Longhurst Group

Making a difference

Annual Report and Financial Statements 2020/21

Who we are

Longhurst Group is one of the largest housing groups in the Midlands and East of England. We're a charitable housing association providing 24,018 homes across a range of different tenures and 50 local authority areas. We also provide a range of care and support services through different schemes and a proportion of our homes.

A strategic partner with Homes England since 2019, we're also a leading partner of the Blue Skies development consortium, providing development services to other Registered Providers. Through our strategic partnership with Homes England, we're delivering 2,478 new homes, providing a mix of social housing, affordable rent, low-cost home ownership and private sales to meet local needs. Our partnership approach to development also incorporates a joint venture partnership with three other Registered Providers through Evera Homes LLP.

As well as a strong track record of delivery, we're financially strong, with a robust approach to governance and managing risk. We've coped well during the last year with the challenges posed by the Coronavirus pandemic and remain confident of achieving our ambitious Improving Lives strategy.

Longhurst Group in numbers

Homes owned and managed
24,018

Local authorities
50

Colleagues
1,294

Financial

Turnover
£152.8m
(£153.8m in 2019/20)

Portfolio value
£1.21bn
(£1.56bn in 2019/20)

Amount invested in new homes
£70m
(£61.9m in 2019/20)

Operational

Completed developments
340

Other new homes started
549

Tenancies sustained for general needs and housing for older people
99.58%

Customers receiving support from our money advisors
1,246
in 2020/21 (843 in 2019/20) helping to secure £1.42m of benefit support

Customers receiving employability and training support
139

Customers satisfied with the overall service provided
74%
(59.5 percent in 2019/20)

Retained G1/V1 status from the Regulator for Social Housing

Retained A3 stable rating from Moody's

Contents

Making a difference

Our purpose and vision
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.

After successfully navigating an unprecedented year that saw the Coronavirus pandemic shine a bright light on the inequality that exists in society, we understand the importance of our purpose and our vision more than ever.

Driving our ambitious Improving Lives strategy and ensuring we provide the best possible homes, services and experiences for our customers, while building and supporting the communities we serve, has been at the forefront of our response to the pandemic.

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.

Julie Doyle
Chief Executive

Supporting our customers

Remaining connected and providing the best possible service

In the last 12 months, we've had to quickly adapt to a new way of working, relying more on digital technology and telephone contact with our customers. Despite these challenges, in many ways, we've never been more connected to our customers.

Carrying out thousands of calls to check on the wellbeing of people living in our communities has now become part of our day-to-day role. Through these discussions, we've been able to strengthen relationships and understand our customers more.

The Coronavirus pandemic accentuated the importance of the community investment projects we've introduced, increasing the speed at which we've launched new initiatives and reinforcing how crucial it is that we continue to offer support to people facing domestic abuse. We're committed to doing even more in these areas and to improve the services we deliver and the experiences our customers enjoy."

Sharon Guest
Executive Director of Housing Services

9,000+
conversations with customers

120
people we helped improve employment prospects

“There’s always somebody to help you along the way. Don’t be shy – just go for it.”

Free IT course gives Sue the confidence to start work

Find out more about how we supported Sue in our strategy in action section on page 42

At the beginning of the pandemic, to better understand how to support our customers, we started making regular wellbeing phone calls. These regular interactions helped us remain connected with our customers and our communities and will help us more effectively tailor our services in the future.

Over 12 months and more than 9,000 conversations later, these wellbeing calls are part of our business as usual service, enabling our colleagues to have regular contact with more vulnerable customers and ensure that people can access the support and advice they need.

Retaining our focus on health and wellbeing and economic resilience, we’ve supported record numbers of people, experienced an 85 percent success rate in positive outcomes from our money advice referrals, and helped 120 people improve their employment prospects.

In the last year, we’ve also introduced new ways for customers to influence the services we provide. This includes a new Longhurst Group Customer Forum which will have regular contact with our Group Board to help ensure we’re taking the right approach, and a new text message service that enables customers to provide regular and timely feedback. This additional insight helps us to regularly review and take measures to improve the services we provide.

Supporting our customers

Providing essential Care and Support

I'm incredibly proud of how our Care and Support colleagues have continued to respond to the ongoing and ever-changing challenges of the Coronavirus pandemic. Showing great compassion and commitment, our people have been there when our residents and customers have needed us the most, truly rising to these unprecedented circumstances and absolutely living our values.

Together with our partners, we've provided excellent support for people in our communities, working tirelessly to preserve the health and safety of homeless people and some of the most vulnerable in society."

Louise Platt
Executive Director of Care and Business Partnerships

The last year has arguably provided some of the most challenging and prolonged experiences our colleagues have ever faced. We've had to be flexible, resourceful and extremely resilient, and the dedication, commitment and compassion of our colleagues has absolutely shone through.

We're extremely proud to have maintained essential care and support services to the people who've needed us most. From sourcing record amounts of PPE to introducing new procedures and recruiting new colleagues to ensure resilience, we've worked hard to do everything we can to stay one step ahead of the Coronavirus pandemic.

As well as continuing to provide care and support to our customers and residents, we've made changes to the way we manage sheltered schemes and worked closely with partners to provide solutions that have kept homeless people safe and given them opportunities for a fresh start.

Looking to the future, we're proud to have secured contracts to deliver additional care and support locations in Peterborough. We'll continue to work hard to improve the way we work and the technology we use, so that we can deliver integrated housing and care and support services.

"I'm looking at this as a chance for me to settle for the rest of my life."

Robert's determined to make most of new home after years on the street

After spending more than six years on the streets of Peterborough, Robert Smale is now living in a bungalow, following a drive to tackle rough sleeping during the Coronavirus pandemic.

Investing in our communities

Remaining connected with our communities

Our Community Investment programme has been a crucial aspect of our response to the pandemic. As well as ensuring customers are supported with their health and wellbeing and economic resilience, we've also provided help and funding to projects and initiatives that enhance our communities."

Charmaine Simei
Director of Community Investment

£1.2m
committed funding

3,954
interventions

2,104
customers supported to improve their health and wellbeing

1,564
people supported to enhance their economic resilience

Essential to our ability to deliver our Improving Lives strategy, in the last year, a total of 3,954 interventions have been delivered through the Community Investment programme, with 2,104 customers supported to improve their health and wellbeing and 1,564 people supported to enhance their economic resilience.

In response to the pandemic, we launched our Customer Wellbeing Hub, a dedicated area on the Group website that signposts people to a range of advice and support to help them through the series of challenges provided by this unprecedented year.

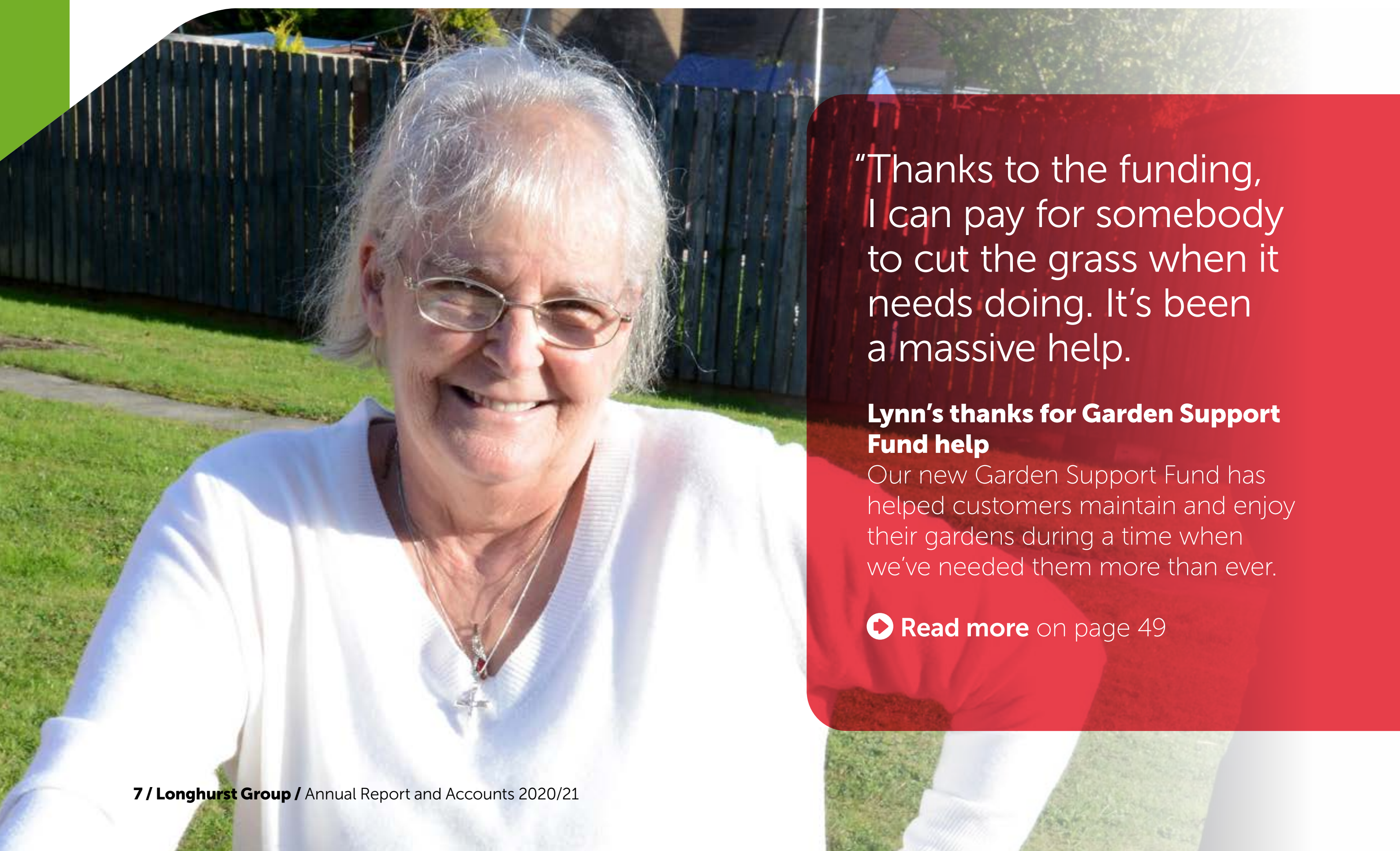
A series of new support mechanisms have been introduced, including a Hardship Fund for people struggling with their finances, a Community Grants Fund that enables charitable groups and community projects from across our communities to apply for funding, and a Garden Support Fund that helps customers struggling to maintain their garden.

As well as creating communities, we've also invested in partnerships that enhance our existing communities by providing expertise and resources to charities and organisations overwhelmed by an increase in urgent demand for the life-changing support they provide.

This has included partnering with a community interest company, East Marsh Construction, in Grimsby to help provide opportunities for residents to work on projects in the East Marsh area of the town.

We're also proud to have invested in the Housing Associations' Charitable Trust's (HACT) social value roadmap. Launched in September 2020, the roadmap was developed by the UK Social Value in Housing Taskforce, which comprises 17 organisations, including leading social housing organisations, the Regulator for Social Housing, and international experts in social value. The roadmap will enable the social housing sector to use social value information to improve services, enhance decision making and increase the impact we make. We're among a group of six organisations to be investing in the roadmap.

We've continued our work to tackle domestic abuse in several ways. This has included leasing an additional property to South Lincolnshire Domestic Abuse Service (SoLDAS) Boston Women's Aid. The three-bedroom property is managed by SoLDAS and used as part of their refuge accommodation for survivors of domestic abuse.



"Thanks to the funding, I can pay for somebody to cut the grass when it needs doing. It's been a massive help.

Lynn's thanks for Garden Support Fund help

Our new Garden Support Fund has helped customers maintain and enjoy their gardens during a time when we've needed them more than ever.

Read more on page 49

Looking after our people

Working smarter together with our colleagues

We've done everything we can to help our colleagues navigate the challenges of the last year. Working hard to ensure we have the equipment, procedures and clear guidance in place, the health and safety of our people has been paramount to ensuring we can deliver life-saving care and support services to our customers and residents."

Lynn Stubbs
Executive Director of People and Performance

300
laptops rolled out in April 2020

70
tablets issued to Care and Support colleagues to support agile working

Improved holidays and sickness provision for Care and Support colleagues

Harry's Pledge and our Carers Network

It's crucial that colleagues who are also carers are seen, heard and understood, and that they get the support they need to care.

As part of our commitment to the Harry's Pledge campaign, we've set up a carers network for colleagues who are caring for a relative or friend who, due to ill health, physical or mental illness, disability, frailty or addiction, can't manage without support.

We've also signed up to Carers UK's Employers for Carers Network, which enables colleagues juggling work and care to access a range of free resources. These resources have also been made available to our customers.

One year on from the launch of Harry's Pledge, 50 organisations have signed up to the campaign.

One Longhurst Group colleague who understands the importance of supporting unpaid carers is Income Recovery Manager, Melanie Groom, who's life changed four years ago when her husband Paul suffered an aneurysm.

Melanie found herself in a totally new situation. As well as working full-time, she faced a future as a carer for her husband but, with the support of the organisation, she was able to fulfil both roles.

Melanie said: "When things took a turn for the worse and I needed to step into this role as a carer, if I hadn't had the support from work that I did, I don't know where I would've been.

"I'll forever be grateful for the support of my colleagues and managers at the time, because they understood my situation and allowed me to deal with it how I needed to."

By improving the technology we use and being more agile in our decision making, we've worked productively and collaboratively, helping colleagues remain connected and enjoy the benefits of a more flexible way of working, travelling less and improving their work-life balance.

We've supported colleagues to enhance their health and wellbeing and economic resilience by introducing a Wellbeing Hub, launching a new confidential counselling service, and maintaining access to financial information and advice.

As part of our commitment to the Harry's Pledge campaign, we've undertaken a review of the way we support colleagues who are unpaid carers and launched a carers network for colleagues with caring responsibilities.

We've also taken steps to advance equality, diversity and inclusion for all in the workplace, and improved our sickness and holiday offer.

Working with colleagues, we've created our new Working Smarter Together vision, which will see us make changes to how and where we work and capitalise on everything we've learned during the pandemic.

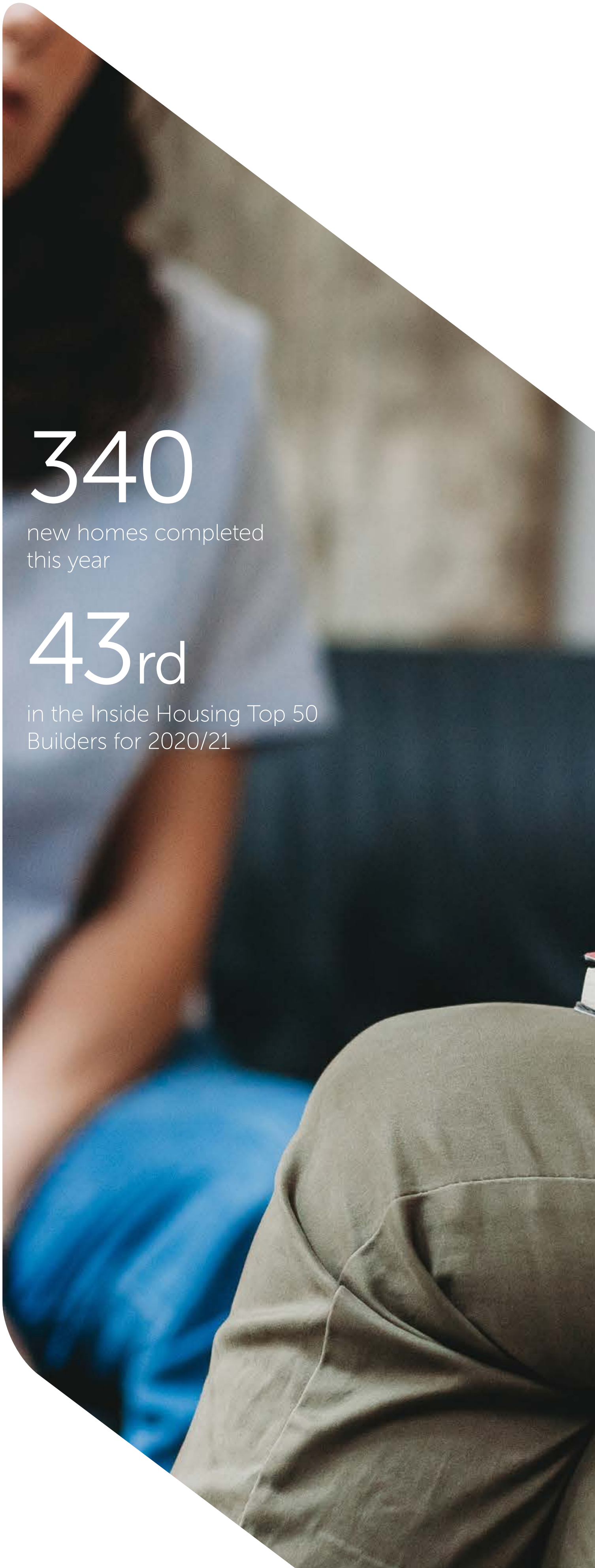
Collaborating with our partners

Pushing the boundaries to deliver more

We're committed to providing the homes people want, where they're needed most and, working with our partners, we've continued to enjoy considerable progress in pursuit of these aims in the last year, despite the challenges of the Coronavirus pandemic.

Working with like-minded contractors and developers, we've continued to push the boundaries of what can be delivered and, more importantly, what's expected in terms of performance, added value and social benefit. Leveraging our size and regional importance, we'll continue to ensure that Growth and Development helps deliver the core objectives of the Group's Improving Lives strategy."

Marcus Keys
Executive Director of Growth and Development



Partnership working has always been key to our approach and that has continued during the pandemic. From building new communities as part of our commercial partnerships and joint ventures, to sharing resources with local authorities by maximising existing relationships and forming new ones, we've been able to do more together to make a positive difference to the communities we serve.

Through our strategic partnership with Homes England and as part of the Evera partnership, we're on course to deliver around 2,000 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.

We've retained our commitment to delivering our ambitious development programme, completing 340 new homes, and starting work on a further 1,069.

Designing better, more accessible homes will deliver greater value for money, reducing the need for major aids and adaptations in the future, and help ensure we meet the changing needs of our customers.

As part of our commitment to the Harry's Pledge campaign, we've also reviewed the design of our land-led developments to ensure our homes are as accessible as possible.

Providing affordable housing through landmark scheme

As affordable housing partner for the development of a former barracks and airfield at Waterbeach, we'll support the delivery of an innovative range of affordable housing options for local people.

Developers Urban&Civic selected Longhurst Group as their preferred provider after a competitive process and in consultation with the Defence Infrastructure Organisation, who own the former barracks and airfield.

Working closely with South Cambridgeshire District Council, Urban&Civic has ensured the development is set up to deliver a range of quality, sustainable homes of different sizes, types and tenures. The first phase of the barracks development will deliver over 400 homes.

Read more about development on pages 65–69

Delivering for our investors

Robust planning enables further progress

The past year has undoubtedly presented a number of different financial challenges that we wouldn't have envisaged less than 18 months ago. In many ways, it's shown the value of the work that goes into financial planning and stress testing our future business plans."

Despite the challenges brought about by Covid-19 I'm pleased to report another strong set of results for 2020/21 with performance in many areas in line, and in some cases better than budget.

We've achieved a surplus of £8.48m and an overall operating margin of 24.8 percent. Although this is down on our budgeted surplus and below the £13.4m surplus reported in 2019/20, we remain financially strong and have withstood the financial challenges posed by the pandemic while still maintaining services and investing in the provision of new homes.

Our Care and Support business has been adversely impacted through reduced revenues and higher costs linked to staffing and the provision of PPE. Whilst we're expecting Covid-19 will continue to impact some parts of our business during the year ahead, we're confident that performance will start to improve in areas that have been affected.

Despite the pandemic, we haven't stood still and have continued to invest in our existing homes and the provision of much-needed new affordable homes. If anything, the last year has further highlighted the value and benefit of good quality housing and communities.

Rob Griffiths
Deputy Chief Executive and
Chief Financial Officer

£152.8m
turnover

24.8%
Operating margin (23.5 percent excluding asset sales)

£8.48m
Net surplus

£1.23bn
Total asset value

£81.4m
cash at balance sheet date along with £164.3m of agreed loan facilities

Dear stakeholders

"Our agile response at the beginning of the pandemic, our ability to make quick decisions, find innovative solutions and embrace and adapt to change has continued to serve us incredibly well."

Julie Doyle
Chief Executive

Following a year that has seen the Coronavirus pandemic continue to influence how we live and work, I'm extremely proud of how we've responded to this prolonged challenge, redoubling our efforts to keep customers and colleagues safe and continuing to enjoy high-performance in so many areas.

Supporting our customers and investing in our communities

Remaining mindful of our purpose and firmly focused on our vision, we've provided the support and services our customers have needed during this difficult time and strengthened our connection with our communities.

Our ongoing response to the pandemic has, in many ways, become part of our business-as-usual approach, with the wellbeing calls made to customers, for example, now forming part of our day-to-day service.

As we continue to interact with those who are more vulnerable and gain a greater understanding of their needs, we're enhancing the support and guidance we offer and doing everything we can to improve their lives.

Looking after our people

We continue to support our colleagues across the business to ensure we provide excellent services to our customers. Even before the start of the pandemic, we decided to improve the terms and conditions of our frontline Care and Support colleagues, aligning sick pay with our office-based colleagues. During the year, we also increased the overtime pay for our Care and Support colleagues.

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.

Robust governance and financial management

Our reputation as a strong, well-governed and financially-sound organisation has been demonstrated throughout the year and recognised with the retention of G1/V1 status from the Regulator of Social Housing, as well as the reaffirmation of our A3 Stable credit rating from Moody's Investors Service.

The retention of these ratings demonstrates that, despite the significant challenges of the last year, we remain well-placed to deliver our Improving Lives strategy, which will see us provide many more new homes and go to new lengths to do even more for our customers and communities.

Continued sound financial management will be key to realising this ambitious vision, ensuring we're well-placed to deliver on our development targets over the coming years, as we continue to play our part in tackling the housing and social care crises.

Looking forward

Everything we've achieved during that last 12 months will help us return stronger from the pandemic. We've already set out our future vision to work smarter together, with our colleagues, customers and partners, as we look to work in a more agile way. We'll reduce our business mileage and make better use of technology.

We should always push ourselves to do more for our customers, and to provide services that make a real difference and make their lives better. I think that's something we already do well, but by working smarter together, remaining connected with our customers and our communities, we can achieve even more.

We've evolved so much in the last few years, enjoying the benefits of becoming one organisation, launching our Improving Lives Strategy and seeing it have a real impact.

We have a fantastic team of colleagues who live and breathe our values and are united in our purpose to deliver great homes and services. Our people have responded remarkably during the pandemic, and we've learned so much about how we can work in a different way.

Now is the time to take positive steps to become the organisation we want to be – an organisation that continues to put customers and colleagues first and delivers services that enhance communities and improve lives.

With a culture that embraces high-performance and continuous improvement, we'll work on the things we need to improve, finding further solutions along the way.

We know we have a lot to achieve and that's why it's so important that our colleagues work closely together, and with our partners, sharing resources, knowledge and expertise, to do even more for our communities.

It's an exciting time and there are so many possibilities, but this is only the start of our journey, as we lay the foundations to meet future challenges.

Julie Doyle
Chief Executive

Dear stakeholders

"The strength of our convictions, as well as our values, have been entirely reaffirmed by everything we've encountered and learned in the last year."

Bob Wilson
Chair

Going above and beyond

As we cautiously emerge from one of the most challenging years we've ever faced, reflecting on what we've experienced and taking pride in how we've responded, it's crucial that we also look to the future, embracing our vision and refocusing our ambitions.

The Coronavirus pandemic has dominated all aspects of our lives during the last 12 months. We've had to accept and adapt to change and find new ways of connecting with and supporting others. As an organisation, our absolute priority has been to do everything we can to keep our customers and our colleagues safe, and our success in these areas is something we can take great pride in.

By continuing to focus on our vision to improve lives through our two strategic pillars of health and wellbeing and economic resilience, and driven by our purpose to provide great homes and services, we've absolutely been there to support the people and communities that rely on us.

As well as keeping people safe and going above and beyond for our customers, the organisation has delivered strong performance, ensuring the day-to-day services we provide have been maintained.

This has been built on the solid foundations of strong governance, financial performance, and excellent management. Our confidence in the organisation's maturity in these areas has enabled the Board and the Executive Team to work together in a more agile way, making quick decisions in response to a rapidly changing picture.

The strength of our convictions in all of these areas, as well as our values, have been entirely reaffirmed by everything we've encountered and learned in the last year.

Embracing change for a better future – governance, technology and the environment

The introduction of new technology, processes and innovative ways of working has helped the Group increase interaction with customers and do more to support people with their wellbeing, mental health and financial concerns – issues that have been amplified during the pandemic, national lockdowns and other restrictions we've faced.

As a Board, we've also had to adapt, becoming accustomed to virtual meetings while maintaining strategic focus, challenging debate and productive discussion. Members have also had increased opportunities to interact with colleagues and see the fantastic work and commitment they've displayed.

The Group Board welcomed the publication of the Social Housing White Paper in November and the National Housing Federation's new Governance Code, also published last year. Both papers focus on transparency and accountability, and we're pleased that improvements in these areas are already reflected within our organisation.

The Code has a renewed focus upon equality, diversity and inclusion (ED&I), something that the Group's PREMCO has been heavily focused on over the last 12 months. The Board has continued to champion ED&I across the organisation through the continued development of the Group's people strategy, its policies and decision making.

Historic changes to both the development and housing sectors in respect of the environment have also featured on the Group Board's agenda, along with other challenges which have begun to appear on Board and Committee agendas both now and into the future. The Board is committed to delivering its environmental strategy in 2021/22 with strong links to digital inclusion and addressing the challenges in the care and support environment. This in turn has led to the adoption of the Good Economy ESG reporting framework by the Board; a really strong step forward in the Group's journey towards excellence in reporting and social governance.

Working with the Audit and Risk Committee, the Group Board has also increased oversight for health and safety across the organisation, improving its already robust framework. Championing health and safety is just one of the ways the Board demonstrates that the customer remains at the heart of our priorities.

Notwithstanding all of this, the Group maintained its G1/V1 rating from the Regulator of Social Housing, something that again reflects the organisation's commitment to excellent governance and financial strength.

Thank you

As well as looking back on the last 12 months on behalf of the organisation, now is also a time for personal reflection, as I'm in my final year as Chair of the Group. During my nine-year term, the organisation has evolved considerably. As well as significant restructures and mergers, we've also consolidated as one organisation and launched a new vision and strategy that includes ambitious targets for future growth and improvement.

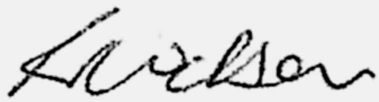
We've experienced incredible progress in the number of homes we've built, the communities we've created and the first-class partnerships we've developed. Alongside our continued growth as an organisation, we've also improved the services, care and support we provide to our customers.

All of this progression, alongside the tireless work of other Board members, the Executive Team, and colleagues across the Group, played a crucial role in our preparedness for the challenges of the last 12 months.

I take great pride from everything we've achieved, not least our amazing response to the Coronavirus pandemic, but we must look to the future and embrace the fantastic opportunities available to the Group.

We've evolved the way we work, and that progression must continue. By working more flexibly, travelling less, and having fewer offices, we'll be able to do more for our customers, lessen our impact on the environment and enhance the work-life balance of our colleagues.

I've enjoyed every moment of my nine-year tenure with the organisation and the progress that's been achieved during that time. I wish my successor all the very best of luck on what I know will continue to be an incredibly exciting journey.



Bob Wilson
Chair, Longhurst Group

Our stakeholders

Building and maintaining strong and effective working relationships is key to the delivery of our strategic objectives. We're committed to working collaboratively and openly with all our stakeholder groups.

	Who they are	How we engage with them
Customers and communities	Our customers are our tenants, leaseholders and home purchasers. We also provide a range of care and support services, including residential and floating care and support. Our customers are at the heart of everything we do. We strive to provide the services and support that they need.	– New Customer Forum with direct contact with Board – New text messaging system for providing feedback – Online wellbeing hub – Contact made with all customers during 2020 as part of wellbeing work – Regular digital communication via email and social media – Customer newsletter (printed and digital editions).
Our people	Our people include existing staff, pensioners and future recruits. Our people are our most important resource and are responsible for the excellent services we deliver.	– Employee survey (annual/pulse) – Employee forums – Team meetings – Exec 'Coffee & Chat' – A range of internal communications channels, including the award-winning launch of Workplace by Facebook in 2018.
Partners	Our partners include Homes England, other housing associations, Local Authorities, MP's, joint venture partners and other community organisations and charities. Our partners are important to us as collectively we are able to deliver more through a partnership approach to working.	– Work with other housing associations through National Housing Federation (NHF) working groups and Vantage benchmarking group – Regular corporate communication with all stakeholders through the Improving Lives ezine.
Suppliers and contractors	Includes development contractors, repairs contractors, service providers and those in our supply chain. Our contractors and suppliers provide goods and services that in turn enable us to deliver new homes and high-quality services to our customers.	– Pre-tender process crucial for building effective relationships and clarity over what is needed – Regular contractor and supplier review meetings – Regular corporate communication with all stakeholders through the Improving Lives ezine.

Issues raised	Outcomes/actions taken
– Concerns raised about quality of repairs service – Benefits advice sought through money advisors – Advice sought on employment and training – Questions raised from customers and relatives about visits to our schemes during the pandemic.	– New repairs contract from 1 April 2022, interim contract in place for 2021/22 – 1,246 referrals for to Money Advisors securing £1.42m of benefit support – Regular communication to customers and families on guidance around visits – Improved knowledge around demography.
– Flexible working arrangements – Health and wellbeing during lockdown – Health and safety for 'frontline' colleagues.	– Working Smarter Together Strategy in progress which includes investment in ICT, implementing more flexible working patterns – One-off bonus payment to all Care and Support colleagues – Alignment of sick and holiday pay of care colleagues in line with rest of business – Development of flexible work package.
– Review of opportunities to carry on and expand development partnerships – Challenges to development through planning process and Covid-19.	– Increased development activity through Evera Homes – Continuation of Strategic Partnership with Nottingham Community Housing Association and longer-term bid submitted. – Extension of deadline of Strategic Partnership completions to March 2023.
– Sustainable supply chain – Consideration of social and environmental factors as part of future procurement programmes – Payment terms during the height of the pandemic.	– New Group-wide Procurement Strategy launched in 2020/21 – Focus on quality and value for money – Improved payment terms provided to suppliers and contractors during the pandemic.

Our stakeholders
continued

	Who they are	How we engage with them
Trade bodies	Includes the National Housing Federation (NHF) representing all Registered Providers, Confederation of British Industry (CBI) and National Care Forum (NCF). The trade bodies we work with provide a national voice to the Government on the work we do and help shape future policy.	– Member of CBI East Midlands Regional Council – Various staff are engaged with NHF through regional and national working groups – Weekly calls and briefings from NCF during pandemic – Regular corporate communication with all stakeholders through the Improving Lives ezine.
Banks, investors and rating agencies	Includes banks, Moody's and institutional investors. Our banks, investors and Moody's are incredibly important in supporting us in delivering the new homes outlined in our Business Plan.	– Regular review meetings with Banks and Moody's – Annual Investor update undertaken via video calls – Regular corporate communication with all stakeholders through the Improving Lives ezine.
Regulators	Includes the Regulator of Social Housing, Housing Ombudsman, the Care Quality Commission, MPs and local authorities. The strong regulatory framework provides confidence to our customers, funders and other stakeholders.	– Engagement with Regulator through annual review meetings and quarterly returns. – Targeted engagement with MPs and local authorities relating to housing and care across the Midlands – Regular corporate communication with all stakeholders through the Improving Lives ezine.

Issues raised	Outcomes/actions taken
– Working groups looking at future investment needs for new and existing homes – Campaign for carers launched in June 2020 – Provision and funding for PPE – Guidance around visits to care homes and testing.	– Feedback provided for NHF and CBI submissions for comprehensive spending review – Carers pledge adopted by NHF with 50 Registered Providers (RPs) signing up.
– Progress with ESG reporting – Transition to The Sterling Overnight Index Average from LIBOR.	– Board sign up to Good Economy ESG reporting framework – Progress made on transitioning all Libor linked loans to be completed in 2021/22.
– Funding for decarbonisation works to existing homes – Customer complaints – Housing need in local authority areas.	– Investment needed for decarbonisation works to existing stock modelled in the Business Plan – Confirmation of G1/V1 rating from Regulator for Social Housing – Action plan to improve customer satisfaction.

Key trends affecting our business

Housing crisis

The Coronavirus pandemic has further highlighted the scale of the housing crisis across the UK and the disproportionate impact poor quality housing has on the health and wellbeing of individuals living in unsuitable or cramped accommodation. The UK continues to have a shortfall of affordable homes to meet demand. As we've seen with our own development programme, fewer homes will have been completed in the last year due to delays associated with the Coronavirus pandemic.

In the year to 31 March 2020, 243,770 new homes were completed in England. This was up by one percent on the previous year but still significantly short of the 300,000 new homes projected to be needed each year through research commissioned by the National Housing Federation. Of the 243,770 new homes completed, 57,644 were classed as affordable, being either social rent, affordable rent or shared ownership. The cycle of lockdowns in the last year has shown the benefit of having a suitable place to live with access to green space. As at 30 September 2020, there were 93,490 households living in temporary accommodation, including 120,570 children. A further 541,000 people were estimated to have been sofa surfing and 1.1 million people were on waiting lists for affordable homes. While there continues to be demand for home ownership across the country, a significant proportion of people are unable to afford to get on the housing ladder with many more affordable homes needed to meet demand.

We remain committed to playing our part in providing new homes and continuing to invest in our existing homes to meet the needs of current and future customers.

Social care crisis

Despite repeated commitments to tackle the social care crisis, we're yet to see a sustainable strategy from the Government regarding the provision of social care. The funding model for social care is disproportionately focused on cost, often at the expense of quality. We believe the funding model needs to be more balanced with greater focus on quality and meeting the needs of those receiving care and support.

The social care system was already facing severe challenges before the pandemic. In a parliamentary briefing in July 2020, Age UK estimated there were 1.5 million people aged 65 or over with an unmet care need and projected this could rise to 2.1 million people by 2030 unless the social care system changes.

The Coronavirus pandemic has exacerbated long-standing known staffing problems, including low pay, long hours and challenges in recruiting new staff. In July 2020 there were more than 100,000 vacancies across England for care workers.

Following the council elections in May 2021, cross-party support from leaders of councils called for a long-term change to social care, which highlights the scale of change needed. There is also increasing public support for the Government to focus on social care.

The Age UK briefing in July 2020 recommends three areas of focus:

1 **Workforce.** Funding alone is not enough. The last year has rightly highlighted the value of the role undertaken by carers and social care needs to become an attractive and properly paid career with vocational linked training and professional regulation. Currently, three in 10 care staff leave their jobs inside a year. Research also suggests that 130,000 new care workers are needed each year to cope with current levels of demand with currently around 110,000 unfilled vacancies.
2 **Integration with health services.** A properly functioning social care system requires integration and flexibility with health services. This will necessitate a person-centred approach from social care services, ensuring people get the services they need when they need them. We expect to see an increasing focus on supporting people to remain in their own homes, rather than going into residential care. This will require an integrated approach with housing and health providers.
3 **A new deal for unpaid carers.** If the appropriate changes are made to the social care model, it should release the pressure from unpaid carers. A new funding package for the system must also deliver a new deal for unpaid carers.

We remain committed to the continued provision of care and support services but we won't compromise on quality.

Key trends affecting our business
continued

Impact of Coronavirus on society

The impact of the pandemic on society is likely to be felt for many years to come. The cycle of lockdowns in the last 12 months has highlighted the importance of having a high-quality home. Undoubtedly the challenges brought about by Coronavirus have been felt even greater by those who do not live in a high-quality home with access to green space.

Alongside the need to close the gap in lost education from the last year and to reduce hospital waiting times, there also needs to be a greater focus on delivering homes where they are needed most.

Government policy on social housing

The last year saw the publication of the much-anticipated Social Housing White Paper. At the heart of the White Paper is a new Charter for Social Housing Residents. The Charter sets out seven commitments that residents should expect from their landlord: To be safe in your home and to know how your landlord is performing, including on repairs, complaints and safety and to know how it spends its money. The White Paper will lead to an increased focus on what residents are saying and the manner in which landlords engage with their tenants and how the resident voice is heard and acted upon within the organisation. We support this change in direction and, in response, have established a new Customer Forum during the year.

Building safety

Alongside providing high-quality services, we're committed to ensuring our customers remain safe and well in their homes. We welcome the increasing focus on building safety following the Grenfell tragedy and support the changes being made to the regulatory environment, seeing improved accountability for those responsible for the safety of residents; helping them to feel safe in their homes. The draft Building Safety Bill, launched in July 2020, will introduce a new regulatory regime overseen by the Health & Safety Executive (HSE), to enhance the fire and structural safety of new and existing residential buildings.

Environmental changes

It has become clear that businesses such as ours need to change and adapt in order for the country as a whole to meet the decarbonisation agenda. The way new homes are delivered has started to change and will change further through the use of Modern Methods of Construction (MMC), incorporating off-site manufacturing of homes and the phasing out of gas boilers. How we source and procure our development programme will also change with more focus on sustainable supply chains. These changes are only part of the solution and retrofitting existing homes is as, if not more, important, but also presents different challenges. As a responsible business, we're looking carefully at how homes would be retrofitted to meet the decarbonisation agenda without inadvertently creating other challenges of increasing fuel costs for our customers through, for example, the replacement of gas boilers with air source heat pumps.

Responsible employer

The last year has highlighted more than ever the value of our colleagues to the business. We're an inclusive employer and committed to providing a safe and secure working environment with a competitive reward package for all colleagues. Alongside the support we provide to our customers, the health and wellbeing of our colleagues is also important to us. We've implemented various support structures to help our colleagues, not only because we think it's the right thing to do, but also to ensure we're able to provide high-quality services.

Our Improving Lives strategy

Strategic priorities

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'll 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're needed
4. Building and maintaining great partnerships
5. Our people and culture

Our Improving Lives strategy
continued

1

Focusing on customers and communities

Our aim
As a single organisation, operating from a strong financial and governance platform, we're 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.

Related KPIs
– Customer satisfaction
– Accessibility of stock
– Community investment

See Our KPIs on pages 56–58

Our priorities in 2020/21

- Launched 'Rant and Rave' software to capture more regular and detailed feedback from our customers.
- Implemented a customer insight strategy to help us better understand our customers and improve service delivery and customer satisfaction.
- Introduced new tenancy support and health and wellbeing roles.
- Developed a 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, enabling greater insight and understanding of the support people might need.

Our progress

In response to the pandemic, we've fundamentally reviewed our service delivery models, ensuring we're able to provide vital, accessible and responsive services for our customers. We've developed a better understanding of our customers which has been further enhanced in the last year – but there's more we can do to ensure we're providing the right services and to a high standard to our customers.

Launch of Rant and Rave customer insight tool

The recent introduction of Rant and Rave software helps customers provide us with more detailed and timely feedback. This simple text message platform has provided insight into what we're doing well and what we can improve. Rant and Rave has been deployed across 11 business streams, reaching and seeking insight from over 19,000 customers. Its deployment has increased visibility of the customer experience and enhanced our ability to redress and prevent service failures. In total, 71 percent of customers said they were satisfied with the services we provide. The recent response to the annual gas servicing carried out by Mears was particularly pleasing, with 92 percent of customers telling us they were satisfied, responding with an average score of 4.7 out of 5.

Customer Forum

Earlier this year, we set up a new Customer Forum, working closely with the Tenant Participation Advisory Service (TPAS), to help influence what we do and how we do it. As part of a new way of working with our customers, the forum will meet with the Board to provide feedback on our approach, track our performance and influence the decisions we make.

The Customer Forum will monitor how we perform in relation to our service delivery standards and how we meet the expectations of the following standards:

- Tenant Involvement and Empowerment Standard
- Tenancy Standard
- Home Standard
- Neighbourhood and Community Standard.

The role undertaken by the Customer Forum is key in addressing one of the key objectives in the Social Housing White Paper of empowering residents and ensuring their voices are heard.

Our Improving Lives strategy
continued

Customer complaints

We've listened to concerns from customers about the repairs service and will be re-shaping this over the next year, starting with an interim repairs contract that began in April 2021 with Mears. We'll be undertaking a comprehensive delivery model and procurement exercise with our new repairs service going live in April 2022. Call handling will be brought back in-house alongside the development of a digital solution to enable customers to log repairs without having to speak to a call handler.

While repairs have been the main feature in customer complaints over the last two years, we also recognise there are improvements we can make to our processes with focus on a first-time resolution on complaints.

Customer wellbeing

We recognise that some of our customers may need further help and support that we can either provide or signpost them towards. The work of our Community Investment team has been incredibly important in the last year through the support provided to customers and communities. For the year ahead, we're increasing our funding further to £850,000.

We've introduced our Customer Wellbeing Hub, a vital online resource for customers to access a range of services to support and improve their wellbeing and financial resilience. The online service provides money advice and access to hardship funds and specialist mental health support. The Wellbeing Hub was launched in June 2020 and provides support, guidance and resources for customers to improve their emotional, financial and physical wellbeing. The Hub provides access to a 24-hour mental health phoneline and a dedicated section providing advice and support for domestic abuse survivors along with content and resources for people providing care.

We've trialled the introduction of Independent Living Advisors to support our Improving Lives agenda and will be reviewing the outcomes this year.

We made 3,954 interventions through our Community Investment work, supporting 2,092 customers with their health and wellbeing and 1,850 people with enhancing their economic resilience. This work included access to various hardship funds, employability and training support and money advice.

Our Money Advice Team recorded an 85 percent success rate in positive outcomes for the customers they worked with. We supported 120 customers to improve their employment prospects. The Money Advice Team has sourced over £1.42m of ongoing benefit income for customers who've accessed the service. In addition, the team has helped secure £92,011 in backdated benefit claims for our customers and have assisted customers with a combined debt of £187,245 during the year.

We allocated over £75,000 through our Hardship Fund to support customers – including 455 different families – to improve their wellbeing. A third of applications were in relation to Coronavirus.

New CRM system

We've launched our single data golden record for all Group customers, a key step forward to achieving 'one view' of the customer at all points of their customer journey. The new CRM system is part of the wider investment we're making in standardising our core systems across Microsoft Dynamics and will be a key part of our digital service offering to customers.

Our priorities for the coming year

- Launching our Working Smarter Together vision, we'll continue to transform the way we work, learning from our experiences during the pandemic and delivering flexible, responsive and enhanced services to our customers.
- We'll redress performance challenges within our Repairs and Maintenance contracts and undertake a procurement exercise to appoint new service providers from 1 April 2022.
- Significantly improve our 'right first-time' approach in all aspects of the customer experience and, in doing so, have a positive impact on the level of complaints received and the outcomes for our customers.
- We'll invest significantly in new technologies which enable our 'digital first' approach for colleagues and customers.
- Reduce our office portfolio, moving from a large geographical footprint of 13 offices to three. This will realise significant efficiencies in our operating costs and have a positive impact on reducing our carbon footprint as more colleagues work from home locations.
- We'll increase our investment into delivering the Group's Community Investment strategy to support more customers. The community hub will provide direct access service provision and we'll be focusing on improving and expanding our employment, skills and training offer.

Our Improving Lives strategy
continued

2

Delivering an integrated care and housing 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 encourage independence.

Related KPIs

– Tenancy sustainment
– Void costs – global
– Void costs – general needs/housing for older people.

See Our KPIs on page 56–58

Our priorities in 2020/21

- Launch of Customer Insight strategy and improving our data.
- Defined integrated housing and care offer, supported by the Sheltered Housing Review.
- Ensure our homes are more accessible.

Our progress

As some of our customers grow older and their needs change, the development of our integrated housing and care offering will help people continue to live in their homes longer.

It's not been possible to deliver some of the plans we've made this year, as we've prioritised our response to the pandemic and the health and safety and care and support of our residents and customers. However, we've still made progress.

Accessibility

We've undertaken a fundamental review of our accessibility offer, focusing on the introduction of an integrated aids and adaptations service and early phases of an invisible-by-design approach with our new build homes.

Sheltered housing services

We've reorganised how our sheltered housing services are delivered and managed internally and introduced new technologies to support our care and support business, enabling smarter working and in pursuit of our goals for increased efficiency and higher productivity.

Tenancy sustainment service

We've trialled a Tenancy Sustainment service in three locations (Peterborough, Grimsby and Rushden) to provide holistic intensive housing management support to vulnerable customers to maintain their tenancy. To date, 97 customers have accessed the service with a 95 percent success rate in terms of positive outcomes.

Our priorities for the coming year

- Continue to develop our housing and care offer, using customer feedback and insight to shape the way we deliver services and inform our service delivery models.
- Continue to deliver our digitalisation programme across our frontline services, through the provision of responsive and mobile technology platforms to enable colleagues to provide an enhanced customer experience, whilst improving productivity.
- Grow key areas of our Care and Support business streams in line with our growth strategy, ensuring we maintain excellent quality and viable services.

Our Improving Lives strategy
continued

3

Providing the homes people want, where they're needed

Our aim

Our ambition is to build around 750 homes each year, creating homes for people to rent or buy, at prices they can afford and in places they want to live. Our strategy also sets out a clear target that we could grow to 35,000 homes by 2025 while remaining locally responsive to our customers and communities. We'll achieve this through the delivery of our ambitious development programme and further business combinations where there's a good fit.

Related KPIs

Portfolio

- New supply of social housing homes
- New supply of non-social housing homes
- Reinvestment.

Financial

- Return on capital employed
- Gearing
- EBITDA-MRI
- Operating margin
- Operating margin on social housing lettings
- Headline social housing cost per unit
- Management cost per unit.

See Our KPIs on page 56–58

Our priorities in 2020/21

- During 2020/21, we expected to complete 467 new homes and start building 929 new homes. We also committed to reviewing the house designs of our land-led developments to ensure our homes are as accessible for customers as possible.
- We also committed to making further progress in relation to the environment regarding our investment in existing homes and the new homes we'll build.

Our progress

Being a responsible placemaker means taking a whole organisation approach and goes beyond just the bricks and mortar of the houses we build. It involves engagement with local communities including the consideration of health and wellbeing and economic resilience, and minimising the environmental impact of our schemes. We've continued to invest in our homes to improve their energy efficiency with 94 percent of our homes being EPC D and above, and 63 percent above C. All of our new homes (100 percent) have achieved EPC level B or above.

Building safety

The safety of our existing homes and those that we're developing is a key area of focus for the Board and Executive Leadership Team. The profile of our stock doesn't include any flats or houses with cladding that will need replacing. We only have one scheme with flats over six metres high and this is of a standard brick construction.

During the year, our Property Services and Health & Safety Teams have undertaken a replacement programme of fire doors in some schemes to improve the overall standard across the stock. This has been the main area of work we've needed to focus on in relation to building safety.

Development programme

This year, we've started to build 1,069 homes and completed 340 homes. We completed a review our house design and have built 27 accessible homes and started our first land-led development fully utilising air source heat pumps.

Stock investment programme

Alongside our work and investment in the provision of new homes, we're committed to ensuring our existing homes are maintained to a high standard. Despite the difficulties in progressing with a stock investment programme during the last year, we were still able to deliver a programme of works that matched our budget (£13.5m) for the year, ensuring our homes continue to be maintained to a high standard.

Within our programme of works was a small programme to replace fire doors that our surveys indicated needed replacing. We're committed to high standards of building safety and have been undertaking further checks on our stock to identify any areas where improvements may be needed. The majority of our stock is family housing with only one scheme of flats at six stories high. We're in the fortunate position of not needing to undertake any remedial work to remove and replace cladding to our properties.

- 156 bathrooms
- 384 kitchens
- 995 heating systems
- 797 fire doors
- 333 non-fire doors
- 134 windows
- 193 roofs

See our development programme on pages 65–69

Our priorities for the coming year

- We'll start to build 1,029 homes.
- We'll complete 727 homes.
- We'll implement a new Group-wide environmental strategy.
- We'll procure our responsive maintenance contracts across three regional areas.
- Review our new build design standards and deploy MMC within our programme.
- Adopt the ESG reporting framework working towards 'Enhanced' status.
- Develop and implement our Asset Maximisation team and strategy, focusing on maximising performance of our asset base/portfolio.

Our Improving Lives strategy
continued

4

Building and maintaining great partnerships

Our aim

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

Our priorities in 2020/21

- Progress the delivery of new homes through Evera across a range of different tenures within the Cambridgeshire and Peterborough combined authority area.
- Consider other partnerships and joint ventures with local authorities, developers and registered providers.

Our progress

The work we do and impact we have has been further enhanced through partnerships with other like-minded organisations.

Evera partnership

Our joint venture partnership in Evera Homes LLP with three other Registered Providers continues to gather pace with a strong pipeline of projects for new homes across the Cambridgeshire and Peterborough combined authority area. This partnership has enabled us to accelerate the supply of new homes across all tenure types. In keeping with our approach to development, Evera is focused on developing homes where people want to live and building sustainable communities.

During the year, we've committed to 921 additional new homes through the Evera partnership and almost fully sold out the first development. Recognising the scale of ambition within Evera, we've appointed a full-time Managing Director to take the partnership forward.

Our approach to working in partnership with other organisations through the Harry's Pledge campaign has also helped raise the profile of the valuable work provided by carers across the country and the need for providing more accessible homes.

Strategic partnership with Homes England

Our investment in new homes has continued throughout the year and we now have a fully identified Strategic Partnership programme with Homes England, due to be completed by March 2023.

We've continued to work closely with Nottingham Community Housing Association (NCHA) as part of the existing Strategic Partnership and made a further joint long-term bid to Homes England under the Affordable Homes Programme.

Procurement strategy

This year also saw the launch of a new Group-wide Procurement strategy. The strategy aims to deliver operational savings for the business coupled with high-quality products and services. The strategy looks beyond the goods or service we're procuring, taking into account the overall supply chain, gender pay and the impact on the environment.

Our priorities for the coming year

- Alongside the existing commitments made through Evera to start 921 new homes, we'll also seek to leverage in additional investment to create further capacity.
- Continue to work in partnership with organisations across the sector to deliver Harry's Pledge to radically improve the offer to carers.
- Maximise the positive environmental and social impact through our strategic supply chains, including our major developers and repairs contractors.
- Continue to maximise partnerships with other agencies to deliver 'place-based' services.

Our Improving Lives strategy
continued

5

Our people and culture

Our aim

Working together as one team, motivated by strong, inspirational leaders, we'll 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.

Related KPIs

– Colleague satisfaction.

See Our KPIs on page 56–58

Our priorities in 2020/21

– Introduction of a new Human Resources system, aligned with our CRM system, that will deliver further efficiencies.
– 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.
– Complete the review of our colleagues' employment offer. This will include work to improve physical and mental health.
– 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.
– Continue work on a diversity and inclusion strategy which will be launched with a clear programme of work. This will help ensure we're an inclusive organisation that values the contribution that diversity brings.
– Review our future working arrangements as we assess how and where we'll work, following the Coronavirus pandemic.

Our progress

Our culture and values

Our people are key to ensuring we realise our purpose and successfully deliver our Improving Lives strategy, providing high-quality services and the best possible customer experiences.

United by our shared values and driven to do everything we can to deliver high-performance in all areas, our colleagues work collaboratively to improve the lives of our customers and enhance the communities we serve.

Diversity and inclusion

We've worked with the National Centre for Diversity to advance our equality, diversity and inclusion for all in the workplace. Committed to ensuring opportunities are open to all, we've reviewed our training, recruitment and remuneration policies to ensure they're as inclusive as possible as well as promoting diversity initiatives across the business.

Colleague wellbeing

The wellbeing of our colleagues has always been a priority for the Group and is a key part of our Improving Lives strategy, and over the course of the last year, we've done even more to support colleagues. Recognising the pandemic has brought many different challenges, we've tailored our approach to provide the support our colleagues need. This has included:

– Flexibility about working patterns to support childcare needs when schools were closed.
– Support with office equipment.
– Virtual coffee mornings to maintain social connection.
– A Christmas bonus and improved overtime rates for our Care and Support colleagues.

Our Improving Lives strategy
continued

Workplace strategy

While there have been many challenges in the way we've had to work since March 2020, there are also a number of positives that we'll incorporate into the way we'll work in the future. In April 2021, we launched a new Workplace strategy, which will see us move away from the traditional office base that was the norm before the Coronavirus pandemic.

In collaboration with colleagues over the last 12 months, we've created our 'Working Smarter Together' vision, to help us return stronger from the pandemic. In short, we'll be moving to a more flexible way of working with less travel and a reduced number of offices.

Technology is key to our new Workplace strategy and has proved incredibly flexible and resilient over the last year. We're gradually migrating all of our systems on to Microsoft Dynamics and our approach to digitising services will be key to how we deliver services, interact with customers and generate operating efficiencies. In the last year, we've launched new homes for sale via interactive tours over Facebook and have trialled the use of tablets for our Care and Support team to avoid the need to visit an office and print documents off. Further changes are imminent, with a digital sign-up process for new customers being introduced to remove the need for a paper-based process.

Digitisation strategy

The change in the way we've had to work over the last 18 months has highlighted the importance of technology for the way we deliver services to our customers.

Prior to the pandemic we were already part way through a Group-wide implementation of the Microsoft Dynamics system with Finance and Sales going live prior to March 2020. During the year, we've gone live with Human Resources and our new Customer Relation Management system, which launched in July 2021. We've already started to see the benefits from the investment that has been made and the year ahead will see further business streams move on to the Microsoft Dynamics platform.

As well as investing in new technology, we're also investing in training for our colleagues to ensure they have the necessary skills to use the technology to its full potential.

Alongside the work to roll out Microsoft Dynamics across the business, we're also reviewing our processes to ensure they're as efficient and effective as possible and to ensure the data we hold is structured in the right way to be used.

Attracting and retaining talent

We've also introduced a new HR system, leading to more streamlined business processes, and we've simplified and introduced more innovative approaches to recruitment and onboarding during the pandemic to ensure continuity in critical frontline services.

Following the introduction of an improved sickness and holiday offer, we've also undertaken a wider review of our 'rewards and benefits' package, which we aim to introduce later in 2021.

Environmental, Social and Governance strategy

We're increasingly focused on our impact on the environment and will be launching a Group-wide integrated environmental social and governance strategy in the first half of the next financial year. We've signed up to the Good Economy reporting framework and will be separately reporting under this framework later in the year.

Our environmental work is split between how we work and deliver our services and the way we build new homes in the future and maintain our existing homes. Our existing Business Plan incorporates the work needed to bring all existing homes up to EPC level C and we're part way through a detailed review that assesses the level of works needed to decarbonise our existing homes. Our future development plans already incorporate a move away from gas boilers and a gradual move to off-site manufacturing.

Our priorities for the coming year

- Implement new ways of working, with an increasingly flexible and remote working model in line with our Working Smarter Together strategy.
- Continue to improve and digitalise our Learning and Development offer to colleagues, focusing on colleague wellbeing, productivity and leading through change.
- Underpinning our Working Smarter Together transformation programme, we'll produce a Workforce strategy, setting out how we'll successfully recruit, retain, and develop colleagues, ensuring we meet our overall aims of being a high-performing organisation.

Our strategy in action

Case study

Free IT course gives Sue the confidence to start work

When Sue Parkes and her husband were out of work, she was referred to our Employment and Training Advisor, Rob Friday.

Sue went on to complete a free course – the Learn My Way IT programme – and find regular work.

"I don't know loads about IT," she said.

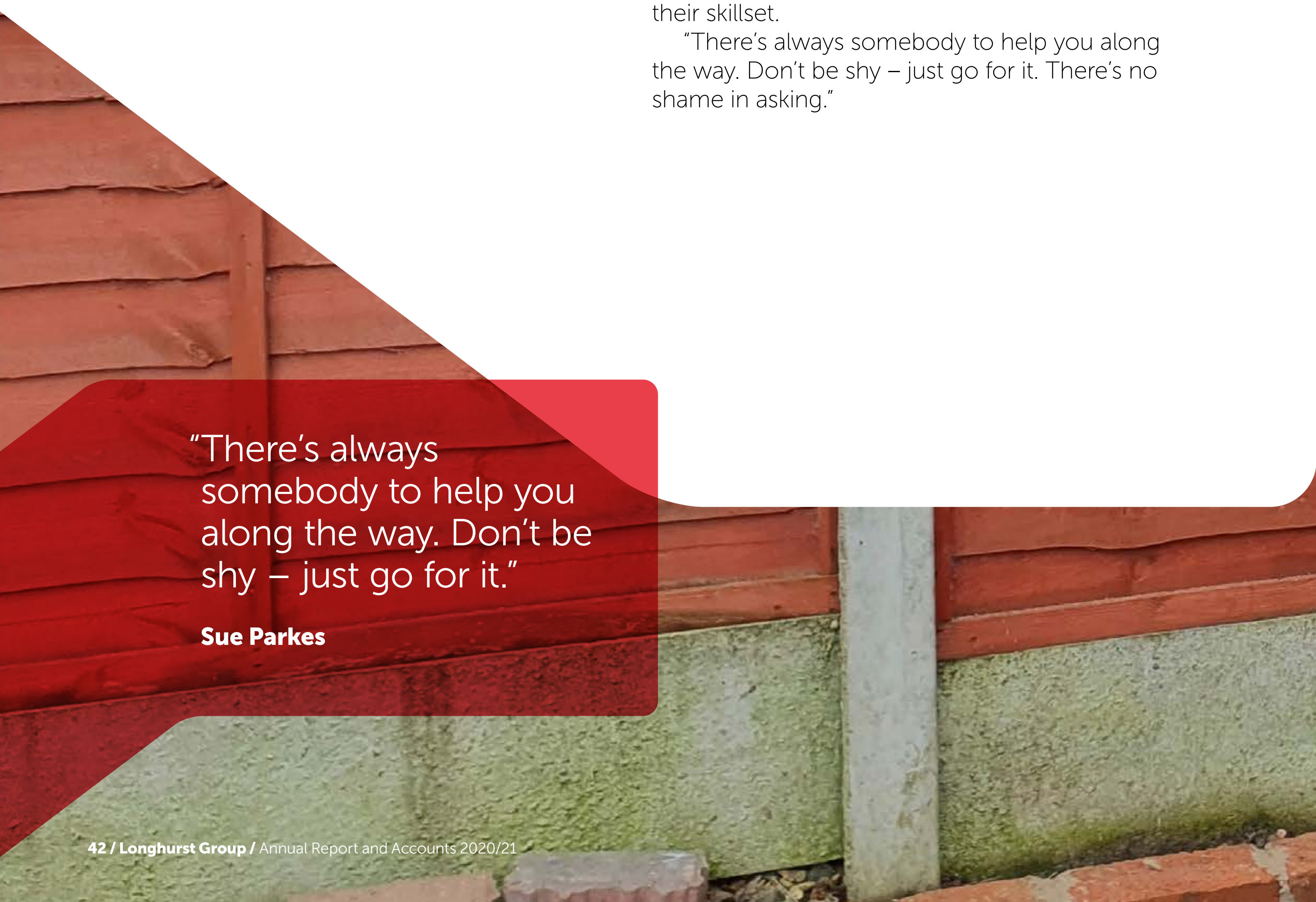
"I thought I'd give it a go to keep my mind occupied and if I learnt from it, then that would be a bonus."

After completing the course and being supported to update her CV, Sue found part-time work at her local Wickes store as a cleaner. She was soon offered a permanent role on the shop floor and is now working 30 hours a week.

"I really love working there. I love everything about it – working on the till, helping customers."

Sue said she'd recommend the Employment and Training team to those who find themselves in a similar situation or who want to broaden their skillset.

"There's always somebody to help you along the way. Don't be shy – just go for it. There's no shame in asking."



"There's always somebody to help you along the way. Don't be shy – just go for it."

Sue Parkes

Our strategy in action
continued

Case study

Peter's thanks for Hardship Fund help to make his new bungalow a home

A man who was helped to make a new start in life by our Improving Lives Hardship Fund has said he "couldn't have wished for anything more."

Peter Holloway, 60, found himself without a home as the Coronavirus pandemic took hold, before finding refuge at our supported accommodation in Sleaford.

After spending almost a year living there, Peter was able to move into a bungalow in Ruskington, where he says he's now "looking to the future."

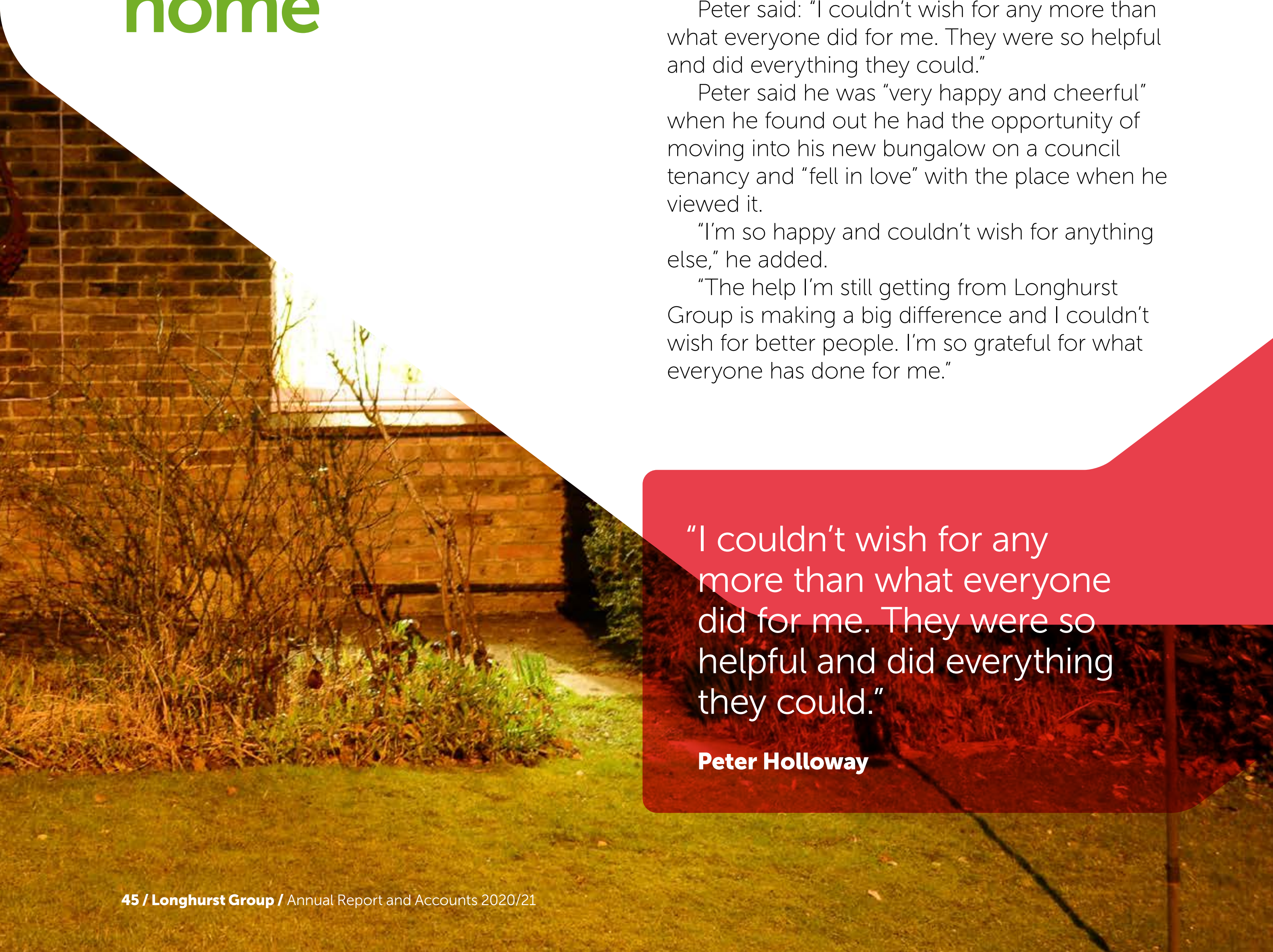
Colleagues at Sleaford HRS helped Peter get a head start in his new home, using our Hardship Fund to buy him a microwave, bed, sofa bed and storage unit. They also secured a washing machine and cooker for Peter.

Peter said: "I couldn't wish for any more than what everyone did for me. They were so helpful and did everything they could."

Peter said he was "very happy and cheerful" when he found out he had the opportunity of moving into his new bungalow on a council tenancy and "fell in love" with the place when he viewed it.

"I'm so happy and couldn't wish for anything else," he added.

"The help I'm still getting from Longhurst Group is making a big difference and I couldn't wish for better people. I'm so grateful for what everyone has done for me."



"I couldn't wish for any more than what everyone did for me. They were so helpful and did everything they could."

Peter Holloway

Our strategy in action
continued

Case study

Tenancy Sustainment Officers support customers in need

In the last year, we've introduced three new Tenancy Sustainment Officers (TSO) for the Group.

The TSO service is a fundamental part of our integrated housing and care and support offer, and the officers will work across the Group to provide a time-limited, holistic tenancy support service for general needs customers with support needs, or those who need particularly intensive housing management input.

This work will sustain tenancies through health and wellbeing and economic resilience measures. The support is preventative, aiming to avoid or reduce the risk of tenancy related issues.

The TSO service is initially being trialled in three different areas across the Group, so that we can understand how to develop the service most effectively in the months and years ahead.

We've now appointed three TSOs to cover East Northamptonshire, Grimsby and Peterborough.

"I'm looking forward to turning our vision of doing everything we can to improve people's lives into reality."

Brian Noble
Tenancy Sustainment Officer


BARBOUR
INTERNATIONAL

Our strategy in action
continued

Case study

Lynn's thanks for Garden Support Fund help

A customer who was unable to tend to her garden due to medical issues has sung the praises of our Garden Support Fund.

The fund is designed to help customers who're unable to maintain their garden due to their age, illness, disability or vulnerability.

There are three levels of support available to customers through the Garden Support Fund, from a standard offer of grass cutting and limited hedge trims, up to a security level service which ensures maximum visibility for customers and removes any potential hiding places.

One customer, Lynn Horrocks, found herself struggling to look after her gardens at her home in Grimsby, and reached out for some help.

"I used to be able to do my own garden, but then I had a fall in my kitchen and I was in hospital for quite a long time," Lynn said.

"I've also got bad knees, asthma and COPD, so I could no longer do it myself. I've got a front and back garden and they're too hard for me to handle.

"Thanks to the funding, I can pay for somebody to cut the grass when it needs doing. They now come whenever it needs doing.

"I would cost me over £100 to do it which, as a pensioner, I couldn't afford.

"It's been a massive help."

"Thanks to the funding, I can pay for somebody to cut the grass. It's a massive help."

Lynn Horrocks

Our strategy in action
continued

Case study

Supporting domestic abuse survivors

We've joined forces with Women's Aid Leicestershire to successfully bid for funding from the Ministry of Housing, Communities and Local Government, which will be used to provide 18 of our homes in the area to house people fleeing domestic abuse.

Women's Aid Leicestershire will use the funding to employ three floating support workers who will provide support to those moving into the properties and will work with all partner agencies.

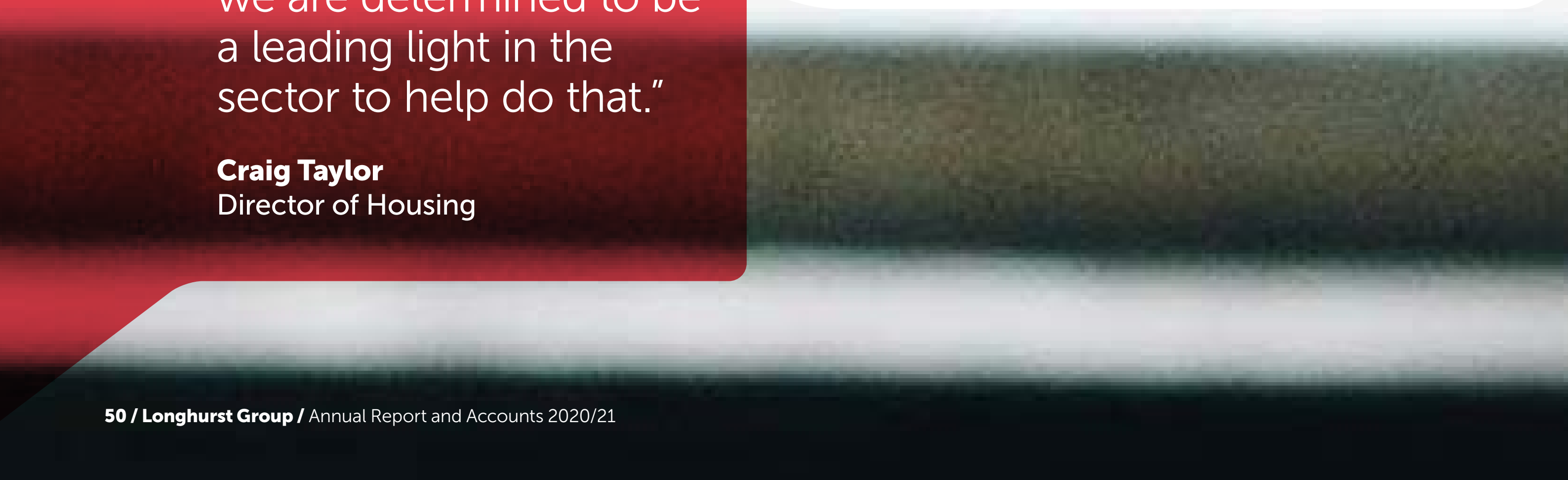
Director of Housing Craig Taylor, who is also a member of the National Housing Federation's panel on domestic abuse, said he was delighted that we had established the link-up with Women's Aid Leicestershire and were able to continue our work to tackle the issue.

He said: "Domestic abuse is being highlighted as a major, yet hidden, issue in the housing sector and is getting the airtime it now deserves. We've seen since the turn of the year, right across the sector, the number of incidences of domestic abuse rising, especially during the Coronavirus pandemic.

"However, it is not just a housing sector problem, it is a national problem. We all have a responsibility to help end domestic abuse and we are determined to be a leading light in the sector to help do that."

"We all have a responsibility to help end domestic abuse and we are determined to be a leading light in the sector to help do that."

Craig Taylor
Director of Housing



Our strategy in action
continued

Case study

Improving homelessness services

The Group recently became a member of Homeless Link – a charity that brings together organisations that work with homeless people.

Benefits of this partnership include the delivery of Trauma Informed Support training, which has been rolled to all supported housing colleagues.

This training develops a completely different approach to working with vulnerable people, focusing on their assets and using a more positive approach to gathering required information.

Fay Hirel, Head of Care and Support, said: "We're delighted to have become a member of Homeless Link and one of the key reasons for this is to access the range of training and resources they offer.

"Trauma Informed Support training promotes a positive way of working, while being mindful that many of the people we work with have faced lots of trauma in their lives.

"It helps us to look at people's assets rather than deficits and is all about how you interact with somebody and how you recognise your unconscious bias. This is also the standard that commissioners look for and recognise as gold-star practice for working with vulnerable people.

"This is a standard we want to embed through all of our services, not just homelessness and we're training all colleagues so we're all working in the same way."

"This is a standard we want to embed through all of our services, not just homelessness, and we're training all colleagues so we're all working in the same way."

Fay Hirel
Head of Care and Support

Our strategy in action
continued

Case study

Money Advice team helps make Tony's tenancy 'more secure'

"If she wasn't there to help, I might not even be here."
They're the words of a grateful customer who's worked with one of our Money Advisors to get his finances back on track.

Tony Kelly, from Peterborough, says he has a lot to thank Money Advisor, Angie Noble, for – helping him get his finances in order and get his rent arrears down from around £1,600 to almost nothing today.

Tony said the help Angie has given has enabled him to establish a proper budget, meaning he knows how much spare money he has to spend on luxuries and treats.

Angie has previously helped Tony with Discretionary Housing Payments, before assisting him in moving to Universal Credit. She also helped arrange some floating support to ensure Tony's tenancy could be sustained.

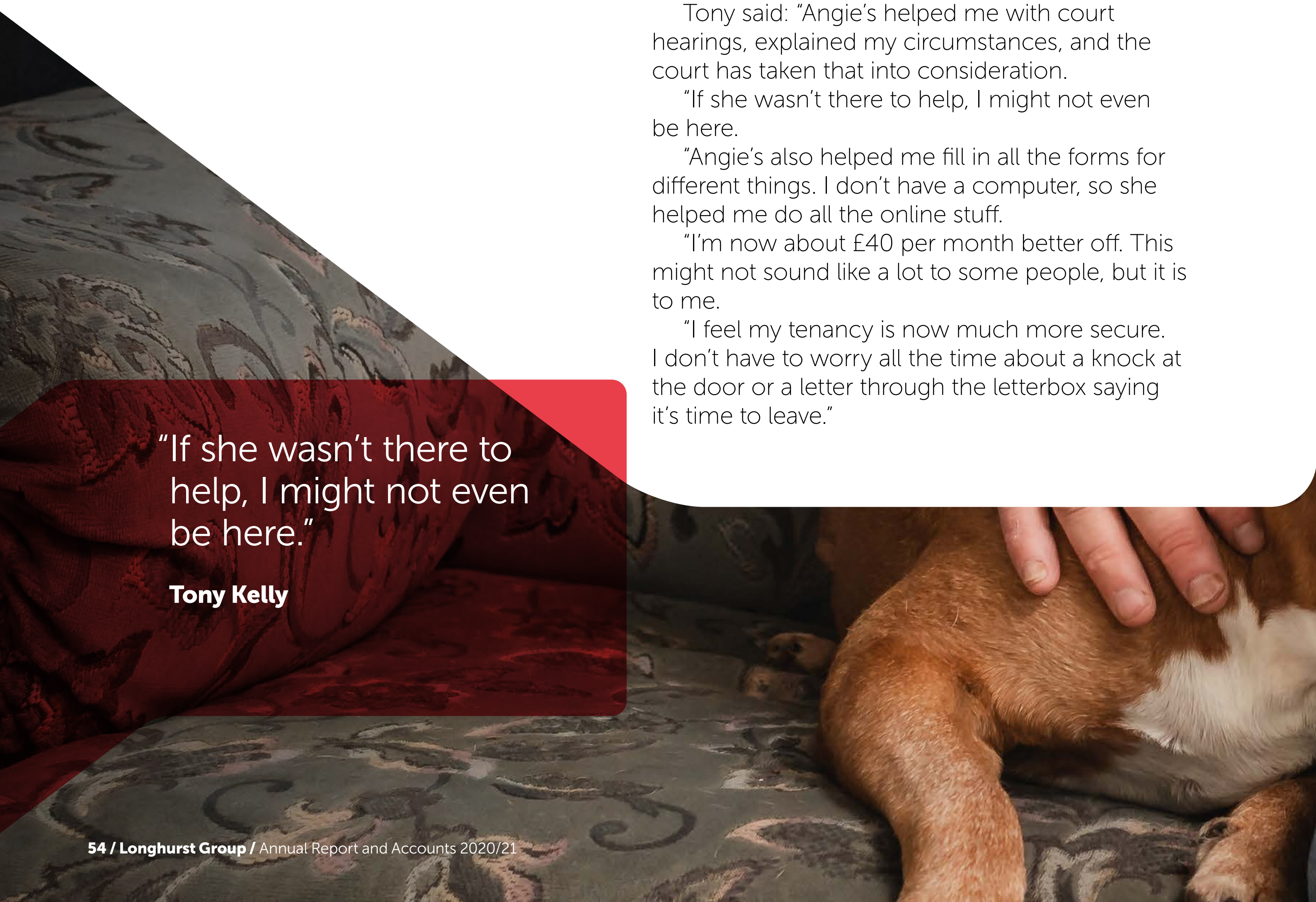
Tony said: "Angie's helped me with court hearings, explained my circumstances, and the court has taken that into consideration.

"If she wasn't there to help, I might not even be here.

"Angie's also helped me fill in all the forms for different things. I don't have a computer, so she helped me do all the online stuff.

"I'm now about £40 per month better off. This might not sound like a lot to some people, but it is to me.

"I feel my tenancy is now much more secure. I don't have to worry all the time about a knock at the door or a letter through the letterbox saying it's time to leave."

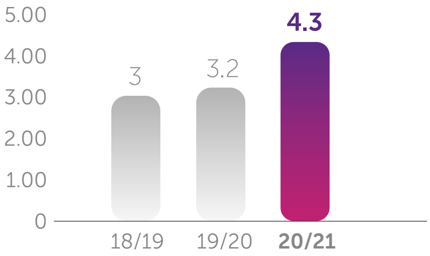


"If she wasn't there to help, I might not even be here."

Tony Kelly

Financial KPIs

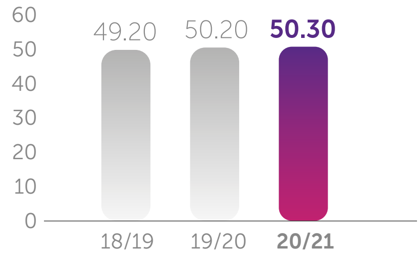
Return on capital employed (%)



Compares operating surplus (including asset sales) to total assets less current liabilities.

ROCE has reduced over the last three years due to a reduction in operating surplus.

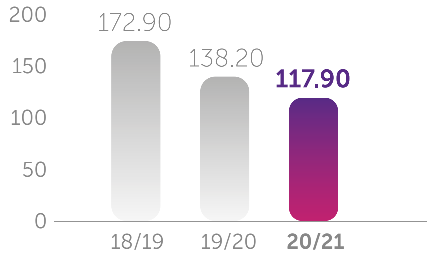
Gearing (%)



Measure of percentage of adjusted assets that are made up of debt.

Gearing has increased marginally in last two years due to retained bond sale in March 2020.

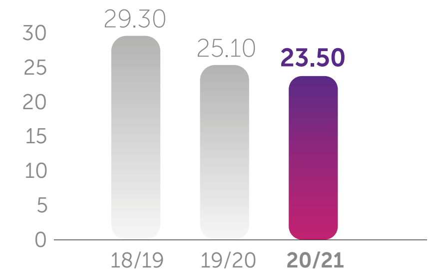
EBITDA MRI (%)



Measures the level of adjusted surplus generated as a percentage of interest payable.

Interest Cover has reduced as a result of higher interest costs linked to retained bond sale. Income and cost impacted due to Coronavirus.

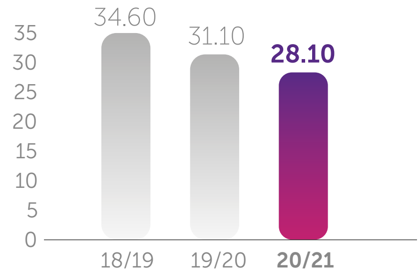
Operating margin (%)



Measure of profitability of operating activities (excluding surpluses on asset sales) as a percentage of turnover.

Operating surplus has reduced due to increased costs and reduced revenues linked to Covid-19. One-off impairment costs have also contributed to a lower margin.

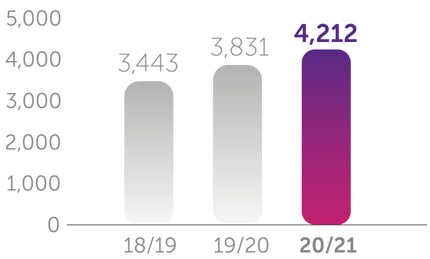
Operating margin (Social housing lettings) (%)



Measure of profitability of social housing lettings business area.

Margin has reduced due to increased costs and lower revenues in 2020/21.

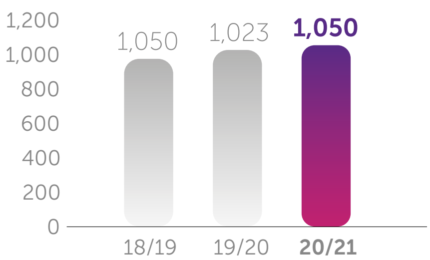
Headline cost per unit (£)



Measure of the total costs (including capital repairs) attributable to social housing assets divided by total number of homes.

The headline cost per unit has increased due to higher maintenance and management costs along with major works investment. However, a delay in the handover of new units has led to a higher cost per unit.

Management cost per unit (£)

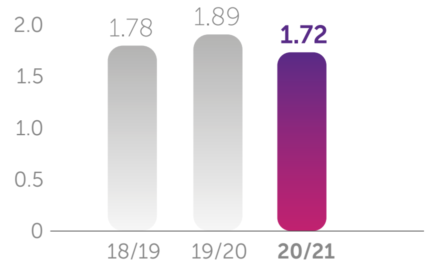


Measure of the total management costs attributable to social housing assets divided by total number of homes.

The headline cost per unit has gone up due to increased investment in staffing and ICT.

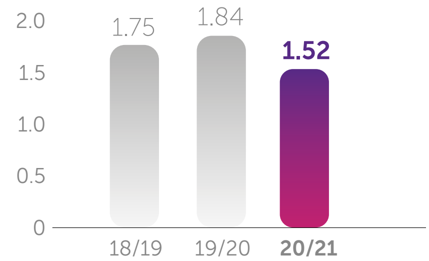
Portfolio KPIs

Total arrears of annual rent debit (%)



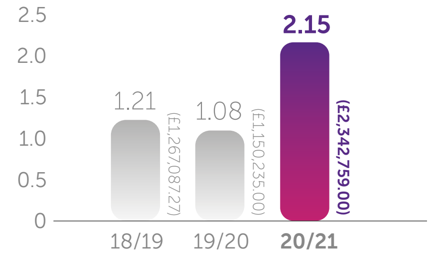
Our global arrears performance continues to remain strong despite the challenges of the Coronavirus pandemic. The strong performance reflects the increased investment in the work of our Money Advisors alongside our Income Collection team.

Total arrears of annual rent debit (%)



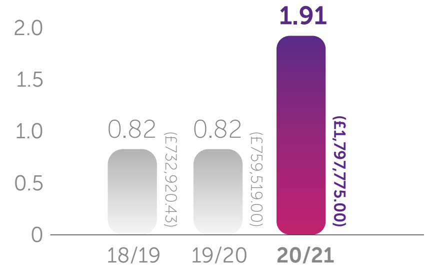
Our arrears on general needs properties and housing for older people have seen a bigger reduction from 2019/20 again reflecting the work of our Income Collection team and Money Advisors.

Total rent loss as a % of rent debit across all properties (%)



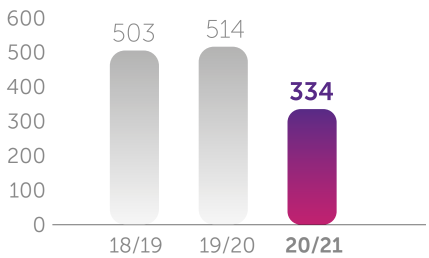
One of the main impacts of Coronavirus on performance has been on rent loss due to voids where we saw our loss double from 2019/20 to 2020/21 due to delays in work being carried out and a longer letting process.

Rent loss on general needs properties as a % of rent debit (%)



The increase in void losses was more pronounced within our general needs homes and housing for older people. Starting at a relatively low starting point in 2019/20 this increased to 1.91% in 2020/21.

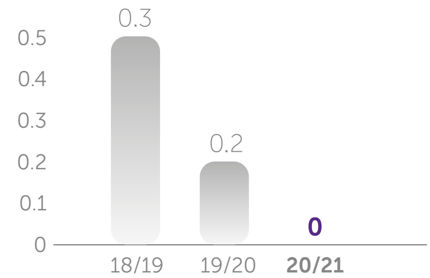
New supply of social housing homes



The number of new social homes delivered during 2020/21 was significantly down on 2019/20 and our projections for 2020/21.

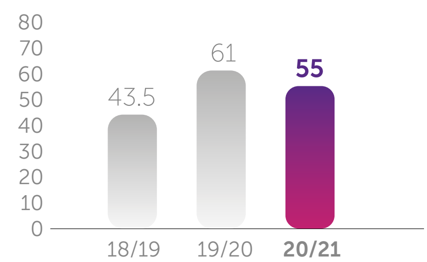
The reduction was due to delays in the development process linked to sites being shut down at the start of the pandemic.

New supply of non-social housing homes (%)



Our supply of non-social homes has remained low in the last year and is consistent with our Business Plan projections.

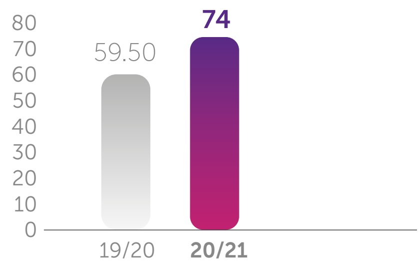
Reinvestment (£m)



Our total investment in new homes was down in the last year, and against Business Plan, due to delays on site and new schemes starting.

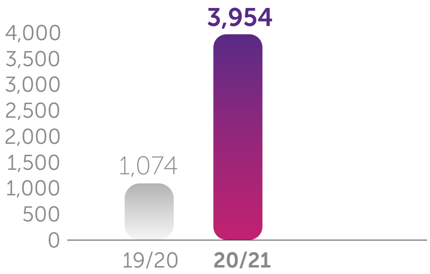
Stakeholder KPIs

Tenants satisfied with overall service (%)



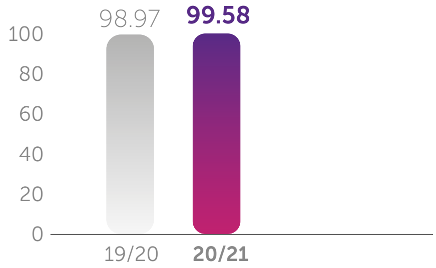
We've seen an improvement in customer satisfaction across our core services over the last year which reflects the increased focus on the customer experience and improving our services.

Number of customers referred to our Community Investment team and third party partner organisation (%)



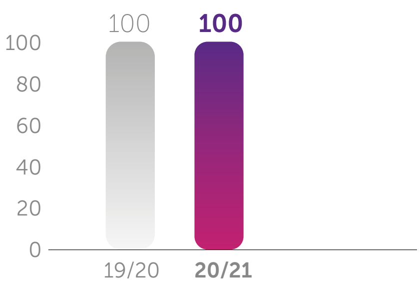
The increase in the work of the Community Investment team is reflective of 2020/21 being the first full year the service was operational with the team providing a vital service to customers and communities.

Tenancies sustained in the year that weren't ended due to abandonment or eviction (%)



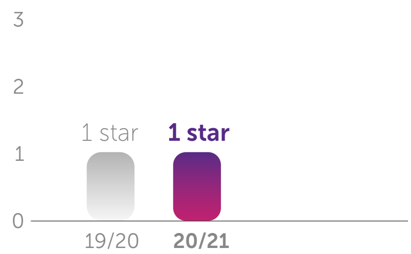
We've continued to see an improvement in the percentage of tenancies being sustained. This level of sustainment reflects the pre-tenancy work undertaken and the ongoing work of our Money Advisors.

CQC registered schemes subject to independent inspection with overall rating of "good" or better (%)



Our services registered with the Care Quality Commission have continued to provide high-quality services and have all retained full compliance ratings.

Sunday Times Best Companies rating



Our colleague satisfaction remains at the Best Companies 'one star' rating and we'll be undertaking a further survey during 2021.

Our business model

Who we are

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

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.

We're one of the largest housing groups in the Midlands and East of England, providing 24,018 homes across a range of different tenures across 50 local authority areas, employing nearly 1,300 people. We also provide a range of care and support services across a proportion of our homes and through homes that we manage.

Our Improving Lives strategy is focused on providing great homes and services and delivering an integrated solution to the housing and social care crisis. Our focus is on:

- Providing high-quality affordable homes.
- Ensuring our homes are well maintained and fit for the future.
- Delivering high standards of customer service.
- Delivering high-quality care and support services.

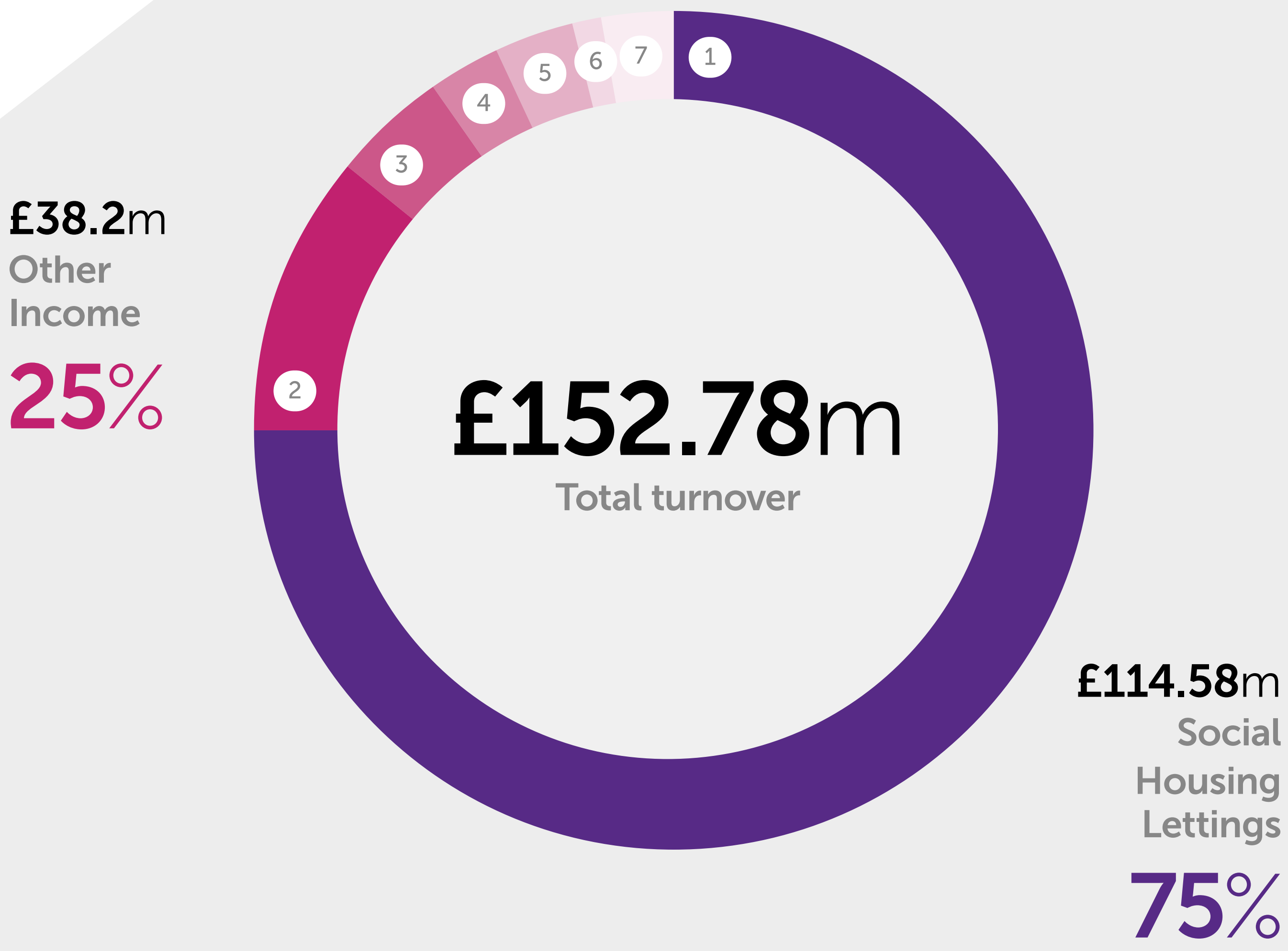
1 What we do

Social housing lettings

Our social housing lettings business covers a range of different affordable tenure types, including:

- Social rent
- Intermediate and affordable rent
- Shared ownership
- Sheltered and supported housing
- Extra care.

In 2020/21, our total turnover from social housing lettings was £114.58m and 75 percent of our total turnover.



Other income

Our other business activities include our housing sales which incorporates shared ownership first tranche properties for sale and an element of open market property sales. Our open market property sales are predominantly delivered through Keystone Developments and include a mix of family housing and retirement housing projects. The market-led developments undertaken through Keystone are approached in a similar way to land-led developments on our affordable homes programme.

The Group's other sources of income from operating activities include the provision of floating support contracts and the management of leasehold properties for the elderly.

Our total other income for 2020/21 was £38.2m representing 25 percent of turnover from operating activities.

Development

Our development programme is delivered through homes acquired via section 106 agreements from property developers and our own land-led development opportunities. We're increasingly moving towards delivering more homes through our own land-led developments where we have greater control over the design of the homes.

The grant funding we receive from Homes England is solely for land-led developments and not for section 106 agreements.

	Turnover £m	Surplus/Loss £m
1 Social housing lettings	114.58	32.14
2 Shared ownership first tranche sales	16.87	3.51
3 Open market housing sales	6.85	0.62
4 Support contracts	3.99	(0.04)
5 Management of leasehold schemes for elderly	4.67	0.35
6 Development services	1.90	(1.56)
7 Other	3.92	0.84
Total	**152.78**	**35.86**

2 How we do it

Robust governance

Our work is underpinned by a strong governance framework. Our Board has a broad range of skills and experience to support the work we do. We're rated G1/V1 by the Regulator of Social Housing and the Board is committed to maintaining these regulatory gradings.

During the year, the Board has adopted the new NHF Governance code for 2021/22 and signed up to the Good Economy Environmental, Social and Governance reporting framework.

See our Governance report on pages 90–112

Customers are key

Our customers are central to everything we do. Our Improving Lives strategy is focused on improving our customers' economic resilience and health and wellbeing. The work we've done over the last year shows the value of this and we're committed to do even more.

The wellbeing calls we've made over the last year have improved our understanding of our customers' needs, as has the new Customer Forum and a system for capturing customer feedback.

See 1. Focusing on customers and communities on pages 28–31

A high-performing culture

Our people are key to achieving our Improving Lives strategy and providing high-quality services to our customers. We're united by a shared set of values which were developed collaboratively with colleagues. Our values guide us in everything we do and demonstrate what matters to us.

See 5. Our people and culture on pages 38–39

A responsible approach to placemaking

The way we work is as important to us as the number of new homes we provide each year. Whilst we're interested in providing as many new homes as possible, we also balance this with a commitment to create places where people want to live that go beyond just the bricks and mortar.

We're also committed to working responsibly with our suppliers and contractors and to ensuring the way we work, develop new homes and maintain existing homes in the future has greater consideration for the environment. At the start of the pandemic, we recognised the vital role played by our suppliers and contractors. Throughout 2020, we voluntarily changed our payment terms to support suppliers and contractors with a particular focus on small and medium sized enterprises.

See 3. Providing the homes people want, where they're needed on pages 34–35

Developing collaborative partnerships

As a business, we've seen the many benefits of working in partnership with other organisations that share similar values and aims. Working collaboratively enables us to deliver much more than we'd otherwise deliver on our own.

See 4. Building and maintaining great partnerships on pages 36–37

Careful financial management

Underpinning the services we deliver and the investment we make in new homes and our existing homes is a careful and robust approach to managing our finances. Our Business Plan is subjected to a rigorous review and incorporates a number of individual and multi-variant stress tests as part of our assessment of our future development plans and investment priorities. These stress tests and our quarterly financial reports are monitored against an agreed set of financial golden rules approved by the Board. Our updated financial forecasts are reported to the Group Board and Finance and Treasury Committee each quarter. This incorporates a review of current performance along with projections for the year ahead and an assessment of future funding requirements linked to our development programme.

See Financial Review and **Value for money** on pages 81–88

3 The impact we have

Our customers
We provide affordable, high-quality homes in areas where people want to live. Our work doesn't stop with providing homes; we support our customers through our work to improve their economic resilience and health and wellbeing.

Our Care and Support team provide a range of services supporting people with different needs.

Our communities
We're committed to developing new homes and maintaining existing homes that are part of a wider community where people want to live. Our Community Investment team continue to expand their work supporting various community initiatives.

Our people
We employ nearly 1,300 people across the whole business. We provide excellent terms and conditions and have further improved these during the year for our Care and Support colleagues.

We're keen to see our colleagues progress within the business and have invested £368k in training programmes during the year.

Our partners
Our partnership approach to working enables us and our partners to collectively achieve more than we'd be able to do on our own.

For example, our joint bid to Homes England with Nottingham Community Housing Association will enable us to deliver more new homes across the Midlands than we would have delivered on our own.

Our investors
Our ambitious development and growth programme is reliant on private finance we raise through long-term debt capital market funding and shorter-term revolving credit facilities provided by high street banks. We're committed to working openly and transparently with our funders, providing them with the information they need.

Our development programme

With over 24,000 homes and a current portfolio worth over £1.2bn, 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 want, where they're needed most, focusing on areas where we can have the most impact.

Ranked as one of the sector's best delivering registered providers, we invested £70m to deliver 340 new homes in 2020/21. The majority of these properties have been made available for social, affordable, or intermediate rent or low-cost ownership options such as shared ownership or Rent to Home Buy.

This progress was achieved despite the unprecedented challenges of the Coronavirus pandemic, which saw 21 of our 23 active sites close during the first lockdown, meaning we lost weeks of on-site construction activity. Further delays were also encountered due to social distancing requirements and on-site personnel and tradespeople having to self-isolate.

These circumstances were in addition to the ongoing difficulties around shortage of labour and materials associated with Brexit.

Strategic partnership

Through our Strategic Partnership status with Homes England, we'll deliver one of the largest affordable programmes across the Midlands and East of England, building the right mix of quality new homes for rent, shared ownership, rent to buy and market sale to meet local demand.

With a sound track record for delivery, we plan to deliver an ambitious programme of 3,750 new homes by 2026, with a mix of grant and non-grant funded opportunities.

Our Land and New Business teams offer expertise, vitality and innovation in sourcing and securing land and package deals to fully expend our grant ask and deliver to our stated targets.

In the last year, we've secured 23 schemes and 625 units into contract. Through our robust development programme, we're confident we'll continue to meet our strategic partnership commitments and ongoing business plan objectives throughout the next five years.

The Group's sales programme has gone from strength to strength in a vibrant market. As well as providing a comprehensive sales package, from signage to full site set-up, we've developed new ways of working, selling completed and off-plan homes online via live events and fully embracing digital technology.

Through this new approach, we minimised our sales period and ensured that schemes handed over at the height of the pandemic were fully reserved.

Case study

Fully accessible homes handed over to Longhurst Group at Bluebell Place near Peterborough

Two families will soon move in to two new fully accessible homes near Peterborough after we took handover of the properties.

The homes, at Bluebell Place in Eye Green, are fully accessible with wheelchair friendly access, widened doors, kitchens with adjustable worktops, wet rooms and built-in space for a through-floor lift.

The properties are part of a 67-home development which we're delivering in partnership with Countryside.

Marcus Keys, Executive Director of Growth and Development, said: "We're delighted to have taken handover of these fully accessible homes which will be of huge benefit to the families who move in.

"As a Group, our Improving Lives strategy commits us to improving our customers' health and wellbeing and, within that, providing homes that are fully accessible, yet discreet.

"That's why we're also pleased to be working with Invisible Creations, who've been helping us to future-proof the properties with discreet adaptations throughout, which can also double-up as physical grab rails.

"Our intention is to use these products on all our new-build rented accommodation.

"By building fully accessible homes, we're providing the types of homes that people need to be able to live their daily lives as easily as possible, while making the house feel like their home."

Working in partnership

This year saw the delivery of the first new homes under the Evera Homes LLP banner, a ground-breaking partnership of registered providers, which we're proud to be part of.

Comprising Longhurst Group, Cross Keys Homes, Flagship Group, Hyde Group and ourselves, Evera has ambitions to deliver over 2,000 new homes, predominantly across the Cambridgeshire and Peterborough combined authority area.

De Havilland Gardens in Huntingdonshire offers 60 new homes, including 24 affordable, with all plots now sold or reserved as we near completion. Future phases of this scheme, on the historic RAF Upwood site, have been purchased and will initially provide a further 160 much-needed new homes along with significant investment into creating and integrating the community.

Opportunities continue to arise as Evera becomes more established and continues to develop a reputation as a provider of quality new homes with a sound reputation for customer engagement and care.

In partnership with Vistry, we've entered into a joint venture to deliver a large-scale scheme of 680 new homes in East Cambridgeshire, incorporating 40 percent affordable new homes in an area of high-level affordability. Our pipeline of sites is exciting and ambitious as we become a significant player in the marketplace.

Case study

Virtual launches prove a great success

Dozens of potential new homeowners logged on to a series of virtual launches held in the last year.

Showing innovation to overcome the Coronavirus restrictions, we held virtual launches on Facebook Live to provide more information to interested people.

One live event, for our Heron Park development in Boston, was viewed more than 450 times and had a peak of 36 viewers watching at any one time.

It led to a series of new enquiries and reservations for the site's shared ownership homes, which are now all occupied.

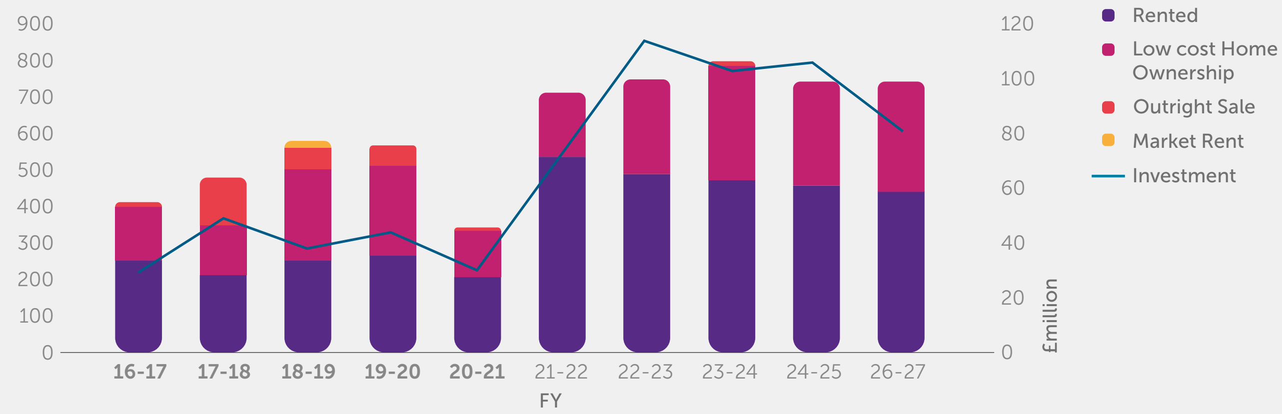
Development expenditure

Longhurst Group		Keystone	Homes England (Shared Ownership and Affordable Homes Programme)	Grant received (Strategic Partnership)
£67m	+	£3m	£4.26m	£15.6m

Delivering homes

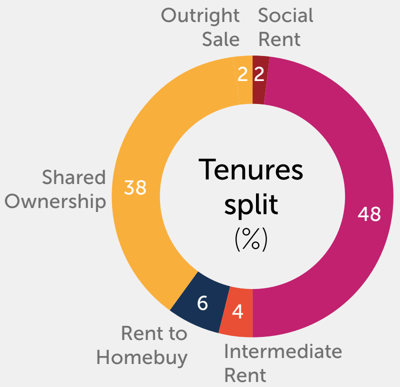
The following data shows the number of new homes we've delivered in recent years, as well as how many we'll provide in the future.

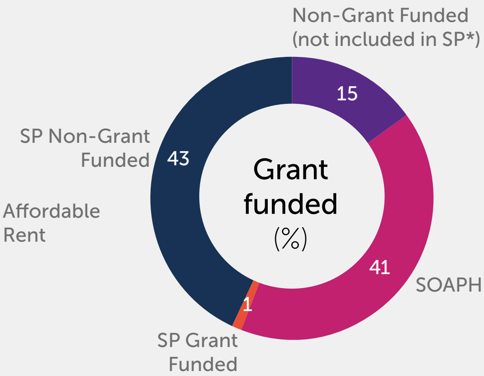
Development completions



Completions breakdown

Tenure	No of Unit Handovers
Social Rent	6
Affordable Rent	163
Intermediate Rent	14
Rent to Homebuy	22
Shared Ownership	129
Outright Sale	6
Total Handovers 20-21	**340**





*These units were contracted prior to the SP

Evera

Case study

More than 650 homes to be built in Cambridgeshire

An Evera Homes joint venture will deliver more than 650 much-needed homes in Cambridgeshire. The Littleport development will transform a 70-acre field at Grange Lane into 680 new homes, providing a mix of flats, bungalows and two, three and four-bedroom homes.

A new community centre with a sprung floor for indoor sports is also planned.

Contracts were exchanged with the landowners in January 2021 and construction is due to commence by the end of 2021 with the first homes available for occupation in late 2022.

The site has an outline planning permission and is subject to the receipt of a reserved matters consent. It's planned that around 40 percent of the total number of homes built across the development will be affordable housing tenures.

Case study

Work completed on Longhurst Group's 36-home Ellison Place development in Lincoln

Ellison Place, on the site of the former dairy on Boultham Park Road in the city, has provided much needed affordable housing in the area.

Named after the Ellison family, a prominent name in Lincolnshire heritage during the 18th and 19th centuries, Ellison Place comprises six three-bed townhouses, 12 three-bedroom semi-detached houses and 18 two-bedroom semi-detached homes.

Of the properties, 19 were available on a Shared Ownership basis, where people part-buy and part-rent, with the remainder made available for Affordable Rent, which typically costs 20 percent less than the price of privately renting a similar-sized property.

The old Boultham dairy was the main provider of dairy products for Lincoln and the surrounding area until its closure in 2012.

The homes mark the final piece of the jigsaw in the redevelopment of the site, with a mosque and supermarket having also been built on the land.

Our risk management and internal controls

The effective management of risk is a key part of everything that we do.

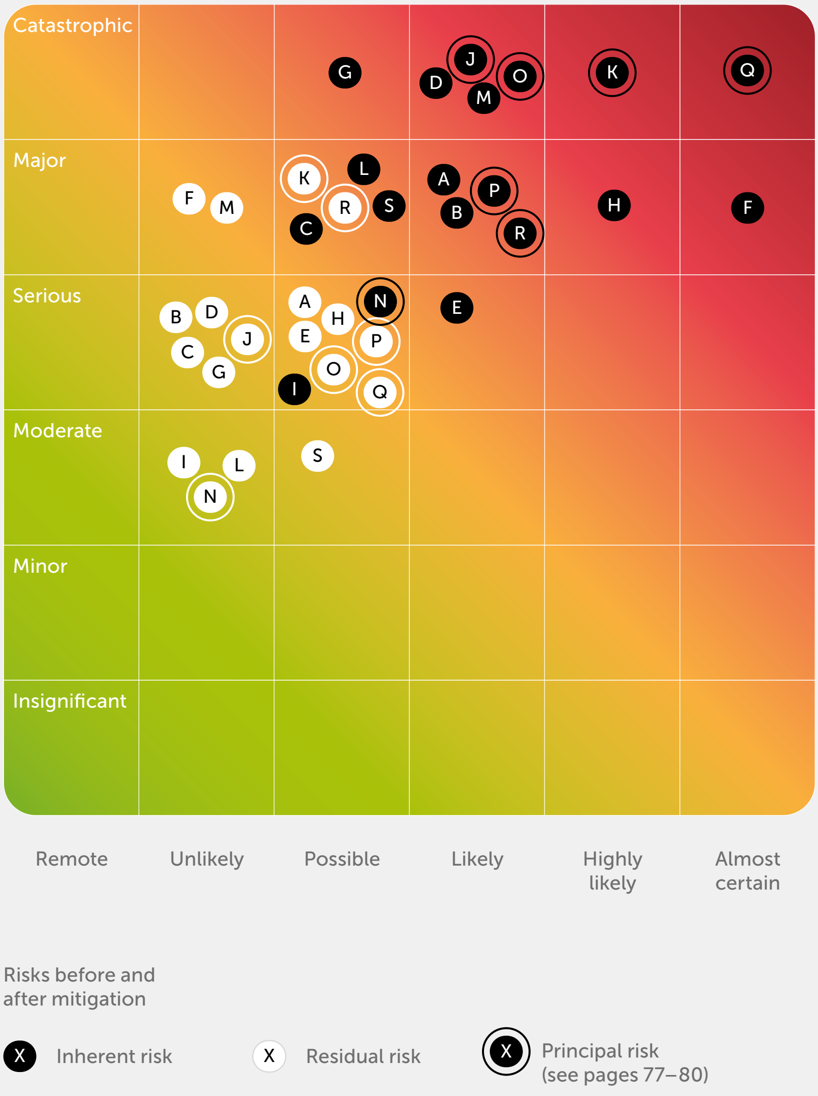
Over the last 18 months, we've seen day-to-day the importance of having a robust approach to risk management. We've worked through a year of constant change and challenge for different parts of the business.

The Regulator of Social Housing has reflected the importance of effective risk management in the Governance and Viability Standards, stating:

"Governance arrangements shall ensure that registered providers have an effective risk management and internal controls assurance framework in place."

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.



(see pages 77–80)

- A Care & Support business not delivering results and services (CQC Standards) in line with our Business Plan (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 H&S incident (gas, electrical, fire, legionella, asbestos)
- K Failure to deliver development programme, sales and JV's
- L Potential of fraud to adversely impact on Group activities
- M Not securing finance at competitive rates
- N Government policy changes which impact on our BP goals and reputation
- O Business continuity and cyber attacks
- P Integrating ICT systems based on Microsoft Dynamics, to support the Smarter Working programme
- Q Smarter Working Programme, Covid-19 impact
- R Tender of repairs contract in April 2022
- S Failure of the Group to protect and enhance its reputation with all stakeholders

Risk management framework

Our risk management framework incorporates robust systems and processes to identify, evaluate and manage key business risks. Our Boards, Committees and Executive Leadership Team is highly skilled and have the ability to manage the risks of the business both now and in the future.

All new business opportunities and key projects are individually risk-assessed and reported to the Group Board prior to work commencing. This process includes an in-depth financial assessment, sensitivity analysis and exploration of whether additional management controls or insurance are required to mitigate against significant risks or financial loss.

The strategic risk register is reviewed each quarter by the Group Board and Audit and Risk Committee. The Keystone and Libra Boards along with the Development, Remuneration and Finance Committees review the risks within their area of responsibility at each meeting, escalating by exception any matters to the Group Board. The annual programme of internal audits undertaken by KPMG is influenced by the Group's operational and strategic risk registers and reported quarterly to the Audit and Risk Committee.

Our online risk management database refines the quality of management reporting, and monitoring of risk, enabling the 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. Our online risk management database provides real time access to risk reports and key areas of assurance, which has enabled us to improve the quality of management and Board reporting in relation to strategic and operational risks.

Roles and responsibilities

Group Board	– Approves Risk Management Policy and Framework – Sets the Group's risk appetite – Receives quarterly strategic risk reports – Receives regular reports and minutes from the Audit and Risk Committee and other Boards and Committees.
Audit and Risk Committee	– Reviews strategic risks and controls assurances at each meeting – Monitors and evaluates the Group's Risk Management and internal control framework – Reviews internal audit reports and recommendations for improvement – Reports its findings and recommendations to the Group Board.
Other Committees and Boards of the Group	– Reviews key risks within their remit – Review key control assurances, linked to the three lines of defence.
Executive Team	– Reviews strategic risk registers and associated risk mitigations – Strategic risks are owned at Executive Director level – Responsible for identifying new and emerging risks along with changes in the risk profile of existing risks. – Receives all internal audit reports.
Director Team	– Reviews operational risk registers and strategic risks – Operational risks owned at Director level – Review risk management operating environment and appropriateness of assurance framework – Receive all internal audit reports.

The Business Assurance Group and individual teams across the Group consider risks relating to their area of business and how each risk is reflected in the risk register along with the controls that have been identified.

Risk appetite

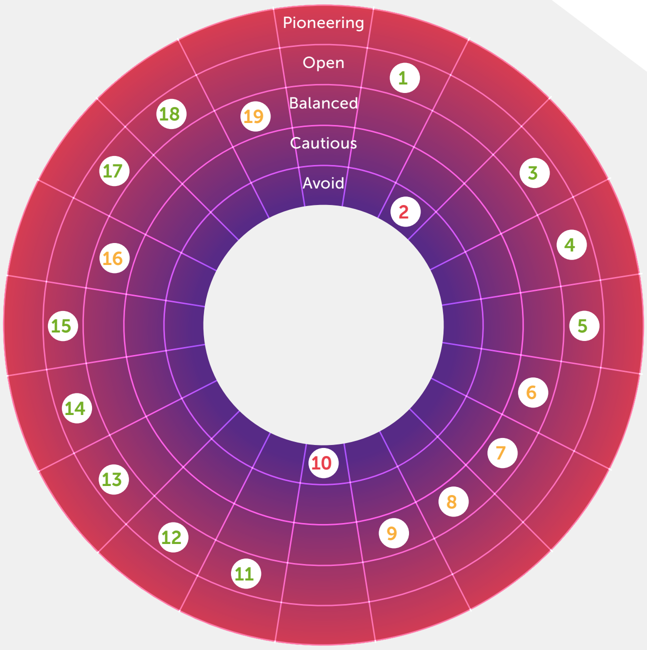
The Board and Executive Leadership Team have recently been through an externally facilitated exercise to review and refresh our risk appetite in relation to key activities within the Group. We've produced a risk statement for 19 areas within the business and assigned an overall level of risk appetite for each area, as per the descriptions in the table below.

Avoid	Avoidance of risk and uncertainty is a key organisational objective
Cautious/ Minimal	Preferences for ultra-safe options that have a low degree of inherent risk and no chance of material adverse impact
Balanced	Preference for safe options that have a low degree of inherent risk and may only have limited potential for reward
Open	Willing to consider all potential options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward and value for money
Pioneering/ Ambitious	Eager to be innovative and to choose options based on potential higher rewards

The statements and tolerance for each area of risk will be used by the Board as part of our assessment of key projects and to support our overall decision-making process.

Group risk appetite

1	Development and Sales
2	Regulatory and legal compliance
3	Improving housing service and customer satisfaction
4	Care and Support
5	Partnership opportunities
6	Colleague turnover
7	Growth and diversification of housing services
8	Business Plan assumptions and golden rule headroom
9	Funding arrangement and liquidity headroom
10	Health and safety compliance
11	Active asset management
12	Growth through mergers
13	Environmental sustainability
14	Technological innovation
15	Community and customer support initiatives
16	Short-term negative impact on productivity or performance due to the introduction of change programmes
17	Enhancing customer voice
18	Increasing diversity
19	Exceeding required investment standards in existing homes



1. Development and Sales Risk appetite: **OPEN**	Overall we have an open attitude towards development. We're open to developing shared ownership, affordable rent and social rented properties. Our appetite for market rent homes and 'extra care' homes is more balanced. The Board has a balanced appetite for delivering outright sale products. We consider this to be appropriate given the current and likely ongoing economic uncertainty. Our 'golden rule' on total sales activity is that it should make up no more than 20 percent of our overall turnover. We assess the level of sales activity as part of our approved Business Plan rather than this being a hard and fast rule for each year.
2. Regulatory and legal compliance Risk appetite: **AVOID**	The Board has no appetite for regulatory non-compliance or non-adherence to legislation. There is also no appetite for a G2 judgement from the Regulator of Social Housing (i.e. "the provider meets governance requirements but needs to improve some aspects of its governance arrangements to support continued compliance"). The Board receive regular updates in relation to regulatory and statutory compliance and put resource into external assurance to ensure this position is rigorously tested. There is, however, a balanced appetite towards a V2 judgement (i.e. "the provider meets viability requirements. It has the financial capacity to deal with a reasonable range of adverse scenarios but needs to manage material risks to ensure continued compliance"). We recognise the inherent risks in an open risk appetite towards development and are comfortable with this position, as long as governance remains strong enough to the associated risks. The Board is also open to a V2 judgement in relation to future work that may be necessary to enable the Group to deliver a substantial development programme alongside achieving zero-carbon emissions across its stock. This balanced approach is reflected in the annual business planning decisions and the sign off of the Financial Forecast Return. In addition, the Board receives reporting on the annual sector risk profile and outcomes from In-Depth Assessments to establish whether V1/V2 boundaries are likely to change.
3. Improving housing service and customer satisfaction Risk appetite: **OPEN**	We have an open appetite for additional time/money investment to improve housing services with the objective of increased customer satisfaction levels. Increased focus on customer satisfaction will be achieved by enhancing our customers' access to information and providing further digital routes in the accessing of services. Budgets are reflective of these plans.
4. Care and Support Risk appetite: **OPEN**	The Board has an overall open appetite for Care and Support services, including support for people with disabilities, investing in assistive technologies, aids and adaptations and investing to improve care and support standards. Our commitment to delivering these services is reflected in our Care and Support strategy. We have a balanced appetite towards Care and Support services which only just break-even after overheads. The profitability of services are monitored by the Board through budget-setting and routine management accounts. The continuation of services that are operating at loss will be subject to an annual decision by the Board. The Finance and Treasury Committee will also be undertaking a deep dive into the profitability of service lines later in 2021/22.
5. Partnership opportunities Risk appetite: **OPEN**	We have an open appetite towards continuing existing partnerships with Evera Homes, NCHA Strategic Partnership and the Blue Skies development consortium. Each is considered to be successful in achieving business plan objectives. Overall, we have an open appetite towards further formal partnership working, particularly with 'traditional' partners such as local authorities, not-for-profit registered providers, and Care and Support bodies. There's also an open appetite towards institutional investment. We remain open to future partnership proposals and will actively review the benefits and risks of potential opportunities as and when they arise. However, our appetite towards working with commercial house builders and for-profit housing registered providers is more balanced. There's a more cautious view in partnering with relatively new or novel registered providers structures, but we recognise these opportunities. We also recognise the potential to grow through the management of homes for other providers, to both de-risk investment requirements and dilute our management cost per unit.
6. Colleague turnover Risk appetite: **BALANCED**	We have a balanced appetite towards colleague turnover. While retaining talent is important, we recognise that attracting new talent, and therefore new ideas, is necessary for continued success and the Board consider this to be a healthy tension. Current colleague turnover is 8.76 percent over the last 12 months. This compares to turnover of 20.95 percent in the previous 12 months. Colleague turnover in the Care and Support part of the business is 5.61 percent over the last 12 months. This compares to turnover of 9.81 percent in the previous 12 months.

7. Growth and diversification of housing services Risk appetite: BALANCED	The Board has a balanced appetite towards the growth and/or diversification of housing services. Any new services would be required to be closely related to the Group's existing activities. We are also open towards sharing services with other providers to achieve efficiencies and/or greater quality of provision.
8. Business Plan assumptions and golden rule headroom Risk appetite: BALANCED	The Board's appetite for getting close to business plan golden rules is balanced, indicating that, while we do not wish for these to be changed, we're happy for financial plans to use all of the capacity within the limits given by the golden rules in order to maximise the social benefit delivered by the organisation and the satisfaction levels of customers. The golden rules provide a good amount of headroom to absorb risk materialisations without putting covenants or liquidity at risk.
9. Funding arrangements and liquidity headroom Risk appetite: BALANCED	We have a balanced approach to our golden rule liquidity requirements as documented in the Treasury Management Policy. We're open towards increasing our cash holdings to take advantage of any opportunities that arise during the recovery from the Coronavirus pandemic. At the Balance Sheet date, the minimum headroom against cash and facilities is £164.3m. The Board has a balanced approach to new or novel methods of funding that help the Group achieve our business plan objectives whilst maintaining a similar risk profile. Swaps are in place with a notional value of £75m and a mark-to-market value at the 31 March 2021 of £22m.
10. Health and safety compliance Risk appetite: AVOID	As far as is reasonably possible, the Board seeks to avoid the risk of any homes being unsafe or unhealthy to our residents. We require frequent and robust assurance through our normal reporting cycle that all material health and safety risks have been identified and assessed, and that the appropriate controls are in place to manage those risks. The Board and Audit and Risk Committee also closely monitor progress with the delivery of any additional control measures that are required to be implemented to maintain these risks at an acceptable level.
11. Active asset management Risk appetite: OPEN	The Board has an open appetite towards the disposal of assets to generate income to build new homes. The disposal of properties won't necessarily be driven by existing tenure, rather the extent to which the asset provides value-for-money. Any poor performing assets (by net present value) will be identified and appraised against wider considerations such as social good, geographic location and wider strategic objectives. This is reflected through the active use of an externally-validated asset performance model which helps to identify disposal opportunities. The Board also has an open appetite towards office rationalisation. The new Workplace strategy currently in consultation, proposes a reduction in the number of Group offices from 13 to three.
12. Growth through mergers Risk appetite: OPEN	We're open to the opportunity of merging with a smaller or local housing association but have a more balanced appetite for merging with an equivalent-sized, larger or national association. All proposals for mergers and acquisitions will be subject to Board scrutiny and approval with the starting position that the Board would be more in favour of merging with smaller organisations compared to merging with larger entities. The potential 'rescue' of a failing organisation will be considered where the provider is smaller than the Group and can be absorbed without materially impacting our financial capacity.
13. Environmental sustainability Risk appetite: OPEN	The Board has an open attitude towards delivering EPC-C before 2030, and Zero-Carbon before 2050. While there is a desire to achieve these ambitions earlier, if possible, we recognise that the cost of doing so is not yet sufficiently well understood. The Board has asked the Executive Leadership Team to actively seek opportunities to contribute towards cross-sector initiatives and research on this issue, and to continually seek ways to decrease the organisation's carbon footprint in our areas of operation. As part of the Environmental Strategy currently being developed, the carbon footprint of the Group will be presented to the Board, alongside proposed options and objectives to decrease this in the second half of 2021. Delivering Zero-Carbon across all properties will result in strategic choices as to what else we're able to deliver. To that end, we have a balanced appetite for a reduction in Care and Support, housing services, and developing new homes. We have a more open appetite towards stock rationalisation, including the disposal of poor performing assets.
14. Technological Innovation Risk appetite: OPEN	Overall, the Board has an open appetite towards technological innovation. We're open to the introduction of technology that may lead to a reduction in staffing, further assistive technologies in Care and Support services and the use of smart technologies in newly developed homes. We have started a programme of contractor and colleague training on the use of new technologies to assist in this. We have an open appetite towards increased level of home-working for staff (compared to pre-Covid-19) and an increase in virtual Board meetings.

15. Community and customer support initiatives Risk appetite: OPEN	We have an open appetite for providing community/customer support initiatives. This is reflected in the Board-approved Corporate Strategy and Business Plan, which defines and provides funding for a range of services including apprenticeships and graduate programmes, providing access to mental health, digital communication and mental health support, as well as investing to tackle homelessness and support people experiencing domestic abuse. We're keen to reflect on current services provided and to take account of the Social Housing White Paper outcomes (for example, the ongoing need to tackle domestic abuse) and learning from the support provided/required since the start of the pandemic. This exercise is currently being scoped but is captured on the Board forward plan.
16. Short-term negative impact on productivity or performance due to the introduction of change programmes Risk appetite: BALANCED	The Board has a balanced appetite towards temporary reduction in levels of colleague satisfaction, or increased void or arrears levels as a result of change programmes. The Board is, however, cautious towards any impact on operational performance or customer satisfaction. Projects that will introduce new technologies or significant changes in the operational model will be subject to approval by the Board, and ongoing monitoring of project delivery impacts.
17. Enhancing customer voice Risk appetite: OPEN	The Board considers the insight of customers vital to understanding their needs and expectations and to drive high-performing and valued services. The Board believes this in turn should help to influence strategic direction. Currently customer insight is gathered through the Customer Forum and annual Board Forum meetings. There is an open appetite towards providing further opportunities for customers to scrutinise service performance, to influence delivery of housing services, and to shape community projects. There are plans in place to review the effectiveness of the Customer Forum and Board Forum meetings in 2022.
18. Increasing diversity Risk appetite: OPEN	We have an open appetite towards the organisation, both at Board and staff level, being representative of the communities we work in. To achieve this, there are a number of planned actions including the use of the National Housing Federation Diversity tool to ensure colleagues are reflective of communities and external support to ensure inadvertent bias does not occur during recruitment. The Board is also open towards reducing the gender pay gap within the organisation. The Group's mean and median pay gap for 2020 was 17.6 percent, which is a decrease compared to 2019's performance and slightly below the national not-for-profit average. This is still slightly higher than the median national average of 15.5 percent and is impacted by the number of care worker relative to other roles. The People, Remuneration and Nominations Committee receive an annual report on gender/characteristics pay gaps. There is an action plan to reduce pay gaps which is monitored at that group.
19. Exceeding required investment standards in existing homes Risk appetite: BALANCED	The Board acknowledge and support changes that set a higher bar for investment standards in existing homes which will be changing as a result of a number of drivers including government policy, building safety and environmental sustainability. The Board has a balanced appetite for exceeding future minimum investment standards.

Principal risks and uncertainties

The seven risks identified below currently represent the greatest potential impact to our business and the achievement of our business plan objectives.

Risk	Causes & Impact	Principal Mitigations	Key Control Assurances
Impact of Covid-19 on performance and service delivery All areas of the business have been impacted to some extent by Coronavirus and changes to the way we work. **Risk owner:** Executive Leadership Team. **Trend:** Probability Impact	**Cause** – Difficulties in letting some properties, particularly sheltered, supported and extra care. – Government legislation and directions on Coronavirus. **Impact** – Ability to deliver safe and personal services, particularly in Care and Support. – Ensuring that efficiencies can be driven through new methods of working. – Additional Health and Safety measures. – Ongoing disruption to our contractors and suppliers.	– Implementation of Working Smarter Together programme, to ensure focus on customer requirements and service delivery. – Streamlining the process for letting homes and looking at more creative options where properties remain vacant. – Customers being consulted, to ensure services and delivery meets their requirements. – Business Plans have been stress tested under varying scenarios. – Detailed and specific operational Coronavirus risk register in place and being maintained as the national and regional position changes with vaccination roll-out and lockdown easing.	– Methods of agile and smarter working have proved successful over the last 12 months and provides a solid foundation on which to build. – Ongoing support for customers and colleagues. – ICT systems and infrastructure is in place to support transition.
Disruption to the delivery of development programme, sales and JVs The Group aims to provide 750 new homes per year. **Risk owner:** Marcus Keys. **Trend:** Probability Impact	**Cause** – Property market downturn. – Labour and material prices rising faster than expected. – Availability and price of land. – Failure to secure grant through long-term Affordable Homes bid. – Management of Joint Ventures. **Impact** – Business Plan (BP) targets could be missed. – Cash flow and funding issues if new homes not delivered in line with BP assumptions.	– Prudent assumptions used in Business Plan which are independently reviewed. – Committed development programme phased to provide flexibility. – Stress testing of development plans in BP sensitivity analysis. – Flexibility exists to amend scheme profiles in terms of outright sale to rented. – Strategic Partnership programme through to March 2023 now identified.	– Development Strategy and Land Acquisition Strategy approved at Group Board and monitored at Development Committees. – Development programme performance in line with BP targets. – Track record of delivery with Homes England. – Joint ventures in place to ensure maximum reach and spread risk.

Our risk management and internal controls
continued

Risk	Causes & Impact	Principal Mitigations	Key Control Assurances
Potential health and safety breaches Managing areas such as fire risk, gas and electrical safety, legionella and asbestos. **Risk owner:** Sharon Guest. **Trend:** Probability Impact	**Cause** – Failure of internal control framework. – Contractor fails to deliver required level of service. – Failure to comply with regulations and legislation. **Impact** – Injury or fatality to customers and or colleagues. – Criminal proceedings against the Group. – Reputational damage. – Financial loss – fines. – Regulator action – governance downgrade.	– 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 the Group Board. – Internal quality assurance work and review. – Risk assessments have been updated and continue to be updated to reflect additional requirements linked to Covid-19.	– Key focus of internal audit programme. – Internal H&S Team independently verify property compliance areas. – Quality assurance work undertaken in-house to ensure contractors comply with standards. – Spot checks by independent third party professionals.
Government policy Social Housing White Paper, plus a number of policies in connection with new build requirements for de-carbonisation and green agenda. Potential for sudden government policy changes against the backdrop of the debt levels built up to tackle the pandemic. **Risk owner:** Executive Leadership Team. **Trend:** Probability Impact	**Cause** – Not fully engaging or understanding current and impending legislation requirements. – Failure to anticipate and be responsive to changes in government policy. **Impact** – BP assumptions and strategies can become outdated or obsolete – Managing reputational issues.	– EPC works fully costed within approved BP. – Business Plan modelling of stock improvement works required for decarbonisation. – De-carbonisation programme and modern methods of construction included within April 2021 BP. – Engagement and horizon scanning by the Executive Leadership Team and Board to ensure key issues can be anticipated. – BP modelled with various adverse scenarios to ensure financial robustness going forward under various strategies and government policies.	– Close working with professional advisors on potential changes. – Close liaison and support given to NHF on national campaigns etc. – Experienced, qualified colleague team in place.

Risk	Causes & Impact	Principal Mitigations	Key Control Assurances
Interruption to business continuity and cyber attacks Ensuring the Group can react to business-critical events and maintain essential services. The Coronavirus pandemic has shown the importance of maintaining robust policies and procedures for unexpected events. **Risk owner:** Lynn Stubbs. **Trend:** Probability Impact	**Cause** – Exceptional events on a national and international scale. – Local events such as flooding. – Cyber-attacks, hacking, crypto locking and ransomware. – More home and remote working has created additional cyber related risks. **Effect** – Services to customers are interrupted. – Colleague confusion and panic. – Potential harm to customers and colleagues. – Regulator concern and reputational damage. – Loss of stakeholder and investor support. – Financial loss.	– Business Continuity policies and plans in place (formed with professional assistance). – Testing of plans carried out and lessons learnt review from the Coronavirus pandemic. – Appropriate levels of insurance held for business interruption events and cyber cover. – Penetration testing, firewalls, anti-virus software, passwords and restrictions all monitored by ICT.	– Internal audit advisory reports. – Penetration testing, and business continuity testing. – Cyber Plus accreditation held.
Integrating ICT systems based on Microsoft Dynamics, to support the Smarter Working Smarter programme To increase data integration and assurance by less reliance on interfaces and manual processes. **Risk owner:** Rob Griffiths. **Trend:** Probability Impact	**Cause** – Greater need for digitisation of systems with home and agile working. – 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. – Introduction of Working Smarter Together programme. **Impact** – Potential for data inaccuracies. – Not benefiting from the efficiencies of integrated ICT solutions. – Negative impact on staff morale.	– A number of systems have already been successfully moved over to Microsoft Dynamics. – Improved methods of working, greater data accuracy, and efficiencies have already been realised from those systems that have been implemented. – Specialist consultants and professionals used to supplement in-house ICT knowledge as required. – Dedicated project teams and resources have been deployed both in ICT teams and with the client to ensure project success.	– Internal auditors specialist 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. – Lessons learnt from previous implementations are built into future business streams.

Our risk management and internal controls
continued

Risk	Causes & Impact	Principal Mitigations	Key Control Assurances
Tender for new repairs contract to start in April 2022 Following the early termination of the previous repairs contract and the appointment of interim contractor for 12 months. **Risk owner:** Sharon Guest. **Trend:** Probability Impact	**Cause** – Previous contractor's performance and quality issues. – Interim arrangements in place. – Level of interest that may be shown in tendering for the service. **Impact** – Not achieving competitive prices that will deliver value for money. – Customer satisfaction levels don't improve. – Avoidance of over-reliance on one main contractor.	– Interim contractor already providing other property service functions for the Group. – Steering Group in place drawn from all required disciplines across the Group. – Regular reporting to Executive Leadership Team and Group Board. – Call centre for repairs brought back in house. – ICT solution to ensure customers can report repairs effectively. – Splitting the repairs service into three separate areas reduces the reliance on one contractor.	– Use of specialist procurement services for repair services. – Oversight and input from the Group's Procurement team.

Financial Review

Our Board is pleased to present the financial results for the year ended 31 March 2021.

Statement of Comprehensive Income

	2021 £'000	2020 £'000	2019 £'000	2018 £'000	2017 £'000
Turnover	**152,775**	153,821	167,361	145,602	110,843
Cost of sales	**(21,113)**	(25,301)	(35,492)	(26,849)	(9,543)
Operating costs	**(95,802)**	(89,945)	(82,756)	(73,079)	(60,971)
Surplus on disposal of fixed assets	**2,098**	3,470	1,550	1,324	939
Operating surplus	**37,958**	42,045	50,663	46,998	41,268
Share of surplus/(deficit) from associated undertakings	**457**	(272)	–	–	–
Interest receivable	**311**	579	471	53	24
Interest and financing costs	**(30,200)**	(28,448)	(29,254)	(24,591)	(24,139)
Changes in fair value of investments	**4**	(2)	–	–	–
Movement in fair value of investment properties	**44**	(176)	13	(21)	18
Negative goodwill	**–**	–	–	4,568	–
Surplus before taxation	**8,574**	13,726	21,893	27,007	17,171
Taxation on surplus	**(91)**	(326)	(142)	(416)	(146)
Surplus for the financial year	**8,483**	13,400	21,751	26,591	17,025
Other comprehensive income					
Initial recognition of multi-employer defined benefit pension scheme	**–**	–	(9,481)	–	–
Actuarial gains/(losses) on defined benefit pension scheme	**(11,524)**	10,915	(4,659)	188	(508)
Movement in fair value of hedged financial instruments	**5,700**	(2,171)	1,032	–	–
Total comprehensive income for the year	**2,659**	22,144	8,643	26,779	16,517
Operating margin	**24.8%**	27.3%	30.3%	32.3%	37.2%
Operating margin – excluding surplus on disposal of fixed assets	**23.5%**	25.1%	29.3%	31.4%	36.4%

The consolidated Group surplus for the year ended 31 March 2021 was £8.5m after tax, compared to a surplus of £13.4m for the same period in 2019/20.

The Group's total turnover for the year decreased from £153.8m in 2019/20 to £152.8m in 2020/21. The decrease in turnover was a result of reduced shared ownership first tranche sales income, which significantly exceeded budget in the prior year. Performance on shared ownership sales during the year remained positive despite some initial concerns in April that sales could be adversely impacted by the Coronavirus pandemic.

The turnover from social housing lettings has remained consistent year on year; as a percentage of turnover, social housing lettings increased from 74 percent to 75 percent. Overall, our turnover from social housing lettings was down when compared to budget due to delays in schemes being handed over and an increase in void rent losses linked to the Coronavirus pandemic. The main impact on void rental loss has been felt within the Care and Support area with customer referrals from local authorities being put on hold.

The increase in operating costs and resulting reduction in the operating margin is due to a number of factors. We've incurred additional costs in some part of the business due to the impact of the pandemic, in particular in Care and Support; we saw costs rise with an additional £420k spent on Personal Protective Equipment (PPE) and staffing costs increasing to ensure sufficient cover was in place whilst also increasing overtime rates for care colleagues. The other main area of cost increase has been with the repairs areas where we've invested in more resources due to problems we've experienced with repair completions. A further factor in the increase in costs has been an impairment provision relating to an office that has been identified for sale and the write off of £900k of development costs on projects that have been refused planning and may not now proceed.

Total interest costs for the year were £30.2m up from £28.44m the previous year. The increase in interest costs reflects the sale of the retained bonds in March 2020 and a reduction in capitalised interest due to delays on the development programme.

Statement of Financial Position

	2021 £'000	2020 £'000	2019 £'000	2018 £'000	2017 £'000
Fixed assets	**1,231,706**	1,181,008	1,131,267	1,083,401	932,385
Current assets	**119,230**	154,100	78,146	54,840	41,989
Creditors: amounts falling due within one year	**(54,395)**	(41,808)	(41,354)	(37,567)	(31,304)
Total assets less current liabilities	**1,296,541**	1,293,300	1,168,059	1,100,674	943,070
Creditors: amounts falling due after more than one year	**(996,885)**	(1,005,712)	(885,809)	(853,190)	(727,935)
Pension liability	**(21,641)**	(12,232)	(29,333)	(3,224)	(3,505)
Net assets	**278,015**	275,356	252,917	244,260	211,630
Capital and reserves					
Cash flow hedge reserve	**(22,023)**	(27,723)	(25,552)	(26,584)	(32,435)
Income & Expenditure Reserve	**164,782**	166,780	140,265	131,282	103,563
Revaluation Reserve	**135,256**	136,299	137,204	138,562	139,502
Restricted reserve	**—**	—	1,000	1,000	1,000
Total reserves	**278,015**	275,356	252,917	244,260	211,630

The net book value of the Group's fixed assets grew by £50.7m in the year to £1.23bn at the end of March 2021. The increase in the recorded value of the fixed assets was realised through the increased investment in the provision of 340 new homes.

Total debt at the end of March 2021 reduced to £687.9m from £695.1m the previous year due to the repayment of revolving credit facilities and contractual loan repayments. No new facilities were agreed following the prior year sale of our retained bonds to raise £100m to fund the next phase of our development programme.

The pension liability has increased to £21.6m from £12.2m the previous year due to the impact of market movements; lower discount rate, higher inflation rate assumptions and the reform of RPI applied in the valuation. Asset performance on the pensions scheme has largely been strong, though not sufficient to offset the increased liability.

The cash flow hedge reserve reduced by £5.7m to £22.0m at the end of March 2021. The decrease is due to the movement in swap rates at the end of March 2021 resulting in a reduction in the Group's Mark to Market position.

Treasury management

At 31 March 2021, the Group has agreed loan facilities totalling £847.8m of which £683.5m was drawn. Loans totalling £738.0mm 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 £109.8m being held directly within the Group.

In line with the Group's approved Treasury Strategy, all new funding is arranged through one of our Special Purpose Funding Vehicles.

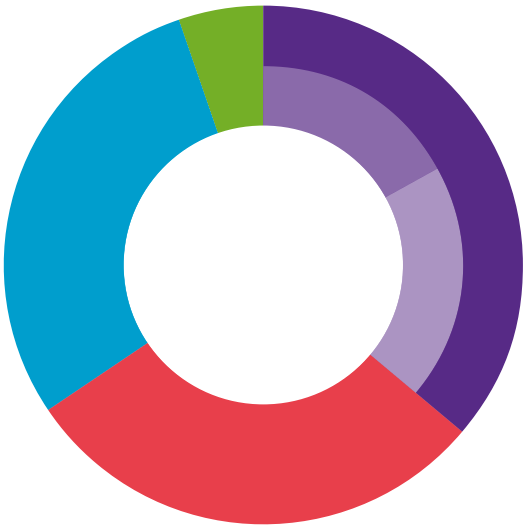
Group loan facilities

At 31 March 2021, the Group had total loan facilities available of £847.8m of which £164.3m remained undrawn at the balance sheet date. The reduction in agreed facilities is due to contractual capital repayments made during 2020/21 and the Group's development programme being funded during the year via free cash reserves.

There have been no new additional facilities arranged or existing facilities extended in the last year; the sale of £100m retained bonds in March 2020, together with existing undrawn revolving facilities, provided ample liquidity as determined within the Group's Treasury Management Policy.

In total, £488.0m of total committed facilities has either been issued or is managed under Group Loan facilities by Libra (Longhurst Group) Treasury plc.

Total committed funding – 31/03/2021



Bank loans	**36%**
– drawn	**17%**
– undrawn	**19%**
Libra 2018 Bond	**29%**
Libra 2012 Bond	**29%**
Other – Capital markets	**6%**

Bond and capital markets debt now account for 79 percent of the Group's total debt with the balance being provided through a mix of short, medium and long-term bank debt.

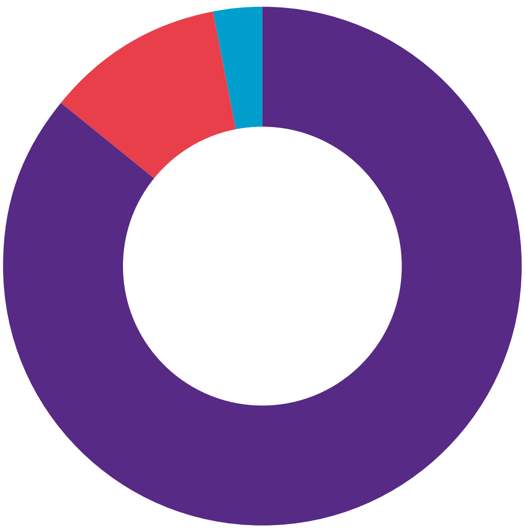
Our Treasury Management strategy is to maintain our hedging activity within flexible parameters, as defined within the Treasury Management Policy. The exact proportion of fixed rate borrowings (where the rate is fixed for 12 months or more) is set each year when the Board agrees the Group's annual treasury strategy. The level of fixed rate debt is determined by analysing 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 ensures that no more than 100 percent of its net exposure is fixed at any time.

Hedging activity

The Group's hedging activity is within the Treasury Management Policy's agreed parameters, with a total of 97.11 percent fixed through a combination of embedded fixed rates and standalone derivatives (ISDA).

The ratio of fixed rate debt has decreased marginally during 2020/21 as a result of a reduction in the notional value of standalone derivatives and maturity of embedded fixed rates, offset by a reduction in variable debt due to contractual capital repayments related to amortising facilities.

Hedging activity



Embedded fixed	**£588,231**	**86%**
Variable	**£75,500**	**11%**
ISDA	**£19,759**	**3%**

Debt repayment profile

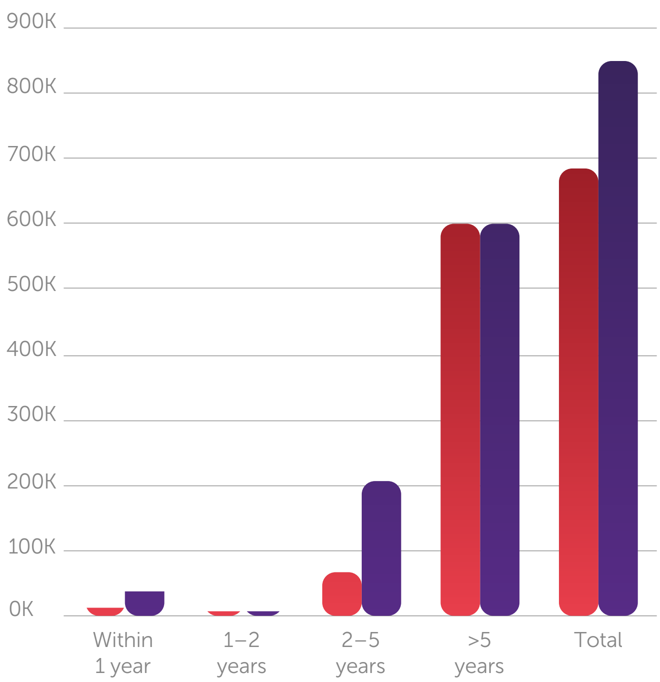
The majority of the Group's loans have been arranged under long-term facilities with 76 percent being for five years and beyond. The balance of 24 percent are short-term facilities with a final repayment date of between two and five years.

The repayment profile for the drawn and undrawn debt held across the Group is summarised in the chart below, including loan discount/premiums totalling £12,838k and loan issue costs of (£8,421k).

Undrawn committed facilities totalling £164.3m are from revolving credit facilities repayable within the next five years.

In total, 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.

Debt repayment profile



Drawn	**£683,490**
Committed	**£847,790**

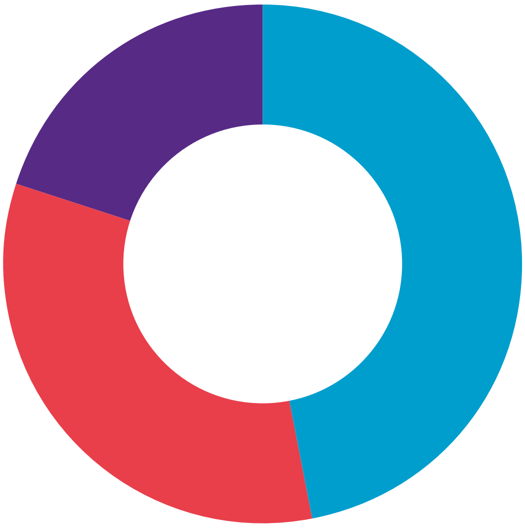
Liquidity

At 31 March 2021 the Group has available cash of £81.6m and £114.3m of undrawn facilities available to draw with two days' notice.

In total, £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.

Available liquidity – 31/03/2021



Undrawn to be secured	**£114,300**	**47%**
Cash	**£81,608**	**33%**
Undrawn secured	**£50,000**	**20%**

Loan structure

Loans are either managed within Libra (Longhurst Group) Treasury plc £488.0m) or Libra (Longhurst Group) Treasury No 2 plc (£250.0m), with the remaining legacy facilities managed directly within Longhurst Group (109.8m).

This year will see the transition from LIBOR to SONIA in respect of variable rate loans and stand-alone derivatives and the Group is progressing discussions with lenders to enable this transition.

Interest rate exposure

At 31 March 2021, the Group had a negative stand-alone interest swap exposure of £19.9m (2020: £25.0m), based on £75.5m (2020: £79.5m) of notional paying fixed rate/receiving 3 month 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 31 March 2021, the Group's position was covered by property security of £9.9m for the M2M position in excess of the agreed threshold.

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

Compliance with loan covenants

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.

Our approach to Value for Money

We've been working hard to ensure that Value for Money (VfM) is a key consideration through everything that we do. Our Improving Lives strategy is underpinned by our approach to VfM, enabling us to deliver more new homes and to provide excellent services to our customers.

Measuring Value for Money

Alongside the metrics defined by the Regulator of Social Housing, we've also incorporated some other key indicators and measures linked to our Improving Lives strategy. The additional VfM indicators adopted by the Board are grouped under our Strategic Pillars and are reported on separately on pages 56–58 and include:

- Colleague satisfaction
- Colleague sick days
- Our environmental footprint
- Stakeholder survey
- Customer satisfaction
- Community investment
- Accessibility of stock
- Tenancy sustainment
- Void cost percentage
- Management costs per unit.

How we monitor Value for Money

Our Board and Committees receive quarterly updates on performance against our VfM objectives as part of our normal reporting cycle. We also compare our performance with our peers through a benchmarking group. The organisations we benchmark our performance with have been selected in order to be as close to our business.

2019/20 performance

Our performance against each of the Regulator of Social Housing 's VfM metrics is outlined in the following section. A definition of each of the VfM indicators is provided under note 40.

		Longhurst Group		Peer Group 2019/20				
# Metric	Metric name	**2020/21**	2019/20	Peer 1	Peer 2	Peer 3	Peer 4	Peer 5
1	Reinvestment %	**5.9%**	6.2%	7.8%	6.6%	10.1%	7.1%	7.0%

The investment in the provision of new affordable homes and maintaining our existing homes to a high standard remains a key priority for us. The level of reinvestment of 5.9 percent is consistent with the prior year and reflects the combined investment in the delivery of 340 new homes, starting the development of 549 new homes and investing in £15m of major works to existing homes. The level of reinvestment would have been higher than 5.9 percent if we hadn't experienced delays on our development programme caused by the lockdowns during the year. While we don't have the results from our peer group, our understanding is that a number of Registered Providers have experienced significant delays on development plans during the last year.

		Longhurst Group		Peer Group 2019/20				
# Metric	Metric name	**2020/21**	2019/20	Peer 1	Peer 2	Peer 3	Peer 4	Peer 5
2A	New supply delivered (Social housing units) %	**1.4%**	2.2%	2.2%	1.6%	2.7%	1.1%	2.3%

We delivered 340 new affordable homes in the year to 31 March 2021. The rate of 1.4 percent is down on the 2019/20 figure of 2.2 percent and again reflects the delays to the development programme in the last year. Our pre-Covid-19 Business Plan target for the year was for 542 new homes to be delivered.

		Longhurst Group		Peer Group 2019/20				
# Metric	Metric name	**2020/21**	2019/20	Peer 1	Peer 2	Peer 3	Peer 4	Peer 5
2B	New supply delivered (Non-social housing units) %	**0.0%**	0.2%	0.1%	0.4%	1.0%	0.1%	0.0%

We didn't deliver any new non-affordable homes during the last year and this is consistent with our Business Plan target.

# Metric	Metric name	Longhurst Group 2020/21	Longhurst Group 2019/20	Peer Group 2019/20 Peer 1	Peer 2	Peer 3	Peer 4	Peer 5
3	Gearing %	**50.3%**	50.2%	45.4%	28.1%	51.3%	43.2%	45.8%

Our level of gearing for 2020/21 remained consistent at 50.3 percent with the 50.2 percent in 2019/20. Despite the slowdown in development work, this is consistent with our expectations given the level of cash reserves held linked to the £100m sale of retained bonds in March 2020. Our expectation is that gearing will increase over the coming year as development activity picks up.

We're aware that gearing is one of our less well performing indicators within our peer group. Our tightest covenant is at 65 percent which provides significant headroom and furthermore, our Business Plan has and continues to be extensively stress tested in relation to key risk areas such as development. The Board is comfortable with the projected increase in gearing as part of our investment in the provision of new homes.

# Metric	Metric name	Longhurst Group 2020/21	Longhurst Group 2019/20	Peer Group 2019/20 Peer 1	Peer 2	Peer 3	Peer 4	Peer 5
4	EBITDA MRI Interest Cover %	**117.9%**	138.2%	158.8%	267.7%	113.7%	131.1%	159.8%

Our EBITDA MRI interest cover for 2020/21 was 117.9 percent compared to 138.2 percent in 2019/20. The reduction in interest cover is due to an increase in the capital works programme during the year of just over £3m, an increase in operating costs in some parts of the business due to the Coronavirus pandemic, higher void losses across the business and lower rental income than had been anticipated from new homes being completed which were subsequently delayed.

# Metric	Metric name	Longhurst Group 2020/21	Longhurst Group 2019/20	Peer Group 2019/20 Peer 1	Peer 2	Peer 3	Peer 4	Peer 5
5	Headline social housing cost per unit	**£4,212**	£3,832	£3,610	£3,325	£4,112	£4,632	£3,216

Our overall social housing cost per unit increased from £3,832 in 2019/20 to £4,212 in 2020/21. The increase in costs is due to the reasons outline above, the overall average cost per unit is also then higher due to a reduction in the number of homes that were expected to be completed by the end of March which was 202 down on the business plan target.

# Metric	Metric name	Longhurst Group 2020/21	Longhurst Group 2019/20	Peer Group 2019/20 Peer 1	Peer 2	Peer 3	Peer 4	Peer 5
6A	Operating Margin (social housing lettings) %	**28.1%**	31.1%	31.7%	33.9%	39.7%	25.7%	30.8%
6B	Operating Margin (overall) %	**23.5%**	25.1%	29.2%	30.5%	26.1%	26.2%	27.8%

The Group's operating margin on social housing lettings dropped to 28.1 percent in 2020/21, down from 31.1% the year before. The reduction in margin on social housing lettings is due to the reasons already outlined in metrics 4 and 5.

The overall operating margin (excluding surpluses on asset sales) dropped to 23.5 percent in 2020/21 from the 25.1 percent the year before. In addition to the reasons outlined above, the core operating margin was negatively impacted by further cost challenges on care contracts under other social housing activities and a small impact from our shared ownership sales, where the margin on sales for the year was 24.7 percent.

Value for Money statement
continued

# Metric	Metric name	Longhurst Group 2020/21	Longhurst Group 2019/20	Peer Group 2019/20 Peer 1	Peer 2	Peer 3	Peer 4	Peer 5
7	Return on capital employed %	**3.0%**	3.2%	3.7%	5.1%	4.5%	3.0%	4.1%

Our overall return on capital has reduced from 3.2 percent in 2019/20 to 3 percent in 2020/21 and we're currently at the lower end of our peer group. The reasons for the reduction in operating surplus are covered above.

Future projections

# Metric	Metric name	Longhurst Group 2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
1	Reinvestment %	7.0%	5.0%	6.4%	5.9%	8.6%	10.1%	7.6%
2A	New supply delivered (Social housing units) %	1.7%	2.2%	2.2%	1.4%	3.0%	2.9%	2.8%
2B	New supply delivered (Non-social housing units) %	0.3%	0.5%	0.2%	0.0%	0.1%	0.0%	0.0%
3	Gearing %	49.8%	49.2%	50.2%	50.3%	51.9%	56.2%	57.7%
4	EBITDA MRI Interest Cover %	177.5%	172.9%	138.2%	117.9%	143.8%	158.7%	174.4%
5	Headline social housing cost per unit	£3,265	£3,443	£3,831	£4,212	£4,122	£4,141	£4,094
6A	Operating Margin (social housing lettings) %	37.6%	34.6%	31.1%	28.1%	29.5%	31.9%	33.8%
6B	Operating Margin (overall) %	31.4%	29.3%	25.1%	23.5%	28.9%	29.9%	28.9%
7	Return on capital employed %	4.3%	4.3%	3.2%	3.0%	3.3%	3.5%	3.7%

Our projections against each of the Regulator of Social Housing's VfM metrics is shown in the table above, covering the period through to 2023/24.

The projections are based on the Business Plan approved by the Board on 30 March 2021. Some of the key points to note from these future projections include:

- We have an ambitious future programme for development which see a significant increase in the supply of new affordable of homes.
- A consequence of our ambitious development programme is that we're expecting our overall level of gearing to increase to 57.7 percent by 2023/24.
- Our latest approved business plan is focused on delivering operational efficiencies alongside the provision of new homes and excellent services. We're expecting efficiencies to be realised through a reduction in operating costs linked to our new Working Smarter Together programme and a dilution of operating costs through new homes coming into management. Our rental income will also increase during the period through to 2023/24 as new homes come into management from the development programme.
- We're expecting the operating margin on social housing lettings to increase to 33.8 percent by 2023/24 and our core operating margin to close to 29 percent by the same year.

Governance

Chair's introduction to governance

The past 12 months have been dominated by the Coronavirus pandemic. All aspects of life in the UK, and the wider world, have been touched in some way by its impact. The Group has been no different; its focus throughout the pandemic has been on keeping both customers and colleagues safe. I'm proud to say that given the Group's continued strong financial status and excellent management, this goal has been achieved. The Board has supported the Executive Leadership Team through this time, ensuring timely, responsive decisions were made in the fast-paced, changing environment that presented itself.

Whether at one of the Group's Care and Support locations, main offices or in colleagues' homes, the focus has been on ensuring that people's wellbeing and safety is at the forefront of all activities and services. As part of the Group's response to the pandemic, we've developed new agile, innovative ways of working as well as increasing our interaction with customers. We've also been helping to tackle loneliness and mental health pressures amplified by the national lockdowns and Coronavirus restrictions.

The Board too has adapted to the pandemic, with Board and Committee meetings being held virtually by Microsoft Teams. This change to the delivery of meetings has not hampered style or discussion and meetings have remained focused and strategic. In fact, operating in this way has opened more opportunities for smaller strategic discussion sessions and development for members through the use of one item agenda meetings and webinars.

Furthermore, changes to the way in which the Group has operated over the past 12 months have helped to shape and form new Group strategies to enable more flexible, agile working; a benefit to colleagues and customers alike. These new ways of working, together with the digitalisation of services, will ensure that providing excellent services to our customers is at the heart of what we do. The Board received regular updates on both the performance and response of the organisation to the pressures of the pandemic, providing visibility and support throughout.

The last year has also brought other changes to the Group's operating environment which have required the attention of the Board.

November 2020 saw the publication of the Social Housing White Paper, a commitment from the government to provide transparency and accountability from landlords to customers. The Group Board has welcomed the paper, its focus and direction, and has been pleased to see some of the changes already in place within the Group.

Following the introduction of the Customer Forum in 2020, the Group created a Customer and Board Forum, from which there's direct connectivity from the Board to the customers. This forum looks at the activities of the Customer Forum throughout the year as well as providing an environment for customers and Board Members to talk openly about performance and future aspirations of the Group. This interaction is a direct response to the themes within the White Paper in respect of customer voice and landlord performance.

More focus at the Customer Forum meetings is now on the Group's performance in health and safety. Similar to the oversight that the Group Board has, the Forum receives performance KPIs in regard to health and safety, as well as direct interaction with the Group's Head of health and safety during meetings, providing assurance to customers as well as an opportunity to discuss any concerns.

Also, in late 2020, the National Housing Federation's Governance Code was published. Like the White Paper, the new code seeks to improve accountability across the sector. The code also has a renewed focus upon equality, diversity and inclusion, something that the Group's PREMCO has been heavily focused on over the last 12 months. The Board has continued to champion equality, diversity and inclusion across the organisation through the continued development of the Group's People Strategy, its policies and decision making.

The Group is working with EvenBreak, a specialist recruitment agency, to encourage more applications from disabled candidates. A diversity and inclusion Group was also established in 2021, with the aim of driving change across the business. In November 2020, the Group introduced the FREDIE (Fairness, Respect, Equality, Diversity, Inclusion and Engagement) framework and in early 2021, the Group came 21st out of 100 in the annual FREDIE awards.

Historic changes to both the development and housing sectors in respect of the environment have also featured on the Group Board's agenda, along with other challenges which have begun to appear on Board and Committee agendas. The Board is committed to delivering its Environmental Strategy in 2021/22 with strong links to digital inclusion and addressing the challenges in the Care and Support environment. This, in turn, has led to the adoption of the Good Economy Sustainability Reporting standard for Social Housing by the Board, representing a strong step forward in the Group's journey towards excellence in reporting and social governance.

Working with the Audit and Risk Committee, the Group Board has increased oversight for health and safety across the organisation, improving its already robust framework, in regard to customers and colleagues. Championing health and safety is just one of the ways the Board demonstrates that the customer remains at the heart of their priorities.

Notwithstanding all of the above, the Group maintained its G1 V1 rating from the Regulator of Social Housing, something that again reflects the Group's commitment to excellent governance and financial vigour.

Reflections as the Chair

The last year has been an historic one for me for other reasons than the pandemic as I'm now in my final year as Chair of Longhurst Group. Looking back over the past nine years, it gives me a great sense of pride to see where the Group has come from to where it is now.

The Group has grown and changed beyond recognition in terms not only of its structure, but also its drive and purpose. Whilst the original structure undoubtedly served its purpose at the time, providing the Group with excellent financial stewardship, the current streamlined structure and focus on the integration of care and housing skills, puts it in an excellent position for future years to come.

The Board has evolved too, with skills and competencies in place to get the Board where the Group needs to be. It's not about representatives, it's about true understanding of the Group, its customers and its environment. The recruitment route for the new Chair reflects this. The process will see a truly independent and transparent process to ensure that the new Chair is fully equipped to continue to drive strategy and change. I wish my successor all the very best of luck on what I know will continue to be, an incredible and exciting journey.

Robert Wilson
Chair
22 July 2021

"The Group has grown and changed beyond recognition in terms not only of its structure, but also its drive and purpose."

Robert Wilson
Chair

Compliance statements

The Board is well-equipped to provide the right balance of leadership and oversight, working well with the Executive Leadership Team, offering support and robust challenge. As a responsible provider of homes and Care and Support services, the Group considers its compliance responsibilities as a key part of its performance.

Compliance with all relevant law

Each year, the Group reviews all of its activities, and those which fall under legal obligations. This is a comprehensive review which includes an independent check of the Group's responses to ensure good practice. For 2020/21, the Group has not identified any areas of non-compliance.

Regulatory standards

The Group is required to confirm within its accounts, its compliance with the Regulator of Social Housing's Governance and Financial Viability Standards. Following a comprehensive assessment of the Group's performance, compliance with the standards is confirmed for 2020/21.

The Group's chosen code of governance

The Group adopted the latest NHF Code of Governance in December 2020, to take effect from 1 April 2021. Therefore, the 2020/21 accounts refer to the previous NHF 2015 Code of Governance. Having a code of governance to follow is an excellent way for the organisation to set out its provisions for standards or good practice in relation to, amongst other areas, Board leadership, effectiveness, accountability and remuneration.

For the year 2020/21, the Group fully complied with its chosen code of governance.

Modern slavery

Modern slavery is a crime and violates human rights and the Group takes its obligation to tackle modern slavery extremely seriously. In addition to publishing its statement of compliance with the requirements under the Modern Slavery Act, the Group continues to look at its processes and supply chains to help to tackle modern slavery activities in its various forms.

How we are governed

While the Group's strategic priorities and performance is set out in its Improving Lives strategy, the Board also believes that maintaining the highest levels of governance is a fundamental part of the success of the organisation. Good governance is not just about compliance with the rules, it's about promoting and nurturing the right culture and behaviours. Board members are therefore as committed to the Group's values and standards and set themselves as role models for the rest of the organisation, embedding these throughout the Group by leading by example.

Whilst Coronavirus has impacted all areas of operations for the Group, for both colleagues and customers alike, this has not been at the expense of maintaining the Group's values; in fact, the pandemic has seen a greater focus on the values throughout the organisation.

The Group streamlined its structure in 2019, and in reviewing its governance structure in 2020 has maintained its current composition, seeing it as the most appropriate structure for the Group to continue to fulfil its goals. At the date of this report, the Board comprises nine members, eight of which are Non-Executive Directors and the Group Chief Executive. Committees are populated by both members of the Group Board and independent committee members who possess skills and/or expertise to complement the composition of each entity.

In 2020, the Group developed its involved customer activities with the creation of the Longhurst Group Customer Forum. This forum has provided additional assurance to the Group Board in respect of customer satisfaction and insight. The Forum is a valuable link for the Board to understand need, service delivery levels and performance, as well as consultation on future activities and plans. The Governance team has been working with the Forum to help inform and support assurance around key compliance areas such as health and safety and regulatory standards.

Our committee structure

The membership of the Group's Board and Committees is detailed on page 95, along with their respective remuneration levels and any Chair positions.

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 Management 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.
- Ensuring 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.

Committee membership

Name	Rem	LG	Libra/F&T	Keystone	Dev Co	ARC	PREMCO
Robert Wilson		✓ Chair		✓			✓
Patricia Brandum		✓ SID		✓	✓ Chair	✓	
Stephen Wenham		✓			✓		✓ Chair
Julie Doyle		✓			✓		
Jennifer Brown		✓				✓ Chair	✓
Gabriel Behr		✓	✓ CO	✓ Chair	✓		
Angela Morris		✓	✓				✓
Parmjit Dhanda		✓				✓	✓
Joseph Carr		✓	✓ Chair		✓		
Clive Barnett			✓				
Jim Patman				✓	✓		
Garry Wiles						✓	
Chris Tyson			✓			✓	
Karen Preece			✓			✓	

✓ Member
✓ Chair
SID Senior Independent Director
CO Co-opted in 2020

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.

Board and committee meeting attendance

Name	Group	Libra F&T	Keystone	Dev Co	ARC	Premco	Overall meetings attended
Robert Wilson	8/9		6/6			5/6	19/21
Patricia Brandum	9/9		6/6	5/5	8/8		28/28
Stephen Wenham	7/9			4/5		5/6	16/20
Julie Doyle	9/9		1/6				10/15
Jennifer Brown	9/9				8/8	6/6	23/23
Gabriel Behr	8/9		5/6	4/5			18/23
Angela Morris	9/9	6/6				6/6	21/21
Parmjit Dhanda	9/9				8/8	5/6	22/23
Joseph Carr	8/9	6/6		5/5			19/20

Our leadership

The Board operates within a governance framework, which sets out all of the key aspects of the Group's governance arrangements, role definitions and responsibilities. These responsibilities cover the Group Board, subsidiaries, and Committees as well as individual directors.

The Group Board retains its own terms of reference, including matters which are reserved for the Board. Where delegations are provided to other entities, a terms of reference document is also in place, setting out clearly the roles and responsibilities being delegated.

Each Board member, in addition to their role description, receives regular training and development opportunities in order to ensure that they remain clear on their fiduciary duties as well as any opportunities or challenges.

The Group Board Chair is supported by a Senior Independent Director (SID). This role provides the Chair with a sounding board and acts as an intermediary for other Directors, if needed. For the forthcoming year, the SID, along with the Chair of PREMCO will take a key role in delivering the Group Board chair recruitment.

Ensuring that the Board understands the customers and communities that they serve means that diversity is an important aspect of the Board's composition.

The Group is committed to ensuring that its Board and Committee Members have the right skills and understanding to be able to serve the Group and its Customers in the most effective way. Training and development is a great mechanism for both experienced Board Members and those taking a Board Member role for the first time to learn, develop or simply refresh knowledge. The training that the Group provides contains both optional and mandatory training and is designed to cover the essential topics for which the Board are responsible as well as one off and bespoke training to fill skills gaps or increase understanding of upcoming risks or opportunities in the sector or wider economy. Over the last year the Board have been provided with a number of training and development sessions, these have included:

- Understanding Directors Duties
- Impact of the White Paper
- Safeguarding
- Modern Slavery
- Upcoming opportunities and risks in the Housing and Care and Support sectors

Members are also encouraged to keep abreast of the sector by attending appropriate conferences and webinars.

The current Board's diversity is detailed below:

Name	Sex	Age	Tenure	Background
Robert Wilson	M	70	8 yrs 5 mths	Executive
Patricia Brandum	F	65	5 yrs 5 mths	CEO
Stephen Wenham	M	68	8 yrs 4 mths	Executive
Julie Doyle	F	54	*Ex Officio* role	Executive
Jennifer Brown	F	43	1 yr 10 mths	Professional
Gabriel Behr	M	47	1 yr 10 mths	Financial Professional
Angela Morris	F	61	5 yrs	Professional
Parmjit Dhanda	M	49	4 yrs 9 mths	Professional
Joseph Carr	M	58	1 yr 3 mths	Professional

Name	Growth	Communities	Care and Support	People	Business	**Total**
Angela Morris	2	3	3	3	2	**13**
Gabriel Behr	3	2	1	2	3	**11**
Joseph Carr	2	2	2	3	3	**12**
Jennifer Brown	2	2	1	3	3	**11**
Stephen Wenham	3	3	3	3	2	**14**
Parmjit Dhanda	2	3	3	3	2	**13**
Patricia Brandum	2	2	2	3	3	**12**
Total	**16**	**17**	**15**	**20**	**18**	

Key: 1. Working knowledge 2. Very good 3. Very strong

Growth
Residential property development and investment. Business growth, income generation and diversification.

Communities
Consumer driven service and delivery. Recognises the importance of resident engagement and working with the community. Understands asset management, planning and procurement. Health and safety compliance, controls and interventions.

Care and Support
Social policy environment, impacting housing and care and support. Health and social care commissioning, health and wellbeing initiatives.

People
Holds both a people and business perspective regarding HR and talent management. Business transformation, change management and organisational development. Appreciates and is aware of the needs and views of diverse communities, cultures and demographics.

Business
Treasury management. Commercial financial management and accounting. Audit, risk identification, management and controls assurance.

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.

Bob Wilson
Group Chair

Bob Wilson joined the Group in 2013 and has been the Group Chair since July 2016. As Bob comes to the end of his tenure in early 2022, this will be his last term as Chair.

Current external appointments
None

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

Roles and responsibilities
The role of the Chair is to lead the Board, ensuring that the Group operates within a robust framework from which the Board carries out its functions to the highest levels of probity, performance, and conduct. Bob is also responsible for maintaining an open and constructive working relationship with the Executive, in particular the CEO. In line with the Group's vision, Bob is driven by making a real difference to the customers that the Group serves, customer satisfaction being a key indicator of this. Bob's wealth of knowledge and experience supports the Group's strategic direction and ambitions.

Julie Doyle
Group CEO

Prior to her role as Group CEO, Julie was the Managing Director for Spire Homes (a previous subsidiary of Longhurst Group) and Deputy Group CEO. She was appointed to the Board in June 2015 when she took the role of Group CEO.

Current external appointment
Julie is a Trustee for the Helping Harry Trust.

Skills and experience
– Strategic leadership
– Innovative and creative thinking
– Extensive knowledge of care and support and housing
– Organisational transformation.

Roles and responsibilities
As the Group CEO, Julie leads the organisation through change as well as ensuring that the Group remains on track to deliver its operational and strategic objectives. Julie leads the Executive Leadership Team to ensure that as well as it financial and governance results are met, organisational culture and behaviour mirror those desired in the organisation by leading from the top.

Our Board
continued

Angie Morris
Non-Executive Director

Angie joined the Group Board July 2019 but has been a Board Member since 2017. Prior to her current role, Angie has held a number of senior substantive roles in the Care sector latterly in Adult Services at Peterborough Community Services.

Current external appointments
Angie is a Board Governor for Peterborough Regional College and a trustee of a Peterborough based Learning Disability arts charity. She runs her own consultancy business providing a range of services for the NHS, adult social care and the Third sector, particularly hospices.

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

Roles and responsibilities
Angie's main role is that of Group Board Member as well as holding positions on the Libra Board, Finance and Treasury Committee and PREMCO.

Gabriel Behr
Non-Executive Director

Gabriel was appointed to the Group Board in July 2019 following the Group's consolidation. Gabriel is a chartered accountant with over 20 years' experience in senior finance roles.

Current external appointments
Gabriel's current role is that of CFO for a developer and operator of student accommodation, both in the UK and Europe. He consults with an edu-tech start-up and is a member of the ICAEW.

Skills and experience
- Accounting
- Finance and treasury management
- Risk and compliance
- Property development.

Roles and responsibilities
Gabriel is a Group Board member as well as the Chair of the Group's development company, Keystone and is a member of the Development Committee. He was also co-opted onto the Group's Finance and Treasury Committee until early 2021 whilst the Group was seeking a new bond

Jenny Brown
Non-Executive Director

Jenny joined the Group Board in July 2019. Having spent 20 years at Grant Thornton as well as other positions including a current role with Altair, Jenny has a wealth of experience working with a wide range of organisations. She has also been Vice Chair for Arhag Housing and a co-opted member of the Audit Committee at Sheffield Hallam University. Jenny also recently spent some time working with the Regulator of Social Housing as part of their enforcement team.

Current external appointments
At present, Jenny is a Director at Altair Consultancy and Advisory Services Limited and an Associate Trainer at both Edit Development and Love Public Speaking as well as a freelance coach and trainee coach supervisor. Jenny is a Member of the European Mentoring and Coaching council and the ICAEW.

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

Roles and responsibilities
In addition to her role as Group Board Member, Jenny holds the position of ARC Chair. Her key responsibilities as Chair are to ensure that the Committee receives the appropriate level of information to scrutinise, providing assurance to the Group Board that the controls, compliance and governance frameworks are robust. She is also a member of PREMCO.

Parmjit Dhanda
Non-Executive Director

Parmjit joined the Board in September 2016. Prior to his current role, Parmjit was a Minister in the Department for Education, the DTI and the Department for Communities and Local Government. In the latter he held responsibility for local government, regional planning strategy and the fire service. He is a founding Board Member of the Gloucester Urban Regeneration Company and led the £1 billion regeneration of the Gloucester Quays project as the local MP.

Parmjit has held non-executive roles as Chair of the Allied Health Professionals Federation, the Milton Keynes University Foundation Trust hospital, and the Hanover and Swan housing associations.

He has also been a MP and a senior official at the Prospect trade union.

Current external appointment
Parmjit currently leads the campaign to build the world's largest privately funded infrastructure project as Executive Director Back Heathrow. It involves working with local communities, senior politicians, the CBI and the TUC to add additional capacity to Heathrow – the UK's only hub airport.

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

Roles and responsibilities
In addition to Parmjit's role as a Group Board member, he is also a member of the ARC and PREMCO committees.

Our Board
continued

Pat Brandum
Non-Executive Director and Senior Independent Director

Pat joined the Board in 2016 and currently holds the role of Senior Independent Director. Pat has worked in the housing sector and local authorities for over 30 years, including the position of Chief Executive of WM Housing Group. Pat played a key part in establishing the original West Mercia Housing Group in 1998 and oversaw the growth of the organisation through a series of mergers and developments. Pat won a lifetime achievement award at the Women in Housing awards.

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

Roles and responsibilities
In addition to her role as SID, Pat undertakes the role of Development Committee chair. Her key responsibilities in this role are to oversee the Group's development plans, ensuring the delivery of the Development Strategy and to monitor business plans in respect of the same.

Stephen Wenham
Non-Executive Director

Stephen has been a part of the Group's governance structure since 2013; as such, he is coming to the end of his tenure with the Group in 2021/22. He has extensive experience of social enterprises and start-ups; creating partnerships across private, public and community led initiatives. Stephen spent 20 years as a Fire Officer, specialising in specialist fire prevention work.

Current external appointments
None

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

Roles and responsibilities
As Chair of PREMCO, Stephen's focus is to oversee and support the alignment of the Group's business culture from that of the Board to colleagues. Ensuring that the Group's Improving Lives strategy, vision and values are reflected in the manner in which the organisation manages its people and works with its customers.

Joseph Carr
Non-Executive Director

Joseph was appointed to the Group Board in March 2020; he has previously been a Director at Altair Consultancy Services and also spent a considerable amount of his career working as policy leader for the National Housing Federation.

Current external appointments
As well as being director and owner of jc&a Consultancy Limited, Joseph is also a Relationship Director for MorHomes Plc.

Skills and experience
– Public speaking
– Business development
– Strategy and financial policy
– Risk management and controls
– Financial compliance
– Treasury, pensions, tax and accounting.

Roles and responsibilities
In addition to his role of Group Board Member, Joseph is the Chair of the Finance and Treasury Committee and Libra Board

Rachel Challinor
Company secretary

Background, skills and experience
Rachel has worked for the Group since 2016, having previously spent eight years in a variety of governance roles, both in and out of the sector. Prior to governance, Rachel spent a number of years working in the commercial finance sector and commercial lending.

Roles and responsibilities
Rachel's key responsibilities are to ensure that the governance rules and principles are applied across the Group's governance structure, identifying and mitigating any issues which may arise. She's also responsible for the operational teams in respect of compliance, data protection and health and safety.

Our Executive team

The Executive Team has a wealth of experience from both inside and outside of the sector. While 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 he 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.

Our Executive team
continued

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. She helped 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

Coronavirus response

From the outset, the Board has been proactive in respect of the Group's response to the pandemic. Putting customers and colleagues first, they've been at the forefront of the Group's business continuity response. The Group Board underwent business continuity training in February 2020 with Biscon – a consultancy specialising in business continuity preparation and training. The work with the Board focused on scenarios which could cause significant disruption to the operations of the business and was timely preparation for dealing with the impact of the Coronavirus.

Weekly performance dashboards, highlighting key performance indications and welfare statistics, were circulated from week one of the lockdown and these have continued to be shared throughout. The Board has continued to have oversight of the activities of the Group and has supported a number of initiatives which have strengthened relations with Care and Support colleagues, colleagues who have been at the front line in respect of delivering services while in the midst of the crisis.

Environmental response

While environmental considerations have always been on the Board's agenda, their focus has been heightened over the last 12 months, both in respect of our stock and more widely, our corporate approach. The Group Board revised its delegations to the Development Committee in 2021, so that it now holds strategic asset investment oversight as part of its Terms of Reference. Working with Savills in 2021, the Board has reviewed our existing stock portfolio and we're currently working through options to reduce our impact on the environment and make our homes more sustainable. The Group Board has also supported the move to decrease organisational travel by supporting the Working Smarter Together strategy. This will reduce our carbon footprint through less travel and more home working for colleagues. Time has also been spent looking at development as part of the Group's activities with more environmentally friendly methods of construction, featuring in many of our forthcoming development schemes.

Designing a new workplace/digital strategy

Long before the Covid crisis, the Group was looking at more agile, flexible working for colleagues. The last year has accelerated our work in looking at how services could be delivered in a more efficient and environmentally friendly way. Undoubtedly, investing in smarter technologies has enabled this with the Group's digital strategy underpinning many of our aspirations. In 2020, a pilot for Care and Support digitalisation was launched and has proven very successful.

There has been a recognition that, while geographically diverse, the 13 or so office sites across a wide expanse of geography isn't conducive to either the Group's environmental aspirations, nor our desire to improve wellbeing amongst colleagues. Therefore in 2020, discussions over a new, smarter way of working were discussed, with the Board supporting the move from 13 main offices to just three. Colleague welfare and equality were at the heart of the decision making, and the Board has continued to receive updates and insight into colleagues' views and satisfaction as the roll-out of the Working Smarter Together programme continues.

Succession planning and appointment of the new Group Board Chair

A fundamental part of the Board's success in discharging its duties effectively, is the Board Chair. The Chair not only ensures that the Board is high performing but also plays an essential role in ensuring that the Board's positive culture reflects the values of the Group. Excellent communication skills, working with both the Executive Leadership Team and Board Members alike are also key among the attributes that the Chair must hold. In early 2022, the existing Group Board Chair reaches his maximum tenure with the Group. Work has already begun to recruit his successor so that there is a short period of handover in late 2021, ahead of the new Chair taking up their role in February 2022.

Notwithstanding the requirements of the Group's chosen governance code, the Group is committed to ensuring that opportunities are open for all, and recruitment to the Board is no exception. The skills and competencies matrix for the role of Chair has been developed with the National Centre for Diversity to ensure that the requirements are as inclusive as possible and do not indirectly preclude those with special characteristics or those that come from non-professional backgrounds.

Applications have been invited from both internal and external candidates, applications will be shortlisted against the essential criteria in the role description and person specification; a shortlist of candidates will then be invited for interview by a panel of Board Members. The Chair of the People, Remuneration and Nominations Committee is leading the recruitment, with support from the SID and Company Secretary.

Resident voice and stakeholder engagement

The Board has been keen to have meaningful, productive engagement with its customers in order that they have a clear view of the customer voice, outside of the feedback from the performance and complaints reporting. Members are clear that they're accountable to the customer in ensuring that their homes are safe, well maintained and sustainable. As well as customers, the Board has insight into the wellbeing and opinions of colleagues through the work of the People, Remuneration and Nominations Committee. In 2019, the Terms of Reference for this Committee were changed to ensure that the People Strategy was monitored and that the needs and opinions of colleagues were discussed and considered at the Committee meetings. Reporting of the same is provided for this Committee so that themes, benchmarking and performance levels can be monitored and challenged.

People, Remuneration and Nominations Committee report

People strategy and culture

Following the Group's restructure in 2019, oversight of our people strategy was introduced into the Committee's terms of reference. This inclusion was designed, amongst other things, to provide an opportunity to monitor and review the organisational culture. In 2020/21, I was delighted to see the development of the Group's People Strategy which, along with a focus on creating the right culture, provided a real step forward in terms of narrowing the gap between the business and its Care and Support function. The Committee has been key in advocating a better deal for carers, not just within the Group, but also across the sector. I've been proud to be part of a committee which recommended key fundamental changes to terms and conditions for all colleagues; this included improved overtime rates for care workers; a real reflection of the organisational gratitude to their continued hard work caring for our customers on the frontline, during the pandemic.

The composition of the Committee remains strong, and it's used this strength to hold the wider organisation to account in tracking its progress against its objectives. The Committee has received performance management updates, following the creation of its own set of key performance indicators (including colleague tenure and turnover, gender pay gap, sickness, health and safety and learning and development data) and has continued to pursue very high levels of performance, colleague satisfaction and engagement.

Committee Members were delighted when the Group received its Best Companies accreditation in 2019 and Diversity Accreditation in 2021. They also look forward to driving forward further change to realise the Group's ambition to achieve a placement in the not-for-profit top 100 in 2021.

Health and wellbeing

The pandemic has, understandably, impacted on the Committee's focus for the year. With the Group Board focusing on the wellbeing of customers and colleagues during this time, the Committee has ensured that it has taken time, in discussion, to keep this as a focus when looking at performance and business activities. A greater sense of connectivity has also been achieved between Committee and Board Members and the business, through access to the Group's Workplace Facebook. This platform has given real insight as to the 'mood' in the organisation, the real sense of camaraderie and coming together during the most difficult of times. I for one have been incredibly proud of the achievements of not only the Group collectively, but also of the individual, more personal, contributions made.

Equality, diversity and inclusion

Equality, diversity and inclusion (ED&I) is a key part of the Committee's focus and the last year has been no exception. The Committee has overseen activities to improve not just ED&I for colleagues and customers, but also for its own composition.

As part of the overall People Strategy, the Group has a strong focus on ED&I. Right through the organisation, starting at the Board, the Group is committed to ensuring opportunities are open to all, encouraging all colleagues to value every individual and support their needs. The Group has spent time reviewing recruitment, training, pay activities and policies, as well as promoting diversity initiatives across the business. For its part, the Board has ensured visibility to such initiatives via the Group's intranet pages and has received regular updates at Board meetings. Closer scrutiny on activities is being held by the People, Remuneration and Nominations Committee. KPIs and objectives in respect to ED&I are in the process of being established, these will be presented to the Board on an annual basis as part of their rolling agenda programme. The Board is clear that it wishes to strongly and effectively embed diversity in the business and culture, taking the lead in monitoring progress.

The Group's skills and competencies matrix for Board Members was reviewed in late 2020, with recommendations made by the Committee to the Group Board, following reviews to the wording so that there were no unintended barriers for potential applicants to the Group's governance structure.

Annual Board effectiveness review

Board and Committee members' own performance, both individually and collectively features on the Committee's agenda, with Board performance and learning being an important part of the Committee's work over the year.

Individual members of all Boards and Committees undergo an annual appraisal to discuss both their performance over the past year as well as any development needs or aspirations for the future. The Group Chair is appraised by both the SID and the Chair of PREMCO. Members are also asked to assess themselves annually against the Group's skills and competencies matrix. Any gaps identified as part of this process are picked up by the PREMCO.

Development needs are followed up part-way through the year to ensure that they have been acted upon as well as training and development opportunities, open to all members, taking place throughout the year.

As part of its review of effectiveness, the Board considers both its governance structure, skills and competencies of the members, as well as supporting documents and papers. This type of review is undertaken every year, sometimes by the Board themselves, as in 2020, but more often by an external consultant. The latter, periodically providing full independence and an external view.

Ensuring that it's prepared for the road ahead, the Board undertakes a number of sessions in both stress testing but also in broadening their knowledge. Quarterly sessions in respect of the development of the White Paper and its impact on the sector have therefore featured in the Board's development agenda for 2020/21.

In light of the economic impact of the pandemic, not only on the sector, but on individuals, the Committee made the recommendation that remuneration for Board members would not be reviewed during the year.

Board composition and succession planning

While the Group's Committee composition is strong with the use of co-optees to further strengthen activities or projects, there are some key changes afoot as tenures for some members come to an end, my own included. As I look forward to the future of the Board, the skills needed to continue to develop and grow, I do so in the knowledge that the Committee has already developed and continued to champion, robust and transparent selection and appointment processes.

The coming year will be the last for the Group Board's Chair, Bob Wilson and, as such, the Committee is in the process of identifying and appointing his successor.

The recruitment progress began in May 2021, with interviews for the role due to take place in June and July. Applications have been invited from existing Board members and external candidates. Shortlisted candidates will be interviewed and assessed against the criteria set out in the role description and person specification. A clear alignment to the Group's values will also be essential for any potential successor. The new Chair is expected to be appointed in October 2021, thus allowing a small handover period before formally taking over the role in early 2022. As the Group moves forward with its Improving Lives strategy, the new Chair will join us at an exciting and rewarding time.

As for my own role, this too will provide a great opportunity for the successful candidate to continue to oversee the development of the People Strategy and its impact across the organisation. Wide-reaching and seeking to close the gap between the Care and Support and Housing business, the People Strategy is challenging traditional methods of remuneration and benefits, in particular for the Care sector.

I've enjoyed my time with the Group immensely, and I wish my successor the very best.

Stephen Wenham
Chair of PREMCO

Audit and Risk Committee report

The Audit and Risk Committee is a fundamental part of the Group's corporate governance framework, supporting the Group Board by providing independence and scrutiny on the audit, assurance and reporting activities that underpin the Group's governance and financial frameworks.

New external auditor

Throughout the last year, I've worked with the Committee using its delegated authority to, amongst other things, welcome a new external auditor to the Group. Helping to ensure both a smooth transition as well as guarantee that efficient and effective assurance arrangements remain in place.

The last 12 months have seen the Committee look at a number of areas and initiatives, notwithstanding that the Group Board retains overall accountability for the big, strategic items, the Committee has supported the Board in a number of ways, in what has been a very productive year.

Health and safety

I've been extremely pleased with the work that the Committee has undertaken in respect of health and safety. Acting alongside the Group Board, the Audit and Risk Committee has championed health and safety across the Group, working with the Executive and Senior teams to provide reporting in this area that not only provides the relevant data, but that also seeks to apply learning and development to the Group's wide range of activities and services.

Internal audit reviews

In addition to the assurance in health and safety, the Committee has introduced a thematic aspect to internal audit reviews. Capturing the culture of the organisation in respect of critical activities has been a great way in which the Committee has been proactive in positioning the Group. This approach has been interlinked with key areas such as data integrity, which has led to outcomes which provide more insight for the operational teams to review and learn from.

Rent review project

Other key achievements by the Committee include the rent review work, undertaken in late 2020 and early 2021. When an issue was identified in respect of rent calculations in the Finance Team, it was great to see the Committee in action, taking a lead role in oversight of the issue and ensuring the appropriate engagement with the Regulator of Social Housing and keeping the Group Board abreast of events; but also in its support to the senior colleagues in the business during this time. The outcome of this work saw a revisit to some of the Group's operational practices in respect of rent, and, more widely to the creation of a critical activities assurance framework.

This work provided improved learning and development for those colleagues involved in rent setting.

Looking back over the work of the Committee, for me, it has shown real value to the Group, providing a more thoughtful and considered approach to its annual programme and areas of further activity. The Committee has shown the value of holding independence and scrutiny; supportive an active governance approach to the organisation. In conclusion, I feel that it's been another successful year for the Audit and Risk Committee and we look forward to the work ahead for 2021/22.

Jenny Brown
Chair of ARC

Financial statements

Board Members, Executive Officers, Principal Advisors and Bankers

Board Members

Robert Wilson	Chair
Patricia Brandum	Chair of the Development Committee
Stephen Wenham	Chair of People, Remuneration and Nominations Committee
Julie Doyle	Chief Executive
Jennifer Brown	Chair of the Audit and Risk Committee
Angela Morris	Non-Executive Director
Gabriel Behr	Chair of Keystone (LG) Developments
Parmjit Dhanda	Non-Executive Director
Joseph Carr	Chair of the Finance and Treasury Committee and Libra 1 & 2

Executive Officers

Julie Doyle	Chief Executive
Rob Griffiths	Deputy Chief Executive and Chief Financial Officer Executive
Lynn Stubbs	Director of People and Performance
Marcus Keys	Executive Director of Growth and Development (appointed 11 May 2020)
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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Solicitors

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Olympus Avenue
Leamington Spa
Warwickshire CV34 6BF

Trowers & Hamlins LLP
3 Bunhill Row
London EC1Y 8YZ

Winckworth Sherwood LLP
Minerva House
5 Montague Close
London SE1

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 2021.

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 99 for listing of Board Members and Executive Officers.

Charitable and political donations
The Group has made donations of £16,650 during the year (2020: £11,000)

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 suit able 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 Direct ion 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 on the financial statements

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 2021 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.

We have audited the financial statements of Longhurst Group Limited ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2021 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position, the consolidated and Association statement of changes in equity, the consolidated cash flow statement 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Board on 25 November 2019 to audit the financial statements for the year ending 31 March 2020 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 2 years, covering the years ending 31 March 2020 to 31 March 2021.

We remain independent of the Group and the Parent 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 as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Association.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Board's assessment of the Group and the Parent Association's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management's assessment that supports the Board's conclusions with respect to the disclosures provided around going concern.
- 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, strategy and profile in the customer base, 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 2023 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 basis of preparation note, management have modelled reasonably possible downside scenarios to incorporate the expected impact of the Covid-19 pandemic.
- Reviewing scenarios modelled by management including a reverse stress test to analyse the impact on covenant compliance in a scenario with multiple adverse conditions including increased LIBOR rates and inflation, a reduction in property sales and the level of voids and bad debt increasing. We challenged management on the suitability of the mitigating actions identified by in their assessment and quantum and the time period ascribed to these actions. We reviewed the reasonableness of the proposed mitigations and whether the mitigations were entirely in the control of management to action.
- Consideration 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.

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

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

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

Overview

Coverage A full statutory audit was carried out for each subsidiary of the Group.

Key audit matters

	2021	2020
Going concern	✗	✓
Net realisable value of property developed for sale	✓	✓
Business combination	✗	✓

Going concern is no longer considered to be a key audit matter because the level of uncertainty associated with forecasting has decreased this year and the impacts of the Covid-19 pandemic and associated lockdowns are better understood.

Following the completion of the business combination in the previous year, this is now no longer a key audit matter.

Materiality Group financial statements as a whole

£2.5m (2020: £13.3m) based on 5.0% (2020: 1.0%) of adjusted operating surplus (2020 – total assets).

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Board that may have represented a risk of material misstatement.

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.

We identified two components which, in our view required an audit of their complete financial information due to their size or risk characteristics and were therefore considered to be significant components.

Longhurst Group Limited, Libra (Longhurst Group) Treasury PLC and Libra (Longhurst Group) Treasury No.2 PLC were identified as significant components due to size.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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) that 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		How the scope of our audit addressed the key audit matter
Net realisable value of property held for sale	As explained in the accounting policies on page 133, properties developed for sale, which are disclosed in Note 20 of the financial statements and include 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 (2020: £21,416,000). 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 2021 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.

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.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take 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.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent Partnership financial statements	
	2021 £m	**2020 £m**	**2021 £m**	**2020 £m**
Materiality	2.5	13.4	2.2	13.3
Basis for determining materiality	2021: Adjusted operating surplus as defined by the entities lending covenants. 2020: Total assets			
Rationale for the benchmark applied	Management reports its performance to key stakeholders and monitors the business based on adjusted operating surplus as defined by the loan covenants. It is therefore appropriate to adjust materiality in order to respond to the risk of covenant breach.			
Performance materiality	1.6	6.7	1.4	6.6
Basis for determining performance materiality	We considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.			

Specific materiality

In the year ended 31 March 2020 we also determined that for all items comprising adjusted operating profit (including related disclosures), a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined materiality for these items based on 5.0% of adjusted operating profit. We further applied a performance materiality level of 50% of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Component materiality

A full scope statutory audit was carried out for each subsidiary. We set materiality for each component of the Group based on their size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £1,000 to £2,200,000. In the audit of each component, we further applied performance materiality levels of 65% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the audit committee that we would report to them all individual audit differences in excess of £48,000 (2020: £250,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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. Our responsibility is to read the other information including the Strategic Report and report of the Board 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:

- 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 Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the 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 board members responsibilities statement, 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 are 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.

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

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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Based on our understanding of the Group and the sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to their registration with the Regulator of Social Housing, and we considered the extent to which non-compliance might have a material effect on the Group Financial Statements or their continued operation. We also considered those laws and regulations that have a direct impact on the financial statements such as compliance with the Accounting Direction for Private Registered Providers of Social Housing and tax legislation.

In addition the Group and Association is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: data protection and health and safety legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence if any.

Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reading minutes of meeting of those charged with governance, reviewing correspondence with HMRC and the other regulators;
- Reviewing items included in the fraud register;
- In addressing the risk of fraud through management override of controls; testing the appropriateness of journal entries and other adjustments, in particular any journals posted by senior management, privileged users or with unusual account combinations;

- Challenging assumptions made by management in their significant accounting estimates and judgements in particular in relation to the following:
  - Whether indicators of impairment exist
  - Recoverable amount of housing properties
  - Capitalisation of development costs
  - Appropriate allocation of costs between tenure types and between first and subsequent shared ownership tranches
  - Useful economic lives of housing property components
  - Assumptions used in pension valuations
  - Assumptions used in derivative valuations.
- We also performed analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed 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 are to become aware of it.

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 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.

DocuSigned by:
BDO LLP
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Philip Cliftlands
Senior Statutory Auditor
Gatwick
4 August 2021

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

Consolidated Financial Statements
For the year ended 31 March 2021

Statement of comprehensive income

	Notes	Group 2021 £'000	Group 2020 £'000	Parent 2021 £'000	Parent 2020 £'000
Turnover	4	**152,775**	153,821	**149,918**	146,672
Cost of sales	4	**(21,113)**	(25,301)	**(18,373)**	(15,448)
Operating costs	4	**(95,802)**	(89,945)	**(95,487)**	(88,967)
Surplus on disposal of fixed assets	12	**2,098**	3,470	**2,098**	3,470
Operating surplus		**37,958**	42,045	**38,156**	45,727
Share of surplus/(deficit) from associated undertakings	19	**457**	(272)	**–**	–
Interest receivable	13	**311**	579	**807**	877
Interest and financing costs	14	**(30,200)**	(28,448)	**(30,751)**	(29,133)
Changes in fair value of investments		**4**	(2)	**–**	–
Movement in fair value of investment properties	18	**44**	(176)	**44**	(176)
Surplus before taxation		**8,574**	13,726	**8,256**	17,295
Taxation on surplus	15	**(91)**	(326)	**(91)**	(293)
Surplus for the financial year		**8,483**	13,400	**8,165**	17,002
Other comprehensive income					
Actuarial (losses)/gains on defined benefit pension scheme	30	**(11,524)**	10,915	**(11,524)**	10,915
Cash flow hedge reserve recycled to Other Comprehensive Income	13	**3,618**	–	**–**	–
Movement in fair value of hedged financial instruments	13	**2,082**	(2,171)	**–**	–
Total comprehensive income/(expenditure) for the year		**2,659**	22,144	**(3,359)**	27,917

The notes on pages 129 to 171 form part of these financial statements.

Statement of financial position

	Notes	Group 2021 £'000	Group 2020 £'000	Parent 2021 £'000	Parent 2020 £'000
Fixed assets					
Tangible fixed assets – housing properties	16	**1,206,185**	1,155,409	**1,213,679**	1,162,404
Tangible fixed assets – other	17	**17,091**	17,670	**17,091**	17,332
Investment properties	18	**8,245**	8,201	**8,245**	8,201
Investment – subsidiaries	19	**–**	–	**100**	100
Investment – associates	19	**185**	(272)	**–**	–
		1,231,706	1,181,008	**1,239,115**	1,188,037
Current assets					
Stocks	20	**21,416**	23,736	**11,632**	13,866
Investments		**16**	12	**–**	–
Debtors – receivable within one year	21	**10,729**	10,436	**9,994**	8,624
Cash and cash equivalents		**87,069**	119,916	**86,145**	119,308
		119,230	154,100	**107,771**	141,798
Less: Creditors – amounts falling due within one year	22	**(51,015)**	(41,808)	**(51,428)**	(41,372)
Net current assets		**68,215**	112,292	**56,343**	100,426
Total assets less current liabilities		**1,299,921**	1,293,300	**1,295,458**	1,288,463
Creditors – amounts falling due after more than one year	23	**(1,000,265)**	(1,005,712)	**(967,044)**	(965,889)
Net assets excluding pension liability		**299,656**	287,588	**328,414**	322,574
Pension liability	30	**(21,641)**	(12,232)	**(21,641)**	(12,232)
Net assets		**278,015**	275,356	**306,773**	310,342
Capital and reserves					
Cash flow hedge reserve		**(22,023)**	(27,723)	**–**	–
Income and expenditure reserve		**164,782**	166,780	**171,517**	174,043
Revaluation reserve		**135,256**	136,299	**135,256**	136,299
Restricted reserve		**–**	–	**–**	–
Total reserves		**278,015**	275,356	**306,773**	310,342

The financial statements on pages 124 to 128 were approved and authorised for issue by the Board on 22 July 2021 and were signed on its behalf by:

Board member

Bob Wilson

Board member

Jenny Brown

Board member

Rachel Challinor

The notes on pages 129 to 171 form part of these financial statements.

Consolidated statement of changes in reserves

	Cash flow hedge reserve £'000	Income and expenditure reserve £'000	Revaluation reserve £'000	Restricted reserve £'000	**Total £'000**
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**
Surplus for the year	–	8,483	–	–	**8,483**
Actuarial gains on defined benefit pension scheme	–	(11,524)	–	–	**(11,524)**
Cash flow hedge reserve recycled to Other Comprehensive Income	3,618	–	–	–	**3,618**
Movement in fair value of hedged financial instrument	2,082	–	–	–	**2,082**
Other comprehensive income/(expenditure) for the year	5,700	(3,041)	–	–	**2,659**
Reserve transfers:					
Transfer from revaluation reserve to income and expenditure reserve	–	1,043	(1,043)	–	**–**
Balance at 31 March 2021	(22,023)	164,782	135,256	–	**278,015**

The notes on pages 129 to 171 form part of these financial statements.

Parent entity statement of changes in reserves

	Income and expenditure reserve £'000	Revaluation reserve £'000	Restricted reserve £'000	**Total £'000**
Balance at 31 March 2019				
Surplus for the year	17,002	–	–	**17,002**
Actuarial gains on defined benefit pension scheme	11,210	–	–	**11,210**
Other comprehensive expenditure 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**
Transfer of Engagements from Beechdale	(210)	–	–	**(210)**
Surplus for the year	8,165	–	–	**8,165**
Actuarial losses on defined benefit pension scheme	(11,524)	–	–	**(11,524)**
Other comprehensive income for the year	(3,359)	–	–	**(3,359)**
Reserve transfers:				
Transfer from revaluation reserve to income and expenditure reserve	1,043	(1,043)	–	**–**
Balance at 31 March 2021	171,517	135,256	–	**306,773**

The notes on pages 129 to 171 form part of these financial statements.

Consolidated statement of cash flows

	2021 £'000	2020 £'000
Cash flows from operating activities		
Surplus for the financial year	**8,483**	13,400
Adjustments for:		
Depreciation of fixed assets – housing properties	**16,655**	16,126
Depreciation of fixed assets – other	**1,380**	1,340
Amortised grant	**(2,810)**	(2,820)
Share of (surplus)/loss in associate	**(457)**	272
Movement in fair value of investments	**(4)**	2
Interest payable and finance costs	**30,200**	28,448
Interest received	**(311)**	(579)
Taxation expense	**91**	326
Movement in fair value of investment properties	**(44)**	176
Impairment	**1,515**	2,739
Surplus on the sale of fixed assets – housing properties	**(2,098)**	(3,435)
Proceeds from sale of fixed assets net of selling cost	**6,078**	11,690
Difference in net pension expense and liability	**(2,379)**	(6,432)
Movement in trade and other debtors	**(293)**	(2,300)
Movement in stock	**2,320**	242
Movement in trade and other creditors	**5,157**	31
Cash from operations	**63,483**	59,226
Taxation paid	**(354)**	(52)
Net cash generated from operating activities	**63,129**	59,174
Cash flows from investing activities		
Purchase of fixed assets – housing properties	**(68,843)**	(70,652)
Purchases of fixed assets – other	**(2,690)**	(1,559)
Grant received	**15,850**	9,180
Interest received	**311**	579
Net cash generated from investing activities	**(55,372)**	(62,452)
Cash flows from financing activities		
Interest paid	**(32,122)**	(31,841)
New loans – other	**4,650**	100,500
Costs associated with financing	**(1,565)**	(1,669)
Repayment of loans	**(11,567)**	12,926
Net cash generated from financing activities	**(40,604)**	79,916
Cash movement in the year	**(32,847)**	76,638
Cash and cash equivalents at beginning of period	**119,916**	43,278
Cash and cash equivalents at end of period	**87,069**	119,916

The notes on pages 129 to 171 form part of these financial statements.

Notes to the Consolidated 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 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 four 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; and The Teetotal Homes is a registered charity.

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 Co-operative 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 association, advantage has been taken of the following disclosure exemptions available in FRS 102:

- 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 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 considered the continuing impact of the Coronavirus 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, an increase in voids, bad debts, repair costs and reduced income from the sale of housing properties. In making their assessment the Board has also considered the potential mitigations available to manage any potential negative impact on its cash flows and liquidity position.

2. Accounting policies continued

Having undertaken a detailed review of future plans, liquidity levels, stress testing and risk mitigations, the Board has concluded that whilst the impact of the ongoing Coronavirus 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 foreseeable future, being a period of at least 12 months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

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.

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,
- care contract income receivable,
- floating support income receivable,
- amortised capital grants,
- revenue grants from local authorities and Homes England,
- income from the sale of shared ownership,
- other property sales,
- 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 is accounted for as supporting people income in the turnover within note 4 and the related support costs are matched against this income in the same note. Support charges included in the rent are included in 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.

2. Accounting policies continued

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:

- 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.

The Group previously 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 scheme. The Group has no outstanding obligations to contribute into this scheme, therefore there is no asset or liability presented in the accounts in relation to LGPS.

2. Accounting policies continued

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 ongoing 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.

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	Economic useful life (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.

2. Accounting policies continued

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 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 at rates as follows:

Description	Annual depreciation rate
Freehold offices	1%
Fixtures and fittings	15%
Office equipment	20%
Motor vehicles	20%
Computer equipment	25%
Computer software	10%–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

Grant 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 a social housing grant funded property is sold, the grant becomes recyclable and is transferred to the 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.

2. Accounting policies continued

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 Regulator of Social Housing (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. 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 accounted for within note 4.

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 then 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 comprehensive 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.

2. Accounting policies continued

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 attributable transaction costs. After 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 arrangements 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 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 does not anticipate any accounting policy impact following the FRS 102 amendment phase 1 in respect of interest rate reform and the transition from LIBOR to SONIA. Both the hedged item and the hedging instrument will transition to SONIA with neither borrower nor lender being adversely affected.

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 counterparty credit risk are recognised in income and expenditure.

Leased assets: Lessee

Where assets are financed by leasing agreements that give rights approximate to ownership, the assets are treated as if they have 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.

2. Accounting policies continued

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.

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:

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 reviews 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 in the table below.

Investment properties

Properties are categorised as investment properties or tangible fixed assets based on the use of the asset. 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. The assumptions applied are included in note 18.

	Change in assumption	Change in liabilities %	Change in liabilities £'000
Discount rate	Increase of 0.1% p.a.	Decrease by 2.2%	Decrease by £476k
Rate of inflation	Increase of 0.1% p.a.	Increase by 2.2%	Increase by £476k
Rate of salary growth	Increase of 0.1% p.a.	Increase by 0.1%	Increase by £22k
Rate of mortality	Probability of surviving each year increased by 10%	Increase by 2.8%	Increase by £606k

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

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.

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. The latest sales forecast is used to determine if there any potential impairments; this is referenced to the latest valuation and prices included within the original appraisal. 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.

Useful economic lives of housing properties

The annual depreciation on housing properties is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reviewed annually. They are amended when necessary to reflect current estimates, based on future investments, economic utilisation and the physical condition of the assets. See note 16 for the carrying amount of housing properties.

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 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.

Grant amortisation

Grants are held as deferred income within creditors and amortised to the statement of comprehensive income through turnover, over the life of the structure of the properties to which it relates when they are ready to let. Social Housing Grant becomes recyclable at the point the related property is sold 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 in the statement of comprehensive income. Grants which cannot be recycled are returned to the funder.

Useful economic life of other fixed assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Housing property cost allocation

Costs are allocated between units on a scheme using bedroom numbers and property type as a basis for the weighting. On mixed tenure schemes costs are largely separate and invoiced by scheme type, where costs are incurred across multiple tenures these are apportioned. Allocation methods are assessed by management to ensure that they are appropriate and reflective of where costs are incurred.

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

Shared ownership 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 scheme's 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 42.01%; this is consistent with the actual average during the year ended 31 March 2021 which was 44.05%.

Valuation of interest rate swap derivatives
The interest rate swap derivatives are measured at fair value at each reporting date and are carried within debtors when the fair value is positive and creditors when the fair value is negative. Management use a third-party valuation to minimise the risk of uncertainty in valuation.

Assessment of hedge ineffectiveness
Hedge effectiveness is assessed against the full derivative and loan portfolio, where swaps are designated against existing loans with floating interest rates, at both Group and subsidiary level. 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 counterparty credit risk are recognised in income and expenditure

Bad debt provisions
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 £59k.

Allocation of costs for disclosures
Costs are allocated based on the dimensions attributed to each transaction within the accounting system. The allocation of overheads is reviewed by management alongside the relevant stakeholders, with consideration given to output and use of resource. The split of service charge and support costs is performed by cost type; allocating costs based on the operations in which they're incurred.

Recoverability of investments and intercompany debts
There is a pooled investment vehicle held within The Teetotal Homes that is measured at fair value at each reporting date. Management use a third-party valuation to minimise the risk of uncertainty in valuation. Intercompany debts are assessed by management and deemed to be fully recoverable; there are no going concern issues that would call into question the recoverability of the debts.

Calculation of the fair value of loans
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. Management use a third-party valuation to minimise the risk of uncertainty in valuation.

Going concern
Going concern is assessed at both Group and subsidiary level. Sufficient, appropriate information is provided to Board to enable them to consider the ability of each entity to continue as a going concern for the foreseeable future. Judgement is exercised in assessing the existence of any material uncertainties, of which none were identified.

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

	Turnover 2021 £'000	Cost of sales 2021 £'000	Operating costs 2021 £'000	Operating surplus/ (deficit) 2021 £'000
Social housing lettings (note 5a)	**114,579**	**—**	**(82,435)**	**32,144**
Other social housing activities				
Development property sales – shared ownership first tranche sales	**16,872**	**(13,367)**	**—**	**3,505**
Charges for support services	**532**	**—**	**(440)**	**92**
Supporting people	**3,457**	**—**	**(3,589)**	**(132)**
Development services	**1,903**	**—**	**(3,458)**	**(1,555)**
Managed operations	**4,673**	**—**	**(4,323)**	**350**
Other activities	**2,845**	**—**	**(1,400)**	**1,445**
Activities other than social housing activities				
Market sales	**6,853**	**(6,231)**	**—**	**622**
Lettings (note 6)	**669**	**—**	**(153)**	**516**
Other	**392**	**—**	**(4)**	**388**
Impairment of other tangible fixed assets	**—**	**(1,515)**	**—**	**(1,515)**
	152,775	**(21,113)**	**(95,802)**	**35,860**
Surplus on disposal of fixed assets (note 12)	**6,078**	**(3,980)**	**—**	**2,098**
Total	**158,853**	**(25,093)**	**(95,802)**	**37,958**

	Turnover 2020 £'000	Cost of sales 2020 £'000	Operating costs 2020 £'000	Operating surplus/ (deficit) 2020 £'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)	
Impairment of property developed for sale	—	(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

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

	Turnover 2021 £'000	Cost of sales 2021 £'000	Operating costs 2021 £'000	Operating surplus/ (deficit) 2021 £'000
Social housing lettings (note 5b)	**114,560**	**—**	**(82,124)**	**32,436**
Other social housing activities				
Development property sales – shared ownership first tranche sales	**16,872**	**(13,367)**	**—**	**3,505**
Charges for support services	**532**	**—**	**(440)**	**92**
Supporting people	**3,457**	**—**	**(3,589)**	**(132)**
Development services	**1,903**	**—**	**(3,458)**	**(1,555)**
Managed operations	**4,673**	**—**	**(4,323)**	**350**
Other activities	**2,845**	**—**	**(1,400)**	**1,445**
Activities other than social housing activities				
Market sales	**4,045**	**(3,491)**	**—**	**554**
Lettings (note 6)	**669**	**—**	**(153)**	**515**
Other	**362**	**—**	**—**	**362**
Impairment of other tangible fixed assets	**—**	**(1,515)**	**—**	**(1,515)**
Total per SOCI	**149,918**	**(18,373)**	**(95,487)**	**36,058**
Surplus on disposal of fixed assets (note 12)	**6,078**	**(3,980)**	**—**	**2,098**
Total	**155,996**	**(22,353)**	**(95,487)**	**38,156**

	Turnover 2020 £'000	Cost of sales 2020 £'000	Operating costs 2020 £'000	Operating surplus/ (deficit) 2020 £'000
Social housing lettings (note 5b)	114,429	—	(78,806)	35,623
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	—	—	—	—
Lettings (note 6)	591	—	(137)	
Other	91	—	(89)	2
Impairment of property developed for sale	—	—	—	—
Total per SOCI	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

5a. Income and expenditure from social housing lettings – Group

	General Housing £'000	Supported Housing and Housing for Older People £'000	Low Cost Home Ownership £'000	Care and Supported Living £'000	**Total 2021 £'000**	Total 2020 £'000
Income						
Rent receivable net of identifiable service charges and voids	81,524	6,041	5,384	955	**93,903**	93,557
Service charge income	4,021	3,715	935	1,774	**10,445**	9,879
Amortised government grants	2,279	237	170	124	**2,810**	2,816
Other income from social housing lettings	91	2,081	5	5,243	**7,420**	8,213
Turnover from social housing lettings	87,915	12,074	6,494	8,096	**114,579**	114,465
Expenditure						
Management	(16,955)	(3,275)	(630)	(1,854)	**(22,714)**	(21,801)
Service charge costs	(4,540)	(2,834)	(376)	(2,542)	**(10,292)**	(11,494)
Supporting people	(493)	(3,060)	(13)	(5,818)	**(9,384)**	(7,789)
Routine maintenance	(11,691)	(1,184)	(9)	(194)	**(13,078)**	(12,266)
Planned maintenance	(6,266)	(728)	(15)	(160)	**(7,169)**	(6,640)
Major repairs expenditure	(2,080)	(109)	—	(13)	**(2,202)**	(1,032)
Bad debts	252	(22)	7	(7)	**230**	(568)
Depreciation of housing properties	(15,056)	(1,563)	(615)	(529)	**(17,763)**	(17,200)
Other costs	(45)	—	(18)	—	**(63)**	(48)
Impairment	—	—	—	—	**—**	—
Operating expenditure on social housing lettings	(56,874)	(12,775)	(1,669)	(11,117)	**(82,435)**	(78,838)
Operating surplus/(deficit) on social housing lettings	31,042	(701)	4,825	(3,021)	**32,144**	35,627
Void losses	(1,132)	(654)	—	(797)	**(2,583)**	(1,414)

5b. Income and expenditure from social housing lettings – Parent

	General Housing £'000	Supported Housing and Housing for Older People £'000	Low Cost Home Ownership £'000	Care and Supported Living £'000	**Total 2021 £'000**	Total 2020 £'000
Income						
Rent receivable net of identifiable service charges and voids	81,507	6,041	5,384	955	**93,887**	93,521
Service charge income	4,020	3,715	935	1,774	**10,444**	9,879
Amortised government grants	2,279	237	170	124	**2,810**	2,816
Other income from social housing lettings	90	2,081	5	5,243	**7,419**	8,213
Turnover from social housing lettings	87,896	12,074	6,494	8,096	**114,560**	114,429
Expenditure						
Management	(16,652)	(3,275)	(630)	(1,854)	**(22,411)**	(21,782)
Service charge costs	(4,539)	(2,834)	(376)	(2,542)	**(10,291)**	(11,494)
Supporting people	(493)	(3,060)	(13)	(5,818)	**(9,384)**	(7,789)
Routine maintenance	(11,689)	(1,184)	(9)	(194)	**(13,076)**	(12,260)
Planned maintenance	(6,266)	(728)	(15)	(160)	**(7,169)**	(6,639)
Major repairs expenditure	(2,080)	(109)	–	(13)	**(2,202)**	(1,031)
Bad debts	252	(22)	7	(7)	**230**	(568)
Depreciation of housing properties	(15,054)	(1,563)	(615)	(529)	**(17,761)**	(17,195)
Other costs	(42)	–	(18)	–	**(60)**	(48)
Impairment	–	–	–	–	**–**	–
Operating expenditure on social housing lettings	(56,563)	(12,775)	(1,669)	(11,117)	**(82,124)**	(78,806)
Operating surplus/(deficit) on social housing lettings	31,333	(701)	4,825	(3,021)	**32,436**	35,623
Void losses	(1,132)	(654)	–	(797)	**(2,583)**	(1,412)

6. Particulars of turnover from non-social housing lettings

	Group		Parent	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Market rent	**669**	591	**669**	591
	669	591	**669**	591

7. Units of housing stock – Group

	Units at 1 April 2020	Developed in the year	Sold in the year	Tenure switch	Other	**Units at 31 March 2021**
General needs housing:						
– social	15,378	6	(21)	(26)	25	**15,362**
– affordable	1,142	161	(1)	1	–	**1,303**
Low cost home ownership	2,065	131	(45)	(1)	–	**2,150**
Supported housing	491	–	–	25	(1)	**515**
Housing for older people						
– social	1,277	–	–	–	1	**1,278**
– affordable	60	–	–	–	–	**60**
Intermediate rent	743	36	–	1	–	**780**
Total social housing units	21,156	334	(67)	–	25	**21,448**
Shared ownership 100% leaseholders	390	–	–	–	–	**390**
Leasehold schemes for older people	1,497	–	(1)	–	(27)	**1,469**
Residential care home bed spaces	40	–	–	–	–	**40**
Market rent	78	–	–	–	–	**78**
Total owned	23,161	334	(68)	–	(2)	**23,425**
Accommodation managed for others	301	–	–	–	112	**413**
Total managed accommodation	23,462	334	(68)	–	110	**23,838**
Accommodation managed by others	146	–	–	–	34	**180**
Total owned and managed accommodation	23,608	334	(68)	–	144	**24,018**
Units under construction	697	(340)	–	–	595	**952**

8. Operating surplus/(deficit)

	Group		Parent	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
This is arrived after charging/(crediting):				
Depreciation of housing properties				
– annual charge	**16,655**	16,126	**16,653**	16,124
– accelerated on disposal of components	**1,131**	1,065	**1,131**	1,065
Depreciation of other tangible fixed assets	**1,380**	1,339	**1,380**	1,338
Impairment of other tangible fixed assets	**1,515**	–	**1,515**	–
Impairment of property developed for sale	**–**	2,739	**–**	–
Amortisation of government grants	**2,810**	2,816	**2,810**	2,816
Operating lease charges				
– land and buildings	**116**	294	**116**	294
– other	**624**	1,081	**624**	1,081
Auditor's remuneration:				
– audit of Group financial statements	**94**	123	**94**	214
– audit of subsidiaries	**32**	38	**–**	–
– non-audit services	**–**	–	**–**	–
Cost of pension schemes	**1,200**	1,097	**1,200**	1,097

9. Employees

	Group		Parent	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Staff costs (including Executive Leadership Team) consist of:				
Wages and salaries	**30,965**	28,248	**30,965**	28,248
Social security costs	**2,771**	2,452	**2,771**	2,452
Cost of pension schemes	**1,200**	1,097	**1,200**	1,097
	34,936	31,797	**34,936**	31,797

During the year £183k has been claimed for wages through the Coronavirus Job Retention Scheme for colleagues on furlough because of Covid-19. This is accounted for within other activities in note 4.

The average number of employees (including Executive Leadership 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	
	2021	2020	**2021**	2020
Office based	**489**	467	**489**	467
Site based	**520**	486	**520**	486
	1,009	953	**1,009**	953

9. Employees continued

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

	Group		Parent	
	2021	2020	**2021**	2020
£60,000 – £69,999	**23**	17	**23**	17
£70,000 – £79,999	**12**	8	**12**	8
£80,000 – £89,999	**7**	4	**7**	4
£90,000 – £99,999	**4**	3	**4**	3
£100,000 – £109,999	**3**	4	**3**	4
£110,000 – £119,999	**3**	2	**3**	2
£120,000 – £129,999	**—**	—	**—**	—
£130,000 – £139,999	**—**	2	**—**	2
£140,000 – £149,999	**1**	—	**1**	—
£150,000 – £159,999	**2**	2	**2**	2
£160,000 – £169,999	**—**	—	**—**	—
£170,000 – £179,999	**1**	—	**1**	—
£180,000 – £189,999	**—**	—	**—**	—
£190,000 – £199,999	**—**	1	**—**	1
£200,000 – £209,999	**1**	—	**1**	—
£210,000 – £219,999	**—**	—	**—**	—
£220,000 – £229,999	**—**	—	**—**	—
£230,000 – £239,999	**—**	1	**—**	1
£240,000 – £250,000	**1**	—	**1**	—
	58	44	**58**	44

10. Directors' and senior executive remuneration

The Directors are defined as the members of the Board of Management, the Chief Executive and the Executive Leadership Team disclosed on page 114.

	Group		Parent	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Aggregate executive directors' emoluments	**1,078**	1,017	**1,078**	1,017
Aggregate non-executive directors' emoluments	**156**	120	**156**	120
Compensation for loss of office	**—**	57	**—**	57
	1,234	1,194	**1,234**	1,194

The total amount payable to the Chief Executive, who was also the highest paid director, in respect of emoluments was £248,412 (2020: £234,885).

The pension entitlement of the Chief Executive is identical to those of other members.

There were five directors accruing benefits under the Group's defined benefit pension scheme during the year (2020: 4).

11. Board members

		Member of:					
	Remuneration £'000	Group Board	Libra/Finance and Treasury Committee	Keystone Board	Development Committee	Audit and Risk Committee	Remuneration and Nominations Committee
Board member							
Robert Wilson	27	✓		✓			✓
Patricia Brandum	16	✓		✓	✓	✓	
Stephen Wenham	16	✓			✓		✓
Jennifer Brown	16	✓				✓	✓
Gabriel Behr	16	✓		✓	✓		
Joseph Carr	16	✓	✓		✓		
Angela Morris	12	✓	✓				✓
Parmjit Dhanda	12	✓				✓	✓
Karen Preece	8		✓			✓	
Chris Tyson	6		✓			✓	
Jim Patman	4			✓	✓		
Garry Wiles	4					✓	
Clive Barnett	4		✓				
Julie Doyle	–	✓			✓		
Robert Griffiths	–		✓				

12. Surplus on disposal of fixed assets – Group and Parent

	Right to buy and voluntary sales £'000	Shared ownership staircasing sales £'000	**Total 2021 £'000**	Total 2020 £'000
Proceeds of sales	1,868	4,210	**6,078**	11,640
Costs of sales	(1,202)	(2,852)	**(4,054)**	(8,553)
Grant abated	59	15	**74**	383
Surplus on disposal	725	1,373	**2,098**	3,470
Grant recycled	49	445	**494**	2,904

13. Interest receivable and income from investments

	Group		Parent	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Interest receivable and similar income	**311**	579	**155**	192
Interest receivable from Group undertakings	**—**	—	**652**	685
	311	579	**807**	877
Other income through other comprehensive income				
Gain/(loss) on fair value of hedged derivative instruments	**5,700**	(2,171)	**—**	—
	5,700	(2,171)	**—**	—

14. Interest payable and similar charges

	Group		Parent	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Loans repayable within five years	**1,730**	1,992	**1,596**	1,796
Loans wholly or partly repayable in more than five years	**29,911**	27,643	**29,911**	27,643
Costs associated with financing	**1,565**	1,669	**1,565**	1,669
Net interest on net defined benefit liability	**264**	541	**264**	541
Interest on RCGF (note 25)	**4**	14	**4**	14
	33,474	31,859	**33,340**	31,663
Interest capitalised on construction of housing properties	**(3,274)**	(3,411)	**(2,589)**	(2,530)
	30,200	28,448	**30,751**	29,133

15. Taxation on surplus/(deficit) on ordinary activities

	Group		Parent	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
UK corporation tax				
Current tax on surplus/(deficit) for the year	**61**	13	**61**	13
Adjustment in respect of previous periods	**30**	283	**30**	280
	91	296	**91**	293
Deferred tax	**—**	30	**—**	—
Taxation on surplus/(deficit) on ordinary activities	**91**	326	**91**	293

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	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Surplus/(deficit) on ordinary activities before tax	**8,574**	13,726	**8,256**	17,295
Surplus/(deficit) on ordinary activities at the standard rate of corporation tax in the UK of 19% (2020: 19%)	**1,629**	2,608	**1,569**	3,286
Profits arising in non-taxable charitable entities	**(1,568)**	(2,595)	**(1,560)**	(3,273)
Movement on deferred tax and other fixed assets and short term timing differences	**—**	30	**—**	—
Adjustment to tax charge in respect of previous periods	**30**	283	**30**	280
Total tax charge for period	**91**	326	**39**	293

The aggregate current and deferred tax relating to items recognised in other comprehensive income is a charge of nil (2020: 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 – completed £'000	Social housing properties for letting – under construction £'000	Low cost home ownership properties – completed £'000	Low cost home ownership properties – under construction £'000	Total £'000
Cost					
At 1 April 2020	1,152,670	42,673	103,257	23,688	1,322,288
Additions:					
– construction costs	34	44,539	141	13,815	58,529
– replaced components	10,142	–	20	–	10,162
– enhanced repairs	2,881	–	7	–	2,888
– buy backs	173	–	–	–	173
– transfer from other fixed assets	116	249			365
Completed schemes	29,918	(29,918)	13,795	(13,795)	–
Disposals:	–	–	–	–	
– shared ownership staircasing sales	–	–	(2,729)	–	(2,729)
– right to buy and voluntary sales	(1,136)	–	–	–	(1,136)
– replaced components	(3,457)	–	(15)	–	(3,472)
At 31 March 2021	**1,191,341**	**57,543**	**114,476**	**23,708**	**1,387,068**
Depreciation					
At 1 April 2020	162,695	–	4,184	–	166,879
Charge for the year	16,041	–	614	–	16,655
Eliminated on disposals:					
– replaced components	(2,327)	–	(14)	–	(2,341)
– other	(187)	–	(123)	–	(310)
At 31 March 2021	**176,222**	**–**	**4,661**	**–**	**180,883**
Net book value at 31 March 2021	**1,015,119**	**57,543**	**109,815**	**23,708**	**1,206,185**
Net book value at 31 March 2020	989,975	42,673	99,073	23,688	1,155,409

16. Tangible fixed assets – Housing properties continued

Parent	Social housing properties for letting – completed £'000	Social housing properties for letting – under construction £'000	Low cost home ownership properties – completed £'000	Low cost home ownership properties – under construction £'000	Total £'000
Cost					
At 1 April 2020	1,160,526	42,908	101,959	23,862	1,329,255
Additions:					
– construction costs	34	44,923	141	13,928	59,026
– replaced components	10,142		20		10,162
– enhanced repairs	2,881		7		2,888
– buy backs	173				173
– transfer from other fixed assets	116	249			365
Completed schemes	29,918	(29,918)	13,795	(13,795)	–
Disposals:					
– shared ownership staircasing sales	–	–	(2,729)	–	(2,729)
– right to buy and voluntary sales	(1,136)	–	–	–	(1,136)
– replaced components	(3,457)		(15)		(3,472)
At 31 March 2021	**1,199,197**	**58,162**	**113,178**	**23,995**	**1,394,532**
Depreciation					
At 1 April 2020	162,667	–	4,184	–	166,851
Charge for the year	16,039		614	–	16,653
Eliminated on disposals:					
– replaced components	(2,327)		(14)	–	(2,341)
– other	(187)		(123)	–	(310)
At 31 March 2021	**176,192**	**–**	**4,661**	**–**	**180,853**
Net book value at 31 March 2021	**1,023,005**	**58,162**	**108,517**	**23,995**	**1,213,679**
Net book value at 31 March 2020	997,859	42,908	97,775	23,862	1,162,404

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

	Group		Parent	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Freehold	**1,206,185**	1,155,409	**1,213,679**	1,162,404
	1,206,185	1,155,409	**1,213,679**	1,162,404

16. Tangible fixed assets – Housing properties continued

Cost of properties includes £1,625k (2020: £1,968k) for direct administrative costs capitalised during the year.

Interest capitalisation	Group 2021 £'000	Group 2020 £'000	Parent 2021 £'000	Parent 2020 £'000
Interest capitalised in the year	**3,274**	3,411	**2,589**	2,530
Cumulative interest capitalised	**25,902**	22,491	**20,205**	17,675
	29,176	25,902	**22,794**	20,205

Works to properties	Group 2021 £'000	Group 2020 £'000	Parent 2021 £'000	Parent 2020 £'000
Improvements to existing properties capitalised	**13,050**	10,712	**13,050**	10,709
Major repairs expenditure to income and expenditure account	**(2,202)**	(1,032)	**(2,202)**	(1,031)
	10,848	9,680	**10,848**	9,678

Impairment

The Group considers each scheme to represent separate cash generating units when assessing for impairment in accordance with the requirements of FRS 102 and SORP 2018.

During the current year, the Group has recognised an impairment loss of nil (2020: nil) in respect of social housing properties for letting.

Valuation

On transition to FRS 102, 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 (Existing Use Value for Social Housing) basis. Housing properties have subsequently been measured at cost less depreciation.

17. Other tangible fixed assets

Group	Offices – freehold £'000	Offices – long leasehold £'000	Furniture and office equipment £'000	Total £'000
Cost				
At 1 April 2020	14,746	3,550	7,971	26,267
Additions	74	—	2,616	2,690
Transfer to housing properties – under construction	(477)	—	—	(477)
Transfer to housing properties – completed	(188)	—	—	(188)
Disposals	—	—	(45)	(45)
At 31 March 2021	**14,155**	**3,550**	**10,542**	**28,247**
Depreciation				
At 1 April 2020	2,206	622	5,769	8,597
Charge for the year	107	88	1,185	1,380
Transfer to housing properties – under construction	(228)	—	—	(228)
Transfer to housing properties – completed	(72)	—	—	(72)
Disposals	—	—	(36)	(36)
At 31 March 2021	**2,013**	**710**	**6,918**	**9,641**
Impairment				
At 1 April 2020	—	—	—	—
Charge for the year	1,515	—	—	1,515
At 31 March 2021	**1,515**	**—**	**—**	**1,515**
Net book value at 31 March 2021	**10,627**	**2,840**	**3,624**	**17,091**
Net book value at 31 March 2020	12,540	2,928	2,202	17,670

17. Other tangible fixed assets continued

Parent	Offices – freehold £'000	Offices – long leasehold £'000	Furniture and office equipment £'000	Total £'000
Cost				
At 1 April 2020	14,174	3,550	7,971	25,695
Additions	74	–	2,616	2,690
Transfer of Engagements from Beechdale	572	–	–	572
Transfer to housing properties – under construction	(477)	–	–	(477)
Transfer to housing properties – completed	(188)	–	–	(188)
Disposals	–	–	(45)	(45)
At 31 March 2021	**14,155**	**3,550**	**10,542**	**28,247**
Depreciation				
At 1 April 2020	1,972	622	5,769	8,363
Charge for the year	107	88	1,185	1,380
Transfer of Engagements from Beechdale	228	–	–	228
Transfer to housing properties – under construction	(228)	–	–	(228)
Transfer to housing properties – completed	(72)	–	–	(66)
Disposals	–	–	(36)	(36)
At 31 March 2021	**2,007**	**710**	**6,918**	**9,641**
Impairment				
At 1 April 2020	–	–	–	–
Charge for the year	1,515	–	–	1,515
At 31 March 2021	**1,515**	**–**	**–**	**1,515**
Net book value at 31 March 2021	**10,633**	**2,840**	**3,624**	**17,091**
Net book value at 31 March 2020	12,202	2,928	2,202	17,332

Transfers to housing properties relates to office premises being redeveloped into housing properties.

The impairment charge of £1,515k relates to an office premises that the Group is disposing of, for which the market valuation is lower than the net book value.

18. Investment properties

	Group		Parent	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
At 1 April	**8,201**	8,377	**8,201**	8,377
Additions	**—**	—	**—**	—
Revaluations	**44**	(176)	**44**	(176)
At 31 March	**8,245**	8,201	**8,245**	8,201

The Group's investment properties are valued annually on 31 March at fair value, determined by an independent, professionally qualified valuer, Jones Lang LaSalle. 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. The valuations have been prepared using discounted cash flow 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% of gross income
Furnishings	3.00% of 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 surplus on revaluation of investment property arising of £44k (2020: (£176k)) has been credited to the statement of comprehensive Income for the year.

19. Fixed asset investments

Group	Associated undertakings £'000	Total £'000
Cost		
At 1 April 2020	–	–
At 31 March 2021	**–**	**–**
Share of retained profits		
At 1 April 2020	(272)	(272)
Profit for the year	457	457
At 31 March 2021	**185**	**185**
Net book value at 31 March 2021	**185**	**185**
Net book value at 31 March 2020	(272)	(272)

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

Parent	Subsidiaries £'000	Total £'000
Cost		
At 1 April 2020	100	100
At 31 March 2021	**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	Registered address
Evera Homes LLP	England	25%	Development company	Limited Liability Partnership	31 King Street, Norwich, NR1 1PD
Keystone Developments (LG) Limited	England	100%	Development company	Company Limited by Guarantee	Leverett House, Boston, PE21 7TQ
Libra (Longhurst Group) Treasury plc	England	100%	Raises finance for the Group	Public Company Limited by Shares	Leverett House, Boston, PE21 7TQ
Libra (Longhurst Group) Treasury No 2 plc	England	100%	Raises finance for the Group	Public Company Limited by Shares	Leverett House, Boston, PE21 7TQ
Pitch Development Services LLP	England	50%	Provision of development and other housing consultancy services	Limited Liability Partnership	14 Pelham Road, Nottingham, NG5 1AP
Pondersbridge Management Limited	England	36%	Property maintenance services	Company Limited by Shares	Axiom House, Peterborough, PE3 9TP
The Teetotal Homes	England	100%	Provides social housing for rent	Charity	Leverett House, Boston, PE21 7TQ

20. Properties for sale

Group	First tranche shared ownership properties £'000	Outright market sales £'000	**Total £'000**	Total £'000
Completed	747	2,633	**3,380**	11,283
Work in progress	10,885	7,151	**18,036**	12,453
	11,632	9,784	**21,416**	23,736

Parent	First tranche shared ownership properties £'000	Outright market sales £'000	**Total £'000**	Total £'000
Completed	747	—	**747**	6,413
Work in progress	10,885	—	**10,885**	7,453
	11,632	—	**11,632**	13,866

Properties developed for sale include capitalised interest of £4,436k (2020: £4,241k).

£2,739k of impairment was recognised in 2019/20 on Keystone's share of the Humberston scheme under a joint venture with Countryside Developments. Whilst the scheme does still project a profit if fully developed out, the impairment has been assessed on the basis of the carrying value of the land compared to a RICS red book valuation on the remaining un-developed phases. Impairment is reassessed by the Board annually.

21. Debtors

	Group		Parent	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Due within one year				
Rent and service charge arrears	**3,333**	3,731	**3,333**	3,731
Less: Provision for doubtful debts	**(2,021)**	(2,282)	**(2,021)**	(2,282)
	1,312	1,449	**1,312**	1,449
Trade debtors	**19**	30	**—**	—
Amounts owed by group undertakings	**—**	—	**3,879**	3,933
Amounts owed by joint ventures and associated undertakings	**225**	214	**26**	29
Other debtors	**6,183**	4,560	**1,839**	1,552
Prepayments and accrued income	**2,990**	4,183	**2,938**	1,661
	10,729	10,436	**9,994**	8,624

22. Creditors: amounts falling due within one year

	Group		Parent	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Loans and borrowings (note 27)	**11,574**	10,902	**11,574**	3,028
Trade creditors	**7,244**	6,491	**3,742**	5,509
Rent and service charges received in advance	**4,050**	3,713	**4,049**	3,712
Amounts owed to Group undertakings	**—**	—	**10,749**	10,335
Amounts owed to joint ventures and associated undertakings	**148**	587	**148**	586
Taxation and social security	**964**	1,204	**964**	1,165
Other creditors	**1,010**	2,679	**1,010**	1,434
Deferred capital grant (note 24)	**2,814**	2,820	**2,814**	2,820
Recycled capital grant fund (note 25)	**623**	447	**623**	447
Accruals and deferred income	**10,897**	6,278	**9,111**	6,031
Accrued interest	**6,061**	1,494	**1,014**	1,112
Service charge balances held on behalf of leaseholders	**5,630**	5,193	**5,630**	5,193
	51,015	41,808	**51,428**	41,372

£5,630k (2020: £5,193k) relating to service charge balances held on behalf of leaseholders is also included in the cash and cash equivalents balance of £87,069k (2020: £119,916k) on the face of the statement of financial position.

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

	Group		Parent	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Loans and borrowings (note 27)	**676,829**	689,465	**665,631**	677,365
Derivatives – interest rate swaps	**22,023**	27,723	**—**	—
Deferred capital grant (note 24)	**297,998**	284,864	**297,998**	284,864
Recycled capital grant fund (note 25)	**3,415**	3,660	**3,415**	3,660
	1,000,265	1,005,712	**967,044**	965,889

24. Deferred capital grant

	Group		Parent	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
At 1 April	**287,684**	283,530	**287,684**	283,530
Grants received during the year	**15,850**	9,180	**15,850**	9,180
Grants recycled from the recycled capital grant fund	**567**	610	**567**	610
Released to income during the year	**(2,814)**	(2,820)	**(2,814)**	(2,820)
Grants disposed of during the year	**(568)**	(3,199)	**(568)**	(3,199)
Amortised grant written back on sale	**93**	383	**93**	383
At 31 March	**300,812**	287,684	**300,812**	287,684
Amount due to be released < 1 year	**2,814**	2,820	**2,814**	2,820
Amount due to be released > 1 year	**297,998**	284,864	**297,998**	284,864
	300,812	287,684	**300,812**	287,684

25. Recycled capital grant fund

	Group		Parent	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
At 1 April	**4,107**	1,799	**4,107**	1,799
Inputs to fund:				
– grants recycled	**494**	2,904	**494**	2,904
– interest accrued	**4**	14	**4**	14
Recycling of grant:				
– grants recycled	**(567)**	(610)	**(567)**	(610)
– major repairs	**–**	–	**–**	–
At 31 March	**4,038**	4,107	**4,038**	4,107
Amounts 3 years or older where repayment may be required	**–**	–	**–**	–
Amount due to be released < 1 year	**623**	447	**623**	447
Amount due to be released > 1 year	**3,415**	3,660	**3,415**	3,660
	4,038	4,107	**4,038**	4,107

26. Disposal proceeds fund

	Group		Parent	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
At 1 April	**–**	111	**–**	111
Use of fund:				
– new builds	**–**	(111)	**–**	(111)
At 31 March	**–**	–	**–**	–
Amounts 3 years or older where repayment may be required	**–**	–	**–**	–

27. Loans and borrowings

Maturity of debt:	Group 2021 £'000	Group 2020 £'000	Parent 2021 £'000	Parent 2020 £'000
Loans repayable by instalments				
Within one year	**6,074**	5,630	**6,074**	5,630
In one year or more but less than two years	**6,159**	5,994	**6,159**	5,994
In two years or more and less than five years	**19,335**	18,991	**19,335**	18,991
In five years or more	**87,138**	93,880	**87,138**	93,880
Loans not repayable by instalments				
Within one year	**5,500**	–	**5,500**	–
In one year or more but less than two years	**–**	5,500	**–**	5,500
In two years or more and less than five years	**46,700**	46,100	**36,000**	34,000
In five years or more	**517,000**	519,000	**517,000**	519,000
	687,906	695,095	**677,206**	682,995

During the year, no new facilities were agreed. £1.4m of Revolving credit facilities were repaid plus £6.2m contractual loan repayments. Revolving credit facilities accrue interest at a variable rate equivalent to LIBOR plus a margin as determined in each loan agreement. The Group has two listed bonds totalling £250.0m maturing in 2038 with a carrying value of £249.2m and £250.0m maturing in 2043 with a carrying value of £263.7m.

From 1 January 2022, due to the cessation of LIBOR, variable loans will accrue interest at a variable rate equivalent to SONIA (Sterling Overnight Index Average) plus an agreed credit adjustment spread + margin. This will also apply to the floating rate leg in respect of the Group's swap portfolio. The transition from LIBOR to SONIA is in progress with both lenders and hedge counterparties (nominal amount £72.5m at 1 January 2022) and progressing to documentation ready for transition on 1 January 2022. No significant assumptions or judgements have been made in applying the amendments as the policy impact of transition will neither affect borrower nor lender adversely. The maturity of debt above includes £683,490,000 loans outstanding less loan issue costs of £8,421,000, plus amortised bond discount and premiums totalling £12,837,000.

The Group has entered into floating to fixed interest rate swaps with fixed legs of between 4.42% and 5.43% and a variable rate leg equal to LIBOR. These are accounted for as a cash flow hedge. The fair value measurement of these swaps has 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	2021 £'000	2020 £'000
Within one year	**–**	182
In one year or more but less than two years	**833**	–
In two years or more and less than five years	**496**	1,992
In five years or more	**20,694**	25,548
Total	**22,023**	27,722

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 2021 was 4.60% (2020: 4.83%).

At 31 March 2021 the Group had undrawn loan facilities of £164.3m (2020: £162.9m).

28. Financial instruments

The Group's financial instruments measured at fair value through profit or loss are as follows:

	Group		Parent	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
– Derivative financial instruments	**22,023**	27,723	**–**	–
	22,023	27,723	**–**	–

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 2021, the Group had bank loan liabilities totalling £140,979,075 of which £95,258,818 pays interest at 3 month LIBOR plus margin with an average maturity in years of 10 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 £75,500,000 paying a fixed rate between 4.42% and 5.43% with an average maturity of 6 years. These interest rate swaps receive 3 month LIBOR (though cash flows are settled on a net basis) and effectively fix the total interest cost on £75,500,000 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 £22,023k (2020: £27,723k) at the balance sheet date. The cash flows arising from the interest rate swaps will continue until their maturity, which is coincidental with the repayment of the term loans. The change in fair value in the period was £5,700k 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 £21,641k (2020: £12,232k). The defined benefit pension obligation is an actuarial measurement of the present value of future cash outflows 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 2021 were nil (2020: £18k) of which employer contributions totalled nil (2020: £18k) and member contributions totalled nil (2020: nil).

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.

	Group		Parent	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Analysis of the amount charged to operating costs in the Statement of Comprehensive Income				
Employer contributions	–	18	–	18
Expenses	–	–	–	–
Total operating charge	–	18	–	18

Reconciliation of assets and liabilities

	Group		Parent	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Reconciliation of liabilities				
Liabilities at 1 April	–	12,355	–	12,355
Re-measurement	–	1,506	–	1,506
Effect of settlements	–	(13,861)	–	(13,861)
Liabilities at 31 March	–	–	–	–

	Group		Parent	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Reconciliation of assets				
Assets at 1 April	–	9,362	–	9,362
Employer contributions	–	18	–	18
Effect of settlements	–	(9,380)	–	(9,380)
Assets at 31 March	–	–	–	–

30. Pensions continued

Social Housing Pension Scheme

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 265 (2020: 275) 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. Adjustments to the valuation at that date were based on the following assumptions:

	2021	2020
Discount rate	**2.20%**	2.40%
RPI inflation	**3.15%**	2.60%
CPI inflation	**2.65%**	1.70%
Salary growth	**3.15%**	2.60%
Allowance for commutation of pension for cash at retirement	**75% of max allowance**	75% of max allowance

	2021 (years)	2020 (years)
Longevity at age 65 for current pensioners		
– Men	**21.6**	21.5
– Women	**23.5**	23.3
Longevity at age 65 for future pensioners		
– Men	**22.9**	22.9
– Women	**25.1**	24.5

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.

	30 Sep 2017 £m	30 Sep 2014 £m
Value of technical provisions	6,075	4,446
Value of assets available to meet technical provisions	4,553	3,123
– As a percentage of technical provisions	75%	70%

30. Pensions continued

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 as at 30 September 2020 with the valuation results due to be published in the second half of 2021.

	Group		Parent	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Analysis of the amount charged to operating costs in the Statement of Comprehensive Income				
Current service cost	**1,477**	1,834	**1,477**	1,834
Expenses	**90**	90	**90**	90
Total operating charge	**1,567**	1,924	**1,567**	1,924

	Group		Parent	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Amount of gains and losses recognised in the Statement of Comprehensive Income				
Actuarial gains on pension scheme assets	**6,121**	1,882	**6,121**	1,882
Actuarial (losses)/gains on scheme liabilities	**(17,642)**	10,928	**(17,642)**	10,928
Actuarial (loss)/gain recognised	**(11,521)**	12,810	**(11,521)**	12,810

	Group		Parent	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Movement in scheme surplus/(deficit) during the year				
Fair value of plan assets	**88,973**	78,790	**88,973**	78,790
Present value of defined benefit obligation	**(110,561)**	(90,959)	**(110,561)**	(90,959)
Deficit in plan	**(21,588)**	(12,169)	**(21,588)**	(12,169)

Reconciliation of assets and liabilities

	Group		Parent	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Reconciliation of liabilities				
Liabilities at 1 April	**90,959**	100,000	**90,959**	100,000
Service cost	**1,477**	1,834	**1,477**	1,834
Expenses	**90**	90	**90**	90
Interest cost	**2,179**	2,290	**2,179**	2,290
Member contributions	**165**	179	**165**	179
Re-measurement	**17,642**	(10,928)	**17,642**	(10,928)
Benefits paid	**(1,951)**	(2,506)	**(1,951)**	(2,506)
Liabilities at 31 March	**110,561**	90,959	**110,561**	90,959

30. Pensions continued

	Group		Parent	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Reconciliation of assets				
Assets at 1 April	**78,790**	73,660	**78,790**	73,660
Return on plan assets	**6,121**	1,882	**6,121**	1,882
Interest	**1,915**	1,749	**1,915**	1,749
Employer contributions	**3,933**	3,826	**3,933**	3,826
Member contribution	**165**	179	**165**	179
Benefits paid	**(1,951)**	(2,506)	**(1,951)**	(2,506)
Assets at 31 March	**88,973**	78,790	**88,973**	78,790

The fair value of scheme assets was:

	Group		Parent	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Assets				
Global Equity	**14,180**	11,523	**14,180**	11,523
Absolute Return	**4,911**	4,108	**4,911**	4,108
Distressed Opportunities	**2,569**	1,518	**2,569**	1,518
Credit Relative Value	**2,800**	2,161	**2,800**	2,161
Alternative Risk Premia	**3,351**	5,509	**3,351**	5,509
Fund of Hedge Funds	**10**	46	**10**	46
Emerging Markets Debt	**3,592**	2,386	**3,592**	2,386
Risk Sharing	**3,239**	2,661	**3,239**	2,661
Insurance-Linked Securities	**2,137**	2,420	**2,137**	2,420
Property	**1,848**	1,736	**1,848**	1,736
Infrastructure	**5,932**	5,864	**5,932**	5,864
Private Debt	**2,122**	1,588	**2,122**	1,588
Opportunistic Illiquid Credit	**2,262**	1,907	**2,262**	1,907
High Yield	**2,664**	–	**2,664**	–
Opportunistic Credit	**2,439**	–	**2,439**	–
Cash	**1**	–	**1**	–
Corporate Bond Fund	**5,257**	4,493	**5,257**	4,493
Liquid Credit	**1,062**	32	**1,062**	32
Long Lease Property	**1,744**	1,363	**1,744**	1,363
Secured Income	**3,700**	2,989	**3,700**	2,989
Liability Driven Investment	**22,612**	26,149	**22,612**	26,149
Net Current Assets	**541**	337	**541**	337
Total Assets	**88,973**	78,790	**88,973**	78,790

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 Group 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 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 assumption:

	2021	2020
Discount rate	**0.66%**	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.

	Group		Parent	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Reconciliation of provision				
Provision at 1 April	**63**	74	**63**	74
Unwinding of the discount factor (interest expense)	**1**	2	**1**	2
Deficit contribution paid	**(13)**	(13)	**(13)**	(13)
Remeasurements – impact of any change in assumptions	**2**	–	**2**	–
Provision at 31 March	**53**	63	**53**	63

Overall deficit from defined benefit obligations recognised in the statement of financial position:

	Group		Parent	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Combined deficit	**(21,641)**	(12,232)	**(21,641)**	(12,232)

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

	Group		Parent	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Total accumulated government grant and financial assistance received or receivable at 31 March:				
Held as deferred capital grant	**300,812**	287,684	**300,812**	287,684
Recognised as income in Statement of Comprehensive Income	**67,875**	65,061	**67,875**	65,061
	368,687	352,745	**368,687**	352,745

34. Operating leases

The Group and the association had minimum lease payments under non-cancellable operating leases as set out below:

	Group		Parent	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Amounts payable as Lessee				
Not later than 1 year	**438**	663	**438**	663
Later than 1 year and not later than 5 years	**264**	668	**264**	668
Later than 5 years	**38**	44	**38**	44
	740	1,375	**740**	1,375

35. Capital commitments

	Group		Parent	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Commitments contracted but not provided for				
Maintenance	**—**	—	**—**	—
Construction	**96,390**	70,751	**96,390**	70,751
Commitments approved by the Board but not contracted for				
Maintenance	**49,358**	46,183	**49,358**	46,183
Construction	**61,241**	97,910	**61,241**	97,910
	206,989	214,844	**206,989**	214,844

Capital commitments for the Group and association will be funded as follows:

	Group		Parent	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Social housing grant	**25,837**	52,838	**25,837**	52,838
Sales of properties	**53,634**	64,048	**51,738**	64,048
Committed loan facilities	**127,518**	97,959	**129,414**	97,959
	206,989	214,844	**206,989**	214,844

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	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Net Loan movement (advances)/repayment	**(800)**	(2,200)	**—**	—
Net sales and purchases of goods and services	**(1,516)**	(2,919)	**—**	—
Management fees received	**161**	238	**62**	169
Interest received	**160**	167	**—**	—
	(1,995)	(4,714)	**62**	169

36. Related party disclosures continued

At 31 March, the balances were as follows:

	Evera Homes LLP		Pitch Development Services LLP	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Loans	**4,250**	3,450	**—**	—
Trading balances	**185**	(272)	**1**	1
Fees and interest	**199**	185	**6**	89
Goods and services	**8**	3	**—**	—
	4,642	3,366	**7**	90

One of the Board members has significant influence at Altair Limited; services with fees totalling £3k for recruitment reports were provided to Longhurst Group during the year. An executive director is a Board member at Lincolnshire Housing Partnership; there were payments of £1k for advertisements and receipts of £16k for Employers Agent and Clerks of Works services 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.

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.

	Management charges		Other charges		Interest charges	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Payable by subsidiaries						
Keystone Developments (LG) Limited	**496**	409	**—**	—	**652**	685
Libra (Longhurst Group) Treasury plc		—	**—**	—	**—**	—
Libra (Longhurst Group) Treasury No 2 plc		—	**—**	—	**—**	—
The Teetotal Homes	**3**	3	**—**	—	**—**	—
	499	412	**—**	—	**652**	685

	Management charges		Other charges		Interest charges	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Payable to subsidiaries						
Keystone Developments (LG) Limited	**—**	—	**36,749**	29,179	**—**	—
Libra (Longhurst Group) Treasury plc	**—**	—	**7,784**	8,893	**18,106**	17,223
Libra (Longhurst Group) Treasury No 2 plc	**—**	—	**2,052**	2,115	**7,715**	6,954
The Teetotal Homes	**—**	—	**—**	—	**—**	—
	—	—	**46,585**	40,187	**25,821**	24,177

At 31 March 2021, the closing intercompany balances are £5,078k payable to Libra (Longhurst Group) Treasury plc, £3,351k payable to Libra (Longhurst Group) Treasury No 2 plc, £5,185k payable to Keystone Developments (LG) Limited and £11k payable to The Teetotal Homes.

36. Related party disclosures continued

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 £688m (2020: £695m).

37. Capital and reserves

The Revaluation Reserve movement of £1,043k (2020: £905k) 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 2020 £'000	Cash flows £'000	Other non-cash changes £'000	**At 31 March 2021 £'000**
Cash at bank and in hand	119,916	(32,847)	—	**87,069**
Bank loans	(695,095)	7,689	(500)	**(687,906)**
Interest rate swaps	(27,723)	—	5,700	**(22,023)**
Net debt	(602,902)	(25,158)	5,200	**(622,860)**

39. Transfer of Engagements (ToE)

Following a comprehensive governance and structures review, the Board approved a ToE of Beechdale Community Development Limited (Beechdale) into Longhurst Group on 1 April 2020. This is part of the improvements to the structure of Longhurst Group; enabling improved efficiency, allowing the Group to provide more new homes and continue providing high-quality services to our customers.

In consideration of the Group receiving the whole of the stock, property, assets, liabilities and all other engagements of Beechdale, the Group agreed to discharge the liabilities and engagements of Beechdale in full.

The transfer of Beechdale into the Group has been accounted in line with FRS 102 as a group reconstruction at cost, using the book value of assets and liabilities on the date of transfer. The excess liabilities over assets of £210k has been recognised as a movement in reserves. This is shown as a 'Transfer of Engagements from Beechdale' within the Parent entity statement of changes in reserves.

39. Transfer of Engagements (ToE) continued

Balance sheet as at 1 April 2020

	2021 £'000
Fixed assets	
Tangible fixed assets – other	**338**
	338
Less: Creditors – amounts falling due within one year	**(548)**
Net current assets	**(548)**
Net liabilities	**(210)**
Capital and reserves	
Income and expenditure reserve	**(210)**
Total reserves	**(210)**

As a result of the ToE, the Parent statement of comprehensive income includes the activity of Beechdale for the full year.

Alignment of accounting policies

The pre-ToE accounting policies and estimation methodology were aligned and, as such, no harmonisation was necessary.

40. Value for Money definitions and calculations

	2021 £'000
1. Reinvestment %	
calculated as: development of new housing properties + works to existing housing properties + capitalised interest, divided by housing properties at cost	"£55,255k + £13,050k + £3,274k ÷ £1,206,185k" **= 5.9%**
2A) New supply delivered (Social housing units)%	
calculated as: total social units developed in the year, divided by total social housing and leasehold units owned	"334 ÷ 23,347" **= 1.4%**
2B) New supply delivered (Non-social housing units)%	
calculated as: total non-social units developed or acquired in the year, divided by total social and non-social housing and leasehold units owned	"0 ÷ 23,425" **= 0.0%**
3. Gearing %	
calculated as: short-term loans + long-term loans – cash and cash equivalents, divided by housing properties at cost	"£16,621k + £676,829k - £87,069 ÷ £1,206,185k" **= 50.3%**
4. EBITDA MRI Interest Cover %	
calculated as: operating surplus – gain on disposal of fixed assets – amortised government grant + interest receivable – capitalised major repairs expenditure + depreciation charge, divided by interest capitalised + interest payable and financing costs	"£37,958k - £2,098k - £2,810k + £311k - £13,050k + £19,166k ÷ £3,274k + £30,200k" **= 117.9%**
5. Headline social housing cost per unit	
calculated as: management costs + service charge costs + routine maintenance costs + planned maintenance costs + major repairs expenditure + capitalised major repairs expenditure + other social housing lettings costs + development services + other social housing activities, divided by total social housing units owned and/or managed	"£22,714k + £10,292k + £13,078k + £7,169k + £2,202k + £13,050k + £9,384k + £3,458k + £9,752k ÷ 21,627" **= £4,212k**
6A) Operating Margin (social housing lettings)%	
calculated as: operating surplus (social housing lettings), divided by turnover from social housing lettings	"£32,144k ÷ £114,579k" **= 28.1%**
6B) Operating Margin (overall)%	
calculated as: operating surplus – gain on disposal of fixed assets, divided by turnover	"£37,958k - £2,098k ÷ £152,775k" **= 23.5%**
7. Return on capital employed %	
calculated as: operating surplus + share of surplus in joint ventures or associates, divided by total assets less current liabilities	"£36,958k + £457k ÷ £1,296,541k" **= 3.0%**

Notes

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Registered Head Office: 50 Newhall Hill, Birmingham B1 3JN