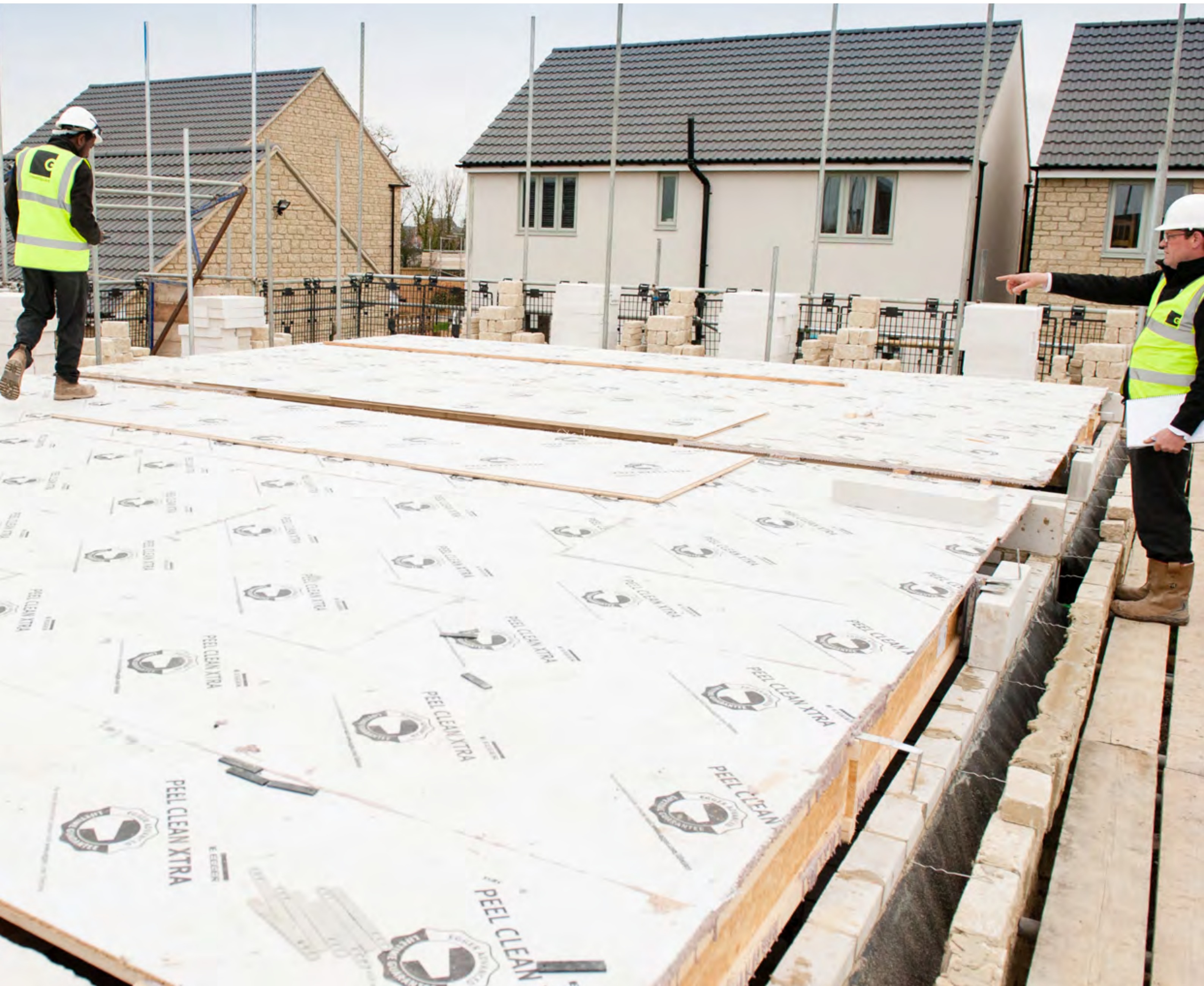
Annual Report and Financial Statements

For the year ended 31 March 2019

GreenSquare

Westlea Housing Association Limited **2018/19**



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BOARD MEMBERS, DIRECTORS, ADVISORS AND BANKERS

Board	
Chair	R Bailey (Chair)
Vice Chair	C Victory-Rowe
Other Members	M Clarke P McLaughlin A Willis (Audit Chair) P Starkey D Swann J Tibbitts D Greenhalgh (from 29 January 2019 – interim 12 months) P Brandum (from 28 February 2019 – interim 12 months) P Andres (from 26 March 2019)
	R Cooke – co-opted annually (from 1 February 2019) H Toplis - co-opted annually (to 4 February 2019)
Secretary	M Arnold
Registered office	Methuen Park Chippenham Wiltshire SN14 0GU www.greensquaregroup.com
Registered number	Registered as a charitable social landlord under the Co-operative and Community Benefit Society Act, No. 28095R Registered by the Regulator for Social Housing, No. LH4083
Auditor	BDO LLP 55 Baker Street London W1U 7EU
Principal bankers	National Westminster Bank PLC 30 High Street Chippenham Wiltshire, SN15 3HB

REPORT OF THE BOARD

The Board presents its report and audited financial statements for the year ended 31 March 2019.

Principal activities

Westlea Housing Association Limited ('the Association') is a public benefit entity administered by a management Board and involved in the provision and management of affordable rented accommodation. The Association operates throughout Wiltshire and Gloucestershire from its head office in Chippenham.

The Association is a subsidiary of GreenSquare Group Limited (GreenSquare). GreenSquare is a Co-operative and Community Benefit Society, registered with the Regulator for Social Housing (RSH) as a social landlord.

The GreenSquare Group aims to be a major provider of housing, regeneration, care and support and commercial services across, Wiltshire, Oxfordshire, Gloucestershire and the surrounding areas.

Business review

Details of the Association's performance for the year and future plans are set out in the Strategic Report that follows this Management Board report.

Efficiency

The Board is committed to delivering an effective and efficient service to tenants and other stakeholders and plans to employ a range of techniques to increase efficiency including re-evaluating procurement policies, use of our own building contractor, strict budgetary control, applying techniques to improve procedures that add value to the customer, benchmarking with others and reducing staff turnover, sickness and absenteeism.

Health and safety

The Board is very much aware of its responsibilities on all matters relating to health and safety. The Association has adopted robust health and safety policies, and provides Board and staff training and education on health and safety matters.

During the year the Group identified poor oversight of our health and safety responsibilities to our customers, which meant that some gas and lift safety certificates were not up to date, and some actions arising from fire risk assessments were not addressed. The Group took immediate corrective action and notified the regulator in July 2018. Since then, good progress has been made addressing the majority of these issues by ensuring that up to date gas and lift safety certificates are in place, and that all actions arising from fire risk assessments are completed, and we remain focused on completing a small number remaining actions. Additional plans have been drawn up to strengthen data quality, resources governance related to health and safety that will be embedded during 2019. The safety of our residents is paramount.

Regulatory environment

Following GreenSquare's notification of concerns related to health and safety requirements in July 2018 indicated above, an in-depth assessment (IDA) was carried out by the regulator. After due consideration, the regulator concluded that GreenSquare had breached the requirements of the Home Standard and a regulatory notice was issued on 1 March 2019, setting out concerns in relation to fire safety, gas safety, and lift safety. This was followed by a regulatory judgement from the Regulator of Social Housing published on 26 June 2019 which regrades its previous published assessment of GreenSquare's governance from G1 to G2.

The failure in some of our compliance arrangements, which has led to the downgrade in our Governance rating from G1 to G2 by the Regulator of Social Housing, is disappointing, and we are working very hard to address the issues which have been identified to ensure that we demonstrate full compliance with the range of landlord health and safety responsibilities.

REPORT OF THE BOARD *continued*

Customer involvement in governance

The involvement of our customers in our governance framework is pivotal to how we shape and develop our new homes and services. Customers are involved with some of our Committees, in particular the Customer Service and Insight Committee which comprises five Customer members and five Independent members.

The Customer Service and Insight Committee is responsible for approval of stakeholder engagement arrangements and communication with residents, including the annual report. The Committee hears the voice of the customer, looks to understand their needs and seeks to drive improvements in satisfaction. Their role also includes approval of key customer strategies and policies, as well as monitoring the delivery of action plans and performance information, which underpin these (this includes key performance indicators and complaints reports). The Committee also considers the operational budget and undertakes ongoing monitoring during the year.

Employees

The strength of the Association lies in the quality and commitment of its employees.

The Association’s ability to meet its objectives and commitments to residents in an efficient and effective manner depends on the contribution of employees throughout the group. The Association aims to be an employer of choice in the area in which it works.

The Association is committed to working towards equal opportunities for all its employees and continues to invest in staff training and development and has improved systems of appraisal and performance management.

Board members and executive directors

Those Board members who served during the period and the Group’s executive directors are set out on page 1. This year there have been changes to the Board as follows:

Appointments to the Board during the year were David Greenhalgh, Pat Brandum, Pablo Andres and Ruth Cooke. Ruth Cooke was appointed Interim Chief Executive in February 2019 and as permanent CEO on 1 April 2019. Howard Toplis the former Chief Executive, resigned in February 2019.

GreenSquare has provided a range of central services – governance, finance, development, human resources and information technology – to the Association, under the scope of an intra group agreement.

The executive directors are the Chief Executive, the Finance Director, the Managing Director Development, the People Director, the Property Investment Director and the Customer Experience Director. They act as executives within the authority delegated by the Board and have been employed directly by GreenSquare, providing services via this intra group agreement.

The Chief Executive holds no interest in the Association's shares and has been co-opted to, and acts within, the authority delegated by the Board.

The Group has insurance policies which indemnify its Board members and the group executive team against liability when acting for the Association.

The Board

The Board comprises up to twelve non-executive members and is responsible for the Group and Association's strategy, policy framework and managing the affairs of the Group.

The Board members are drawn from a wide background bringing together professional, commercial and local experience.

The Board delegates the day-to-day management and implementation of that framework (via the intra group agreement) to the Chief Executive and other members of the Group’s executive team.

REPORT OF THE BOARD *continued*

Board members are selected by a panel of Board members (including the Chair and the Chief Executive) following public advertisement for recruitment.

Remuneration policy
The Remuneration & People Committee, comprising the Chair and a minimum of two other Board members, is responsible for setting the Group's remuneration policy for its executive directors and other staff. It also recommends to the Board the remuneration levels for board members.

The Committee takes into account remuneration levels in the sector in determining the remuneration packages of the executive directors. Basic salaries are set having regard to each executive director's responsibilities and pay levels for comparable positions.

The Board Members received no remuneration from the Association during the year, and are remunerated by other Group companies.

Details of the emoluments of Board Members and Executive Directors are set out in the Financial Statements of GreenSquare Group Limited, the ultimate parent undertaking.

The parent company makes management charges for the Association's use of its staff time.

Basis of accounting

The Association prepares its financial statements in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 (FRS 102).

The Association participates in the Social Housing Pension Scheme (SHPS) a multi-employer defined benefit scheme. The scheme was closed on 31 March 2016 and members transferred to a SHPS defined contribution scheme.

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

For the Social Housing Pension Scheme (SHPS), for the financial years ending on or before 28 February 2019, it has not previously been possible for the Association to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the Association has previously accounted for the Scheme as a defined contribution scheme. For financial years ending on or after 1 March 2019, it is now possible to obtain sufficient information to enable the Association to account for the Scheme as a defined benefit scheme.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the Association's fair share of the Scheme's total assets to calculate the Association's net deficit or surplus at the accounting period start and end dates.

The proposals set out in FRS102 requires the difference on transition from defined contribution accounting to defined benefit accounting to be presented separately in other comprehensive income. Further details are provided in note 22.

There has been no further material changes this financial year.

Statement of the Responsibilities of the Management Board for the Report and Financial Statements

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

REPORT OF THE BOARD *continued*

Co-operative and Community Benefit Society legislation requires the Board to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards as reflected in FRS 102 and applicable laws). Under the Co-operative and Community Benefit Society legislation the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the association for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers update 2014, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each member of the Board is aware:

- there is no relevant audit information of which the association's auditors are unaware; and
- the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Board are responsible for the maintenance and integrity of the corporate and financial information on the Group’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Code of Governance

The Association complies with the principal recommendations of the NHF Code of Governance 2015 and has adopted a number of policies and procedures to help achieve these.

Statement of compliance

In preparing this report a review of Group governance procedures has been undertaken and the Association complies with the Governance and Financial Viability Standard.

The latest regulatory judgement from the Regulator of Social Housing published on 26 June 2019 regrades its previous published assessment of GreenSquare’s governance from G1 to G2.

The judgement notes that: "The provider meets our governance requirements but needs to improve some aspects of its governance arrangements to support continued compliance."

The publication of the regulatory judgement follows an in-depth assessment (IDA) by the regulator late last year.

Prior to the IDA process, GreenSquare had notified the regulator of concerns relating to its compliance with statutory health and safety requirements. After due consideration, the regulator concluded that GreenSquare had breached the requirements of the Home Standard and a regulatory notice was issued on 1 March 2019, setting out concerns in relation to fire safety, gas safety, and lift safety.

The Group has already taken corrective action and has made good progress in ensuring that up to date gas and lift safety certificates are in place, and that all actions arising from fire risk assessments are completed, to ensure the safety of our residents. The Group is currently working through an action plan to deal with the issues identified in the Regulatory Notice and Regulatory Judgment, with a view to regaining our G1 grading as soon as possible.

REPORT OF THE BOARD *continued*

We have responded to the specific governance issues relating to health and safety compliance, and have committed to undertake a full governance and risk review, together with a lessons learnt exercise, to understand the causes of the health and safety issue, and assure ourselves that such issues are not more widespread.

The regulator's assessment of GreenSquare's compliance with the viability elements of the Governance and Financial Viability standard is unchanged at V2.

The Association is aware of its obligations as a Data Controller under the General Data Protection Regulations (GDPR) and policies are in place to ensure that all GreenSquare services to which the GDPR applies are compliant.

The Association has always prioritised the privacy and security of the content we protect with our applications and services. As part of our GDPR compliance efforts, we will continue to refine, improve and document our security measures to protect against unauthorised access, use or disclosure of the content we protect.

Internal control assurance

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

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

The process for identifying, evaluating and managing the significant risks faced by the Association is ongoing and has been in place throughout the period commencing 1 April 2018 up to the date of approval of the annual report and financial statements.

Key elements of the control framework include:

- Board approved terms of reference, including a detailed intra-group agreement between the Association and its subsidiaries, supported by detailed service level agreements and delegated authorities for Group Audit and Remuneration & Selection Committees;
- clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- robust strategic and business planning processes with detailed financial budgets and forecasts;
- review of the Association's risks by the Board and Group Audit and Risk Committee;
- formal recruitment, retention, training and development policies for all staff;
- established authorisation and appraisal procedures for all significant new initiatives and commitments;
- appraisal of major development projects by the Group Development and Investment Committee;
- a sophisticated approach to treasury management which is subject to external review on a regular basis;
- regular reporting to senior management and the Board/appropriate committee of key business objectives, targets and outcomes;
- Board approved whistleblowing, disciplinary and capability policy which covers expectations of fraud and code of conduct;
- detailed policies and procedures in each area of the Association's work; and
- regular monitoring of loan covenants and requirements for new loan facilities.

A monitor on fraud is maintained and reviewed by the Group Audit and Risk Committee at every meeting. There were no frauds reported during the period under review.

REPORT OF THE BOARD *continued*

The Board cannot delegate ultimate responsibility for the system of internal control but has delegated authority to the Group Audit and Risk Committee to regularly review the effectiveness of the system of internal control. The Group Audit and Risk Committee was formed to oversee the internal control framework for all entities within the Group.

The means by which the Group Audit and Risk Committee reviews the effectiveness of the system of internal control include considering risk reports, internal audit reports, fraud reports, management assurances, the external audit management letter and specialist reviews on areas such as treasury, health and safety, and efficiency. The Group Audit and Risk Committee received and considered reports from management on these risk management and control arrangements at each meeting during the year and the Board received its risk report quarterly during the year.

The Group Audit and Risk Committee has received the Chief Executive's annual review of the effectiveness of the system of internal control for the Group, and the annual report of the internal auditor, and has reported its findings to the Board. Whilst recognising that corrective action has already been taken to improve the safety of our residents, further work is ongoing which will further strengthen the system of internal control for the Group.

Going concern

The Association's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The Association has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programme, along with the Association's day to day operations. The Association 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.

After making enquiries 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 report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Auditors

A resolution to reappoint BDO LLP as auditors will be proposed at the forthcoming Annual General Meeting.

The report of the Board was approved on 16 July 2019 and signed on its behalf by:

Robin Bailey
Chair

STRATEGIC REPORT - FIVE YEAR SUMMARY

For the year ended 31 March

	FRS102 2019	FRS102 2018	FRS102 2017	FRS102 2016	FRS102 2015
Statement of Comprehensive Income (£'000)					
Total turnover	38,024	42,266	40,573	47,799	42,128
Income from lettings	35,790	36,453	37,337	37,088	35,475
Operating surplus	7,872	15,786	13,471	10,651	11,071
Surplus for the year	863	8,743	6,289	3,013	3,841
Total comprehensive income for the year	(2,415)	10,228	4,437	4,738	2,970
Statement of Financial Position (£'000)					
Housing properties	368,334	366,923	371,286	373,187	384,154
Net current assets/(liabilities)	15,265	23,310	17,119	16,887	(2,695)
Loans (due over one year)	165,964	173,180	180,282	187,605	183,505
Net pension liability	11,345	6,627	8,410	6,918	8,793
Reserves : revenue	39,838	41,539	30,375	22,347	15,597
: revaluation	162,902	163,616	164,552	168,143	170,155
: total	202,740	205,155	194,927	190,490	185,752
Accommodation figures					
Total housing stock managed at year end (number of units):	7,702	7,456	7,552	7,533	7,407
In development	23	34	28	55	130
Statistics					
Operating surplus for the year as % of turnover	20.7%	37.3%	33.2%	22.3%	26.3%
Operating surplus for the year as % of income from lettings	22.0%	43.3%	36.1%	28.7%	31.2%
General needs stock:-					
Void rent losses *(voids as % of net rent and service charges receivable)*	0.67%	0.52%	0.68%	0.88%	0.71%
Current rent arrears *(gross arrears as % of net rent and service charges receivable)*	3.03%	3.34%	3.19%	4.07%	3.29%
Interest cover *(surplus before interest payable and property depreciation less capitalised works to existing properties and amortised grant, divided by interest payable and capitalised interest)*	1.27	2.37	2.06	1.74	1.79
Liquidity *(current assets divided by current liabilities)*	1.81	2.82	2.28	3.02	0.83
Net Debt per unit *(housing loans less cash held divided by General Needs unit numbers)*	23,661	25,300	26,408	27,597	29,147

STRATEGIC REPORT

Principal Activities

Westlea Housing Association is a charitable, public benefit entity providing affordable housing across Wiltshire and Gloucestershire.

The Association operates three key business streams:
- 'general needs' housing for rent, primarily by families who are unable to rent or buy at open market rates;
- supported housing and housing for older people who need additional housing-related support or additional care; and
- low-cost home ownership, primarily shared ownership whereby residents purchase a share in the equity of their homes and pay rent to the Association on the remainder.

As well as managing over 7,702 properties, the Association is a developer of new affordable housing in the area and works in strategic development partnership within the GreenSquare Group.

Objectives and strategy

In July 2019, we approved our new corporate strategy, Simply Brilliant. This strategy sets out our aspiration to become a simply brilliant landlord, and our plans for how we will move from our current position to achieve our corporate objectives by 2023. .

It also sets out how we will monitor and assess performance.

Our overall purpose: why Simply Brilliant?

As part of developing this strategy, we have spent time talking to our customers, to our colleagues, Board members and other key stakeholders. They reaffirmed our thinking, which is that our core purpose is as it is always has been-to provide a great landlord service to those people who cannot afford to meet their housing need in the open market. That purpose is as relevant now as it was when our legacy organisations were established over 100 years ago.

We also know though, that over recent years, GreenSquare has sought to diversify without a suitable strategy or expertise and we have lost sight of our focus on delivering our core purpose. The new corporate strategy is about refocussing on our core social purpose.

Being a great landlord means a number of things to us, but essentially it means that we are committed to providing low cost homes for rent and shared ownership. Our view is that a GreenSquare property should be:

- Safe
- Affordable to rent and run
- In a neighbourhood our customers can be proud of; and
- A home for life (if needed)

Our purpose really is that simple; and we want our product to be simple and affordable. We also recognise that for our customers, people and our business, it's really important that we get that service and property right first time, every time. We want to be clear about the service we provide, with a simple service standard, and then be absolutely brilliant at delivering it.

Simply Brilliant for us sums up how we want the organisation to work and what we want to deliver at the standard we want them to be.

What are the pillars of our corporate strategy?

We believe that to be a simply brilliant landlord, we must demonstrate great performance in 4 key areas; the pillars of our corporate strategy:

STRATEGIC REPORT *continued*

Simply Brilliant Service	Simply Brilliant Homes	Simply Brilliant Value	Simply Brilliant People
Customers compare the service they get from us not to other landlords, but to other organisations with whom they engage, such as banks or supermarkets. Our customers' expectations are increasing, and our services need to adapt accordingly.	We provide homes for rent and home ownership for those who can't afford to meet their housing needs in the open market. By definition, our homes are affordable, and so meet a simple, but not luxurious standard, but expectations of what defines a safe, good quality affordable home are rising.	We build homes for sub-market rent and home ownership, and we also provide existing homes at a truly affordable rent. Although we receive grant to fund new development, for us to be able to continue to invest in existing and new properties, we need to be as cost-effective as possible.	Our strategy requires brilliant people to achieve it. We aspire to become an employer of choice, enabling us to attract, retain and develop talented, expert and engaged people.

How will we measure success?

By 2023, we want to be a simply brilliant landlord. We will know we have achieved this when we have achieved the following objectives.

Simply brilliant service: Customers will recognise that our customer service compares favourably to other organisations regardless of sector. We will demonstrate this through achieving Institute of Customer Service ServiceMark accreditation with distinction.

Simply brilliant homes: We will have an agreed standard for all of our existing properties which ensures that a GreenSquare property is safe, warm and affordable, with modern components. Every property we re-let, and every investment programme will be aimed at ensuring all of our properties meet this standard, and we will also look to regenerate properties and areas which cannot meet this standard in their current form. As part of our investment strategy, we will also agree a standard for a GreenSquare neighbourhood, and our investment plans will ensure that all of our neighbourhoods achieve this standard.

Because we believe that providing desperately needed new homes is just as important as managing our existing homes, we will provide 1,500 new homes for truly affordable rent and home ownership between now and 2023.

Simply Brilliant Value: We know that to be able to afford to invest in our existing properties and to develop new homes, our business needs to become as efficient as possible. We will know we have achieved this by 2023 because our total social housing cost per unit will be in the highest performing quartile (i.e. the lowest quartile cost per unit).

Simply Brilliant People: To achieve our objectives, we need to attract and retain the best people. This means we will need to be seen as an employer of choice. We will measure this through achieving accreditation via Sunday Times Top 100 best companies to work for.

Details of the Corporate Plan of the Association and the Group are set out in the Financial Statements of GreenSquare Group Limited.

STRATEGIC REPORT *continued*

Value for Money Statement

Our previous groupwide Corporate plan outlined our overall purpose, how we planned to deliver our strategic objectives and our approach to achieving value for money (VFM) in delivering these. This report looks back at how we have done against the 2018/19 plan and provides an overview of the priorities we have identified for our new Corporate Strategy.

<u>Our priorities 2018/19</u>

Our overall strategic objectives remained unchanged in our 2018/19 Business plan. The priorities identified for the year, informed by the benchmarking analysis, were:

- Continuing work to improve the customer experience. This included a significant step change in our digital offering to our customers in the form of self service and the use of dynamic scheduling for our property services team.

  We successfully launched myGreenSquare in June 2019 following an extensive customer pilot. myGreenSquare is our new online service for customers which enables them to self serve anytime, anywhere, using any device they choose. Using myGreenSquare customers can:

  - diagnose and report repairs
  - check appointments
  - check account balances
  - view and print statements
  - make payments
  - send and receive messages
  - update personal information and
  - complete surveys

  This digital communication and service channel is being offered to customers in addition to our more traditional contact channels and will give us more time to dedicate to our more vulnerable customers who rely on those methods. In the coming months we will continue to improve and extend the range of services customers can access using myGreenSquare which will include the ability for them to book their own appointments for repairs.

  Since going live with a dynamic scheduling service, Service Connect, we have significantly improved visibility of job management and can now see:
  - Detailed performance of operatives
  - Up to date data of live works and better cost control leading to improving trading accounts
  - Within the first weeks of going live we seen an increase in productivity and greater availability of trades staff.

  In addition we have :
  - Data to analyse non-productive time e.g. time spent at suppliers i.e. over the first comparable period a 12% reduction in time spent sourcing materials for jobs
  - Greater oversight on H&S through forms and reporting and the time to introduce tool box talks and off the job training without impacting on service delivery
  - Van stock management has improved and allowed the introduction of van stock checks
  - Data over the first comparable period shows a 15% reduction in travel time.

- A focus on driving Value For Money (VFM) across the organisation. This included our ongoing digital transformation of both our customer offer and our internal working practices. We said we would also be undertaking a particular focus on our approach to both maintenance and strategic assets over the course of the year so we better understand our assets to enable us to optimise our return on them and ensure that our approach to maintenance provides the best VFM.

  During the year a Net Present Value (NPV) financial modelling exercise has been completed internally by Strategic Asset Management (SAM). A position statement for the GreenSquare housing stock has been created using the SDS Stock Profiler. Previous modelling was carried out externally by consultants.

STRATEGIC REPORT *continued*

This exercise reflects the fourth measurement of the NPV performance of GreenSquare's property assets and importantly the data integrity. Since 2017, there have been improvements to ensure the quality of the information that is used to calculate the NPV for the Group. We are now more confident with our ability to use the software internally and are able to question if the outcomes are reasonable.

Recommendations included:-

- Regular quarterly property profile updates will be loaded in order to reconcile with the monthly GreenSquare Stock Balance reports.
- The NPV information can be visualised within our GIS (Geographical Information System)

The model is a support tool that will allow us to make well informed strategic decisions about how best to use capital within the Business to improve the performance of properties. This may be achieved through stock investment, but could mean the disposal of properties that do not meet social need or are un-economic to retain. Any such disposals will enable us to release latent value to invest in new homes which are more efficient for us to operate.

- Increasing our delivery of new retained homes into the Registered Provider (RP) remained a core priority alongside looking at how we can optimise our ability to increase the number of good quality affordable homes through a combination of regeneration and disposals.

  We have had success in progressing our regeneration aspirations. New replacement and additional homes have been built at Culverhay (Phase three) in Cricklade, at Woodroffe Square in Calne, and planning permission has been secured for the regeneration of Bendy Bow in Oaksey. New affordable homes (Social rented, Affordable rent and low cost home ownership) have been built. We have maintained the number of homes being rented at a Social Rent level above our April 2015 target of 9,565, the current figure being 9,590.

- Increasing our income from our commercial subsidiaries, particularly GS Homes through outright sales and reviewing our wider non-social housing activities to ensure that these generate commensurate returns relative to risk and effort.

  GreenSquare Homes generated a gross profit of £459k before interest, tax and investment write offs in 2018/19 exceeding the target set for the year.

  As part of our work on GreenSquare's new corporate strategy, the board and executive team have been reviewing the services we offer customers. We have looked at what we offer – and why, how, and where we offer it.

  Alongside the development of new homes, GreenSquare's focus moving forward will be on delivering our core landlord services – and delivering them really well. Put simply, the plan is to do less, but do it better.

  One of the outcomes of adopting this new approach is that we have made the difficult decision to not re-tender for the community-based housing support ('GHS') contract from Gloucestershire County Council. GHS offers a community-based support service in Gloucester, Forest of Dean, and Tewkesbury. This is delivered to people at their homes, or via community events and activities, and although some of our resident customers benefit from this service, the vast majority do not.

  We have also taken the decision to close GS Energy Services, which ceased operations on 30 June 2019, as the company was not providing value for money for the group. We will continue to review our other services to ensure that they offer appropriate VFM, and are consistent with our new Corporate Strategy.

- We have improved the capability of the organisation to deliver the new Corporate Strategy, which includes changes in the Executive Management Team and leadership team, as well as looking to improve our change capabilities, staff engagement and culture. We are developing a change delivery team to support the delivery of our new Corporate Strategy.

STRATEGIC REPORT *continued*

Maintaining a strategic focus on Value for Money

Our business planning cycle and performance management approach ensures that we maintain a strategic focus on value for money.

The business plan also included a number of key projects/activities to drive VFM.

- We have carried out a review of the sustainability of commercial activities to ensure we maximise the returns on our investments to support the delivery of our plans. This has led to the decisions not to retender for the GHS contract, and to close GS Energy Services.
- Grow GS Homes - Generate £5m profit by 2020 and through the housing associations within the Group, to develop an additional 2,000 retained homes by 2025. We are on track to deliver these aims.
- Digital transformation of the customer experience - Ability for customers to access services online at their convenience including booking repairs and checking rent statements. Greater efficiency and provision of customer information in the delivery of our responsive repairs service resulting in better customer experience. MyGreenSquare was launched in June 2019, and will be enhanced to deliver a range of on line services to our customers.
- Digital transformation of the workplace - Greater efficiency and automation of business processes, faster information flows, more informed decision making. An IT Strategy will be developed to underpin the new Corporate Strategy, and to set out the roadmap for our future systems.
- We completed our Office accommodation review, and closed our office in Swindon in November 2018. We have also converted the old stores area to provide additional office accommodation at our head office in Chippenham, and are planning to find alternative office accommodation in the Oxford area for colleagues based there, following the sale of our existing office for future development.

Looking forward – 2019/20 Priorities

As outlined previously, the new Corporate Strategy for 2019-23, was approved by the Group Board on 10 July 2019. This sets out key priorities for 2019/20 and the subsequent three financial years. The Corporate Strategy will be published in the summer of 2019.

Full details of the VFM statement of the Association and the Group including the revised VFM regulatory standard sector scorecard metrics are published in the Financial Statements of GreenSquare Group Limited.

Performance and development

Finance

The Board agrees targets each year that are designed to manage development and deliver continuous service improvement.

The Association made a surplus of £0.9m for the year (2018: £8.7m). We have met all lenders' covenants.

The Association had net current assets of £15.3m and manages its working capital around the loan facility. As at 31 March 2019, no undrawn facility was available against the current value of charged housing properties.

The net worth of the Association decreased to £202.7m (2018: £205.2m) including a revaluation reserve of £162.9m (2018: £163.6m).

STRATEGIC REPORT *continued*

Asset management
The proportion of our general needs, housing for older people and supported housing properties meeting the Decent Homes Standard is now at 100%, (target 100%).

Customer service
Our performance against financial performance indicators is set out on page 8 and summarised below.

General needs rent losses from voids
Our group target for the year was to keep general needs rent losses below 0.70% of rental income receivable. We met this target with rent losses of 0.67% (2018: 0.52%).

General needs current rent arrears
General needs current rent arrears were 3.03% (2018: 3.34%), within our group plan target of 4.0%.

Risks and uncertainties

The main risks that may prevent the Association achieving its objectives are considered and reviewed quarterly by the senior management team and Board as part of the Board Assurance Framework (BAF). The risks are recorded and assessed in terms of their impact and probability and against the level of risk appetite that the Board are prepared to accept. Major risks, presenting the greatest threats to the Association, are reported to the Group Audit & Risk Committee together with action taken to manage the risks and the outcome of the action. These risk reports include assessments of key controls used to manage the risks.

The major risks to successful achievement of the Association's objectives have been grouped into the key headings set out in the Sector Risk Profile 2018 which was published by the Regulator of Social Housing last year, to aid understanding.

The key headings are:-

- Strategic risks
- Operational risks – stress testing
- Operational risks - existing stock
- Operational risks – development
- Financial and treasury management risks.

Details of the key risks and uncertainties facing the Association and the Group are disclosed in the financial statements of GreenSquare Group Limited.

Financial position

The statement of comprehensive income and statement of financial position are presented on pages 19 to 20 and the following paragraphs highlight key features of the Association's financial position at 31 March 2019:

Accounting policies
The Association's principal accounting policies are set out on pages 22 to 28 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and include: capitalisation of interest and development administration costs; deduction of capital grant from the cost of assets; housing property depreciation; and treatment of shared ownership properties.

Housing properties
At 31 March 2019 the Association owned and managed 7,940 units of accommodation (2018: 7,696).

Housing properties are carried at deemed cost in the Statement of Financial Position at £368.3m (2018: £366.9m).

Our investment in housing properties this year was funded through a mixture of social housing grant, loan finance and working capital where we continue to show a strong current asset balance.

STRATEGIC REPORT *continued*

Pension costs
The Association participates in two pension schemes, the Social Housing Pension Scheme (SHPS) and the Wiltshire County Council Pension Scheme (WCCPS).

The SHPS final salary, Career Average Related Earnings (CARE) scheme was closed to all members and future accruals on the 31 March 2016. Membership and auto enrolment for all employees is now only available in the SHPS defined contribution scheme. The Association has contributed to the scheme in accordance with the levels set by the actuaries of between 2.0% and 6.0% for SHPS plus annual monetary deficits.

The WCCPS was a final salary scheme and was closed to new members and future accruals on 31 March 2016. The Association has contributed to the scheme in accordance with the levels set by the actuaries as part of the deficit funding agreement.

For the year ended 31 March 2019, it is now possible to obtain sufficient information to enable the Association to account for the SHPS obligation on a defined benefit basis. Under the defined benefit pension accounting approach, the SHPS net deficit as at 1 April 2018 was £3,908k and as at 31 March 2019, £4,911k.

The proposals set out in FRS102 requires the difference on transition from defined contribution accounting to defined benefit accounting to be presented separately in other comprehensive income. The change on transition has resulted in a remeasurement difference of £1,846k, which has been recognised at the relevant date of application, 1 April 2018, in other comprehensive income. Consequently total comprehensive income for the year was £(2,415)k.

Capital structure and treasury policy
We adopt a conservative approach to treasury management. No stand alone derivatives are used and the group Board seeks independent advice from external consultants along with quarterly reports from officers on treasury and investment performance.

The Association made no drawdowns during the year. At year end, loans amounted to £173.4m of which £7.5m falls due to be paid within the next year as shown in note 21.

The trend information on page 8 shows that net debt per unit, calculated as total loans less cash divided by General Needs (including affordable rent, intermediate rent and market rent) unit numbers, had decreased to £23,661 by 31 March 2019 (2018: £25,300). The Association borrows and lends only in sterling and is not exposed to currency risk.

Cash flows
The Association has achieved a net cash increase during the year of £3.1m (2018: increase £2.8m) and the cash inflows and outflows are shown in the cash flow statement (page 21).

At the year end, the Association's current assets included £29.2m (2018: £26.1m) in liquid funds (cash at bank and short term deposits).

Future developments
As expressed in our Corporate Objectives, we will continue to re-invest in our existing property, based upon an asset management strategy. We will also continue to develop the housing stock to further meet housing need in our areas of operation.

A key influence on the timing of borrowings is the rate at which development activity takes place. The Board has approved plans to spend £8.1m during the next financial years to develop general needs and shared ownership accommodation in the Group area.

The above commitments will be financed primarily through property sales and internal cash balances.

The Association continues to assess the impact of government policy on its business plan and intended future developments. The Association's resources are only committed to a scheme once funding has been secured. Other initiatives will be developed over the next year to assist our tenants in dealing with changes to housing and other benefits.

STRATEGIC REPORT *continued*

Statement of compliance

In preparing this Strategic Report and Board report, the Board has followed the principles set out in the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2014.

The Association has fully complied with the Accounting Direction for Private Registered Providers of Social Housing 2015.

Robin Bailey
Chair
16 July 2019

AUDITOR'S REPORT TO THE MEMBERS OF WESTLEA HOUSING ASSOCIATION LIMITED

Opinion

We have audited the financial statements of Westlea Housing Association Limited ("the Association") for the year ended 31 March 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in reserves, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2019 and of the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The board are responsible for the other information. 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.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Report of the Board for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Report of the Board have been prepared in accordance with applicable legal requirements.

AUDITOR'S REPORT TO THE MEMBERS OF WESTLEA HOUSING ASSOCIATION LIMITED
continued

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Report of the Directors.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept by the association, or returns adequate for our audit have not been received from branches not visited by us; or
- the association financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of board member and or directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the board

As explained more fully in the statement of the responsibilities of the management board set out on page 4, 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 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 Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with in accordance with the Housing and Regeneration Act 2008 and Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Julia Poulter (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
Date 24th July 2019

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

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Turnover	3	38,024	42,266
Operating expenditure	3	(31,272)	(30,053)
Gain on disposal of housing properties	3,7	1,120	3,573
Operating surplus	3,6	7,872	15,786
Interest receivable and other income	8	107	135
Interest and financing costs	9	(6,839)	(6,974)
Other finance charges	22	(277)	(204)
Surplus for the financial year		863	8,743
Actuarial (loss)/gain in respect of pension schemes	22	(1,432)	1,485
Re-measurement of SHPS obligation	22(b)	(1,846)	-
Total comprehensive income for the year		(2,415)	10,228

The financial statements were approved by the Board on 16 July 2019 and signed on its behalf by:

Robin Bailey
Chair

P McLaughlin
Board Member

Mandy Arnold
Company Secretary

The Association's results relate wholly to continuing activities. The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES
for the year ended 31 March 2019

	Revaluation Reserve £'000	Revenue Reserve £'000	Total £'000
Balance as at 1 April 2017	164,552	30,375	194,927
Surplus for the year	-	8,743	8,743
Actuarial gain on deferred pension scheme	-	1,485	1,485
Transfers from revaluation reserve to revenue reserve	(936)	936	-
Balance at 31 March 2018	163,616	41,539	205,155
Surplus for the year	-	863	863
Actuarial loss on deferred pension scheme	-	(1,432)	(1,432)
Re-measurement of SHPS obligation	-	(1,846)	(1,846)
Transfers from revaluation reserve to revenue reserve	(714)	714	-
Balance at 31 March 2019	162,902	39,838	202,740

The accompanying notes on pages 22-46 form part of these financial statements

STATEMENT OF FINANCIAL POSITION
at 31 March 2019

	Note	2019 £'000	2018 £'000
Tangible fixed assets			
Housing properties	12	368,334	366,923
Other tangible fixed assets	13	4,452	3,652
		372,786	370,575
Fixed asset investments	14	2,185	2,185
		374,971	372,760
Current assets			
Stock and property held for sale	15	2,295	2,711
Trade and other debtors	16	2,677	7,243
Cash and cash equivalents		29,249	26,144
		34,221	36,098
Creditors: amounts falling due within one year	17	(18,956)	(12,788)
Net current assets		15,265	23,310
Total assets less current liabilities		390,236	396,070
Creditors: amounts falling due after more than one Year	18	(175,959)	(184,014)
Provisions for liabilities			
Defined benefit pension liability	22	(11,345)	(6,627)
Other provisions	23	(192)	(274)
Total net assets		202,740	205,155
Capital and reserves			
Non-equity share capital	24	-	-
Income and expenditure reserve		39,838	41,539
Revaluation reserve		162,902	163,616
Total Reserves		202,740	205,155

The financial statements were approved by the Board on 16 July 2019 and signed on its behalf by:

Robin Bailey Chair	P McLaughlin Board Member	Mandy Arnold Company Secretary

The accompanying notes on pages 22-46 form part of these financial statements.

STATEMENT OF CASH FLOWS
for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Net cash generated from operating activities	26	22,724	13,741
Cash flow from investing activities			
Purchase and construction of properties		(7,825)	(7,498)
Purchase of other fixed assets		(1,158)	(252)
Proceeds from sale of properties (net of Council clawback)		2,618	9,885
Grants received		817	524
Interest received		107	135
Net cash from investing activities		(5,441)	2,794
Cash flow from financing activities			
Interest paid		(6,959)	(6,884)
Repayments of loans		(7,219)	(6,841)
		(14,178)	(13,725)
Net change in cash and cash equivalents		3,105	2,810
Cash and cash equivalents at beginning of the year		26,144	23,334
Cash and cash equivalents at the end of the year		29,249	26,144

The accompanying notes on pages 22-46 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

1. LEGAL STATUS

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is a registered housing association in England. The Association is a public benefit entity and a member of a public benefit group.

2. ACCOUNTING POLICIES

Basis of accounting
The financial statements of the Association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS102) and the Housing SORP 2014:Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015. The Board is satisfied that the current accounting policies are the most appropriate for the Association.

The financial statements are presented in Sterling (£).

Change in presentation

Gains and loss on disposals of housing properties (2019: gain of £1,120,000; 2018: gain of £3,573,000) are now included within operating surplus in the statement of comprehensive income. Previously, these gains and losses were presented below operating surplus. Although the Association is not early adopting Amendments to FRS 102 – Triennial Review 2017, this change in presentation reflects the clarified guidance included within the amendments.

Going concern
The Association's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The Association has in place long-term debt facilities, which provide adequate resources to finance committed reinvestment and development programmes, along with the Association's day to day operations. The Association 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.

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

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

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

Housing properties in tangible fixed assets are valued at deemed cost as at 1 April 2014.
The Association has taken advantage of transitional relief set out in FRS102 for deemed costs and treated all grant on transition under the performance model with subsequent grants under the accrual model.

Impairment
As part of the group's continuous review of the performance of their assets, management identify any homes, or schemes, that have increasing void losses, are impacted by policy changes or where the decision has been made to dispose of the properties. These factors are considering to be an indication of impairment.
Where there is evidence of impairment, the fixed assets are written down to the recoverable amount and any impairment losses are charged to operating surpluses.

As a result, we estimated the recoverable amount of its housing properties as follows:

a) determined the level at which recoverable amount is to be assessed (i.e. the asset level or cash generating unit (CGU) level). The CGU level was determined to be an individual scheme;

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. Accounting Policies *continued*

Impairment (continued)

b) estimated the recoverable amount of the cash-generating unit;
c) calculated the carrying amount of the cash-generating unit and;
d) compared the carrying amount to the recoverable amount to determine if an impairment loss has occurred.

Significant judgements and estimates (continued)

Based on this assessment, we calculated the Depreciated Replacement Cost (DRC) of each social housing property scheme, using appropriate construction costs and land prices. Comparing this to the carrying amount of each scheme, we do not consider there to be an impairment charge against social housing assets.

Financial Instruments
The Association has reviewed its loan agreements and classified all loans as 'Basic' financial instruments. We consider any fixed rate debt with two-way early redemption indemnity clauses to be held for the long term as per treasury strategy and be non speculative. In addition the commercial substance of the transaction is neutral to the lender such that should a prepayment event occur the full principal and interest will be due and no economic benefit will accrue to the Association. This satisfies the 'Basic' requirements as set out in Paragraph 11.9 of FRS102.

Capitalisation of property development costs
Distinguishing the point at which a project is more likely than not to continue, allowing capitalisation of associated development costs requires judgement. After capitalisation, management monitors the asset and considers whether changes indicate that impairment is required.

Supporting People
Management judgement is applied in determining the extent to which the risks and benefits are transferred to the association when considering the Income to be recognised. £2.1m (2018: £2.4m) of supporting people income was recognised in the year.

Estimation uncertainty
Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful lives of depreciable assets
Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components. Accumulated depreciation including other fixed assets at 31 March 2019 was £46.3m.

Defined benefit obligation (DBO)
Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in Note 22). The liability at 31 March 2019 was £11.3m.

Revenue recognition
Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting after deducting voids. 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. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with administering authorities.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. Accounting Policies *continued*

Taxation
The Association is accepted as a charity by HM Revenue and Customs (HMRC). Income and capital gains of the Association are generally exempt from tax if applied for charitable purposes.

Turnover
Turnover comprises rental income receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale, revenue from grants receivable and other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and revenue grants receivable in the year.

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

Interest payable
Interest, including issue costs, is allocated at a constant rate on the carrying amount over the period of the borrowing. Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

a) interest on borrowings specifically financing the development programme after deduction of interest on social housing grant (SHG) in advance; or

b) interest on borrowings of the Association as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to the income and expenditure account in the year.

Financial instruments
Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model.

Non-basic financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in surplus or deficit. At each year end, the instruments are revalued to fair value, with the movements posted to the income and expenditure (unless hedge accounting is applied). The association has not adopted hedge accounting for the financial instruments.

Direct costs incurred in connection with the issue of a basic financial instrument are deducted from the proceeds of the issue, and amortised over the life of the instrument.

Debtors
Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Where deferral of payment terms have been agreed at below market rate, and where material, the balance is shown at the present value, discounted at a market rate.

Creditors
Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Employee Benefits
Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. Accounting Policies *continued*

Pensions
The Association previously participated in two funded multi-employer defined benefit schemes, the Social Housing Pension Scheme ('SHPS') and the Wiltshire County Council Pension Fund ('WCCPF').

For SHPS, for the financial years ending on or before 28 February 2019, it was not possible for the Association to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the Association has previously accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 1 March 2019, it is possible to obtain sufficient information to enable the Association to account for the Scheme as a defined benefit scheme, as described in note 22.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the Association's fair share of the Scheme's total assets to calculate the Association's net deficit or surplus at the accounting period start and end dates. Further details are provided in note 22.

For the WCCPF, scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the statement of financial position. A net surplus is recognised only to the extent that it is recoverable by the group through reduced contributions or through refunds from the plan.

Lump sum payments are being made to reduce the deficits in schemes closed to new entrants. Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Re-measurements are reported in other comprehensive income.

Supported housing managed by agencies
Social housing grants and other revenue grants are claimed by the Association as owner of the property. The grants are included in the statement of comprehensive income and statement of financial position of the Association. The treatment of other income and expenditure in respect of supported housing projects depends on whether the Association carries the financial risk.

Where the Association carries the financial risk, for example, for losses from voids and arrears, all the project's income and expenditure is included in the Association's statement of comprehensive income (see note 3).

Where the agency carries the financial risk, the statement of comprehensive income includes only that income and expenditure which relates solely to the Association. Other income and expenditure of projects in this category is excluded from the Association's statement of comprehensive income.

Housing properties
Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

Shared ownership properties are split proportionally 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, and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. Accounting Policies *continued*

Donated land
Land and other assets donated by local authorities and other government sources is added to cost at the fair value of the land at the time of the donation. Where the land is not related to a specific development and is donated by a public body an amount equivalent to the increase in value between fair value and consideration paid is treated as a non-monetary grant and recognised on the statement of financial position as a liability. The terms of the donation are deemed to be performance related conditions. Where the donation is from a non-public source, the value of the donation is included as income.

Government grants
Government grants include grants receivable from Homes England (formerly the Homes and Communities Agency or HCA), local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure under the accruals model.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received.

Grants due from government organisations or received in advance are included as current assets or liabilities.

Deemed cost transitional relief. The Association has taken advantage of transitional relief for deemed cost and treated all grants received for housing properties on transition under the performance model with subsequent grant under the accrual model.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the Regulator for Social Housing (RSH). Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in income and expenditure.

Other grants
Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Depreciation of housing properties
The Association separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.

The Association depreciates the major components of its housing properties at the following annual rates:

Structure	125 years
Roofs	60 years
Bathrooms	30 years
Windows	25 years
Kitchens	20 years
Heating	15 years
Facias & Guttering	30 years
Doors	10 years

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. Accounting Policies *continued*

Freehold land is not depreciated.

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Impairment
Annually housing properties are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the scheme's carrying amount to its recoverable amount. Where the carrying amount of a scheme is deemed to exceed its recoverable amount, the scheme is written down to its recoverable amount. The resulting impairment loss is recognised as operating expenditure. Where a scheme is currently deemed not to be providing service potential to the association, its recoverable amount is its fair value less costs to sell.

Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

Other tangible fixed assets
Other tangible fixed assets are stated at cost less accumulated depreciation. Only fixed assets costing in excess of £1,000 are capitalised. Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives.

The principal annual rates used for other assets are:

Freehold office buildings	50-75 years
Furniture, fixtures and fittings	5-10 years
Computers and office equipment	3-5 years
Motor vehicles	5-7 years
Service charge equipment	3-10 years

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus/deficit for the year.

Leased assets
Rentals payable under operating leases are charged to income and expenditure on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the group recognises annual rent expense equal to amounts owed to the lessor.

Cash and cash equivalents
Cash and cash equivalents in the Statement of Financial Position comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Loan notes
Loan notes which are basic financial instruments are initially recorded at the present value of future payments discounted at a market rate of interest for a similar loan. Subsequently, they are measured at amortised cost using the effective interest method. Loan notes that are receivable within one year are not discounted.

Stock and properties for sale
Stocks comprise shared ownership first tranche sales, completed properties for outright sale, property under construction and raw materials and consumables and are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

Accounting policies *continued*

Provisions for liabilities
Provisions are recognised when the Association has a present obligation (legal or constructive) as a result of a past event, it is probable that the Association will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

The Association recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

Reserves
The Association establishes restricted reserves for specific purposes where their use is subject to external restrictions and designated reserves where their reserves are earmarked for a particular purpose.

Revaluation Reserve
The difference on transition between the fair value of social housing properties and the historical cost carrying value is credited to the revaluation reserve.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

3. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS – continuing activities

	Turnover	Cost of sales	Operating costs	2019 Operating Surplus/ (Deficit)	Turnover	Cost of Sales	Operating Costs	2018 Operating Surplus/ (Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Social housing lettings (Note 4)	35,790	-	(28,171)	7,619	36,453	-	(24,451)	12,002
Other social housing activities								
Supporting people contracts	2,087	-	(1,920)	167	2,419	-	(2,151)	268
Development costs not capitalised	-	-	(815)	(815)	-	-	(598)	(598)
First tranche shared ownership sales	-	-	-	-	1,501	(1,004)	-	497
	2,087	-	(2,735)	(648)	3,920	(1,004)	(2,749)	167
Activities other than Social Housing								
Student and market rent accommodation lettings	147	-	(366)	(219)	164	-	(120)	44
Intra-group sales (Note 28)	-	-	-	-	1,729	(1,729)	-	-
Gain on disposal of housing properties (Note 7)	-	-	-	1,120	-	-	-	3,573
	38,024	-	(31,272)	7,872	42,266	(2,733)	(27,320)	15,786

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

4. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS – continuing activities

	General Needs Housing	Supported Housing & housing For older people	Low cost home ownership	Garages	2019 Total	2018 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Rent receivable net of identifiable service charges	30,378	2,333	834	528	34,073	34,501
Service charge income	597	635	73	-	1,305	1,524
Other income	201	53	3	-	257	206
Amortisation of social housing grant	69	-	4	-	73	67
Other revenue grants	14	68	-	-	82	155
Turnover from social housing lettings	31,259	3,089	914	528	35,790	36,453
Operating expenditure						
Services	1,232	746	68	-	2,046	1,884
Management	4,669	770	306	990	6,735	7,953
Routine maintenance	8,911	719	10	39	9,679	5,924
Planned and major repairs expenditure	4,136	271	34	-	4,441	3,029
Bad debts	172	45	(2)	-	215	222
Depreciation of housing properties	4,530	402	123	-	5,055	5,439
Operating expenditure on social housing lettings	23,650	2,953	539	1,029	28,171	24,451
Operating surplus on social housing lettings	7,609	136	375	(501)	7,619	12,002
Void losses	208	96	4	107	415	445

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

5. ACCOMMODATION IN MANAGEMENT AND DEVELOPMENT

The number of units of accommodation in management at the end of the year for each class of accommodation is as follows:

	2019 No.	2018 No.
Social Housing:		
General needs		
- Social rent	5,576	5,601
- Affordable rent	480	467
Supported housing and housing for older people	341	340
Intermediate rent	7	8
Mortgage rescue	31	31
Residential care homes	1	2
Low cost home ownership	342	349
Leasehold properties	343	339
Total owned	7,121	7,137
Accommodation managed for others	581	319
Total units in management	7,702	7,456
Units owned but managed by other agencies	204	203
Non-Social Housing:		
Student accommodation	34	34
Market Rent	-	3
Total units managed and owned	7,940	7,696
Accommodation in development at the year end	23	34

6. OPERATING SURPLUS

This is arrived at after charging/(crediting):

	2019 £'000	2018 £'000
Depreciation of housing properties	5,096	5,458
Depreciation of other tangible fixed assets	342	365
Surplus on disposal of tangible assets	(1,120)	(3,573)
Auditor's remuneration (excluding VAT)		
- for audit services	14	12
- for non-audit services including taxation	4	9

7. SURPLUS ON DISPOSAL OF FIXED ASSETS

	2019 £'000	2018 £'000
Disposal proceeds	3,045	9,870
Council clawback	(443)	(420)
Carrying value of fixed assets	(1,350)	(5,820)
	1,252	3,630
Capital grant recycled (note 19)	(132)	(57)
	1,120	3,573

8. INTEREST RECEIVABLE AND OTHER INCOME

	2019 £'000	2018 £'000
Bank interest receivable	107	135

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

9. INTEREST AND FINANCING COSTS

	2019 £'000	2018 £'000
Loans and bank overdrafts	6,983	6,958
Unwinding of discount factor on NPV	-	57
Other charges	7	64
	6,990	7,079
Interest payable capitalised on housing properties under construction	(151)	(105)
	6,839	6,974
Capitalisation rate used to determine the amount of finance costs capitalised during the period	3.86%	3.80%

10. EMPLOYEES

	2019 No.	2018 No.
Average monthly number of employees expressed in full time equivalents:		
Housing support and care	319	286

	2019 £'000	2018 £'000
Employee costs:		
Wages and salaries	8,790	7,659
Social security costs	792	692
Other pension costs	1,205	1,108
	10,787	9,459

The Association employees are members of the Social Housing Pension Scheme (SHPS). The SHPS final salary and Career Average Related Earnings (CARE) schemes and WCCPF final salary scheme were closed to all members on the 31 March 2016. Membership and auto enrolment for all employees is now only available in the SHPS defined contribution scheme

Further information on each scheme is given in note 22.

11. BOARD MEMBERS AND EXECUTIVE DIRECTORS

The Board Members and Executive Directors received no remuneration from the Association during the year, and are remunerated by other Group companies.

Details of the emoluments of Board Members and Executive Directors are set out in the Financial Statements of GreenSquare Group Limited, the ultimate parent undertaking.

Expenses paid during the year to Board members amounted to £nil (2018: £nil).

None of the Board members are members of the Social Housing Pension Scheme or the Wiltshire Pension Scheme.

No staff received remuneration over £60,000.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

12. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Social housing properties held for letting £'000	Lettings leasehold £'000	Social housing properties under construction £'000	Shared ownership properties held for letting £'000	Shared ownership properties under construction £'000	Total £'000
Cost						
At 1 April 2018	379,272	6,416	842	20,331	93	406,954
Additions	-	-	2,846	-	850	3,696
Works to existing properties	4,069	12	1	-	-	4,082
Interest capitalised	-	-	101	-	50	151
Schemes completed	472	-	(513)	52	(11)	-
Disposals	(2,911)	(39)	-	(388)	-	(3,338)
At 31 March 2019	380,902	6,389	3,277	19,995	982	411,545
Depreciation and impairment						
As at 1 April 2018	38,649	908	-	474	-	40,031
Charged in year	4,834	138	-	124	-	5,096
Disposals	(1,896)	(6)	-	(14)	-	(1,916)
At 31 March 2019	41,587	1,040	-	584	-	43,211
Net book value						
At 31 March 2019	339,315	5,349	3,277	19,411	982	368,334
At 31 March 2018	340,623	5,508	842	19,857	93	366,923

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

12. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES *continued*

The Association has taken advantage of deemed cost transitional relief.

Social housing assistance	**2019 £'000**	**2018 £'000**
Total accumulated SHG receivable at 31 March was:		
Recognised in the statement of comprehensive Income	73	67
Held as deferred income	9,715	8,971
Subsumed within reserves	79,051	78,984
	88,839	88,022

Expenditure on works to existing properties	**2019 £'000**	**2018 £'000**
Improvement works capitalised		-
Components capitalised	4,082	4,500
Amount charged to income and expenditure account	4,441	3,029
	8,523	7,529

Housing properties book value, net depreciation comprise:	**2019 £'000**	**2018 £'000**
Freehold land and buildings	362,985	361,415
Long leasehold land and buildings	5,349	5,508
	368,334	366,923

Impairment
The association considers individual schemes to be separate Cash Generating Units (CGU's) when assessing for impairment, in accordance with the requirements of FRS102 and SORP 2014.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

13. TANGIBLE FIXED ASSETS - OTHER

	Freehold offices	Office equipment and fittings	Computers	Motor Vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2018	3,958	1,602	2,327	1,435	9,322
Additions	1,011	139	8	-	1,158
Disposals	-	(579)	(1,936)	(424)	(2,939)
At 31 March 2019	4,969	1,162	399	1,011	7,541
Depreciation					
At 1 April 2018	941	1,201	2,324	1,204	5,670
Charged in year	110	99	1	132	342
Disposals	-	(575)	(1,936)	(412)	(2,923)
At 31 March 2019	1,051	725	389	924	3,089
Net book value					
At 31 March 2019	3,918	437	10	87	4,452
At 31 March 2018	3,017	401	3	231	3,652

14. INVESTMENTS IN SUBSIDIARIES

	2019	2018
	£'000	£'000
Shares in Group undertakings	2,185	2,185

The Association owns issued share capital of the following company incorporated and registered in England:

Company	Type of Share	% Held	Principal Activity
GreenSquare Homes Limited	Ordinary £1	12.5%	Commercial letting
GreenSquare Homes Limited	Preference £1	39.8%	Commercial letting
GreenSquare Construction Ltd	Ordinary £1	100.0%	Housing Construction

No consolidated accounts have been prepared on the basis that the Association is a wholly owned subsidiary of GreenSquare Group Limited, for which consolidated accounts have been prepared.

No recharges in respect of management services were made to non regulated group companies.

15. STOCK AND PROPERTY HELD FOR SALE

	2019	2018
	£'000	£'000
Raw materials and consumables	110	62
Shared ownership properties:		
Properties under construction	541	14
	651	76
Properties developed for outright sale	1,644	2,635
	2,295	2,711

Stocks recognised as an expense in the year were £nil (2018: £2,733k).

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

16. TRADE AND OTHER DEBTORS

	2019 £'000	2018 £'000
Due within one year		
Rent and service charges receivable	2,128	1,857
Less: Provision for bad and doubtful debts	(1,071)	(1,087)
	1,057	770
Other debtors	802	890
Prepayments and accrued income	72	536
Amounts owed from Group undertakings	746	5,047
	2,677	7,243

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Debt (note 21)	7,474	7,474
Trade creditors	375	363
Amount due to group undertakings	6,662	549
Rent and service charges received in advance	846	562
Other creditors	536	579
Recycled capital grant fund (note 19)	573	438
Other taxation and social security	-	157
Past service deficit contributions payable under SHPS	-	386
Accruals and deferred income	2,490	2,280
	18,956	12,788

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 £'000	2018 £'000
Debt (note 21)	165,964	173,180
Deferred capital grant (note 20)	9,715	8,971
Sinking funds for leasehold schemes	280	187
Past service deficit contributions payable under SHPS	-	1,676
	175,959	184,014

Major repairs sinking funds are maintained for several leasehold estates to provide for repairs of a long term nature. Residents contribute through the service charge.

19. RECYCLED CAPITAL GRANT FUND

	2019 £'000	2018 £'000
At 1 April	438	498
Grants recycled (note 7)	132	57
Withdrawals	-	(120)
Interest accrued	3	3
Balance at 31 March	573	438

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

20. DEFERRED CAPITAL GRANT

	2019 £'000	2018 £'000
At 1 April	8,971	8,513
Grant received in year	817	525
Released to income in year	(73)	(67)
At 31 March	9,715	8,971

21. DEBT ANALYSIS

Borrowings	2019 £'000	2018 £'000
Due within one year		
Bank overdraft	-	-
Bank loans	7,474	7,474
	7,474	7,474
Due after more than one year		
Bank loans	166,049	173,272
Less: issue costs	(85)	(92)
	165,964	173,180
Total loans	173,438	180,654

Security
The bank loans are secured by fixed charges on individual properties.

Terms of repayment and interest rates
The bank loans are repayable by instalments, with the final instalments due to be paid in the period to 2042. At year end, 67.3% of debt was fixed with an average interest rate of 4.64%, with the remaining floating debt at an average interest rate of 2.25%, giving an average total rate of 3.86%.

At 31 March 2019, the Association has no undrawn loan facilities (2018: £Nil). Since year end, the association has not redeemed any loans (2018: £Nil).

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	2019 £'000	2018 £'000
Within one year	7,474	7,474
One year or more but less than two years	7,218	7,218
Two years or more but less than five years	21,655	21,655
Five years or more	137,091	144,307
	173,438	180,654

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

22. PENSIONS

The Association employees are members of the Social Housing Pension Scheme (SHPS). The Association previously participated in the Wiltshire County Council Pension Fund (WCCPF). Further information on each scheme is given below.

(a) Wiltshire County Council Pension Fund – Scheme closed by employer

The Association previously participated in the Wiltshire County Council Pension Fund, a multi-employer scheme with more than one participating employer.

The scheme closed on 31st March 2016 and members transferred to the SHPS defined contribution scheme.

The Wiltshire County Council Pension Fund is a defined benefit scheme, part of the local government Superannuation Regulation 1986 (as amended) and the calculations have been made by an independent qualified actuary. Triennial actuarial valuations have been made by a qualified actuary using the projected unit method. The most recent formal actuarial valuation was completed as at 31 March 2016 and rolled forward, allowing for the different financial assumptions required under FRS 102, to 31 March 2019 by a qualified independent actuary.

The income and expenditure charge for pension costs, the accounting policies and the disclosures are given on the basis of FRS102.

Financial Assumptions

The major assumptions used by the actuary in assessing the scheme liabilities on a FRS 102 basis were:

	31 March 2019 % Per Annum	31 March 2018 % Per Annum
Inflation (CPI)	2.5	2.4
Salary increases	2.5	2.4
Pension increases	2.5	2.4
Discount rate	2.4	2.6
RPI Increases	3.5	3.4

Mortality Assumptions

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a., improvements will decline for the over 90's. Based on these assumptions, the average future life expectancies from age 65 are summarised below:

	Males	Females
Current pensioners	22.5 years	24.9 years
Future pensioners	24.1 years	26.7 years

Contributions

The contributions to the Wiltshire County Council Pension Fund by the Company for the year ended 31 March 2018 are shown below.

	2019 **£'000**	**2018** **£'000**
Employer contributions	513	509

At 31 March 2019, no current employees are active members of the scheme (2018:0).The employers contribution rate for 2018/19 was £513,000, the past deficit annual monetary amount and is expected to be £517,000 in 2019/20. The member's contribution rate was nil.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

22. PENSIONS *continued*

Amounts recognised in surplus or deficit:

	2019 £'000	2018 £'000
Current service costs	-	-
Past service cost	-	-
Amounts charged to operating costs	-	-

	2019 £'000	2018 £'000
Interest income on plan assets	492	450
Interest cost on defined benefit obligation	(658)	(654)
Amounts charged to other finance costs	(166)	(204)

Re-measurements recognised in other comprehensive income

	2019 £'000	2018 £'000
Return on Fund assets in excess of interest	1,085	1,073
Changes in financial assumptions	(1,239)	405
	(154)	1,478

Fair value of employer assets

	2019 £'000	2018 £'000
Equities	14,458	13,382
Bonds	2,851	2,868
Property	2,647	2,485
Cash	407	382
Total	20,363	19,117

Net pension liability

	2019 £'000	2018 £'000
Fair value of employer assets	20,363	19,117
Present value of the defined benefit obligation	(26,797)	(25,744)
Net Liability	(6,434)	(6,627)

Reconciliation of opening & closing balances of the present value of the defined benefit obligation

	2019 £'000	2018 £'000
Opening scheme liabilities	25,744	26,816
Interest cost	658	654
Estimated benefits paid	(844)	(1,321)
Re-measurements	1,239	(405)
Closing scheme liabilities	26,797	25,744

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

22. PENSIONS *continued*

Reconciliation of opening & closing balances of the fair value of plan assets

	2019 £'000	2018 £'000
Opening fair value of scheme assets	19,117	18,406
Interest income on plan assets	492	450
Contributions by employers	513	509
Benefits paid	(844)	(1,321)
Return on assets less interest	1,085	1,073
Closing fair value of scheme assets	20,363	19,117

Sensitivity Analysis
The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 March 2019	Approximate Increase to Employer Liability %	Approximate Monetary Amount £'000
0.5% decrease in Real Discount Rate	8%	2,219
1 year increase in member life expectancy	3-5%	-
0.5% increase in the Salary Increase Rate	0%	3
0.5% increase in the Pension Increase Rate	8%	2,203

(b) Social Housing Pension Scheme (SHPS)
The Association participates in SHPS, a multi-employer pension scheme which provides benefits to non-associated participating employers. The scheme is classed as a defined benefit scheme in the UK. The scheme 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 the scheme.

For the year ended 31 March 2018, the SHPS obligation was being accounted for as a defined contribution as there was not sufficient information available to identify each employer's share of assets and liabilities in the scheme. Therefore, for 31 March 2018, the contributions payable from the association to the SHPS under the terms of its funding agreement for past deficits was recognised as a liability within other creditors in the association's financial statements. The net present value of £2,062k was recognised within creditors for this contractual obligation for the year ended 31 March 2018.

For the year ended 31 March 2019, it is now possible to obtain sufficient information to enable the Association to account for the SHPS obligation on a defined benefit basis. The most recent formal scheme actuarial valuation was completed as at 30 September 2017 and rolled forward, allowing for the different financial assumptions required under FRS102, to 31 March 2019 by a qualified independent actuary. This valuation revealed a total scheme deficit of £1,522m. A Scheme Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

Under the defined benefit pension accounting approach, the SHPS net deficit as at 1 April 2018 was £3,908k and as at 31 March 2019, £4,911k.

The proposals set out in FRS102 requires the difference on transition from defined contribution accounting to defined benefit accounting to be presented separately in other comprehensive income. The change on transition has resulted in a remeasurement difference of £1,846k, which has been recognised at the relevant date of application, 1 April 2018, in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

22. PENSIONS *continued*

	2019 £'000
Past service deficit liability as at 1 April 2018 de-recognised	2,062
Net pension scheme deficit under defined benefit accounting as at 1 April 2018	(3,908)
Loss recognised in other comprehensive income on initial recognition as at 1 April 2018	**(1,846)**

Financial Assumptions

The major assumptions used by the actuary in assessing the scheme liabilities on a FRS 102 basis were:

Group and Association	31 March 2019 % Per Annum	31 March 2018 % Per Annum
Inflation (CPI)	2.5	2.14
Salary increases	2.5	3.14
Pension increases	2.5	2.14
Discount rate	2.4	2.60
RPI Increases	3.5	3.14

Mortality

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a., improvements will decline for the over 90's. Based on these assumptions, the average future life expectancies from age 65 are summarised below:

	Males	Females
Current pensioners	21.8 years	23.5 years
Future pensioners	23.2 years	24.7 years

Contributions

The contributions to SHPS for the year ended 31 March 2019 are shown below.

	£'000
Employer contributions	386

At 31 March 2019, no current employees are active members of the scheme (2018: nil). The employers contribution rate for 2018/19 was £386,000, the past deficit annual monetary amount and is expected to be £406,000 for 2019/20. The member's contribution rate was nil.

Amounts recognised in surplus or deficit:

	£'000
Current service costs	-
Past service cost	-
Amounts charged to operating costs	-

	£'000
Interest income on plan assets	308
Interest cost on defined benefit obligation	(419)
Amounts charged to other finance costs	(111)

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

22. PENSIONS *continued*

Re-measurements recognised in other comprehensive income

	£'000
Other actuarial gains on assets	447
Changes in financial assumptions	(1,679)
Changes in demographic assumptions	(46)
	(1,278)

Fair value of employer assets

	£'000
Equities	2,077
Bonds	576
Property	1,107
Cash	24
Other	8,561
Total	12,345

Net pension liability

	£'000
Fair value of employer assets	12,345
Present value of the defined benefit obligation	(17,256)
Net Liability	(4,911)

Reconciliation of opening & closing balances of the present value of the defined benefit obligation

	£'000
Opening scheme liabilities as at 1 April 2018	(15,783)
Interest cost	(419)
Estimated benefits paid	435
Re-measurements	(1,489)
Closing scheme liabilities as at 31 March 2019	(17,256)

Reconciliation of opening & closing balances of the fair value of plan assets

	£'000
Opening fair value of scheme assets as at 1 April 2018	11,875
Interest income on plan assets	308
Contributions by employers	386
Benefits paid	(435)
Return on assets less interest	211
Closing fair value of scheme assets as at 31 March 2019	12,345

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

22. PENSIONS *continued*

Deficit contributions schedule
The following schedule details the deficit contributions agreed between the scheme at each year end period:

Year ending	2019 £'000	2018 £'000	2017 £'000
Year 1	406	386	371
Year 2	414	402	386
Year 3	422	334	402
Year 4	430	261	334
Year 5	439	271	261
Year 6	448	213	271
Year 7	457	150	213
Year 8	233	155	150
Year 9	-	80	155
Year 10	-	-	80

23. PROVISIONS FOR LIABILITIES – OTHER PROVISIONS

	Dilapidations £'000	Leave Pay £'000	Total £'000
At 1 April 2018	198	76	274
Additions	-	19	19
Released in the year	(100)	(1)	(101)
At 31 March 2019	98	94	192

The leave pay provision represents holiday balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the salary cost payable for the period of absence.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

24. NON EQUITY SHARE CAPITAL

	2019 £	2018 £
Shares of £1 each issued and fully paid		
At 1 April	49	46
Shares issued/(redeemed) during the year	(2)	3
At 31 March	47	49

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends or distributions on a winding up.

25. CAPITAL COMMITMENTS

Capital expenditure commitments are as follows:	2019 £'000	2018 £'000
Expenditure contracted for but not provided in the accounts	950	5,255
Expenditure authorised by the Board, but not contracted	7,135	2,927
	8,085	8,182

The above commitments will be financed primarily through property sales and internal cash balances.

26. CASH FLOW FROM OPERATING ACTIVITIES

	2019 £'000	2018 £'000
Surplus for the year	863	8,743
Adjustments for non-cash items:		
Depreciation and impairment of tangible fixed assets	5,438	5,823
Amortisation of government grants	(73)	(124)
Decrease in stock	416	2,073
Decrease/(increase) in debtors	4,566	(4,833)
Increase/(decrease) in creditors	6,606	(787)
(Decrease)/increase in provisions	(82)	198
Pension costs less contributions payable	(622)	(618)
Carrying amount of property disposals	1,498	6,312
Adjustments for investing and financing activities:		
Proceeds from the sale of property (net of Council clawback)	(2,618)	(9,885)
Interest payable	6,839	6,974
Interest receivable	(107)	(135)
Net cash generated from operating activities	22,724	13,741

27. ANALYSIS OF NET DEBT

	1 April 2018 £'000	Cash flow £'000	Non-cash changes £'000	31 March 2019 £'000
Cash and cash equivalents				
Cash at bank and in hand	26,144	3,105	-	29,249
	26,144	3,105	-	29,249
Borrowings				
Debt due within one year	(7,474)	-	-	(7,474)
Debt due after one year	(173,180)	7,219	(3)	(165,964)
	(180,654)	7,219	(3)	(173,438)
Total	(154,510)	10,324	(3)	(144,189)

NOTES TO THE FINANCIAL STATEMENTS
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28. RELATED PARTIES

Transactions/balances with GreenSquare Homes Limited
Westlea Housing Association Ltd (Westlea) owns 12.5% of the ordinary share capital of GreenSquare Homes Limited (GS Homes).

During the year Westlea purchased goods and services from GS Homes with a value of £3,831,227 (2018: £2,490,616) and sold goods and services with a value of £0 (2018: £1,729,340). At 31 March 2019 there were sums outstanding from GS Homes of £119,672 (2018: outstanding to £497,334) and these amounts are disclosed in notes 16 and 17 as appropriate.

The Association has taken advantage of the exemptions conferred by FRS102 in not disclosing transactions with wholly owned members of the GreenSquare Group.

29. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is GreenSquare Group Limited which is registered in England and Wales as an Co-operative and Community Benefit Society and a registered housing provider.

Copies of its Group accounts are available from the registered offices of GreenSquare Group Limited.

30. FINANCIAL ASSETS AND LIABILITIES

The board policy on financial instruments is explained in the Board Report as are references to financial risks

Categories of financial assets and financial liabilities

	2019 £'000	2018 £'000
Financial assets		
Financial assets that are equity instruments measured at cost less impairment	2,185	2,185
Financial assets that are debt instruments measured at amortised cost	31,854	32,851

	2019 £'000	2018 £'000
Financial liabilities		
Financial liabilities measured at amortised cost	194,039	196,083

Financial assets that are equity instruments measured at cost less impairment consist of investment in subsidiaries.

Financial assets that are debt instruments measured at amortised cost consist of cash at bank, rent and service charges receivable, other debtors and amounts owed from Group undertakings.

Financial liabilities measured at amortised cost consist of loans, trade creditors, amounts due to Group undertakings, other creditors, recycled capital grant fund, accruals, sinking funds, deferred capital grant and other provisions.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

30. FINANCIAL ASSETS AND LIABILITIES *continued*

Financial liabilities excluding trade creditors – interest rate risk profile
The Association's financial liabilities are sterling denominated. The interest rate profile at 31 March was:

	2019 £'000	2018 £'000
Fixed rate	116,838	135,335
Variable rate	56,689	45,411

The fixed rate financial liabilities have a weighted average interest rate of 4.6% (2018: 4.2%) and the weighted average period for which it is fixed is 7.0 years (2018: 7.1 years).

The variable rate financial liabilities have a weighted average interest rate of 2.3% (2018: 2.5%).

The debt maturity profile is shown in note 21.

31. CONTINGENT LIABILITIES

The Association receives grant from Homes England to fund the acquisition and development of housing properties and their components. The Association has a future obligation to recycle such grant once the properties are disposed of. At 31 March 2019, the value of grant received and credited to reserves in respect of properties that had been disposed of was £79,124k (2018: £79,051k). As the timing of any future disposal is uncertain, no provision has been recognised in these financial statements.

GreenSquare

Westlea Housing Association Limited (trading as GreenSquare)
A registered society with exempt charitable status no. 28095R

Registered office: Methuen Park, Chippenham SN14 0GU
greensquaregroup.com