Longhurst Group

Improving lives

Annual Report and Financial Statements 2019/20

Longhurst Group is one of the largest housing groups in the Midlands and East of England. We are a charitable housing association providing over 23,000 homes and a wide range of care and support services across 50 local authority areas.

As a strategic partner with Homes England and a leading partner with Pitch Development Services and Evera Homes, we are delivering one of the largest affordable development programmes in the Midlands and East of England, building the right mix of social housing, affordable rent, shared ownership, private rented and sales homes to meet local need.

Based on the solid foundations of strong financial performance and governance, and a robust approach to managing risk, we are confident that we'll realise our ambitious plans.

Contents

Longhurst Group in numbers

Operational

Homes
23,608

Local authorities
50

Colleagues
1,274

Completed developments
568

Other new homes started
432

Financial

Turnover
£153.8m

Portfolio value
£1.15bn

Investing in new homes
£81m

Living our purpose

Our purpose is to provide great homes and services to deliver an integrated solution to the housing and social care crises.

Our vision is to improve people's lives by focusing on their health and wellbeing and their economic resilience.

Providing homes people want, where they are needed

The need for more housing across the UK is well known. Nationally, we're still falling short of achieving Government targets of developing 300,000 new homes each year.

In 2019, the UK delivered 161,022 new homes according to homes registered with the National Home Building Council (NHBC).

This is an 81 percent increase on the 88,849 homes registered a decade ago but only one percent up on the 2018 figures. Even more striking is that, during 2019, only 6,287 social rented homes were delivered throughout the UK.

Our aim

During the life of our strategy, our ambition is to build approximately 750 homes each year, creating homes for people to rent or buy, at prices they can afford and in places they want to live.

We will invest wisely to maintain our homes, ensuring they are fit for purpose and located where services can be provided effectively and efficiently.

Commitments for 2020/21

Despite the challenges brought by the Coronavirus pandemic, we remain committed to delivering our development programme. During 2020/21 we expect to start building 929 new homes, completing 467 new homes during the same period. For our land led developments, we will also review our house designs to ensure our homes are as accessible as possible.

Homeless shelter development wins prestigious award

Alongside our partners, we delivered an award winning homeless facility in Lincoln.

The Nomad Centre was built thanks to a £700,000 Homes England grant that was awarded to the Blue Skies Consortium (a group of housing associations jointly led between Longhurst Group and Nottingham Community Housing Association.)

Our Development Agent, Pitch, also provided development services and the project was named Residential Property of the Year at the 2020 Greater Lincolnshire Construction and Property Awards.

Integrated housing, care and support

To provide a more comprehensive solution to the housing crisis, we need to build the right homes to meet the needs of the UK population, both now and in the future, recognising people are living longer and having fewer children.

In 2018, there were 19.1m families living in the UK; an increase from 17.7m in 2008.

The number of people living alone has also grown significantly, increasing by 500,000 between 2008 and 2018.

This has been primarily driven by an increase in the number of older men living alone. In 2018, 48 percent of those living alone were aged 65 years and over and 27 percent were aged 75 years and over.

Our aim

Recognising we have an increasing amount of older, vulnerable and disabled customers, the way we meet social care needs will complement our wider housing purpose, ensuring we plan and deliver housing and care and support services in a holistic way. Our integrated offer will deliver innovative, personalised services that support people to sustain healthy, secure and independent lives within the communities they wish to live.

Commitments for 2020/21

In the year ahead we will define our integrated housing and care offer and how it will be delivered, using customer feedback to shape the way we deliver services and inform our customer insight strategy.

Responsible partners of choice

Alongside a stall in the reduction in emissions from UK homes, as identified by UK Committee in Climate Change research, energy use in UK homes has also increased between 2016 and 2017, with 14 percent of all UK carbon emissions coming from domestic properties.

This figure is likely to increase further over the next two to three years, with more businesses moving to remote home working.

The Next Generation benchmark report, released in 2019, indicates the construction of the average UK home results in over 50 tonnes of CO_2 being emitted,equivalent to the CO_2 generated by heating the average UK home for 21 years.

Building safety for both existing and new build development remains an area of focus for the Government and housing sector following the Grenfell tragedy in May 2017.

Volunteers create a buzz in Peterborough

A group of Longhurst Group colleagues joined farmer and television presenter Jimmy Doherty to boost the bee population in Peterborough.

Alongside other local volunteers, they cleared areas of the park and planted wildflowers to help increase the number of bees and associated insects in the area.

Our aim

Fully committed to doing everything we can to protect the environment, we will lessen our carbon footprint and deliver more sustainable homes and services.

Reliable, trusted and endorsed by others for doing business the 'Longhurst Group way', we will invest in energetic, enjoyable and mutually beneficial partnerships that deliver positive change for our customers, communities and the environment.

Commitments for 2020/21

Our financial plan incorporates planned investment work that is needed to bring all of our properties up to an EPC rating of C or above over the next five years. This will have a positive impact on the environment and make our homes more affordable to keep warm.

For our own land led development projects we have achieved an EPC rating of B on all schemes developed in the last two years. We maintain this commitment for all future land led developments.

A high-performing team

Our aim

Working together as one team, motivated by strong, inspirational leaders, we will achieve high-performance and continue to provide care, support, commitment and dedication to our customers.

Our people will take personal ownership and communicate honestly and effectively with each other and with our customers, listening, understanding and showing empathy.

Commitments for 2020/21

In the year ahead we will complete the review of our colleagues' employment offer. In April this year, we introduced an improved sickness and holiday offer for our care and support teams.

To ensure we maximise our investment in new technology, we'll complete a skills assessment across the organisation to ensure the appropriate training is delivered.

We have started work on a Diversity and Inclusion strategy which will be launched with a clear programme of work to ensure we are an inclusive organisation that values the contribution that diversity brings. This will include work to improve physical and mental health. A review of our future working arrangements will also take place as we assess how and where we'll work in the future, following the Coronavirus pandemic.

Investing in our communities

Following a six-month discovery period, working with the Housing Associations' Charitable Trust (HACT) and talking to our customers, colleagues and Group Board, we've developed a clear community investment strategy spearheaded by Director of Community Investment, Charmaine Simei (pictured).

Our Community Investment activities will focus on initiatives, projects and funding that will help us work with partners to provide increased social value and enhance our communities.

Local, customer-led services

Our aim

As a single organisation, operating from a strong financial and governance platform, we are able to do more for our customers. It's crucial that we maintain the personal touch, delivering a localised and dedicated service and listening to our customers to provide community-led solutions to local problems.

Commitments for 2020/21

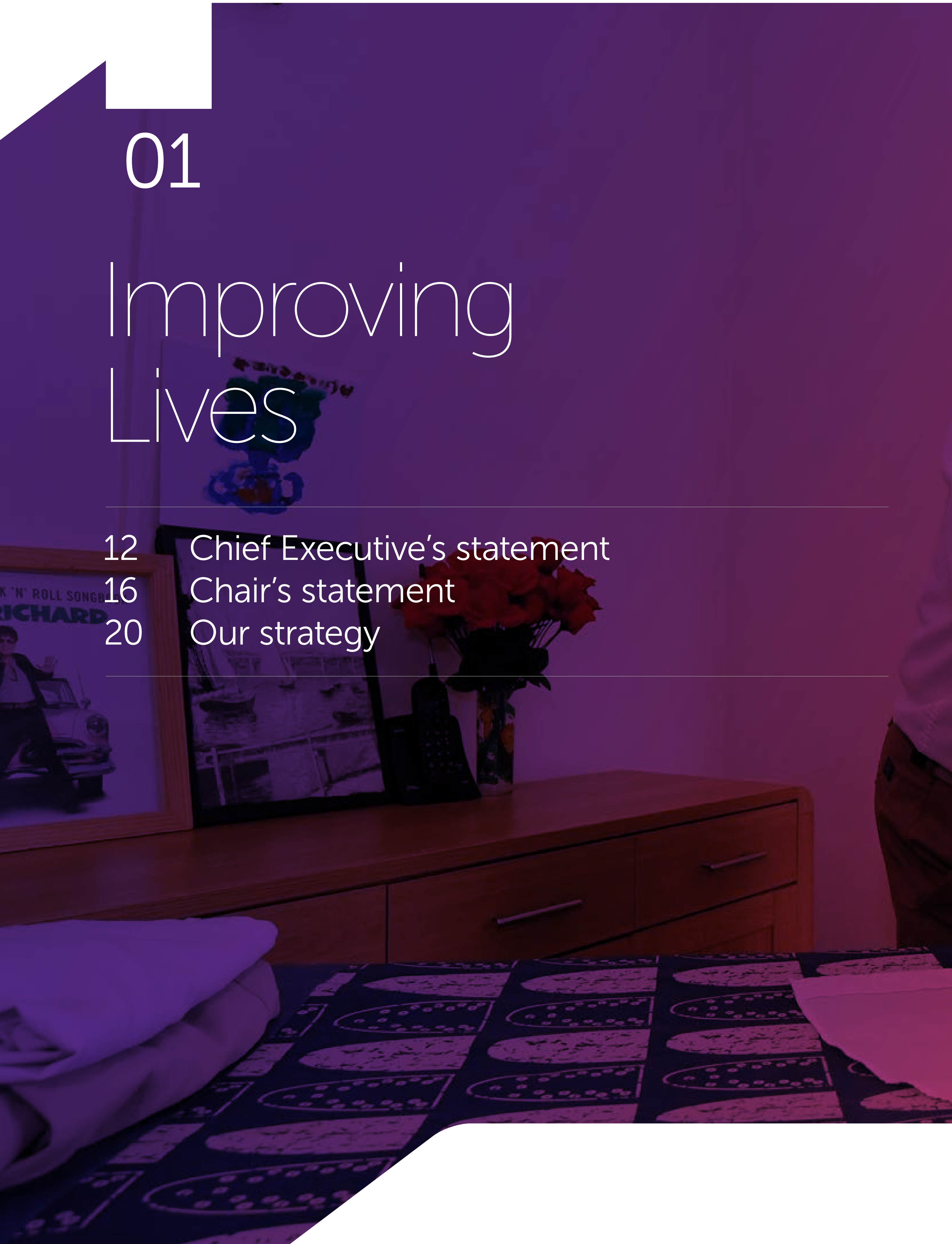
Earlier this year, we set up a new Customer Forum to help influence what we do and how we do it.

As part of a new way of working with our customers, the Forum has regular contact with our Group Board to check we're taking the right approach, track our performance and influence the decisions we make.

The recent introduction of Rant and Rave software will also help customers provide us with more more detailed and timely feedback.

This simple text message platform has already enabled us to get an insight into what we are doing well, what we can improve and any key themes that are emerging.

The recent response to the annual gas servicing carried out by Mears was particularly pleasing, with customers using Rant and Rave to feed back a score of 4.7 out of 5.



01

Improving Lives


EXTREME GLIDE

Chief Executive’s statement

“We remain passionately committed to ensuring fairness, equality and inclusion, while providing the best possible employment offer for our colleagues, to help them continue to deliver high-quality homes and services.”

Julie Doyle
Chief Executive

A landmark year

The last 12 months have seen the most significant period in the Group's history, as we consolidated our structure to become one organisation and launched our ambitious 2025 Improving Lives strategy.

As a Strategic Partner of Homes England we've been able to secure over £70m of government funding that will help us build approximately 750 new homes a year for the next five years.

As well as gaining the efficiencies of being a single organisation, we've maintained our commitment to, and connection with, our local communities.

Our strong financial performance and focus on delivering value for money, as demonstrated in this report, has helped us achieve a surplus after tax for the year of £13.4 million (2019: £21.75 million) and an overall operating surplus of 27.3 percent (2019: 30.27 percent).

A reduction in our surplus has occurred for a number of reasons, including increased investment in stock maintenance, costs associated with exiting three local government pension schemes and increased staff resources during the implementation of the Microsoft Dynamics Customer Relationship Management system. We remain in a very strong position to deliver our future business plan objectives with our performance and the retention of our G1/V1 status reaffirming our standing as a well-governed and financially sound organisation.

Doing more for our customers

To maintain and improve our homes we've spent £30m on responsive repairs, voids, planned works and major improvement works. Over 51,000 repairs were carried out, with 98.8 percent of emergency repairs completed on time. We have faced challenges with timely completion of some repairs jobs and continue to work with our contractor to resolve these issues.

During 2019/20, we established our Community Investment fund, investing an initial £350,000 that will increase to £500,000 in the year ahead. We also procured a new heating contract with Mears Limited and launched a new digital platform to improve customer experience.

Recognising we have more elderly, vulnerable and disabled customers, we're working hard to ensure our integrated offer

is accessible to all. To support people with disabilities, other complex needs or long-term conditions, we've established an accessibility working group. With 1,414 adaptations completed in the last three years, we aim to reduce the need for these changes by ensuring better design and improving processes around minor adaptations.

We've been at the forefront of launching a national campaign about something extremely close to my heart. Inspired by my grandson Harry, we are proud to be working with a series of national organisations and housing associations to inspire change, champion carers both paid and unpaid, and make homes and public spaces more accessible for people with disabilities.

Where we can improve

We have much to be proud of, in terms of what we've already achieved and our future plans, but one of our values is to 'own it' and we must also look at where we can improve.

Recognising our customer satisfaction (currently at 67 percent) needs to improve, we've introduced new ways for customers to provide instant text message feedback about the services they receive, such as repairs and grounds maintenance, and doing everything we can to ensure they are consistently of the high standard our customers deserve.

We also need to address our Gender Pay Gap, which has increased to 20.3 percent. It's important to acknowledge that we've been through a period of significant organisational change and to understand these results in the context of national trends, but we still have work to do.

The Gender Pay Gap reflects the high proportion of women working within our care and support services. These roles are incredibly important as demonstrated through the Coronavirus pandemic.

> “Everything we have achieved during the Coronavirus crisis will help us to return stronger as we seize the opportunity to work in a more agile way, travelling less and making better use of technology. ”
>
> **Julie Doyle**
> Chief Executive

We had already improved the terms and conditions for our staff in this part of the business and we are looking at how we can break down gender stereotypes for carers.

I’m really proud that the leadership team guiding our organisation is well represented by women, with four of us on the Executive Team and eight female Directors. Our Group Board is also strongly represented, with four of nine roles fulfilled by women.

We remain passionately committed to ensuring fairness, equality and inclusion, while providing the best possible employment offer for our colleagues, to help them continue to deliver high-quality homes and services.

Rising to the challenge

The Coronavirus pandemic has shone a bright light on the inequality that exists in society and this has been at the forefront of our mind during our response to this unprecedented crisis. With a resilient and agile team, we remain well-placed to meet these challenges.

Our purpose, vision and values have served us well during this difficult time. By absolutely living our values, pushing the boundaries to find new solutions and remaining in it together, we’ve continued to operate safely while supporting customers and colleagues.

Through agile decision making, we mobilised colleagues to work remotely and maintained a strong connection with our customers, making over 10,000 calls to check on their wellbeing and introducing a hardship fund that has already helped 63 customers facing financial difficulty.

Taking every precaution to keep people safe, our Procurement Team ensured essential supplies of food and Personal Protective Equipment (PPE) were maintained at a critical time.

We also recruited extra colleagues and introduced new technology to ensure we continued to provide a compassionate and committed service to some of our most vulnerable customers.

Everything we have achieved during this crisis will help us to return stronger as we seize the opportunity to work in a more agile way, travelling less and making better use of technology.

As demonstrated throughout this document, we remain committed to providing excellent homes, care and support while ensuring value for money, lessening our impact on the environment and doing everything we can to improve people’s lives.

Julie Doyle,
Chief Executive, Longhurst Group

Chair's statement

"What inspires me about our organisation is how we consistently turn words and commitments into action, and that has been highlighted in the way we've responded to the Coronavirus pandemic."

Bob Wilson
Chair

Continued commitment to our customers

Built on strong financial foundations and robust governance, the last 12 months have been filled with progressive change, great success and a continued commitment to our customers and communities.

Coming together as one organisation, launching our ambitious Improving Lives 2025 strategy and securing over £70m of government funding from our Strategic Partnership with Homes England already marked the last year as one of the most significant in Longhurst Group's history, and that's without considering the unique challenges presented by the Coronavirus pandemic.

As demonstrated throughout this report, we have achieved even greater clarity around our purpose and our vision and continued to make genuine progress on both of these fronts, doing even more to address the housing and social care crises and working hard to improve people's lives.

Sharing our future vision

The memorable launch of our strategy at the Improving Lives 2025 conference provided a fantastic opportunity for us to share our future vision with our valued partners and contacts.

Thanks to a selection of inspirational speakers, we were able to convey why we are so committed to this vision and how we intend to do even more to enhance people's health and wellbeing and boost their economic resilience.

The personal experiences we heard that day echo the challenges that many of our customers face. Helping people overcome these situations is the catalyst for us to provide high-quality housing services and care and support.

Our strategy outlines these aims as we work hard to do everything we can to make a positive difference to people's lives.

Well aware of the future challenges that we'll face housing people with more complex needs, including those with physical disabilities and those living with mental health issues, we know we'll need to adapt our offer, integrating housing with care and support to provide a personalised service to our customers.

Fundamental to delivering these objectives are strong financial performance and sound governance. Retaining the highest possible

rating from the Regulator for Social Housing for governance and viability is a clear endorsement of our capability in these areas.

Achieving G1/V1 status from the regulator is no mean feat; the assessment process is, quite rightly, rigorous and exhaustive, so to come out with this result is testament to the hard work of all colleagues across the business.

Another cause for celebration was the securing of £100m of investment from the sale of our 2043 retained bonds. The bond sale was four and a half times oversubscribed, which means that bids totalling over £400 million were received. This level of interest helped us to secure a competitive borrowing rate at an all in reoffer yield of 2.339 percent.

Strong performance

This impressive level of investor appetite was based on our strong performance in a number of areas, including rent arrears, tenancy sustainment, development and shared ownership sales, combined with the clear and ambitious vision of our Improving Lives strategy.

This investment provides the Group with further liquidity that ensures we are in an even stronger position to realise our development ambitions and approximately 750 new homes each year between now and 2025.

What inspires me about our organisation is how we consistently turn words and commitments into action, and that has been highlighted in the way we've responded to the Coronavirus pandemic.

From achieving full compliance and great feedback from the Care Quality Commission following virtual inspections of our extra care schemes, to carrying out thousands of wellbeing calls with our most vulnerable customers and setting up a hardship fund for those struggling financially, we can be extremely proud of the way we've lived our vision and values.

We've also provided great support to our colleagues who have done such a fantastic job keeping customers safe and well. At a time when we absolutely needed to stand up and be counted, we have done and we have made a positive difference.

As well as celebrating success, we are well-aware of the areas we can improve.

From improving customer satisfaction and gaining even more insight into the views of the people we serve, to reducing our Gender Pay Gap and continuing to celebrate and embrace diversity throughout our organisation, including our Board.

The Black Lives Matter movement has

"At Longhurst Group, we recognise our responsibility to ensure that we are an inclusive organisation that embraces and celebrates diversity. As with all of the areas we are committed to addressing, we will only make real progress when our actions speak louder than words."

Bob Wilson
Chair

made us all think about the long standing and malicious effect of racism, and how we must understand our collective history and stand shoulder to shoulder to deliver real change and justice.

At Longhurst Group, we recognise our responsibility to help, influence and drive the change this movement demands, to ensure that we are an inclusive organisation that embraces and celebrates diversity.

Recognising and owning our wider responsibilities, we also have clear targets around reducing the impact we have on the environment by utilising greener construction methods, cutting down the amount we and moving towards a more agile working model that will likely see us operate from fewer office locations.

Again, as with all of the areas we are committed to addressing, we will only make real progress when our actions speak louder than words.

Bob Wilson,
Chair, Longhurst Group

Our strategy

We already make a positive difference to thousands of people's lives, but we want to do even more. Our customers are at the centre of everything we do and we intend to work even harder to identify what is most important to them and provide the support they need.

By focusing our efforts into the two areas of health and wellbeing and economic resilience and delivering five key objectives between now and 2025, we believe we can achieve even more, both as an organisation and in partnership with others.

We will continue to be a leading housing group, developer and provider of care and support, investing in our communities and delivering integrated services where they are needed most.

Our five strategic pillars are:

1. Focusing on our customers and communities
2. Delivering an integrated housing, care and support offer
3. Providing the homes people want, where they are needed
4. Building and maintaining great partnerships
5. Our people and culture

1

Focusing on our customers and communities

Our aim

As a single organisation, operating from a strong financial and governance platform, we are able to do more for our customers. It's crucial that we maintain the personal touch, providing a localised and dedicated service and listening to our customers to provide community-led solutions to local problems.

Health and wellbeing

- Continue to work hard to reduce social isolation.
- Prepare colleagues to prevent crisis through early detection and intervention.
- Provide access to mental health support and support to people experiencing domestic abuse.
- Where appropriate, deliver the Longhurst Group Academy model across our communities to increase life skills and employment opportunities.
- Provide a range of opportunities for customers to help shape and influence the services they receive and volunteer with community projects.
- Use a comprehensive customer information database to proactively target support services for the customers and communities that need them most.
- Provide access to support and activities for carers.
- Find innovative ways to deliver a network of community initiatives.

Economic resilience

- Tackle homelessness.
- Provide accessible services and embrace digital communication for our customers.
- Improve pre-tenancy readiness.
- Maximise access to benefits.
- Help people become better prepared for starting a tenancy.
- Help people become work ready through access to apprenticeships, graduate programmes and other training and development.
- Provide money management support through our money advice service.
- Understand and work to address the barriers to employment for different people.

Case study

Ria's road to recovery

Following a history of complex mental health issues, Ria Richards (picture below) turned her life around with the help of our Employment and Training Advisor, Rob Friday.

Ria, who is 36 and lives in Handsworth, had a nervous breakdown after her first son was born and struggled mentally when she became pregnant with twins. Introduced to Longhurst Group's Mental Health Support Team, Ria received help with budgeting and other advice before being referred to Employment and Training Advisor Rob Friday.

"Rob was always very empathetic and there to listen to any of my issues," she said. "He was another person to talk to, alongside my support worker.

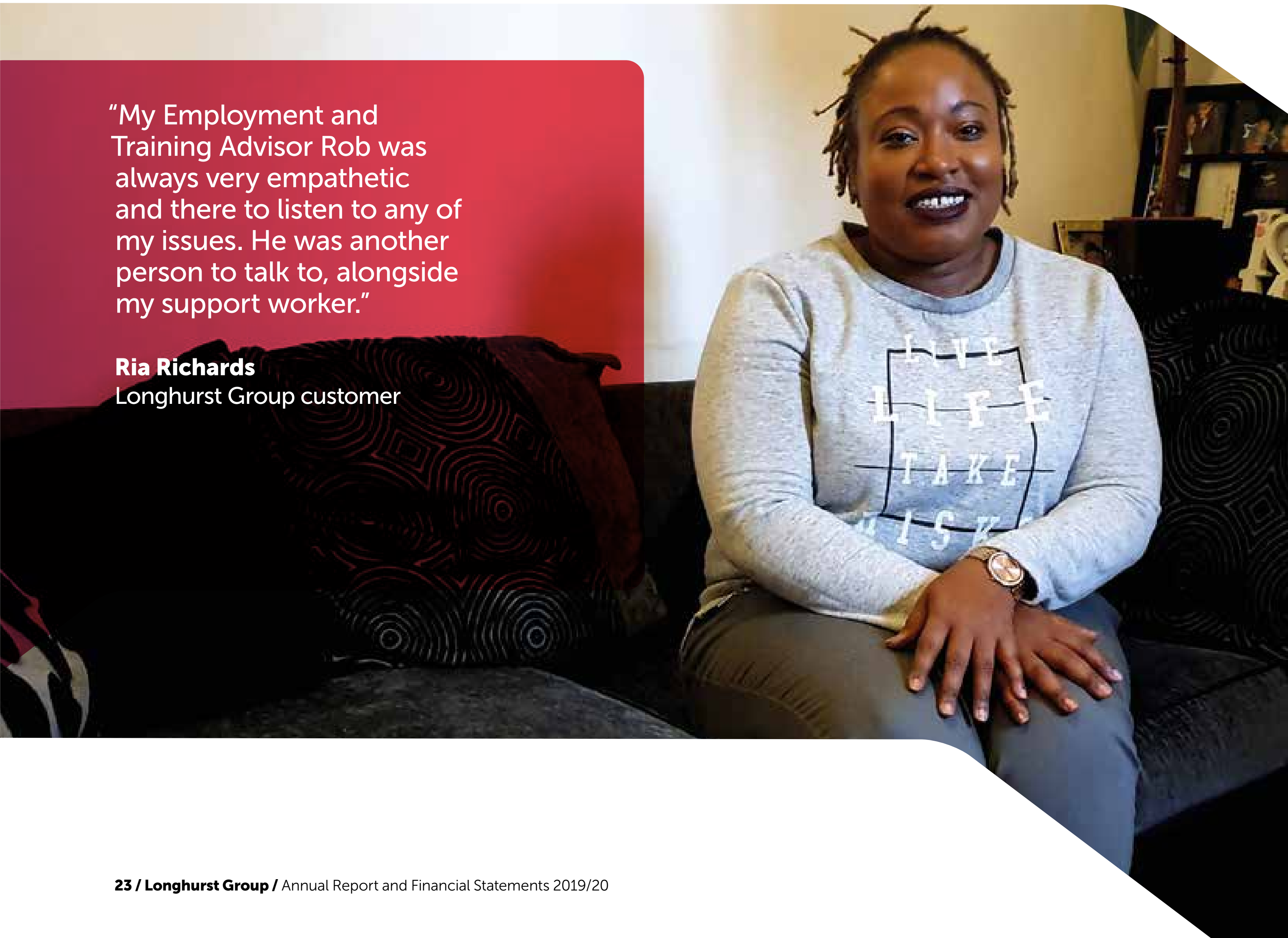
"We got my CV sorted and after I explained I had a diploma in hairdressing, Rob helped me find some voluntary work in a salon."

Also keen to support others, Ria concentrated on looking for voluntary work and after re-writing her CV and focusing on care and support, a job offer with a care provider soon followed.

"I've been working there for a little while now and I am really enjoying the work," Ria said.

"I can still do my hairdressing from time to time because the owner is really supportive and lets me use her salon whenever I like.

"Rob is very compassionate and a great listener. We went through so much together. He is also now helping my son to find work."



"My Employment and Training Advisor Rob was always very empathetic and there to listen to any of my issues. He was another person to talk to, alongside my support worker."

Ria Richards
Longhurst Group customer

Case study

Supporting Sylvia through the pandemic

After her husband and her brother-in-law died within 12 months of each other, Sylvia Lee (pictured below left) was left living on her own in Rutland.

When the Coronavirus pandemic struck, the Government's self-isolation and social distancing regulations were more challenges for Sylvia to face.

But, thanks to the help of one of our Money Advisors, Angie Noble, her life was made a little easier after successfully claiming Attendance Allowance. This has meant Sylvia has been able to pay for somebody to come and tend to her garden, allowing her to spend time and enjoy her surroundings.

"I wasn't aware of Attendance Allowance before," admitted Sylvia.

"It has helped me a lot and let me pay my gardener. I've also been able to buy a few bits of new furniture.

"Now, I can get outside in my garden and enjoy it. I like my garden to be looking nice, so it has helped with that."

"I wasn't aware of Attendance Allowance before. It has helped me a lot and let me pay my gardener. I've also been able to buy a few bits of new furniture. Now, I can get outside in my garden and enjoy it. I like my garden to be looking nice, so it has helped with that."

Sylvia Lee
Longhurst Group customer

Key performance indicators

Customer satisfaction

59.5%

of our customers were fairly or very satisfied with our services.

Accessibility of stock

1,414

adaptations to existing properties completed in the last three years.

Community investment

£350,000

of funding committed to our community investment programme.

Progress in 2019/20

- Approval of our Community Investment strategy and social value programme
- New Community Investment team recruited
- Community services already provided to 1,500 people
- Improving Lives hardship fund launched
- Introduction of Rant and Rave software for enhanced customer feedback.

Priorities for 2020/21

- Rant and Rave software launched to capture more regular and detailed feedback from our customers
- Customer Insight Strategy to help us better understand our customers and improve service delivery and customer satisfaction
- New tenancy support and health and wellbeing roles to be introduced
- Digital inclusion project to help customers access our services.
- Continued implementation of new Customer Relationship Management (CRM) system, improving the information we hold about our customers, enable greater insight and understanding of the support people might need.

2 Delivering an integrated housing, care and support offer

Our aim
Our integrated offer will deliver innovative, personalised services that support people to sustain healthy, secure and independent lives within the communities they wish to live. This will be underpinned by an ethos of adult-to-adult relationships that encourages independence.

Health and wellbeing
- Provide opportunities that enhance people's lives.
- Provide support for people with disabilities.
- Embrace technological advances, looking to best utilise assistive technology.
- Commit each year to reinvesting and improving care and support standards and outcomes for our customers.
- Grow floating housing, care and support services for older people.
- Ensure our policies and procedures remain flexible enough to ensure an aligned approach to aids and adaptations across housing, care and support.
- Look at rolling out handyperson services to help reduce social isolation and aid fall prevention.

Economic resilience

- Tackle homelessness.
- Provide accessible services and embrace digital communication for our customers.
- Improve pre-tenancy readiness.
- Maximise access to benefits.
- Help people become better prepared for starting a tenancy.
- Help people become work ready through access to apprenticeships, graduate programmes and other training and development.
- Provide money management support through our money advice service.
- Understand and work to address the barriers to employment for different people.

Case study

Hardship Fund helps make young parents' lives "a lot easier"

A young dad has thanked Longhurst Group for the support we've provided his family through our Improving Lives Hardship Fund.

Ronan Gothard, 19, who lives at Family+ at Sleaford Foyer with his girlfriend and their baby son, received various vital baby items, which have been purchased through the fund.

He said: "My mum and dad are distant – I speak to them but I can't live at home. It's the same for my girlfriend too.

"We spoke with the council and they got in touch with Sleaford Foyer. Thankfully, we got the place and moved in on 5 February this year.

"Given the current situation, we were struggling to get things such as sterilisers so to be able to get them through the Hardship Fund means a lot. It's made a huge difference and has helped us out a lot. We're all so thankful and it's a great help as we've now been able to get a lot more new things for our son."

Case study

Qualifications boost for Bharat

A customer has been able to transform his life thanks to the work of colleagues at our Skills and Development Centre in Peterborough. Bharat Patel first accessed the service at Peterborough Foyer in 2016 and has since achieved City & Guilds Entry Level 2 and 3 in ICT, Level 2 in English and is currently working on a Level 2 course in Maths.

Bharat said he was keen to keep his mind active and gain some qualifications as well as learning new skills. He added: "I didn't know anything about computers, so I wanted to do that. Then I started doing Maths and English and I've got a few certificates now.

"I've got a few health issues and can sometimes lose my way. I never had any qualifications and with turning 61 this year I just wanted to get my mind ticking over and keeping it busy.

"I'm very grateful for the support I've had and what I've been taught. I know I can be difficult, but without the support of Longhurst Group staff, I don't think I could've learnt what I have. I'm very happy."

Key performance indicators

Tenancy sustainment

94.8%

of our 937 general needs starter tenancies converted to an assured tenancy during the year.

Void costs – global

1.08%

Our global void loss was 1.08 percent, missing the 0.8 percent target.

Management cost per unit

£1,023

The management cost per unit was £1,023 which was over the £954 target set.

Void costs – general needs/housing for older people

0.82%

of our 937 general needs starter tenancies converted to an assured tenancy during the year.

Progress in 2019/20

- Comprehensive pre-tenancy support leading to strong tenancy sustainment, with 94.8 percent of our 937 general needs starter tenancies converting to an assured tenancy.
- Partnership with MyHomeEssentials to provide starter packs to those customers in greatest need.
- Our global void loss was 1.08 percent, missing the 0.8 percent target. The actual void loss for general needs and housing for older people was 0.82 percent, narrowly missing 0.75 percent internal target.

We've experienced challenges around the speed of void repairs in some areas. One of our residential care schemes with higher voids has now been sold, but our next extra care scheme Willow Court, in Whittlesey, Cambridgeshire, will impact 2020/21 as the Coronavirus pandemic has affected its occupancy projection.

Management cost per unit increased during 2019/20 and missed the target set (the average for our peer group of similar housing associations for 2018/19). The actual cost does include significant unbudgeted charges for the exit from a local government pension scheme, governance costs related to group consolidation and consultancy support for the business change function.

If these costs were excluded, the management cost per unit would be comparable to the prior year and closer to the target set.

Priorities for 2020/21

- Launch of Customer Insight Strategy
- Defined integrated housing and care offer, which will be supported by the Sheltered Housing Review, planned for 2020/21
- Improving our customer insight data
- Ensure our homes are more accessible.

3

Providing the homes people want, where they are needed

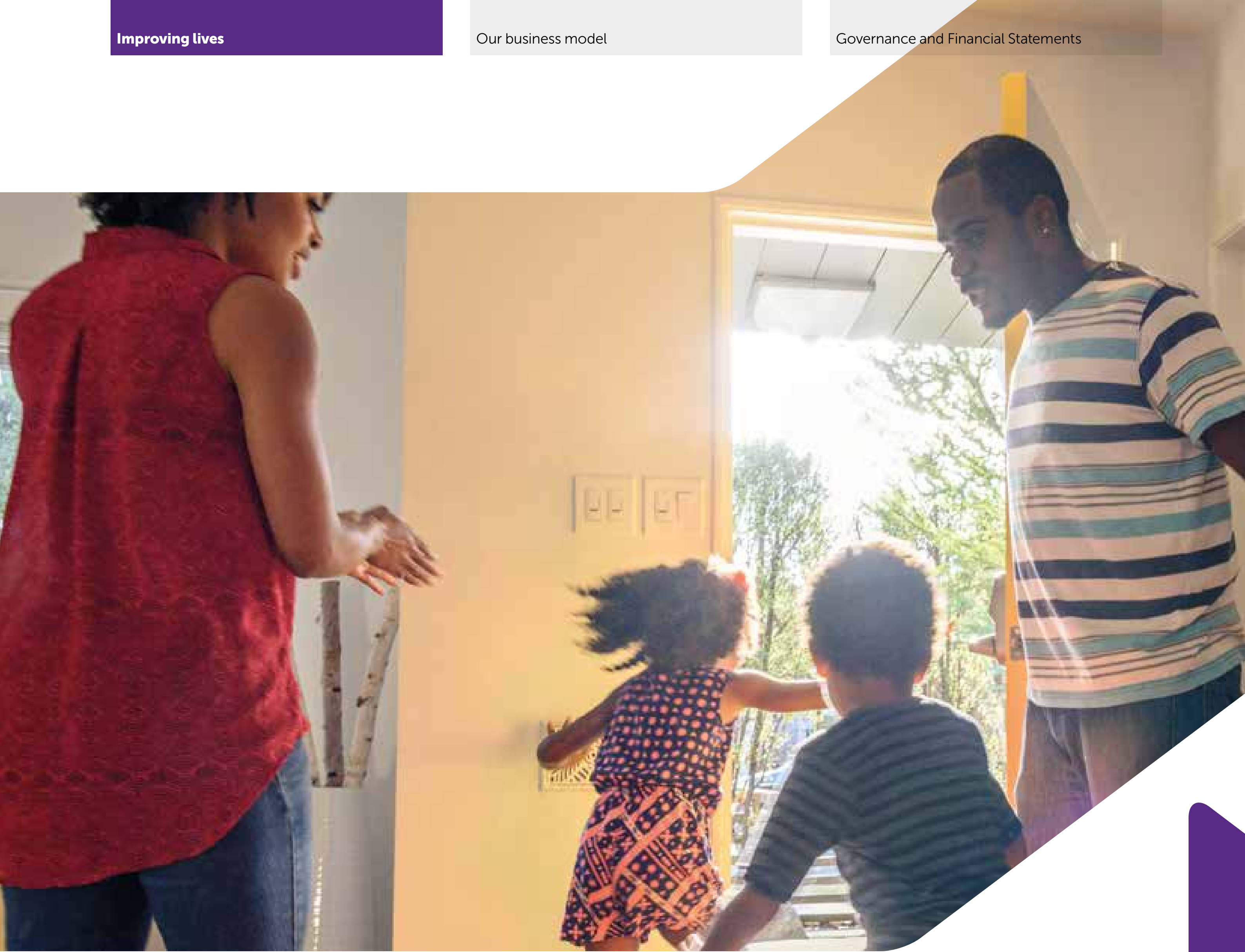
Our aim
During the life of this strategy, our ambition is to build approximately 750 homes each year, creating homes for people to rent or buy, at prices they can afford and in places they want to live.

We will invest wisely to maintain our homes, ensuring they are fit for purpose and located where services can be provided effectively and efficiently.

Our strategy also sets out a clear target to grow to 35,000 homes by 2025. We will achieve this through the delivery of our ambitious development programme and further business combinations where there is a good fit.

Our development programme focuses on providing homes where they are needed most across our core development areas. Our plans will see us deliver a mix of section 106 developments and land led opportunities, developed with grant funding received through our Strategic Partnership with Homes England.

Our business plan assumes that 60 percent of the new homes developed will be rented tenures with the remaining 40 percent being made available through low cost home ownership or other intermediate tenures.



Health and wellbeing
- Reduce the need for aids and adaptations through good design in all new developments.
- Adopt a proactive, seamless approach to minor adaptations, being discreet and innovative, using 'invisible' adaptations to ensure effectiveness without compromise on design and appearance.
- Provide access to services that help people remain in their own home as long as possible.
- Ensure our homes provide a safe, secure and decent environment as a foundation for people to build their lives.
- Take account of the importance of green space in our development plans.
- Support people with disabilities, long-term conditions or other complex needs.
- Aim to design all of our projects to meet Building for Life 12 standards to ensure that the homes we build give our residents a well-designed place to live.

Economic resilience
- Provide a choice of housing products and price points, including affordable, market rent, market sale and shared ownership.
- Include supported housing in a long-term funded asset management plan
- Design energy efficient new homes and invest in existing properties to make them more energy efficient and affordable to run.
- Ensure our homes are designed to aid the construction of modular building methods.
- Build our own homes using local labour and apprentices to help boost the local economy.

Case study

Family's home ownership dreams come true

Shared Ownership presents an attractive and affordable way for many people to get a foot on to the property ladder, including a family who recently purchased a property at our Forest Heath development in Waltham on the Wolds.

Mr R, who has moved into the two bedroom mid-terrace property with his wife and two children, said without the option of Shared Ownership, their dream of owning their own home would not have become a reality.

Mr R said: "Shared Ownership is so ideal to help people who otherwise don't stand a chance, even though these people may be just as likely to manage repaying a mortgage as those people who have no difficulty in securing one.

"Previously, we had to rent from a private landlord and never missed a rent payment and still had disposable income each month

"We had perfect credit scores, and yet on previous attempts at getting a mortgage in the past, we were told time and time again that, even though our rent we were paying at the time was more than the monthly mortgage repayment that was ever quoted, that we 'could not afford' a house on a standard mortgage.

"The Shared Ownership scheme has been around for quite a long time now, but we've bided our time and finally found one that is so perfect for us.

"We're all delighted. The house has all the mod-cons and is very spacious. We came from a smaller house, so we have so much room now."

Key performance indicators

New supply of social housing homes

514

The Group increased social housing stock by 2.2 percent with 514 new affordable homes.

New supply of non-social housing homes

0.2%

increase in stock with eight new properties for market rent and 47 properties for outright sale, delivered through our private development arm, Keystone.

Reinvestment

£72m

(6.2 percent) invested in our stock, including £9m on capital works to our existing stock which is 17% higher than in 2018/19.

Return on Capital Employed

3.2%

Gearing

50.2%

EBITDA-MRI

138.2%

Operating Margin

25.1%

down from 29.3 percent in 2018/19.

Operating Margin on social housing lettings

32%

down from 34.6 percent in 2018/19.

Headline social housing cost per unit

£3,812

Repairs

51,000+

completed, with 98.8 percent of emergency repairs completed on time.

A more detailed review of these KPIs can be found in our Value for Money report on pages 56 to 59, where they are considered against the prior year forecast and a group of peers.

Progress in 2019/20

- Our Strategic Partnership programme with Homes England launched on 1 April 2020
- The Group increased social housing stock by 2.2 percent with 514 new affordable homes, continuing an upward trajectory from 503 affordable units in 2018/19 and 350 in 2017/18. This is a key priority and exceeds the two percent average annual target the Group has held for some time

Priorities for 2020/21

- Start on site for 929 new homes
- Completing 467 new homes

4

Building and maintaining great partnerships

Our aim
Reliable, trusted and endorsed by others for doing business the 'Longhurst Group way', we will invest in energetic, enjoyable and mutually beneficial partnerships that deliver positive change for our customers and communities.

Health and wellbeing

- Deliver corporate social responsibility and encourage and facilitate volunteering opportunities for customers and colleagues.
- Ensure every contact counts by training employees of our contractors to identify and report on safeguarding and other relevant issues.
- Engage and work proactively with local authorities and health and social care bodies to grow our housing and social care services in our primary operating areas.
- Develop partnerships with social care providers, local authorities and community groups.
- Invest in existing specialist or adapted supported accommodation identified with commissioning partners as significant to local delivery of health and social care strategies.

Economic resilience

- Promote corporate social responsibility during the procurement of new contracts and look to engage with local social enterprises and SMEs.
- Deliver our social value strategy by agreeing a delivery plan with our main contractors which covers: employment opportunities, work experience, training and development, apprenticeships and community investment.
- Ensure we access available funding to optimise the projects we can deliver to improve economic resilience.
- Create partnerships to deliver community initiatives that promote and improve the financial wellbeing of our customers.
- Access available funding and become involved in community initiatives.
- Achieve the best solution for customers by working with partners and local authorities to help them meet their strategic objectives in relation to housing, homelessness and providing homes and services to people in housing need.

Case study

Improving Lives conference

We launched our ambitious Improving Lives 2025 strategy during a stakeholder event in November 2019.

Featuring a panel of guests, the inaugural Improving Lives conference was attended by over 75 of our key partners and stakeholders and was extremely well-received.

Among those to speak at the event was Sunday Times best-seller and poverty campaigner Jack Monroe (pictured above centre), who shared her powerful story which really showcased the important role that housing associations can play in transforming people's lives. She said: "At every stage of the two years I was living in poverty, there were so many opportunities for intervention.

"For people to ask if I was managing alright, if everything was okay at home or whether I was claiming the benefits I was entitled to.

"People could've asked, 'Can I give you a Food Bank referral form?', or 'How did you get that bruise?', or 'Why have you got a bandage on your wrist?'.

"We are all here today as we have a common purpose. We don't want this to happen to anybody else. It has been brilliant to meet people who are clearly so driven and passionate about this. It is something I feel very strongly about."

Case study

Residents volunteer for local charity
Residents at Wisbech Foyer, who were furloughed during the Coronavrius pandemic and wanted to "do their bit", volunteered for local charity, 50 Backpacks.

The charity, which usually feeds homeless people in the town, provided hundreds of free food boxes to elderly and vulnerable people that were shielding during the pandemic. Volunteers were responsible for sterilising food donations, packing them into boxes and delivering them to people's doorsteps.

Matt Richardson, Service Manager at Wisbech Foyer, said: "We're so proud that our residents are using their time to support this effort and help people in genuine need. During the pandemic, 50 Backpacks distributed over 150 food boxes (over 10 tonnes of food) across the Wisbech area in just one day."

Key performance indicators

Stakeholder perception survey

85%

average score for reputation, trust, profile, visibility and clarity of brand and our Group structure.

Progress in 2019/20

- Since our stakeholder perception survey, we've consolidated as a single organisation and launched our ambitious Improving Lives 2025 strategy, introducing it to external stakeholders at a conference which was extremely well-received.
- The last financial year has been the first full year of operation for Evera Homes LLP, our innovative Joint venture with three other HAs (Hyde, Cross Keys and Flagship).
- Evera has now taken handover of the first phase of a 60 unit development at Upwood in Cambridgeshire which will deliver 22 affordable homes for rent and shared ownership and 38 market sale homes.
- Our Procurement Team hosted an event to engage our suppliers with our Community Investment Strategy and our Improving Lives 2025 approach.
- Enhanced national profile from regular trade coverage, a prominent role in sector-wide campaigns and regular recognition at national and regional award ceremonies.

Priorities for 2020/21

- Progress the delivery of new homes through Evera
- Consider other partnerships and joint ventures with local authorities, developers and registered providers.
- Evera is looking to deliver around 2,000 new homes across a range of different tenures in the next five years with an aim of providing more affordable homes for rent and shared ownership.
- With a healthy pipeline of other opportunities, Evera is well supported by key partners like Homes England and the Cambridge and Peterborough Combined Authority.

5

Our people and culture

Our aim

Working together as one team, motivated by strong, inspirational leaders, we will achieve high-performance and continue to provide care, support, commitment and dedication to our customers.

Our people will take personal ownership and communicate honestly and effectively with each other and with our customers, listening, understanding and showing empathy.

Health and wellbeing

- Embrace equality and diversity in all we do.
- Support the mental and physical wellbeing of our people through a range of advice and support services.
- Have a range of family-friendly policies that support people with responsibilities outside of work, such as carers and parents.
- Develop a culture of flexible, agile working to encourage a healthy work life balance that balances organisational needs and workforce mobility.
- Have great places to work which are in the right locations and provide a positive environment that helps people thrive.
- Implement technology that better connects our people with each other and our customers.
- Empower our managers to support and develop high-performing teams and create a culture of learning and continuous improvement.

Economic resilience

- Ensure we pay and reward our people in a fair way.
- Ensure opportunities are open to everyone to progress and develop.
- Retain great people by being a great employer that recognises and rewards excellence.
- Encourage people into work through a range of employment and training initiatives.
- Invest in people, through learning and leadership development, so they can progress and develop their careers.
- Provide access to financial advice and support as part of our employment offer.
- Work to address the Gender Pay Gap, delivering on our agreed action plans.

Case study

Megan's pride at helping Care and Support colleagues

During the Coronavirus pandemic, five members of other teams came forward to help our Care and Support colleagues keep our most vulnerable customers safe.

This included Megan Cann (pictured above), who worked shifts at Friary Court scheme in Peterborough alongside her role as a Finance Officer.

Megan said: "I've previously worked in a care home and I'm currently a volunteer with St John Ambulance, so I feel that I've got the right experience to be able to help at such a time.

"I enjoy working on the front line because I love being able to help others.

"Even if it's a simple task of making them a cup of tea and having a quick natter – you'll be surprised at how much of a smile it puts on their face at the moment."


IMPROVING
2025
Shoot

Key performance indicators

Colleague satisfaction

1 star

accreditation from the Best Companies Survey.

Environmental footprint

3.6%

reduction in mileage, paper and office costs.

Progress in 2019/20

Colleagues

- We were delighted to achieve one star accreditation on the Best Companies Survey in September, which exceeded our expected score as an organisation completing the survey for the first time.
- The results of the survey provided us with data that was vital in shaping our People and Culture Strategy which was approved by the Board earlier this year.
- Implementation of an online recruitment tool to increase efficiency and boost our recruitment activity
- In December, the sale of one of our specialist dementia care facilities to a new provider led to the TUPE transfer of over 100 colleagues.
- The completion of the first phase of our review of employees' terms and conditions saw 45 representatives appointed to consult with colleagues.

Priorities for 2020/21

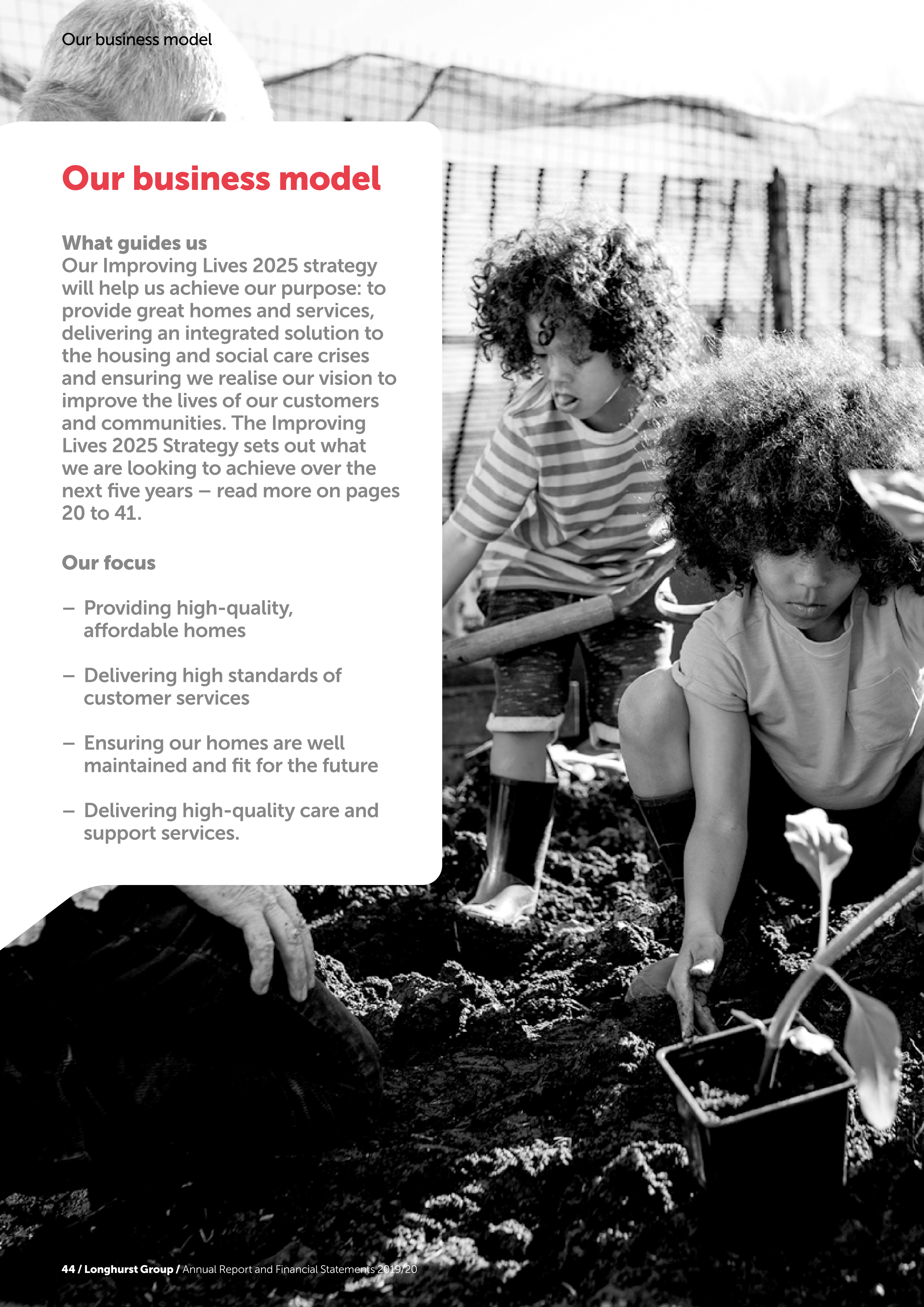
- Introduction of a new HR system, aligned with our CRM, that will deliver further efficiencies
- Group-wide ESG Strategy.
- Review Modern Methods of Construction for Development.
- Development of a group-wide Environmental, Social and Governance Strategy, which will draw a clear link with some of the issues already identified within the work on VFM. This approach has been validated by recent discussions with investors and rating agencies who have expressed interest in our performance in this area.

Environmental performance

- We reduced our mileage, paper use and office costs by an average of 3.6 percent. This fell short of our five percent target.
- The same year-on-year target to reduce business mileage, paper usage and offices costs by five percent was put in place for 2020/21 before we changed our working arrangements due to the Coronavirus pandemic.
- As we will significantly out perform this target for the year ahead, we are actively reviewing how we'll work in the future with an expectation of less travel and more remote and agile working.
- We also plan to incorporate the standard assessment procedure (SAP) rating of our properties – currently 72.31 (band C) – into this measure from 2020/21.

02

Our business model



Our business model

What guides us

Our Improving Lives 2025 strategy will help us achieve our purpose: to provide great homes and services, delivering an integrated solution to the housing and social care crises and ensuring we realise our vision to improve the lives of our customers and communities. The Improving Lives 2025 Strategy sets out what we are looking to achieve over the next five years – read more on pages 20 to 41.

Our focus

– Providing high-quality, affordable homes

– Delivering high standards of customer services

– Ensuring our homes are well maintained and fit for the future

– Delivering high-quality care and support services.

Our values

Our values are at the heart of everything we do

In it together

We stand together as one team with one vision to make a difference to peoples' lives.

Heartfelt service

Everything we do shows we care deeply about our customers and colleagues.

Own it

We do what we say to the best of our ability with pride and passion.

Push the boundaries

We strive for excellence constantly looking for fresh ways of doing things.

Fun and fair

We work hard, enjoy it and treat everyone equally with respect and honesty.

What we do

Longhurst Group is a charitable housing association registered as a community benefit society and with the Regulator of Social Housing.

We are one of the largest housing groups in the Midlands and East of England, providing 23,608 homes and delivering a wide range of care and support services.

Operating in 50 local authority areas, we have over 1,200 colleagues, 10 office bases and over 80 care and support locations.

Longhurst Group incorporates the parent company, Keystone Developments and two special purpose funding vehicles, Libra and Libra 2.

In the last year, we simplified our group structure through a transfer of engagements from L&H Homes, Spire Homes, Friendship Care & Housing and Axiom Housing.

Our new structure enables us to be more agile and efficient. In addition to achieving growth through our development programme, we are open to mergers with other registered providers that fit with our culture, geography and the services we provide.

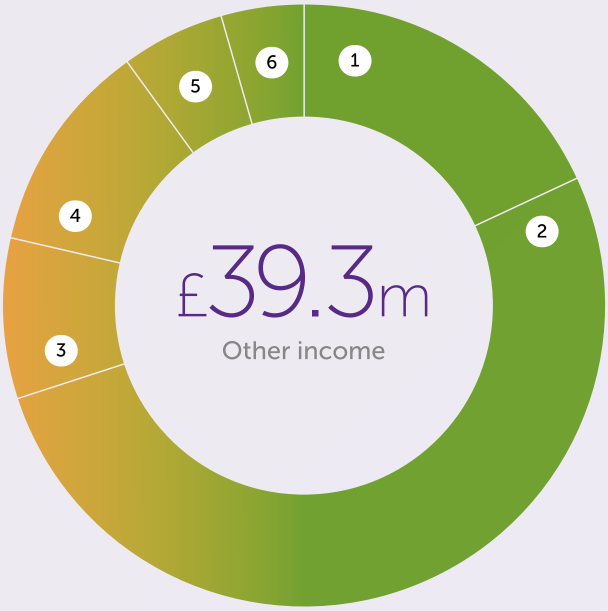
Split of revenue

1 – Social housing lettings

£114.5m

2 – Other income

£39.3m



Social housing lettings

We provide a range of services to different customer groups but our core business remains social housing lettings.

During 2019/20, our total turnover was £153.8m and 74 percent of this was generated through social housing lettings, incorporating:

1 – General needs housing incorporating social, intermediate and affordable (80% of market) rent

£87.4m

2 – Housing for older people (social rent for older people)

£12.2m

3 – Shared ownership rental income (rental income on equity retained by Longhurst)

£5.4m

4 – Care and supported living residential homes providing a range of care and support services

£9.5m

Our total surplus from social housing lettings for the year was £35.6m. These operating surpluses are used to service the debt that has been borrowed to fund new developments and to re-invest back into new social housing developments.

Other income

Our open market sales business is delivered through Keystone Developments and comprises a mixture of family housing for sale and retirement housing projects. The retirement housing undertaken through Keystone is then subsequently managed in Longhurst Group as part of the portfolio of leasehold properties.

1 – Open market housing sales

£7.1m

2 – Shared ownership first tranche sales

£20.5m

3 – Floating support care contracts

£3.3m

4 – Management of leasehold properties for elderly

£4.5m

5 – Development services

£2.2m

6 – Other

£1.7m

Providing homes people want, where they are needed

We have a long and successful track record of delivering new homes through our development and sales programme.

Our development strategy is based upon delivering an even mix of new homes through our own land led new developments and through section 106 agreements.

Through our new development strategy and Homes England Strategic Partnership, we aim to deliver more new homes with opportunities created from the initial land acquisition and design by our new business and land team.

Homes England identify strategic partners who agree to expand their development programmes by building a specified number of new homes, in return for additional Government funding.

During the last year, our team expanded and now includes additional planning expertise. Our team work closely with local authority planners on potential new sites and the overall mix of new homes, prior to planning applications being submitted.

Although prioritising more of our programme through our own land led developments, approximately half of our programme will still come through planning gain section 106 agreements.

We work closely with a number of regional and national developers to access section 106 opportunities that complement our existing portfolio of properties.

For new developments, we aim to deliver high quality affordable homes to rent and buy in the places that people want to live and in a way which maintains our long-term financial viability, so that we continue to develop new homes for years to come.

Development for us is more than just bricks, mortar and numbers of new homes. Our development and sales team work closely with colleagues in our housing and property services teams to ensure our new homes programme meets local demand, is well-designed and economical to maintain in the future.

Alongside our investment in new homes, we continue to ensure our existing homes are well maintained. We will also adopt a proactive, seamless approach to minor adaptations and support customers to access services that help them stay in their own home as long as possible.

Our future investment programmes for new and existing homes will incorporate more energy efficient measures, while our investment plans incorporate the work required to achieve an EPC rating of C or above on all our properties over the next five years.

Currently, 39 percent of our stock is currently below 'C'. We expect to use offsite manufacturing as part of the delivery of our future homes programme.

Integrated housing, care and support

By continuing to provide high-quality homes to a range of customers, we will ensure our customers have a great place to live and can access support that improves their lives. The housing services we provide through our customer, housing and property services teams remain integral to our future growth.

The wide range of care and support services we provide to over 4,000 people contributes to a business unit annual turnover of £30 million. Many providers are likely to withdraw from social care but we will provide a range of integrated housing, social care and support solutions, seamlessly bringing these services together to support customers through their lives, regardless of their circumstances.

We will be renowned in the housing sector for providing a clear and successful integrated housing, care and support offer. Recognising that we have more older, vulnerable and disabled customers, the way we meet social care needs will complement our wider housing purpose, ensuring we can plan and deliver housing and care and support services in a holistic way.

Our integrated offer will deliver innovative, personalised services that support people to sustain healthy, secure and independent lives within the communities they wish to live. Underpinning this will be an ethos of adult-to-adult relationships with customers, ensuring our approach encourages independence.

As set out in Our Strategy on pages 22 to 41, some of our priorities for the year ahead include:

– Making technology work better for us and our customers by using assistive technology to help our customers.
– Providing support for people with disabilities.
– Better understanding the barriers to employment and work to address them, looking to provide opportunities where there aren't any.
– Ensuring our policies and procedures remain flexible enough to provide an aligned approach to aids and adaptations across housing and care and support.

Responsible partners of choice

We appreciate that mutually beneficial partnerships help us to deliver more for our communities and this underpins our work with all of our key stakeholders.

As a supportive landlord, provider of quality care and support and a progressive developer, we know we can achieve even more by continuing to work with trusted partners, building on existing relationships and creating new ones to maximise the impact we can have.

Continuing to work closely with our valued partners, we will tackle the challenging issues faced by our communities, focusing on delivering value for money and protecting the environment while investing in homes and services that make a difference to the lives of our customers.

Through the way we work and the campaigns we influence, we will focus our efforts where we can have the most impact and play a leading role in integrating housing and care and support services, ensuring people have access to homes and services that provide peace of mind as their needs change.

Suppliers, contractors and developers

Much of what we do relies on work undertaken by our key suppliers, contractors and development partners. Our aim is to work with suppliers and contractors whose way of working is aligned to our values and the service we aim to provide to our customers.

We work under a number of established framework agreements to help achieve value

for money as well as procuring established goods and services through more traditional tender exercises.

The introduction of a new centralised Procurement Team coincided with the consolidation of the Group structure and the team has already achieved a £200,000 annual saving on the re-procurement of gas and electric contracts, resulting in lower service charges for our customers in the future.

Maintaining an effective supply chain is an important area of focus for us. During the Coronavirus pandemic, we amended our payment terms to pay contractors more quickly to ensure services and supply chains were maintained at a critical time.

Achieving more together

Working closely with the National Housing Federation (NHF) and other Housing Associations (HAs) across a number of different areas, we are able to achieve more together.

Our development team continue to jointly lead the Blue Skies development consortium with Nottingham Community Housing Association (NCHA), providing development project management services to other HAs and local authorities.

We work with the NHF policy team across different campaigns and are linked in to various working groups focusing on areas such as finance, development housing services and governance. As our trade body, the NHF provides a valuable service both at a regional and national level.

This was the first full year of our innovative partnership with three other HAs – Cross Keys, Flagship and Hyde – on the Evera Homes joint venture, which we jointly established in July 2018. Operating as a virtual 100,000 home Registered Provider, the partnership enables us to accelerate the supply of new homes across all tenures throughout the Cambridgeshire and Peterborough combined authority area.

The collective strength of the four partners means Evera, which took handover of its first scheme in the last quarter of 2019/20, can develop larger and more complex sites that might otherwise remain undeveloped.

Government and Regulators

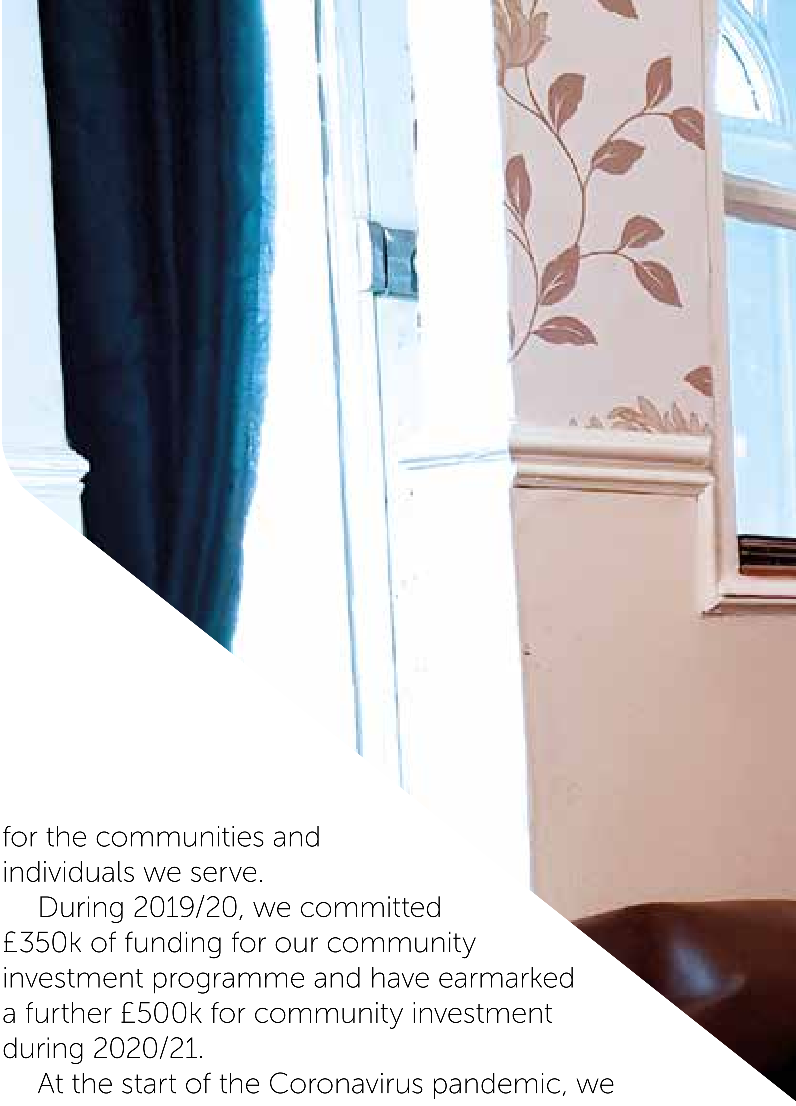
We work with a range of different stakeholders across local and central government.

As an organisation with a long track record and ambitious plans for future development, we continue to work closely with Homes England. Our relationship with Homes England is vital to delivering our new homes programme and helping us to continue to play our part in tackling the country's chronic shortage of affordable homes.

This has been our first full year as a Strategic Partner with Homes England, working alongside Nottingham Community Housing Association (NCHA). We are proud to say that, despite the challenges presented by the Coronavirus pandemic, our targets for the first 12 months were met and we remain confident of achieving our future start-on-site targets.

We continue to work closely with the Regulator of Social Housing (RSH) and the Care Quality Commission (CQC). During the year, we completed our second in-depth assessment with the RSH, which saw us maintain the top regulatory rating at G1/V1.

At a regional level, we maintain close working relationships with our key local authority partners across our core operating area. These relationships are key to the delivery of the service we provide and the new homes we develop.



Local, customer-led services

Our customers and communities are at the heart of what we do. Our purpose is to provide great homes and services where they are needed most and be a leading player in developing integrated solutions to the housing and social case crises. Understanding what they need and where they need it is critical to our success.

Our customers fall into three groups; those that rent or buy homes from us, those that receive care and support services and those that receive both.

We provide services to a broad range of customers, including:

- General Needs and affordable rent
- Supported Housing and housing for older people
- Shared Ownership and rent to buy
- Leasehold schemes for the elderly
- Other Social Housing
- Market rent
- Extra Care services
- Mental health and learning disability accommodation and support
- Other Care and Support provision including floating support services.

We are more than just a landlord to our residential customers and our Improving Lives 2025 Strategy clearly sets out the work we are doing to support both their health and wellbeing and economic resilience.

During the year we have provided a range of opportunities for customers to get involved and provide feedback on our services. Our recently launched text messaging platform will enable us to collect better feedback from our customers and help us shape future services.

Customer feedback and engagement will be crucial to ensuring we provide the best possible services. We will work closely with customer groups to deliver the improvements they want.

Through our Community Investment and Social Value programme, we will work in collaboration with key internal and external stakeholders to ensure our community investment initiatives return maximum benefit for the communities and individuals we serve.

During 2019/20, we committed £350k of funding for our community investment programme and have earmarked a further £500k for community investment during 2020/21.

At the start of the Coronavirus pandemic, we recognised that some of our customers would be more significantly affected than others and earmarked an additional £60,000 hardship fund to support customers.

Our Customer Services, Housing and Property Services Teams also carried out wellbeing calls across the whole of our customer group to check on their welfare and see if they required any support that we could help with or signpost them to.

The last year has seen an increase in the number of customer complaints made, with 1,628 received compared to 968 the previous year. We recognise some areas of our repairs service haven't achieved the levels of service we expect. We are working hard with our contractors to improve this service and have also introduced a system to gather more detailed customer feedback across the business.

We want customers to have tenancies they are able to maintain. Providing support in a number of ways, our pre-tenancy preparation process and ongoing money advice service aims to ensure that customers have access to the benefits they need and that their tenancy is sustainable. The business benefits from this, due to lower arrears and reduced turnover of stock.

Case study

Better off after budgeting advice

When Grandfather Alan Hill (pictured above) was approaching state pension age, Universal Credit payments meant he was struggling to pay additional rent to keep his account out of arrears. With bedroom tax payments also eating into his income, Alan was referred to our Money Advice team who advised he made an advanced claim for Pension Credit and Housing Benefit a month before his state retirement age.

Alan, who lives on our Beechdale estate in Walsall, is now £50 a week better off and is finding life easier, knowing how to budget and what he can afford.

"I hadn't got a clue what I could do or had to do," he said. "Longhurst Group pointed me in the right direction, made phone calls for me and now I know exactly what money I've got coming in. If I fancy a bag of chips I know I can afford to go to the chip shop. It's nice not having to rely on the kids having to help me all the time. And when the grandkids come, they can have a treat.

"I'd always done everything by the book, but until I contacted Longhurst Group I didn't really understand the support I was entitled to."

A high-performing team

Our culture is not just about what we do but how we do it and why.

Our people are central to everything that we do and how we do it. Through our 'One team, One vision' philosophy, we make the best use of the collective expertise, resources and energy across our team of colleagues.

We encourage our people to be creative, innovative and empower them to make good decisions every day. As an employer that looks after its people, we will continue to invest in the health and wellbeing of our people, developing family and carer-friendly policies and supporting them with access to other services.

In the last year we have introduced new terms and conditions that improve the overall reward package for our care and support colleagues by increasing annual leave entitlement and improving sick pay.

Ensuring our colleagues have the appropriate training and 'tools' to do their job is a key priority for us. As part of our digital strategy and move to Microsoft Dynamics as a common technology platform for the business, we will ensure that digital training is a core part of the implementation of new and updated systems within the business.

In the last year, we have rolled out the MS Dynamics platform to our Finance Team as part of the consolidation of the Group structure. During the autumn we also implemented a new CRM solution for our Sales Team, which has proved invaluable with the team working remotely since the beginning of April.

The ongoing coronavirus pandemic has meant we've had to work differently. For colleagues who usually work from one of our offices, we moved swiftly to a model of working remotely. This, on the whole, has proved to be very successful and will be incorporated into our future working strategy with more colleagues working remotely and flexibly.

We have also moved quickly to digitise some of our services to enable colleagues to work more effectively and without the need to visit offices. In the space of five weeks, we have rolled out the use of a mobile solution for our floating support team, ensuring they have access to our system at all times.

In the year ahead, we will be doing more work around how we can better support the health and wellbeing and economic resilience of our colleagues. This will include looking at how and where we work and what lessons we can learn from the way in which we have continued to operate during the Coronavirus pandemic.

During the year ahead we will:

- Prepare the work for our next Sunday Times Best Companies submission
- Start work on the re-modelling of our office space
- Complete the second stage of our staff terms and conditions review.

We are financially resilient

Our new homes programme is reliant on both private finance and the grant funding we receive from Homes England.

We have been well supported by our banks and investors over recent years in terms of new funding which has been provided through short-term bank facilities and capital market public bond issues, including the recent sale of the Group's £100m retained bonds in March 2020.

We maintain regular contact with our funders, providing up-to-date transparent information on our performance and strategic objective. Similarly, we work closely with the ratings team at Moody's throughout the year and our A3 stable credit rating was confirmed in January 2020.

To progress our business plan priorities, we need to ensure the business is financially resilient and viable in the long-term.

Our financial plans are extensively stress tested each year and we work closely with our funders, the Regulator of Social Housing and Moody's to ensure we provide the information they need. The Board monitors a number of different financial indicators and further details on these are covered in our Financial Review on pages 72 to 77.

We care about the environment

In the last year we have increased our focus on the environment and the impact our business has on it. It is clear that the way we work, deliver services and maintain and build new homes has a significant impact on the world around us.

We will introduce a group-wide Environmental, Social and Governance Strategy during 2021. This will look at how our home building and maintenance programme impacts on the environment and how we can further reduce our impact, through a stock improvement programme and investigate how we plan to deliver more sustainable homes in the future.

As a business, we've learned that we can work effectively and productively while travelling less. Our ongoing investment in ICT will be key to ensuring we can work more remotely and reduce our carbon footprint. A priority for next year will be to explore how we can work more efficiently and how our offices will be used in the future.

Value for Money

On July 1, 2019, our new Group structure came into effect with a transfer of engagements from our former member companies – L&H Homes, Spire Homes, Friendship Care & Housing and Axiom Housing Association – to form Longhurst Group. On the same day, we introduced our Improving Lives 2025 strategy to our colleagues.

During the year, our board carefully considered the details of the Regulator of Social Housing (RSH) VFM metrics compared to the RSH global review and against a peer group. Board members have been working to develop an additional suite of VFM indicators that are aligned to the business plan objectives identified in our Improving Lives 2025 strategy.

The additional VFM metrics adopted by the Board are grouped under our strategic pillars. Read more in the Our Strategy section on pages 20 to 41.

VFM Metrics and benchmarking

The following section shows the Group's performance against each of the VFM metrics for 2019/20 and the previous year. These metrics are the standard definitions as per the VFM standard.

Alongside the VFM metrics, we compare our performance with other registered providers as part of the Vantage Benchmarking Group.

This benchmarking group meets quarterly and allows members to compare performance across a range of indicators, using consistent definitions.

Below we compare the Group's VFM metrics against our peer group. The final section analyses our performance against the projection set in our last annual report.

1 | Reinvestment

	Longhurst Group		Peer group 2018/2019				
	2019/20	2018/19	Peer 1	Peer 2	Peer 3	Peer 4	Peer 5
Reinvestment %	**6.2%**	5.0%	7.8%	4.6%	8.3%	4.3%	5.3%

Investment in the provision of affordable new homes and maintaining our existing stock to a high standard is a key priority for the Group. The level of investment for 2019/20 of 6.2 percent is consistent with both prior year and peer comparatives. The delivery of 514 new homes, together with a significant increase in our investment in existing stock, has increased this metric.

2 | New supply delivered

	Longhurst Group		Peer group 2018/2019				
	2019/20	2018/19	Peer 1	Peer 2	Peer 3	Peer 4	Peer 5
Social housing units	**2.2%**	2.2%	2.5%	1.2%	2.6%	1.5%	2.9%
Non-social housing units	**0.2%**	0.3%	0.1%	0.3%	0.5%	0.0%	0.0%

The delivery of 514 new social housing units is an increase on prior year figures and places the Group in the middle of the peer comparison group. This is a key priority and exceeds the two percent target.

3 | Gearing

	Longhurst Group		Peer group 2018/2019				
	2019/20	2018/19	Peer 1	Peer 2	Peer 3	Peer 4	Peer 5
Gearing %	**50.2%**	49.2%	44.4%	30.1%	51.4%	40.2%	45.6%

The Group's overall level of gearing has increased during the year from 49.2 percent to 50.2 percent at the end of March 2020. The Group remains at the top end of the peer group comparison, reflecting the ambition for development and growth. Given the scale of our pipeline development programme, we are projecting that gearing will increase to 55 percent by 2021/22. Each year of the business plan is well within our covenant limits. Our tightest gearing covenant is at 60 percent, which falls away in 2020/21 to 65 percent. Our business plan has been extensively stress tested as part of the modelling of our development programme. We manage our programme in a way that ensures we are not over committed at any one time, with appropriate mitigations in place. The Board is comfortable with the projected increase in gearing as part of our investment in the provision of new homes.

4 | EBITDA MRI interest cover

	Longhurst Group		Peer group 2018/2019				
	2019/20	2018/19	Peer 1	Peer 2	Peer 3	Peer 4	Peer 5
EBITDA MRI interest cover %	**138.2%**	172.9%	96.1%	282.9%	99.5%	169.0%	182.3%

The Group's EBITDA MRI Interest Cover stood at 138.2 percent for the year ending March 31, 2020. This reduced due to the significant increase in capital investment in existing stock and other factors such as the exit from the Local Government Pension Scheme.

5 | Headline social housing cost per unit

	Longhurst Group		Peer group 2018/19				
	2019/20	2018/19	Peer 1	Peer 2	Peer 3	Peer 4	Peer 5
Headline social housing cost per unit	**£3,832**	£3,649	£3,310	£3,085	£3,912	£4,213	£3,198

The two primary drivers of the increase are the one-off exit costs from the Local Government Pension Scheme (£1.6m), and increased spend on repairs and maintenance of our properties. This includes additional planned works relating to fire safety and other projects not included within the projected figure. Void costs and the cost of repairs also increased during the year.

6 | Operating margin

	Longhurst Group		Peer group 2018/19				
	2019/20	2018/19	Peer 1	Peer 2	Peer 3	Peer 4	Peer 5
Social housing lettings %	**31.1%**	34.6%	34.8%	36.9%	39.5%	33.3%	32.8%
Overall %	**25.1%**	29.3%	29.9%	30.9%	27.3%	33.8%	29.6%

Metric 6A – Operating margin (social housing lettings) %

The Group's operating margin on social housing lettings dropped to 31.1 percent in 2019/20, from 34.6 percent in 2018/19. The reduction in margin is due to the factors outlined in metric 5, coupled with reduced margins in care homes.

Metric 6B – Operating margin (overall) %

Our operating margin for the year to March 31, 2020 stood at 25.1 percent, down from 29.3 percent in 2018/19. The reasons for this reduction are partly explained within metric 5, along with an increase in the level of shared ownership sales and an impairment of land held within Keystone.

7 | Return on capital employed

	Longhurst Group		Peer group 2018/19				
	2019/20	2018/19	Peer 1	Peer 2	Peer 3	Peer 4	Peer 5
Return on capital employed %	**3.2%**	4.3%	3.3%	4.8%	4.2%	3.6%	3.5%

The Group's Return on Capital Employed has reduced 0.5 percent more than projected. This is linked to the cost pressures outlined above. The Group is positioned at the lower end of the peer group but the projection is for this to increase.

Projection

A projection for the VFM metrics was provided in the 2018/19 annual report and the following analysis examines the variance to that projection.

Projections for 2020/21 have not been provided due to the uncertainties created by the Coronavirus pandemic. The Board will be considering a revised business plan and targets in September 2020.

		2019/20		
		Actual	Projection	Variance
1	Reinvestment %	**6.2%**	8.2%	-2.0%
2a	New supply delivered (social housing units) %	**2.2%**	2.5%	-0.3%
2b	New supply delivered (non-social housing units) %	**0.24%**	0.0%	0.24%
3	Gearing %	**50.2%**	52.9%	-2.7%
4	EBITDA MRI Interest Cover %	**138.2%**	146.3%	-8.1%
5	Headline social housing cost per unit	**£3,832**	£3,517	£315
6a	Operating Margin (social housing lettings) %	**31.1%**	35.9%	-4.8%
6b	Operating Margin (overall)%	**25.1%**	29.7%	-4.6%
7	Return on capital employed %	**3.2%**	3.7%	-0.5%

The reinvestment percentage variance represents around £20m lower investment than expected in the business plan a year ago.

New supply of social housing units is broadly in line with target. Delayed completion of a small number of schemes until 2020/21 has pushed some completions into the following financial year. Non-social housing units were cautiously projected at nil units, but 47 units were developed.

The variance on gearing represents around £35m of loans. This correlates with lower borrowing due to the same issues outlined for the reinvestment percentage.

Interest cover was lower than projected a year ago. While interest and financing costs are lower for 2019/20, the increased investment in our assets and other costs impacting surplus have reduced interest cover further than projected.

An increase in headline social housing cost per unit and reduced operating margin can be attributed to the unbudgeted factors outlined above in metric 5.

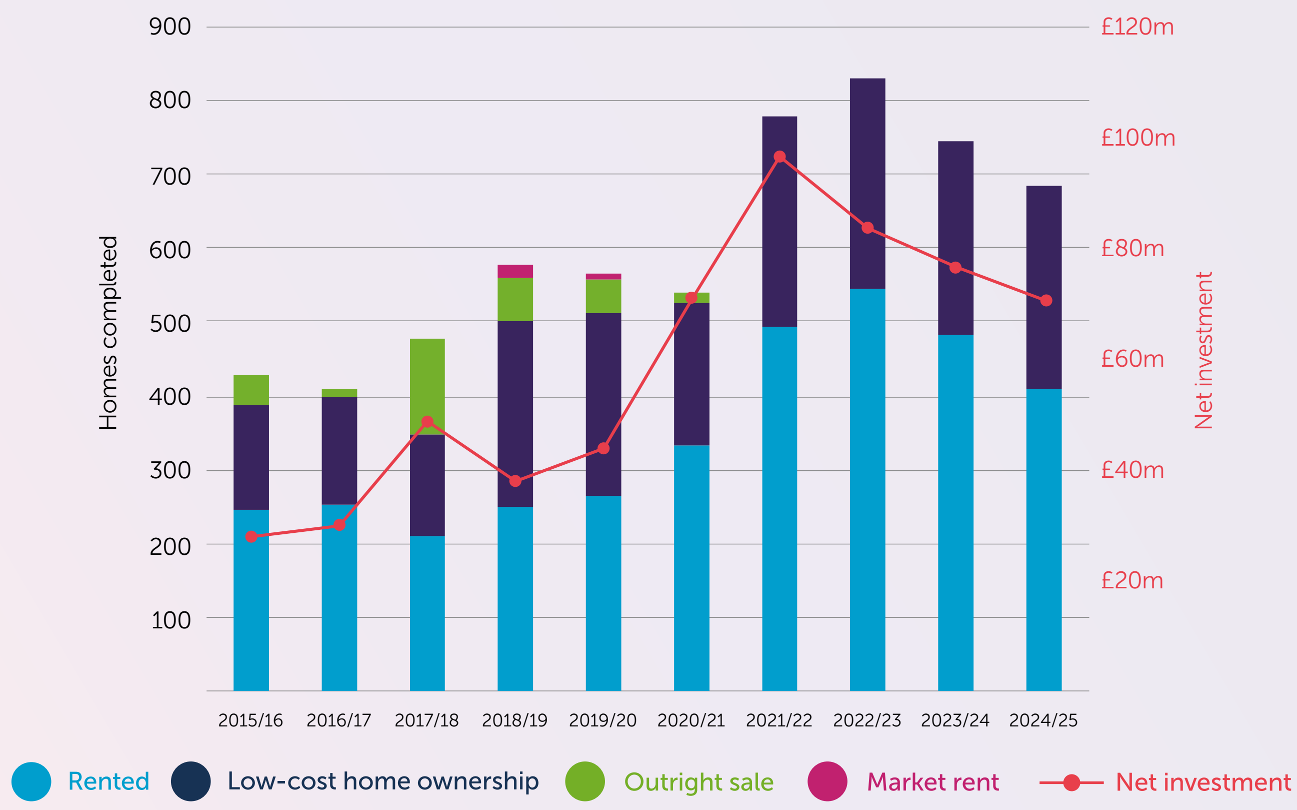
Our development programme

With more than 23,600 homes and a current portfolio worth in excess of £1.15billion, we're proud to be one of the leading housing providers across the Midlands and East of England, but we want to do even more.

As we continue to play our part in fixing the housing crisis, we'll deliver the homes people need, where they are needed most, focusing on the areas in which we can have the most impact.

Ranked at number 28 in Inside Housing's '2020 Biggest Builders' survey, we invested £81 million to deliver 568 new homes in 2019/20, with the overwhelming majority of these units being made available for social, affordable or intermediate rent or low-cost ownership options such as shared ownership or Rent to Home Buy.

Longhurst Group developments – completion and investment



Strategic partnership
With our Strategic Partnership status, over the next five years, we will deliver one of the largest affordable development programmes in the Midlands and East of England, building the right mix of affordable rent, shared ownership, privately rented and outright sale homes to meet local need.

With a track record of delivery, we plan to deliver a programme of 3,594 more homes by 2025, with a mix of grant funded and non-grant funded Section 106 opportunities

Despite the challenges posed by the Coronavirus, this year, we completed the purchase of three sites during the outbreak, which will see us deliver more than 160 new homes.

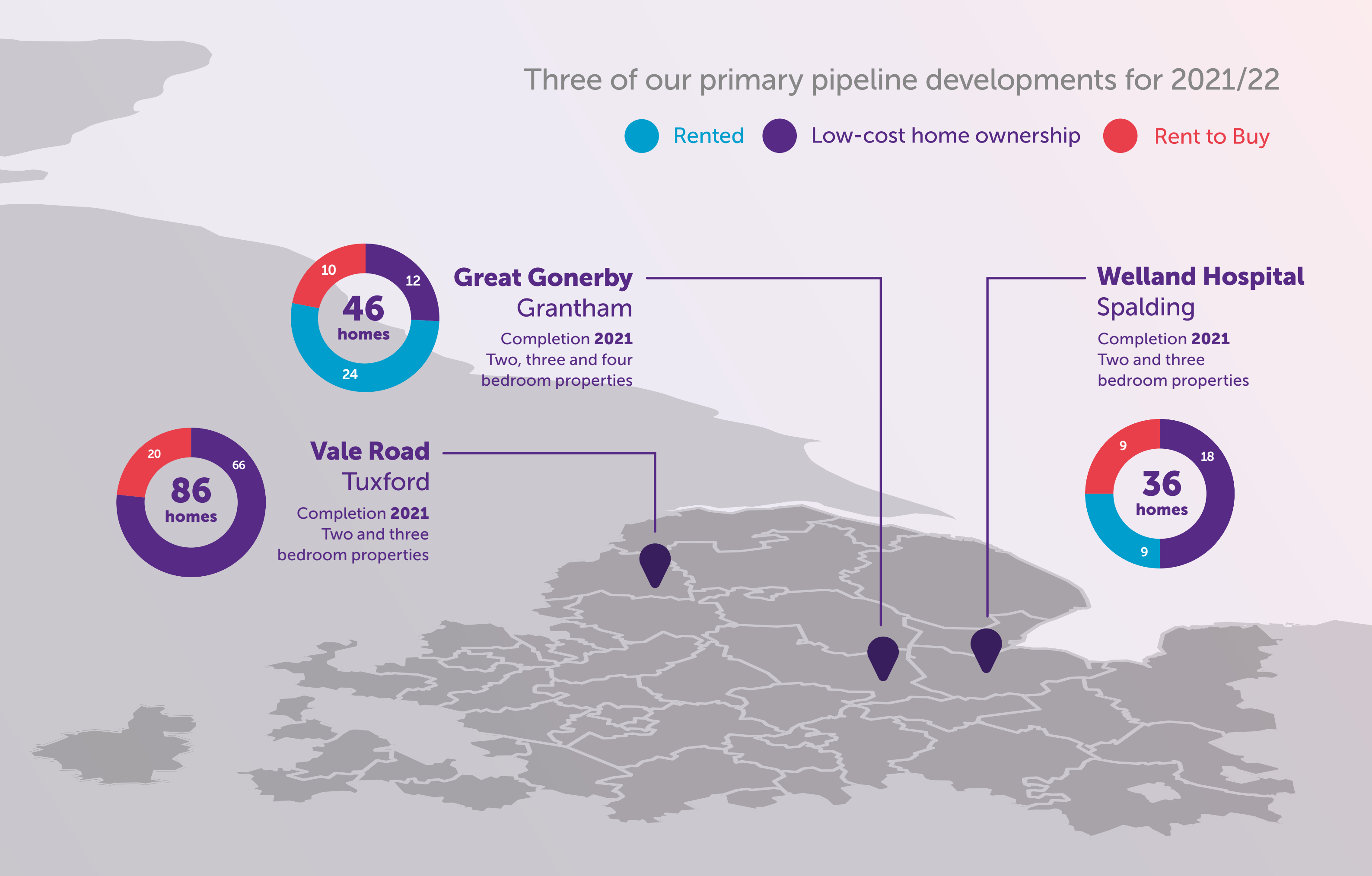
The Group has a pipeline of development projects, with 45 percent of the five-year programme already identified to meet both our Strategic Partnership commitments and on-going business plan targets.

Working in partnership
This year also saw the completion of the first development from Evera Homes LLP, a ground-breaking partnership of housing associations of which we're proud to be a part.

Consisting of ourselves, Cross Keys Homes, Flagship Group and The Hyde Group, Evera Homes plans to deliver an additional 2,000 new homes mainly across the Cambridgeshire and Peterborough combined authority area by 2023.

De Havilland Gardens, which has been built in Huntingdon, offers 60 new homes, 24 of which are offered as affordable housing.

Another key milestone in Evera's first year was the purchase of the initial phase of RAF Upwood – the partnership's second development, which will provide 160 much-needed homes on the site of a historic former RAF base and barracks.



Case study

Transforming a community
In the last year, we started work on 432 new homes, including a collection of properties that transformed an area of Irthlingborough in Northamptonshire.

The development of two and three-bedroom homes revitalised a previously derelict row of terraced housing, which had been a hot spot for anti-social behaviour.

One of the first customers to move in to the new homes was Morgan Diggle (pictured above centre), who described the difference as 'life changing'.

"This place has everything and meets my needs. It is lovely," she said. "My last home didn't have widened door frames, there was a step out the front so I couldn't get my wheelchair out the front and it didn't have a downstairs toilet.

"My previous property wasn't at all accessible, but this one is and it is life changing.

"I am absolutely, 100 percent happy to be living here."

Director of Development and Sales, Nick Worboys, added, "This project wasn't appraised on a purely financial basis, but rather to improve the lives of our customers and the communities in which they live.

"We are very proud to have given the area a new lease of life by transforming it to provide much-needed affordable family housing."

The Irthlingborough development was part-funded by a £300,000 grant from Homes England.

During the last 12 months, the Group received £10.66 million in Homes England grant funding, being a combination of funding for our Strategic Partnership programme together with our AHP2 and SOAHP development programmes.

"My last home didn't have widened door frames, there was a step out the front so I couldn't get my wheelchair out the front and it didn't have a downstairs toilet. My previous property wasn't at all accessible, but this one is and it is life changing. I am absolutely, 100 percent happy to be living here."

Morgan Diggle
Irthingborough resident

Risk management and internal controls

The Group recognises that effective risk management is vital, as we face a challenging economic and business environment and continued government policy change towards our sector.

The Coronavirus pandemic heightens the importance of risk management connecting to the Group's strategies and visions.

The Regulator of Social Housing (RSH) has reflected the necessity of effective risk management in its Governance and Financial Viability Standard, which states:

> *Governance arrangements shall ensure registered providers have an effective risk management and internal controls assurance framework.*

Risk Management Framework

We have developed robust systems to identify, evaluate and manage key business risks to ensure our Boards and Committees are highly-skilled and have the ability to manage the risks of the business both now and in the future.

Any new areas of business or major projects are individually risk-assessed and reported to the Group Board prior to work commencing.

This process includes a prudent financial assessment, sensitivity analysis and exploration of whether additional management controls or insurance is required to mitigate against significant risks or financial loss.

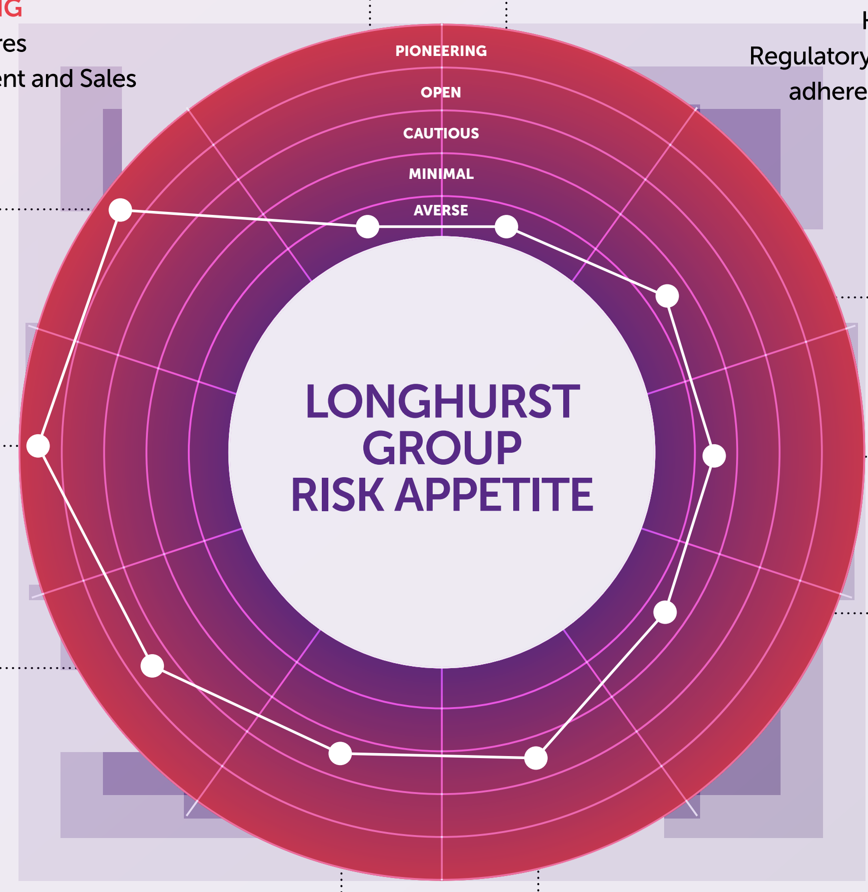
The Group Board and Audit and Risk Committee review the strategic risk register each quarter. Other Boards and Committees of the Group review the risks within their area of responsibility, the Audit & Risk Committee also regularly reviews the system of internal controls across the Group, and our independent internal auditors set out an annual audit plan, created from both our strategic risk register and their knowledge of the sector.

Our risk management database system refines the quality of management reporting, enabling effective co-ordination of risk management activities and providing efficiencies in the administration of risks. The Group uses the 'three lines of assurance' on controls within the risk system, which forms the basis of the Controls Assurance reporting mechanism to Boards and Committees, which further underpins the Board Assurance Framework which is in place.

Risk appetite

As a not-for-profit business, we must clearly act in ways which minimise the risk of serious financial or other failures; decisions taken consider the requirement of our regulator that social housing assets should not be placed at undue risk, as these are long-term assets for the benefit of society.

The Group is also required by government to operate in a competitive environment, to use substantial amounts of private finance and to comply with many complex areas of law. Since we cannot operate in a 'risk free' environment we must devise methods and strategies for managing risk.



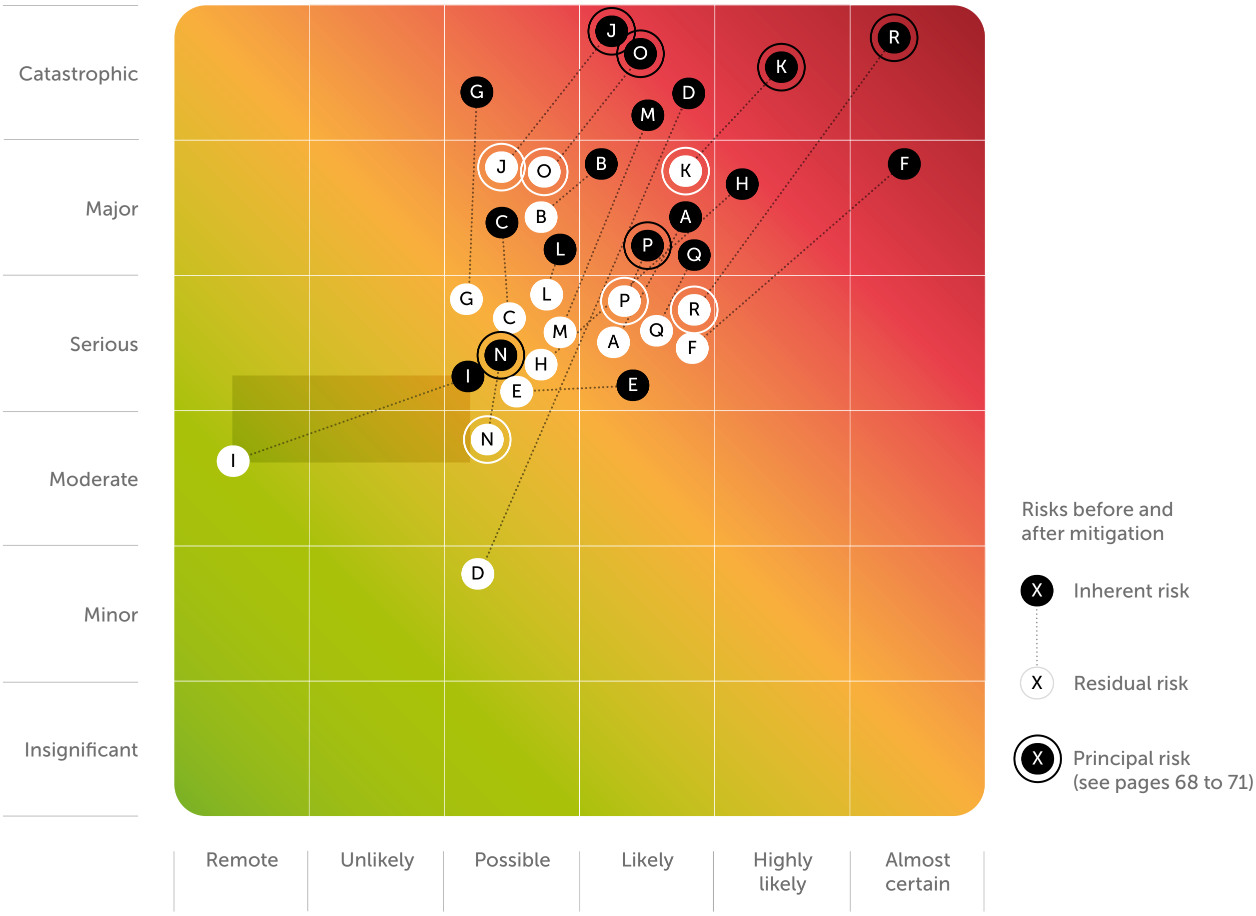
Roles and responsibilities

Group Board	Approves Risk Management Policy and Framework Sets the Group's risk appetite Oversees the risk management process Receives regular reports and minutes from the Audit and Risk Committee
Audit and Risk Committee	Reviews strategic risks and controls assurances at each meeting Monitors, assesses and reviews risk management and internal control systems Reviews internal audit reports and recommendation progress Assesses whether the Group's risk profile fits with its risk appetite Reports its findings and recommendations to the Group Board
Other Group Boards and Committees	Review key risks within their remit Review key control assurances over the three lines of defence Receive internal audit reports covering their areas of responsibility
Executive Team	Reviews strategic risks and assurances Strategic risks are owned at Executive Director level Horizon scan in the context of the operating environment, regulation and Government policy Receive all internal audit reports
Directors' Group	Reviews operational risk registers Operational risks owned at Director level Review risk management operating environment and assurance adequacy Receive all internal audit reports

Business Assurance Group, and other forums across the Group consider risk, and their work is reflected in the risk management system which is in turn reflected in the risk registers and control environment

Strategic risks – heat map

Our 18 strategic risks are plotted on the heat map below, with the inherent risk rating and the rating after the mitigation measures taken by the Group.



- A Care and Support business not delivering results and services (CQC Standards) in line with BP
- B To comply with relevant legislation and regulators' requirements
- C Not having effective Board governance, leadership, decision making, and receiving assured and correct KPIs
- D Failure to have effective fiscal management leading to a risk of loan covenants and liquidity requirements not being adhered to
- E Risks from contracts, legal requirements, commitments entered in to, supplier failure or withdrawal of service
- F Not ensuring pension costs and deficits adequately provided for in the BP
- G Failure to deliver financial performance in line with BP and investor expectations – impact on our core credit rating
- H Asset management not meeting the required standards and associated issues
- I Not retaining and recruiting key staff and failure to have succession plans
- J Significant health and safety incident (gas, electrical, fire, legionella, asbestos)
- K Failure to deliver development programme, sales and JVs
- L Potential of fraud to adversely impact on group activities
- M Not securing of finance at competitive rates
- N Government policy changes which impact on our BP goals and reputation
- O Not having the ICT capacity to meet internal growth and change aspirations and external threats *eg* cyber-attacks
- P Failure to successfully implement a new integrated ICT system based on Microsoft Dynamics platform
- Q Failure to ensure the Group's services and finances remain robust under any Brexit scenario
- R Covid-19 virus pandemic, its impact on group customers, collegues, services and finances

Principal risks and uncertainties

The six risks identified below are those which are currently seen as presenting the greatest potential impact to our business and the achievement of our business plan objectives. The Covid-19 pandemic has clearly impacted to varying degrees on all the risks facing the Group, a specific strategic risk has been created to assess and control the Group's response to this challenging situation.

R | Covid-19 pandemic

Trend

Most areas of business and service delivery have been adversely impacted by government restrictions and social distancing requirements

Cause

- Government legislation and direction
- Social distancing requirements
- Potential Covid-19 cases within customers or employee groups

Impact

- Ability to deliver services, particularly in Care and Support
- Increased cost of working

Principal mitigations

- Business Continuity plans have been deployed
- Detailed and specific operational Covid-19 risk register in place
- A recovery plan involving key phases is in place
- Employees are working from home where possible
- Customers being kept informed and welfare calls to all customers
- Business Plans have been stress tested under varying scenarios
- Care and Support: dedicated teams have been deployed to ensure that required levels of staff are available at all times and the appropriate PPE is used
- A number of dedicated project teams, task forces and working groups in place to deal with specific issues and challenges
- Executive Team taking the lead and communication throughout the organisation on approach and strategy changes

Assurances

- Professional advice and guidance sought as required
- Liaison with other RPs and NHF on approach and actions
- Public Health England advice being followed

K | Delivery of development programme, sales and JVs

Trend

The group aims to provide 1,000 new homes per year over the next four years.

Cause
- Property market downturn
- Developers' prices rise faster than expected
- Availability and price of land

Impact
- Business Plan (BP) targets could be missed
- Cash flow and funding issues if units not delivered in line with BP assumptions

Principal mitigations
- BP has prudent assumptions, reviewed by external advisors
- Development schemes planned with phased commitments
- Scenario modelling, sensitivity analysis
- Flexibility exists to amend scheme profiles in terms of outright sale to rented
- A proportion of the schemes already have agreed prices up to 18 months in advance

Assurances
- Development Strategy and Land Acquisition Strategy approved at Group Board and committees
- Development programme performance better than BP targets
- Strategic Partner with Homes England

O | Business continuity and cyber-attacks

Trend

Ensuring the Group can react to business critical events and maintain essential services. The Covid-19 pandemic has shown how important it is for businesses to maintain robust policies and procedures for unexpected events.

Cause
- Exceptional events on a national and international scale
- Local events such as flooding
- Cyber-attacks, hacking, crypto locking and ransom ware

Impact
- Group unable to deliver services
- Staff confusion and panic
- Potential harm to customers and staff
- Regulator concern and reputation damage
- Loss of stakeholder and investor support

Principal mitigations
- Business Continuity policies and plans in place (formed with professional assistance)
- Testing of plans carried out and lessons learnt and plans updated in light of this
- Appropriate levels of insurance held for business interruption events and cyber cover
- Firewalls, anti-virus software, passwords and restrictions all monitored by ICT
- Data Controller in place & work of Governance Team

Assurances
- Internal Audit advisory reports
- Penetration testing, and business continuity testing
- Cyber Plus accreditation held

N | Government policy

Uncertainty of government policy, Brexit implications, and economic conditions. Given the Covid-19 pandemic and government borrowing to support the economy, potential impacts could be a return to rent reductions, higher VAT, deflation etc.

Cause
- Failure to anticipate and be responsive to changes in government policy.

Impact
- BP assumptions and strategies can become outdated or obsolete
- Managing reputational issues following the deregulatory approach from the RSH

Principal mitigations
- Engagement and horizon scanning by the Executive Leadership Team and Board to ensure key issues can be anticipated
- Increase level of stress testing to cover potential impacts from Covid-19
- BP modelled with various adverse scenarios to ensure financial robustness going forward under various strategies and government policies
- Ensuring that key ratios and covenants can be maintained

Assurances
- Regulator representatives guest speakers at Group strategy days
- Close liaison and support given to NHF on national campaigns etc.

J | Health and safety

Managing areas such as fire risk, gas and electrical safety, legionella and asbestos. The impact of the Covid-19 pandemic is particularly relevant to this area and the key controls are outlined.

Cause
- Failure of systems and policies
- Failure to comply with legislation and regulations
- Contractor fails to deliver required level of service

Impact
- Injury or fatality to tenants and or employees
- Criminal proceedings against Group or individual
- Reputation damage

Principal mitigations
- Annual review and update of key H&S Policies
- Close management and supervision given to contracts that cover this area
- Professional contractors engaged to provide specialist services
- Regular and continuous KPI reporting to Board
- Internal quality assurance work and review

Covid-19 specific mitigations
- Risk assessments have been updated to reflect Covid-19 situation
- New workplace safety guidance in place
- Additional training and support from managers
- Spot checks carried out on correct use of PPE and protocols
- H&S Team providing support, guidance and advice

Assurances
- Key focus of internal audit programme
- Internal H&S Team and its internal verification role of property compliance areas

P | Introducing an integrated ICT system

Trend

To increase data integration and assurance by less reliance on interfaces, and to enable greater agile and digital working.

Cause

- Large number of separate systems in place
- Requirement to manipulate data outside of systems and use interfaces
- Potential of smaller suppliers and systems not being supported or developed in line with the fast pace of change

Impact

- Potential for data inaccuracies
- Not benefiting from the efficiencies of integrated ICT solutions
- Staff frustrations of not having the required systems and solutions to deliver services effectively

Principal mitigations

- Microsoft (MS) Office, Outlook and Skype already used as the standard platforms across the Group
- Specialist consultants and professionals used to supplement in-house ICT knowledge as required
- MS is an industry leader and has the resources and market share to continually develop and support Dynamics
- Dedicated project teams and resources have been deployed both in ICT Teams and in the client to ensure project success

Assurances

- Our internal auditor's ICT Teams have provided assurance reports and review on the project management, delivery and outcomes
- Standing item on the Audit and Risk Committee to receive updates and assurances

Financial review

Our Board is pleased to present the financial results for the year ended March 31, 2020.

Statement of Comprehensive Income	2019/20	2018/19	2017/18	2016/17	2015/16
	£'000	£'000	£'000	£'000	£'000
Turnover	153,821	167,361	145,602	110,843	112,913
Cost of Sales	(25,301)	(35,492)	(26,849)	(9,543)	(14,627)
Less Operating Expenditure	(89,945)	(82,756)	(73,079)	(60,971)	(65,493)
Gain/(Loss) on disposal of Property, Plant & Equipment	3,470	1,550	1,324	939	(623)
Operating Surplus	42,045	50,663	46,998	41,268	32,170
Share of deficit in Associate undertakings	(272)				
Interest Receivable	579	471	52	24	293
Interest Payable	(28,448)	(29,254)	(24,591)	(24,139)	(25,365)
Changes in fair value of investments	(2)				
Increase in valuation of investment properties	(176)	13	(21)	18	119
Negative Goodwill	–	–	4,568	0	0
Surplus before tax	13,726	21,893	27,006	17,171	7,217
Taxation	(326)	(142)	(416)	(146)	25
Net Surplus	13,400	21,751	26,590	17,025	7,242
Other Comprehensive Income					
Initial recognition of multi-employer defined benefit pension scheme	–	(9,481)	–	–	–
Actuarial (loss) in respect of pension schemes	10,915	(4,659)	188	(508)	537
	24,315	7,611	26,778	16,517	7,779
Operating Surplus	27.3%	30.3%	32.3%	37.2%	28.5%

The consolidated Group surplus for the year ended March 31, 2020 was £13.40m after tax, compared to a surplus of £21.75m for the same period in 2018/19.

Our total turnover for the year decreased from £167.36m in 2018/19 to £153.82m in 2019/20. The decrease in turnover was wholly attributable to non-social housing turnover where sales were reduced from £23.97m in 2018/19 to £7.11m in 2019/20.

The lower sales in 2019/20 were due to a strategic decision to channel more market sales through Evera, our joint venture, where turnover is not included in the accounts as Evera is an associated undertaking.

This decrease was offset by an increase in total turnover from social housing lettings to £114.47m for the year, from £111.17m in 2018/19. The Coronavirus pandemic has caused a small increase in voids but we do not expect any lasting impact on turnover for social housing lettings.

As a percentage of turnover, this has increased to 74 percent due to reduced activity on low cost home ownership sales as explained above

Total operating costs grew to £89.95m in 2019/20 from £82.76m in 2018/19. The increase in operating costs was due to an increase in service charge and management costs as a result of 514 new homes coming into management and investment across the business.

Cost pressures in repairs and maintenance and other one-off costs have also been factors. The Group's operating margin for 2019/20 was 27.3 percent, down from 30.3 percent in 2018/19.

The margin has reduced in the last 12 months due to one-off exit costs from the Local Government Pension Scheme and increased costs for repairs and maintenance of our properties. This includes additional works relating to fire safety, void costs and additional cost associated with the core repairs contract.

Interest costs for the year reduced to £28.448m from £29.25m in 2018/19. The reduction in interest and financing costs over the last year is due a reduction in costs associated with funding and movements in variable interest rates during the year.

The weighted average cost of borrowing for the year was 4.826 percent down from 4.925 percent the previous year, mainly due to the sale of £100.0m of retained bonds in March 2020.

Statement of Financial Position	2019/20	2018/19	2017/18	2016/17	2015/16
	£'000	£'000	£'000	£'000	£'000
Fixed Assets	1,181,008	1,131,267	1,083,401	932,385	912,184
Current Assets	154,100	78,146	54,840	41,989	29,135
Creditors due within 1 year	(41,808)	(41,354)	(37,567)	(31,304)	(30,711)
Total Assets less Current Liabilities	**1,293,300**	**1,168,059**	**1,100,674**	**943,070**	**910,608**
Creditors due after 1 year	(1,005,712)	(885,809)	(853,190)	(727,935)	(712,848)
Pension Provision	(12,232)	(29,333)	(3,224)	(3,505)	(3,165)
Total Net Assets	**275,356**	**252,917**	**244,260**	**211,630**	**194,595**
Reserves					
Income and Expenditure Reserve	166,780	140,265	131,282	103,563	85,791
Revaluation Reserve	136,299	137,204	138,562	139,502	140,757
Cashflow hedge reserve	(27,723)	(25,552)	(26,584)	(32,435)	(32,953)
Restricted reserve	0	1,000	1,000	1,000	1,000
	275,356	**252,917**	**244,260**	**211,630**	**194,595**

The net book value of the Group's fixed assets grew by £49.7m in the year to £1.18bn at the end of March 2020. The increase in the recorded value of the fixed assets was realised through the increased investment in the provision of 514 new homes.

Total debt at the end of March 2020 increased to £695.1m from £585.1m the previous year. The increase in debt was due to the sale of our retained bonds which were originally issued by our funding vehicle Libra 2 Treasury plc in 2018. The sale raised over £100m to fund the next phase of our development (see Our Development Programme on pages 60 to 63).

The Social Housing Pension Scheme (SHPS) was accounted for as a defined benefit scheme in 2018/19 with the initial balance sheet liability as at April 1, 2018, shown in Other Comprehensive Income in accordance with the update to FRS 102 published by the Financial Reporting Council on May 22, 2019. The pension liability reduced from £29.3m in 2018/19 to £12.2m in 2019/20.

The reduction in the total pension liability at March 31, 2020 is due to two main factors. Firstly, during the year, we exited three Local Government Pension schemes that we had previously been a participating member of. The deficit on these schemes at March 31, 2019 was £2.993m and the schemes were exited at the end of April 2019. Colleagues who were part of this scheme will be unaffected and will continue to be entitled to the same scheme benefits.

The second, perhaps more significant reason, is due to the valuation on the Social Housing Pension Scheme, which has dropped from £26.34m a year earlier.

The improvement in the valuation has arisen following an increase in the fair value of the scheme from £73.66m to £78.79m and the present value of the defined benefit obligation reducing to £90.959m, down from £100m a year earlier.

The improvement in the valuation of the SHPS valuation at March 31, 2020 is partly due to timing and where corporate bond yields were at the end of March 2020. The Board's expectation is that the triennial revaluation at September 30, 2020, will not show such a positive position where the valuation assumptions are more prudent, with government bond yields used in the calculation for future benefits.

The cash flow hedge reserve increased by £2.17m to £27.723m at the end of March 2020. The increase in the cash flow hedge reserve is due to the movement in swap rates at the end of March resulting in an increase in the Group's Mark to Market position.

Treasury management

At 31 March, 2020, Longhurst Group has agreed loan facilities totalling £854.0m of which £691.1m was drawn. Loans totalling £740.4m are managed through the Group's Special Purpose Vehicles, Libra (Longhurst Group) Treasury plc and Libra (Longhurst Group) Treasury No 2 plc, with the balance of £113.6m being held within Longhurst Group.

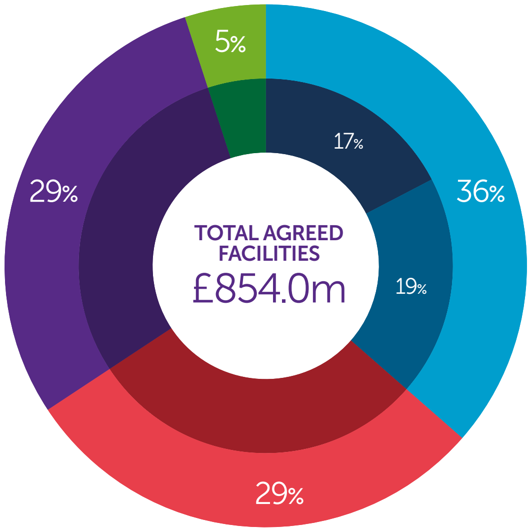
The Group's Treasury Strategy is for all new debt to be arranged through one of our special funding vehicles.

Group loan facilities

At 31 March, 2020, the Group had total loan facilities available of £854.0m of which £162.9m was undrawn. The increase in agreed facilities is due to an increase in revolving credit facilities of £50.0m agreed during 2020.

During the financial year 2019/20, £75.0m of existing bank facilities have been extended to mature in 2024 and an existing revolving credit facility increased by £50.0m also maturing in 2024.

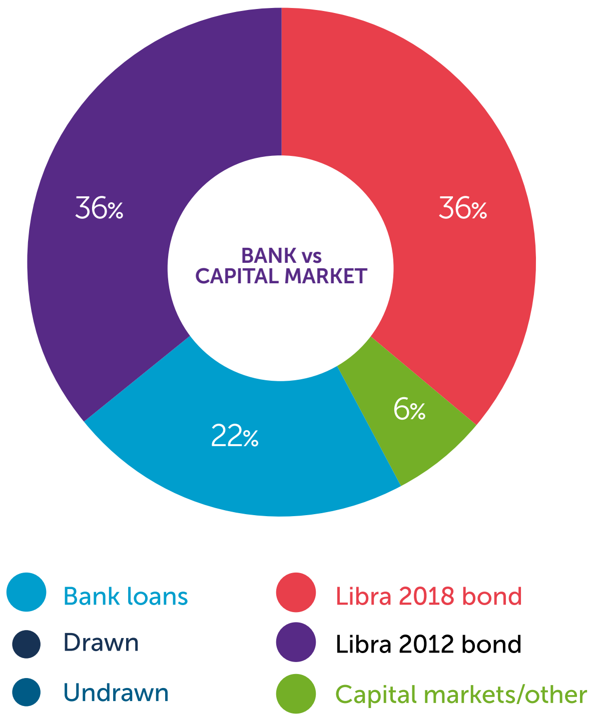
£490.4m of total committed facilities has either been issued or is managed under Group loan facilities by Libra (Longhurst Group) Treasury plc.



Bond and capital markets debts now account for 78 percent of the Group's total debt with the balance being provided through a mix of short, medium and long-term bank debt. The Group's strategy is to maintain its hedging activity within flexible parameters, as defined within the Treasury Management Policy. The precise proportion of fixed (where the rate is fixed for 12 months or more) rate borrowings will be set each year when the Board agrees the Group's annual treasury strategy.

It will be determined by an analysis of how sensitive the Group's cash flow forecast is to fluctuations in prevailing market interest rates, but subject always to the Group having at least 70 percent of its net position subject to fixed rates of interest, on a rolling five-year average basis.

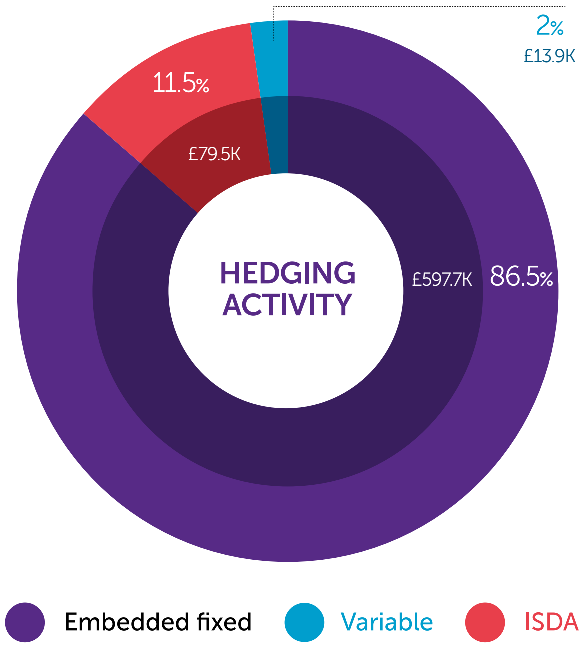
The Group will ensure that no more than 100 percent of its net exposure is fixed at any time.



The Group's hedging activity is within the Treasury Management policy's agreed parameters, with a total of 97.97 percent fixed through a combination of embedded fixed rates and standalone derivatives (ISDA).

The ratio of fixed rate debt has decreased during 2019/20 as a result of a reduction in the notional value of standalone derivatives and maturity of embedded fixed rates.

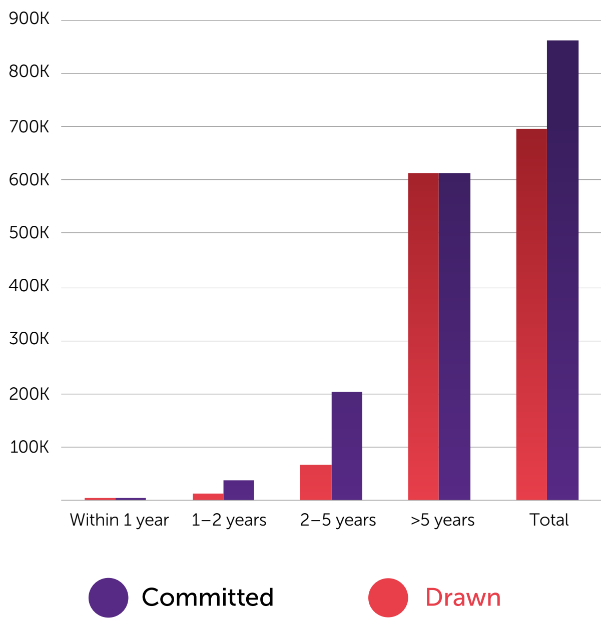
Seventy-seven percent of the Group's loans have been arranged under long-term facility periods with 23 percent arranged as short-term facilities, with a final repayment date of between two and five years.



The repayment profile for the drawn and undrawn debt held across the Group is summarised in the chart below, including loan discount/premiums totalling £13,017k and loan issue costs of (£9,023k).

The undrawn committed facilities of £162.9m are undrawn revolving credit facilities repayable within the next five years.

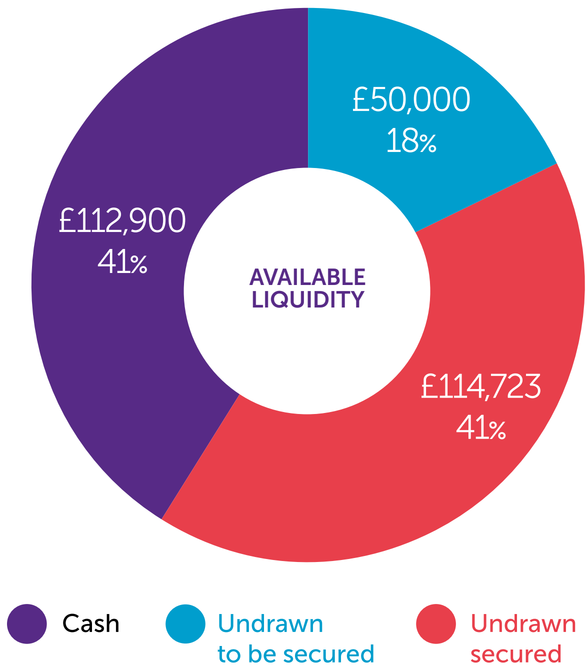
71 percent of committed facilities mature in more than five years a majority of which relates to the two £250.0m bond issues maturing in 2038 and 2043.



Liquidity

At 31 March, 2020, the Group has available cash of £114.7m and £112.9m of undrawn facilities available to draw with two days' notice. £50.0m of undrawn facilities are yet to be secured.

The Group has £25.0m ring-fenced security to provide collateral (in excess of agreed unsecured thresholds) to cover any mark to market positions.



Loan structure

During 2019/20, the transfer of engagements of Longhurst & Havelok Homes, Spire Homes, Friendship Care & Housing and Axiom Housing to Longhurst Group Ltd required lender consent and amendments to or restatement of existing loan agreements.

This has significantly streamlined the structure of the Group's loan portfolio with £490.4m being managed within Libra (Longhurst Group) Treasury plc, £250.0m within Libra (Longhurst Group) Treasury № 2 plc and the remaining £113.6m directly managed within Longhurst Group.

Loan covenants and compliance

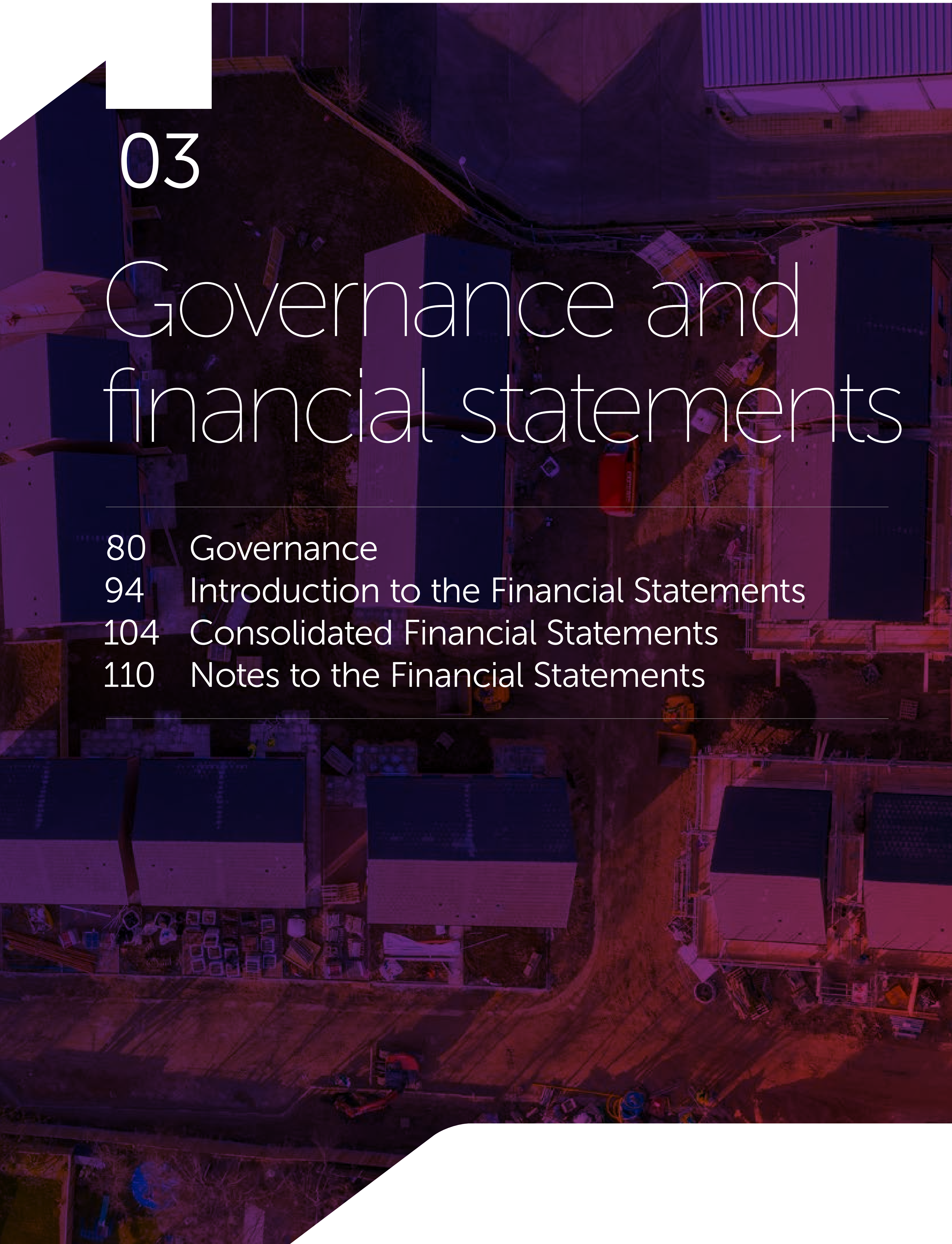
Loan covenants are based on interest cover, loan gearing and asset cover ratios. Loan Covenants are measured on a Group consolidated basis and reported to the Finance and Treasury Committee and Group Board. There were no breaches of any loan covenants during the year.

Interest rate exposure

At 31 March, 2020, the Group had a negative standalone interest swap exposure of £25.0m (2019: £23.3m), based on £79.5m (2019: £90.0m) of notional paying fixed rate/receiving 3m LIBOR swaps.

All of the Group's interest rate swaps allow for the Mark to Market (M2M) position to be covered by either property assets or cash. At March 31, 2020, the Group's position was covered by property security of £15.0m for the M2M position in excess of the agreed threshold.

The Group's Treasury Policy is approved annually and reviewed quarterly, incorporating the Group's objectives, relating to treasury management activities, together with their policies and practices.



03

Governance and financial statements

Governance

Our committee structure

In order for the Group Board and Committees to operate high standards of governance, it is imperative that the Boards and Committee act effectively, ensuring that they make clear decisions from the receipt of timely and accurate information.

The Group's governance framework is reviewed annually and seeks to ensure clarity of decision making as well as enabling the Group to use the skills, knowledge and expertise of its members where needed. This allows not only effective governance, but effective management of risk.

Committee membership

Page 81 shows a list of Board Members who have served during the year and their respective remuneration.

Where Board Members hold the role of Chair, this is shown in the table.

Group Board

Keystone

Roles and responsibilities
- To act as a vehicle to develop new leasehold and outright sale homes
- To provide open market housing products for rent

Libra/Libra 2

Roles and responsibilities
- Act as a loans manager and ensure distribution of funds in line with Group Treasury Strategy
- Provide funding advice to the Board

People, Remuneration and Nominations Committee

Oversees and recommends:
- Board and Committee Membership
- Framework for NED and Senior Executive remuneration
- Succession planning for the CEO, Deputy CEO and Board
- Review the People Strategy

Audit and Risk Committee

Roles and responsibilities
- Ensuring that systems of internal control assurance and risk management are effective
- Scrutinising that the Group is meeting its statutory and regulatory obligations
- Ensuring that the Group is properly audited and reviewed

Finance and Treasury Committee

Roles and responsibilities – to review and recommend:
- Financial assumptions
- Targets and budgets
- Treasury Management Strategy

Development Committee

Roles and responsibilities
- To have oversight of the landholding, development and sales activity of new homes of the Group; its subsidiaries and joint ventures

	Remuneration 2019/20	LG	Libra Finance and Treasury	Keystone	Dev Com	ARC	PREMCO
Robert Wilson	£25,205	Chair		✓			✓
Patricia Brandum	£15,000	✓ SID		✓	Chair	✓	
Stephen Wenham	£15,000	✓			✓		Chair Jul 2019 →
Julie Doyle	See employee section	✓		✓ Jul 2019 →			
Jenny Brown	£10,956	✓ Jul 2019 →				Chair Jul 2019 →	✓
Gabriel Behr	£10,956	✓	✓	Chair Jul 2019 →	✓		
Angie Morris	£10,749	✓	✓				✓
Parmjit Dhanda	£10,749	✓				✓	✓
Joseph Carr	£1,000	✓	Chair Mar 2020 →		✓		
Clive Barnett	£5,500	✓ → Jul 2019	✓				
Daniel Elkins	£2,155	✓ → Jul 2019					
Karen Preece	£9,244		✓ Jul 2019 →			✓	
Jim Patman	£3,376			✓	✓		
Garry Wiles	£3,500					✓	

✓ Member

Chair

SID Senior Independent Director

Attendance of Board and Committee meetings, strategy days and training are monitored by the Chair, thus ensuring that members allocate sufficient time to their duties.

Our Board

An efficient and effective Board is a fundamental part of good governance. The Board should have clarity of its role and responsibilities and fulfil these to the best of its abilities.

Each Board Member is required to demonstrate their skills, knowledge and experience which, when working collectively with the rest of the Board, enhances Board effectiveness.

As such, each Board Member is provided with a clear 'role description' which clearly sets out the duties expected.

Any Board Member occupying the position of Chair receives additional responsibilities within their role description, setting out how they are responsible as the leader of the Board.

Board Members are advised of their fiduciary duties as part of their induction, as well as regular training and development sessions on their responsibilities. The main, and ultimate decision making powers sit with the Group Board albeit it does delegate some responsibilities to Committees within the structure.

Where delegations lie, a Terms of Reference document is in place so that the activities delegated are clearly defined.

The Board retains its own Terms of Reference and holds a list of 'Matters Reserved' which sets out any decision making that cannot be delegated.

Areas such as the approval of strategy, key policies and control and risk frameworks require approval by the Group Board. The Group Board is led by Robert Wilson, there is no Vice Chair in place; Pat Brandum holds the role of Senior Independent Director.

Robert Wilson

Chair

Appointment to the Board
Bob was appointed as Chair in July 2016 having been involved in the Group since 2013.

Current external appointments
None

Skills and experience
– Strategic leadership
– Finance and treasury
– Accounting
– Social housing

Role and responsibilities
As the Group's Chairman, Bob's role is to lead the Board and ensure that the Group has a robust governance framework from which the Board can carry out its functions to the highest standards of performance and conduct. Bob's role includes the continuing open and constructive working relationships with the Chief Executive and wider Executive team in which he provides both support and challenge where necessary.

Bob's primary concern is making a difference to the lives of customers. He believes that customer satisfaction is of the utmost importance. With a deep understanding of the challenges and opportunities that lie ahead, Bob contributes a wealth of knowledge and experience to the continued strategic development of Longhurst Group and consistently works towards realising the Group's ambitions of growth and excellence.

Julie Doyle

Chief Executive

Appointment to the Board
Julie was appointed as Chief Executive in June 2015.

Current external appointments
Julie currently holds the position of Board Member at Anchor Hanover Group. She is also a Trustee for the Helping Harry Trust and Director of Evera

Previous appointments
Prior to taking the Chief Executive role at Longhurst Group, Julie was the Deputy Chief Executive of Spire Homes, a subsidiary of Longhurst Group at that time. Julie has also held the role of Managing Director at Spire and prior to this was the Director of Housing at East Northampton District Council.

Skills and experience
– Strategic leadership
– Innovative and creative thinking
– Extensive knowledge of both the housing and care sectors
– Organisational transformation

Role and responsibilities
As Chief Executive, Julie's key responsibilities are to lead the organisation through organisational and strategic change as well as ensure delivery on the Group's strategic objectives and plans. Julie drives the Executive Team to ensure the Group achieves not only its financial results but also ensures the harmonisation of the culture of the organisation, through the one team, one vision approach.

Angie Morris

Non-Executive Director

Appointment to the Board
Angie was appointed to the Board in July 2019, but has been a Board Member within the Group's governance structure since 2017.

Current external appointments
Angie provides consultancy services for the NHS, adult social care and Third Sector. She is also a Board Governor for Peterborough Regional College.

Previous appointments
Before Angie began her consultancy business she held a number of substantive roles in the care sector, including Deputy Director, Adult Services at Peterborough Community Services. Angie's consultancy work has seen her work with various hospices and similar organisations where she has been brought in to undertake independent reviews, utilising her extensive experience. Angie was also preciously a registered general nurse.

Skills and experience
- Adult health and social care
- Service development and delivery
- Change management and organisational design
- Organisational risk

Role and responsibilities
Angie's key responsibilities are as a Group Board Member, as well as holding positions on the Libra Board and Finance and Treasury Committee; she is also a Committee Member of the People, Remuneration and Nominations Committee.

Gabriel Behr

Non-Executive Director

Appointment to the Board
Gabriel was appointed to the Board in July 2019.

Current external appointments
Gabriel is currently CFO of a developer and operator of student accommodation in the UK and Europe, and also exploring opportunities in the nascent Co-Living sector. Gabriel is also assisting a UK website focused on the Higher Education sector with an equity raising to fund expansion overseas. He is also a member of the ICAEW.

Previous appointments
Gabriel is a Chartered Accountant with over 20 years' experience in senior finance roles, including over 10 years as CFO of two of the largest portfolios of UK student accommodation.

Skills and experience
- Accounting
- Finance and Treasury management
- Risk and compliance
- Property development

Role and responsibilities
Gabriel holds the position of Group Board Member as well as being the Chair of the Group's development company, Keystone Developments (LG) limited. He also is co-opted to the Group's Finance and Treasury Committee for a one year term.

Jenny Brown

Chair of Audit and Risk Committee

Appointment to the Board
Jenny was appointed to the Board in July 2019.

Current external appointments
Through her company, Jemblewren Limited, Jenny is an Associate Director at Altair Limited and Associate Trainer at both Edit Development and Love Public Speaking, as well as an occasional coach at Grant Thornton. Jenny is also a member of the European Mentoring and Coaching Council and ICAEW.

Previous appointments
Jenny spent 20 years at Grant Thornton working with a wide range of organisations in a variety roles, including its National Head of Social Housing and, latterly, Chief Not for Profit Operating Officer. She has also been a Vice Chair at Arhag Housing, Chair of the Audit Committee and Audit Committee Member at Sheffield Hallam University.

Skills and experience
– Accounting
– Finance and treasury
– Governance
– Leadership

Role and responsibilities
As Board Member and Chair of the Audit and Risk Committee, Jenny's key responsibilities are to ensure that the Committee receives the right information to scrutinise and assure that the Group has the appropriate controls, compliance and governance frameworks in place.

Parmjit Dhanda

Non-Executive Director

Appointment to the Board
Parmjit was appointed to the Board in September 2016.

Current external appointments
Parmjit is a Member of the GMB Trade Union, Professional Body.

Previous appointments
Parmjit has held the position of Minister in the Department of Education, Department of Trade and Industry and the Department for Communities and Local Government, where he had responsibility for local government, planning and the fire service.

Parmjit was also a founding board member of the Gloucester Urban Regeneration Company (2004-2010), which delivered the £1 billion regeneration of the Gloucester Quays.

Skills and experience
– Leadership
– Stakeholder management
– People management
– Housing and social care

Role and responsibilities
Parmjit's key responsibilities are that of Group Board Member, as well as holding positions on the Group's Audit and Risk Committee and People, Remuneration and Nominations Committee also.

Patricia Brandum

Chair of Development Committee

Appointment to the Board
Patricia was appointed to the Board in January 2016, she currently holds the role of Senior Independent Director.

Current external appointments
Pat is a self-employed consultant, working on a variety of projects, primarily on governance, board development and facilitation. She also occasionally undertakes work independently for Savills.

Previous appointments
Patricia has worked in the housing sector and local authorities across the Midlands for over 30 years, including being the former Chief Executive of WM Housing Group.

Pat was instrumental in establishing the original West Mercia Housing Group in 1998 and oversaw the growth of the organisation through a series of mergers and new home developments, over the following 17 years. In 2013, Pat won the Lifetime Achievement Award, at the Women in Housing Awards.

Skills and experience
- Business growth and transformation
- Financial planning and management
- Extensive housing sector knowledge

Role and responsibilities
As Chair of the Development Committee, Pat's key responsibilities are to oversee Group's development plans, ensuring the delivery of the Development Strategy and to monitor the business plan in respect of the same.

Stephen Wenham

Chair of PREMCO

Appointment to the Board
Stephen was appointed to the Board in 2016, having been involved in the Group since 2013.

Current external appointments
None.

Previous appointments
Stephen is Director of Made in Northamptonshire for the Mallows Company; a route to market for SMEs in the food and drink sector. He has extensive experience of social Enterprise/start up with SMEs, Creative Industries Development, partnership working across private, public and community led initiatives, as well as urban regeneration with Touchstone HA.

Stephen spent twenty years as a Fire Officer, including eight as a Specialist Fire Prevention officer, working with local authorities, architects and construction companies to implement part B building regulations and fire certification.

Skills and experience
- Business change and innovation
- Social enterprise and partnerships
- Health and safety
- Customer focus

Role and responsibilities
As Chair of the People, Remuneration and Nominations Committee, Stephen's key responsibilities are to oversee and support the alignment of Longhurst Group's business culture, from colleagues to the Board. Ensuring that the Group's 2025 strategy and values are reflected in the way in which the organisation manages its people.

Joseph Carr

Chair of Libra Treasury

Appointment to the Board
Joseph was appointed to the Board in March 2020.

Current external appointments
Joseph is Director and owner of JCA Consulting Limited.

Previous appointments
Joseph has previously been a Director at Altair Consultancy Services and spent nine years working for the National Housing Federation as Policy Leader.

Skills and experience
- Risk management and controls
- Financial compliance
- Tax and accounting

Role and responsibilities
Joseph's key responsibilities are Group Board Member and as Chair of the Finance and Treasury Committee and Libra Boards.

Rachel Challinor

Company Secretary

Background, skills and experience
Rachel has worked for the Group since 2016, prior to this having spent eight years in a variety of governance roles. Rachel initially worked in the banking sector as a Relationship Manager for both Housing Sector and Commercial lending.

Role and responsibilities
Rachel's key responsibilities are to ensure that governance rules and principles are applied across the Group's business as well as the identification of governance issues. She also holds responsibility for the Group's Performance and Compliance Team as well as Business Transformation.

Our Executive Team

The Executive Team has a wealth of experience from both inside and outside of the sector. Whilst each member has responsibility for their own function, together they ensure that the strategic goals of the organisation are achieved.

They work with colleagues and stakeholders to deliver the Group's objectives each using their areas of expertise to work together.

On a day to day basis the team oversees the running of the business, creating and delivering the Group's business plan, improving performance, developing organisational culture, and acting as a go between for the Board and the business.

The Executive Team comprises six members, including the Chief Executive, Julie Doyle.

Rob Griffiths

Deputy Chief Executive and Chief Financial Officer

Background, skills and experience

Rob became Deputy Chief Executive in 2015 and has been the Group's Chief Financial Officer since 2006, having joined the organisation in 1994.

He leads the Group's Operational Finance, Corporate Finance and ICT Teams and has responsibility for audit and risk management.

Rob has led and been involved in a number of key growth projects with extensive experience in developing a business plan that is now delivering around 750 new homes each year across a range of different tenures.

Elsewhere, Rob is the Chair of the Housing Statement of Recommended Practice Working Party (SORP) and in 2016 was appointed as a member of the Financial Reporting Council's Technical Advisory Group.

More recently, in February 2018, Rob was appointed as an employer representative to the Social Housing Pension Scheme (SHPS).

Role and responsibilities

Rob's key responsibilities are the Group's Operational Finance, Corporate Finance and ICT Teams and has responsibility for audit and risk management. Rob also sits on the Group's Libra Boards and Finance and Treasury Committee.

Sharon Guest

Executive Director of Housing Services

Background, skills and experience
Sharon joined Longhurst Group in July 2016. With more than 20 years' housing management experience, Sharon plays a pivotal role in leading the direction of the organisation.

Sharon believes passionately that the social housing sector can play a key role in solving the housing crisis, by providing high quality, affordable homes to meet a range of needs.

When it comes to meeting the needs of customers, Sharon is hands-on in making sure their views are heard and are used to ensure we provide the best possible services.

Role and responsibilities
Sharon's key responsibilities are for services operating across the Group's homes.

Lynn Stubbs

Executive Director of People and Performance

Background, skills and experience
Lynn joined Longhurst Group in 1996 to lead on performance and quality initiatives within the organisation.

Lynn was previously Director of Business Services at Spire Homes, responsible for operational areas such as property and customer services, customer and community involvement, along with quality assurance, regulation and marketing and communications.

Lynn brings a wealth of experience in project management, communications and community work gained in various roles in the public and voluntary sector.

Role and responsibilities
Lynn's key responsibilities cover People Services, Communications and Governance.

Louise Platt

Executive Director of Care and Business Partnerships

Background, skills and experience
Louise's executive career started in commercial service organisations before joining the housing sector where she has worked for over 13 years, helping Axiom Housing Association achieve excellent ratings for governance and viability, as well as Investors in People Gold Standard and multiple Sunday Times Top 100 listings.

Louise, who played a leading role in the successful negotiation and completion of the merger with Longhurst Group in July 2017, was previously Axiom's Executive Director of Corporate Services.

She joined the Group's Executive Team in October 2017 when she was appointed Executive Director of Care and Business Partnerships.

Louise is passionate about building upon the strong reputation of the care and support services within the Group and will be integral in the leading the delivery of our new Care and Support business development strategy

Role and responsibilities
Louise's key responsibilities are for services operating over the Care and Support part of the business.

Marcus Keys

Executive Director of Growth and Development

Background, skills and experience
Marcus joined Longhurst Group in May 2020 and brings a wealth of experience in both the public and private sector, having previously worked for organisations such as the Balfour Beatty Group, Lovell, The Housing Forum and Places for People.

Role and responsibilities
Marcus is responsible for increasing our mixed tenure development across the Midlands and East of England and securing further growth and joint venture opportunities with public and private sector partners.

Key Board activities

The Board has been at the forefront of some of the most significant changes to the Group's history this year, led by the Chairman, Bob Wilson, the Board has put focus on the harmonisation of the care and housing services.

Improving Lives 2025

An integral part of Board discussion focuses on the strategic direction of the organisation, holding an annual strategy day where it focuses on a specific part of the business. Delivery of the 2025 strategy followed the approval of the Improving Lives strategy in early 2019. Since then the Board has been involved in the realisation of the plan to support delivering the strategy, working with third parties and stakeholders to embed the vision and encourage others to do the same.

Group Consolidation

The Group structure underwent a significant change in 2019 as the Group consolidated its housing subsidiaries into one group entity. The Board were at the forefront of the decision making, working with the Executive Team and external advisors to ensure that the move to the more simplistic structure provided efficiencies but did not lose sight of the customer's voice.

Bond

The Group raised £100m following the sale of our 2043 retained bonds, which were originally issued by our funding vehicle Libra 2 Treasury plc in 2018. Launched on 4 March 2020, the bond sale was four and a half times oversubscribed with bids totalling over £400 million received. This level of interest helped us to secure competitive all in rate of 2.339 per cent. This impressive level of investor appetite was based on our strong performance in a number of areas, including rent arrears, tenancy sustainment, development and shared ownership sales, combined with the clear and ambitious vision of our Improving Lives strategy.

Value for Money Strategy

In February 2020, the Group Board held a Value for Money (VFM) strategy day. Reflecting back on the VfM benefits of the consolidation, the Board debated and discussed the most appropriate way for the Group to measure VfM in addition to the metrics set out by the Regulator. Our updated VFM strategy and metrics are included as part of this years

Strategic Report. Alongside the standard metrics used by the Regulator we have incorporated an additional suite of indicators that are linked to our Improving Lives 2025 Strategy.

Board recruitment

As part of the Board Effectiveness review and consolidation work, the Board has seen a number of changes in its composition. The latest Board Member to join the Group Board as well as Chair of the Finance and Treasury Committee is Joseph Carr. Joseph has a background in finance as well as spending nine years working at the National Housing Federation.

Improving Lives 2025 strategy and our approach to achieving Value for Money

The Regulator's Value for Money standard, published in April 2018 requires all Registered Providers to report on a number of VfM metrics within their financial statements. The Group has established additional VfM targets which are linked to broader strategic objectives. These were discussed and agreed at the Board's Strategy day in February 2020, which focused on Value for Money and the Group's approach going forward. Metrics are reported to the Board regularly as well as all Board reports where decisions are required having a section on VfM and the potential for Value for Money gains.

Board performance evaluation

Longhurst Group reviews its Board effectiveness annually, thus allowing the Board to take a step back and look at both its strengths and development opportunities. The performance evaluation looks at a variety of areas of the board from skills and experience needed to continue with the Group's long tern success to length of service and diversity.

In 2019/2020, the Group underwent an independent Board Effectiveness Review. The review was undertaken by an external consultant, who looked at the existing skills and competencies and provided an independent view of the appropriateness of the skills of the Board, as well as any gaps. The process also considered the effectiveness of the relationships between Board Members and how decisions were made. It also incorporated feedback from previous individual Board Member interviews on effectiveness by the same consultant, as well as Board observations and decision making.

The process considered both the needs of the Group, as well as good practice in the sector. Feedback of the process was provided to the Board and formed a recommendation to the Group Board as part of the outcomes of the consolidation.

The size and composition of the Board was considered and views were sought in relation to:

- Options to increase diversity of thought and experience within the Board
- Fluidity in approach to terms of service, tenure and succession planning
- Recruitment of a Senior Independent Director rather than a Vice Chair

The outcomes from the discussion concluded that a recruitment exercise would follow as part of the review of effectiveness and consolidation of the Group. This would focus on ensuring that the Board composition had a range of experiences and backgrounds. The recruitment exercise saw three new Board Members from outside of the Group and one from within the Group's governance structure.

Whilst the Group's chosen code of governance provides for a maximum term of nine years, the Group has adopted a maximum of six years for all new Board Members. There is discretion in respect of Chair posts. Members are recruited for a two year term albeit their performance is reviewed annually as part of the appraisal process.

In 2019, the Group appointed Pat Brandum as Senior Independent Director to the Board. The role was recruited as a support to the Chair, providing a sounding board as well as assisting in areas such as problem solving.

Focus in 2020/21 will be the succession planning for the current Group Board Chairman, his maximum term is served in 2022 and hence consideration for the next Chair will begin in order for there to be a smooth transition.

Board composition and appointment of NEDs

Board composition

The Board approves any appointment to the Boards and Committees following recommendations from the People, Remuneration and Nominations Committee. A key part of this recommendation is to ensure that the diversity of the Group's customers is reflected in the diversity of the Board.

The Board has four females and five males on the Board; as well as a mix of ethnicities and backgrounds.

Appointments are made upon merit and collectively the Board's overall effectiveness is balanced to ensure the delivery of the Group's 2025 strategy.

As well as possessing elements of the core competencies below, each Director must be able to demonstrate the Group's corporate values and commit to the time needed to discharge their duties fully.

Appointment process

The success of the appointment process and finding the right candidate for the Group begins with careful planning. The Board annually reviews its skills and competencies matrix and therefore is minded of the skills and competencies it is looking for.

When preparing to recruit, the Group carefully considers not only the skills and experience that it is seeking, but also the culture of the organisation. It is important that the successful candidate has the right personal and professional attributes. The Group operates over a large geography and has a diverse range of Customers. Diversity on the Board is therefore important so that when issues challenging the business are discussed, deep insight and multiple angles are part of the debate. Longhurst Group welcomes diversity on the Board in many ways such as age, ethnicity, gender, life experience and religion.

More recently the Group has worked with an external partner to find suitable candidates for Board and Committee vacancies. This process starts with a briefing to all candidates on the ethos of the organisation as well as the commitment that the role of a Board Member requires. From this discussion, a long list and then a short list is devised. Consideration of each candidate is based upon what they can bring to the Board in terms of not only their experience but also their perspective. Succession planning is also important to meet the continual opportunities, challenges and complexities that the Group may face. This then is also an important consideration when recruiting.

Induction process

All Board Members undergo an induction process, the induction is tailored to each individual and is designed to provide Members with sufficient knowledge and background of the organisation so that they are able to contribute and participate at their first Board meetings. The programme is designed and delivered by the Company Secretary and covers the Group's overarching strategy, key objectives as well as the role and duties of a director. One to one meetings are also arranged with members of the senior management team and Executive, and where appropriate 'on site' visits can be arranged so that Board Members get a real understanding of the customer experience.

Whilst mandatory training is provided to all Board Members, individual training and development plans are devised from both induction and annual appraisal. Mandatory training includes important topics such as directors' duties, GDPR, safeguarding and health and safety.

Board Members, Executive Officers, Principal Advisors and Bankers

Board Members

Robert Wilson	Chair
Patricia Brandum	Chair of the Development Committee
Clive Barnett	Chair of the Finance and Treasury Committee and Libra 1 & 2 (resigned 1 July 2019)
Daniel Elkins	Chair of Remuneration and Nominations Committee (resigned 1 July 2019)
Stephen Wenham	Chair of People, Remuneration and Nominations Committee
Julie Doyle	Chief Executive
Jenny Brown	Chair of the Audit and Risk Committee (appointed 25 July 2019)
Angie Morris	Non-executive director (appointed 1 July 2019)
Gabriel Behr	Chair of Keystone (LG) Developments (appointed 25 July 2019)
Parmjit Dhanda	Non-executive director
Joseph Carr	Chair of the Finance and Treasury Committee and Libra 1 & 2 (appointed 5 March 2020)

Executive Officers

Julie Doyle	Chief Executive
Rob Griffiths	Deputy Chief Executive and Chief Financial Officer
Lynn Stubbs	Executive Director of People and Performance
Jonathan Driffill	Executive Director of Partnerships, Care and Community (retired 31 July 2019)
Ian Jackson	Executive Director of Investment Portfolio (retired 9 August 2019)
Sharon Guest	Executive Director of Housing Services
Louise Platt	Executive Director of Care and Business Partnerships

Company Secretary

Rachel Challinor	Director of Governance, Performance and Compliance

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Directors' Report

Introduction

The Board presents its report and audited consolidated financial statements for Longhurst Group and its subsidiary undertakings for the year ended 31 March 2020.

Principal Activities

The principal activity of Longhurst Group is as a leading provider of affordable housing, care and support in the Midlands and surrounding areas.

Directors

See page 94 for listing of Board Members and Executive Officers.

Charitable and Political Donations

The Group has made donations of £11,000 during the year (2019: nil).

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

The Board is required to prepare financial statements for each financial year that give a true and fair view of the Company's state of affairs and of its income and expenditure for that period. In preparing these financial statements, the Board is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed;
- Prepare the financial statements on the going-concern basis unless it is inappropriate to presume that the Company will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Group and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

The Board is also responsible for safeguarding the Company assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities, by establishing, and maintaining a satisfactory system of control over the Company's accounting records, cash holdings and all its receipts and remittances.

As far as the Directors are aware:

- There is no relevant audit information of which the Company's auditors are unaware
- The Directors have taken all steps that they ought to have to make themselves aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

By order of the Board,

Robert Wilson, Chair

Independent Auditor's Report to the Members of Longhurst Group Limited

Opinion

We have audited the financial statements of Longhurst Group Limited ("the Association") and its subsidiaries (together "the Group") for the year ended 31 March 2020, which comprise the consolidated and Association Statement of comprehensive income, the consolidated and Association Statement of financial position, the consolidated and Association Statement of changes in reserves and the consolidated Statement of cashflows 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 Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2020 and of the Group's and 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 properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	Our response to the key audit matter

Going concern

As disclosed in note 1, following the outbreak of COVID-19, and the resultant impact on the overall economy, management has considered the appropriateness of the going concern basis of preparation for the group as well as the parent entity.

The directors' assessment of going concern involves a number of subjective judgements including the anticipated future levels of bad debts, voids, the rate of inflation, costs of borrowing and the level of property sales, which have been impacted by the current COVID-19 pandemic. We have therefore spent significant audit effort in assessing the appropriateness of the assumptions involved and to ensure the adequacy of the disclosure in the accounting policy in relation to the steps undertaken by the board to gain assurance that there is not a material uncertainty around the adoption of the going concern basis of preparing the financial statements. Therefore this area was identified as a Key Audit Matter.

Our audit response involved the following:

- Assessment of the internal forecasting process to confirm the projections are prepared by appropriate personnel that are aware of the detailed figures in the forecast but also have a high level understanding of the entity's market and strategy, and the potential impact that COVID-19 might have on these projections.
- Obtaining and assessing the availability of financing facilities, including the nature of facilities, repayment terms and financial covenants. We considered management's financial covenant compliance calculations through to March 2022 and concluded on the consistency of such calculations with the ratios stated in the relevant lender agreements.
- Consideration of the forecasts prepared by management and challenge of the key assumptions based on our knowledge of the business.
- As referred to in note 1, management has modelled reasonably possible downside scenarios to incorporate the expected impact of the COVID-19 pandemic. Scenarios modelled by management include a reverse stress test to analyse the current estimates of rent collection, property sales and maintenance and development spend that could be sustained without breaching banking covenants. We have considered the appropriateness of the downside scenarios in respect of the impact of COVID-19 and challenged management to confirm that they have suitably addressed the inputs which are most susceptible to change, including those in respect of revenue, margins and cost savings.
- We considered the adequacy of the disclosures in the financial statements against the requirements of the accounting standards and consistency of the disclosure against the forecasts and stress test scenario.

Key observations

Our key observations are set out in the conclusions related to going concern section of our audit report.

Independent Auditor's Report to the Members of Longhurst Group Limited (continued)

Key audit matter	Our response to the key audit matter

Net realisable value of property developed for sale

Key audit matter	Our response to the key audit matter
As explained in the accounting policies, properties developed for sale, including shared ownership first tranches and properties developed for outright sale, are measured at the lower of cost and net realisable value resulting in an amount recognised in the balance sheet of £23,700,000. For properties in development at the balance sheet date, an assessment is needed of an anticipated selling price and a determination of the expected costs to complete. Due to the volume of properties under construction and the level of judgement involved in estimating both selling price and costs to complete we considered there to be a significant risk that the carrying amount of properties developed for sale is misstated and was therefore a key audit matter.	To assess whether the carrying value of work in progress and properties held for sale were appropriate we: • Obtained and assessed management's forecast sales prices and costs to complete by comparing to updated valuations and recent sales post year end; • Checked a sample of properties sold after 31 March 2020 to completion statement and bank receipt to confirm that net realisable value was greater than cost; • Obtained the latest valuations and confirmed the underlying assumptions for a sample of schemes that were under construction at the year end to confirm that expected net realisable value was greater than cost; • Considered the potential need for impairment, including review of client's forecasts for COVID-19, through testing of a sample of properties back to management's forecasts and underlying assumptions; and • We further scrutinised the assumptions used against 3rd party data such as property price trends and forecasts and carried out sensitivity analysis on these assumptions and underlying projects costs to complete to assess potential indicators of impairment. **Key observations** Based on the evidence obtained we did not identify any indications that the assessments of the recoverable amount made by management were inappropriate.

Key audit matter	Our response to the key audit matter

Business combination

As explained in the accounting policies and note 1 to the financial statements, on 1 July 2019 Longhurst & Havelok Homes, Spire Home, Friendship Care & Housing and Axiom Housing, all subsidiaries of Longhurst Group Limited, combined through a transfer of engagements into Longhurst Group Limited. At this point the assets, liabilities and activities of the entities were transferred into Longhurst Group Limited. The parent's financial statements have been prepared using the merger accounting principles of FRS102.

Management have exercised a degree of judgement in determining the appropriate accounting implications of this business combination, in particular in respect of:

- the application of merger accounting at the association level, resulting in the presentation of financial information as if the amalgamated entity had always existed, and
- the nature and extent of related disclosure explaining the combination and the effect on the financial statements.
- As this is not a routine transaction there was a risk with regards the preparation of the financial information and its presentation and disclosure in the financial statements, the business combination was therefore a key audit matter.

Our work on the business combination included (but was not limited to) the following:

- We obtained management's rationale for the application of merger accounting at the association level and we checked that the rationale was consistent with the principles of merger accounting for a public benefit entity as set out in FRS 102, specifically in relation to whether the condition around there being no changes to the ultimate beneficial ownership of the subsidiary entities had been met.
- We checked that the merger accounting requirements had been appropriately applied. This involved checking that the results of the entity had been combined from the beginning of the financial year in which the amalgamation occurred and that the corresponding information for the previous year had been aggregated from the signed financial statements of the historical components. We also checked that all financial information had been adjusted in order to align significant accounting policies of the group.
- We checked that the related disclosure was presented in accordance with the requirements of the underlying framework and that related policies were adequately disclosed and explained, including reference to key judgements and estimates made where necessary.

Key observations

Based on the evidence obtained we did not identify any indications that the adoption, application and disclosures for merger accounting are inappropriate.

Independent Auditor's Report to the Members of Longhurst Group Limited (continued)

Our application of materiality
We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We determined materiality for the financial statements as a whole to be £13,400,000, which represents 1.0% of total assets.

We also apply a specific materiality level for all items within operating profit (including related disclosures) as that term is defined for the purposes of the entities lending covenants. This therefore involves adjusting operating profit for depreciation, amortisation and impairment. The specific materiality level that we applied was £2,500,000, which is 5.0% of adjusted operating profit.

We used gross assets and adjusted operating profit as our chosen benchmarks to determine materiality and for specific materiality as these are considered to be the areas of the financial statements of greatest interest to the principal users of the financial statements and the areas which will have greatest impact on investor and lender decisions.

Materiality for the parent company was set at £13,300,000 with a specific materiality set at £2,400,000.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 50% of materiality or specific materiality depending on the financial statement area being audited. In setting the level of performance materiality we considered a number of factors including the expected total value of known and likely misstatements (based on a review of the predecessor auditor's files and other factors) and management's attitude towards proposed adjustments.

We agreed with the Group Audit & Risk Committee that misstatements in excess of £250,000 for areas considered using financial statement materiality and £50,000 for areas considered using specific materiality which were identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

An overview of the scope of our audit
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In establishing the overall approach to the Group audit, we assessed the audit significance of each reporting component in the Group by reference to both its financial significance and other indicators of audit risk, such as the complexity of operations and the degree of estimation and judgement in the financial results.

Extent to which the audit is capable of detecting irregularities, including fraud
The extent to which the audit is capable of detecting irregularities is affected by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud usually are inherently more difficult to detect than irregularities that result from error.

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud.

We considered the Association's compliance with laws and regulations that have a direct impact on the financial statements such as the Co-operative and Community Benefit Societies Act 2014 (and related Directions and regulations), the Housing and Regeneration Act 2008 and other laws and regulations applicable to a registered social housing provider in England. We also considered the risks of non-compliance with the other requirements imposed by the Regulator of Social Housing, and we considered the extent to which non-compliance might have a material effect on the group financial statements.

We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our tests included agreeing the financial statement disclosures to underlying supporting documentation, enquiries of the board and of management and enquiries of third parties, where information from that third party has been used by the Association in the preparation of the financial statements.

There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Board that represented a risk of material misstatement due to fraud.

Classification of components

A full scope statutory audit was carried out for each subsidiary that we considered to be a significant component of the group.

Audit work on all components was performed by BDO UK both for the purposes of reporting on the individual financial statements and for group/consolidation purposes. The only significant components for group purposes were the parent entity, Libra (Longhurst Group) Treasury PLC and Libra (Longhurst Group) Treasury No.2 PLC.

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

Independent Auditor's Report to the Members of Longhurst Group Limited (continued)

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the parent Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the parent Association financial statements are not in agreement with the accounting records and returns; 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 Board's Responsibilities in Respect of the Accounts, set out on page 95, , 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 members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: 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 members of the Association, as a body, in accordance with in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association'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 Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP.

Philip Cliftlands, Senior Statutory Auditor
For and on behalf of BDO LLP, Statutory Auditor, Gatwick, United Kingdom

Date: 25 September 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Longhurst Group Limited

Consolidated Financial Statements

For the year ended 31 March 2020
Co-Operative And Community Benefit Society No. 8009

Statement of comprehensive income

	Notes	Group		Parent	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Turnover	4	153,821	167,361	146,672	144,120
Cost of sales	4	(25,301)	(35,492)	(15,448)	(13,405)
Operating costs	4	(89,945)	(82,756)	(88,967)	(83,242)
Surplus on disposal of fixed assets	12	3,470	1,550	3,470	1,550
Operating surplus		42,045	50,663	45,727	49,023
Share of deficit from associated undertakings	19	(272)	–	–	–
Interest receivable	13	579	471	877	1,078
Interest and financing costs	14	(28,448)	(29,254)	(29,133)	(30,092)
Changes in fair value of investments		(2)	–	–	–
Movement in fair value of investment properties	18	(176)	13	(176)	13
Surplus before taxation		13,726	21,893	17,295	20,022
Taxation on surplus	15	(326)	(142)	(293)	(92)
Surplus for the financial year		13,400	21,751	17,002	19,930
Other comprehensive income					
Initial recognition of multi-employer defined benefit pension scheme		–	(9,481)	–	(9,481)
Actuarial gains/(losses) on defined benefit pension scheme	30	10,915	(4,659)	10,915	(4,659)
Movement in fair value of hedged financial instruments	13	(2,171)	1,032	–	–
Total comprehensive income for the year		22,144	8,643	27,917	5,790

The notes on pages 110 to 154 form part of these financial statements.

Statement of financial position

	Notes	Group 2020 £'000	Group 2019 £'000	Parent 2020 £'000	Parent 2019 £'000
Fixed assets					
Tangible fixed assets – housing properties	16	**1,155,409**	1,105,338	1,162,404	1,111,925
Tangible fixed assets – other	17	**17,670**	17,552	17,332	17,213
Investment properties	18	**8,201**	8,377	8,201	8,377
Investment – subsidiaries		**—**	—	100	100
Investment – associates	19	**(272)**	—	—	—
		1,181,008	1,131,267	**1,188,037**	1,137,615
Current assets					
Stocks	20	**23,736**	26,717	**13,866**	11,119
Investments		**12**	15	—	—
Debtors – receivable within one year	21	**10,436**	8,136	**8,624**	9,313
Cash and cash equivalents		**119,916**	43,278	**119,308**	41,856
		154,100	78,146	**141,798**	62,288
Less: Creditors Amounts falling due within one year	22	**(41,808)**	(41,354)	**(41,372)**	(39,783)
Net current assets		**112,292**	36,792	**100,426**	22,505
Total assets less current liabilities		**1,293,300**	1,168,059	**1,288,463**	1,160,120
Creditors Amounts falling due after more than one year	23	**(1,005,712)**	(885,809)	**(965,889)**	(848,657)
Net assets excluding pension liability		**287,588**	282,250	**322,574**	311,463
Pension liability	30	**(12,232)**	(29,333)	**(12,232)**	(29,333)
Net assets		**275,356**	252,917	**310,342**	282,130
Capital and reserves					
Cash flow hedge reserve		**(27,723)**	(25,552)	—	—
Income and expenditure reserve		**166,780**	140,265	**174,043**	143,926
Revaluation reserve		**136,299**	137,204	**136,299**	137,204
Restricted reserve		**—**	1,000	—	1,000
Total reserves		**275,356**	252,917	**310,342**	282,130

The financial statements on pages 104 to 108 were approved and authorised for issue by the Board on 25 July 2020 and were signed on its behalf by:

Board member	Board member	Secretary
Bob Wilson	Jenny Brown	Rachel Challinor

The notes on pages 110 to 154 form part of these financial statements.

Consolidated statement of changes in reserves

	Cash flow hedge reserve	Income and expenditure service	Revaluation reserve	Restricted reserve	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2018	**(26,584)**	**131,295**	**138,563**	**1,000**	**244,274**
Surplus for the year	**—**	**21,751**	**—**	**—**	**21,749**
Initial recognition of defined benefit pension scheme	—	(9,481)	—	—	**(9,481)**
Actuarial losses on defined benefit pension scheme	—	(4,659)	—	—	**(4,659)**
Movement in fair value of hedged financial instrument	1,032	—	—	—	**1,032**
Other comprehensive income for the year	**1,032**	**7,611**	**—**	**—**	**8,643**
Reserve transfers:					
Transfer from revaluation reserve to income and expenditure reserve	—	1,359	(1,359)	—	—
Balance at 31 March 2019	**(25,552)**	**140,265**	**137,204**	**1,000**	**252,917**
Surplus for the year	**—**	**13,400**	**—**	**—**	**13,400**
Actuarial gains on defined benefit pension scheme	—	11,210	—	—	**11,210**
Movement in fair value of hedged financial instrument	(2,171)	—	—	—	**(2,171)**
Other comprehensive (expenditure)/ income for the year	**(2,171)**	**24,610**	**—**	**—**	**22,439**
Reserve transfers:					
Release of restricted reserve	—	1,000	—	(1,000)	—
Transfer from revaluation reserve to income and expenditure reserve	—	905	(905)	—	—
Balance at 31 March 2020	**(27,723)**	**166,780**	**136,299**	**—**	**275,356**

Parent company statement of changes in reserves

	Income and expenditure reserve	Revaluation reserve	Restricted reserve	Total
	£'000	£'000	£'000	£'000
Balance at 31 March 2018	**136,777**	**138,563**	**1,000**	**276,340**
Surplus for the year	**19,930**	**–**	**–**	**19,930**
Initial recognition of defined benefit pension scheme	(9,481)	–	–	**(9,481)**
Actuarial losses on defined benefit pension scheme	(4,659)	–	–	**(4,659)**
Other comprehensive expenditure for the year	**5,790**	**–**	**–**	**5,790**
Reserve transfers:				
Transfer from revaluation reserve to income and expenditure reserve	1,359	(1,359)	–	–
Balance at 31 March 2019	**143,926**	**137,204**	**1,000**	**282,130**
Surplus for the year	**17,002**	**–**	**–**	**17,002**
Actuarial gains on defined benefit pension scheme	11,210	–	–	**11,210**
Other comprehensive income for the year	**28,212**	**–**	**–**	**28,212**
Reserve transfers:				
Release of restricted reserve	1,000	–	(1,000)	**–**
Transfer from revaluation reserve to income and expenditure reserve	905	(905)	–	**–**
Balance at 31 March 2020	**174,043**	**136,299**	**–**	**310,342**

Consolidated statement of cashflows

Cash flows from operating activities	2020 £'000	2019 £'000
Surplus for the financial year	**13,400**	21,751
Adjustments for:		
Depreciation of fixed assets – housing properties	**16,126**	15,518
Depreciation of fixed assets – other	**1,340**	1,113
Amortised grant	**(2,820)**	(2,766)
Share of loss in associate	**272**	–
Movement in fair value of investments	**2**	–
Interest payable and finance costs	**28,448**	29,254
Interest received	**(579)**	(471)
Taxation expense	**326**	142
Movement in fair value of investment properties	**176**	(13)
Impairment	**2,739**	–
Surplus on the sale of fixed assets – housing properties	**(3,435)**	(1,550)
Proceeds from sale of fixed assets net of selling cost	**11,690**	7,786
Difference in net pension expense and liability	**(6,432)**	(1,776)
Movement in trade and other debtors	**(2,300)**	(60)
Movement in stock	**242**	4,397
Movement in trade and other creditors	**31**	2,221
Cash from operations	**59,226**	75,546
Taxation paid	**(52)**	(395)
Net cash generated from operating activities	**59,174**	75,151
Cash flows from investing activities		
Purchase of fixed assets – housing properties	**(70,652)**	(73,545)
Purchases of fixed assets – other	**(1,559)**	-
Received grant	**9,180**	8,063
Interest received	**579**	1,078
Net cash generated from investing activities	**(62,452)**	(64,404)
Cash flows from financing activities		
Interest paid	**(31,841)**	(27,851)
New loans	**100,500**	169,000
Debt issue costs	**(1,669)**	-
Repayment of loans, discounts and premiums on bond issue	**12,926**	(124,268)
Net cash generated from financing activities	**79,916**	16,881
Cash movement in the year	**76,638**	27,628
Cash and cash equivalents at beginning of period	**43,278**	15,650
Cash and cash equivalents at end of period	**119,916**	43,278

The notes on pages 110 to 154 form part of these financial statements.

Longhurst Group Limited

Notes to the Financial Statements

1 Legal status

Longhurst Group Limited is incorporated in England under the Co-operative and Community Benefit Society Act 2014 (No. 8009) and is registered with the Regulator for Social Housing ('RSH') as a Private Registered Provider of Social Housing by the Housing and Regeneration Act 2008, (registration number L4277). The registered office is 50 Newhall Hill, Birmingham, B1 3JN.

The Group has five subsidiaries; Keystone Developments (LG) Limited, Libra (Longhurst Group) Treasury plc and Libra (Longhurst Group) Treasury No 2 plc are registered under the Companies Act 2006; The Teetotal Homes is a registered charity; and Beechdale Community Development Limited is a Community Benefit Society.

2 Accounting policies

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for Longhurst Group Limited includes the Cooperative and Community Benefit Societies Act 2014 (and related group accounts regulations), the Housing and Regeneration Act 2008, FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland", the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2018, "Accounting by registered social housing providers", and the Accounting Direction for Private Registered Providers of Social Housing 2019.

The accounts are prepared under the historic cost basis except for the modification to a fair value basis for certain financial instruments and investment properties as specified in the accounting policies below.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates.

It also requires Group management to exercise judgement in applying the Group's accounting policies.

Disclosure exemptions

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

- no cash flow statement has been prepared for the parent association,
- disclosures in respect of the parent association's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole,
- no disclosure has been given for the aggregate remuneration of the key management personnel of the parent association as their remuneration is included in the totals for the group as a whole,
- no related party transactions disclosed with wholly owned subsidiaries, except those as required by the Accounts Direction.

The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements present the results of Longhurst Group Limited and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The Group has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. The Group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

In making this assessment the Board has

2 Accounting policies (continued)

considered the potential impact of the Covid-19 pandemic on the cash flows and future operations of the Group over the next 12 months.

The Board has assessed the impact of scenarios which would negatively impact on the Group's operations and cash flows including but not limited to the potential increase in voids, bad debts, repair costs and reduced income from the sale of housing properties.

In making their assessment the Board has also taken into account the potential mitigations available to manage any potential negative impact on its cashflows and liquidity position. Having undertaken a detailed review of our future plans, liquidity levels, stress testing and risk mitigations, the Board has concluded that whilst the potential impact of the on-going Covid-19 pandemic continues to create uncertainty, there is a reasonable expectation that the Group will continue to maintain adequate resources to continue in operational existence for the next 12 months.

For these reasons, the Financial Statements have been prepared on a going concern basis. Therefore, these financial statements do not include any adjustments to the carrying value or classification of assets and liabilities that would result if the Group was unable to continue as a going concern.

Associates and joint ventures

An entity is treated as an associated undertaking where the Group exercises significant influence in that it has the power to participate in the operating and financial policy decisions. An entity is treated as a joint venture where the Group is party to a contractual agreement with one or more parties from outside the group to undertake an economic activity that is subject to joint control.

In the consolidated accounts, interests in associated undertakings are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of the profit or loss, other comprehensive income and equity of the associate. The consolidated statement of comprehensive income includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group. In the consolidated balance sheet, the interests in associated undertakings are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

Merger accounting

These financial statements have been prepared under merger accounting principles because the ultimate equity holders remain the same and no controlling interest in the net assets of the Group is altered. Merger accounting involves combining all of the results and cash flows of all the amalgamating parties from the beginning of the financial period in which the merger occurs. The comparative amounts are restated by including the results for all the combining entities for the previous accounting period and by combining their statement of financial positions as at the previous reporting date. The Board considers that merger accounting is appropriate because the amalgamation satisfied the following key criteria:

- no party to the combination was portrayed as either acquirer or acquiree, either by its own board or management or by that of another party to the combination;
- there was no significant change to the classes of beneficiaries of the combining entities or the purpose of the benefits provided as a result of the combination; and
- all parties to the combination, as represented by the members of the Board, participated in establishing the management structure of the combined entity and in selecting the management personnel, and such decisions are made on the basis of a consensus between the parties to the combination rather than purely by exercise of voting rights.

As the Board considers that all criteria were met, merger accounting was required to be applied in the preparation of these financial statements. As the entity has been formed

2 Accounting policies (continued)

from the legal amalgamation of the historic constituent entities, merger accounting has also been applied in the preparation of the parent only financial statements.

Income

Income is measured at the fair value of the consideration received or receivable. The Group generates the following material income streams:

- rental income receivable,
- service charges receivable,
- floating support income receivable,
- amortised capital grants,
- revenue grants from local authorities and Homes England,
- income from the sale of shared ownership,
- other properties developed for outright sale and other income.

Income is recognised in relation to the period when the goods or services have been supplied and grants receivable. Rental income is recognised when the property is formally let, net of voids. Income from property sales is recognised at the point of legal completion of the sale.

Floating Support income and costs

Floating Support contract income received from Administering Authorities under contractual arrangements and is accounted for as supporting people income in the Turnover as per note 4. The related support costs are matched against this income in the same note. Support charges included in the rent are included in the Statement of Comprehensive Income from social housing lettings, note 5, and matched against the relevant costs.

Service charges

Service charge income and costs are recognised on an accruals basis. The Group operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position. Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents; until these costs are incurred this liability is held in the Statement of Financial Position within creditors.

Loan interest costs

Loan interest costs are amortised using a straight line method based on the initial recognition and loan maturity date.

Loan finance issue costs

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

Current taxation

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

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

Deferred taxation

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

2 Accounting policies (continued)

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

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Value Added Tax

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

Pension costs

The Group participates in the Social Housing Pension Scheme ('SHPS'). The net liability accounted for (or asset, to the extent it is recoverable) is calculated by estimating the amount of future benefit that employees have earned to date, discounted to present value, and deducting the fair value of the scheme's assets.

Changes in this net defined benefit liability arising from employee service, introductions, benefit changes, curtailments and settlements during the period are recognised in operating costs. The net interest expense (or income) on the net liability (or asset) for the period is recognised as other finance cost (or income). Re-measurement of the net liability (or asset) is recognised as actuarial gains/(losses) in Other Comprehensive Income.

In the previous year the group participated in three Local Government Pension Schemes ('LGPS'), which are multi-employer defined benefit schemes. On 30 April 2019, the Group repaid its pension liability to LGPS and fully withdrew from the schemes. The Group has no outstanding obligations to contribute into these schemes, therefore there is no asset or liability presented in the accounts in relation to LGPS.

Tangible fixed assets – housing properties

Housing properties constructed or acquired (including land) on the open market since the date of transition to FRS 102 are stated at cost less depreciation and impairment (where applicable).

The cost of housing land and property includes the cost of acquiring land and buildings, development costs, interest capitalised during the development period, directly attributable administration costs and expenditure incurred in respect of improvements which comprise the modernisation and extension of existing properties.

Directly attributable administration costs includes capitalised interest calculated, on a proportional basis, using finance costs on borrowing which has been drawn in order to finance the relevant construction or acquisition. Where housing properties are in the course of construction, finance costs are only capitalised where construction is on-going and has not been interrupted or terminated.

Expenditure on major refurbishment to properties is capitalised where the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure is charged to the Statement of Comprehensive Income.

Housing properties in the course of construction, excluding the estimated cost of the element of shared ownership properties expected to be sold in first tranche, are included 'under construction' and held at cost less any impairment, and are transferred to completed properties when ready for letting.

2 Accounting policies (continued)

Deemed cost on transition to FRS 102
On transition to FRS 102 the Group took the option of carrying out a one-off valuation exercise of selected items of housing properties and using that amount as deemed cost. To determine the deemed cost at 1 April 2014, the Group engaged independent valuation specialist Jones Lang Lasalle to value housing properties on an EUV-SH basis. Housing properties will subsequently be measured at cost less depreciation.

Any difference between historic cost depreciation and depreciation calculated on deemed cost is transferred between the revaluation reserve and income and expenditure reserve.

Depreciation of housing property
Housing land and property is split between land, structure and other major components that are expected to require replacement over time with substantially different economic lives.

Land is not depreciated on account of its indefinite useful economic life.

Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefits are expected to be consumed.

Housing properties are split between the structure and the major components which require periodic replacement. The costs of replacement or restoration of these components are capitalised and depreciated over the determined average useful economic life on a straight-line basis as follows:

Description	Years
Structure	120
Roofs	60–80
Heating	15
External windows	20–30
External doors	30
Electrics	30–40
Kitchen	20
Bathrooms	30
Lifts	15–20

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

Any difference between the historic annual depreciation charge and the annual depreciation charge on assets carried at deemed cost is transferred to the revaluation reserve for the asset concerned until that reserve is depleted.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last reporting date in the pattern by which the Group expects to consume an asset's future economic benefit.

Shared ownership properties and staircasing
Under low cost home ownership arrangements, the Group disposes of a long lease on low cost home ownership housing units for a share ranging between 25% and 75% of value. The Buyer has the right to purchase further proportions up to 100% based on the market valuation of the property at the time each purchase transaction is completed.

Low cost home ownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover. The remaining element, "staircasing element", is classed as a fixed asset and included in housing property at cost less any provision for impairment.

Sales of subsequent tranches are treated as a part disposal. Such staircasing sales may result in capital grant being deferred or abated and any abatement is credited in the sale account in arriving at the surplus or deficit.

Tangible fixed assets – other
Other tangible fixed assets, other than investment properties, are stated at historic cost less accumulated depreciation and any accumulated depreciation and any

2 Accounting policies (continued)

accumulated impairment losses. Historic cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

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

Description	Annual depreciation rate
Freehold offices	1%
Fixtures and fittings	15%
Office equipment	20%
Motor vehicles	20%
Computer equipment	25%
Scheme equipment	15%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

Government grants

Grants received in relation to assets that are presented at deemed cost at the date of transition have been accounted for using the performance model. In applying this model, such grant has been presented as if it were originally recognised as income within the Statement of Comprehensive Income in the year it was receivable and is therefore included within brought forward reserves.

Grant received since the transition date in relation to newly acquired or existing housing properties is accounted for using the accrual model. Grant is carried as deferred income in the balance sheet and released to the income and expenditure account on a systematic basis over the useful economic lives of the asset for which it was received.

Where Social Housing Grant (SHG) funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a replacement property.

If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the income and expenditure account.Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once performance related conditions have been met. Grants due from government organisations or received in advance are included as current assets or liabilities.

Recycled Capital Grant Fund

On the occurrence of certain relevant events, primarily the sale of dwellings, the RSH can direct the association to recycle capital grants or to make repayments of the recoverable amount.

The Group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three year period, it will be repayable to the RSH with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

Disposal Proceeds Fund ('DPF')

Receipts from Right to Acquire sales were required to be retained in a ring-fenced fund that can only be used for providing replacement housing and, up until 6 April 2017, new proceeds from relevant disposals were required to be credited to the DPF.

The Group was required to operate the DPF until 6 April 2020, after which date any unused balance had to be repaid.

2 Accounting policies (continued)

The DPF was fully allocated and funds exhausted prior to this date.

Investment properties
Investment properties consist of commercial properties and other properties not held for social benefit or for use in the business. They are properties which are held either to earn rental income, or for capital appreciation, or for both. Investment properties are measured at cost on initial recognition and subsequently carried at fair value 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 income or expenditure. Rental income from these properties is taken to revenue.

Valuation of investments
Investments in subsidiaries are measured at cost less accumulated impairment. Investments in unlisted company shares, which have been classified as fixed asset investments as the Group intends to hold them on a continuing basis, are re-measured to market value at each balance sheet date. Gains and losses on re-measurement are recognised in the statement of comprehensive income for the period.

Impairment
The housing property portfolio for the Group is assessed for indicators of impairment at each balance sheet date. Where indicators are identified, a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts.

A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value, an impairment is recorded through a charge to income and expenditure.

Stock
Stock is stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales proceeds after allowing for all further costs to completion and selling costs. An assessment of whether there is any impairment is made at each reporting date. Where an impairment loss is identified, it is immediately recognised in the statement of consolidated income. On disposal, sales proceeds are included in turnover and the costs of sales, including costs incurred in the development of the properties, marketing and other incidental costs are included in operating expenses.

Operating segments
As we have publically traded securities within the Group we are required to disclose information about our operating segments under IFRS 8. Segmental information is disclosed in notes 4 and 5, and as part of the analysis of housing properties in note 16. Information about income, expenditure and assets attributable to material operating segments are presented on the basis of the nature and function of housing assets held by the Group rather than geographical location.

As permitted by IFRS 8 this is appropriate on the basis of the similarity of the services provided, the nature of the risks associated, the type and class of customer and the nature of the regulatory environment across all of the geographical locations in which the Group operates.

The Board does not routinely receive segmental information disaggregated by geographical location.

Financial instruments
Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all its liabilities.

Debtors and creditors
Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded initially at transaction price less

2 Accounting policies (continued)

attributable transaction costs.

Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method, less any impairment losses. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Recoverable amount of rental and other trade receivables

The Group estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts.

Rent and service charge agreements

The Group has made arrangement with individuals and households for arrears payments of rent and service charges. These arrangements are effectively loans granted at nil interest rate.

Loans, investments and short term deposits

All loans, investments and short term deposits held by the Group are classified as basic financial instruments.

These instruments are initially recorded at the transaction price less any transaction costs (historic cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses.

Loans and investments that are payable or receivable within one year are not discounted.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Cash and cash equivalents

Cash and cash equivalents in the Group's Consolidated Statement of Financial Position consists of cash at bank, in hand and deposits.

Derivative instruments and hedge accounting

The Group holds floating rate loans which expose the Group to interest rate risk; to mitigate against this risk the Group uses interest rate swaps.

These instruments are measured at fair value at each reporting date. They are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group has designated each of the swaps against either existing drawn floating rate debt or against highly probable future floating rate debt. To the extent the hedge is effective movements in fair value adjustments, other than adjustments for own or counter party credit risk, are recognised in other comprehensive income and presented in a separate cash flow hedge reserve.

Any movements in fair value relating to ineffectiveness and adjustments for our own or counter party credit risk are recognised in income and expenditure.

Leased assets: lessee

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they has 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 amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or 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.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

Provision for liabilities

The Group has recognised provisions for liabilities of uncertain timing or amounts including those for defined benefit pension obligations. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date.

2 Accounting policies (continued)

Where the effect of the time value of money is material the amount expected to be required to settle the obligation is recognised at the present value using a discount rate. The unwinding of the discount is recognised as a finance cost in income and expenditure in the period it arises.

Contingent liabilities

A contingent liability is recognised for a possible obligation, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources; or for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made.

A contingent liability exists on grant repayment which is dependent on the disposal of related property.

Reserves

Income received, and expenditure incurred, for restricted purposes is separately accounted for within restricted funds.
Realised and unrealised gains and losses on assets held by these funds are also allocated to the fund.

The revaluation reserve is created from the difference on transition between the fair value of social housing properties and the historical cost carrying value, where deemed cost transitional relief was taken.

3 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the key judgements have been made in respect of the following:

Development expenditure

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

Impairment

As part of the Group's continuous review of the performance of their assets, management identify any homes, or schemes, that have increasing void losses, are impacted by policy changes or where the decision has been made to dispose of the properties. These factors are considered to be an indication of impairment.

The Group has identified a cash generating unit for impairment assessment purposes at a property scheme level. Where there is evidence of impairment, the fixed assets are written down to the recoverable amount and any impairment losses are charged to operating surpluses.

Realisable amount of tenant arrears

The arrears of current tenants are provided at 50% for balances greater than £500 and former tenants at 100%, with the exception of leaseholders where only specific provisions are made where required. No provision is made against cash-in-transit (payments made but not yet received by the Group) or for Housing Benefit owed by Local Authorities. A 5% movement in the overall provision rate would change the provision by £57k.

Classification of loans as basic

The Group has a number of loans which are variable rate. Management have considered the terms of the loan agreements with reference to FRS 102 and concluded that they do meet the definition of a basic financial instrument, therefore are held at amortised cost.

3 Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Net realisable value of property under construction

The forecast first tranche sales percentage is considered on a scheme by scheme basis and allocated to stock accordingly. A review of the expected sales price, taking in to account costs to complete, is also performed and impairment considered. Much of the stock held at year end has since sold at expected selling prices which further supports the Board's view that there is no indication of impairment.

First tranche percentage

Income from first tranche sales is recognised at the point of legal completion of the sale. The allocation of shared ownership costs between current and fixed assets is calculated based on the estimated first tranche sales percentage from the schemes investment appraisal. For schemes partially sold the current average first tranche sales percentage is used and, for schemes where no sales have yet completed, the appraisal percentage. The average first tranche percentage used in the current asset calculation is 44.3%; this is consistent with the actual average during the year ended 31 March 2020 which was between 44% and 45%.

Pension liability

The calculation of the net pension liability to be accounted for is based upon accounting, financial and demographic assumptions. The fair value of plan assets, present value of defined benefit obligation and defined benefit liability is calculated by a qualified actuary and audited. The Group then review the assumptions included by the actuary to assess their reasonableness. An analysis of the sensitivity to the principal assumptions of the present value of the defined benefit obligation, considering each change in isolation, is included below.

	Change in assumption	Change in liabilities	
Discount rate	Increase of 0.1% p.a.	Decrease by 2.3%	Decrease by £281k
Rate of inflation	Increase of 0.1% p.a.	Increase by 2.2%	Increase by £269k
Rate of salary growth	Increase of 0.1% p.a.	Increase by 0.1%	Increase by £12k
Rate of mortality	Probability of surviving each year increased by 10%	Increase by 2.6%	Increase by £318k

Merger accounting

The Board exercised judgement in determining whether the criteria for merger accounting, as set out in the accounting policies, had been met following the coming together of Longhurst & Havelok Homes Limited, Spire Homes (LG) Limited, Friendship Care and Housing Limited and Axiom Housing Association Limited. Had the Board concluded that those criteria had not been met, the four entities would have been accounted for individually for the first three months of the year and then within the Parent entity on completion of the Transfer of Engagements on 1 July 2019.

In making this key judgement, the Board considered the accounting treatment which more closely reflected the nature of the combination

4a Particulars of turnover, cost of sales, operating costs and operating surplus – Group

	Turnover	Cost of sales	Operating costs	Operating surplus/(deficit)
2020	**£'000**	**£'000**	**£'000**	**£'000**
Social housing lettings (note 5a)	114,465	–	(78,838)	**35,627**
Other social housing activities				
Development property sales – shared ownership first tranche sales	20,523	(15,448)	–	**5,075**
Charges for support services	576	–	(415)	**161**
Supporting people	3,299	–	(3,357)	**(58)**
Development services	2,178	–	(1,830)	**348**
Managed operations	4,497	–	(4,214)	**283**
Other activities	488	–	(119)	**369**
Activities other than social housing activities				
Market sales	7,113	(7,114)	–	**(1)**
Lettings (note 6)	591	–	(137)	**454**
Other	91	–	(1,035)	**(944)**
Impairment	–	(2,739)	–	**(2,739)**
	153,821	(25,301)	(89,945)	**38,575**
Surplus on disposal of fixed assets (note 12)	11,640	(8,170)	–	**3,470**
Total	165,461	(33,471)	(89,945)	**42,045**
2019	£'000	£'000	£'000	**£'000**
Social housing lettings	111,170	–	(72,678)	**38,492**
Other social housing activities				
Development property sales – shared ownership first tranche sales	20,107	(13,405)	–	**6,702**
Charges for support services	607	–	(529)	**78**
Supporting people	3,476	–	(3,309)	**167**
Development services	2,090	–	(1,401)	**689**
Managed operations	4,462	–	(3,842)	**620**
Other activities	932	–	(241)	**691**
Activities other than social housing activities				
Market sales	23,970	(22,087)	–	**1,883**
Lettings (note 6)	406	–	(53)	**353**
Other	141	–	(703)	**(562)**
	167,361	(35,492)	(82,756)	**49,113**
Surplus on disposal of fixed assets (note 12)	6,828	(5,278)	–	**1,550**
Total	174,189	(40,770)	(82,756)	**50,663**

4b Particulars of turnover, cost of sales, operating costs and operating surplus – Parent

	Turnover	Cost of sales	Operating costs	Operating surplus/(deficit)
2020	**£'000**	**£'000**	**£'000**	**£'000**
Social housing lettings (note 5b)	114,429	–	(78,806)	**35,623**
Other social housing activities				
Development property sales – shared owndership first tranche sales	20,523	(15,448)	–	**5,075**
Charges for support services	576	–	(415)	**161**
Supporting people	3,299	–	(3,357)	**(58)**
Development services	2,178	–	(1,830)	**348**
Managed operations	4,497	–	(4,214)	**283**
Other activities	488	–	(119)	**369**
Activities other than social housing activities				
Lettings (note 6)	591	–	(137)	**454**
Other	91	–	(89)	**2**
	146,672	(15,448)	(88,967)	**42,257**
Surplus on disposal of fixed assets (note 12)	11,640	(8,170)	–	**3,470**
Total	158,312	(23,618)	(88,967)	**45,727**
2019	**£'000**	**£'000**	**£'000**	**£'000**
Social housing lettings (note 5b)	111,135	–	(72,948)	**38,187**
Other social housing activities				
Development property sales - shared owndership first tranche sales	20,107	(13,405)	–	**6,702**
Charges for support services	607	–	(529)	**78**
Supporting people	3,476	–	(3,309)	**167**
Development services	2,090	–	(1,401)	**689**
Managed operations	4,462	–	(3,842)	**620**
Other activities	1,696	–	(1,005)	**691**
Activities other than social housing activities				
Lettings (note 6)	406	–	(53)	**353**
Other	141	–	(155)	**(14)**
	144,120	(13,405)	(83,242)	**47,473**
Surplus on disposal of fixed assets (note 12)	6,828	(5,278)	–	**1,550**
Total	150,948	(18,683)	(83,242)	**49,023**

5a Income and expenditure from social housing lettings – Group

	General housing	Supported housing and housing for older people	Low cost home ownership	Care and supported living	Total 2020	Total 2019
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Rent receivable net of identifiable service charge and voids	81,058	6,194	4,388	1,917	**93,557**	91,139
Service charge income	3,827	3,709	868	1,475	**9,879**	11,568
Amortised government grants	2,367	187	139	123	**2,816**	2,769
Other income from social housing lettings	168	2,061	3	5,981	**8,213**	5,694
Turnover from social housing lettings	87,420	12,151	5,398	9,496	**114,465**	111,170
Expenditure						
Management	16,459	3,046	619	1,677	**21,801**	20,352
Service charge costs	5,012	5,281	363	8,627	**19,283**	17,655
Routine maintenance	11,055	926	13	272	**12,266**	10,479
Planned maintenance	5,784	671	32	153	**6,640**	5,853
Major repairs expenditure	985	6	—	41	**1,032**	973
Bad debts	523	48	(2)	(1)	**568**	557
Depreciation of housing properties	14,619	1,514	560	507	**17,200**	16,072
Other costs	48	—	—	—	**48**	53
Impairment	—	—	—	—	**—**	684
Operating expenditure on social housing lettings	54,485	11,492	1,585	11,276	**78,838**	72,678
Operating surplus/(deficit) on social housing lettings	32,935	659	3,813	(1,780)	**35,627**	38,492
Void losses	(815)	(426)	(6)	(167)	**(1,414)**	(1,542)

5b Income and expenditure from social housing lettings – Parent

	General housing	Supported housing and housing for older people	Low cost home ownership	Care and supported living	Total 2020	Total 2019
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Rent receivable net of identifiable service charge and voids	81,040	6,176	4,388	1,917	**93,521**	91,104
Service charge income	3,827	3,709	868	1,475	**9,879**	11,568
Amortised government grants	2,367	187	139	123	**2,816**	2,769
Other income from social housing lettings	168	2,061	3	5,981	**8,213**	5,694
Turnover from social housing lettings	87,402	12,133	5,398	9,496	**114,429**	111,135
Expenditure						
Management	16,445	3,041	619	1,677	**21,782**	20,639
Service charge costs	5,012	5,281	363	8,627	**19,283**	17,649
Routine maintenance	11,055	920	13	272	**12,260**	10,472
Planned maintenance	5,784	670	32	153	**6,639**	5,853
Major repairs expenditure	984	6	0	41	**1,031**	973
Bad debts	523	48	(2)	(1)	**568**	557
Depreciation of housing properties	14,616	1,512	560	507	**17,195**	16,068
Other costs	48	—	—	—	**48**	53
Impairment	—	—	—	—	**—**	684
Operating expenditure on social housing lettings	54,467	11,478	1,585	11,276	**78,806**	72,948
Operating surplus/(deficit) on social housing lettings	32,935	655	3,813	(1,780)	**35,623**	38,187
Void losses	(813)	(426)	(6)	(167)	**(1,412)**	(1,542)

6 Particulars of turnover from non-social housing lettings

	Group 2020 £'000	Group 2019 £'000	Parent 2020 £'000	Parent 2019 £'000
Market rent	**591**	406	**591**	406
	591	406	**591**	406

7 Units of housing stock – Group

	Units at 1 April 2019	Developed in the year	Sold in the year	Tenure switch	Other	Units at 31 March 2020
General needs housing						
▸ social	15,404	6	(59)	7	20	15,378
▸ affordable	1,016	125	–	1	–	1,142
Low cost home ownership	1,864	248	(46)	(1)	–	2,065
Supported housing	526	–	(6)	(26)	(3)	491
Housing for older people						
▸ social	1,255	–	–	20	2	1,277
▸ affordable	–	60	–	–	–	60
Intermediate rent	668	75	–	–	–	743
Total social housing units	20,733	514	(111)	1	19	21,156
Shared ownership 100% leaseholders	381	–	–	–	9	390
Leasehold schemes for older people	1,497	–	–	–	–	1,497
Residential care home bed spaces	96	–	(56)	–	–	40
Market rent	71	8	–	(1)	–	78
Total owned	22,778	522	(167)	–	28	23,161
Accommodation managed for others	377	–	(21)	–	(55)	301
Total managed accommodation	23,155	522	(188)	–	(27)	23,462
Accommodation managed by others	145	8	–	–	(7)	146
Total owned and managed accommodation	23,300	530	(188)	–	(34)	23,608
Units under construction	1,011	(568)	–	–	249	692

8 Operating surplus/(deficit)

	Group		Parent	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
This is arrived after charging/(crediting):				
Depreciation of housing properties				
▸ annual charge	16,126	15,518	16,124	15,516
▸ accelerated on disposal of components	1,065	1,113	1,065	1,109
Depreciation of other tangible fixed assets	1,204	1,297	1,202	1,297
Impairment	2,739	684	—	684
Amortisation of government grants	2,820	2,783	2,820	2,783
Operating lease charges				
▸ land and buildings	294	75	294	75
▸ other	1,081	1,553	1,081	1,553
Auditors' remuneration:				
▸ audit of Group financial statements	123	15	214	15
▸ audit of subsidiaries	38	72	—	64
▸ non-audit services	—	44	—	44
Cost of pension schemes	1,834	1,848	1,834	1,848

9 Employees

	Group		Parent	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Staff costs (including Executive Management Team) consist of:				
Wages and salaries	28,368	26,979	28,368	26,979
Social security costs	2,458	2,197	2,458	2,197
Cost of pension schemes	1,834	1,848	1,834	1,848
	32,660	31,024	32,660	31,024

The average number of employees (including Executive Management Team) expressed as full time equivalents (calculated based on a standard working week of 36.25 hours) during the year was as follows:

	Group		Parent	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Office based	467	430	480	430
Site based	486	540	448	540
	953	970	928	970

9 Employees (continued)

The remuneration paid to staff (including Executive Management Team) earning over £60,000 upwards:

	Group		Parent	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
£60,000–£69,999	17	9	17	9
£70,000–£79,999	8	5	8	5
£80,000–£89,999	4	4	4	4
£90,000–£99,999	3	5	3	5
£100,000–£109,999	4	1	4	1
£110,000–£119,999	2	1	2	1
£120,000–£129,999	—	—	—	—
£130,000–£139,999	2	3	2	3
£140,000–£149,999	—	1	—	1
£150,000–£159,999	2	2	2	2
£160,000–£169,999	—	—	—	—
£170,000–£179,999	—	—	—	—
£180,000–£189,999	—	—	—	—
£190,000–£199,999	1	1	1	1
£200,000–£209,999	—	—	—	—
£210,000–£219,999	—	—	—	—
£220,000–£229,999	—	—	—	—
£230,000–£239,999	1	—	1	—
£240,000–£250,000	—	1	—	1
	44	33	44	33

10 Directors' and senior executives' remuneration

The directors are defined as the members of the Board of Management, the Chief Executive and the Executive Management Team disclosed on page 94.

	Group		Parent	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Aggregate executive directors' emoluments	**1,017**	1,163	**1,017**	1,163
Aggregate non-executive directors' emoluments	**120**	127	**120**	127
Compensation for loss of office	**57**	—	**57**	—
	1,194	1,290	**1,194**	1,290

The total amount payable to the Chief Executive, who was also the highest paid director in respect of emoluments was £234,885 (2019: £229,000). The Chief Executive left the CARE pension scheme during the year; up until the date of leaving, employer pension contributions of £3,364 (2019: £12,537) were made on her behalf.

The pension entitlement of the Chief Executive is identical to those of other members. There were four directors in the Group's CARE pension scheme.

The £57k detailed for compensation for loss of office was accrued into the figures for the 2019 accounts.

11 Board and Committee members

		Committee membership			
	Remuneration (£'000)	Audit and Risk	People, Remuneration and Nominations	Development	Finance and Treasury
Robert Wilson	25		✓		
Patricia Brandum	15	✓		✓	
Stephen Wenham	15		✓	✓	
Jenny Brown	11	✓	✓		
Angela Morris	11		✓		✓
Gabriel Behr	11			✓	✓
Parmjit Dhanda	11	✓	✓		
Joseph Carr	1			✓	✓
Jim Patman	3			✓	
Garry Wiles	3	✓			
Karen Preece	9	✓			✓
Clive Barnett	5				✓
Robert Griffiths	—				✓

12 Surplus on disposal of fixed assets – Group and Parent

	Right to buy and voluntary sales	Shared ownership staircasing sales	Total 2020	Total 2019
	£'000	£'000	£'000	£'000
Proceeds of sales	7,819	3,821	**11,640**	6,828
Costs of sales	(5,913)	(2,533)	**(8,446)**	(5,278)
Grant abated	199	77	**276**	–
Surplus on disposal	2,105	1,365	**3,470**	1,550
Grant recycled	2,421	483	**2,904**	744

13 Interest receivable and income from investments

	Group		Parent	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Interest receivable and similar income	**579**	471	**192**	1,078
Interest receivable from group undertakings	**–**	–	**685**	–
	579	471	**877**	1,078
Other income through other comprehensive income				
(Loss)/gain on fair value of hedged derivative instruments	**(2,171)**	1,032	**–**	–
	(2,171)	1,032	**–**	–

14 Interest payable and similar charges

	Group		Parent	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Loans repayable within five years	**1,992**	6,255	**1,796**	6,013
Loans wholly or partly repayable in more than five years	**27,643**	23,569	**27,643**	23,569
Costs associated with financing	**1,669**	2,211	**1,669**	2,211
Net interest on net defined benefit liability	**541**	640	**541**	640
Interest on RCGF (note 25)	**14**	–	**14**	–
	31,859	32,675	**31,663**	32,433
Interest capitalised on construction of housing properties	**(3,411)**	(3,421)	**(2,530)**	(2,341)
	28,448	29,254	**29,133**	30,092

Including within total interest payable costs for the year is a balance of £3.222m (2019: £3.543m) which relates wholly to the net cost of interest rate derivatives held within Libra (Longhurst Group) Plc.

15 Taxation on surplus/(deficit) on ordinary activities

	Group		Parent	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
UK corporation tax				
Current tax on surplus/(deficit) for the year	**13**	71	**13**	–
Adjustment in respect of previous periods	**283**	(21)	**280**	–
	296	50	**293**	–
Deferred tax	**30**	92	**–**	92
Taxation on surplus/(deficit) on ordinary activities	**326**	142	**293**	92

The tax assessed for the year differs to the standard rate of corporation tax in the UK applied to surplus/(deficit) before tax. The differences are explained below:

	Group		Parent	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Surplus/(deficit) on ordinary activities before tax	**13,726**	21,893	**17,295**	20,022
Surplus/(deficit) on ordinary activities at the standard rate of corporation tax in the UK of 19% (2019: 19%)	**2,608**	4,160	**3,286**	3,804
Profits arising in non-taxable charitable entities	**(2,595)**	(4,089)	**(3,273)**	(3,804)
Movement on deferred tax and other fixed assets and short term timing differences	**30**	92	**–**	92
Adjustment to tax charge in respect of previous periods	**283**	(21)	**280**	–
Total tax charge for period	**326**	142	**293**	92

The aggregate current and deferred tax relating to items recognised in other comprehensive income is a charge of nil (2019: nil).

No provision has been made for deferred tax on gains recognised on revaluing property to its market value or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. At present, it is not envisaged that any tax will become payable in the foreseeable future.

16 Tangible fixed assets – housing properties

Group	Social housing properties for letting		Low cost home ownership properties		Total
	Completed	Under construction	Completed	Under construction	
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2019	1,130,389	18,173	101,299	9,700	1,259,561
Additions:					
construction costs	328	44,285	800	17,627	63,040
replaced components	9,004	–	–	–	9,004
enhanced repairs	1,708	–	–	–	1,708
buy backs	281	–	–	–	281
Completed schemes	19,785	(19,785)	3,639	(3,639)	–
Disposals:					
stair-casing sales	(5,742)	–	(2,463)	–	(8,205)
replaced components	(3,083)	–	(18)	–	(3,101)
At 31 March 2020	1,152,670	42,673	103,257	23,688	1,322,288
Depreciation					
At 1 April 2019	149,775	–	3,764	–	153,539
Charge for the year	15,567	–	559	–	16,126
Eliminated on disposals:					
replaced components	(2,020)	–	(16)	–	(2,036)
other	(627)	–	(123)	–	(750)
At 31 March 2020	162,695	–	4,184	–	166,879
Impairment					
At 1 April 2019	684	–	–	–	684
Released in the year	(684)	–	–	–	(684)
At 31 March 2020	–	–	–	–	–
Net book value at 31 March 2020	989,975	42,673	99,073	23,688	1,155,409
Net book value at 31 March 2019	979,930	18,173	97,535	9,700	1,105,338

16 Tangible fixed assets – housing properties (continued)

Parent	Social housing properties for letting		Low cost home ownership properties		Total
	Completed	Under construction	Completed	Under construction	
	£'000	£'000	£'000	£'000	**£'000**
Cost					
At 1 April 2019	1,133,877	22,544	99,157	10,544	**1,266,122**
Additions:					
▸ construction costs	328	44,520	800	17,801	**63,449**
▸ replaced components	9,001	–	–	–	**9,001**
▸ enhanced repairs	1,708	–	–	–	**1,708**
▸ buy backs	281	–	–	–	**281**
Completed schemes	24,156	(24,156)	4,483	(4,483)	**–**
Disposals:					
▸ stair-casing sales	(5,742)	–	(2,463)	–	**(8,205)**
▸ replaced components	(3,083)	–	(18)	–	**(3,101)**
At 31 March 2020	1,160,526	42,908	101,959	23,862	**1,329,255**
Depreciation					
At 1 April 2019	149,749	–	3,764	–	**153,513**
Charge for the year	15,565	–	559	–	**16,124**
Eliminated on disposals:					
▸ replaced components	(2,020)	–	(16)	–	**(2,036)**
▸ other	(627)	–	(123)	–	**(750)**
At 31 March 2020	162,667	–	4,184	–	**166,851**
Impairment					
At 1 April 2019	684	–	–	–	**684**
Released in the year	(684)	–	–	–	**(684)**
At 31 March 2020	–	–	–	–	**–**
Net book value at 31 March 2020	997,859	42,908	97,775	23,862	**1,162,404**
Net book value at 31 March 2019	983,444	22,544	95,393	10,544	**1,111,925**

The net book value of housing properties may be further analysed as:

	Group		Parent	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Freehold	**1,155,409**	1,105,338	**1,162,404**	1,111,925
	1,155,409	1,105,338	**1,162,404**	1,111,925

16 Tangible fixed assets – housing properties (continued)

Cost of properties includes £1,968k (2019:£2,089k) for direct administrative costs capitalised during the year.

Interest capitalisation	Group		Parent	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Interest capitalised in the year	**3,411**	3,421	**2,530**	2,341
Cumulative interest capitalised	**22,491**	19,070	**17,675**	15,334
	25,902	22,491	**20,205**	17,675

Works to properties	Group		Parent	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Improvements to existing properties capitalised	**10,712**	7,693	**10,709**	7,693
Major repairs expenditure to income & expenditure account	**1,032**	973	**1,031**	973
	11,744	8,666	**11,740**	8,666

Impairment

The Group considers each scheme to represent separate cash generating units (CGUs) when assessing for impairment in accordance with the requirements of FRS102 and SORP 2018.

During the current year, the Group has recognised an impairment loss of nil (2019: £684k) in respect of social housing properties for letting. Impairment released during the year relates to previously impaired assets that have been disposed of.

Valuation

On transition to FRS102, the Group took the option of carrying out a one off valuation on a number of its housing properties and using that amount as deemed cost.

To determine the deemed cost at 1 April 2014, the Group engaged independent valuation specialist Jones Lang Lasalle to value housing properties on an EUV-SH basis. Housing properties will subsequently be measured at cost less depreciation.

17 Other tangible fixed assets

Group	Offices		Furniture and office equipment	Total
	Freehold	Leasehold		
	£'000	£'000	£'000	**£'000**
Cost				
At 1 April 2019	16,990	1,221	6,734	**24,945**
Additions	85	—	1,474	**1,559**
Disposals	—	—	(237)	**(237)**
Reclassification	(2,329)	2,329	—	**—**
At 31 March 2020	14,746	3,550	7,971	**26,267**
Depreciation				
At 1 April 2019	2,373	261	4,759	**7,393**
Charge for the year	99	95	1,146	**1,340**
Disposals	—	—	(136)	**(136)**
Reclassification	(266)	266	—	**—**
At 31 March 2020	2,206	622	5,769	**8,597**
Net book value at 31 March 2020	12,540	2,928	2,202	**17,670**
Net book value at 31 March 2019	14,617	960	1,975	**17,552**

Parent	Offices		Furniture and office equipment	Total
	Freehold	Leasehold		
	£'000	£'000	£'000	**£'000**
Cost				
At 1 April 2019	16,418	1,221	6,734	**24,373**
Additions	85	—	1,474	**1,559**
Disposals	—	—	(237)	**(237)**
Reclassification	(2,329)	2,329	—	**—**
At 31 March 2020	14,174	3,550	7,971	**25,695**
Depreciation				
At 1 April 2019	2,141	261	4,758	**7,161**
Charge for the year	97	95	1,146	**1,338**
Disposals	—	—	(135)	**(136)**
Reclassification	(266)	266	—	**—**
At 31 March 2020	1,972	622	5,769	**8,363**
Net book value at 31 March 2020	12,202	2,928	2,202	**17,332**
Net book value at 31 March 2019	14,277	960	1,975	**17,213**

18 Investment properties

	Group		Parent	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
At 1 April	**8,377**	5,472	**8,377**	5,472
Additions	**—**	2,892	**—**	2,892
Revaluations	**(176)**	13	**(176)**	13
At 31 March	**8,201**	8,377	**8,201**	8,377

The Group's investment properties are valued annually on 31 March at fair value, determined by an independent, professionally qualified valuer.

The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual.

Methodology

A desktop valuation of the investment property portfolio on the basis of 'Market Value subject to the existing assured shorthold Tenancies'.

The valuer carried out research into the recent sale and current marketing of comparable properties to establish appropriate comparable evidence and benchmarks for both market rents and market values in the same areas as those properties managed by Longhurst Group.

The valuations have been prepared using discounted cashflow models, over a holding period of 10 years with the net income in the final year then capitalised into perpetuity by an appropriate exit yield.

Assumptions

The schemes have been valued individually, with assumptions applied as follows:

Exit yield	**5.25%–5.50%**
Discount rate (income)	**6.50%**
Management costs	**9.00%**
BD and voids	**3.00%**
Repairs and maintenance	**12.00%**

The following assumptions were applied across each of the cash flow models:

Insurance	**2.00% gross income**
Furnishings	**3.00% gross income**
Annual rental growth (nominal)	**1.00% (year 1); 2.00% (year 2+)**
Stamp Duty Land Tax	**At prevailing rates**
Acquisition costs	**1.80% of the SDLT**

The deficit on revaluation of investment property arising of £176k has been debited to the Statement of Comprehensive Income for the year.

19 Fixed asset investments

Group	Associated undertakings	Total
	£'000	£'000
Cost		
At 1 April 2019	–	–
At 31 March 2020	–	–
Share of retained profits		
At 1 April 2019	–	–
Charge on initial recognition	(37)	**(37)**
Loss for the year	(235)	**(235)**
At 31 March 2020	(272)	**(272)**
Net book value at 31 March 2020	(272)	**(272)**
Net book value at 31 March 2019	–	–

There was no premium on acquisition relating to the associated undertakings or joint venture.

Parent	Subsidiaries	Total
	£'000	£'000
Cost		
At 1 April 2019	100	**100**
At 31 March 2020	100	**100**

Details of subsidiary undertakings, associated undertakings and other investments

The principal undertakings in which an interest is held is as follows:

Name	Country of incorporation or registration	Proportion of voting rights/ordinary share capital held	Nature of business	Nature of entity
Beechdale Community Development Limited	England	100%	Holds legal ownership of office building and land	Community Benefit Society
Evera Homes LLP	England	25%	Development company	Limited Liability Partnership
Keystone Developments (LG) Limited	England	100%	Development company	Company Limited by Guarantee
Libra (Longhurst Group) Treasury plc	England	100%	Raises finance for the Group	Public Company Limited by Shares
Libra (Longhurst Group) Treasury Nº 2 plc	England	100%	Raises finance for the Group	Public Company Limited by Shares
Pitch Development Services LLP	England	50%	Provision of development and other housing consultancy services	
Pondersbridge Management Limited	England	36%	Property maintenance services	
The Teetotal Homes	England	100%	Provides social housing for rent	

20 Properties for sale

Group	First tranche shared ownership properties	Outright market sales	Total 2020	Total 2019
	£'000	£'000	**£'000**	£'000
Completed	4,270	7,013	**11,283**	9,477
Work in progress	7,303	5,150	**12,453**	17,240
	11,573	12,163	**23,736**	26,717

Parent	First tranche shared ownership properties	Outright market sales	Total 2020	Total 2019
	£'000	£'000	**£'000**	£'000
Completed	4,270	2,143	**6,413**	3,966
Work in progress	7,303	150	**7,453**	7,153
	11,573	2,293	**13,866**	11,119

21 Debtors

	Group		Parent	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Due within one year				
Rent and service charge arrears	**3,731**	3,358	**3,731**	3,358
Less: Provision for doubtful debts	**(2,282)**	(2,033)	**(2,282)**	(2,033)
	1,449	1,325	**1,449**	1,325
Trade debtors	**30**	—	**—**	—
Amounts owed by group undertakings	**—**	—	**3,933**	2,871
Amounts owed by joint ventures and associated undertakings	**214**	1,446	**29**	—
Other debtors	**4,560**	1,936	**1,552**	1,691
Prepayments and accrued income	**4,183**	2,177	**1,661**	2,174
Grants receivable	**—**	1,252	**—**	1,252
	10,436	8,136	**8,624**	9,313

22 Creditors: amounts falling due within one year

	Group		Parent	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Loans and borrowings (note 27)	**10,902**	8,627	**3,028**	6,771
Trade creditors	**6,491**	4,442	**5,509**	3,423
Rent and service charges received in advance	**3,713**	4,156	**3,712**	4,156
Amounts owed to group undertakings	**—**	—	**10,335**	7,604
Amounts owed to joint ventures and associated undertakings	**587**	—	**586**	—
Taxation and social security	**1,204**	855	**1,165**	765
Other creditors	**2,679**	1,950	**1,434**	1,286
Deferred capital grant (note 24)	**2,820**	2,783	**2,820**	2,783
Recycled capital grant fund (note 25)	**447**	603	**447**	603
Disposal proceeds fund (note 26)	**—**	111	**—**	111
Accruals and deferred income	**6,278**	9,394	**6,031**	6,448
Accrued interest	**1,494**	3,700	**1,112**	1,100
Service charge balances held on behalf of leaseholders	**5,193**	4,733	**5,193**	4,733
	41,808	41,354	**41,372**	39,783

£5,193k (2019: £4,733k) relating to service charge balances held on behalf of leaseholders is also included in the cash and cash equivalents balance of £119,916k (2019: £43,278k) on the face of the statement of financial position.

23 Creditors: amounts falling due after more than one year

	Group		Parent	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Loans and borrowings (note 27)	**689,465**	578,314	**677,365**	566,714
Derivatives – interest rate swap	**27,723**	25,552	**—**	—
Deferred capital grant (note 24)	**284,864**	280,747	**284,864**	280,747
Recycled capital grant fund (note 25)	**3,660**	1,196	**3,660**	1,196
	1,005,712	885,809	**965,889**	848,657

24 Deferred capital grant

	Group		Parent	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
At 1 April	**283,530**	279,296	**283,530**	279,296
Grants received during the year	**9,180**	6,001	**9,180**	6,001
Grants recycled from the recycled capital grant fund	**610**	1,701	**610**	1,701
Released to income during the year	**(2,820)**	(2,783)	**(2,820)**	(2,783)
Grants disposed of during the year	**(3,199)**	(875)	**(3,199)**	(875)
Amortised grant written back on sale	**383**	190	**383**	190
At 31 March	**287,684**	283,530	**287,684**	283,530
Amount due to be released <1 year	**2,820**	2,783	**2,820**	2,783
Amount due to be released >1 year	**284,864**	280,747	**284,864**	280,747
	287,684	283,530	**287,684**	283,530

25 Recycled capital grant fund

	Group		Parent	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
At 1 April	**1,799**	2,714	**1,799**	2,714
Inputs to fund:				
‣ grants recycled	**2,904**	744	**2,904**	744
‣ interest accrued	**14**	8	**14**	8
Recycling of grant:				
‣ grants recycled	**(610)**	(1,668)	**(610)**	(1,668)
‣ major repairs	**—**	1	**—**	1
At 31 March	**4,107**	1,799	**4,107**	1,799
Amounts 3 years or older where repayment may be required	**—**	—	**—**	—
Amount due to be released < 1 year	**447**	603	**447**	603
Amount due to be released > 1 year	**3,660**	1,196	**3,660**	1,196
	4,107	1,799	**4,107**	1,799

26 Disposal proceeds fund – Group

	Group		Parent	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
At 1 April	**111**	110	**111**	110
Inputs to fund:				
▸ interest accrued	**–**	1	**–**	1
Use of fund:				
▸ new builds	**(111)**	–	**(111)**	–
At 31 March	**–**	111	**–**	111
Amounts 3 years or older where repayment may be required	**–**	–	**–**	–

27 Loans and borrowings

	Group		Parent	
	2020	2019	**2020**	2019
Maturity of debt	**£'000**	£'000	**£'000**	£'000
Loans repayable by instalments				
Within one year	**5,630**	5,316	**5,630**	5,316
In one year or more but less than two years	**5,994**	5,480	**5,994**	5,480
In two years or more and less than five years	**18,991**	17,062	**18,991**	17,062
In five years or more	**93,880**	81,487	**93,880**	81,487
Loans not repayable by instalments				
Within one year	**–**	625	**–**	625
In one year or more but less than two years	**5,500**	25,000	**5,500**	25,000
In two years or more and less than five years	**46,100**	26,100	**34,000**	14,500
In five years or more	**519,000**	424,013	**519,000**	424,013
	695,095	585,083	**682,995**	573,483

During the year, the group agreed an additional five year revolving credit facility (RCF) of £50.0m of which nil was drawn at the 31 March 2020.

Two existing facilities were extended to July 2024, one term facility of £25.0m (2019: £25.0m) and one RCF of £50.0m (2019: nil) £500k was drawn in the year from an existing RCF. Revolving credit facilities accrue interest at a variable rate equivalent to LIBOR plus a margin as determined in each loan agreement. In addition, the sale of £100.0m retained bonds by Libra (Longhurst Group) Treasury No 2 plc was immediately on-lent to Longhurst Group as borrower. The retained bonds were sold at a premium with gross proceeds totalling £116.2m. Issue costs of £876k were incurred, which have been deducted from the initial carrying value and will be charged to profit or loss as part of the interest charge calculated using the amortised cost method. The maturity of debt above includes £691,101,000 loans outstanding, less loan issue costs of £9,023,000, plus amortised bond discount and premiums totalling £13,017,000.

The Group has entered into floating to fixed interest rate swaps with fixed legs of between 4.32% and 5.43% and a variable rate leg equal to LIBOR. These are accounted for as a cash flow hedge (see note 13). The fair value measurement of these swaps has

27 Loans and borrowings (continued)

been categorised as Level 2 and the valuation techniques include discounted cash flow pricing models with observable inputs.

The most significant inputs into those models are interest rate yield curves, developed from publicly quoted rates and market available information.

Interest Rate Swap Creditor Profile	2020	2019
	£'000	£'000
Within one year	182	92
In one year or more but less than two years	—	334
In two years or more and less than five years	1,992	3,232
In five years or more	25,548	21,894
Total	27,722	25,552

Loans are secured by specific charges to the Group's housing properties and are repayable at varying rates of interest. The average rate at 31 March 2020 was 4.83% (2019: 4.925%). At 31 March 2020 the group had undrawn loan facilities of £162.9m (2019: £213.4m).

28 Financial instruments

	Group		Parent	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Financial assets				
Financial assets measured at historial cost				
Trade receivables	**30**	–	**–**	–
Other receivables	**4,560**	1,936	**1,552**	1,691
Fixed asset investments	**–**	–	**100**	100
Cash and cash equivalents	**119,916**	43,278	**119,308**	41,856
Financial assets that are debt instruments measured at amortised cost				
Loans receivable	**590,518**	478,527	**–**	–
Grants receivable	**–**	1,252	**–**	1,252
Total financial assets	**715,024**	524,993	**120,960**	44,899
Financial liabilities				
Financial liabilities measured at amortised cost				
Loans payable	**1,285,451**	1,059,714	**682,995**	573,483
Financial liabilities measured at fair value through profit or loss				
Derivative financial instruments	**27,723**	25,552	**–**	–
Financial liabilities measured at historical cost				
Trade creditors	**6,491**	4,442	**5,509**	3,423
Other creditors	**2,679**	1,950	**1,434**	1,286
Total financial liabilities	**1,322,344**	1,091,658	**689,938**	578,192

Derivative financial instruments designated as hedges of variable interest rate risk comprise interest rate swaps.

Hedge of variable interest rate risk arising from bank loan liabilities

At the 31 March 2020, the Group had bank loan liabilities totalling £148,372,702 of which £93,652,444 pays interest at 3 month LIBOR plus margin with an average maturity in years of 11 years.

To hedge the potential volatility in future interest cash flows arising from movements in LIBOR, the Group has entered into floating to fixed rate stand-alone interest swaps with a nominal value of £79,500,000 paying a fixed rate between 4.49% and 5.43% with an average maturity of seven years.

These interest rate swaps receive three month LIBOR (though cash flows are settled on a net basis) and effectively fix the total interest cost on £79,500,000 of variable bank debt and stand-alone interest rate swaps at 4.74%.

In addition, the Group is party to a £5,000,000, embedded fixed rate, 4.35% where the bank has the option to cancel at quarterly intervals.

The total fixed rate for both stand-alone and embedded financial instruments is 4.72%.

The derivatives are accounted for as a hedge of variable rate interest rate risks, in accordance with FRS 102 and had a fair value of £27,723k (2019: £25,552k) at the balance sheet date.

The cash flows arising from the interest rate swaps will continue until their maturity in coincidental with the repayment of the term loans.

The change in fair value in the period was £2,171k with the entire charge being recognised in other comprehensive income as the swaps were 100% effective hedges.

29 Provisions

Provisions are included in the financial statements in relation to the defined benefit pension obligation for the Social Housing Pension Scheme ('SHPS') and Growth Plan totalling £12,232k (2019: £29,333k). The 2019 provision also included the Local Government Pension Scheme ('LGPS') which was fully exited in the year. The defined benefit pension obligation is an actuarial measurement of the present value of future cash outlows required to fund the pension schemes.

The Board is not aware of any other material future liabilities that require inclusion in the financial statements.

30 Pensions

Local Government Pension Scheme ('LGPS')

The Group previously participated in three local government defined benefit pension schemes: Northamptonshire County Council Pension Fund, Leicestershire County Council Pension Fund and West Midlands Pension Fund. The total contributions made for the year ended 31 March 2020 were £18k (2019: £292k) of which employer contributions totalled £18k (2019: £276k) and member contributions totalled nil (2019: £16k). On 30 April 2019, the Group repaid its pension liability to LGPS and fully withdrew from the schemes.

The Group has no outstanding obligations to contribute into these schemes, therefore there is no asset or liability presented in the accounts in relation to LGPS.

A comprehensive actuarial valuation of the schemes, using the projected unit method, was carried out at 30 September 2017 by Mercer, with an annual funding update being performed at 31 March 2020. Adjustments to the valuation at that date were based on the following assumptions:

	2020	2019
Discount rate	–	2.35%–2.40%
CPI inflation	–	2.45%
Pension growth	–	2.45%–2.50%
Salary growth	–	3.15%–3.95%

	2020 (years)	2019 (years)
Longevity at age 65 for current pensioners		
▸ Men	–	20.9–22.1
▸ Women	–	23.2–23.9
Longevity at age 65 for future pensioners		
▸ Men	–	22.6–24.3
▸ Women	–	25.0–26.2

Analysis of the amount charged to operating costs in the Statement of Comprehensive Income	Group		Parent	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Employer contributions	18	276	18	276
Expenses	–	(67)	–	(67)
Total operating charge	18	209	18	209

30 Pensions (continued)

Analysis of pension finance income/(costs)	Group		Parent	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Interest on assets	—	226	—	226
Interest costs	—	(306)	—	(306)
Amounts charged to financing costs	—	(80)	—	(80)

Amount of gains and losses recognised in the Statement of Comprehensive Income	Group		Parent	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Actuarial gains on pension scheme assets	—	498	—	498
Actuarial losses on scheme liabilities	—	(615)	—	(615)
Actuarial loss recognised	—	(117)	—	(117)

Movement in scheme deficit during the year	Group		Parent	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Fair value of plan assets	—	9,362	—	9,362
Present value of defined benefit obligation	—	(12,355)	—	(12,355)
Deficit in plan	—	(2,993)	—	(2,993)

Reconciliation of assets and liabilities

Reconciliation of liabilities	Group		Parent	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Liabilities at 1 April	**12,355**	11,992	**12,355**	11,992
Service cost	—	90	—	90
Interest cost	—	306	—	306
Member contributions	—	16	—	16
Re-measurement	**1,506**	371	**1,506**	371
Benefits paid	—	(420)	—	(420)
Effect of settlements	**(13,861)**	—	**(13,861)**	—
Liabilities at 31 March	—	12,355	—	12,355

30 Pensions (continued)

Reconciliation of assets	Group		Parent	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Assets at 1 April	**9,362**	8,768	**9,362**	8,768
Return on plan assets	**–**	498	**–**	498
Interest	**–**	226	**–**	226
Administrative expenses	**–**	(2)	**–**	(2)
Employer contributions	**18**	276	**18**	276
Member contribution	**–**	16	**–**	16
Benefits paid	**–**	(420)	**–**	(420)
Effect of settlements	**(9,380)**	–	**(9,380)**	–
Assets at 31 March	**–**	**9,362**	**–**	**9,362**

The fair value of scheme assets was:

Assets	Group		Parent	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Equities	**–**	6,089	**–**	6,089
Bonds	**–**	1,518	**–**	1,518
Property	**–**	796	**–**	796
Cash	**–**	360	**–**	360
Other	**–**	599	**–**	599
Total Assets	**–**	9,362	**–**	9,362

Social Housing Pension Scheme ('SHPS')

Longhurst Group participates in the SHPS. This scheme is a multi-employer, last man standing, defined benefit scheme which is contracted out of the state scheme. Longhurst Group previously operated a final salary with a 1/60th accrual rate and the career average re-valued earning with a 1/60th accrual rate benefit for active members as at 1 April 2007 and, for new entrants to the scheme from 1 April 2007, the career average re-valued earnings structure was the only option available.

From 1 July 2019, staff were moved to a new career average defined benefit scheme through SHPS based on a 1/80th accrual rate; with no future benefit being accrued under the career average 1/60th or final salary 1/60th.

During the year under review, the Group paid employer contributions at the rate of 6.65% and members paid contributions at a rate of 10.05%. At the balance sheet date there were 275 (2019: 284) active members of the scheme employed by Longhurst Group and the scheme remains open to new members.

A comprehensive actuarial valuation of the scheme, using the projected unit method, was carried out at 30 September 2017 by Mercer, with an annual funding update being performed at 31 March 2020. Adjustments to the valuation at that date were based on the following assumptions:

30 Pensions (continued)

	2020	2019
Discount rate	2.40%	2.40%
RPI inflation	2.60%	3.20%
CPI inflation	1.70%	2.20%
Salary growth	2.60%	3.20%
Allowance for commutation of pension for cash at retirement	75% of max allowance	75% of max allowance

	2020 (years)	2019 (years)
Longevity at age 65 for current pensioners		
▸ Men	21.5	21.8
▸ Women	23.3	23.6
Longevity at age 65 for future pensioners		
▸ Men	22.9	23.3
▸ Women	24.5	24.8

The Board has reviewed the principal actuarial assumptions used by the scheme actuary and made necessary amendments to bring in to line with the business plan and to ensure the assumptions are neither too optimistic nor to prudent. The Board believes these are appropriate.

The value of technical provisions and value of assets available to meet technical provisions for SHPS is included below.

Value of technical provisions	30 Sep 2017	30 Sep 2014
	£m	£m
Value of technical provisions	4,553	3,123
Value of assets available to meet technical provisions	6,075	4,446
As a percentage of technical provisions	75%	70%

In order to eliminate the deficit a recovery plan was approved by the SHPS trustee, effective from 1 April 2019 and running until 2026, which required annual deficit funding contributions of £147m. The next actuarial valuation is due to be performed at 30 September 2020.

Analysis of the amount charged to operating costs in the Statement of Comprehensive Income	Group		Parent	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Employer contributions	1,834	1,894	1,834	1,894
Expenses	90	82	90	82
Total operating charge	1,924	1,976	1,924	981

30 Pensions (continued)

Analysis of pension finance income/(costs)	Group		Parent	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Interest on assets	1,749	1,823	1,749	1,823
Interest costs	(2,290)	(2,381)	(2,290)	(2,381)
Amounts charged/credited to financing costs	(541)	(558)	(541)	(109)

Amount of gains and losses recognised in the Statement of Comprehensive Income	Group		Parent	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Actuarial gains(/losses) on pension scheme assets	1,882	1,784	1,882	1,784
Actuarial gains/(losses) on scheme liabilities	10,928	(6,614)	10,928	(6,614)
Actuarial gain/(loss) recognised	12,810	(4,830)	12,810	(4,830)

Movement in scheme surplus/(deficit) during the year	Group		Parent	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Fair value of plan assets	78,790	73,660	78,790	73,660
Present value of defined benefit obligation	(90,959)	(100,000)	(90,959)	(100,000)
Deficit in plan	(12,169)	(26,340)	(12,169)	(26,340)

Reconciliation of assets and liabilities

Reconciliation of liabilities	Group		Parent	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Liabilities at 1 April	100,000	93,493	100,000	93,493
Service cost	1,834	1,894	1,834	1,894
Expenses	90	82	90	82
Interest cost	2,290	2,381	2,290	2,381
Member contributions	179	159	179	159
Re-measurement	(10,928)	6,614	(10,928)	6,614
Benefits paid	(2,506)	(4,670)	(2,506)	(4,670)
Curtailments and Settlements	—	47	—	47
Liabilities at 31 March	90,959	100,000	90,959	100,000

30 Pensions (continued)

Reconciliation of assets	Group		Parent	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Assets at 1 April	73,660	71,107	73,660	71,107
Return on plan assets	1,882	1,784	1,882	1,784
Interest	1,749	1,823	1,749	1,823
Employer contributions	3,826	3,457	3,826	3,457
Member contribution	179	159	179	159
Benefits paid	(2,506)	(4,670)	(2,506)	(4,670)
Assets at 31 March	78,790	73,660	78,790	73,660

The fair value of scheme assets was:

Assets	Group		Parent	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Global Equity	11,523	12,394	11,523	2,095
Absolute Return	4,108	6,373	4,108	1,077
Distressed Opportunities	1,518	1,339	1,518	226
Credit Relative Value	2,161	1,349	2,161	228
Alternative Risk Premia	5,509	4,248	5,509	718
Fund of Hedge Funds	46	332	46	56
Emerging Markets Debt	2,386	2,542	2,386	430
Risk Sharing	2,661	2,225	2,661	376
Insurance-Linked Securities	2,420	2,113	2,420	357
Property	1,736	1,658	1,736	280
Infrastructure	5,864	3,862	5,864	653
Private Debt	1588	988	1588	167
Opportunistic Illiquid Credit	1,907	–	1,907	–
Corporate Bond Fund	4,493	3,437	4,493	581
Liquid Credit	32.00	–	32.00	–
Long Lease Property	1,363	1,084	1,363	183
Secured Income	2,989	2,637	2,989	446
Liability Driven Investment	26,149	26,938	26,149	4,553
Net Current Assets	337	141	337	24
Total Assets	78,790	73,660	78,790	12,450

30 Pensions (continued)

Growth Plan
The Group participates in the Growth Plan, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK.

It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme, therefore it accounts for the scheme as a defined contribution scheme.

The present value of the provision required for the Growth Plan has not previously been accounted for in the Group accounts, therefore the provision at 31 March 2020 has been brought on to the statement of financial position in full.

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 scheme is classified as a 'last-man standing arrangement'. Therefore the Group is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following 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. A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2017. Adjustments to the valuation at that date were based on the following assumptions:

	2020	2019
Discount rate	**2.40%**	2.40%

The actuarial valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the trustees and the participating employers have agreed a new Recovery Plan and from 1 April 2019 to 30 September 2026 the Group has agreed to pay deficit contributions of £12,600 per annum.

Reconciliation of provision	Group		Parent	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Provision at 1 April	**74**	95	**74**	95
Unwinding of the discount factor (interest expense)	**2**	2	**2**	2
Deficit contribution paid	**(13)**	(13)	**(13)**	(13)
Remeasurements – impact of any change in assumptions	**–**	1	**–**	1
Remeasurements – amendments to the contribution schedule	**–**	(11)	**–**	(11)
Provision at 31 March	**63**	74	**63**	74

Overall deficit from defined benefit obligations recognised in the statement of financial position:

	Group		Parent	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Combined deficit	**(12,232)**	(29,333)	**(12,232)**	(29,333)

31 Share capital

Longhurst Group Limited is limited by guarantee and has no equity or non-equity shared capital. Members guarantee to contribute a maximum of £1 should there be a call upon their guarantee.

32 Contingent liabilities

Longhurst Group Limited does not guarantee any of the bank borrowings of its subsidiaries.

33 Grant and financial assistance

Total accumulated government grant and financial assistance received or receivable at 31 March	Group		Parent	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Held as deferred capital grant	**287,684**	283,530	**287,684**	283,530
Recognised as income in Statement of Comprehensive Income	**65,061**	59,579	**65,061**	59,579
	352,745	343,109	**352,745**	343,109

34 Operating leases

The group and the association had minimum lease payments under non-cancellable operating leases as set out below:

Amounts payable as Lessee	Group		Parent	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Not later than 1 year	**663**	715	**663**	715
Later than 1 year and not later than 5 years	**668**	913	**668**	913
Later than 5 years	**44**	—	**44**	—
	1,375	1,628	**1,375**	1,628

35 Capital commitments

	Group		Parent	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Commitments contracted but not provided for				
Maintenance	**–**	–	**–**	–
Construction	**70,751**	99,584	**70,751**	92,932
Commitments approved by the Board but not contracted for				
Maintenance	**46,183**	–	**46,183**	–
Construction	**97,910**	18,813	**97,910**	18,813
	214,844	118,397	**214,844**	111,745

Capital commitments for the group and association will be funded as follows:

	Group		Parent	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Social housing grant	**52,838**	8,967	**52,838**	8,967
Sales of properties	**64,048**	48,737	**64,048**	48,737
Committed loan facilities	**97,959**	60,693	**97,959**	54,041
	214,844	118,397	**214,844**	111,745

36 Related party disclosures

The ultimate controlling party of the group is Longhurst Group Limited. There is no ultimate controlling party.

Joint venture and associated companies
The following transactions took place between the group and its joint venture and associated companies during the year:

	Evera Homes LLP		Pitch Development Services LLP	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Net Loan movement advances/(repayment)	**2,200**	1,250	**–**	–
Net sales and purchases of goods and services	**2,919**	(5)	**–**	–
Management fees received	**238**	117	**169**	152
Interest received	**167**	14	**–**	–
	5,524	1,376	**169**	152

36 Related party disclosures (continued)

At 31 March, the balances were as follows:

	Evera Homes LLP		Pitch Development Services LLP	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Net Loan movement advances/(repayment)	**3,450**	1,250	**–**	–
Net sales and purchases of goods and services	**(272)**	(37)	**1**	–
Management fees received	**185**	196	**89**	93
Interest received	**3**	–	**–**	–
	3,366	1,409	**90**	93

One of the Board members has significant influence at Altair Limited; services with fees totalling £20k were provided to Longhurst Group during the year.

One of the Board members has a close family with significant influence at Harborough District Council; payments totalling £3k were paid to the local authority.

One of the Board members has significant influence at Peterborough Regional Council; payments totalling £1k were paid to the local authority.

An executive director is a Board member at Lincolnshire Housing Partnership; there were payments of £2k and receipts of £29k during the year.

Conflicts of interest are declared in the Board meetings and Board members are required to withhold their vote when decision making involves an entity for which they have control or influence over.

All transactions with related parties were made at arm's length and on normal commercial terms.

Transactions with non-regulated entities

Longhurst Group Limited provides management services, other services and loans to its subsidiaries. The association also receives charges from its subsidiaries. The quantum and basis of those charges is set out below.

Payable by subsidiaries	Management charges		Other charges		Interest charges	
	2020	2019	**2020**	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Beechdale Community Development Limited	**12**	11	**2**	–	**–**	–
Keystone Developments (LG) Limited	**409**	279	**–**	–	**685**	–
Libra (Longhurst Group) Treasury plc	**–**	–	**–**	–	**–**	–
Libra (Longhurst Group) Treasury No 2 plc	**–**	–	**–**	–	**–**	–
The Teetotal Homes	**3**	–	**–**	–	**–**	–
	424	290	**2**	–	**685**	–

36 Related party disclosures (continued)

Payable to subsidiaries	Management charges		Other charges		Interest charges	
	2020	2019	2020	2019	2020	2019
	£'000	£'000	£'000	£'000	£'000	£'000
Beechdale Community Development Limited	–	–	18	18	–	–
Keystone Developments (LG) Limited	–	–	29,179	28,731	–	–
Libra (Longhurst Group) Treasury plc	–	–	8,893	8,737	17,223	20,782
Libra (Longhurst Group) Treasury No 2 plc	–	–	2,115	1,574	6,954	2,438
The Teetotal Homes	–	–	–	–	–	–
	–	–	40,205	39,060	24,177	23,220

At 31 March 2020, the closing intercompany balances are £2,157k payable to Libra (Longhurst Group) Treasury plc, £3,367k payable to Libra (Longhurst Group) Treasury No 2 plc, £1,416k payable to Keystone Developments (LG) Limited, £544k receivable from Beechdale Community Development Limited and £6k payable to The Teetotal Homes.

Intra-group management fees
Intra-group management fees are receivable from subsidiaries to cover the running costs incurred through managing its subsidiaries. The management fee is calculated based on staff time and direct costs.

Other intra-group charges
Other intra-group charges relate largely to funding costs and issue costs incurred by subsidiary companies on behalf of the Group when arranging finance.

Loans
Libra (Longhurst Group) Treasury plc and Libra (Longhurst Group) No 2 Treasury plc act as the Group's loan manager; managing and arranging all new funding. At the year-end facilities arranged through the subsidiaries and re-distributed to Group members amounted to £695m (2019: £683m).

37 Capital and reserves

The Revaluation Reserve movement of £905k (2019: ££1,359k) represents the difference on transition between the fair value of the social housing properties and the historical cost carrying value, where deemed cost transitional relief was taken.

38 Net debt reconciliation

	At 1 April 2019	Cash flows	Other non-cash changes	At 31 March 2020
	£'000	£'000	£'000	£'000
Cash at bank and in hand	43,278	76,638	–	**119,916**
Bank loans	(585,083)	(109,102)	(910)	**(695,095)**
Interest rate swaps	(25,552)	–	(2,171)	**(27,723)**
Net debt	(567,357)	(32,464)	(3,081)	**(602,902)**

39 Transfer of Engagements (ToE)

The Boards of Spire Homes (LG) Limited ('SPH'), Friendship Care and Housing Limited ('FCH'), Longhurst & Havelok Homes Limited ('LHH') and Axiom Housing Association Limited ('AXM') approved a ToE into Longhurst Group ('LG') on 1 July 2019.

Analysis of comprehensive income 2019/20	Pre ToE					Post-ToE	Total
	SPH	FCH	LHH	AXM	LG	LG	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Operating surplus	**4,227**	**2,200**	**6,453**	**1,225**	**343**	**31,279**	**45,727**
Interest receivable	34	17	118	17	2	689	**877**
Interest and financing costs	(2,789)	(788)	(2,731)	(654)	–	(22,171)	**(29,133)**
Movement in fair value of investments	–	–	–	–	–	(176)	**(176)**
Surplus for the year before tax	**1,472**	**1,429**	**3,840**	**588**	**345**	**9,621**	**17,295**
Taxation	–	–	–	–	–	(293)	**(293)**
Surplus for the year after tax	**1,472**	**1,429**	**3,840**	**588**	**345**	**9,328**	**17,002**
Initial recognition of multi-employer defined benefit pension scheme	–	–	–	–	–	–	**–**
Actuarial loss in respect of pension schemes	456	(1,050)	515	415	380	10,199	**10,915**
Total comprehensive income for the year	**1,928**	**379**	**4,355**	**1,003**	**725**	**19,527**	**27,917**

39 Transfer of Engagements (continued)

Analysis of comprehensive income 2018/19	SPH	FCH	LHH	AXM	LG	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Operating surplus	**16,639**	**9,176**	**19,680**	**3,418**	**110**	**49,023**
Interest receivable	77	55	906	36	4	**1,078**
Interest and financing costs	(11,167)	(3,573)	(11,560)	(3,683)	(109)	**(30,092)**
Movement in fair value of investments	—	—	13	—	—	**13**
Surplus for the year before tax	**5,549**	**5,658**	**9,039**	**(229)**	**5**	**20,022**
Taxation	—	—	—	—	(92)	**(92)**
Surplus for the year after tax	**5,549**	**5,658**	**9,039**	**(229)**	**(87)**	**19,930**
Initial recognition of multi-employer defined benefit pension scheme	(989)	(2,457)	(2,364)	(1,166)	(2,505)	**(9,481)**
Actuarial loss in respect of pension schemes	(413)	(1,216)	(1,724)	(967)	(339)	**(4,659)**
Total comprehensive income for the year	**4,147**	**1,985**	**4,951**	**(2,362)**	**(2,931)**	**5,790**

No alignment of accounting policies was required upon ToE in to the Group.

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