Aspire Housing Limited

Annual Report & Financial Statements

Year Ended 31st March 2021

Registration number 31218R

Table of Contents

Board Members, Executive Directors, Advisors and Bankers

Chair	Aman Dalvi (appointed 10 September 2020) Kevin Richardson (resigned 24 September 2020)
Executive Director	Sinéad Butters
Other Non-Executive Directors	Marina Barrett Neale Clifton Ian Dale Jenny Danson David Hunter Mike Lawton Alasdair Macarthur Paul Northcott Nicola Winn
Secretary	Paul Medford (appointed 17th November 2020) Mark Thrasher (prior to 17th November 2020)
Group Chief Executive	Sinéad Butters
Executive Director of Finance	Mark Thrasher
Executive Director of Customer Experience	Andrei Szatkowski
Executive Director of Organisational Development	Ian Gleave
Executive Director of Property	Dan Gray
Executive Director of Achieve Training	Dan Canavan
Registered Office	Kingsley The Brampton Newcastle-under-Lyme Staffordshire ST5 0QW

Board Members, Executive Directors, Advisors and Bankers (continued)

Auditor	BDO LLP 3 Hardman Street Manchester M3 3AT
Principal Solicitors	Anthony Collins LLP 134 Edmund Street Birmingham B3 2ES
Principal Bankers	Barclays Bank Plc PO Box 3333 15 Colmore Row Birmingham B3 2WN

Strategic Report

Introduction

The Board presents its Strategic Report, containing the Operating and Financial Review and value for money statement, for the year ended 31 March 2021.

Overview and background

Aspire Housing is a leading housing provider, place shaper and property developer. Profits are reinvested in new homes, in revitalising communities and in a comprehensive range of innovative support services, designed to transform lives.

A leading housing provider, property developer and place shaper.

The largest independent training provider of apprenticeships for young people in Staffordshire.

Our employment and skills charity supporting people in our disadvantaged communities into work.

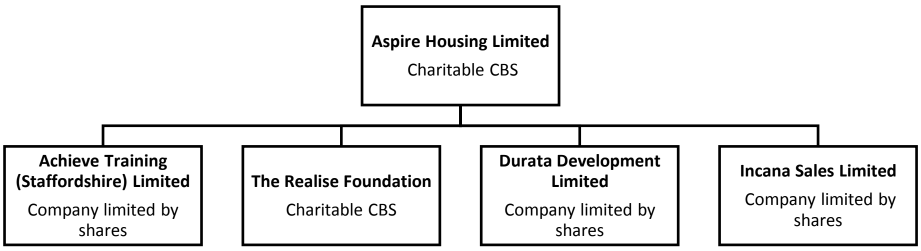
Three distinct but complementary businesses form **we are aspire**; Aspire Housing, Achieve Training and Realise Foundation. Together, we blend commercial expertise with social purpose and revitalise communities by providing homes, training, employment and support.

During the year Durata Development Limited, the group's development company started work on nine developments and has a further pipeline for the following few years as part of the strategy to increase growth and investment opportunities. It is envisaged that Incana Sales, the group's property company for market sales will commence trading during 2021-22.

As a group, we are focused on Building Better Futures, by putting People First. We do this by living our values: being ambitious, creative and collaborative and always striving to work in a smarter, simpler, slicker way.

Legal structure and objectives

Aspire Housing Limited is registered with the Financial Conduct Authority as a Registered Society under the Co-operative and Community Benefit Societies Act 2014, and with the Regulator of Social Housing (RSH) as a social landlord.



On 7 January 2021 Project Management (Staffordshire) Limited changed its name to Achieve Training (Staffordshire) Limited.

Strategic Report (continued)

Financial review

The Aspire Group is pleased to report a net surplus for the year of £3.3m (2020: £4.4m). The surplus was lower than the previous period, primarily due to increased costs, because of the pandemic. During the various lockdowns throughout the year, we have also had to postpone a number of projects for capital works, which have been carried forward into 2021-22.

Despite the challenging year which was experienced, income collection and arrears management performance has remained strong with current tenant rent arrears at the year-end representing 1.32% of the rent debit (2020: 1.32%) and with 100.1% of rent collected in the year (2020: 101.5%). The rent lost in the year from bad debts was £141,000 (0.4% of rent and service charges). Void rent loss for the year increased significantly to £684,000 (1.7%) compared to the previous year's loss of £406,000 (1.1%). This increase was due to the reduced opportunity to re-let properties because many of our customers were reluctant to move for large parts of the year.

Net surplus was 6.7% (2020: 8.7%) of turnover and the operating margin was 23.9% (2020: 25.7%). Total Comprehensive Income though saw a reversal of the actuarial gains from the previous year with actuarial losses in the year of £9.0m. Underlying operating performance remains solid and in line with our Business Plan.

The Aspire Group continues to generate a strong net cash flow from operating activities of £16.3m (2020: £21.0m). The group ended the year with cash and short-term investments of £11.8m. These resources will continue to be used, together with its loan facilities, to fund the group's objectives over the next three years.

At a group level, interest cover (which measures the extent to which the adjusted surplus covers interest payments) is 176.1% in 2021 (2020: 173.7%), and gearing (which measures the level of indebtedness, and using the Value for Money metrics definition) has changed by a small amount to 46.5% (2020: 47.0%). These ratios remain comfortably within the minimum and maximum levels permitted by funders' loan agreements.

Aspire has continued to invest significant resources both in its existing homes and neighbourhoods and in the development and acquisition of new social and affordable housing for rent and low-cost home ownership. The early part of 2020-21 was a difficult period for development, however during the second part of the year our programme has been very successful. Total units owned have fallen slightly from 9,063 to 9,055 because of a high number of disposals (150) slightly outnumbering additions (145) with transfers and conversions accounting for the other difference. Our development and regeneration programme during the year saw the demolition of Ashfield's Grange which is being replaced by the 85-unit scheme, Holborn Place. We are also in the midst of our Cross Street scheme which will see the replacement of 79 outdated flats with a mixed tenure scheme of social rent, shared ownership and outright sale; included within the 145 additions were 40 units of low-cost home ownership.

The Aspire Housing Board has approved a strategic disposal programme as part of its broader asset management strategy. Properties are selected using a number of defined criteria including relative net present value, stock type and condition, location and demand. During 2020-21, 45 houses or commercial units were disposed of. The receipts generated are utilised to fund the development of new homes.

Achieve Training ended a difficult year with an operating loss of £581,000 as a result of the pandemic and lockdowns which restricted activities and opportunities for a time. There have also been some additional costs to deliver the improvements required after the ESFA audit. However, the social impact of Achieve Training continues to be positive and well regarded which gives confidence for the future.

Strategic Report (continued)

Financial review (continued)

We remain confident that when training returns to a post COVID-19 level of normality, Achieve Training will once again deliver a financial return in addition to its continuing social returns. During 2020-21, despite the difficulties, Achieve Training has, through its training division, supported over 1,200 companies locally with their workplace skills needs.

Regulatory Grade

In September 2020 we were informed by the Regulator of Social Housing that Aspire Housing would be the subject of an In-Depth Assessment (IDA) in November 2020. Following this review Aspire were confirmed in March 2021 as retaining its Governance and Viability ratings as G1/V1. We are extremely pleased to have retained this rating particularly given the very testing operating environment during 2020-21.

Operating review

The Aspire Group has focussed on preparing for and delivering against our new Corporate Strategy which was launched in the Autumn of 2019. Building Better Futures by Putting People First, is our vision, underpinned by our values of being Ambitious, Creative and Collaborative. Putting tenants, learners and colleagues at the centre of what we do, hearing our tenants and learners voice at Board, and understanding what it feels like to receive our services are all key facets of our revised approach. We undertook the Best Companies Survey in 2021 and earned a place on the list of Top 100 companies to work for in the Midlands. We have instituted Aim High and Fly High colleague talent programmes, and "Seeing is Believing" for all colleagues and Boards to go back to the floor in our communities.

The issues facing those who live in our neighbourhoods are more challenging than ever. Following the Coronavirus outbreak, a global pandemic seized the world, and everything we thought we knew has changed. Areas like North Staffordshire were particularly hard hit, with numbers of young people thrown onto the jobs market, and a population heavily dependent on the retail, leisure and hospitality industries. Our work, through the group where housing, employment and support come together as a whole, was needed more than ever and showed the People First approach in its best light and in ways never perceived before.

Our strategy is therefore to maximise all parts of the group and draw them together to make the most impact we can in helping our neighbourhoods prosper. To work creatively with local partners and stakeholders to ensure the breadth and depth of our offer, and clarity over where we draw the line. We will ensure that everything we do, in Aspire Housing, Achieve Training and Realise will focus on our customer. This will require a step change in our approach. In the recent past our focus may have been skewed too much towards delivering at the lowest possible cost but in future we will deliver the greatest value outcomes through more joined-up approaches to delivery. We will do this with a strong focus on adding value in the communities of North Staffordshire to help the area we serve recover, regenerate, and renew.

The 2020-21 financial year was the second year of Aspire Housing's 2019-24 (Corporate Strategy) which sets out to maximise the impact of all parts of the group to ensure our neighbourhoods prosper through a number of themes;

- Governance and engagement
- Our culture
- Our resources
- Our neighbourhoods
- Our housing offer
- Our skills offer
- Our charity

Strategic Report (continued)

COVID-19

On 30 January 2020 the World Health Organisation (WHO) announced Coronavirus as a global health emergency. On 11 March 2020, it announced that Coronavirus was a global pandemic and the UK Government instituted a lockdown of businesses and services on 23 March 2020 to limit the spread of coronavirus.

The impact of the lockdowns on the financial results for the year ended 31 March 2021 was minimal in terms of the financial results other than for Achieve Training where the company was unable to train on site and, as and when some restrictions were lifted, social distancing meant that class sizes were smaller. The pandemic has also reduced the number of apprenticeships that businesses are taking on which has made securing some income streams more difficult. However, through the year business has continued, albeit not as usual, and throughout this time we adopted a number of measures to ensure the safety of customers, staff and business partners during this time including the following:

- with the social distancing measures, major improvements such as kitchens and bathrooms and all non-emergency repairs and environmental services were stopped for a period. Only emergency repairs, void clearance and health and safety compliance work continued uninterrupted. As the lockdowns gradually lifted we increasingly started to provide some of these services again after full risk assessments.
- all construction on our rented and sale development programmes was halted in line with Government recommendations for a short period. Once the Government gave the go ahead for building to recommence we started up each site again following risk assessments.
- provided regular contact with older and vulnerable customers to ensure that they had access to food and required medicines. We redeployed some staff from other services and together with volunteers contacted all our customers and then provided increased contact for those considered to be vulnerable.
- provided guidance to those customers who faced financial difficulties. We took a position on rent arrears and worked with individual customers to help them through debt problems.
- all offices were closed both for staff and the public with the majority of staff working at home other than those who continued in their roles providing emergency repairs and health and safety compliance work.
- training for apprentices and school leavers was not possible for a period as classroom and on-the-job activities all had to be suspended early in the year. We provided regular contact with learners still to complete courses and supported online learning where possible.

These measures, inevitably, had some impact on performance for the group in a number of areas:

- the suspension of building work on developments put back the handover dates on a number of projects. Whilst all schemes got back on site fairly quickly and new developments were started the number originally planned for completion in 2020-21 was not met and this reduced planned new rental income.
- there was a hiatus in the housing market which affected sales at the previous year-end and into the current year. However, by the year-end there were 19 unsold shared ownership as planned, 15 of which were reserved for sale.
- major improvements work programmes were significantly reduced in 2020-21 as our capacity to deliver the original programme was constrained by the ability to access homes, particularly where customers are vulnerable, isolating or uncertain. A new programme is prepared for the coming year.

Strategic Report (continued)

COVID-19 (continued)

- maintenance spend was moved around between categories but was still on plan overall in 2020-21.
- expenditure on personal protective equipment increased to ensure the safety of staff who are working with customers and in the community.
- to assist the ongoing financial viability of the Achieve business, we furloughed a number of staff who were unable to provide training when classroom and on-the-job activities were suspended. The support received through the Government Coronavirus Job Retention Scheme totalled £162,000.
- both arrears and voids saw an increase during the first quarter of 2020-21. Our performance on these started at a low base so there were no immediate concerns, but the indicators were closely monitored through the year and the teams took action to address the issues alongside the sensitivities of the situation. By the end of the year current performance in both areas had moved back to normal although the void loss in the year was higher than originally planned.

The impact on global markets has affected other areas which are outside the group's control. These include:

- the asset values for the defined benefit pension schemes were impacted by the performance of the stock market at the end of March 2020 but performance recovered through 2020-21. In addition, low gilt yields impacted on pension liabilities into the future.
- the group currently has headroom on security for its loan finance but any reduction in valuations from changes in assumptions as a result of the pandemic will impact on this figure. The group is not reliant on MV-T valuations for loan security so some of this risk is mitigated from changes in the housing market, but the level of security and headroom was closely monitored during 2020-21 and a revised valuation in late 2020 demonstrated no real impact.

Throughout the year the Board has received regular reports on performance and risks to be able to assess the impact of the pandemic on customers, learners, staff and the business as a whole. In the past few months reporting has returned to normal as the lifting of restrictions progresses and the remaining restrictions are not impacting on the group's operations. On the basis of the reports given and the work done the Board has determined that adopting a going concern basis for the financial statements is correct at the time of approval.

Future developments

The new business plan approved by the Board in March 2021 provides for 1,443 new homes, to be completed in the five years to March 2026. In addition, we also plan to develop 110 homes for outright sale through Incana Sales Limited.

Aspire Housing will continue to make significant investment in its stock and to ensure that its properties meet the Decent Homes Standard (DHS) and responds to enhanced building safety requirements and future climate change targets.

We will continue to assess the impact and manage the risks to our business of government policy, including the impact of Universal Credit and the Voluntary right-to-buy policy.

Strategic Report (continued)

Risks and uncertainties

Aspire Housing uses various financial instruments, including loans and cash, and other items such as rental arrears and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for its operations. The existence of these financial instruments exposes the organisation to several financial risks. The main risks arising from financial instruments are considered by the directors to be interest rate risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing these risks.

Risk	Description
Interest rate	Aspire Housing finances its operations through a mixture of retained surpluses and bank borrowings. The exposure to interest rate fluctuations on borrowings is managed using both fixed and variable rate facilities.
Liquidity	Aspire Housing seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and invests cash assets in accordance with an approved treasury management strategy. In addition to drawn borrowings Aspire Housing had £50m of undrawn facilities as at 31 March 2021.
Credit	The principal credit risk relates to tenant arrears. This risk is managed by providing support to customers with their application for Housing Benefit and through benefit and debt advice, as well as by ensuring that Aspire has an appropriately resourced and high performing Income Management team. Welfare Reform changes have been identified as a key risk for the organisation and extensive work has been carried out in preparation for the continued roll out of Universal Credit.

Aspire Housing's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. Long-term debt facilities provide adequate resources to finance committed reinvestment and development programmes, as well as day to day operations. Aspire 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.

Risks that may prevent Aspire Housing and its subsidiaries achieving their objectives are considered and reviewed regularly by the executive team, the Audit Committee and the Board. The risks are recorded and assessed in terms of their impact and probability. Major risks, as well as management actions and controls, are reported to the Audit Committee and Board quarterly.

Strategic Report (continued)

Risks and uncertainties (continued)

Major Risk	Management actions
Inability to meet the current Government carbon reduction target leading to reputational risk, regulatory pressure and reduced customer demand	Controls and strategies now aligning to match Government ambition and planned environmental targets/aspirations. Work is underway to devise a new strategy, establish targets and produce a current position statement with external assistance. Growth and Asset Management strategies are being revised to address the new agenda.
Potential for future benefit changes as part of Government's overall austerity measure to pay for the pandemic	Demand for affordable housing remains high but the risk of changes in future policy and the operating environment creates uncertainty. There is continued engagement with the regulator and membership of trade bodies and refinancing will address the potential risk of scarcity of funding.
Achieve Training fails to deliver on new corporate strategy and budget	A stretching budget has been set with a break-even bottom line which will necessitate close cost control. Additional government support announced in Budget should assist recovery in relation to apprenticeships. Currently bidding on new funding contracts to improve confidence.
Disruption to the supply chain following the EU exit leads to service disruption, supply shortages, risk to customers and/or financial exposure	Robust contract management and monitoring is required to ensure the risk can be managed. Training on procurement and contract management is to be rolled out to more managers.

Treasury objectives and strategy

The group regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. It also acknowledges that effective treasury management supports the achievement of Aspire's objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

The Board has set annual targets and approval criteria within which the treasury management function operates, including:

Strategic Report (continued)

Treasury objectives and strategy (continued)

- A limit on exposure to variable interest rates; Aspire's policy is to keep at least 60% of its borrowings at fixed rates of interest. At the year-end 90% of its borrowings were at fixed rates.
- Use of derivative instruments only when approved by the Board; £Nil as at 31 March 2021.
- Approved sources of borrowing and investment; all borrowing is from approved sources.

Aspire Group is financed by a combination of retained reserves, long-term loan facilities and project-specific grants to part-fund the acquisition and development of new homes. The group has the financial capacity to repay its loans in accordance with the repayment profile of its loan facilities. Pursuit of further development opportunities beyond 2021-22 will involve new funding facilities that are in the process of being agreed, to provide additional flexibility.

All financial covenant limits set by lenders during the year have been met.

Corporate governance

Aspire Housing has adopted the NHF 2015 Code of Governance, 'Promoting board excellence for housing associations. A check of compliance with the code is undertaken annually and this confirms that Aspire is fully compliant. The Aspire Housing Board have agreed to adopt the NHF Code of Governance 2020 for the financial year 2021-22. An assessment of the new code has identified a number of areas where actions are needed to achieve full compliance. These actions are being addressed currently with a view to achieving full compliance with the new code by April 2022. During the year Aspire instructed an independent review of its governance effectiveness. The output of the review was reported to the Board in February 2021 and an action plan was agreed to strengthen performance in a number of areas. Aspire has also adopted the NHF merger code. The Board meets frequently to determine policy and to monitor the performance of the group and member organisations.

Aspire Housing operates two committees: an Audit Committee and a Nominations and Remunerations Committee. The Board has delegated day to day management to a group of Executive Directors. The Executive Team is led by the Chief Executive and has responsibility for making decisions in line with strategic issues and other issues with group-wide implications, overseeing regulation and monitoring financial viability. The Executive Team meets on a regular basis and recommends policy and strategy decisions to the Board.

Value for Money (VfM)

Our strategic approach to VfM

Aspire Housing is committed to the achievement of value for money in the delivery of all its services. VfM is embedded within our culture and within all of our key strategies, as articulated in our ambition to be "smarter, slicker, simpler" in everything we do. We define value for money as the achievement of optimal value from the use of our resources as measured through the delivery of successful outcomes.

Our 2019-24 corporate plan set out our vision of generating additional capacity to achieve responsible growth through improving our efficiency and increasing our operating margins, whilst at the same time

Strategic Report (continued)

Value for Money (VfM) (continued)

improving the quality of our services and our customers' experiences. The achievement of improved VfM will help to ensure that:

- we maintain a financially viable and robust business plan
- we provide services that are affordable and valued by our customers
- we generate capacity to provide new affordable homes

We set clear targets for financial efficiency and service quality, and progress against these targets is reported regularly to the Board. In addition to this, we introduced the Realise Levy during 2019; all new contracts procured include a requirement for the contractor to contribute 1% of the contract value to our charitable foundation, Realise.

The additional capacity created in the business plan as a result of the achievement of efficiencies will enable us to deliver more homes than set out in the original plan.

Asset Management Strategy

Our Asset Management Strategy provides the framework within which decisions on investment, remodelling, disinvestment, and disposal are made. In delivering this strategy we aim to:

- Operate an active asset management model that enables Aspire to optimise its return on investments.
- Understand asset performance and customer perspective on the full range of assets.
- Differentiate between routine cyclical investment, remodelling, redevelopment, and disposal.
- Have clear long-term investment plans, developed from high quality data, supported by long range procurement, visible to stakeholders.
- Have clarity of delivery solutions and a clear order book to maximise efficient delivery by contractors.
- Provide homes that meet the needs of our customers and are valued by them.

Land management and strategic disposals

We have continued our strategy of assessing properties for disposal on becoming void in line with criteria approved by Board, with up to 50 disposals per annum. In 2020-21 we sold 45 properties either at auction or by private treaty, generating gross sales proceeds of £3.6m (2020: £3.7m). The resources generated from these sales will be re-invested in the delivery of new affordable homes.

Stock investment

We continue to maintain a 30-year stock investment plan and rolling stock condition survey aligned with the business plan, with regular reviews of priorities and re-alignment of funding to meet the needs of the asset base and of our customers. We periodically commission an independent validation of the accuracy of our stock condition data (most recently in 2020) which provides assurance that our investment plans have a firm evidential base and that our resources can be targeted effectively. In the 2021-22 business plan, approved by the Board in March 2021, we have increased the level of expenditure on our stock by £67m over 30 years including £40m for additional major works.

Strategic Report (continued)

Value for Money (VfM) (continued)

Growth Strategy and new homes provision

The Strategic Plan approved by the Board in 2021 set out an ambition to deliver 1,443 new homes by 2026. Completions over the past year and scheme under construction, committed and planned demonstrate that the group is on track to achieve its plans.

VfM metrics and targets

The Value for Money standard published by the Regulator of Social Housing in April 2018 requires Registered Providers to report on a number of VfM metrics within their financial statements, and these are set out in table 1 below.

The effects of COVID-19 have been disclosed in the review of business above. The operational changes that we have implemented are likely to have some impact on performance in particular areas against our VfM indicators and those set by the Regulator during 2020-21 but had little impact on the results for 2019-20. The lockdown came only a week before the end of the financial year and most of the trends and trajectory for performance in the year were in place before then. The one exception is the impairment of the Achieve investment which reduced the operating margin and EBITDA metrics.

Table 1: Regulator of Social Housing metrics	**Aspire Housing**				**Global Accounts 2019-20**	
	2019-20 Actual	**2020-21 Target**	**2020-21 Actual**	**2021-22 Target**	**Median**	**1st Quartile**
Re-investment %	11.0%	15.4%	**10.6%**	19.8%	6.9%	9.8%
New Supply - social housing %	2.5%	4.8%	**1.5%**	3.1%	1.4%	2.4%
Gearing**	47.0%	46.7%	**46.5%**	46.4%	44.5%	33.2%
EBITDA-MRI interest cover	157.8%	150.4%*	**176.1%**	134.0%	170.8%	229.6%
Headline social housing cost per unit	£2,805	£3,203*	**£2,826**	£3,566	£3,711	£3,208
Operating margin (social housing units)	28.6%	28.6%*	**25.7%**	21.4%	26.8%	33.3%
Operating margin (overall)	26.8%	27.7%*	**28.3%**	20.5%	24.6%	30.6%
Return on capital employed (ROCE)	4.9%	4.6%	**4.7%**	3.7%	3.5%	4.8%

**Aspire Housing VfM target*

*** Gearing has been restated against previous year due to calculation adjustment*

Strategic Report (continued)

Value for Money (VfM) (continued)

- Re-Investment – Aspire continues to invest a significant proportion of its capacity in the building of new homes and investing in its existing stock. We have maintained top quartile performance although we did not carry out all of our improvement work as planned; this was due to the pandemic and the difficulties in working in homes.
- New Supply – Our development programme seeks to maximise the financial capacity that we have. We delivered second quartile performance compared to the sector as we did not deliver all of our plans last year due to delays in construction early in the year. Whilst we achieved much of the planned development in the year it was not quite as many as we had intended. We do not currently build any non-social housing units.
- Gearing – Aspire was created following the large-scale transfer of stock from Newcastle-under-Lyme Borough Council. As an LSVT the gearing levels required to finance the transfer means that our comparative performance to many traditional associations is unfavourable. Our plans seek to maximise our gearing capacity to deliver as much affordable housing as we can.
- EBITDA-MRI Interest Cover - We have a covenant of 110% and a golden rule not to fall below 125%. As we continue to maximise our borrowing to build more homes, our performance will inevitably reduce. In 2020-21 our comparison to the sector was above median as we recognise that this is due to a combination of our comparatively very low rent levels, a higher level of average cost of capital compared to the sector and the second year of our enhanced investment in the "People First" strategy.
- Headline social housing cost per unit - our overall headline social housing cost per unit increased from £2,805 in 2019-20 to £2,826 in 2020-21 (2019-20 sector top quartile cost per unit: £3,208). Aspire continues to be amongst the top performing housing providers as measured by cost per unit. The small increase in 2020-21 is due to management costs, particularly pension payments and our People First Strategy where we are planning to invest considerably more in our properties over the next few years to roll out a new higher standard for our older persons accommodation offer. COVID-19 altered our maintenance spend in 2020-21 but not so materially as to affect our overall cost per unit. The 2021-22 budget paper set out an estimation of the impact on cost per unit over the next few years as follows:

    - 2021-22 £3,566
    - 2022-23 £3,578
    - 2023-24 £3,424

- The 2021-22 budget provided for an increased level of investment in some front-line services as we move forward with our plans to deliver on the People First strategy and a change to the pension strategy and future payments. In addition, the planned investment in IT, asset management and a recognition that we need to divert more resources into repairing and maintaining the stock, all contribute to this increase as highlighted above. Our business plan demonstrates that at the end of this period of investment and as our stock levels grow, we will return to a more normal level of cost per unit by 2023.
- Operating Margin – the increased investment agreed by the Board resulted in a deterioration in operating margin which was lower than the sector in general. However, sales of housing properties included in operating margin improve the overall margin.
- Return on Capital Employed – Performance in 2020-21 continues to be at top quartile level despite additional investment in services. We are forecasting that the normal position for this indicator will be closer to median level in the future.

Strategic Report (continued)

Value for Money (VfM) (continued)

We also participate in the Sector Scorecard benchmarking exercise and these additional Sector Scorecard metrics are set out in table 2.

Table 2: Sector Scorecard metrics	Aspire Housing				HouseMark 2019-20	
	2019-20 Actual	2020-21 Target	2020-21 Actual	2021-22 Target	Median	1st Quartile
New supply delivered – units	174	199*	**139**	284*	81	150
Overall satisfaction with service provided	94.0%	94.0%*	**91.6%**	94.0%*	83.0%	91.0%
Occupancy at 31 March	99.7%	99.4%	**98.1%**	99.0%	99.4%	99.6%
Ratio of responsive to planned repairs	72.6%	60%	**89.6%**	60%	75.0%	44.0%
Rent collected as % of rent due	101.5%	99.0%*	**100.1%**	99.0%*	97.8%	98.4%
Overheads as % of adjusted turnover	10.6%	10.9%	**13.2%**	14.6%	12.1%	11.0%

** Aspire Housing VfM target*

In addition to the regulatory metrics shown in table 1, we also collect data and compare ourselves using some of the Sector Scorecard metrics shown above in table 2. These were in place before the regulator's metric had been established.

- New supply delivered – our Corporate Strategy was agreed in November 2019 and established a target to deliver a further 1,443 new homes by 2026. Progress in 2020-21 was slower than planned initially due to the pause in construction early in the year.
- Overall satisfaction – Our overall satisfaction rates continue to be at top quartile levels. However, we know that a number of our customers are less satisfied with certain aspects of our service and our People First approach seeks to address this.
- Occupancy – Our performance in this area fell this year as planned as we roll out our plans to refurbish and redevelop a number of our schemes for older persons and retain empty properties for re-locating customers.
- Ratio of responsive to planned – For 2020-21 our performance varied significantly from the previous year due to higher responsive maintenance expenditure and a fall in improvement work due to the pandemic and the inability for us to work in customer homes. We expect the balance to move back to the plan over the next few years.

Strategic Report (continued)

Value for Money (VfM) (continued)

- Rent collected as a % of rent due – Our performance in this area has consistently been high, at top quartile levels and is pleasing given the difficulties in the past year.
- Overheads as a % of adjusted turnover – for 2020-21 has increased from 10.6% to 13.2% following staff restructures and investment in systems. However, we continue to perform better than the majority of other providers, but we are mindful of where this indicator will be in the future.

Aspire Housing has also established a set of VfM targets, linked to broader strategic objectives, which have been agreed with the Board, and performance against these targets is monitored and reported to the Board on a regular basis. The chosen metrics are drawn from the RSH and Sector Scorecard metrics, as indicated in the tables below, with the addition of several additional Aspire Housing specific metrics set out in table 3.

Table 3: Additional Aspire Housing metrics	**Aspire Housing**				**HouseMark Quartile**
	2019-20 Actual	**2020-21 Target**	**2020-21 Actual**	**2021-22 Target**	**2019-20**
EBITDA operating margin	43.9%	30.8%*	**44.2%**	39.9%*	n/a
Void rent loss	1.1%	1.0%*	**1.7%**	1.2%*	3
Current arrears	1.32%	1.25%*	**1.32%**	1.48%*	2
Satisfaction with repairs and maintenance service	85.0%	N/A	**92.4%**	88.0%	1
Satisfaction with VfM of services provided	95.5%	N/A	**95.1%**	95.0%	1
Subsidy generated from asset sales	N/A	£997,000	**£3.31m**	£1.87m	N/A

**Aspire Housing VfM target*

Table 3 includes measures which were established originally as part of the 2016-21 strategy and were reconfirmed in the People First Strategy 2019. Some of these measures have changed for 2020-21 as part of the newly adopted strategic plan. Performance in all of these areas remained above median for 2019-20 other than in the area of void loss; this was higher than expected due to the relocation of some residents in order to facilitate the redevelopment of two older persons schemes and the impact of the pandemic early in the year. As part of our new approach under People First we are continuing to engage with our customers to understand why satisfaction levels are where they are and how we can provide solutions to improve performance in these areas.

Strategic Report (continued)

Social return on assets

The achievement of positive social impact is a core element of Aspire Housing's corporate aims reinforced by our Corporate Strategy and the objectives set out on page 5. A significant proportion of the group's social investment is achieved through Achieve. It delivers high quality employment and training opportunities across the public and private sectors and The Realise Foundation, our charitable subsidiary, provides regeneration services including support for lifelong learning, apprenticeships and environmental improvements. The same principles of VfM that underpin the strategic approach of the parent organisation, equally apply to the subsidiaries.

During 2020-21 Achieve has, through its training division;

- Supported over 1,200 companies locally with advice, guidance and training for their workplace skills needs.
- 512 young people have participated in our pre-apprenticeship employability programmes including study programmes and traineeships with 69% positively progressing to positive destinations.
- 124 apprenticeship starts during the year, a reduction on the previous year because of the pandemic. The overall success rate for the year was 60%.

Achieve continues to provide Homeworks services and successfully secured additional contracted work in year while expanding its non-contract activity. These services include gardening, decorating, environmental improvements and estate caretaking to people in North Staffordshire. These teams have enabled learners to engage with local neighbourhoods and to prepare for employment. Achieve apprentices have also completed a range of artwork commissions during the year, including several high profile works of public art.

Strategic report

The Strategic report including the Operating and Financial Review was approved by the Board on 23 July 2021 and signed on its behalf by:

DocuSigned by:
Paul Medford
0669525B716146E...

Paul Medford
Secretary
Kingsley, The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW

Report of the Board

The Board presents the Aspire Housing Limited Annual Report (the 'Annual Report') and the audited financial statements for the year ended 31 March 2021.

Principal activities

The principal activities of Aspire Housing and its subsidiaries are:

- Housing for rent primarily for families who are unable to rent or buy at open market values and sheltered schemes for the elderly; as well as managing over 9,000 properties, Aspire also develops new affordable housing.
- The development of properties for affordable rented housing and low-cost home ownership.
- The provision of high-quality training and employment opportunities across both the private and public sectors.
- The provision of regeneration services including support for lifelong learning, apprenticeships, and environmental improvements through the Realise Foundation.

Board Members and Executive Directors

The Board members and executive directors of Aspire Housing who served during the year and up to the date of approval of these financial statements are set out on page 3.

The Chief Executive, Sinéad Butters, is an executive director of Aspire Housing. Sinéad Butters holds no interest in the association and acts as Chief Executive within the authority delegated by the Board.

Insurance policies indemnify Board members and officers against liability when acting for Aspire Housing and its subsidiaries.

The directors are remunerated for their service, with regular reviews made of the remuneration levels to ensure that they remain appropriate.

The Board normally meets four times per annum and additionally have two away days, one of which is a combined group Board awayday.

Non-executive directors are appointed for three-year terms, although retiring directors are permitted to serve one further term on the Board. The standard period of service is six years, with annual extensions permissible to a maximum of nine years subject to Nomination and Remuneration Committee approval.

Executive directors' remuneration

The remuneration of the executive directors is reviewed by the Nominations and Remuneration Committee, who make recommendations to be considered and determined by the Board.

Service contracts

The executive directors are employed on the same terms as other employees and their notice period is six months.

Report of the Board (continued)

Pensions

The executive directors are able to participate in the Staffordshire County Council and Social Housing Pension Schemes on the same terms as all other eligible staff and the group contributes to the schemes on behalf of its employees. Non-executive directors are not eligible to participate in any group pension scheme.

Other benefits

The executive directors are only entitled to benefits available to all colleagues. Full details of executive remuneration are set out in note 11 to the financial statements.

Statement of compliance

The Board report and financial statements have been prepared in accordance with applicable reporting standards and legislation.

A programme of internal checks has been undertaken during the year to ensure that Aspire Housing complies with the requirements of the Regulator of Social Housing's Governance and Financial Viability Standard. The Standard was updated in 2015 and, in relation to governance, providers are expected to:

- Adhere to all relevant law
- Comply with their governing documents and all regulatory requirements
- Be accountable to tenants, the regulator and relevant stakeholders
- Safeguard taxpayers' interests and the reputation of the sector
- Have an effective risk management and internal controls assurance framework
- Protect social housing assets

The standard also sets out the requirement to develop and maintain an effective assets and liabilities register. A steering group consisting of senior managers within the business meets on a six-monthly basis to review the on-going maintenance and development of the register. During 2020 an internal audit was undertaken of the Asset and Liability Register which resulted in a substantial assurance grading being awarded. A high level view of the current position with regards to key assets and liabilities across the organisation is presented to the Aspire Housing Board on a six monthly basis by way of further assurance.

In relation to financial viability, providers are expected to manage their resources effectively to ensure their viability is maintained whilst also ensuring that social housing assets are not put at undue risk. External legal advice has confirmed that the corporate structure acts to ring fence social housing assets to ensure that they are not placed at risk via non-social housing activities.

Senior Managers within the organisation are asked to make a declaration at the end of each financial year to confirm that their operational areas have been managed with regards to the relevant standards and legislation. These statements then cascade upwards to underpin the Board statement on internal control. As referenced earlier within the statements, the RSH undertook an In-Depth Assessment of Aspire Housing which concluded in April 2021 with the highest possible gradings of G1 (for governance) and V1 (for financial viability) being retained. The Board is prepared to certify on this basis that that the organisation is compliant with the Governance and Financial Viability Standard.

Report of the Board (continued)

Employees

Aspire Housing is committed to ensuring that an effective framework for colleague consultation is in place, and that information on matters that concern them is effectively communicated to all colleagues. Regular colleague briefings are held, and a staff forum has been established which meets regularly. The organisation also seeks to work positively with trade unions, and regular meetings are held with the recognised trade unions.

The group is committed to equal opportunities and full and fair consideration is given to applications for employment made by people with disabilities, having regard to their particular aptitudes and abilities.

The Board is aware of its responsibilities on all matters relating to health and safety. Aspire has prepared detailed health and safety policies and provides training both to colleagues and to the Board on health and safety matters. A Health and Safety Committee, chaired by the Executive Director of Organisational Development, meets regularly. An independent survey of Aspire's health and safety framework has been carried out by the British Safety Council, which awarded a five-star rating.

Donations

Aspire Housing made charitable donations totalling £Nil in the year (2020: £3,000). No political donations were made during the year (2020: £Nil).

Disclosure of information to auditor

So far as each of the directors of the group is aware, at the time this report is approved:

- There is no relevant information which the group's auditor is unaware; and
- The directors have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's auditor is aware of that information.

Statement of Board's responsibilities in respect of the report of the Board and the financial statements

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

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the group and the association and of the income and expenditure of the group and association for that period.

Report of the Board (continued)

Statement of Board's responsibilities in respect of the report of the Board and the financial statements (continued)

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and assess the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the association's website.

Board statement on internal control

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and to provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of Aspire Housing's assets and interests.

In meeting its responsibilities, the Board has adopted a risk based approach to internal controls which is embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the organisation is exposed.

The Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by Aspire Housing, which has been in place throughout the financial year and to the date of the approval of the report and financial statements. The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework, includes:

Report of the Board (continued)

Board statement on internal control (continued)

- **Identification and evaluation of key risks**
  Responsibility has been clearly defined for the identification, evaluation and management of significant risks. There is a formal and on-going process of review in each area of Aspire Housing's activities. The Executive Team is responsible for monitoring corporate risk management, other corporate maps, project risk maps and operational maps. The Audit Committee regularly reviews the application of the controls on the strategic risk map. The Board reviews the strategic risk map in its entirety, with a focus on ensuring that the risks listed are appropriate and the key ones which could prevent the successful delivery of the corporate plans. The Board also defines the risk appetite for the organisation.
- **Monitoring and corrective action**
  A process of control self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of management and to the Board. The risk management framework, through the reporting of risk crystallisations, facilitates the reporting of internal control failures and ensures that corrective action is taken.
- **Control environment and control procedures**
  The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues. Policies and procedures cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection. These are regularly reviewed and revised as appropriate.
- **Strategy and policy with regard to fraud**
  Fraud risk is monitored through the operational risk maps, with colleagues asked to identify the potential areas of weakness within their business line. The Governance Assurance partner collates the risks onto a single register, to allow for wider oversight at both a business line and group wide level. The Company Secretary then reviews the register periodically to identify any emerging themes. RSM have been instructed to undertake an advisory audit of fraud in July 2021, so that best practice can be identified from across the social housing sector to enhance the control environment further still. Fraud awareness training is provided at various levels within the organisation according to particular need. The Audit Committee reviews the fraud register on an ongoing basis and has reflected any relevant information in its review of internal control systems.
- **Information and financial reporting systems**
  The Board regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes. Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years, these are also reviewed and approved by the Board. Stress testing of the business plan is undertaken at least annually and a recovery plan has been agreed by the Board should the situation arise whereby the more extreme events within the stress testing scenarios crystallise.
- **Independent review**
  The internal control framework and the risk management process are subject to regular review by the independent internal auditor. This provides independent assurance to the Board via the Audit Committee. The Audit Committee considers internal control at each of its meetings during the year.

Report of the Board (continued)

Board statement on internal control (continued)

Within the internal controls statement provided by the Board of Achieve, reference is made to the trading loss experienced by Achieve during the year, which arose from a number of challenges. Whilst some of these challenges (such as COVID-19) have resulted from issues which have impacted the sector as a whole, other matters have arisen as a result of weaknesses in the internal control environment at Achieve. Steps are being taken to address these weaknesses to ensure that Achieve has a robust platform to operate from moving forward. These losses are not material in relation to Aspire Housing but are noted here for transparency and clarity.

The Board cannot delegate ultimate responsibility for the system of internal control but has delegated authority to the Audit Committee to regularly review the effectiveness of the system of internal control. The Audit Committee has received the Chief Executive's annual review of the effectiveness of the system of internal control for Aspire Housing, and the annual report of the internal auditor, and has reported its findings to the Board.

Going Concern

When approving the financial statements, the Board is required to make an assessment of the organisation's ability to continue as a going concern. In doing this the Board needs to consider all available information about the future, which is at least, but not limited to, twelve months from the date when the financial statements are approved and signed.

The group has in place long-term debt facilities with £50 million of undrawn facilities on 31 March 2021 which provide adequate resources to finance committed reinvestment and development programmes, along with the association's day to day operations. The group also has a long-term financial plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the Board has a reasonable expectation that the association has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the annual report and financial statements are signed. There is a cash balance of £11.7m at the year end, undrawn and available facilities of £50m and a budget and financial business plan showing a group generating surpluses into the future and compliance with loan covenants. For this reason, it continues to adopt the going concern basis in the financial statements. Further information on the review is set out in note 2.

Independent external auditors

A resolution to re-appoint BDO LLP as auditors of the Group will be proposed at the Aspire Housing Board Meeting on 21 September 2021.

Report of the Board

The report of the Board, including the financial statements, was approved by Board on 23 July 2021 and signed on its behalf by:

DocuSigned by:
Paul Medford
0669525B716146E...

Paul Medford
Secretary
Kingsley, The Brampton, Newcastle-under-Lyme, Staffordshire, ST5 0QW

Independent Auditor's Report to the Members of Aspire Housing 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 Aspire Housing 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 are independent of the group and association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 the group's and of the association'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.

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

Independent Auditor's Report to the Members Of Aspire Housing Limited (continued)

Other information

The Board are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information including the Strategic Report, Statement of Corporate Governance and Internal Controls 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; or
- adequate accounting records have not been kept by the parent association; or
- a satisfactory system of control has not been maintained over transactions; or
- the parent association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Board members responsibilities statement set out on page 21 , 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 Aspire Housing 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.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

The audit procedures to address the risks identified included:

- Challenging assumptions made by management in their significant accounting estimates in particular in relation to the net realisable value of properties developed for sale, the defined benefit pension liability and finance lease liabilities;

- Identifying and testing journal entries, in particular any journal entries posted from staff members with privilege access rights, journals posted by key management, journals posted and journals posted after the year end; and

- Reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and the Regulator of Social Housing.

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.

Independent Auditor's Report to the Members Of Aspire Housing Limited (continued)

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

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:
HELEN KNOWLES
DAED9B91914A4A7...

BDO LLP, Statutory Auditor
Manchester
United Kingdom
16 August 2021

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

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Turnover	4	**49,675**	49,947
Cost of sales	4	**(2,155)**	(2,792)
Operating expenditure	4	**(38,239)**	(37,243)
Surplus on disposal of housing properties	7	**2,567**	2,901
Operating surplus	8	**11,848**	12,813
Surplus on disposal of other fixed assets	9	**69**	-
Interest receivable and similar income	13	**1,496**	1,819
Interest payable and similar charges	14	**(10,106)**	(10,543)
Surplus before taxation		**3,307**	4,089
Taxation on surplus	15	**29**	282
Surplus for the financial year		**3,336**	4,371
Actuarial (losses)/gains on defined benefit pension scheme	30	**(8,981)**	7,106
Total comprehensive (loss)/income for year		**(5,645)**	11,477

Historical cost surpluses and deficits are the same as those shown in the statement of comprehensive income. All the results are from continuing activities.

The financial statements were approved and authorised for issue by the Board at a meeting held on 23 July 2021 and signed on its behalf by:

DocuSigned by:
Aman Dalvi
E87F2EE863ED411...

DocuSigned by:
Paul Medford
0669525B716146E...

Aman Dalvi	Sinéad Butters	Paul Medford
Chair	**Executive Director**	**Secretary**

The notes on page 35 to 72 form part of these financial statements.

Association Statement of Comprehensive Income

for the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Turnover	4	**43,846**	43,834
Cost of sales	4	**(2,155)**	(2,792)
Operating expenditure	4	**(31,849)**	(31,400)
Surplus on disposal of housing properties	7	**2,567**	2,901
Operating surplus	8	**12,409**	12,543
Surplus on disposal of other fixed assets	9	**68**	-
Interest receivable and similar income	13	**1,496**	1,816
Interest payable and similar charges	14	**(10,106)**	(10,543)
Surplus before taxation		**3,867**	3,816
Taxation on surplus	15	**-**	**-**
Surplus for the financial year		**3,867**	3,816
Actuarial (losses)/gains on defined benefit pension scheme	30	**(8,981)**	7,106
Total comprehensive (loss)/income for year		**(5,114)**	10,922

Historical cost surpluses and deficits are the same as those shown in the statement of comprehensive income. All the results are from continuing activities.

The financial statements were approved and authorised for issue by the Board at a meeting held on 23 July 2021 and signed on its behalf by:

DocuSigned by: Aman Dalvi E87F2EE863ED411...		DocuSigned by: Paul Medford 0669525B716146E...
Aman Dalvi **Chair**	Sinéad Butters **Executive Director**	Paul Medford **Secretary**

The notes on page 35 to 72 form part of these financial statements.

Consolidated Statement of Financial Position

for the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Intangible fixed assets	16	**34**	132
Tangible fixed assets – housing properties	17	**246,024**	231,351
Tangible fixed assets - other	18	**6,726**	7,021
		252,784	238,504
Current assets			
Properties for sale	20	**2,557**	2,624
Stock	21	**532**	341
Debtors – receivable within one year	22	**3,765**	3,852
Cash and cash equivalents		**11,765**	18,592
		18,619	25,409
Creditors: amounts falling due within one year	23	**(9,902)**	(9,826)
Net current assets		**8,717**	15,583
Total assets less current liabilities		**261,501**	254,087
Creditors: amounts falling due after one year	24	**(194,889)**	(190,156)
Pension provision	30	**(21,957)**	(13,631)
Total net assets		**44,655**	50,300
Capital and reserves			
Called up share capital	32	**-**	-
Income and expenditure reserve		**44,655**	50,300
		44,655	50,300

The financial statements were approved and authorised for issue by the Board at a meeting held on 23 July 2021 and signed on its behalf by:

DocuSigned by: Aman Dalvi E87F2EE863ED411...		DocuSigned by: Paul Medford 0669525B716146E...
Aman Dalvi	Sinéad Butters	Paul Medford
Chair	**Executive Director**	**Secretary**

The notes on page 35 to 72 form part of these financial statements.

Association Statement of Financial Position

for the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Tangible fixed assets – housing properties	17	**246,181**	231,374
Tangible fixed assets - other	18	**6,372**	6,577
Fixed asset investments	19	**1,689**	2,037
		254,242	239,988
Current assets			
Properties for sale	20	**2,557**	2,624
Stock	21	**532**	341
Debtors – receivable within one year	22	**4,620**	3,781
Cash and cash equivalents		**8,261**	16,239
		15,970	22,985
Creditors: amounts falling due within one year	23	**(8,443)**	(9,149)
Net current assets		**7,527**	13,836
Total assets less current liabilities		**261,769**	253,824
Creditors: amounts falling due after one year	24	**(194,889)**	(190,156)
Pension provision	30	**(21,957)**	(13,631)
Total net assets		**44,923**	50,037
Capital and reserves			
Called up share capital	32	**-**	-
Income and expenditure reserve		**44,923**	50,037
		44,923	50,037

The financial statements were approved and authorised for issue by the Board at a meeting held on 23 July 2021 and signed on its behalf by:

DocuSigned by: Aman Dalvi E87F2EE863ED411...		DocuSigned by: Paul Medford 0669525B716146E...
Aman Dalvi	Sinéad Butters	Paul Medford
Chair	**Executive Director**	**Secretary**

The notes on page 35 to 72 form part of these financial statements.

Statement of Changes in Reserves

for the year ended 31 March 2021

	Note	Group £'000	Association £'000
Balance at 31 March 2019		38,823	39,115
Surplus for the year		4,371	3,816
Actuarial gains on defined benefit pension scheme	30	7,106	7,106
Other comprehensive income for the year		7,106	7,106
Balance at 31 March 2020		50,300	50,037
Surplus for the year		**3,336**	**3,867**
Actuarial (losses) on defined benefit pension scheme	30	**(8,981)**	**(8,981)**
Other comprehensive income/(loss) for the year		**(8,981)**	**(8,981)**
Balance at 31 March 2021		**44,655**	**44,923**

The notes on page 35 to 72 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 March 2021

	2021 £'000	2020 £'000
Cash flows from operating activities		
Surplus for the financial year	3,336	4,371
Adjustments for:		
Depreciation of fixed assets – housing properties	6,885	6,771
Depreciation of fixed assets – other	1,110	681
Impairment	-	-
Amortisation of intangible assets	98	134
Amortised grant	(645)	(644)
Interest payable and financing costs	8,315	8,359
Interest receivable	(8)	(122)
Taxation expense	(29)	(282)
Pension costs less contributions payable	(655)	515
Surplus on sale of fixed assets – housing properties	(2,567)	(2,901)
(Deficit) / surplus on sale of fixed assets - other	(69)	12
Decrease in properties for outright sale	67	1,621
(Increase) in stock	(115)	(313)
(Decrease) in debtors	7	(369)
Increase in creditors	574	3,011
Cash from operations		
Taxation received	29	123
Net cash generated from operating activities	16,333	20,967
Cash flows from investing activities		
Proceeds from sale of fixed assets – housing properties	5,373	5,917
Proceeds from sale of fixed assets - other	111	-
Purchase of fixed assets – housing properties	(24,193)	(23,753)
Purchase of fixed assets - other	(933)	(2,133)
Receipt of grant	4,797	1,801
Interest received	8	122
Net cash from investing activities	(14,837)	(18,046)
Cash flows from financing activities		
Interest paid	(8,323)	(8,383)
New loans - bank	-	-
Net cash used in financing activities	(8,323)	(8,383)
Net (decrease) in cash and cash equivalents	(6,827)	(5,462)
Cash and cash equivalents at beginning of year	18,592	24,054
Cash and cash equivalents at end of year	11,765	18,592

The notes on page 35 to 72 form part of these financial statements.

Notes forming part of the financial statements

1. Legal Status

The association is registered with the Financial Conduct Authority under the Co-operative and Community Benefits Societies Act 2014 (registration number 31218R) and is registered with the Regulator of Social Housing as a social housing provider (registration number L4238). The association is a public benefit entity.

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 Aspire Housing Limited includes the Cooperative and Community Benefit Societies Act 2014 (and related group accounts regulations), the Housing and Regeneration Act 2008, FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland," the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2018 "Accounting by registered social housing providers" and the Accounting Direction for Private Registered Providers of Social Housing 2019.

The accounts are prepared under the historical cost basis. 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:

- only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent association would be identical;
- no cash flow statement has been presented 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; and
- 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.

The following principal accounting policies have been applied:

Basis of consolidation

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

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated Statement of Comprehensive Income from the date on which control is obtained.

2. Accounting Policies (continued)

Going concern

The Board has reviewed the group and association's forecasts and are content that these plans were affordable and that the accounts should be prepared on a going concern basis. However, the impact of the COVID-19 outbreak and its financial effect has meant that the Board have been reviewing financial plans for the next three years to ensure the group and association can remain a going concern. The group and association modelled a number of scenarios based on current estimates of income generation and available resources. The Board will continue to review plans to make the necessary changes to continue to work with our customers and stakeholders to deliver exceptional services in a friendly, solution-focused way.

The Government's decisions on social distancing had an effect on some operations but did not cause any material financial difficulties for the group and association. Rent arrears and voids were up in the early part of the year but services in general continued to be provided and catch-up work over the latter part of the year meant that we ended the year generally where we expected to be. Delays in development reduced handovers and sales in the year and consequently rental income from new properties but there were also some reduced costs from services that could not be performed during lockdown.

The length of the COVID-19 outbreak and the measures taken by the Government to contain this are not known, and outside of Aspires control, but processes are in place to manage cashflow on a regular basis and review financial stability as matters progress.

Given the strength of the balance sheet and availability of current funds, £11.7m cash at bank and £50m undrawn and available facilities plus a budget and financial business plan showing surpluses into the future and loan covenant compliance, the Board believe that, while uncertainty exists, this does not pose a material uncertainty that would cast doubt on the group and association's ability to continue as a going concern. The Board, therefore, consider it appropriate for the accounts to be prepared on a going concern basis.

Turnover and revenue recognition

Turnover comprises rent and service charge income receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale, other services included at the invoiced value (excluding VAT) of goods and services supplied in the year, revenue grants receivable in the year, donations and fund-raising activities.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Service charge income is recognised when expenditure is incurred. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met.

Revenue is recognised at the point the group has fulfilled its obligations in accordance with contractual terms. Any clawback of contract income in respect of the period is deducted from income and is recognised as a liability. Donations and fund-raising income are recognised at the point that invoices are raised whilst other income is recognised at the point of receipt.

The total turnover of the group for the year has been derived from its principal activities wholly undertaken in the UK.

2. Accounting Policies (continued)

Management of units owned by others

Management fees receivable and reimbursed expenses are shown as income and included in management fees receivable. Costs of carrying out the management contracts and rechargeable expenses are included in operating costs.

Current and deferred 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 charge for taxation is based on surpluses arising on certain activities which are liable to tax.

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

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

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

Value Added Tax

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

Loan finance issue costs

Loan finance 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.

Pensions

The group participates in two defined benefit pension schemes, the Social Housing Pension Scheme (SHPS) and the Staffordshire County Council Pension Fund (SCCPF), which provide benefits based on career average pensionable pay. The assets of both schemes are invested and managed independently of the group. The difference between the fair value of the assets held in the group's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the group's Statement of Financial Position sheet as a

2. Accounting Policies (continued)

Pensions (continued)

pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the group is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

The group also operates a defined contribution plan for all new employees under which the group pays fixed contributions into the SHPS auto enrolment scheme and has no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution pension plan are shown as an operating expense in the surplus for the year during which the services are rendered by employees.

Holiday pay accrual

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

Termination benefits

Termination benefits are recognised as an expense when the group is demonstrably committed, without realistic possibility of withdrawal to a formal detailed plan to terminate employment.

Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life which is assessed as being 10 years. The estimate of the useful economic life of goodwill is based on a variety of factors such as the long-term strategic benefit of the entities acquired, the cash earning potential of the businesses and the expected useful life of the cash generating units to which the goodwill is attributed.

Housing Properties

Housing properties, principally properties held for rent and held for social benefit, constructed or acquired (including land) on the open market 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, directly attributable administration costs and expenditure incurred in respect of improvements which comprise the modernisation and extension of existing properties. Where housing properties are in the course of construction, finance costs are only capitalised where construction is on-going and has not been interrupted or terminated.

2. Accounting Policies (continued)

Housing Properties (cont'd)

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 in Property, Plant and Equipment and held at cost less any impairment and are transferred to completed properties when ready for letting.

Completed housing properties acquired from subsidiaries are valued at cost plus any uplift at the date of acquisition. Gains and losses on disposals of housing properties are determined by comparing the proceeds with the carrying amount and incidental costs of sales and recognised within gain/loss on disposal of fixed assets in the Statement of Comprehensive Income.

Depreciation of housing properties

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	60
Aerials	20
Showers	30
Central heating	30
Boilers	12 to 15
Energy efficiency	30
Roofs	50
Kitchens	20
Sound insulation	30
Bathrooms	30
Rewires	30
Windows and doors	40
Lifts	30

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.

2. Accounting Policies (continued)

Other properties

Commercial premises, shops and garages are classified as held for social benefit and are accounted for on this basis for reporting purposes.

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 Property Plant and Equipment and included in completed housing property at cost less any provision for impairment. Sales of subsequent tranches are treated as a part disposal of Property Plant and Equipment. 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.

For shared ownership accommodation that the group is responsible for, the policy is to maintain them in a continuous state of sound repair. Maintenance of other shared ownership properties is the responsibility of the shared owner. Any impairment in the value of such properties is charged to the Statement of Comprehensive Income.

The group has an asset management strategy which includes disposal of housing properties, land and other housing related assets where it is economically or strategically advantageous to do so. The net proceeds of sale are used for the re-provision of social housing properties or reinvestment in making existing stock fit for long term future use.

Other tangible fixed assets

Other tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated depreciation and any accumulated impairment losses. Historical 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.

2. Accounting Policies (continued)

Depreciation of other tangible fixed assets

Land is not depreciated.

Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Description	Economic useful life (years)
Freehold buildings	30
Shops	40
Garages	30
Furniture, fixtures and fittings	7
Plant and equipment	7
Computers and office equipment	3

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

Social housing grant, from Homes England, received in relation to newly acquired or existing housing properties is accounted for using the accrual model set out in FRS 102 and the Housing SORP 2018. Grant is carried as deferred income in the Statement of Financial Position and released to the Statement of Comprehensive Income on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with Housing SORP 2018 the useful economic life of the housing property structure has been selected (see table of useful economic lives above).

Where social housing grant funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a replacement property. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the Statement of Comprehensive Income.

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.

2. Accounting Policies (continued)

Other grants

Grants received in respect of revenue expenditure are credited to the Statement of Comprehensive Income in the same period as the expenditure to which they relate. Capital grants are held as a deferred asset (income) on the Statement of Financial Position and amortised to the Statement of Comprehensive Income over the life of the property to which it relates.

Recycled Capital Grant Fund

On the occurrence of certain relevant events, primarily the sale of dwellings, Homes England can direct the group 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 Homes England 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 Statement of Financial Position under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

Disposal Proceeds Fund

Receipts from Right to Acquire (RTA) sales are required to be retained in a ring-fenced fund that can only be used for providing replacement housing. The sales receipts less eligible expenses are credited to the Disposal Proceeds Fund. Following the Housing and Planning Act 2016 disposals made after 1 April 2017 are no longer accounted for through the Disposals Proceeds Fund and there has been a winding down period until 31 March 2020 to use any funds currently remaining in the DPF.

Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Impairment of fixed assets and goodwill

The housing property portfolio for the group is assessed for indicators of impairment at each Statement of Financial Position 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. An option appraisal is carried out to determine the option which produces the highest net realisable value. Valuations on rental return or potential sale proceeds are obtained and used to inform the options. The group looks at the net realisable value, under the options available, when considering the recoverable amount for the purposes of impairment assessment. The recoverable amount is taken to be the higher of the fair value less costs to sell or value in use of an asset or cash generating unit. The assessment of value in use may involve considerations of the service potential of the assets or cash generating units concerned or the present value of future cash flows to be derived from them appropriately adjusted to account for any restrictions on their use.

The group defines cash generating units as schemes except where its schemes are not sufficiently large enough in size or where it is geographically sensible to group schemes into larger cash generating units. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value, an impairment is recognised in the Statement of Comprehensive Income immediately.

2. Accounting Policies (continued)

Stock

Stock represents work in progress and completed properties, properties developed for outright sale and shared ownership properties. For shared ownership properties the value held as stock is the estimated cost to be sold as a first tranche.

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. 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. 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.

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 with no stated interest rate and receivable or payable within one year are recorded initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method, less any impairment losses. Any losses arising from impairment are recognised in the income statement in other operating expenses.

The group estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts. The group has made arrangement with individuals and households for arrears payments of rent and service charges. These arrangements are effectively loans granted at nil interest rate.

All loans, investments and short-term deposits held by the group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical 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 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 in the group’s Statement of Financial Position consists of cash at bank, in hand, deposits and short-term investments with an original maturity of three months or less. The group has also identified some investments, which meet the definition of cash and cash equivalents but are restricted in their use; these investments have been classified as restricted cash equivalents.

2. Accounting Policies (continued)

Leased assets

All leases are treated as operating leases. Rentals receivable or payable under the agreements are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

Ring-fenced Funds

Unexpended amounts collected from leaseholders for major repairs on leasehold schemes and from other housing schemes under agreements where the income and expenditure is ring-fenced to the scheme itself and may be repayable are included in creditors. Interest is applied to balances as required by any agreement.

Reserves

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

3. Significant Judgements and Estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Goodwill

The estimate of the useful economic life of goodwill is based on a variety of factors such as the long-term strategic benefit of the entities acquired, the cash earning potential of the businesses and the expected useful life of the cash generating units to which the goodwill is attributed. Goodwill within the group is assessed as having a useful life of a maximum of ten years linked to the life of the investment.

Housing properties

In determining the intended use, the group has considered if assets are held for social benefit or to earn commercial rentals. The Group has determined that all housing properties are held for social benefit. The useful depreciable lives of each component of social benefit housing properties are reviewed at each reporting date and compared to actual performance to ensure the assumed lives remain appropriate. A review each year seeks to ensure that the useful economic lives, remaining term and component splits are applied consistently.

Other tangible fixed assets

Other tangible fixed assets are depreciated over their useful lives taking into account residual values where appropriate. The estimates of useful life for the different component types and assets are detailed above. They are estimated on sector averages and the opinion of experienced asset practitioners. A review each year seeks to ensure that the useful economic lives and remaining terms are applied consistently.

3. Significant Judgements and Estimates (continued)

Impairment

Reviews for impairment of housing properties are carried out when an indication of impairment exists. Indications for a review of impairment are examples of the following:

- changes in the market, economic or legal, including regulatory, environment in which the group operates - for example the 2015 rent policy which resulted in a material impact on the net income collected in the future for housing properties; and
- changes in the rate of return from housing properties (demand and asset management reviews including the additional fire safety investment expenditure following the Grenfell Disaster) or a material reduction in market values.

Any impairment review is conducted at the scheme level i.e. the cash generating unit. The judgement this year is that there have been no triggers to impairment. This judgement is based on a re-let repairs contract at lower cost, improved procurement leading to lower component replacement costs, improved rental income outlook based on recent government statements, and no deterioration in underlying void and arrears performance. Brexit risks are not expected to have a long-term effect on carrying values. The implications of COVID-19 have been considered and whilst there is likely to be a short-term impact on some of the financial metrics these are not considered to be triggers for impairment.

Basic financial instruments

The assessment of certain loans and interest rate fixes as basic financial instruments requires judgement. Such instruments have been reviewed in detail and have been assessed as basic because key clauses indicate that funders will not suffer a loss on breakage. In addition, such instruments are only entered into by the group in order to give budgetary and cash flow certainty; they are not entered into for trading purposes.

Bad debt

A bad debt provision is held in the accounts to counter the risk of failure to recover current and former tenants rent and service charge arrears and trade debtors. A judgement is made whether it is likely that a debt will be recovered, despite actions by the income management and finance teams. Therefore, based on previous practice and knowledge of debt recovery a provision is estimated.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and long-term nature of these plans, such estimates are subject to considerable uncertainty and the group relies on the expert input of actuaries and accepts the estimations they use are reasonable. The key assumptions are as follows:

Assumptions	SHPS	LGPS
Inflation (CPI)	2.9%	2.9%
Rate of discount on the scheme	2.2%	2.0%
Rate of salary increase	3.9%	3.3%
Rate of increase in pensions	2.9%	2.9%
Life expectancy male non-pensioner	22.9 years	22.5 years
Life expectancy female non-pensioner	25.1 years	25.7 years
Life expectancy male pensioner	21.6 years	21.4 years
Life expectancy female pensioner	23.5 years	24.0 years

Full details are disclosed in the pensions costs note 30.

4. Turnover, Cost of Sales, Operating Expenditure and Operating Surplus – Group

	2021			
	Turnover £'000	**Cost of sales £'000**	**Operating expenditure £'000**	**Operating surplus £'000**
Social housing lettings	**39,483**	**-**	**(29,345)**	**10,138**
Other social housing activities				
First tranche low-cost home ownership sales	**2,979**	**(2,155)**	**-**	**824**
Other	**394**	**-**	**(912)**	**(518)**
Total social housing activities	**42,856**	**(2,155)**	**(30,257)**	**10,444**
Non-social housing activities				
Lettings	**980**	**-**	**(1,244)**	**(264)**
Amortisation of goodwill	**-**	**-**	**(98)**	**(98)**
Achieve Training	**5,685**	**-**	**(6,232)**	**(547)**
The Realise Foundation	**154**	**-**	**(397)**	**(243)**
Durata Development	**-**	**-**	**(11)**	**(11)**
Total non-social housing	**6,819**	**-**	**(7,982)**	**(1,163)**
Surplus on disposal of housing properties				**2,567**
	49,675	**(2,155)**	**(38,239)**	**11,848**

	2020			
	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	Operating surplus £'000
Social housing lettings	38,769	-	(28,359)	10,410
Other social housing activities				
First tranche low-cost home ownership sales	3,689	(2,792)	-	897
Other	307	-	(830)	(523)
Total social housing activities	42,765	(2,792)	(29,189)	10,784
Non-social housing activities				
Lettings	1,064	-	(776)	288
Amortisation of goodwill	-	-	(134)	(134)
Achieve Training	6,031	-	(6,744)	(713)
The Realise Foundation	87	-	(391)	(304)
Durata Development	-	-	(9)	(9)
Total non-social housing	7,182	-	(8,054)	(872)
Surplus on disposal of housing properties				2,901
	49,947	(2,792)	(37,243)	12,813

4. Turnover, Cost of Sales, Operating Expenditure and Operating Surplus – Association

	2021			
	Turnover	**Cost of sales**	**Operating expenditure**	**Operating surplus**
	£'000	**£'000**	**£'000**	**£'000**
Social housing lettings	**39,483**	**-**	**(29,345)**	**10,138**
Other social housing activities				
First tranche low-cost home ownership sales	**2,979**	**(2,155)**	**-**	**824**
Other	**404**	**-**	**(912)**	**(508)**
Total social housing activities	**42,866**	**(2,155)**	**(30,257)**	**10,454**
Non-social housing activities				
Lettings	**980**	**-**	**(1,244)**	**(264)**
Impairment of investment in subsidiary	**-**	**-**	**(348)**	**(348)**
Total non-social housing	**980**	**-**	**(1,592)**	**(612)**
Surplus on disposal of housing properties				**2,567**
	43,846	**(2,155)**	**(31,849)**	**12,409**

	2020			
	Turnover	Cost of sales	Operating expenditure	Operating surplus
	£'000	£'000	£'000	£'000
Social housing lettings	38,769	-	(28,359)	10,410
Other social housing activities				
First tranche low-cost home ownership sales	3,689	(2,792)	-	897
Other	312	-	(830)	(518)
Total social housing activities	42,770	(2,792)	(29,189)	10,789
Non-social housing activities				
Lettings	1,064	-	(776)	288
Impairment of investment in subsidiary	-	-	(1,435)	(1,435)
Total non-social housing	1,064	-	(2,211)	(1,147)
Surplus on disposal of housing properties				2,901
	43,834	(2,792)	(31,400)	12,543

5. Income and Expenditure from Social Housing Lettings

	Group and Association				
	General needs £'000	Housing for older people £'000	Low-cost home ownership £'000	2021 £'000	2020 £'000
Income					
Rent receivable net of identifiable service charges and voids	32,860	2,034	1,005	35,899	35,230
Service charge income	2,169	708	62	2,939	2,895
Amortised government grants	510	61	74	645	644
Turnover from social housing lettings	35,539	2,803	1,141	39,483	38,769
Expenditure					
Management	(7,914)	(490)	(242)	(8,646)	(7,705)
Service charge costs	(2,398)	(783)	(69)	(3,250)	(3,142)
Routine maintenance	(5,584)	(346)	(171)	(6,101)	(5,834)
Planned maintenance	(4,004)	(248)	(122)	(4,374)	(4,751)
Bad debts	(141)	-	-	(141)	(206)
Depreciation of housing properties	(6,255)	(387)	(191)	(6,833)	(6,721)
Operating expenditure on social housing lettings	(26,296)	(2,254)	(795)	(29,345)	(28,359)
Operating surplus on social housing lettings	9,243	549	346	10,138	10,410
Void losses	570	114	-	684	406

6. Accommodation in Management

	Group and Association			
	As at 1 April 2020 No.	Additions and transfers in No.	Disposals and transfers out No.	**As at 31 March 2021 No.**
Social housing				
General housing – social rent	7,520	45	(85)	**7,480**
General housing – affordable rent	572	61	(4)	**629**
General housing – housing for older people	603	-	(60)	**543**
Low-cost home ownership	368	40	(5)	**403**
Total owned	9,063	146	(154)	**9,055**
Accommodation managed by others	(3)	-	1	**(2)**
Accommodation managed for others	47	-	-	**47**
Total managed	9,107	146	(153)	**9,100**
Leaseholders	272	-	(1)	**271**

Properties managed on behalf of others relate to management contracts only and the third-party organisations own the properties and the associated risks and rewards.

7. Surplus on Disposal of Housing Properties

	Group and Association				
	Shared ownership staircasing £'000	**Right-to-Buy and Right-to-Acquire £'000**	**Asset management disposals £'000**	**2021 £'000**	2020 £'000
Housing properties					
Disposal proceeds	**519**	**1,638**	**3,594**	**5,751**	5,921
Cost of disposals	**(450)**	**(454)**	**(1,494)**	**(2,398)**	(1,925)
Selling costs	**(3)**	**(17)**	**(323)**	**(343)**	(409)
Grant repaid	**-**	**(443)**	**-**	**(443)**	(686)
	66	**724**	**1,777**	**2,567**	2,901

8. Operating Surplus

This is arrived at after charging

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Depreciation of housing properties	**6,885**	6,771	**6,885**	6,771
Depreciation of other tangible fixed assets	**1,110**	681	**980**	579
Impairment of housing properties	**-**	-	**-**	-
Amortisation of intangible assets	**98**	134	**-**	-
Operating lease charges:				
land and building	**125**	211	**21**	29
vehicles	**461**	387	**273**	199
plant and equipment	**49**	69	**19**	30
Auditor remuneration (excluding VAT):				
audit of financial statements	**25**	24	**25**	24
audit of financial statements of group subsidiaries	**17**	13	**-**	-
fees for tax computations	**4**	4	**1**	1
fees for tax advice	**4**	5	**4**	5
fees for non-audit services	**4**	3	**4**	3

9. Surplus on Disposal of Other Fixed Assets

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Disposal proceeds	**110**	-	**101**	-
Cost of disposals	**(41)**	-	**(33)**	-
	69	-	**68**	-

10. Employees

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Staff costs (including Executive Management Team) consist of:				
Wages and salaries	**13,305**	12,627	**9,636**	8,903
Social security costs	**1,273**	1,177	**947**	844
Pension costs	**2,400**	1,632	**2,265**	1,477
	16,978	15,436	**12,848**	11,224

The average number of employees (including Executive Management Team) expressed as full-time equivalents (calculated based on a standard working week of 37 hours) during the year was as follows:

10. Employees (continued)

	Group		Association	
	2021	2020	**2021**	2020
	No.	No.	**No.**	No.
Operations - Housing	**110**	89	**110**	89
Operations - Maintenance	**92**	91	**92**	91
Resources – Central Administration	**113**	113	**113**	113
Achieve	**159**	154	**-**	-
	474	447	**315**	293

The full-time equivalent number of staff who received remuneration from £60,000 upwards (including those who received settlement payments for loss of office) were as follows:

	Group		Association	
	2021	2020	**2021**	2020
	No.	No.	**No.**	No.
£60,001 to £70,000	**10**	5	**9**	4
£70,001 to £80,000	**-**	4	**-**	4
£80,001 to £90,000	**6**	3	**6**	3
£90,001 to £100,000	**1**	1	**1**	1
£100,001 to £110,000	**2**	2	**2**	2
£110,001 to £120,000	**3**	1	**3**	1
£120,001 to £130,000	**-**	1	**-**	1
£130,001 to £140,000	**2**	1	**2**	1
£150,001 to £160,000	**-**	1	**-**	1
£180,001 to £190,000	**-**	1	**-**	1
£200,001 to £210,000	**1**	-	**1**	-
£320,001 to £330,000	**-**	1	**-**	1

11. Directors’ and Senior Executive Remuneration

The directors are defined as the members of the Board of Management, the Chief Executive and the Executive Management Team disclosed on page 3.

	Group		Association	
	2021	2020	**2021**	2020
	£’000	£’000	**£’000**	£’000
Executive directors’ emoluments	**710**	715	**710**	715
Pension contributions	**114**	106	**114**	106
Compensation for loss of office	**-**	174	**-**	174
Amounts paid to non-executive directors	**110**	103	**73**	54
	934	1,098	**897**	1,049

11. Directors' and Senior Executive Remuneration (continued)

Pension contributions are made into defined benefit schemes for all executive directors.

The total amount payable to the Chief Executive in respect of emoluments was £210,000 (2020: £188,000). Pension contributions of £46,000 (2020: £31,000) were made to a defined benefit pension scheme on her behalf. As a member of the Staffordshire County Council Pension Fund the pension entitlement of the Chief Executive is identical to those of other members and no enhanced or special terms apply.

In 2021 the highest paid director was the Chief Executive. In 2020, the highest paid director had emoluments in the year (which included contractual compensation) of £351,000 including pension contributions of £26,000.

The Managing Director of the group's subsidiary Achieve Training (Staffordshire) Limited is paid by the association and an appropriate element of his cost is recharged as a management charge.

12. Board Members

	Remuneration	Member of Group Board	Member of Subsidiary Board	Member of Audit Committee	Member of Nominations and Remuneration Committee
	£'000				
Aman Dalvi (Chair)	**9**	✓			✓
Maqsood Ahmad	**5**		✓		
Marina Barrett	**5**	✓		✓	
Alice Belcher	**2**		✓		
John Capper	**3**			✓	
Neale Clifton	**5**	✓			
Ian Dale	**8**	✓	✓		
Jenny Danson	**5**	✓			✓
David Hunter	**5**	✓	✓		
Mike Lawton	**7**	✓			
Alasdair Macarthur	**7**	✓		✓	
Paul Newell	**5**		✓		
Paul Northcott	**5**	✓			
Barry Pitts	**6**		✓		
Kevin Richardson	**7**	✓			
Ian Ridgway	**3**		✓		
Elizabeth Shenton	**5**		✓		✓
Martin Townsend	**3**			✓	
Sarah Tudor	**5**		✓	✓	
Nicola Winn	**10**	✓	✓		✓
	110				

Expenses paid to non-executive directors were £231 (2020: £4,000).

13. Interest Receivable and Similar Income

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Interest receivable and similar income	**8**	122	**8**	119
Interest income on net defined benefit plan assets	**1,488**	1,697	**1,488**	1,697
	1,496	1,819	**1,496**	1,816

14. Interest Payable and Similar Charges

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Bank loans and overdrafts	**6,128**	6,174	**6,128**	6,174
Other loans	**2,052**	2,052	**2,052**	2,052
Loan fees amortised	**91**	91	**91**	91
Recycled capital grant fund	**4**	2	**4**	2
Disposals proceeds fund	**-**	-	**-**	-
Interest expense on net defined benefit liability	**1,791**	2,184	**1,791**	2,184
Other finance costs	**40**	40	**40**	40
	10,106	10,543	**10,106**	10,543

15. Taxation

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
UK corporation tax				
Current tax on surplus for the year	**-**	-	**-**	-
Adjustment in respect of prior periods	**-**	(150)	**-**	-
Total current tax charge	**-**	(150)	**-**	-
Deferred tax				
Origination and reversal of timing differences	**(51)**	(132)	**-**	-
Origination and reversal of timing differences	**22**	-	**-**	-
Changes to tax rates	**-**	-	**-**	-
	(29)	(132)	**-**	-
Taxation on surplus on ordinary activities	**(29)**	(282)	**-**	-

15. Taxation (continued)

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

	Group		Association	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Surplus on ordinary activities before tax	**3,307**	4,089	**3,867**	3,816
Surplus on ordinary activities at the standard rate of corporation tax in the UK of 19% (2020: 19%)	**628**	777	**735**	725
Effects of				
Expenses not deductible for tax purposes	**6**	6	**-**	-
Charitable exemptions	**(687)**	(909)	**(705)**	(725)
Utilisation of tax losses from group relief	**(51)**	(9)	**(30)**	-
Depreciation in excess of capital allowances	**14**	15	**-**	-
Tax losses carried forward	**90**	120	**-**	-
Adjustment to tax charge in respect of previous periods	**-**	(150)	**-**	-
Deferred tax recognised	**(29)**	(132)	**-**	-
Total tax credit for period	**(29)**	(282)	**-**	-

16. Intangible Fixed Assets - Group

	Goodwill on consolidation £'000
Cost	
At 1 April 2020	2,291
At 31 March 2021	2,291
Amortisation	
At 1 April 2020	(2,159)
Charge for the year	(98)
At 31 March 2021	(2,257)
Net book value	
At 31 March 2021	**34**
At 31 March 2020	132

16. Intangible Fixed Assets – Group (continued)

Goodwill arising on consolidation is being amortised over the directors' estimate of its useful life of 10 years. This estimate is based on a variety of factors such as the long-term strategic benefit of the entities acquired, the cash earning potential of the businesses and the expected useful life of the cash generating units to which the goodwill is attributed.

17. Tangible Fixed Assets – Housing Properties

	Group				
	General needs completed	General needs under construction	Low-cost home ownership completed	Low-cost home ownership under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2020	263,883	11,635	20,219	1,600	297,337
Additions – construction costs	-	22,128	-	1,402	23,530
Additions – improvement works	2,435	-	-	-	2,435
Reclassification of properties	(170)	(2,944)	170	2,944	-
Completed schemes	10,331	(10,331)	2,313	(2,313)	-
Transfer to properties held for sale	-	-	433	(2,277)	(1,844)
Disposals	(3,330)	(108)	(480)	(29)	(3,947)
At 31 March 2021	273,149	20,380	22,655	1,327	317,511
Depreciation					
At 1 April 2020	(65,259)	-	(727)	-	(65,986)
Charge for year	(6,652)	-	(233)	-	(6,885)
Eliminated on disposals	1,354	-	30	-	1,384
At 31 March 2021	(70,557)	-	(930)	-	(71,487)
Net Book Value					
At 31 March 2021	**202,592**	**20,380**	**21,725**	**1,327**	**246,024**
At 31 March 2020	198,624	11,635	19,492	1,600	231,351

17. Tangible Fixed Assets – Housing Properties (continued)

	Association				
	General needs completed £'000	General needs under construction £'000	Low-cost home ownership completed £'000	Low-cost home ownership under construction £'000	Total £'000
Cost					
At 1 April 2020	263,906	11,635	20,219	1,600	297,360
Additions – construction costs	-	22,262	-	1,402	23,664
Additions – improvement works	2,435	-	-	-	2,435
Reclassification of properties	(170)	(2,944)	170	2,944	-
Completed schemes	10,465	(10,465)	2,313	(2,313)	-
Transfer to properties held for sale	-	-	433	(2,277)	(1,844)
Disposals	(3,330)	(108)	(480)	(29)	(3,947)
At 31 March 2021	273,306	20,380	22,655	1,327	317,668
Depreciation					
At 1 April 2020	(65,259)	-	(727)	-	(65,986)
Charge for year	(6,652)	-	(233)	-	(6,885)
Eliminated on disposals	1,354	-	30	-	1,384
At 31 March 2021	(70,557)	-	(930)	-	(71,487)
Net Book Value					
At 31 March 2021	**202,749**	**20,380**	**21,725**	**1,327**	**246,181**
At 31 March 2020	198,647	11,635	19,492	1,600	231,374

	Group and Association	
	2021 £'000	2020 £'000
The net book value of housing properties may be further analysed as:		
Freehold	**236,162**	221,324
Long leasehold	**9,862**	10,027
	246,024	231,351

	Group and Association	
	2021 £'000	2020 £'000
Works to properties:		
Improvements to existing properties capitalised	**2,435**	3,279
Major repairs expenditure to Statement of Comprehensive Income	**4,374**	4,751
	6,809	8,030

17. Tangible Fixed Assets – Housing Properties (continued)

	Group and Association	
	2021	2020
	£'000	£'000
Total Social Housing Grant received or receivable to date is as follows:		
Capital grant – housing properties	**38,896**	34,260
Recognised in the Statement of Comprehensive Income	**6,310**	5,665
	45,206	39,925

18. Tangible Fixed Assets – Other

	Group					
	Freehold property	**Leasehold property**	**Shops and garages**	**Computers and office equipment**	**Plant and equipment and motor vehicles**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost						
At 1 April 2020	3,360	183	5,123	4,034	1,193	13,893
Additions	-	15	-	890	28	933
Disposals	(76)	-	(62)	(358)	(26)	(522)
At 31 March 2021	3,284	198	5,061	4,566	1,195	14,304
Depreciation						
At 1 April 2020	(1,070)	(56)	(2,351)	(2,486)	(909)	(6,872)
Charge for year	(112)	(28)	(128)	(778)	(64)	(1,110)
Eliminated on disposals	-	-	28	357	19	404
At 31 March 2021	(1,182)	(84)	(2,451)	(2,907)	(954)	(7,578)
Net Book Value						
At 31 March 2021	**2,102**	**114**	**2,610**	**1,659**	**241**	**6,726**
At 31 March 2020	2,290	127	2,772	1,548	284	7,021

18. Tangible Fixed Assets – Other (continued)

	Association					
	Freehold property £'000	Leasehold property £'000	Shops and garages £'000	Computers and office equipment £'000	Plant and equipment and motor vehicles £'000	Total £'000
Cost						
At 1 April 2020	3,360	56	5,123	3,894	782	13,215
Additions	-	-	-	885	-	885
Disposals	(76)	-	(62)	(354)	-	(492)
At 31 March 2021	3,284	56	5,061	4,425	782	13,608
Depreciation						
At 1 April 2020	(1,070)	(3)	(2,351)	(2,452)	(762)	(6,638)
Charge for year	(112)	(2)	(128)	(734)	(4)	(980)
Eliminated on disposals	-	-	28	354	-	382
At 31 March 2021	(1,182)	(5)	(2,451)	(2,832)	(766)	(7,236)
Net Book Value						
At 31 March 2021	**2,102**	**51**	**2,610**	**1,593**	**16**	**6,372**
At 31 March 2020	2,290	53	2,772	1,442	20	6,577

19. Fixed Asset Investments - Association

	Subsidiaries
	£'000
Cost	
At 1 April 2020	3,472
At 31 March 2021	**3,472**
Impairment	
At 1 April 2020	(1,435)
Charge for year	(348)
At 31 March 2021	**(1,783)**
Net Book Value	
At 31 March 2021	**1,689**
At 31 March 2020	2,037

During the current year, the association has recognised an impairment loss of £348,000 (2020: £1,435,000) in respect of its investment in Achieve Training (Staffordshire) Limited. The subsidiary made a trading loss in the year ended 31 March 2021 of £572,000 as a result of the COVID-19 lockdown and the consequent trading conditions. Whilst after this the subsidiary is expected to begin making profits again this is dependent on a number of assumptions about how quickly training courses and commercial work will return to normal. The value of operating cash flows discounted at the weighted average interest rate plus net assets is £1,438,000.

The subsidiaries in which the association has an interest in are as follows:

Name	Country of incorporation	Proportion of voting rights / ordinary share capital held	Nature of business	Nature of entity
Durata Development Limited	England	100%	Professional and construction services	Incorporated company
Achieve Training (Staffordshire) Limited	England	100%	Employment and training	Incorporated company
The Realise Foundation	England	N/A	Regeneration charity	Cooperative and Community Benefit Society
Incana Sales Limited	England	100%	Outright sales	Incorporated company

20. Properties for Sale

	Group and Association	
	2021	2020
	£'000	£'000
Renew property	**103**	103
Low-cost homes ownership – completed	**1,177**	1,190
Low-cost home ownership – work in progress	**1,277**	1,331
	2,557	2,624

21. Stock

	Group and Association	
	2021	2020
	£'000	£'000
Work in progress	**532**	341
Raw materials and consumables	**-**	-
	532	341

22. Debtors

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Due within one year				
Rent and service charge arrears	**1,723**	1,467	**1,723**	1,467
Less: provision for doubtful debts	**(1,070)**	(897)	**(1,070)**	(897)
	653	570	**653**	570
Trade debtors	**531**	434	**216**	60
Amounts owed by group undertakings	**-**	-	**1,991**	1,212
Other debtors	**398**	630	**322**	602
Prepayments and accrued income	**2,063**	2,047	**1,438**	1,257
Social housing grant receivable	**-**	80	**-**	80
Deferred tax asset	**120**	91	**-**	-
	3,765	3,852	**4,620**	3,781

Amounts owed by group undertakings are repayable on demand and do not attract interest.

23. Creditors: Amounts Falling Due Within One Year

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Trade creditors	**1,519**	1,489	**1,268**	1,162
Social housing grant in advance	**-**	-	**-**	-
Rent and service charges received in advance	**1,746**	1,575	**1,746**	1,575
Amounts owed to group undertakings	**-**	-	**502**	558
Taxation and social security	**628**	527	**501**	385
Corporation tax	**-**	-	**-**	-
Other creditors	**1,561**	1,442	**1,091**	956
Deferred capital grant (note 26)	**695**	658	**695**	658
Right-to-buy creditor	**443**	686	**443**	686
Recycled capital grant fund (note 27)	**-**	175	**-**	175
Disposals proceeds fund (note 28)	**-**	-	**-**	-
Voluntary right-to-buy fund	**-**	-	**-**	-
Renew recycled grant	**103**	103	**103**	103
Accruals and deferred income	**2,893**	2,845	**1,780**	2,565
Accrued interest	**314**	326	**314**	326
	9,902	9,826	**8,443**	9,149

Amounts owed to group undertakings are repayable on demand and do not attract interest.

24. Creditors: Amounts Falling Due After One Year

	Group and Association	
	2021	2020
	£'000	£'000
Loans and borrowings (note 25)	**155,327**	155,327
Loan issue costs	**(1,079)**	(1,073)
	154,248	154,254
Deferred capital grant (note 26)	**38,201**	33,602
Recycled capital grant fund (note 27)	**336**	390
Disposals proceeds fund (note 28)	**-**	-
Voluntary right-to-buy fund	**1,892**	1,737
Sinking fund balances	**212**	173
	194,889	190,156

25. Loans and Borrowings

	Group and Association		
	Bank loans	**Other loans**	**2021**
	£'000	**£'000**	**£'000**
Loans maturity of debt:			
In one year or less, or on demand	-	-	-
In more than one year but not more than two years	-	-	-
In more than two years but not more than five years	**55,327**	-	**55,327**
In more than five years	**40,000**	**60,000**	**100,000**
	95,327	**60,000**	**155,327**

	Group and Association		
	Bank loans	Other loans	2020
	£'000	£'000	£'000
Loans maturity of debt:			
In one year or less, or on demand	-	-	-
In more than one year but not more than two years	-	-	-
In more than two years but not more than five years	55,327	-	55,327
In more than five years	40,000	60,000	100,000
	95,327	60,000	155,327

Loans are secured by specific charges on the housing properties of the group. The loans bear interest at fixed rates of 5.27% or at variable rates calculated at a margin above the London Inter Bank Offer Rate.

At 31 March 2021 the group had undrawn loan facilities of £50m (2020: £50m).

26. Deferred Capital Grant

	Group and Association	
	2021	2020
	£'000	£'000
At 1 April	**34,260**	32,935
Grants received during the year	**5,053**	2,115
Grants recycled from the recycled capital grants fund	**228**	(146)
Released to income during the year	**(645)**	(644)
At 31 March	**38,896**	34,260

To be released within one year (note 23)	**695**	658
To be used after more than one year (note 24)	**38,201**	33,602
At 31 March	**38,896**	34,260

27. Recycled Capital Grant Fund

	Group and Association	
Funds pertaining to activities within areas covered by	**Homes England 2021 £'000**	Homes England 2020 £'000
At 1 April	**565**	226
Inputs to fund:		
grants recycled from deferred capital grants	**331**	337
interest accrued	**4**	2
Recycling of grant:		
new build	**(564)**	-
At 31 March	**336**	565
Amounts falling due within one year (note 23)	**-**	175
Amounts falling due after more than one year (note 24)	**336**	390
	336	565
Amount three years old or older where repayment may be required	**-**	-

Withdrawals from the recycled capital grant fund were used for the purchase and development of new housing schemes for letting.

28. Disposals Proceeds Fund

	Group and Association	
Funds pertaining to activities within areas covered by	**Homes England 2021 £'000**	Homes England 2020 £'000
At 1 April	**-**	214
Inputs to fund:		
grants recycled from deferred capital grants	**-**	-
interest accrued	**-**	-
Recycling of grant:		
new build	**-**	(214)
At 31 March	**-**	-
Amounts falling due within one year (note 23)	**-**	-
Amounts falling due after more than one year (note 24)	**-**	-
	-	-
Amount three years old or older where repayment may be required	**-**	-

Withdrawals from the disposals proceeds fund were used for the purchase and development of new housing schemes for letting.

29. Financial Instruments

The group's and association's financial instruments may be analysed as follows:

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Financial assets				
Financial assets measured at historic cost				
Trade debtors	**531**	434	**216**	60
Other receivables	**3,234**	3,327	**4,404**	3,721
Cash and cash equivalents	**11,765**	18,592	**8,261**	16,239
Total financial assets	**15,530**	22,353	**12,881**	20,020
Financial liabilities				
Financial liabilities measured at amortised cost				
Loans payable	**(155,327)**	(155,327)	**(155,327)**	(155,327)
Financial liabilities measured at historical cost				
Trade creditors	**(1,519)**	(1,489)	**(1,268)**	(1,162)
Other creditors	**(7,142)**	(6,888)	**(5,934)**	(6,538)
Total financial liabilities	**(163,988)**	(163,704)	**(162,529)**	(163,027)

30. Pensions

The majority of the association's employees are members of either the Staffordshire County Council Pension Fund (SCCPF) (administered in accordance with the Local Government Pension Fund regulations) or the Social Housing Pension Scheme (SHPS). Both are multi-employer schemes providing defined benefits based on members earnings and the length of participation in the pension scheme. All association employees who do not choose a final salary scheme are auto enrolled into a defined contribution scheme with the Pensions Trust. From 1 April 2014 Achieve has auto-enrolled employees into a contribution scheme with the Pensions Trust on the same terms as Aspire Housing.

A decision has been made to close the SCCPF fund to future accrual effective from 30 April 2021. This decision was made by the Board following consultation with members. This will be considered a demonstrable event for future valuations which will be reflected in the accounts figures in 2022.

Staffordshire County Council Pension Fund

The Staffordshire County Council Pension Fund (SCCPF) is a multi-employer scheme with more than one participating employer, which is administered by Staffordshire County Council under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme. Statutory triennial actuarial valuations of the pension scheme are performed by an independent, professionally qualified actuary using the projected unit method. The most recent formal actuarial valuation was completed as at 31 March 2019. Contributions to the scheme are made by the association based on the advice of the actuary and with the aim of making good the deficit over the remaining working life of the employees.

30. Pensions (continued)

Staffordshire County Council Pension Fund (continued)

The employer's contributions to the SCCPF by the association for the year were £708,000 (2020: £708,000) and the employers contribution rate remained at 20.7%. At the year-end £56,000 (2020: £56,000) was owed to the scheme and is included in creditors falling due within one year.

	Group and Association	
	2021	2020
	£'000	£'000
Reconciliation of present value of plan liabilities		
At 1 April	**73,403**	85,556
Current service cost	**1,127**	1,484
Interest cost	**1,683**	2,059
Contributions by members	**232**	242
Actuarial losses / (gains)	**21,731**	(14,294)
Benefits paid	**(1,747)**	(1,659)
Past service costs (including curtailments)	**-**	15
At 31 March	**96,429**	73,403
Reconciliation of fair value of plan assets		
At 1 April	**60,444**	66,799
Interest income on plan assets	**1,394**	1,606
Contributions by members	**232**	242
Contributions by employer	**1,951**	1,368
Actuarial gains / (losses)	**13,744**	(7,912)
Benefits paid	**(1,747)**	(1,659)
At 31 March	**76,018**	60,444

	Group and Association	
	2021	2020
	£'000	£'000
Fair value of plan assets	**76,018**	60,444
Present value of plan liabilities	**(96,429)**	(73,403)
Net pension scheme liability	**(20,411)**	(12,959)

Included within the plan liabilities are £90,000 (2020: £82,000) of unfunded liabilities.

Amounts recognised in comprehensive income/(loss) was as follows:

	Group and Association	
	2021	2020
	£'000	£'000
Included in management costs:		
Current service cost	**1,127**	1,484
Past service costs (including curtailments)	**-**	15
	1,127	1,499

30. Pensions (continued)

Staffordshire County Council Pension Fund (continued)

	Group and Association	
	2021	2020
	£'000	£'000
Included in other finance costs:		
Interest income	**1,394**	1,606
Interest expense	**(1,683)**	(2,059)
Net interest cost	**(289)**	(453)

The analysis of the actuarial loss recognised in comprehensive income/(loss) was as follows:

	Group and Association	
	2021	2020
	£'000	£'000
Actual return less expected return on scheme assets	**13,744**	(7,912)
Changes in assumptions underlying the present value of scheme liabilities	**(21,731)**	14,294
	(7,987)	6,382

	Group and Association	
	2021	2020
	£'000	£'000
Composition of plan assets:		
Equities	**53,973**	39,289
Bonds	**12,923**	13,902
Property	**6,081**	6,044
Cash	**3,041**	1,209
	76,018	60,444

The principal actuarial assumptions used at the balance sheet date were as follows:

	Group and Association	
	2021	2020
	%	%
Discount rate	**2.0%**	2.3%
Future salary increases	**3.3%**	2.3%
Future pension increases	**2.9%**	1.9%
Inflation assumption (CPI)	**2.9%**	1.9%
Mortality assumptions:		
- current pensioners – male	**21.4 years**	21.2 years
- current pensioners – female	**24.0 years**	23.6 years
- future pensioners – male	**22.5 years**	22.1 years
- future pensioners – female	**25.7 years**	25.0 years

30. Pensions (continued)

Social Housing Pension Scheme

The association participates in the Social Housing Pension Scheme (SHPS), a multi-employer scheme which provides benefits to some 500 non-associated employers. SHPS is a defined benefit scheme in the UK and is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A recovery plan has been put in place with the aim of removing this deficit by 30 September 2026. SHPS is classified as a 'last-man standing arrangement'. Therefore the association 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 SHPS.

	Group and Association	
	2021	2020
	£'000	£'000
Reconciliation of present value of plan liabilities		
At 1 April	**4,607**	5,211
Current service cost	**30**	68
Expenses	**5**	5
Interest cost	**108**	125
Contributions by members	**18**	28
Actuarial losses / (gains)	**1,310**	(797)
Benefits paid	**(26)**	(33)
At 31 March	**6,052**	4,607
Reconciliation of fair value of plan assets		
At 1 April	**3,935**	3,746
Interest income on plan assets	**94**	91
Contributions by members	**18**	28
Contributions by employer	**169**	176
Actuarial gains / (losses)	**316**	(73)
Benefits paid	**(26)**	(33)
	4,506	3,935
Fair value of plan assets	**4,506**	3,935
Present value of plan liabilities	**(6,052)**	(4,607)
Net pension scheme liability	**(1,546)**	(672)

30. Pensions (continued)

Social Housing Pension Scheme (continued)

Amounts recognised in comprehensive income are as follows:

	Group and Association	
	2021	2020
	£'000	£'000
Included in management costs:		
Current service cost	**30**	68
Expenses	**5**	5
	35	73

	Group and Association	
	2021	2020
	£'000	£'000
Included in other finance costs:		
Interest income	**94**	91
Interest expense	**(108)**	(125)
Net interest cost	**(14)**	(34)

The analysis of the actuarial loss recognised in comprehensive income was as follows:

	Group and Association	
	2021	2020
	£'000	£'000
Experience gains / (losses) arising on the scheme assets	**316**	(73)
Experience gains arising on the scheme liabilities	**131**	69
Changes in assumptions underlying the present value of scheme liabilities	**(1,441)**	(728)
	(994)	(732)

30. Pensions (continued)

Social Housing Pension Scheme (continued)

	Group and Association	
	2021	2020
	£'000	£'000
Composition of plan assets:		
Global Equity	**718**	576
Absolute Return	**249**	205
Distressed Opportunities	**130**	76
Credit Relative Value	**142**	108
Alternative Risk Premia	**170**	275
Fund of Hedge Funds	**1**	2
Emerging Markets Debt	**182**	119
Risk Sharing	**164**	133
Insurance-Linked Securities	**108**	121
Property	**94**	87
Infrastructure	**300**	293
Private Debt	**107**	79
Opportunistic Illiquid Credit	**115**	95
High Yield	**135**	-
Opportunistic Credit	**124**	-
Corporate Bond Fund	**266**	224
Liquid Credit	**54**	2
Long Lease Property	**88**	68
Secured Income	**187**	149
Liability Driven Investment	**1,145**	1,306
Net Current Assets	**27**	17
	4,506	3,935

The principal actuarial assumptions used at the balance sheet date were as follows:

	Group and Association	
	2021	2020
Discount rate	**2.2%**	2.3%
Future salary increases	**3.9%**	2.5%
Future pension increases	**2.9%**	2.5%
Inflation assumption	**2.9%**	1.5%
Mortality assumptions:		
current pensioners – male	**21.6 years**	21.5 years
current pensioners – female	**23.5 years**	23.3 years
future pensioners – male	**22.9 years**	22.9 years
future pensioners – female	**25.1 years**	24.5 years

The employer's contributions to the SHPS by the association for the year were £36,000 (2020: £36,000) and the employers contribution rate was 13.3%. At the year-end £2,000 (2020: £3,000) was owed to the scheme and is included in creditors falling due within one year.

30. Pensions (continued)

Defined Contribution Scheme

A defined contribution pension scheme is also operated by the group. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge represents contributions payable by the group to the fund and amounted to £243,000 (2020: £186,000). Contributions totalling £Nil (2020: £16,000) were payable to the fund at the year end and are included in creditors falling due within one year.

31. Deferred tax

	Group	
	2021	2020
	£'000	£'000
Deferred tax liabilities		
Accelerated capital allowances	**44**	65
Unused tax losses	**(170)**	(156)
Other short-term timing differences	**-**	-
	(126)	(91)

The net reversal of deferred tax assets and liabilities expected in 2021 is £1,000. This is expected to arise because depreciation is anticipated to be higher than the available capital allowances. As the future deferred tax balances, if any, will be dependent on future changes in fair values of assets and liabilities, it is not possible to estimate any further future reversals. The utilisation of tax losses is dependent on future profits.

32. Share Capital

	Group and Association	
	2021	2020
	£	£
At 1 April	**9**	9
Shares issued in the year	**1**	1
Shares cancelled in the year	**(1)**	(1)
At 31 March	**9**	9

The share capital of the association consists of shares with a nominal value of £1 each, which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. When a shareholder ceases to be a member, that share is cancelled, and the amount paid thereon becomes the property of the association. Therefore, all shareholdings relate to non-equity interests.

33. Contingent Liabilities

There are no contingent liabilities for the group and association in the year.

34. Operating Leases

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

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Amounts payable as lessee				
Not later than one year	**577**	206	**370**	113
Later than one year and not later than five years	**1,563**	101	**1,023**	35
Later than five years	**-**	-	**-**	-
Total	**2,140**	307	**1,393**	148

35. Capital Commitments

	Group and Association	
Capital commitments are as follows:	**2021**	2020
	£'000	£'000
Capital expenditure		
Commitments contracted but not provided for	**40,357**	47,448
Commitments approved by the Board but not contracted for	**26,176**	42,389
	66,533	89,837

The group is committed to a programme of property acquisition and units for refurbishment. Likewise, the group will continue to seek further development opportunities and will look to obtain potential development sites throughout the year. The above commitments represent schemes approved by Board and will be financed by property sales (£6.7m), capital grant (£12.1m) and funding from the existing loan facility and the group's own resources (£47.7m).

36. Related Party Transactions

The association provides management services and other services to its subsidiaries. The association also receives charges from its subsidiaries. During the year Aspire Housing Limited, a registered provider, had the following intra-group transactions with the following non-regulated entities: Achieve Training (Staffordshire) Limited, The Realise Foundation and Durata Development Limited. The quantum and basis of those charges is set out below:

		Amounts charged to / (from) non-regulated entities	
		2021	2020
Entity	**Allocation basis**	**£'000**	£'000
Achieve Training (Staffordshire)	Apportionment of management costs	**346**	469
	Gift Aid	**-**	791
	Directly attributable works	**(2,228)**	(2,195)
The Realise Foundation	Directly attributable administration costs	**78**	61
	Gift Aid	**-**	(791)
Durata Development	Development services	**(8,095)**	(1,410)
	Apportionment of management costs	**15**	10
		(9,884)	(3,065)

During the year, Marina Barrett was a Board member and was also a tenant with annual rent and service charges payable of £2,357 (2020: £2,280); arrears at 31 March were £Nil (2020: £13).

37. Net Debt Reconciliation

	At 1 April 2020	**Cash flows**	**Other non-cash changes**	**At 31 March 2021**
	£'000	**£'000**	**£'000**	**£'000**
Cash at bank and in hand	18,592	(6,828)	-	**11,764**
Bank and other loans	(155,327)	-	-	**(155,327)**
Net debt	(136,735)	(6,828)	-	**(143,563)**