

# Annual Report and Financial Statements

For the year ended 31 March 2019



GreenSquare Community Housing 2018/19



## **REPORT AND FINANCIAL STATEMENTS**

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**BOARD MEMBERS, DIRECTORS AND ADVISORS**

**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](http://www.greensquaregroup.com)

**Registered numbers:**  
Co-operative and Community Benefit Society No. 31476R

Regulator for Social Housing No. 4732

**Auditor** BDO LLP  
55 Baker Street  
London  
W1U 7EU

**Principal solicitors** Anthony Collins LLP  
134 Edmund Street  
Birmingham  
B3 2ES

## REPORT OF THE BOARD

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

### Principal activities

GreenSquare Community Housing is a public benefit entity administered by a Board and involved in the provision and management of affordable rented accommodation. The Association operates in Wiltshire and Oxfordshire 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 period and future plans are set out in the Strategic report that follows this Board report.

### Housing property assets

The Association transitioned from previously extant UK GAAP to FRS 102 in the year ended 31 March 2015. The key change was the adoption by the Association of deemed cost transitional relief and to account for its housing property assets at deemed cost. There has been no further material changes this financial year.

### Capital structure and treasury

A primary purpose of the Association is as an investment subsidiary for the GreenSquare Group. The creation of the Association allowed the Group to access alternative means of funding and investment to more traditional banking and loan arrangements. Four lease and leaseback agreements were successfully completed in 2013 and 2014 which raised additional funding of £51.9m for the Group and enabled the acquisition of over 500 general needs properties primarily for families who are unable to rent or buy at open market rates.

This form of funding was advantageous to the Group as we are able to raise more funding per property and without exposure to restrictive covenants. A consequence of these arrangements is that the Association will suffer initial losses on the effective interest paid by the Association on loans benefiting the Group. These losses will unwind over the term of the agreement.

### 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.

### Board members and executive directors

Those Board members who served during the period are set out on page 1.

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

## **REPORT OF THE BOARD continued**

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 executive directors against liability when acting for the Association.

### **The Board**

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

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.

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 Association does not directly employ any staff. The parent company makes management charges for the Association's use of its staff time.

### **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.

## **REPORT OF THE BOARD continued**

### **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.

### **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.

### **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.

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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) for 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 Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. 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.

## **REPORT OF THE BOARD continued**

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.

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.

## **REPORT OF THE BOARD continued**

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 with its parent company, GreenSquare Group Limited, supported by a group membership agreement and delegated authorities for Group Audit & Risk 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 & 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 the Board and senior management/appropriate committee of key business objectives, targets and outcomes;
- Board approved whistle-blowing and anti-theft and corruption policies;
- detailed policies and procedures in each area of the Association's work;
- regular monitoring of loan covenants and requirements for new loan facilities.

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

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

The means by which the Group Audit & 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 & 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 & 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 lease and leaseback funding arrangements, detailed in note 14, are structured in a way so that the leased properties aim to generate a positive cash flow after the payment of the rental charge on the lease. This is reflected in the cash flow from operating activities and after deduction of the financing activities in the Statement of Cash Flows. There is a timing difference between the recognition of the interest charge on the lease and leaseback loan in the Statement of Comprehensive Income and the actual rental payment which results in a reported deficit for the year. This is expected to reverse during the term of the loan.

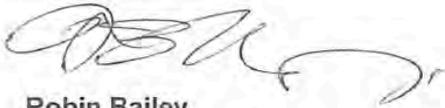
**REPORT OF THE BOARD continued**

The directors have confirmed continued support from the parent company and 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 - HIGHLIGHTS SUMMARY**

<b>For the year ended 31 March</b>	<b>FRS102 2019 £'000</b>	<b>FRS102 2018 £'000</b>	<b>FRS102 2017 £'000</b>	<b>FRS102 2016 £'000</b>	<b>FRS102 2015 £'000</b>
<b>Statement of Comprehensive Income</b>					
Total turnover	3,665	3,267	3,817	3,941	3,259
Income from lettings	3,665	3,265	3,318	3,317	3,257
Operating surplus	2,008	1,851	2,241	1,936	1,530
Deficit for the year transferred to reserves	(1,167)	(1,287)	(823)	(1,004)	(1,441)
<b>Statement of Financial Position</b>					
Housing properties	52,292	52,386	52,902	52,144	52,101
Net current assets	2,287	2,404	2,229	1,822	2,051
Loans (due over one year)	57,160	56,189	55,198	53,135	52,242
Capital Grant	5,332	5,347	5,392	5,467	5,542
Reserves: Revenue	(7,913)	(6,746)	(5,459)	(4,636)	(3,632)
<b>Accommodation figures</b>					
Total Housing stock owned at year end	547	545	547	539	530
<b>Statistics</b>					
Rent losses – general needs ( <i>voids as % of net rent and service charges receivable</i> )	0.6%	0.3%	0.4%	0.6%	0.1%
Rent arrears – general needs ( <i>gross arrears as % of net rent and service charges receivable</i> )	3.0%	5.6%	7.0%	6.9%	5.1%
Liquidity ( <i>current assets divided by current liabilities</i> )	19.44	13.02	15.11	24.97	2.86

## STRATEGIC REPORT

### Principal activities

GreenSquare Community Housing is a charitable, public benefit entity providing affordable housing across Oxfordshire and Wiltshire.

The Association was originally funded in 2013 entering into lease and leaseback agreements whereby the Association initially purchased 530 properties, and in simultaneous agreements granted a long term leasehold of 125 years over the majority of properties to a third party, leasing them back from the same party for a period of 20 or 48 years. At the end of the 20 or 48 years the Association has the option to repurchase the long term leasehold interest for a consideration of £1.

This funding is repaid to the leaseholder by way of an annual leasehold rental payment reviewed annually in line with RPI.

The Association retains the freehold of all 547 properties which are let for 'general needs' housing; primarily by families who are unable to rent or buy at open market rates.

The properties are managed by related Group companies on a day to day basis for which the Association pays a management fee.

### 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 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*

<b>Simply Brilliant Service</b>	<b>Simply Brilliant Homes</b>	<b>Simply Brilliant Value</b>	<b>Simply Brilliant People</b>
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.

## 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.

### Our priorities 2018/19

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.

## **STRATEGIC REPORT** *continued*

### **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 deficit of £1.2m (2018 £1.3m), which is stated after payments on finance leases of £3.2m (2018: £3.1m).

The Association had total assets of £54.7m (2018: £55.0m) which includes housing assets of £52.3m (2018 £52.4m) and cash reserves of £1.9m (2018: £2.5m).

#### **Asset management**

Asset management is undertaken on the Association's behalf by related Group organisations.

#### **Customer service**

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

##### *General needs rent losses from voids*

General needs void rent losses are 0.25% better than target.

##### *General needs current rent arrears*

General needs current rent arrears 3.0%, is above our target of 2.80%

### **Management of properties**

Properties are managed on behalf of the Association by GreenSquare Group Limited and Westlea Housing Association. Details of repairs response times and performance against KPIs can be found in their financial statements.

### **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 summarised on pages 18 and 19. The following paragraphs highlight key features of the Association's financial position at 31 March 2019:

## **STRATEGIC REPORT** *continued*

### **Accounting policies**

The Association transitioned from previously extant UK GAAP to FRS 102 as at 1 April 2014.

The Association's principal accounting policies are set out on pages 21 to 24 of the financial statements. The policies that are most critical to the financial results relate to accounting for finance leases and housing properties and include the calculation of finance lease internal rate of return and housing property depreciation.

### **Housing properties**

At 31 March 2019 the Association owned 547 housing properties. The properties were carried in the balance sheet at £52.3m.

The Association was originally funded by two lease and leaseback agreements with AVIVA and Rentplus whereby the Association purchased 530 and 6 properties respectively.

### **Capital structure and treasury policy**

We adopt a conservative approach to treasury management. No standalone derivatives are used and the Group Board seeks independent advice from external consultants along with quarterly reports from officers on treasury and investment performance.

Finance costs are allocated to periods at a constant rate based on the carrying amount.

### **Cash flows**

The Association has achieved a net cash decrease during the year of £0.7m (2018: increase £0.4m) and the cash inflows and outflows are shown in the cash flow statement (page 20).

At the year end, the Association's current assets included £1.9m (2018: £2.5m) in liquid funds (cash at bank including overnight money market).

### **Future developments**

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.

### **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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREENSQUARE COMMUNITY HOUSING ASSOCIATION**

### **Opinion**

We have audited the financial statements of GreenSquare Community Housing ("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 deficit 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.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREEN SQUARE COMMUNITY HOUSING ASSOCIATION (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](http://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: 24<sup>th</sup> 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**

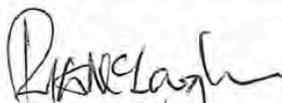
	Note	2019 £'000	2018 £'000
Turnover	3a	3,665	3,267
Operating expenditure	3a	(1,728)	(1,407)
Gain/(loss) on disposal of housing properties	6	71	(9)
<b>Operating surplus</b>	3a,5	2,008	1,851
Interest receivable		7	2
Interest payable and financing costs	7	(3,182)	(3,140)
<b>Deficit for the year and total comprehensive income for the year</b>		<b>(1,167)</b>	<b>(1,287)</b>

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

The Association's results relate wholly to continuing activities.



Robin Bailey  
Chair



P McLaughlin  
Board Member



Mandy Arnold  
Company Secretary

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

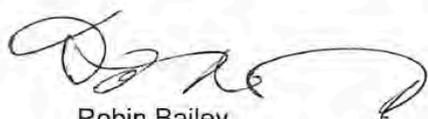
	Income and Expenditure Reserve £'000	Total £'000
Balance as at 31 March 2017	(5,459)	(5,459)
Deficit and total comprehensive income for the year	(1,287)	(1,287)
<b>Balance as at 31 March 2018</b>	<b>(6,746)</b>	<b>(6,746)</b>
Deficit and total comprehensive income for the year	(1,167)	(1,167)
<b>Balance as at 31 March 2019</b>	<b>(7,913)</b>	<b>(7,913)</b>

The accompanying notes on pages 21 to 32 form part of these Financial Statements.

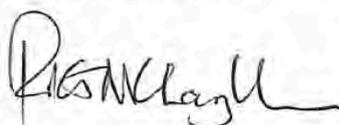
**STATEMENT OF FINANCIAL POSITION**  
**at 31 March 2019**

	Note	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Tangible fixed assets	10	52,292	52,386
		<u>52,292</u>	<u>52,386</u>
<b>Current assets</b>			
Trade and other debtors	11	551	56
Cash and cash equivalents		1,860	2,548
		<u>2,411</u>	<u>2,604</u>
<b>Creditors: amounts falling due within one year</b>	12	(124)	(200)
		<u>2,287</u>	<u>2,404</u>
<b>Total assets less current liabilities</b>		54,579	54,790
<b>Creditors: amounts falling due after more than one year</b>	13	(62,492)	(61,536)
<b>Total net assets</b>		<u>(7,913)</u>	<u>(6,746)</u>
<b>Reserves</b>			
Income and expenditure reserves		(7,913)	(6,746)
<b>Total Reserves</b>		<u>(7,913)</u>	<u>(6,746)</u>

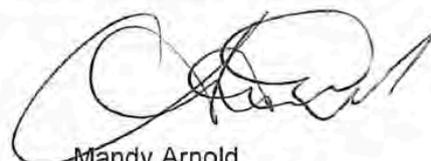
The financial statements were approved by the Board on 16 July 2019 and signed on its behalf by:



Robin Bailey  
Chair



P McLaughlin  
Board Member



Mandy Arnold  
Company Secretary

The accompanying notes on pages 21 to 32 form part of these financial statements.

**STATEMENT OF CASH FLOWS**  
**for the year ended 31 March 2019**

	Note	2019 £'000	2018 £'000
<b>Net cash generated from operating activities</b>	18	1,705	2,739
<b>Cash flow from investing activities</b>			
Purchase of tangible fixed assets		(336)	(251)
Receipts from sale of fixed assets		146	49
Interest received		7	2
		<u>(183)</u>	<u>(200)</u>
<b>Cash flow from financing activities</b>			
Interest paid		(2,210)	(2,149)
		<u>(2,210)</u>	<u>(2,149)</u>
<b>Net change in cash and cash equivalents</b>	19	(688)	390
<b>Cash and cash equivalents at the beginning of the year</b>		<u>2,548</u>	<u>2,158</u>
<b>Cash and cash equivalents at the end of the year</b>		<u><u>1,860</u></u>	<u><u>2,548</u></u>

The accompanying notes on pages 21 to 32 form part of these financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2019**

### **1. LEGAL STATUS**

The Association is registered under the Cooperative and Community Benefit Society Act 2014 and is a registered provider of social housing 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 £71,000; 2018: loss of £9,000) 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**

Based upon its review of the Association's budget for 2019/20 and of its Business Plan for the next three years, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on the going concern basis.

#### **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 2013.

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
- 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.

## **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2019**

### **2. ACCOUNTING POLICIES (continued)**

#### **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.

#### **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 changes to decent homes standards which may require more frequent replacement of key components. Accumulated depreciation at 31 March 2019 was £3.6m.

#### **Turnover**

Turnover comprises rental income receivable in the year. Rental income is recognised as the gross of rentals offered, and voids are deducted as an expense.

#### **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. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met.

#### **Interest payable**

Interest, including issue costs, is allocated at a constant rate on the carrying amount over the period of the instrument.

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

#### **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.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the Statement of Financial Position date. Deferred tax assets and liabilities are not discounted.

#### **Value added tax**

The Association is able to charge 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.

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 March 2019****2. ACCOUNTING POLICIES (continued)****Housing properties**

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally available for rent and are stated at cost less accumulated depreciation and any accumulated 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.

**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
Guttering	30 years

Freehold land is not depreciated.

**Impairment**

Annually housing properties are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount, this is likely to be the value in use of the asset based on its service potential. The resulting impairment loss is recognised as expenditure in income and expenditure. Where an asset 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.

**Government and other grants**

Social housing grant (SHG) is receivable from Homes England (formerly the Homes and Communities Agency or HCA) and is recognised in income over the expected useful life of the housing property structure under the accruals model. SHG due from Homes England or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

Social housing grant released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 March 2019**

**2. ACCOUNTING POLICIES (continued)**

**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 historical 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.

The Association classifies certain lease and leaseback leases as basic financial instruments whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the group.

Assets held as basic financial instruments are recognised initially at the fair value of the associated asset (or, if lower, the present value of minimum future payments) at the inception of the arrangement. The corresponding liability to the lessor is included in the statement of financial position as a loan obligation. Payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under basic financial instruments are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

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.

**Leased assets**

Where the Group enters into a lease or leaseback which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. Assets held under finance leases are included in the balance sheet and depreciated in accordance with the Group's normal accounting policies. The present value of future rentals is shown as a loan liability. The interest element of rental obligations is charged to the income and expenditure account over the period of the lease in proportion to the balance of capital repayments outstanding.

Other leases are classified as operating leases.

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.

**Reserves**

The Association establishes restricted reserves for specific purposes where their use is subject to external restrictions.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2019

**3a. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS**

		2019			2018		
	Note	Turnover £'000	Operating costs £'000	Operating surplus £'000	Turnover £'000	Operating costs £'000	Operating Surplus/ (Deficit) £'000
<b>Social Housing Lettings</b>	3b	3,665	(1,728)	1,937	3,265	(1,393)	1,872
<b>Other social housing activities</b>							
Other costs		-	-	-	2	(14)	(12)
Gain/(Loss) on Disposal of housing properties		-	-	71	-	-	(9)
		<u>3,665</u>	<u>(1,728)</u>	<u>2,008</u>	<u>3,267</u>	<u>(1,407)</u>	<u>1,851</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2019

**3b. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS**

	General Needs Housing	Supported Housing and Housing for Older People	Low Cost Home Ownership	2019 Total	2018 Total
	£'000	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	3,075	12	2	3,089	3,182
Service charges receivable	39	4	-	43	38
Other Income	34	1	-	35	-
Amortisation of social housing grant	44	-	1	45	45
Receipt of donated housing properties	453	-	-	453	-
<b>Turnover from social housing lettings</b>	3,645	17	3	3,665	3,265
<b>Expenditure on social housing lettings</b>					
Services	60	2	-	62	31
Management	136	1	1	138	165
Routine maintenance	528	20	-	548	357
Planned and major repairs expenditure	89	4	-	93	110
Bad debts	44	-	-	44	21
Depreciation of housing properties	827	7	9	843	709
<b>Operating costs on social housing lettings</b>	1,684	34	10	1,728	1,393
<b>Operating surplus on social housing lettings</b>	1,961	(17)	(7)	1,937	1,872
Void losses	18	8	-	26	9

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2019

### 4. UNITS MANAGED BY AGENCIES

The Association owns 547 units (2018: 545) that are managed on its behalf, under management agreements, by other Group bodies. Where the agency carries the financial risk, the Association's income and expenditure account includes only the income and expenditure for which it retains responsibility.

	<b>Number of units 2019</b>	<b>Number of units 2018</b>
Westlea Housing Association	239	239
GreenSquare Group Limited	308	306
	<u>547</u>	<u>545</u>

### 5. OPERATING DEFICIT

	<b>2019 £'000</b>	<b>2018 £'000</b>
This is arrived at after charging:		
Depreciation of housing properties	843	709
Auditor's remuneration (excluding VAT)	8	7
	<u>8</u>	<u>7</u>

### 6. SURPLUS ON DISPOSAL OF FIXED ASSETS

	<b>2019 £'000</b>	<b>2018 £'000</b>
Disposal Proceeds	146	64
Council Clawback	-	-
Carrying Value of Fixed Assets	(75)	(73)
	<u>71</u>	<u>(9)</u>
Capital Recycled Grant (note 16)	-	-
	<u>71</u>	<u>(9)</u>

### 7. INTEREST AND FINANCING COSTS

	<b>2019 £'000</b>	<b>2018 £'000</b>
Finance leases	3,154	3,112
Other charges	28	28
	<u>3,182</u>	<u>3,140</u>

### 8. EMPLOYEES

The Association does not directly employ any staff. The parent company makes management charges for the Association's use of its staff time.

### 9. 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 March 2019**
**10. FIXED ASSETS – HOUSING PROPERTIES**

	Social housing properties held for letting £'000	Social housing properties under construction £'000	Total housing properties £'000
<b>Cost</b>			
At 1 April 2018	55,479	-	55,479
Works to existing properties	370	-	370
Completed properties from other registered providers	455	-	455
Disposals	(408)	-	(408)
At 31 March 2019	<u>55,896</u>	<u>-</u>	<u>55,896</u>
<b>Depreciation and impairment</b>			
At 1 April 2018	3,093	-	3,093
Charged in year	843	-	843
Released on disposal	(332)	-	(332)
At 31 March 2019	<u>3,604</u>	<u>-</u>	<u>3,604</u>
<b>Net book value</b>			
At 31 March 2019	<u>52,292</u>	<u>-</u>	<u>52,292</u>
At 1 April 2018	<u>52,386</u>	<u>-</u>	<u>52,386</u>
<b>Social housing assistance</b>		<b>2019</b>	<b>2018</b>
		<b>£'000</b>	<b>£'000</b>
Total accumulated SHG receivable at 31 March was:			
Recognised in the Statement of Comprehensive Income		45	45
Held as deferred income		5,332	5,347
Subsumed within reserves		2,262	2,217
		<u>7,639</u>	<u>7,609</u>
<b>Expenditure on works to existing properties</b>		<b>2019</b>	<b>2018</b>
		<b>£'000</b>	<b>£'000</b>
Components capitalised		370	251
Amounts charged to income and expenditure account		93	110
		<u>463</u>	<u>361</u>
<b>Housing properties book value net of depreciation comprise:</b>		<b>2019</b>	<b>2018</b>
		<b>£'000</b>	<b>£'000</b>
Freehold land and buildings		<u>52,292</u>	<u>52,386</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the period ended 31 March 2019**
**11. TRADE AND OTHER DEBTORS**

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
<b>Due within one year</b>		
Rent and service charges receivable	276	180
Less: provision for bad and doubtful debts	(209)	(165)
	<u>67</u>	<u>15</u>
Prepayments and accrued income	27	22
Amounts owed from Group undertakings	457	19
	<u>551</u>	<u>56</u>

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Rent and Service charge received in advance	94	64
Amount due to Group undertakings	-	105
Recycled capital grant fund (note 16)	14	14
Other creditors	16	17
	<u>124</u>	<u>200</u>

**13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Loans (note 14)	57,160	56,189
Deferred income – capital grants (note 15)	5,332	5,347
	<u>62,492</u>	<u>61,536</u>

**14. LOANS**

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
<b>Due after more than one year</b>		
Lease and Leaseback	58,508	57,565
Less: issue costs	(1,348)	(1,376)
	<u>57,160</u>	<u>56,189</u>
Total loans	<u>57,160</u>	<u>56,189</u>
Loans are repayable as follows:	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Five years or more	57,160	56,189
	<u>57,160</u>	<u>56,189</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 March 2019**
**14. LOANS (continued)**
**Basic financial instrument as lessee**

Housing assets are held under finance lease arrangements. As of 31 March 2019, the net carrying amount of the facility is £57.2m. Leases are stated net of issue costs which are amortised on a straight line basis over the term of the agreement.

Lease liabilities are secured by the related assets held under basic financial instruments. Minimum future lease financing payments at the end of each reporting period under review were as follows:

**Obligations under leases**

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Due within one year	3,213	3,170
Due between two and five years	13,345	13,187
Due after more than five years	113,799	117,625
	<u>130,357</u>	<u>133,982</u>

**15. DEFERRED CAPITAL GRANT**

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
At 1 April	5,347	5,392
Grant received in the year	30	-
Released to income in the year	(45)	(45)
At 31 March	<u>5,332</u>	<u>5,347</u>

**16. RECYCLED CAPITAL GRANT FUND**

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
At 1 April	14	-
Grants recycled	-	14
At 31 March	<u>14</u>	<u>14</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 March 2019**
**17. NON EQUITY SHARE CAPITAL**

Shares of £1 each issued and fully paid	<b>2019</b> £	<b>2018</b> £'000
At 1 April 2018	9	9
Shares issued/(redeemed) during the year	<u>2</u>	<u>-</u>
At 31 March 2019	<u>11</u>	<u>9</u>

**18. CASH FLOW FROM OPERATING ACTIVITIES**

	<b>2019</b> £'000	<b>2018</b> £'000
Deficit for the year	(1,167)	(1,287)
Adjustments for non-cash items:		
Depreciation of tangible assets	843	709
Amortisation of social housing grant	(45)	(45)
Receipt of donated housing properties	(455)	-
(Increase)/decrease in debtors	(495)	173
(Decrease)/increase in creditors	(76)	42
Carrying amount of property disposals	71	58
	<u>(1,324)</u>	<u>(350)</u>
Adjustments for investing or financial activities:		
Proceeds from sale of tangible assets	(146)	(49)
Interest payable	3,182	3,140
Interest received	(7)	(2)
<b>Net cash inflow from operating activities</b>	<u>1,705</u>	<u>2,739</u>

**19. ANALYSIS OF NET DEBT**

	<b>1 April</b> <b>2018</b> £'000	<b>Cash flow</b> £'000	<b>Non-cash</b> <b>changes</b> £'000	<b>31 March</b> <b>2019</b> £'000
<b>Cash and cash equivalents</b>				
Cash at bank and in hand	2,548	(688)	-	1,860
	<u>2,548</u>	<u>(688)</u>	<u>-</u>	<u>1,860</u>
<b>Borrowings</b>				
Debt due after one year	(56,189)	-	(971)	(57,160)
	<u>(56,189)</u>	<u>-</u>	<u>(971)</u>	<u>(57,160)</u>
<b>Total</b>	<u>(53,641)</u>	<u>(688)</u>	<u>(971)</u>	<u>(55,300)</u>

**20. RELATED PARTIES**

The Association has taken advantage of the exemptions conferred by FRS 102 in not disclosing transactions with wholly owned members of the GreenSquare Group.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2019

### 21. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is GreenSquare Group Limited which is registered in England and Wales as a 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 and from its website.

### 22. 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
<u>Financial assets</u>		
Financial assets that are equity instruments measured at cost less impairment	<u>2,384</u>	<u>2,582</u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortised cost	<u>57,190</u>	<u>61,672</u>

Financial assets that are equity instruments measured at cost less impairment consist of cash at bank, rent and service charges receivable and amounts owed from Group undertakings.

Financial liabilities measured at amortised cost consist of loans, other creditors and recycled capital grant fund.

#### 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	-	-
Variable rate	<u>58,508</u>	<u>57,565</u>

The variable rate financial liabilities have a weighted average interest rate of 5.4% (2018: 5.5%) and the approximate weighted average period for which it is fixed is 40 years (2018: 41 years) for AVIVA loans and 16 years (2018: 17 years) for Rentplus lease.

The debt maturity profile is shown in note 14.

#### Borrowing facilities

At 31 March 2019, the Association had undrawn loan facilities of £Nil (2018: £Nil). Since the year end, the Association has not redeemed any loans (2018: £Nil).

### 23. 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 not been disposed of was £2,307k (2018: £2,262k). As the timing of any future disposal is uncertain, no provision has been recognised in these financial statements.



GreenSquare Community Housing  
A registered society with exempt charitable status no. 31476R

Registered office: Methuen Park, Chippenham SN14 0GU  
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