,579
Current assets					
Long term loan	12	-	3,651	-	3,651
Trade and other debtors	13	498	649	521	699
Cash and cash equivalents	14	13,625	1,986	16,420	4,887
		14,123	6,286	16,941	9,237
Less: Creditors: amounts falling due within one year	15	(3,722)	(2,845)	(4,393)	(2,974)
Net current assets		10,401	3,441	12,548	6,263
Total assets less current liabilities		109,166	72,285	107,107	71,842
Creditors: amounts falling due after more than one year	16	(59,483)	(55,940)	(60,026)	(56,374)
Provision for liabilities and charges					
Other provisions	21	(217)	-	(217)	-
Pension liability	29	(1,109)	(1,045)	(2,853)	(2,694)
Total net assets		48,357	15,300	44,011	12,774
Capital and Reserves					
Non-Equity Share capital	22	-	-	-	-
Revenue Reserves		48,357	15,300	44,011	12,774
Total capital and reserves		48,357	15,300	44,011	12,774

The financial statements on pages 28 to 60 were approved and authorised for issue by the Board on 16/09/2020 and were signed on its behalf by:

SECRETARY

BOARD MEMBER

BOARD MEMBER

The notes on pages 32 to 60 form part of these financial statements

PIERHEAD HOUSING ASSOCIATION LIMITED

Consolidated Statement of Cash Flows
For the year ended 31 March 2020

	2020		2019	
	£'000	£'000	£'000	£'000
Net cash generated from operating activities (see Note 1 below)		3,342		5,501
Cash flow from investing activities				
Purchase of tangible fixed assets	(6,217)		(4,643)	
Proceeds from sale of tangible fixed assets	436		227	
Interest received	61		56	
		(5,720)		(4,360)
Cash flow from financing activities				
Interest paid	(1,105)		(763)	
Repayments of borrowings	(253)		(1,088)	
Corporation Tax net (payment) / receipt	(72)		12	
Grants received	1,013		617	
		(417)		(1,222)
Net change in cash and cash equivalents		(2,795)		(81)
Cash and cash equivalents at beginning of year		16,420		16,501
Cash and cash equivalents at end of the year		13,625		16,420

Note 1

	2020 £'000	2019 £'000
Surplus for the year	4,346	1,721
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	1,706	1561
Movement in trade and other debtors	(68)	176
Movement in trade and other creditors	(1,005)	802
Carrying amount of tangible fixed assets disposals	137	192
Decrease in provisions	17	(147)
Change in Pension Liability	(1,744)	1,390
Amortised grant	(612)	(599)
Decrease/(increase) in valuation of investment property	(86)	0
Gain on disposal of property, plant & equipment	(189)	(39)
Adjustments for investing or financing activities:		
Interest payable	901	499
Interest receivable	(61)	(55)
	3,342	5,501

The notes on pages 32 to 60 form part of these financial statements

Legal status

The Association is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing as a private provider of social housing. The principal activity is to provide social housing.

1. Principal accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UKGAAP), the Statement of Recommended Practice: 'Housing SORP 2018: Statement of Recommended Practice for Social Housing Providers'.

As a Public Benefit Entity, the Association has applied the public benefit entity "PBE" prefixed paragraphs of FRS102. The financial statements comply with the Co-operative and Communities Benefit Societies Act 2014, 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, except for investment properties which are recorded at fair value, and are presented in sterling.

Going concern

The Association's business activities, its current financial position and factors likely to affect its future development are set out within the Operating and Financial Review. The Association continues to be affected by uncertainty from the regulatory environment, government policy and economic factors. These include a reduction in social rents of 1% per annum between 2016/17 and 2019/20, a direct and indirect impact from Brexit, potential inflationary pressures on costs and potential reductions in demand for the Association's stock.

The Association has long term business plans which account for the factors affecting the Association. The business plans have been considered for a number of different variables to support the headroom within the facilities. The business plans and funds support that the Association has adequate resources to finance committed reinvestment and development programmes, along with the Association's day to day operations.

The Board and management have considered the impact of Covid 19 on the business. The impact to date has been well managed with only a slight increase in arrears. There have been offsetting savings in repairs costs and capital investment has been delayed increasing cash balances held. The Board have concluded that increases in voids and bad debts do not pose any significant risk to the on-going operations of the business. Income and cashflows continue to remain positive, with considerable cash resources remain available as further consolidated with the intra group lending facilities in place. All loan covenants have and continue to be met with a healthy headroom.

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

Significant judgements and estimates

The following are the significant management judgements and estimates made in applying the accounting policies of the Association that have the most significant effect on the financial statements:

- **Useful economic lives** - Useful economic lives are based on management's expectation of the lives of assets. The rates are such to depreciate the cost of assets to their residual value over their expected lives. Management review the Association's estimate of the useful lives of depreciable assets at each reporting date, based on the expect utility of the assets. Uncertainties in these estimates relate to technological advances, changes in the expected use and changes to decent homes standards.

1. Principal accounting policies [Continued]

- **Capitalisation of property development costs -** Qualifying costs which directly relate to the assets are capitalised from the start of the construction of an asset. Costs are agreed at the start of a project and monitored throughout development. Capitalisation of costs ceases when the asset comes into use. If an asset changes fundamentally during construction or the project is terminated the costs and recoverability are revaluated and provisions are made if required.
- **Fair value of investment properties -** Investment properties are held at fair value, based on external valuers assessments. The valuations are updated on a regular basis to ensure the properties remain at fair value. As a result of Covid-19, the valuations include a "material valuation uncertainty" clause, further disclosure is provided in the note 11 to the financial statements. In years when a valuation is not performed an assessment is undertaken by management to confirm the valuations for properties remain appropriate.
- **Government grants -** Government grants are held against structure and amortised over the expected life of structure, 100 years, using the accruals method.
- **Impairment -** Impairment assessments are performed annually considering impairment triggers. If an impairment trigger is identified a full impairment review is conducted, considering whether the recoverable value is higher than carrying value. The impact of Covid-19 was deemed to be a trigger accordingly a full impairment review was carried out and no impairment was indentified. Impairment reviews are based on cash generating units, these are not set, but depend on the area of the business under review.
- **Bad debts** - Arrears and other debtors are provided for based on the age of debt, as this is considered to indicate recoverability. In view of the uncertain impact of Covid 19, bad debt provisions have been reviewed and increased to allow for the potential increase in debts which may become uncollectable.

Turnover

Turnover represents rental income receivable and amortised government grants. Rental income is recognised from the point when properties under development reach practical completion and are formally let. Government grant is recognised when it becomes receivable and is amortised over the life of the structure of the building to which it relates.

Fixed assets and depreciation

Tangible fixed assets, are stated at cost less accumulated depreciation. Depreciation is charged on a straight-line basis over the expected economic useful lives of the assets at the following annual rates:

Motor vehicles	-	25% per annum on cost
Office equipment	-	25% per annum on cost
Fixtures and fittings	-	20% to 33 1/3% per annum on cost
Computer equipment & Software	-	20% to 33 1/3% per annum on cost
Mobile technology	-	50% per annum on cost
Office refurbishment	-	5% per annum on cost

Housing properties

Housing properties are stated at cost less depreciation. Depreciation is charged from practical completion on a straight-line basis over the expected economic useful lives of the housing properties at the following annual rates:

New build	-	1% per annum on cost
Rehabilitation	-	1% per annum on cost
Lifts	-	4% per annum on cost
Communal Assets	-	5% to 25% per annum on cost
Garages	-	4% per annum on cost
Leasehold properties	-	over the term of the lease

1. Principal accounting policies [Continued]

Housing properties [Continued]

Major components are treated as separate assets and depreciated over their expected useful economic lives. Depreciation is charged on a straight-line basis as follows:

Structure		100 years
Kitchens	-	20 years
Bathrooms	-	25 to 30 years
Roof	-	50 to 60 years
Window and doors	-	30 to 40 years
Central heating - boiler	-	15 to 30 years
Central heating - distribution system	-	20 to 40 years
Electrics	-	30 to 40 years
Internal & External insulation	-	30 years

Investment property

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

Impairment

Housing properties are annually assessed for impairment indicators. Where indicators are identified any assessment for impairment is undertaken comparing the carrying amount to its recoverable amount. Where the carrying amount is deemed to exceed its recoverable amount, the assets are written down to recoverable amount. The resulting impairment loss is recognised as operating expenditure. Where assets are currently deemed not to be providing service potential to the Group, recoverable amount is its fair value less costs to sell.

Social Housing Grant (S.H.G.)

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

When Social Housing Grant (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 Association under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by Homes England and local authorities. 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, it is a subordinated unsecured repayable debt.

Finance costs

Costs incurred in raising new finance are capitalised and written off over the period of the loan. Costs of refinancing and consolidating loans have been written off to the Income and Expenditure Account.

1. Principal accounting policies [Continued]

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets on the company after deducting all of its liabilities.

Deferred taxation

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

Deferred tax assets are recognised only to the extent that the Board consider that it is more likely than not that there will be suitable taxable surpluses from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the Statement of Financial Position date.

Pension costs

The majority of the Association's employees are members of a defined contribution plan. The association pays fixed contributions into a spare entity and has no legal or constructive obligation to pay further amounts. Any such contributions are recognised as an expense in the statement of comprehensive income in the period during which services are rendered by employees.

The Association participates in the Social Housing Pension Scheme ('SHPS'), a multi-employer pension scheme. The cost of providing retirement pensions and related benefits is charged over the periods benefiting from the employees' services. The disclosures in the accounts follow the requirements of Section 28 of FRS102 in relation to multi-employer funded schemes in which the Association has a participating interest.

Recycling of Capital Grant Fund (RCGF)

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

Disposal Proceeds Fund (DPF)

Receipts from the sale of SHG funded properties less the net book value of the property and the costs of disposal are credited to the DPF, this creditor is carried forward until it is used to fund the acquisition of new social housing.

VAT

The Association charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Association and is not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

1. Principal accounting policies [Continued]

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 and 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.

Capitalisation of interest and administration costs

Interest incurred on loans financing development activity is not capitalised.

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 its intended use.

Provision for liabilities and charges

Provision has been made for costs which it is anticipated will be due to the landlord of leasehold properties, in relation to the maintenance and major repairs of those properties.

2. Analysis of income and expenditure

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

Group Income	Turnover £'000	2020 Operating costs £'000	Gain on Disposals £'000	Operating Surplus £'000
Social housing lettings (note 2b)	12,348	(9,319)		3,029
Other social housing activities:				
Gain on Disposal of Properties (note 3)			189	189
Key Workers	507	(343)		164
Other social income	53	(6)		47
Total other social activities	560	(349)	189	400
Total social activities	12,908	(9,668)	189	3,429
Activities other than social housing:				
Student accommodation	276	(294)		(18)
Commercial and other activities	418	(191)		227
Total operating surplus	13,602	(10,153)	189	3,638

Income	Turnover £'000	2019 Operating costs £'000	Gain on Disposals £'000	Operating surplus £'000
Social housing lettings (note 2b)	12,301	(8,901)		3,400
Other social housing activities:				
Gain on Disposal of Properties (note 3)			39	39
Key Workers	487	(316)		171
Other social income	42	(14)		28
Total other social activities	529	(330)	39	238
Total social activities	12,830	(9,231)	39	3,638
Non-Social Housing Activities				
Student accommodation	266	(299)		(33)
Commercial and other activities	374	(195)		179
Total operating surplus	13,470	(9,725)	39	3,784

2. Analysis of income and expenditure

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

Association Income	Turnover £'000	2020 Operating costs £'000	Gain on disposal £'000	Operating Surplus £'000
Social housing lettings (note 2b)	7,936	(6,148)	-	1,788
Other Social Housing activities:				
Gain on Disposal of Properties (note 3)	-	-	15	15
Total social activities	7,936	(6,148)	15	1,803
Activities other than social housing:				
Other Income	40	(6)	-	34
Group recharges	821	(821)	-	0
Total operating surplus	8,797	(6,975)	15	1,837

Income	Turnover £'000	2019 Operating costs £'000	Gain on disposal £'000	Operating surplus £'000
Social housing lettings (note 2b)	7,817	(5,932)	-	1,885
Other Social Housing activities:				
Gain on Disposal of Properties (note 3)	-	-	-	-
Total social activities	7,817	(5,932)	-	1,885
Activities other than social housing:				
Other Income	42	(14)	-	28
Group recharges	704	(704)	-	-
Total operating surplus	8,563	(6,650)	-	1,913

2b. Particulars of Income and Expenditure from social Lettings

Group	General Needs Housing £'000	Shared Ownership £'000	Social Total 2020 £'000	2019 £'000
Net Rent receivable	11,018	70	11,088	11,049
Service charge Receivable	628	21	649	653
Government grants taken to income	611	-	611	599
Total income from social housing lettings	12,257	91	12,348	12,301
Expenditure on letting activities				
Management	2,556	22	2,578	2,486
Routine and cyclical maintenance	2,328	7	2,335	2,369
Planned maintenance	779	-	779	773
Major repairs	1,134	-	1,134	889
Service charge costs	797	19	816	667
Bad debts	84	-	84	188
Depreciation of housing properties	1,435	20	1,455	1,338
Loss on Disposal of Components	138	-	138	191
Total expenditure on social housing lettings	9,251	68	9,319	8,901
Operating surplus on social housing lettings	3,006	23	3,029	3,400
Rent losses from Voids	112	-	112	106

2b. Particulars of Income and Expenditure from social Lettings

Association	**General Needs Housing £'000**	**Shared Ownership £'000**	**Social Total 2020 £'000**	**2019 £'000**
Net Rent receivable	6,796	70	6,866	6,771
Service charge Receivable	481	21	502	491
Government grants taken to income	568	-	568	555
Total income from social housing lettings	7,845	91	7,936	7,817
Expenditure on letting activities				
Management	1,622	22	1,644	1,441
Routine and cyclical maintenance	1,483	7	1,490	1,528
Planned maintenance	510	-	510	619
Major repairs	708	-	708	591
Service charge costs	593	19	612	475
Bad debts	42	-	42	128
Depreciation of housing properties	1,009	20	1,029	966
Loss on Disposal of Components	113	-	113	184
Total expenditure on social housing lettings	6,080	68	6,148	5,932
Operating surplus on social housing lettings	1,765	23	1,788	1,885
Rent losses from Voids	83	-	83	84

3. Profit on disposal of property, plant and equipment

Group	**Right to Buy Sales**	**Low cost Home Ownership Staircasing Sales**	**Total 2020**	**Total 2019**
	£'000	**£'000**	**£'000**	**£'000**
Proceeds	397	39	436	237
Cost of disposal	(209)	(38)	(247)	(198)
Surplus	188	1	189	39

Association	**Right to Buy** Sales	**Low cost Home** Ownership Staircasing Sales	**Total 2020**	**Total 2019**
	£'000	**£'000**	**£'000**	**£'000**
Proceeds	63	39	102	73
Cost of disposal	(49)	(38)	(87)	(73)
Surplus	14	1	15	-

4. Surplus on ordinary activities before taxation

	Group 2020	**Group 2019**	**Association 2020**	**Association 2019**
Surplus on ordinary activities before taxation is stated after charging:	**£'000**	**£'000**	**£'000**	**£'000**
Depreciation:				
Tangible owned fixed assets	211	172	142	104
Housing properties	1,456	1,338	1,029	966
Auditor's remuneration: (Net of VAT))				
for audit services (Beever and Struthers)	23	-	14	-
for audit services (Mitchell Charlesworth)	-	23		13
for other service (Beever and Struthers)	1	-	1	-
for other service (Mitchell Charlesworth)	-	8	-	6
Operating leases	6	6	6	6
Loss on disposal of tangible assets other than housing properties	138	191	113	184
Surplus on disposal of housing property	189	39	15	-

5. Directors' emoluments

	2020 £'000	2019 £'000
Total remuneration paid to executive and non executive directors amounted to £582K (2019: £763k).		
The Directors including executive directors are as listed on Page 22		
Remuneration paid to executive directors (including pension contributions and benefits in kind)	481	573
Aggregate loss of office paid to executive directors of the Association	40	130
Remuneration paid to non-executive directors	61	60
Remuneration paid to the highest paid director (the Chief Executive) excluding pension contributions:	129	141
Pension Contributions paid on behalf of the chief executive:	19	21

The CEO is not in SHPS. A decision was made to reduce the pension liability on Prima in respect of the CEO and therefore Prima make a contribution equivalent to the amount that would have been made as an employer into SHPS into the CEO's private pension scheme. Prima has no liabilities associated with the individuals private pension scheme.

The remuneration (including pensions contributions and benefits in kind) or fees paid to the Non- Executive directors were as follows:

	2020	2019
Current Board members:		
J Boyd (Chair)	7.0	5.0
G Lewis	7.0	7.0
A Ramsay	5.0	5.0
R Woolfall (Commercial and Common Board)	4.0	5.0
P Roberts	2.0	-
K Vogal	1.5	-
R Young	1.5	-
B Callow (Commercial and Common Board)	1.5	-
T Dunne	1.5	-
M Evans	1.5	-
J Hale	1.5	-
M Sparks (Commercial Board only)	5.0	6.0
C Heath (Commercial Board only)	4.0	4.0
K Beddow (Commercial Board only)	4.0	2.0
K Beddow (transferred to Prima Commercial Board 17-09-18)	-	2.0
Former Board members:		
P Smith (resigned 19-09-19)	6.0	8.0
M Latham (resigned 19-09-19)	3.0	5.0
I Francis (term of office expired 19-09-19)	3.0	4.0
A Leech (resigned 30-06-19)	2.0	4.0
M Bintley (term of office expired (26-09-18)	-	3.0
Total	**61.0**	**60.0**

6. Employee Information

	Group		Association	
	2020	**2019**	**2020**	**2019**
	No	**No**	**No**	**No**
Board members (not full-time)	14	13	14	11
Office staff	66	65	59	56
Wardens, caretakers and cleaners	4	4	4	4
	84	82	77	71

Staff costs for the above persons				
Wages and Salaries	2,324	2,072	2,132	1,956
Social security costs	217	203	204	198
Other pensions costs	137	138	120	115
Payments for compensation for loss of office	75	130	65	130
	2,753	2,543	2,521	2,399

The Association recharges part of its staff costs to other entities within the group, during the year the net recharges were: to Leasowe £282K (2019 £347K) and to Commercial £336K.(2019: £264K).

The Association participates in the Social Housing Pension Scheme (SHPS), further details are provided in note 29.

Aggregate number of full-time equivalent staff whose remuneration (including compensation for loss of office) exceeded £60,000 in the year: (Group and Association)

	2020	**2019**
	£'000	**£'000**
£60,000 - £70,000	1	1
£70,001 - £80,000	2	-
£80,000 - £90,000	-	2
£90,000 - £100,000	1	-
£120,000 - £130,000	1	1
£130,000 - £140,000	-	1

Loans totalling £9k have been made to employees during the year (2019: £14k). The loans include an amount paid to an executive director the amount outstanding at 31 March 2020 was £9k (2019:£14k) All loans are at market rates of interest and repayable over a term of 4 years.

7. Interest receivable

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Interest receivable from Current accounts	6	4	4	2
Interest receivable from short term deposits	55	51	8	17
Interest receivable from Intra Group Loan	-	-	118	121
Interest receivable from short term deposits	61	55	130	140

8. Interest payable and similar charges

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
On bank loans, overdrafts and other loans:				
Repayable wholly or partly in more than 5 years	47	40	47	40
Repayable within 5 years	788	765	788	764
Other interest payable	3	2	1	1
Pension - net interest expense (note 29)	63	58	59	55
Release of FRS 102 Fair value adjustment	-	(366)	-	(366)
	901	499	895	494

9. Taxation

(a) Analysis of charge in year

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Current tax:				
UK corporation tax on surplus for the year	79	72	-	-
Adjustment in respect of previous year	0	(1)	-	-
Total current tax	79	71	-	-
Deferred tax:				
Origination and reversal of timing differences	-	-	-	-
Tax on surplus on ordinary activities	79	71	-	-

(b) Factors affecting the tax charge for the year

	Group 2020	Group 2019	Association 2020	Association 2019
Tax arising on surplus on ordinary activities at the standard rate of corporation tax of 19% (2019: 19%)	548	635	204	297
Effects of:				
Income not taxable for tax purposes	(463)	(573)	(204)	(297)
Expenses not deductible for tax purposes	-	-	-	-
Depreciation charge in excess of capital allowances	10	10	-	-
Income not taxable for tax puposes - Impairment.	(16)		-	-
Under/(over) provision in prior year	-	(1)	-	-
	79	71	-	-

Notes to the Financial Statements
For the year ended 31 March 2020

10. Tangible fixed assets

Group	Housing properties Completed schemes	Schemes under Construction and development	Shared ownership	Total housing properties	Freehold office	Furniture and motor vehicle	Total fixed assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 April 2019	97,382	4,053	1,172	102,607	1,829	1,890	106,326
Additions	1,128	2,529	-	3,657	-	475	4,132
Schemes completed	6,288	(6,288)	-	-	-	-	-
Disposals	(257)	-	(50)	(307)	-	-	(307)
Replacement of components	2,075	-	-	2,075	-	-	2,075
Write out replaced components	(376)	-	-	(376)	-	-	(376)
At 31 March 2020	106,240	294	1,122	107,656	1,829	2,365	111,850
Depreciation and impairment							
At 1 April 2019	14,992	-	131	15,123	639	1,391	17,153
Charge for the year	1,436	-	20	1,456	45	166	1,667
Disposals	(286)	-	(4)	(290)	-	-	(290)
At 31 March 2020	16,142	-	147	16,289	684	1,557	18,530
Net book value							
31 March 2020	90,098	294	975	91,367	1,145	808	93,320
31 March 2019	82,390	4,053	1,041	87,484	1,190	499	89,173

The Association is unable to analyse accurately the cost of housing land and buildings between freehold and other tenures, nor is it able to provide a reasoned estimate except at excessive cost. It is considered that the effect of this omission is negligible. Cost of properties include £Nil (2019: £NIL) for direct administrative costs capitalised in the year.

10. Tangible fixed assets

Association	Housing properties Completed schemes £'000	Schemes under construction £'000	Shared ownership £'000	Total housing properties £'000	Freehold office £'000	Furniture and motor vehicle £'000	Total fixed assets £'000
Cost							
At 1 April 2019	68,558	4,095	1,172	73,825	963	1,612	76,400
Additions	1,061	2,322	-	3,383	-	458	3,841
Transfer from commercial						99	99
Transfer to Completed	6,417	(6,417)	-	-		-	-
Disposals	(56)	-	(50)	(106)		-	(106)
Replacement of components	758	-	-	758		-	758
Write out replaced components	(181)	-	-	(181)		-	(181)
At 31 March 2020	76,557	-	1,122	77,679	963	2,169	80,811
Depreciation and impairment							
At 1 April 2019	9,162	-	131	9,293	263	1,265	10,821
Charge for the year	1,009	-	20	1,029		142	1,171
Transfer from commercial						54	54
Disposals	(75)	-	(4)	(79)		-	(79)
At 31 March 2020	10,096	-	147	10,243	263	1,461	11,967
Net book value							
31 March 2020	66,461	-	975	67,436	700	708	68,844
31 March 2019	59,396	4,095	1,041	64,532	700	347	65,579

The Association is unable to analyse accurately the cost of housing land and buildings between freehold and other tenures, nor is it able to provide a reasoned estimate except at excessive cost. It is considered that the effect of this omission is negligible. Cost of properties includes £157,571 (2019: £101,017) for direct administrative costs charged by a subsidiary company and capitalised in the year.

10. Tangible fixed assets [Continued]

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Improvement works capitalised				
Components capitalised	2,075	1,274	758	433
Amounts charged to expenditure	1,984	1,684	1,460	1,352
	4,059	2,958	2,218	1,785

11. Investments

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Investment properties				
Valuation as at 1 April 2019	5,386	5,172	-	-
Additions	24	265	-	-
Amortisation	(51)	(51)	-	-
Gain in valuation of investment property	86	-	-	-
Valuation as at 31 March 2020	5,445	5,386	-	-

The individual property portfolios have been professionally valued by the following external valuers:

- Student Accommodation and all Commercial shops: valued in September 2020 by KEPPIEMASSEY LTD.
- Former Police Houses: valued in June 2020 by Wall & Macnab.

In all cases the values are recorded at market value or fair value and were undertaken in accordance with the Royal Institute of Chartered Surveyors Valuation Standards. The values have been prepared and reported on the basis of "material valuation uncertainty" due to the impact of Covid-19, and consequently less certainty and a higher degree of caution should be attached to the valuations provided than would normally be the case.

Furthermore, for comparison purposes, the valuers consider that less weight can be attached to previous market evidence in March 2020 because of Covid-19 conditions at that time. The Directors concur with the view of the valuers and given current conditions do not believe there is any material difference arising between the dates of the valuation and 31st March 2020. The Directors consider that any contractual obligations to repair or maintain the properties are fully reflected in the financial statements.

On the basis that the lease on Broadgreen Hospital has approximately 10 years life duration, the Directors have chosen not to obtain a professional valuation, but to amortise its value over the remaining lease period. The resulting carrying value is considered to provide a fair reflection of the remaining lease term at 31st March 2020.

Adjustments to the carrying costs of the respective property portfolios, in line with the above valuations, has resulted in the following movements:

Movement in Valuation of Investments	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Student Accommodation (Loss)	(175)	-	-	-
Commercial Shops (Loss)	(160)	-	-	-
Police Houses (Gain)	421	-	-	-
Gain in valuation of investment property	86	-	-	-

12. Debtors (due after more than one year)

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Loan receivable	-	-	3,651	3,651

The amount due over one year relates to a long-term loan to the subsidiary undertaking PHA Commercial Limited. Interest is charged quarterly on the prevailing 3-month LIBOR rate plus 2.5% margin. Repayments are scheduled to start during 2021/22 over a term of twenty-five years.

13. Debtors (due within one year)

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Gross rental debtors	715	716	440	379
Bad debts provision	(455)	(436)	(249)	(235)
Net rental debtors	260	280	191	144
Amounts due from Group Companies	-	-	287	400
Prepayments and accrued income	76	85	68	76
Other debtors	162	156	103	79
	498	521	649	699

14. Cash and Cash equivalents

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Cash held on Short term Deposit Accounts	11,723	13,440	536	2,460
Cash at bank	1,902	2,980	1,450	2,427
	13,625	16,420	1,986	4,887

Cash and cash equivalents includes £207k (2019: £190k) held in a designated deposit account on behalf of leaseholder tenants (Note 16).

15. Creditors: amounts falling due within one year

	Group		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Rents in advance	614	633	411	373
Housing loans	746	238	746	238
Trade creditors	707	1,753	545	984
Accruals and deferred income	560	810	421	708
Corporation tax	89	82	10	10
Deferred capital grant (Note 18)	603	597	559	554
Recycled Capital Grant Fund (Note 19)	207	73	96	28
Disposal Proceeds Fund (Note 20)	124	124	-	-
Other taxation and social security costs	72	83	57	79
	3,722	4,393	2,845	2,974

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

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Housing loans (Note 17)	14,276	15,033	14,276	15,033
Deferred capital grant (Note 18)	44,828	44,571	41,363	41,038
Sinking Fund (Note 14)	207	190	207	190
Recycled Capital Grant Fund (Note 19)	172	232	94	113
Total	59,483	60,026	55,940	56,374

17 Housing Loans

In one year or less	746	238	746	238
Between one and two years	754	745	754	745
Between two and five years	4,235	4,351	4,235	4,351
In five years or more	9,287	9,937	9,287	9,937
	15,022	15,271	15,022	15,271

Loan Security

The housing loan facilities are secured by specific charges on the freehold and leasehold properties. The Association's three lenders include Barclays Bank, Orchardbrook and Bank of Scotland, all facilities are fully drawn. The Association also has a £6,000K loan facility with its subsidiary - Leasowe Community Homes, the facility was not utilised during the year (2018/19: Nil).

Terms of Repayment and Interest rates

Loans are repayable in a series of instalments with the final repayment due in March 2041. At the reporting date the loan portfolio consisted of fixed (82.4%) and variable rates (17.6%). The fixed interest rates range from 5.91% to 11.03%, the weighted average all in cost of borrowings was 5.84%. All facilities are fully drawn.

Covenant Compliance

Covenant compliance is monitored on a quarterly basis, there were no breaches identified in the year.

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
18 Deferred Capital Grant				
At start of year	45,168	45,810	41,592	42,179
Released to income in the year	(611)	(599)	(568)	(555)
Received in year	955	58	955	58
Written back on disposals	(81)	(101)	(57)	(90)
At end of year	45,431	45,168	41,922	41,592
Amounts due to be released < 1 year	603	597	559	554
Amounts due to be released > 1 year	44,828	44,571	41,363	41,038
	45,431	45,168	41,922	41,592

The grant value above is shown net of amortisation, the gross value is: Group £53,330K (2019: £52,468K), Association £48,977. (2019: £48,085K).

Notes to the Financial Statements
For the year ended 31 March 2020

19. Recycled capital grant fund

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
At 1 April 2019	305	147	141	97
Grants recycled	72	96	48	43
Transfer from DPF	-	60	-	-
Grant utilised	-	-	-	-
Interest	2	2	1	1
At 31 March 2020	379	305	190	141

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Due in less than 1 year	207	73	96	28
Due in more than 1 year	172	232	94	113
	379	305	190	141

There was no utilisation of the fund during the year.

20. Disposal proceeds fund

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
At 1 April 2019	124	183	-	-
Transferred to RCGF	-	(60)	-	-
Interest (less than £1,000)	-	1	-	-
At 31 March 2020	124	124	-	-
Due in less than 1 year	124	124	-	-
Due in more than 1 year	-	-	-	-
	124	124	-	-

There was no utilisation of the fund during the year

21. Other provisions

	Group		Association	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Dilapidations	217	217	-	-

The dilapidations provision is based on the future expected repair costs required to restore the Monument building to a fair condition at the end of its lease term.

22. Non-Equity share capital

	Group		Association	
	2020	2019	2020	2019
Each member of the Association holds one share of £1 in the Association.	£	£	£	£
Allotted, issued and fully paid:				
At 1 April 2019	11	13	11	13
Issued during year	7	-	7	-
Cancelled in year	(6)	(2)	(6)	(2)
At 31 March 2020	12	11	12	11

The shares do not have rights to any dividends, nor to a distribution in a winding-up, and are not redeemable. Each share carries one vote in a general meeting of the Association.

23. Ultimate parent undertaking

At 31 March 2020, the Association was a standalone entity with no parent organisation.

24. Group Undertakings and related parties

The Group undertakings consolidated within the Pierhead Housing Association Limited financial statements, all of which were owned by the Pierhead Housing Association Limited, unless otherwise stated, were as follows:

Name of undertaking	Nature of undertaking	Principal activity
Leasowe Community Homes Limited	Until 31-10-19 Company limited by guarantee under the Companies Act 2006 and Registered Charity. Since 01-10-19, a community benefit society with charitable status under the Co-Operative and Community Benefits Societies Act 2014.	Registered provider of Social Housing.
PHA Commercial Limited	Company incorporated and limited by shares under the Companies Act 2006.	Provider of commercial properties and managing the Group's development programme.

Transactions with Group undertakings are on a disbursement basis with no profits or losses arising on these transactions, the following transactions and balances were recorded within the Group during the year:

YE 2020	Capitalised Costs *	Operating Costs	Other Income	Interest Payable	Interest Receivable	Loan Creditor	Loan Debtor
Pierhead Housing Association Limited	76	59	821		118		3,651
Leasowe Community Homes		824					
PHA Commercial Limited		56	194	118		3,651	

* Eliminated on consolidation

2019	Capitalised Costs *	Operating Costs	Other Income	Interest Payable	Interest Receivable	Loan Creditor	Loan Debtor
Pierhead Housing Association Limited	70	45	703		121		3,651
Leasowe Community Homes	1	692					
PHA Commercial Limited		56	161	121		3,651	

* Eliminated on consolidation

Details of the loan Debtor are provided in Note 12.

25. Capital commitments

	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
Contracted for but not provided for in the financial statements	-	2,146	-	2,146
Authorised by the Board but not contracted for	78	845	-	780
	78	2,991	-	2,926
These commitments are expected to be financed with:				
Social Housing Grant	-	658	-	658
Cash Reserves	78	2,333	-	2,268
	78	2,991	-	2,926

26. Operating lease commitments – Group and Association

The Association holds items of office equipment on operating leases. Payments are accounted for in the month in which they fall due. At the year end, the Association had total commitments under these leases of:

Leases Expiring:	Equipment 2020 £'000	Equipment 2019 £'000
Within 1 year	6	6
Within 2 to 5 years	4	10
Over 5 years	-	-

27. Analysis of Changes in Net Debt

	At 1 April 2019	Cashflows	Non cash Changes	At 31st March 2020
Group	**£000's**	**£000's**	**£000's**	**£000's**
Cash and cash equivalents	16,420	(2,795)	-	13,625
Debt due within one year	(238)	253	(761)	(746)
Debts due after more than one year	(15,033)	-	757	(14,276)
Net debt	1,149	(2,542)	(4)	(1,397)

	At 1 April 2019	Cashflows	Non cash Changes	At 31st March 2020
Associate	**£000's**	**£000's**	**£000's**	**£000's**
Cash and cash equivalents	4,887	(2,901)	-	1,986
Debt due within one year	(238)	253	(761)	(746)
Debts due after more than one year	(15,033)	-	757	(14,276)
Net debt	(10,384)	(2,648)	(4)	(13,036)

28. Housing stock

	Group Units in management		Association Units in management	
	2020	**2019**	**2020**	**2019**
	No	**No**	**No**	**No**
Social housing units	2,527	2,478	1,581	1,527
Shared ownership	20	21	20	21
NHS staff accommodation	105	105	-	-
Student accommodation	93	93	-	-
Commercial units	72	72	-	-
	2,817	2,769	1,601	1,548
Accommodation in development at year end: All Social	-	38	-	38
Other units managed at year end: Freehold interest where leaseholder owns 100%	38	34	31	27
Movements during the year as follows:				
Owned Units:				
Opening Units	2,769	2,774	1,548	1,551
Additions	56	1	55	-
Disposals	(8)	(6)	(2)	(3)
Closing Units	2,817	2,769	1,601	1,548

28. Housing stock [continued]

	Group Units in management		Association Units in management	
	2020	2019	2020	2019
	No	No	No	No
Movements in Other Managed Units during the year:				
Opening Units	34	34	27	27
Additions	4	-	4	-
Closing Units	38	34	31	27

29. Pension obligations

The company participates in the Social Housing Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last triennial valuation of the Scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,552m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

The Scheme is classified as a ‘last-man standing arrangement’. Therefore, the company is potentially liable for other participating employers’ obligations if those employers are unable to meet their share of the scheme deficit followed withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

29. Pension obligations [Continued]

GROUP

PRESENT VALUES OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF ASSETS AND DEFINED BENEFIT ASSET (LIABILITY)	31 March 2020 (£'000s)	31 March 2019 (£'000s)
Fair value of plan assets	8,341	8,073
Present value of defined benefit obligation	(9,450)	(10,926)
Surplus/(deficit) in plan	(1,109)	(2,853)
Unrecognised surplus		-
Defined benefit asset/(liability) to be recognised	(1,109)	(2,853)

ASSOCIATION

PRESENT VALUES OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF ASSETS AND DEFINED BENEFIT ASSET (LIABILITY)	31 March 2020 (£'000s)	31 March 2019 (£'000s)
Fair value of plan assets	7,925	7,656
Present value of defined benefit obligation	(8,970)	(10,350)
Surplus/(deficit) in plan	(1,045)	(2,694)
Unrecognised surplus		-
Defined benefit asset/(liability) to be recognised	(1,045)	(2,694)

GROUP

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION	Period ended 31 March 2020 (£'000s)
Defined benefit obligation at start of period	10,926
Current service cost	-
Expenses	11
Interest expense	249
Contributions by plan participants	-
Actuarial losses/(gains) due to Scheme experience	(100)
Actuarial losses/(gains) due to changes in demographic assumptions	(98)
Actuarial losses/(gains) due to changes in financial assumptions	(1,283)
Benefits paid and expenses	(255)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses/(gains) on curtailments	-
Losses/(gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	9,450

29. Pension obligations [Continued]

ASSOCIATION

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION	**Period ended 31 March 2020 (£'000s)**
Defined benefit obligation at start of period	10,350
Current service cost	-
Expenses	8
Interest expense	236
Contributions by plan participants	-
Actuarial losses/(gains) due to Scheme experience	(97)
Actuarial losses/(gains) due to changes in demographic assumptions	(93)
Actuarial losses/(gains) due to changes in financial assumptions	(1,215)
Benefits paid and expenses	(219)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses/(gains) on curtailments	-
Losses/(gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	8,970

GROUP

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS	**Period ended 31 March 2020 (£'000s)**
Fair value of plan assets at start of period	8,073
Interest income	186
Experience on plan assets (excluding amounts included in interest income) - gain/(loss)	60
Contributions by the employer	277
Contributions by plan participants	-
Benefits paid and expenses	(255)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	8,341

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £246,000 (2019: £275,000).

29. Pension obligations [Continued]

ASSOCIATION

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS	**Period ended 31 March 2020 (£'000s)**
Fair value of plan assets at start of period	7,656
Interest income	177
Experience on plan assets (excluding amounts included in interest income) - gain/(loss)	49
Contributions by the employer	262
Contributions by plan participants	-
Benefits paid and expenses	(219)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	7,925

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £226,000 (2019: £256,000).

GROUP

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME (SOCI)	**Period ended 31 March 2020 (£'000s)**
Current service cost	-
Expenses	11
Net interest expense (Note 8)	63
Losses/(gains) on business combinations	-
Losses/(gains) on settlement	-
Losses/(gains) on curtailments	-
Losses/(gains) due to benefit changes	-
Defined benefit costs recognised in statement of comprehensive income (SOCI)	74

ASSOCIATION

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME (SOCI)	**Period ended 31 March 2020 (£'000s)**
Current service cost	-
Expenses	8
Net interest expense (Note 8)	59
Losses/(gains) on business combinations	-
Losses/(gains) on settlement	-
Losses/(gains) on curtailments	-
Losses/(gains) due to benefit changes	-
Defined benefit costs recognised in statement of comprehensive income (SOCI)	67

29. Pension obligations [Continued]

GROUP

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME	**Period ended 31 March 2020 (£'000s)**
Experience on plan assets (excluding amounts included in net interest cost) - gain/(loss)	60
Experience gains and losses arising on the plan liabilities - gain/(loss)	100
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain/(loss)	98
Effects of changes in the financial assumptions underlying the present value of the definec benefit obligation - gain/(loss)	1,283
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss Deficit funding agreement liability	1,541
Total amount recognised in other comprehensive income - gain/(loss)	1,541

ASSOCIATION

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME	**Period ended 31 March 2020 (£'000s)**
Experience on plan assets (excluding amounts included in net interest cost) - gain/(loss)	49
Experience gains and losses arising on the plan liabilities - gain/(loss)	97
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain/(loss)	93
Effects of changes in the financial assumptions underlying the present value of the definec benefit obligation - gain/(loss)	1,215
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss Deficit funding agreement liability	1,454
Total amount recognised in other comprehensive income - gain/(loss)	1,454

29. Pension obligations [Continued]

GROUP

ASSETS	31 March 2020 (£'000s)	31 March 2019 (£'000s)
Global Equity	1,220	1,358
Absolute Return	435	698
Distressed Opportunities	161	147
Credit Relative Value	228	148
Alternative Risk Premia	583	466
Fund of Hedge Funds	5	36
Emerging Markets Debt	253	278
Risk sharing	282	244
Insurance-Linked Securities	256	232
Property	184	181
Infrastructure	621	424
Private debt	168	109
Opportunistic liquid Credit	202	
Corporate Bond Fund	476	376
Liquid Credit	3	
Long Lease Property	144	119
Secured income	317	289
Over 15 year gilts	-	-
Index Linked All Stock Gilts	-	
Liability Driven Investment	2,767	2,952
Net current assets	36	16
Total assets	8,341	8,073

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

ASSOCIATION

ASSETS	31 March 2020 (£'000s)	31 March 2019 (£'000s)
Global Equity	1,159	1,288
Absolute Return	413	662
Distressed Opportunities	153	139
Credit Relative Value	217	140
Alternative Risk Premia	554	442
Fund of Hedge Funds	5	34
Emerging Markets Debt	240	264
Risk sharing	268	231
Insurance-Linked Securities	243	220
Property	175	172
Infrastructure	590	402
Private debt	160	103
Opportunistic liquid Credit	192	
Corporate Bond Fund	452	357
Liquid Credit	3	
Long Lease Property	137	113
Secured income	301	274

29. Pension obligations [Continued]

Over 15 year gilts		
Index Linked All Stock Gilts		
Liability Driven Investment	2,629	2,800
Net current assets	34	15
Total assets	7,925	7,656

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

GROUP and ASSOCIATION

KEY ASSUMPTIONS	**31 March 2020 % per annum**	**31 March 2019 % per annum**
Discount rate	2.4	2.3
Inflation (RPI)	2.6	3.3
Inflation (CPI)	1.6	2.3
Salary growth	2.6	3.3
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:	**Life expectancy at age 65 (years)**
Male retiring in 2020	21.5
Female retiring in 2020	23.4
Male retiring in 2039	22.9
Female retiring in 2039	24.5

30. Contingent liabilities

There are no known contingent liabilities arising from contractual disputes (2019: £NIL).

31. Post Balance Sheet Events

There were no significant post Balances Sheet events requiring adjustment to, or disclosure in, the financial statements.